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# Fondul Proprietatea SA

Annual Sole Director's Report  
for the Financial Year Ended  
31 December 2023



*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](http://www.fondulproprietatea.ro).

[fondulproprietatea.ro](http://fondulproprietatea.ro)

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# List of Abbreviations

<b>Accounting Directive</b>	Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, with subsequent amendments
<b>AIF</b>	Alternative Investment Fund
<b>AIF Law</b>	Romanian Law no. 243/2019 on the regulation of alternative investment funds and amending and supplementing certain normative acts
<b>AIF Regulation</b>	Regulation no. 7/2020 on the authorisation and functioning of alternative investment funds, issued by the Financial Supervisory Authority
<b>AIFM</b>	Alternative Investment Fund Manager
<b>AIFM Directive</b>	Directive 2011/61/EU on Alternative Investment Fund Managers
<b>ATS</b>	Alternative Trading System
<b>AVC</b>	Audit and Valuation Committee
<b>BB</b>	Buyback programme
<b>BoN</b>	Board of Nominees of Fondul Proprietatea SA
<b>BVB</b>	Bucharest Stock Exchange
<b>CAEN</b>	Classification of Economic Activities in Romania
<b>CE Oltenia</b>	Complexul Energetic Oltenia SA
<b>CIIF</b>	Certification of Registration of Financial Instruments
<b>CSRD</b>	Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting
<b>DCM</b>	Discount Control Mechanism
<b>Depository Bank/ Depository</b>	BRD – Groupe Societe Generale SA
<b>Depozitarul Central SA</b>	Romanian Central Depository
<b>EGM</b>	Extraordinary General Shareholders Meeting
<b>ESG</b>	Environmental, Social and Governance
<b>EU</b>	European Union
<b>Fondul Proprietatea/ the Fund/ FP</b>	Fondul Proprietatea SA
<b>FSA</b>	Romanian Financial Supervisory Authority
<b>FT</b>	Franklin Templeton
<b>FTIS/ AIFM/ Sole Director/ Fund Manager</b>	Franklin Templeton International Services S.à r.l.
<b>GDP</b>	Gross Domestic Product
<b>GDR</b>	Global Depository Receipt
<b>GEO</b>	Government Emergency Ordinance
<b>GEO no. 27/2023</b>	GEO no. 27/2023 regarding amendments of some normative acts in the energy field, as well as for the establishment of some exemptions
<b>GO</b>	Government Ordinance
<b>GRI</b>	Global Reporting Initiative
<b>GSM</b>	General Shareholders Meeting
<b>IFRS</b>	International Financial Reporting Standards as endorsed by the European Union
<b>INS</b>	Romanian National Institute of Statistics
<b>IMF</b>	International Monetary Fund

<b>IPO</b>	Initial Public Offering
<b>IPS</b>	Investment Policy Statement
<b>Law no. 24/2017</b>	Law no. 24/2017 on issuers of financial instruments and market operations
<b>Law no. 296/2023</b>	Law no. 296/2023 regarding some fiscal-budgetary measures for ensuring the long-term financial sustainability of Romania
<b>LSE</b>	London Stock Exchange
<b>NAV</b>	Net Asset Value
<b>NBR</b>	National Bank of Romania
<b>Norm no. 39/ 2015</b>	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 the FSA – Financial Investments and Instruments Sector
<b>NRC</b>	Nomination and Remuneration Committee
<b>OCR</b>	Ongoing charge ratio
<b>OGM</b>	Ordinary General Shareholders Meeting
<b>Order no. 85/2024</b>	Ministry of Finance Order no. 85/2024 for the regulation of sustainability reporting issues
<b>Q1/ Q2/ Q3/ Q4</b>	First/ second/ third/ fourth quarter
<b>REGS</b>	Main market (Regular) of Bucharest Stock Exchange
<b>Salrom</b>	Societatea Nationala a Sariei SA
<b>SFDR</b>	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
<b>SOE</b>	State owned entities
<b>Taxonomy Regulation</b>	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088
<b>TER</b>	Total expense ratio
<b>TO</b>	Tender Offer

# Sole Director's Letter to Shareholders

## Dear Shareholders,

2023 proved to be a landmark year for Fondul Proprietatea, with the execution of the historic listing of Hidroelectrica during the month of July and the completion of the ENEL transaction in October. The aforementioned transactions enabled the distribution to shareholders of a record amount of RON 11.3 billion during the year through dividends and share buy-backs.

The RON 9.3 billion listing of Hidroelectrica was the largest Initial Public Offering in Europe in 2023, the largest in Romania and the third largest on a Central Eastern European stock exchange to date. I would like to take this opportunity to thank the large range of stakeholders involved in the process, without none of whom it would have been possible. Specifically, I would like to extend my appreciation to my colleagues at Franklin Templeton and the team at Hidroelectrica for their collaboration and the countless hours dedicated to achieving this record-breaking milestone.

In September, shareholders approved a one-year mandate of Franklin Templeton to continue as Sole Director of Fondul Proprietatea from 1 April 2024 until 31 March 2025. In the same shareholder meeting, the Fondul Proprietatea Board of Nominees was requested to initiate a selection process for a Sole Director and to establish a new strategy for the Fund for subsequent mandates, subject to further shareholder approval.

As evidenced by the abovementioned transactions and ongoing activities in relation to the remaining holdings in the Fund portfolio, our focus throughout the year remained unwavered 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.

## The Fund's performance in 2023

In 2023 the NAV recorded a total negative return of -2.4%, the total return for the local shares was 45%, while the total return for the GDRs was 34.9%. Since the start of the calculation of the Fund's performance<sup>1</sup>, the NAV total return was 375.2%, while the total return for local shares was 989.5%, and 355.2% for the GDRs.

On the BVB, the shares traded throughout the year at a discount<sup>2</sup> to NAV between 15.6% and 39.7%, ending the year at 17.5%. On LSE, the GDRs traded at a discount<sup>2</sup> to NAV between 15.6% and 40.8%, ending the year at 18.6%. The average annual discount for ordinary shares was 22.8%, while for GDRs was 23.4%.

We are pleased to have been able generating positive NAV and share price returns for the Fund's shareholders, and we will continue our efforts to create shareholder value.

<sup>1</sup> Source: BVB, Bloomberg, Sole Director calculations. The Performance Inception date for the NAV is 31 December 2010, for the Share Price is 25 January 2011, and for the GDRs is 29 April 2015.

<sup>2</sup> Discount is calculated according to the IPS, based on the latest published NAV per share available for the day of the calculation except for the period 7-14 September 2023, when discount is calculated based on 31 August 2023 NAV, published on 15 September 2023 (in order to eliminate the mismatch between the NAV and FP BVB market price adjustment).

## Outlook for 2024

According to the IMF<sup>1</sup>, the global economy experiences a gradual recovery from the COVID 19 pandemic and Russia's unprovoked war on Ukraine. Inflation is decreasing faster than the previous estimates, reflecting the improvements of the supply chains and the impact of central banks' monetary policies. At the same time, high interest rates aimed at fighting inflation and tightening fiscal policies are expected impact growth in 2024.

**Global GDP growth**<sup>3</sup> is projected at 3.1% in 2024 and 3.2% in 2025. For Romania, the **real GDP growth**<sup>3</sup> is estimated at 2.2% in 2023 and is expected to increase to 3.8% in 2024.

IMF projections<sup>1</sup> forecast **global inflation** to fall from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025. According to Eurostat<sup>2</sup>, the EU annual inflation rate was 3.4% in December 2023, down from 10.4% in December 2022. For Romania, according with National Statistics Institute<sup>3</sup> the annual **inflation rate** in December 2023 was 6.6%.

According to the monthly BVB report<sup>4</sup> for December 2023, the Romanian **capital market** increased by 40% in 2023, taking into account the BET-TR index, while total liquidity was over RON 38 billion. Also, in 2023 the number of investors in the Romanian capital market reached 168,000, a level that represents an all-time high.

On 11 January 2023, the Board of the National Bank of Romania raised its key **monetary policy rate** by 0.25% to 7.0%, this representing the eighth consecutive rate hike, in line with the trend followed by most central banks across the world.

The potential for further interest rates increases has significantly decreased and we expect inflationary pressure to be more subdued through 2024. With the appropriate combination of fiscal and economic policies, Romania once again has strong prospects to become one of the best performing economies in the European Union.

## Maximising shareholder value in 2024

As we look to generate further value for the Fund's shareholders, we will continue to actively manage the Fund, collaborate closely with the Government with the aim that the state-controlled companies in the Fund's portfolio continue the progress registered in the past years.

Value-enhancing corporate actions, such as share buybacks and cash distributions to shareholders combined with continued promotion of the Fund and of the Romanian capital market, are aimed at allowing the Fund's NAV to be better reflected in the share price.

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

<sup>1</sup> World Economic Outlook, October 2023, January 2024, [www.imf.org](http://www.imf.org)

<sup>2</sup> Eurostat – Euro Indicators Publication no. 10/17 January 2024, [www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat)

<sup>3</sup> National Institute of Statistics, Press Release no. 10/ 12 January 2024, [www.insse.ro](http://www.insse.ro)

<sup>4</sup> BVB – Monthly report – December 2023, [www.bvb.ro](http://www.bvb.ro)

## 2024 Annual General Shareholders Meeting

We would like to take this opportunity to invite shareholders to attend the 2024 Annual General Shareholders Meeting convened for 30 April 2024 at Intercontinental Athenee Palace Bucharest Hotel, Le Diplomate Salon, 1-3 Episcopiei street, 1<sup>st</sup> District, Bucharest, Romania, starting with 11 AM Romania time, where you will have the opportunity to receive the latest updates about the Fund. The agenda of the Annual General Shareholders Meeting and the supporting documentation are published on [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro).

### Proposal for covering of accounting losses

As per the annual audited IFRS financial statements, the Fund recorded an audited net loss of RON 904,097,086 for the financial year ended 31 December 2023.

The Fund's Sole Director proposal, subject to shareholders' approval, is to cover the net accounting loss for the 2023 financial year from various retained earnings elements.

### Proposal for dividend distribution

Although there is no distributable profit as per the annual statutory financial statements for the year ended 31 December 2023, the Sole Director remains committed to ensure cash distributions to the Fund's shareholders.

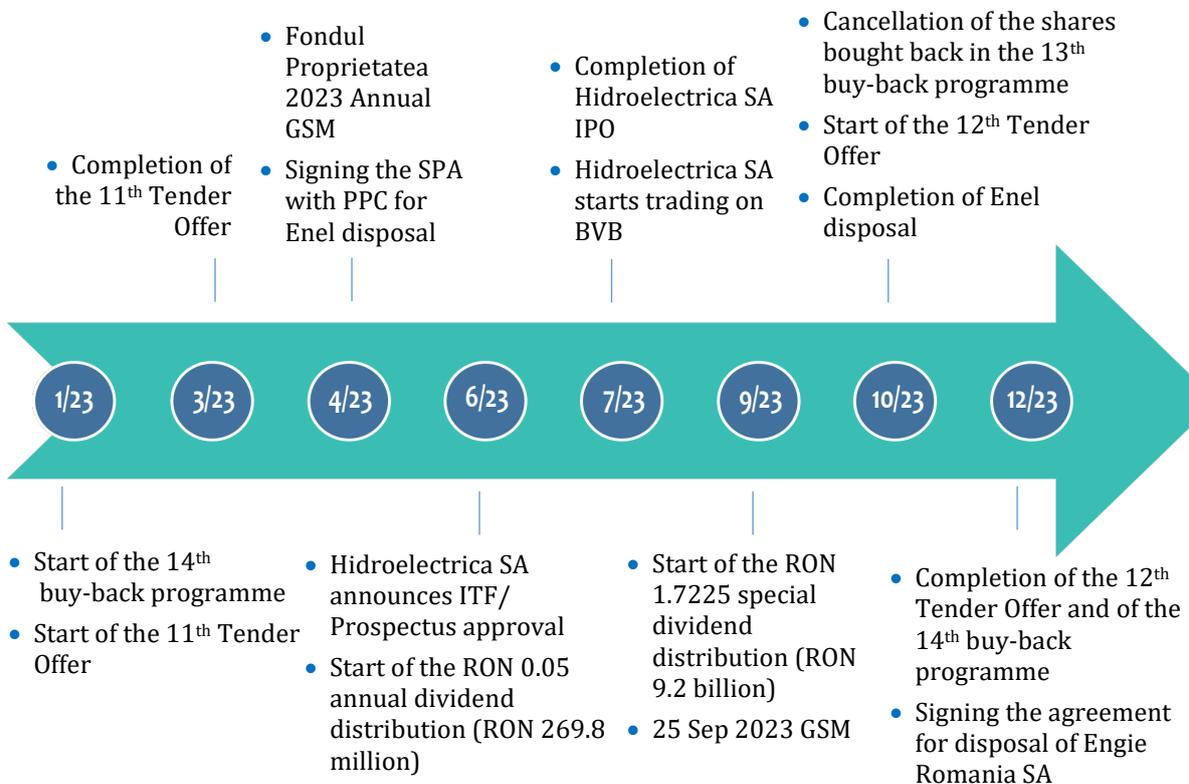
Thus, once the coverage of the accounting losses mentioned above (which legally impede any distribution) is approved by the Fund's shareholders, the Sole Director's proposal, subject to shareholders' approval during the Annual GSM on 30 April 2024, is a gross cash distribution of **RON 0.06 per share** from 2022 unallocated profits.



*Johan Meyer*

CEO of FTIS Bucharest Branch, Portfolio Manager of Fondul Proprietatea SA  
Permanent Representative of FTIS in relation to Fondul Proprietatea SA

# Overview of 2023



- 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 and in person conferences, roadshows and events;
- Completion of the Hidroelectrica SA IPO, in which the Fund sold its entire stake in Hidroelectrica SA and the company was listed on Bucharest Stock Exchange;
- Payment to shareholders in June 2023 of the dividend distribution from 2022 annual profit of RON 0.05 per share (RON 269.8 million) – 96.8% of distribution collected by 31 December 2023;
- Payment to shareholders in September 2023 of the special dividend distribution of RON 1.7225 per share (RON 9.2 billion) from Hidroelectrica SA IPO proceeds – 94.5% of distribution collected by 31 December 2023;
- Disposal of the entire Fund's holding in Enel companies within a transaction completed in October 2023, for a total consideration of RON 650 million;
- Signing of the agreement to sell the Fund's shareholding in Engie Romania SA, subject to shareholders approval during 2024;
- Completion of the 14<sup>th</sup> buy-back programme for 2.1 billion shares (1.89 billion in the form of shares and 219.5 million in the form of GDRs). The total value of the programme excluding transaction costs was RON 1,816.7 million;
- Completion of the 11<sup>th</sup> and 12<sup>th</sup> Tender Offers of 1,895 million shares (1,693.4 million in the form of shares and 201.6 million in the form of GDRs), to accelerate the 14<sup>th</sup> buy-back programme;
- Developments in the litigation started by the Fund against CN Aeroporturi Bucuresti SA for the annulment of the EGM resolution regarding the share capital increase:
  - decision of the first instance court: on 25 May 2023 Ilfov Court rejected the Fund's complaint for annulment of the EGM Resolution no. 15/26.10.2021
  - the Fund's appeal against the Ilfov Court decision was filed on 21 August 2023
  - first hearing of the appeal took place on 14 December 2023
- Main shareholders' approvals during 2023:
  - Decrease of the subscribed and paid-up share capital from RON 3,233,269,110.76 to RON 2,947,779,186.56 pursuant to the cancellation of 549,019,085 own shares acquired during 2022 within the 13<sup>th</sup> buyback programme
  - Distribution of a gross dividend of RON 0.05 per share from the 2022 net accounting profit (Payment Date 6 June 2023)
  - Distribution of a special gross dividend of RON 1.7225 per share from Hidroelectrica SA IPO proceeds (Payment Date 29 September 2023)
  - Renewal of the mandate for two BoN members for a 3-year period following the expiration of their mandates 15 November 2023 and 25 November 2023, respectively
  - Renewal of FTIS mandate as AIFM and Sole Director of FP for a period 1 year (1 April 2024 – 31 March 2025)
  - Empowerment of the BoN to organise a selection procedure for the appointment of a new Sole Director for a mandate not exceeding 4 years from 1 April 2025
  - Coverage of the negative reserves related to 12<sup>th</sup> buy-back programme
  - Decrease of the legal reserve in line with the share capital decrease
  - Various changes to the Constitutive Act of the Fund

## Management

Franklin Templeton has been the Sole Director of the Fund starting 29 September 2010, with successive mandates of two or four years. 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 2022 – 31 March 2024. The portfolio management and the administrative activities are performed by FTIS via its Bucharest Branch.

During 25 September 2023 GSM the shareholders approved the renewal of FTIS mandate as Sole Director and AIFM of the Fund for a duration of 1 year (1 April 2024 - 31 March 2025). During the same GSM the shareholders also approved that the BoN should launch a transparent and competitive selection procedure for the appointment of a new Sole Director starting 1 April 2025.

The draft management agreement for the period 1 April 2024 – 31 March 2025, under substantially same terms as the Management Agreement currently in force and in line with the current IPS of the Fund was included on the agenda of 26 March 2024 GSM.

On 22 February 2024 the shareholder Ministry of Finance submitted a request to supplement the 26 March 2024 GSM agenda with new points, proposing a base fee rate of 1.35% instead of 2.00% and an updated strategy of the Fund for the period 1 April 2024 - 31 March 2025, so that it includes the preservation of the current portfolio. On 29 February 2024 the Fund submitted a letter to the Ministry of Finance, requesting clarifications in respect of the points added on 26 March 2024 GSM. For more details, please see *Subsequent events* section.

## Capital markets

In 2023, BVB registered an average performance in both local and EUR terms compared to the largest markets in Central Europe, as shown in the table below:

% change in 2023	in local currency	in EUR
BUX (Hungary)	38.42%	44.24%
WIG20 (Poland)	30.75%	40.81%
<b>BET-XT (Romania)</b>	<b>29.96%</b>	<b>29.23%</b>
PX (Czech Republic)	17.67%	14.96%
ATX (Austria)	9.87%	9.87%

Source: Bloomberg

## Trading on the Bucharest Stock Exchange

- 3.64 billion shares were traded on BVB in 2023, equivalent to 64.2% of the Fund's paid shares as at 31 December 2023;
- In 2023, the value of trading in the Fund shares was RON 3.19 billion / USD 709.1 million<sup>1</sup> / EUR 640.8 million<sup>1</sup>. The total trading value since the listing reached RON 33.8 billion / USD 7.5 billion<sup>1</sup> / EUR 6.8 billion<sup>1</sup>;
- The average daily trading volume in 2023 was 14.7 million shares.

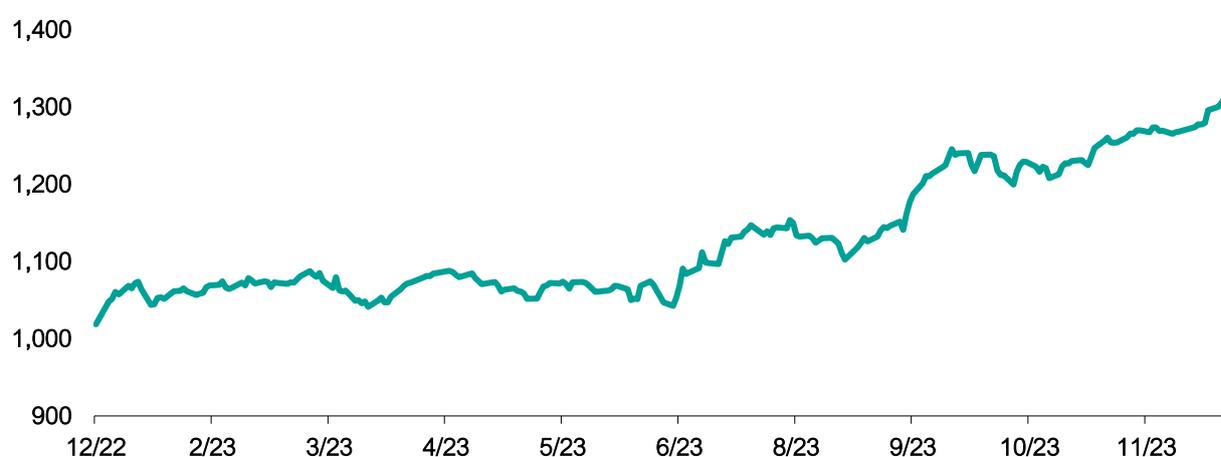
<sup>1</sup> based on NBR exchange rates as at 31 December 2023

## Trading on the London Stock Exchange

- In 2023, 7.4 million GDRs were traded on LSE, for a total value of USD 122.2 million<sup>1</sup>/ EUR 110.4 million<sup>1</sup>/ RON 549.3 million;
- Since the listing on the LSE on 29 April 2015, the total trading volume was 151.6 million GDRs, reaching USD 2.0 billion<sup>1</sup>/ EUR 1.8 billion<sup>1</sup> / RON 9.1 billion;
- The average daily trading volume in 2023 was 29.7 thousand GDRs.

## BET-XT index evolution

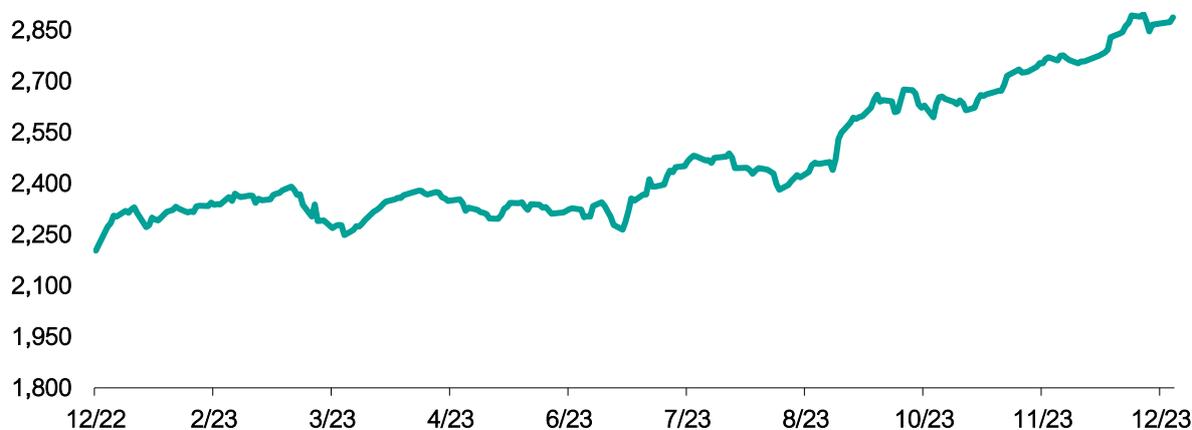
The BET-XT index, which reflects the performance of the top 30 most traded companies listed on BVB's Regulated Market, including the financial investment companies (SIFs), increased by 30.0% during 2023 compared to the end of 2022.



Source: Bucharest Stock Exchange

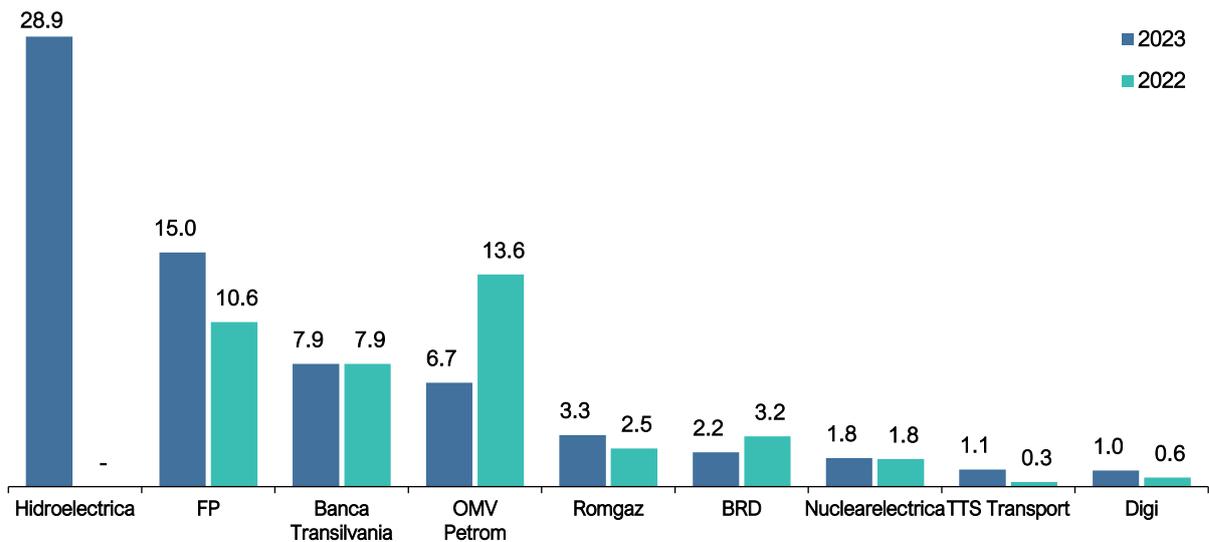
## BET-BK index evolution

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 increased by 31.1% during 2023 compared to the end of 2022.



Source: Bucharest Stock Exchange

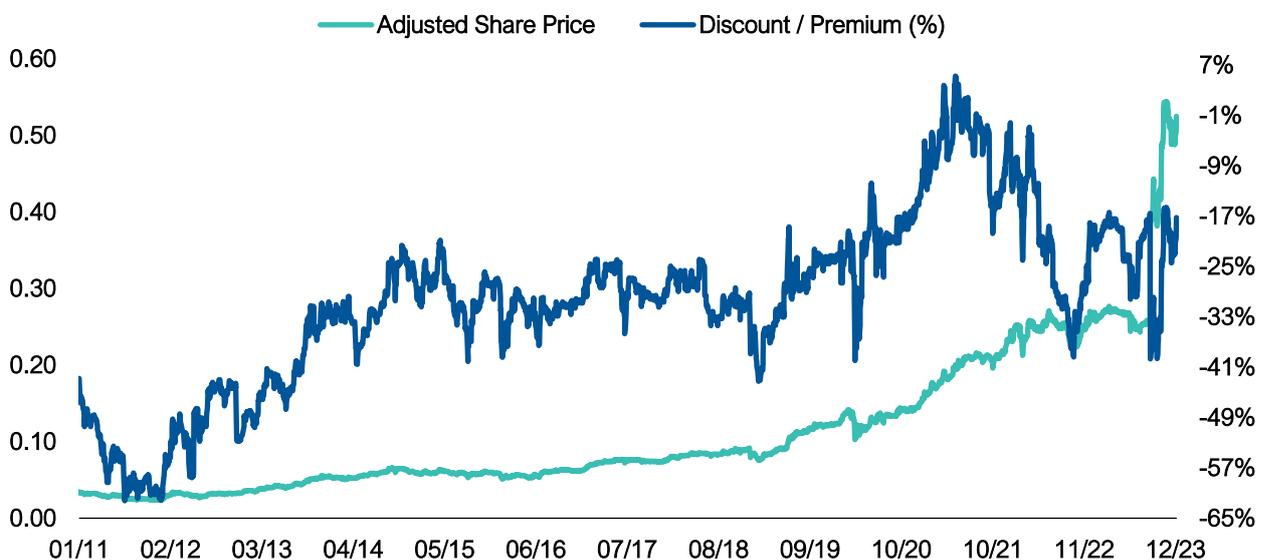
### Average Daily Turnover in 2023 (RON million)



Source: BVB, Bloomberg

Note: The values for FP, OMV Petrom and Romgaz also include the GDR trading on LSE (OMV Petrom GDRs were delisted from LSE and their trading was cancelled on 26 October 2023). The values for FP include the tender offers settled in December 2023, March 2023, and June 2022. The values for OMV Petrom include the 4.1 billion shares sold by FP in January 2022 and December 2022 under accelerated bookbuild offerings. The average daily turnover for Hidroelectrica SA was calculated for the period 12 July 2023 (first trading day on BVB) - 31 December 2023 and does not include the value of the IPO carried by the Fund and settled on 10 July 2023.

### Fund's Adjusted Share Price (RON/share) and Premium / (Discount) History (%)



Source: Bloomberg for Adjusted Share Price (price adjusted with cash distributions), Sole Director calculations 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. However, the discount to NAV for the trading days 7-14 September 2023 was calculated based on the 31 August 2023 NAV (published on 15 September 2023), in order to eliminate the mismatch between the NAV per share and FP BVB market price that was adjusted on 7 September 2023 (the Ex-date of 29 September 2023 dividend distribution).

## Key portfolio updates

The main portfolio updates during 2023 refer to the completion of Hidroelectrica SA IPO for RON 9.3 billion, disposal of Fund's entire holding in Enel companies for RON 650 million, signing of the agreement for the sale of Fund's entire shareholding in Engie Romania SA for RON 432.6 million (finalised in February 2024) and the developments of the legal actions initiated by the Fund against CN Aeroporturi Bucuresti SA regarding the share capital increase with the land inside Baneasa airport. Also, during 2023 the Fund received gross dividends of RON 962.8 million from the portfolio companies.

For more details regarding the portfolio updates during 2023, please see section *Key portfolio developments*.

For 31 December 2023 NAV, valuation updates in accordance with the International Valuation Standards were prepared for 16 holdings with the assistance of KPMG Advisory and Darian DRS, representing all the unlisted portfolio and 3 listed companies with low liquidity. Following this update, the value of portfolio holdings for which valuation reports were prepared (both unlisted and listed illiquid companies) increased by RON 268.0 million in 31 December 2023 NAV compared to 31 December 2022 NAV. In addition, for the preparation of the IFRS financial statements the Fund has analysed the events that took place between 31 October 2023 (date of valuation reports for 31 December 2023 NAV) and 31 December 2023 and consequently has adjusted the value of CE Oltenia SA from RON 64.8 million to RON 56.8 million in the final audited IFRS financial statements of the Fund for the year ended 31 December 2023.

For more details regarding the valuation updates during 2023, including the valuation of CN Aeroporturi Bucuresti SA, please see sections *NAV evolution* and *Key portfolio developments*.

## Financial results summary

The table below presents the audited results of the Fund in accordance with IFRS for the financial year ended 31 December 2023:

RON million	31 December 2023	31 December 2022
(Loss)/ Profit for the year ended	(904.1)	2,769.4
Equity investments	1,784.4	13,696.6
Shareholders' equity	2,342.2	14,569.5

Source: audited IFRS financial statements of the Fund

The loss recorded during 2023 was mainly generated by the valuation of the holding in Hidroelectrica SA at expected IPO proceeds (impact RON 1.87 billion), which was partially offset by the gross dividend income received from portfolio companies of RON 962.8 million, mainly from Hidroelectrica SA.

The net decrease in equity investments of RON 11.91 billion during 2023 was mainly related to the disposal of the entire holdings in Enel companies (impact RON 588.8 million) and in Hidroelectrica SA (RON 11.15 billion), and to the reclassification of the holding in Engie Romania SA as non-current assets held for sale (RON 440.7 million).

In the final audited IFRS financial statements of the Fund for the financial year ended 31 December 2023, the Fund's holding in CN Aeroporturi Bucuresti SA was valued using the same assumptions and valuation methodology as in the previous valuation reports prepared during 2023.

## Key financial highlights

The tables below show a summary of the Fund's financial performance for the last 3 years and during each quarter of 2023:

NAV <sup>1</sup> and share price developments <sup>2</sup>	Notes	31 December 2023	31 December 2022	31 December 2021
Total shareholders' equity at the end of the period (RON million)	k	2,342.2	14,569.5	13,757.5
Total shareholders' equity change in period (%)		-83.9%	+5.9%	+34.0%
Total NAV at the end of the period (RON million)	a	2,350.1	14,569.5	13,244.6
Total NAV change in period (%)		-83.9%	+10.0%	+29.0%
NAV per share at the end of the period (RON)	a	0.6608	2.5701	2.2624
NAV per share at the end of the period (USD)	a	0.1470	0.5546	0.5176
NAV per share (RON) change in the period (%)		-74.3%	+13.6%	+33.3%
NAV per share total return in the period (%)	g	-2.4%	+19.1%	+47.8%
Share price as at the end of the period (RON)	b	0.5230	2.0400	1.9900
Share price low in the period (RON)	b	0.3810	1.7080	1.4400
Share price high in the period (RON)	b	2.1500	2.1900	1.9900
Share price change in the period (%)		-74.4%	+2.5%	+37.2%
Share price total return in the period (%)	h	+45.0%	+12.2%	+48.5%
Share price discount to NAV as at the end of the period (%)	d	-20.9%	-20.6%	-12.0%
Average share price discount in the period (%)	d	-22.8%	-21.6%	-5.7%
Average daily share turnover in the period (RON million)	c, j	12.9	9.1	3.6
GDR price as at the end of the period (USD)	e	5.70	21.60	22.60
GDR price low in the period (USD)	e	4.12	17.50	17.40
GDR price high in the period (USD)	e	23.80	24.20	22.60
GDR price change in the period (%)		-73.6%	-4.4%	+32.2%
GDR price total return in the period (%)	i	+34.9%	+3.9%	+42.0%
GDR price discount to NAV as at the end of the period (%)	d	-22.4%	-22.1%	-12.7%
Average GDR price discount in the period (%)	d	-23.4%	-22.4%	-7.6%
Average daily GDR turnover in the period (USD million)	f, j	0.49	0.3	1.0

Source: BVB (for shares), Bloomberg (for GDRs), Sole Director calculations

1. NAV for the end of each period was computed in the last working day of the month until 31 December 2021 NAV and in the last calendar day of the month starting with the 31 January 2022 NAV.

2. Period should be read as year 2023/ year 2022/ year 2021, respectively

NAV <sup>1</sup> and share price developments <sup>2</sup>	Notes	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Total NAV at the end of the period (RON million)	a	13,999.6	13,008.0	3,372.8	2,350.1
Total NAV change in period (%)		-3.9%	-7.1%	-74.1%	-30.3%
NAV per share at the end of the period (RON)	a	2.5823	2.4103	0.6431	0.6608
NAV per share at the end of the period (USD)	a	0.5680	0.5268	0.1372	0.1470
NAV per share total return in the period (%)	g	0.5%	-4.9%	-0.6%	2.8%
Share price as at the end of the period (RON)	b	2.1050	1.9460	0.4200	0.5230
Share price total return in the period (%)	h	3.2%	-5.3%	19.2%	24.5%

NAV <sup>1</sup> and share price developments <sup>2</sup>	Notes	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Share price discount to NAV as at the end of the period (%)	d	-18.5%	-19.3%	-34.7%	-20.9%
GDR price as at the end of the period (USD)	e	23.00	21.00	4.34	5.70
GDR price total return in the period (%)	i	6.5%	-6.8%	3.5%	31.3%
GDR price discount to NAV as at the end of the period (%)	d	-19.0%	-20.3%	-36.7%	-22.4%

Source: BVB (for shares), Bloomberg (for GDRs), Sole Director calculations

1. NAV for the end of each period was computed in the last calendar day of the month.

2. Period should be read as Q1 2023/ Q2 2023/ Q3 2023/ Q4 2023, respectively

#### Notes:

- a. Prepared based on local rules issued by the capital market regulator (NAV in USD calculated using the NBR FX rate at the reporting date)
- b. Source: BVB - REGS market - Closing prices
- c. Source: BVB
- d. 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; as a general rule, the average discount/ premium is calculated according to IPS, using the latest published NAV per share at the date of the calculation (NAV in USD is calculated using the NBR FX rate at the reporting date) and includes both the days with premium and with discount. However, the discount to NAV for the trading days 7-14 September 2023 was calculated based on the 31 August 2023 NAV (published on 15 September 2023), in order to eliminate the mismatch between the NAV and BVB market price that was adjusted on 7 September 2023 (the Ex-date of 29 September 2023 dividend distribution).
- e. Source: Bloomberg - Closing prices
- f. Source: Bloomberg
- g. The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- h. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- i. The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- j. Including the tender offers finalised by the Fund in June 2022/ March 2023/ December 2023
- k. The difference between total NAV at 31 December 2023 and total shareholders' equity at the same date as per the IFRS financial statements of the Fund is due to CE Oltenia SA valuation update – the Fund has analysed the events that took place between 31 October 2023 (date of valuation reports used in 31 December 2023 NAV) and 31 December 2023 and updated the value of CE Oltenia SA from RON 64.8 million to RON 56.8 million in the audited IFRS financial statements of the Fund for 2023.

## Performance objectives

According to the Management Agreement in force starting with 1 April 2022, the first reporting period of the mandate is from 1 January 2022 until 31 December 2022 and the second reporting period is from 1 January 2023 until 31 December 2023.

In accordance with the Fund's IPS, there are two performance objectives that the Sole Director is aiming to achieve. The NAV objective refers to an Adjusted NAV per share<sup>1</sup> 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

According to the IPS, the Adjusted NAV per share as at 31 December 2023 is calculated based on the 31 December 2023 NAV, that was published on 12 January 2024, and applying the adjustments presented below.

The Adjusted NAV per share as at 31 December 2023 was RON 3.3805 per share, 31.5% higher than the 31 December 2022 NAV per share of RON 2.5701.

NAV Objective	Amount RON	Details
<b>Total NAV as at 31 Dec 2023</b>	<b>2,350,138,488</b>	
Dividend distributions after 31 Dec 2022	9,450,090,560	Gross dividend distributions of (1) RON 0.05 per share with Payment Date 6 Jun 2023 and of (2) RON 1.7225 per share with Payment date 29 Sep 2023
Distribution fees for dividend distributions performed after 31 Dec 2022	165,046,268	Distribution fee for the 2 dividend distributions mentioned above
Distribution fees for buy-backs after 31 Dec 2022	36,015,541	Distribution fees for buy-backs
Costs related to buy-backs after 31 Dec 2022	20,774,299	Fees related to the buy-back programmes, excluding the distribution fees for buy-backs
Costs related to dividends paid after 31 Dec 2022	140,922	Central Depository and Paying Agent fees
<b>Total Adjusted NAV as at 31 Dec 2023</b>	<b>12,022,206,078</b>	
Number of paid shares, less treasury shares and GDRs held as at 31 Dec 2023	3,556,427,239	
<b>Adjusted NAV per share as at 31 Dec 2023</b>	<b>3.3805</b>	
<b>NAV per share as at 31 Dec 2022</b>	<b>2.5701</b>	
<b>Difference</b>	<b>0.8104</b>	
<b>%</b>	<b>31.5%</b>	

Source: Sole Director calculations

<sup>1</sup> 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/ depository 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.

In 2023 the Sole Director implemented the 14<sup>th</sup> buyback programme, including two Tender offers for 225 million shares and 1.67 billion shares of the Fund respectively (in the form of ordinary shares and GDRs) that were completed in March 2023 and December 2023 respectively.

Also, during the 21 April 2023 GSM and 18 August 2023 GSM the shareholders approved the following dividend distributions: (1) of RON 0.05 per share with payment date on 6 June 2023 and (2) of RON 1.7225 per share with payment date on 29 September 2023.

Following the above, the total distributions to the Fund's shareholders during 2023 (including dividend distributions and buy-back transactions) amount to RON 11.3 billion.

### Discount Objective – second reporting period

In the period 1 January 2023 - 31 December 2023, the discount to NAV was above 15% in all trading days. The discount for the period 7-14 September 2023 was calculated based on 31 July 2023 NAV per share (in which the dividend distribution from Hidroelectrica IPO proceeds, approved during 18 August 2023 GSM, was not reflected) and the corresponding FP closing price on BVB, which was adjusted on 7 September 2023, the Ex-date for 29 September 2023 dividend distribution. This mismatch was eliminated following the publication of 31 August 2023 NAV on 15 September 2023.

	Discount at 3 Jan 2023	Discount at 31 Dec 2023	Average Discount 3 Jan – 31 Dec 2023	Discount Range 3 Jan – 31 Dec 2023
Share price	-18.8%	-17.5%	-23.9%	min -15.6%/ max -84.0%
GDR	-20.1%	-18.6%	-24.5%	min -15.6%/ max -84.5%

Source: Sole Director calculations

Note: discount is calculated according to the IPS, based on the latest published NAV per share available for the day of the calculation

The table below presents information regarding the average discount and discount range under the assumption that discount for 7-14 September 2023 is calculated based on 31 August 2023 NAV (in order to eliminate the mismatch between the NAV and FP BVB market price adjustment):

	Average Discount 3 Jan – 31 Dec 2023	Discount Range 3 Jan – 31 Dec 2023
Share price	-22.8%	min -15.6%/ max -39.7%
GDR	-23.4%	min -15.6%/ max -40.8%

Source: Sole Director calculations

Note: discount is calculated according to the IPS, based on the latest published NAV per share available for the day of the calculation except for the period 7-14 September 2023, when discount is calculated based on 31 August 2023 NAV, published on 15 September 2023

It is the Sole Director's intention to continue its efforts to minimise the discount to NAV through close collaboration with underlying portfolio companies to improve governance, efficiency, and profitability, as well as ongoing implementation of the Discount Control Mechanism, transparent communication, and disclosure, supported by proactive investor relations.

For more details regarding the clarifications requested by the Fund in the context of the point added by the Ministry of Finance on 26 March 2024 GSM agenda concerning the Fund's strategy during the 1-year mandate for the period 1 April 2024 – 31 March 2025, please see section *Subsequent events*.

## Corporate actions

### Annual Dividend Distribution from 2022 profit

On 21 April 2023, the shareholders approved the distribution of a gross dividend of RON 0.05 per share from 2022 annual profit, with Ex-date on 11 May 2023 and Registration date on 12 May 2023. The Fund started the payment of dividends on 6 June 2023 and by 31 December 2023 approximately 96.8% of the total distribution amount was collected by shareholders.

### Special Dividend Distribution from Hidroelectrica SA IPO proceeds

On 18 August 2023, the shareholders approved the distribution of a gross dividend of RON 1.7225 per share from Hidroelectrica SA IPO proceeds, with Ex-date on 7 September 2023 and Registration date on 8 September 2023. The Fund started the payment of dividends on 29 September 2023 and by 31 December 2023 approximately 94.5% of the total distribution amount was collected by shareholders.

### Buy-back programmes

During 2023 the Fund completed the cancellation of the shares acquired within the **13<sup>th</sup> buy-back programme** (carried on during 2022) and acquired shares within the 14<sup>th</sup> buy-back programme, which will be proposed for cancellation to shareholders during 30 April 2024 GSM.

In 2023, the Fund bought back a total number of 2,112,378,889 own shares within the **14<sup>th</sup> buy-back programme** (out of which 1,892,873,339 ordinary shares and 219,505,550 ordinary shares corresponding to GDRs), representing 37.3% of the total issued shares as at 31 December 2023, for a total acquisition value of RON 1,816,723,906, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 31 December 2023 is 2,112,378,889, having a total nominal value of RON 1,098,437,022.28 (RON 0.52 per share). As at 31 December 2023 the Fund did not hold any GDRs.

The 14<sup>th</sup> buy-back programme was carried out through daily transactions on BVB and LSE and two Tender Offers finalised by the Fund in March and December 2023, for 225 million shares and 1.67 billion shares respectively.

The **15<sup>th</sup> buy-back programme** was approved by shareholders during the 13 February 2024 GSM.

For more details regarding the clarifications requested by the Fund in the context of the point added by the Ministry of Finance on 26 March 2024 GSM agenda concerning the Fund's strategy during the 1-year mandate for the period 1 April 2024 – 31 March 2025, please see section *Subsequent events*.

### Share capital decrease

On 12 October 2023, the Fund finalised the registration of the decrease of the subscribed share capital from RON 3,233,269,110.76 to RON 2,947,779,186.56 pursuant to the cancellation of 549,019,085 shares acquired during 2022 within the 13<sup>th</sup> buy-back programme, which was endorsed by FSA through Endorsement no. 140/5 October 2023.

## Investor relations

In 2023, in our efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, and to keep investors and shareholders up to date with the effects of the geopolitical and macroeconomic developments, the Fund's management team organised 10 road-shows in the United States and the United Kingdom, and met with 76 investment professionals interested in finding out more details about Fondul Proprietatea and its equity story, and in receiving updates on the Fund, its corporate actions, and the main portfolio holdings, as well as on the Romanian macroeconomic environment.

During the year, we participated to one online investor conference and six conferences organised by international brokers and investment banks in London, Zürich, Prague and Bucharest, where we discussed with representatives of 44 international asset managers. Furthermore, we had 36 meetings and 73 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.

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 2022 annual results, 2023 first quarter, 2023 first half, and 2023 third quarter results conference calls, with 26 analysts and investors participating on average to the calls.

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

## Extension of two BoN members' mandates

During 25 September 2023 GSM the shareholders of the Fund approved the appointment of Mr. Ciprian Ladunca and of Mrs. Ilinca von Derenthall as members of the BoN for a period of 3 years, following the expiration of their mandates on 15 November 2023 and 25 November 2023, respectively.

## Convening the 13 February 2024 GSM

On 27 December 2023, the Sole Director convened a GSM for 13 February 2024 with the following main points on the agenda:

- approval the disposal of the Fund's entire stake in Engie Romania SA;
- approval of a new buy-back programme to be carried during the financial year 2024;
- approval of a mandate for executing discretionary disposals exceeding 20% of the total value of the non-current assets, less receivables of the Fund.

During 13 February 2024 GSM the shareholders approved the first two points, while the last one was rejected.

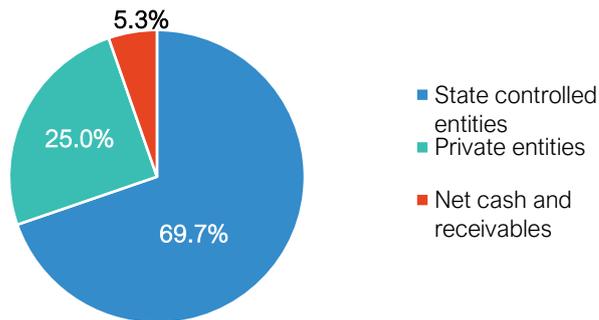
For more details regarding the full text of the resolutions adopted by shareholders during the 13 February 2024 GSM, please see the current reports issued by the Fund and the dedicated website section *Investor Relations – GSM Information*.

# Portfolio

## Portfolio structure

The equity exposure amounted to 94.7% of the Fund's NAV as at 31 December 2023. As at that date, the portfolio was composed of holdings in 25 companies (5 listed and 20 unlisted), a combination of privately held and state-controlled entities.

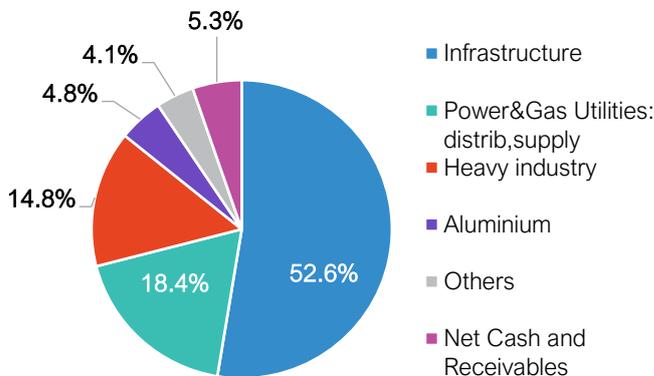
### Portfolio structure – by controlling ownership



Net cash and receivables include bank deposits, current bank accounts, as well as other receivables and assets, net of all liabilities, including liabilities to shareholders related to dividend distributions.

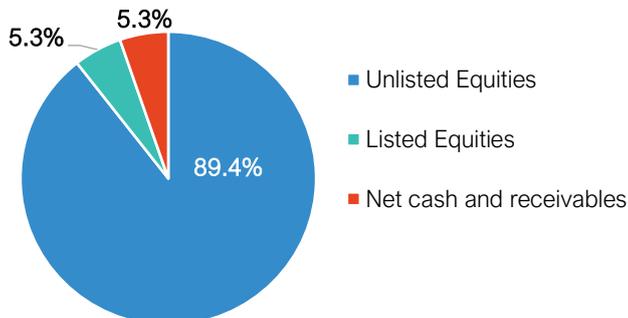
Source: Sole Director calculations  
Note: % in total NAV as at 31 December 2023

### Portfolio structure – by sector



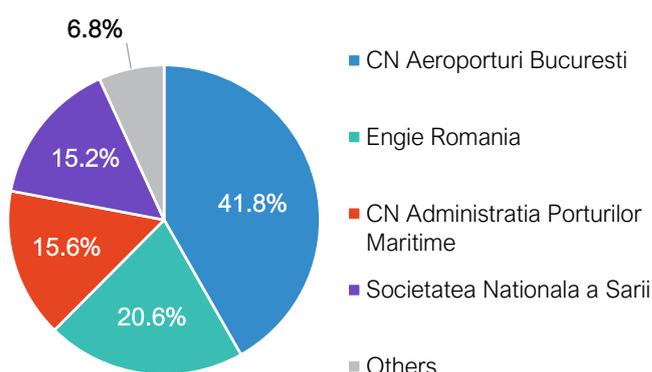
Source: Sole Director calculations  
Note: % in total NAV as at 31 December 2023

### Portfolio structure – by asset type



Source: Sole Director calculations  
Note: % in total NAV as at 31 December 2023

### Portfolio structure – unlisted holdings

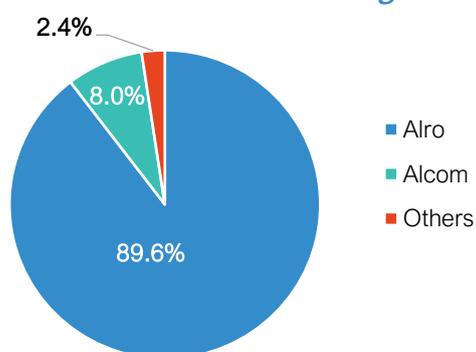


The largest unlisted holding is CN Aeroporturi Bucuresti SA (37.4% of the NAV)

Source: Sole Director calculations

Note: as at 31 December 2023. The chart reflects the company's NAV value as a % in total NAV value of unlisted holdings.

### Portfolio structure – listed holdings



The largest listed holding is Alro SA (4.8% of the NAV)

Source: Sole Director calculations

Note: as at 31 December 2023. The chart reflects the company's NAV value as a % in total NAV value of listed holdings.

## Key portfolio developments

### Annual dividends and special dividends received from portfolio companies

During 2023, 10 companies in the Fund's portfolio declared annual dividends related to the 2022 financial year and/ or special dividends<sup>1</sup>. The total amount of the gross dividend income recorded by the Fund in 2023 is RON 962.8 million. The table below presents details on the annual dividends declared by the portfolio companies:

Portfolio company	Gross amounts (RON million)	Date of recording in accounting	Collection date
Hidroelectrica SA	780.7	28-Apr-23	16-Jun-23
Societatea Nationala a Sariei SA	56.0	22-May-23	17-Jul-23
CN Aeroporturi Bucuresti SA	31.5	25-May-23	26-Jul-23
Administratia Porturilor Maritime SA	5.7	26-May-23	16-Jun-23
Others	1.5	multiple	fully collected in 2023
<b>Total</b>	<b>875.4</b>		

Source: Fondul Proprietatea internal records

<sup>1</sup> According to the definition of "special dividends" from the Annual cash Distribution Policy of the Fund

Out of the companies that declared dividends, 3 portfolio companies also approved the distribution of special dividends. During 28 April 2023 GSM the shareholders of Hidroelectrica SA approved the distribution of a special dividend to the existing shareholders at GSM date, out of retained earnings, in total amount of RON 435.0 million, with payment deadline 29 September 2023. As a result, even if the Fund was no longer a shareholder of Hidroelectrica SA following the completion of the IPO, it collected a special dividend from the company, according to the information presented below.

The following table presents the gross amounts approved as special dividends for the Fund, in accordance with its shareholding in each company at the relevant date:

Portfolio company	Gross amounts (RON million)	Date of recording in accounting	Collection date
Hidroelectrica SA <sup>1</sup>	86.8	28-Apr-23	28-Sep-23
Alcom SA	0.4	27-Jun-23	17-Jul-23
CN Administratia Porturilor Dunarii Fluviale SA	0.3	11-Jul-23	10-Aug-23 7-Sep-23
<b>Total</b>	<b>87.5</b>		

Source: Fondul Proprietatea internal records

1. The dividend receivable was subject to an 8% withholding tax according to the Romanian fiscal legislation, as the Fund was no longer a shareholder of the company at dividend payment date.

## Listings

### Hidroelectrica SA

On 31 March 2022, the GSM of Hidroelectrica SA approved the initiation of the listing process on BVB following a public offering of the company's shares held by the Fund.

On 8 September 2022 the Fund informed the market that the Fund and Hidroelectrica SA selected the consortium of investment banks in relation to the IPO, composed of reputable international, regional, and local investment banks.

Details on the consortium of banks involved in the IPO are included in the table below:

Joint Global Coordinators	Joint Bookrunners	Co-Lead Managers
<ul style="list-style-type: none"> <li>• Citigroup Global Markets Europe AG</li> <li>• Erste Group Bank AG</li> <li>• Jefferies GmbH</li> <li>• Morgan Stanley Europe SE</li> </ul>	<ul style="list-style-type: none"> <li>• Banca Comerciala Romana SA</li> <li>• Barclays Bank Ireland PLC</li> <li>• BofA Securities Europe SA</li> <li>• UBS Europe SE</li> <li>• UniCredit Bank AG</li> <li>• Wood &amp; Company Financial Services</li> </ul>	<ul style="list-style-type: none"> <li>• Auerbach Grayson</li> <li>• BRD - Groupe Societe Generale</li> <li>• SSIF BT Capital Partners SA</li> <li>• SSIF Swiss Capital SA</li> </ul>
Stabilisation Manager	Stabilisation Agent	
<ul style="list-style-type: none"> <li>• Citigroup Global Markets Europe AG</li> </ul>	<ul style="list-style-type: none"> <li>• Erste Group Bank AG</li> </ul>	

Source: internal records of the Fund

Rothschild & Co Equity Market Solutions Limited acted as Financial Adviser to the Fund, and STJ Advisors acted as Financial Adviser to Hidroelectrica SA in connection with the IPO.

The Fund's shareholders approved the sale of the shares held by FP in Hidroelectrica SA during the 15 November 2022 GSM.

On 6 June 2023 Hidroelectrica SA announced its intention to apply for admission to trading on the regulated market of the BVB through an IPO carried by the Fund for the shares held in the company.

On 22 June 2023 the FSA approved the prospectus for the IPO having the following main provisions:

- **Offer Period:** 23 June 2023 - 4 July 2023
- **Price range:** between RON 94 and RON 112 per share
- **Size of the offer**, including any Over-Allotment Option - up to 89,708,177 shares (up to entire holding of 19.94% of Hidroelectrica SA total issued share capital)
- **Retail investors** entitled to a **discount** of 3% from the Offer Price on the first 5 business days of the Offer Period
- No new capital raised by Hidroelectrica in connection with the Offering and no proceeds received by Hidroelectrica
- **Over-Allotment Option** granted by the Fund to the Joint Global Coordinators representing up to 15% of the Offer Shares, exercisable within 30 calendar days following the Admission
- The **Offer price** and the exact number of **Offer Shares** announced on 5 July 2023
- **Settlement date:** 10 July 2023
- **Admission and start of trading** on the BVB: 12 July 2023
- Three Romanian institutional investor groups agreed to be **cornerstone investors** and have undertaken to purchase in aggregate RON 2.24 billion in shares at Offer Price
- Hidroelectrica and the Fund - subject to a **lock-up arrangement** during a period from 22 June 2023 until the date falling **180 days** after the date of Admission
- Majority shareholder will be subject to a **lock-up arrangement** during a period from 22 June 2023 until **12 months** after the date of Admission.

On 5 July 2023, the Fund announced its agreement to sell 89,708,177 shares, representing 19.94% of Hidroelectrica SA total issued share capital, and the Fund's entire holding in the company, under the following structure:

Category of shares	No. of shares sold	IPO price (RON)	Total gross proceeds (RON)
<b>Base Deal shares</b>	<b>78,007,110</b>		<b>8,064,301,072</b>
• <i>Retail Tranche – with discount</i>	<i>15,525,118</i>	<i>RON 100.88</i>	
• <i>Retail Tranche – no discount</i>	<i>2,416,517</i>	<i>RON 104</i>	
• <i>Institutional Tranche</i>	<i>60,065,475</i>	<i>RON 104</i>	
<b>Over-Allotment shares</b>	<b>11,701,067</b>		<b>1,216,910,968</b>
• <i>Institutional Tranche</i>	<i>11,701,067</i>	<i>RON 104</i>	
<b>Total</b>	<b>89,708,177</b>		<b>9,281,212,040</b>

Source: internal records of the Fund

The **Institutional Tranche** was allocated 80% of the total shares while **Retail Tranche** was allocated 20% of the total shares (with pro rata allocation factor 0.3209762650).

**Admission and start of trading on BVB** under the symbol “H2O” took place on **12 July 2023** and Hidroelectrica SA shares were included in the **BET index** of the BVB immediately following the Admission.

The **Stabilisation Period** ended on **19 July 2023**, following the notification received by the Fund according to the details presented in the current report published on the same date. Further to this, on 21 July 2023, the Fund collected the additional gross proceeds in the amount of RON 1,216,910,968 as the sale of the 11,701,067 additional shares in Hidroelectrica SA was completed.

The Fund does not hold any shares in Hidroelectrica SA following the completion of the IPO.

The total costs incurred by the Fund in 2023 in respect of the IPO were of approximately RON 243 million and mainly included investment bank fees, legal fees, and other consultancy fees.

### **Societatea Nationala a Sarii SA**

On 5 July 2021, the GSM of Salrom approved in principle the listing of the company on the BVB, through a public offering of the company's shares held by the Fund.

On 27 July 2022, the Government approved a Memorandum supporting the listing of Salrom by a public offering of the company's shares held by the Fund, which is a key milestone in the listing process.

The approval is a positive development as it allows the Fund to explore its options with regards to a potential realisation of all or part of its holding in the company.

The Fund continues to engage with the majority shareholder and the company in relation to preparations for a potential IPO.

### **Legal actions against CN Aeroporturi Bucuresti SA share capital increase**

#### **Details regarding the proposed share capital increase**

CN Aeroporturi Bucuresti SA called a GSM that took place on 25 October 2021 (through the convening notice published in the Official Gazette of Romania Part IV no. 3873/20.09.2021), for the approval of a share capital increase with the plots of land inside Baneasa airport, brought as Romanian State's contribution in kind to the company's share capital. The proposed value for the relevant plots of land to be contributed to the share capital was RON 3,814,809,171. This was the third time the share capital increase process was initiated by the Romanian state since 2001.

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

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

#### **Valuation report prepared by ANG Consulting SRL**

Fondul Proprietatea expressed its opinion (on 21 September 2021), through a current report published after the agenda of the meeting was made public, strongly disputing the fundamentally flawed land valuation report.

The land valuation report carried out in 2021 attributes a very high value to the plots of land, despite a previously approved valuation report from 2017, which had set the value of the same land at RON 269 million. In Fondul's view, this huge discrepancy in valuation was created using unrealistic and inaccurate commercial indicators in the disputed valuation report (prepared by ANG Consulting SRL, valuation company assigned by the Trade Registry) such as:

- The estimated traffic of 3,118,000 passengers/ year, although CN Aeroporturi Bucuresti SA provided the valuator with an estimate of 460,000 passengers/ year, information ignored by the valuator. Baneasa Airport had around 25,500 passengers in 2019 (pre-pandemic year), which means the valuator chose to overestimate the potential passengers' traffic, ignoring company forecasts and comparing Baneasa airport to actual traffic numbers on City Airport London and City Airport Belfast.
- The estimated revenues of Baneasa Airport are 30 times higher than the average revenues of the airport between 2014-2020. In addition, it is important to note that Baneasa airport has been incurring losses since 2014.
- The valuator did not include any estimated negative cash flows until the end of the forecast period, 2069. This implies the expectation that the terminal, the equipment, and the runway will not be repaired, changed, or modernized for almost 50 years.

### **Legal actions against CN Aeroporturi Bucuresti SA**

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

In the main litigation related to the claim for annulment of the aforementioned EGM Resolution, on 25 May 2023, Ilfov Court (Tribunalul Ilfov) dismissed, in the first instance, the Fund's claim as unfounded. The Fund filed the appeal against the decision. The Bucharest Court of Appeal postponed the final decision until 7 March 2024.

The Sole Director has analysed the legal argumentation and related outcomes of the Appeal together with the external counsels appointed to represent the Fund. In the view of the Sole Director, the arguments that are likely to be admitted by the court and lead to a favourable ruling on the appeal are the following: (i) nullity grounds related to the convening notice (lack of precise, correct and complete information necessary to identify the land parcels), (ii) breach of the special legal regime of the land parcels that are subject of the capital increase, (iii) the flawed valuation report of the land parcels and (iv) FP should have obtained 20% of the shares issued as a result of the capital increase, without any contribution, as CN Aeroporturi Bucuresti already owned the land parcels when FP was established.

On 7 March 2024 the Bucharest Court of Appeal admitted the appeal filed by the Fund, annulling Resolution no. 15/ 26 October 2021 of CN Aeroporturi Bucuresti SA. The decision issued by the Bucharest Court of Appeal is final.

Once the details regarding the Decision of the Court of Appeal will be made available as well as depending on the actions carried out by CN Aeroporturi Bucharest, the Fund will reevaluate all ongoing legal actions or other potential new legal actions necessary to protect the interests of the Fund's shareholders.

In addition to the main litigation described above, the Fund has also entered into the following court proceedings in order to protect the shareholders' interests:

- Opposition against the registration of EGM Resolution no. 15/26.10.2021 with the Trade Register - on 11 February 2022, the Ilfov Court has suspended the opposition pending a final decision in the main file;
- Action against the Certificates of attestation of the right of ownership (RO: "Certificate de atestare a dreptului de proprietate") - the first hearing is scheduled on 3 April 2024;

- Action against the valuation report issued by ANG Consulting SRL - on 20 February 2024, the judge decided that another specialised section of the same Court is entitled to have jurisdiction on solving the case;
- Action for annulment of the EGM Resolution no. 14/24.09.2019 for the annulment of the decision based on which ANG Consulting SRL performed the valuation.

### **Valuation of CN Aeroporturi Bucuresti SA**

In the 31 December 2023 NAV report published on 12 January 2024, in the Preliminary results report of the Fund for 2023 published on 29 February 2024 and in the audited IFRS financial statements of the Fund for the financial year ended 31 December 2023 authorised on 25 March 2024, the Fund's holding in CN Aeroporturi Bucuresti SA was valued using the same assumptions and valuation methodology as in the previous valuation reports prepared during 2023 based on the developments and argumentation presented above.

### **Participation in share capital increases/ decreases**

#### **Hidroelectrica SA share capital increase**

On 20 April 2023, the Fund subscribed to the share capital increase of Hidroelectrica SA with a cash contribution of RON 2,678,640. The registration of the share capital increase with the Romanian Trade Registry was finalised on 29 May 2023.

#### **CN Administratia Porturilor Maritime share capital increase**

On 9 February 2022, during the CN Administratia Porturilor Maritime GSM, the majority shareholder approved the increase of the 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 maintained its stake holding, as new shares issued were distributed proportionally to existing shareholders. As at the date of issuing this report, the Fund held 6,466,226 shares, representing 20% of the company's share capital. However, the Fund decided to challenge in Court the validity of the GSM which approved the share capital increase. The first instance court has rejected the complaint. The Fund has appealed the decision. On 28 September 2023, Constanta Court of Appeal dismissed the Fund's claim as unfounded. The Court's decision is final.

#### **Aeroportul International Timisoara SA share capital increase**

During the GSM held on 9 June 2023, the majority shareholder approved a share capital increase of RON 25.2 million, by issuing 2,523,850 new shares at a nominal value of RON 10 per share, to finance a proposed investment project. In order to avoid dilution, Fondul Proprietatea would have to subscribe to 504,770 new shares, representing RON 5.04 million.

Fondul Proprietatea challenged the validity of the GSM decision, and the Court decided to suspend the effects of the share capital increase until there is a final verdict on the issues raised in the initial claim. As the company did not appeal the Court's decision, the effects of the GSM decision approving the share capital increase are suspended until the final decision of the court in the annulment file above-mentioned.

The main ground for annulment claimed by the Fund is that by the GSM decision approving the share capital increase two unlawful State aid measures have been granted, without prior notification to, and approval by, the European Commission. This is due to the fact that the company's share capital increase does not pass the private investor test – i.e. because of the low return, a private investor would not have made the investment in question.

The legal proceedings initiated by the Fund in the file for the annulment of the GSM decision regarding the share capital increase are still in early stages. The Fund will provide further details on the development of the legal proceedings regarding Aeroportul International Timisoara SA share capital increase as and when relevant.

## IOR Bucuresti SA share capital increase

The cash share capital increase of IOR Bucuresti SA approved by shareholders on 27 April 2023 was finalised on 14 September 2023, at the date of registration with the Romanian Trade Registry. The Fund decided not to participate. As a result, starting 14 September 2023, the Fund's stake in the share capital of IOR Bucuresti SA was reduced from 0.70% to 0.47%.

## Restructuring plan of CE Oltenia and related roadmap

In January 2022, the European Commission approved Romania's plan 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 with the view to 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 alongside co-investors (photovoltaic power plants and gas fired power plants).

As approved in the general shareholders meetings of CE Oltenia, the Company will develop 4 solar parks with a total capacity of 455 MW together with OMV Petrom, 4 solar parks with a total capacity of 280 MW and a 475 MW natural gas energy block with Tinmar Energy and an 850 MW combined cycle power plant on natural gas with Alro.

The restructuring led to a spin-off from CE Oltenia of 2 units totalling 300MW, respectively of the Craiova II Power Plant Branch. Shareholders approved the spin-off process and related actions during the August 2022 GSM. The new company, Electrocentrale Craiova SA, was established following a symmetric spin-off, taking over the assets and liabilities of Craiova II Power Plant Branch and mirrors percentage wise the current shareholding structure of CE Oltenia (share capital of RON 23,829,130 with FP's stake of 21.559%, respectively 513,754 shares).

In 2024, CE Oltenia will receive approximately EUR 79 million (RON 387 million) in state aid as part of the Restructuring Plan. The state aid is intended to finance the purchase of greenhouse gas emission certificates pertaining to 2023 and 2024. The company has received grants worth EUR 867 million so far (EUR 241 million in 2021, EUR 535 million in 2022 and EUR 91 million in 2023).

As per the restructuring plan, the Romanian authorities committed to create a distinct subsidiary of CE Oltenia ("the lignite subsidiary") which will comprise and operate the existing lignite power units and related assets of CE Oltenia that are not intended for transition to gas or renewables. The accounts of the lignite subsidiary will be clearly separated from the accounts of CE Oltenia. Such lignite capacities should decrease over time in line with national lignite phase-out calendar. During the GSM taking place on 4 August 2023, the shareholders approved to initiate the establishment of the lignite subsidiary which as per the Restructuring Plan should be completed before the end of the restructuring period i.e. before the end of 2026.

The change in legislation brought by GEO 26/2023 allowing land valuation to be carried out at fair value, instead of indexation method facilitated the share capital increase with the value of the lands that will be contributed by CE Oltenia in the new investment companies, brought as Ministry of Energy's in-kind contribution to the company's share capital.

The share capital increase with the value of the lands amounting to EUR 41 million (RON 204 million) was approved during the GSM taking place on 29 August 2023, by issuing 20,346,788 new shares at a nominal value of RON 10 per share in favour of the Ministry of Energy. Following the implementation of the share capital increase with the value of the lands and registration with the Trade Registry during September 2023, the Fund's stake in CE Oltenia decreased to 11.81% while Ministry of Energy's stake increased to 87.48%.

In line with the Restructuring Plan that also entails an equity contribution in cash by the Romanian State via the Ministry of Energy in amount of EUR 180 million, CE Oltenia has conveyed a GSM on 28 November 2023 for the approval of the share capital increase. The share capital increase was approved during the GSM in November 2023, by issuing 27,036,159 new shares at a nominal value

of 10 RON per share in favour of the Ministry of Energy and included a share premium in amount of RON 620,727,531.

The Fund did not subscribe in the share capital increase. Following the cash contribution and registration with the Trade Registry, the Fund's stake in CE Oltenia share capital will decrease to 7.37%. As at the date of this report, the Ministry of Energy has not contributed the corresponding cash amount related to the share capital increase. Consequently, until the cash contribution is made by the Ministry of Energy, the Fund's stake in CE Oltenia remains at 11.81%.

### Disposal of the entire holdings in Enel companies

On 14 December 2022, Enel S.p.a. announced that it entered into an exclusivity agreement with Greek company Public Power Corporation (PPC) in relation to the potential disposal of all the equity held by Enel Group in Romania (Target Assets). During the exclusivity period that ended on 28 February 2023, the parties negotiated the transaction documentation and PPC carried out appropriate due diligence on the Target Assets.

On 9 March 2023 Enel S.p.a. announced that the two companies signed an agreement to sell the equity stakes held by the Enel Group in Romania to PPC for a total consideration of approximately EUR 1,260 million, equivalent to an enterprise value of about EUR 1,900 million (on a 100% basis). According to the announcement, the closing of the sale was subject to certain conditions precedent customary for this kind of transactions, including the clearance from competent antitrust authorities.

On 19 April 2023 the Fund, as seller, and PPC, as purchaser, have concluded an agreement for the sale of all the equity stakes held by the Fund in E-Distributie Muntenia SA, Enel Energie Muntenia SA, E-Distributie Dobrogea SA, E-Distributie Banat SA, and Enel Energie SA, in exchange for a total consideration of RON 650,000,000.

On 26 October 2023, the sale of the Fund's entire holding in E-Distributie Muntenia SA, Enel Energie Muntenia SA, E-Distributie Dobrogea SA, E-Distributie Banat SA, and Enel Energie SA was finalised. Following the completion of the transaction the Fund received gross proceeds of RON 650,000,000 and the Fund no longer holds any shares in the Enel Group in Romania.

### Disposal of the entire holding in Engie Romania SA

On 11 December 2023 the Fund informed shareholders that it received a binding offer from GDF International SA, the majority shareholder of Engie Romania SA, in relation to a potential sale of its entire shareholding in Engie Romania SA, for a consideration of EUR 87 million.

Further to that, on 22 December 2023 the Fund, as seller, and GDF International SA, as purchaser, entered into an agreement for the sale of the entire shareholding in Engie Romania SA in exchange for a total consideration of RON 432,616,167.75. The completion of the sale under the agreement was subject to the Fund GSM approval.

For more details regarding the completion of sale of the Fund's shareholding in Engie Romania SA, please see section *Subsequent events*.

## Regulatory updates for portfolio companies

### Changes in the legislation regarding corporate governance of public enterprises

In June 2023, the Parliament of Romania approved Law no. 187/2023 for amending and supplementing GEO no. 109/2011 on corporate governance of public enterprises. According to Law 187/2023 the Agency for Monitoring and Evaluation of the Performance of Public Enterprises (RO: Agentia pentru Monitorizarea si Evaluarea Performantelor Intreprinderilor Publice - „AMEPIP”) shall be set up under the Romanian Government. According to the law,

AMEPIP's role is to establish the corporate governance policies for SOEs as well as to coordinate the implementation of corporate governance rules at the level of tutelary public authorities.

AMEPIP's main responsibilities include:

- (i) participation in the selection procedure for the appointment of the board members of public enterprises at central level, through its representatives in the nomination and selection committees;
- (ii) approval of the minimum level of the key performance indicators for SOEs;
- (iii) monitoring the implementation of the remuneration policy, the objectives and strategies of public enterprises and assessment of the performance of the board members of public enterprises;
- (iv) application of sanctions to public tutelary authorities, public enterprises, and other responsible persons.

### **Minimum tax on turnover, additional turnover tax for banks, and specific tax for the oil and gas sector**

Starting with the fiscal year 2024, Law no. 296/2023 introduced a minimum tax on turnover (set at 1%) on entities whose turnover exceeds EUR 50 million in the previous year of calculation. According to the regulation, in case the regular profit tax is determined at a level lower than the minimum turnover tax, entities are required to pay profit tax at the level of the minimum turnover tax.

Entities that exclusively carry out activities involving distribution, supply and transport of electricity and natural gas are exempt from this tax regime.

At the same time, entities operating in the oil and natural gas sectors, which in the previous year register a turnover of over EUR 50 million, will pay a turnover tax in addition to the profit tax, at a rate of 0.5% of turnover. Furthermore, credit institutions, irrespective of their turnover, will be subject to an additional tax on turnover calculated by applying a rate of 2% (in 2024 and 2025), and 1% (from 2026).

### **Utilisation of tax losses**

Starting 1 January 2024 the utilisation of tax losses is limited as follows:

- entities showing a tax profit will be able to offset only 70% of the tax profit with past tax losses (assuming that tax losses are available for utilisation). The remaining 30% of the tax profit will be subject to Romanian corporate income tax at the 16% rate;
- tax losses brought forward from the fiscal years prior to 1 January 2024, as recorded as at 31 December 2023, might be recovered from future taxable profits during the next 7 years;
- tax losses recorded starting with 1 January 2024 might be recovered from future taxable profits during the next 5 years.

As a result, if any entity shows a tax profit in 2024, it will be able to offset only 70% of this tax profit (assuming that tax losses are available for utilisation). The remaining 30% will be subject to Romanian corporate income tax at the 16% rate.

### **GEO no. 27/2023 regarding the exemption from regulatory requirements on profit distribution**

As per Article 5 of GEO no. 27/2023, by exemption from the provisions of Article 1 paragraph (1) (e) and (f) from Government Ordinance no. 64/2001 regarding the distribution of profit of state owned companies, for such companies that have a restructuring plan in progress notified

and approved by the European Commission Decision and that have benefited from state aid for restructuring in the form of grants for the financing of certain expenses, the accounting profit remaining after tax deduction is distributed directly to other reserves – e.g. no distribution of dividends.

## Top portfolio holdings

Name	Fund's stake (%)	Value as at 31 Dec 2023 (RON mil)	% of NAV as at 31 Dec 2023
CN Aeroporturi Bucuresti SA	20.00%	877.7	37.4%
Engie Romania SA <sup>1</sup>	12.00%	432.6	18.4%
CN Administratia Porturilor Maritime SA	20.00%	328.3	14.0%
Societatea Nationala a Sarii SA	49.00%	318.4	13.6%
Alro SA	10.21%	112.2	4.8%
<b>Top equity holdings</b>		<b>2,069.2</b>	<b>88.1%</b>
<b>Total equity holdings<sup>2</sup></b>		<b>2,225.0</b>	<b>94.7%</b>
<b>Net cash and receivables</b>		<b>125.1</b>	<b>5.3%</b>
<b>Total NAV</b>		<b>2,350.1</b>	<b>100.0%</b>

Source: internal records of the Fund

1. The disposal of the Fund's entire holding in Engie Romania SA was completed on 20 February 2024. For more details, please see section *Subsequent events*.

2. For the purpose of the preparation of IFRS financial statements, the Fund has analysed the potential effect on the valuation of portfolio holdings of the events that took place between 31 October 2023 (date of the valuation reports for 31 December 2023 NAV) and 31 December 2023 and consequently has adjusted the value of CE Oltenia SA from RON 64.8 million to RON 56.8 million in the 2023 IFRS financial statements of the Fund.

## CN Aeroporturi Bucuresti SA

### Financial and operational results

RON million	2022	2023 <sup>1</sup>	%	Budget 2023	Budget 2024	%
Operating revenue	999.6	1,203.8	+20.4%	1,118.9	1,310.3	+17.1%
Operating profit	344.7	477.1	+38.4%	288.3	470.9	+63.3%
Net profit	304.0	404.0	+32.9%	229.1	408.7	+78.4%
Dividends	157.4	208.1	+32.2%	121.3	211.1	+74.0%

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

1. preliminary figures for 2023 are extracted from the company's budget document for 2024 as approved by shareholders

Traffic has recovered to pre-Covid levels in 2023 and surged by 17% year-over-year, reaching 14.7 million passengers. This was the main positive driver for the improved operating profitability, which was up by 32.9% year-over-year to RON 404.0 million, according to preliminary results published with the 2024 Budget.

### Corporate governance

All Board members have interim mandates. Selection process was started, and it is expected to be finalised in the coming months.

### ESG

CN Aeroporturi Bucuresti SA does not publish sustainability reports.

## Engie Romania SA

On 22 December 2023 the Fund as seller and GDF International SA as purchaser entered into an agreement for the sale of the entire shareholding in Engie Romania SA in exchange for a total consideration of RON 432.6 million. The transaction was approved by the Fund's shareholders during 13 February 2024 GSM and was completed on 20 February 2024. Following the completion of the transaction, the Fund collected gross proceeds of RON 432.6 million and no longer holds any shares in Engie Romania SA.

## CN Administratia Porturilor Maritime SA

### Financial and operational results

RON million	2022	2023 <sup>1</sup>	%	Budget 2023	Budget 2024	%
Operating revenue	479.5	548.7	+14.4%	542.3	577.7	+6.5%
Operating profit	131.5	135.6	+3.1%	91.4	139.7	+52.8%
Net profit	114.5	133.9	+16.9%	89.8	143.1	+59.4%
Dividends	28.6	33.5	+17.1%	23.2	35.9	+54.7%

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

1. preliminary figures for 2023 are extracted from the company's budget document for 2024 as approved by shareholders

Traffic reached 92.5 million tons in 2023, an increase of 22.4% year-over-year, driven by traffic of Ukrainian merchandise, which doubled year-over-year, to approximately 25 million tons. Higher traffic drove an improvement in operating profitability, which the management currently estimates at RON 135.6 million.

### Corporate governance

All Board members have interim mandates. Selection process for full mandates did not start yet.

### ESG

CN Administratia Porturilor Maritime SA does not publish sustainability reports.

## Societatea Nationala a Sarii SA

### Financial results

RON million	2022	2023 <sup>1</sup>	%	Budget 2023	Budget 2024	%
Operating revenue	495.3	529.7	+6.9%	597.5	592.2	-0.9%
Operating profit	134.4	135.0	+0.4%	146.3	144.7	-1.1%
Net profit	120.7	128.1	+6.1%	129.7	130.0	+0.3%
Dividends	114.3	128.1	+12.1%	129.7	130.0	+0.3%

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

1. preliminary figures for 2023 are extracted from the company's budget document for 2024 as approved by shareholders

### Corporate governance

Following the finalisation of the selection procedure for Board Members based on GEO no. 109/2011 by the Ministry of Economy, during 23 February 2024 GSM the shareholders appointed Board members for a period of 4 years. Fondul Proprietatea appointed 2 out of 5 members.

### ESG

Societatea Nationala a Sarii reports on environmental and social responsibility issues in its non-financial annual report, in accordance with GRI Standards, published on its website [www.salrom.ro](http://www.salrom.ro).

## Alro SA

### Financial results

RON million	2022	2023 <sup>3</sup>	%	Budget 2022 <sup>1</sup>	Budget 2023 <sup>2</sup>	%
Operating revenue	3,554.1	2,849.7	-19.8%	4,010.3	3,561.4	-11.2%
Operating profit/ (loss)	683.9	(361.7)	<-100%	150.7	276.3	+83.3%
Net profit/ (loss)	409.5	(559.8)	<-100%	19.2	68.5	>100%
Dividends	-	-	-	-	-	-

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

1. GSM resolution from 28 April 2022, values computed using the NBR USD/RON FX rate as at 31 March 2022

2. GSM resolution from 25 April 2023, values computed using the NBR USD/RON FX rate as at 31 March 2023

3. Preliminary results based on the preliminary report published by the company

### Corporate governance

The members of the Board of Directors were appointed in April 2023 for a period of 4 years. The Board of Directors of Alro is composed of 11 members, out of which 3 are independent. Starting 29 May 2023, Mr. Gheorghe Dobra was re-appointed as general manager of Alro for a 4-year mandate.

### ESG

Alro reports annually on ESG issues through its sustainability reports and has a 5-year sustainability strategy. Alro published its 2022 sustainability report in June 2023, and this can be found on its website, [www.alro.ro](http://www.alro.ro).

### 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.
- Romaero SA (sole registration code 1576401) is a company under insolvency procedure starting with 17 January 2024, according to the decision issued by the Bucharest Court related to the file 39261/3/2023

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

# Corporate Strategy

## Distributions to shareholders

### Annual Cash Distribution Policy

In order to comply with the requirements of the Bucharest Stock Exchange Corporate Governance Code and in accordance with the IPS, Fondul Proprietatea 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 of the Fund was last amended on 18 December 2023, mainly related to the elimination of the minimum RON 0.05 annual distribution per share, and the updated version is included in full in Annex 7 to this report.

For more details regarding the clarifications requested by the Fund in the context of the point added by the Ministry of Finance on 26 March 2024 GSM agenda concerning the Fund's strategy during the 1-year mandate for the period 1 April 2024 – 31 March 2025, please see section *Subsequent events*.

### General payment procedure

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).

For each distribution the Fund publishes on its website all the necessary details, including the Dividend Payment procedure, information regarding the potential tax implications, documents to be submitted by shareholders to benefit from certain tax exemptions or lower tax rates, payment forms, additional documentation needed in particular situations, contact details of the Paying Agent and Central Depository, etc.

Starting with the date when the statute of limitation occurs, the shareholders are no longer entitled to collect the respective distribution. According to the provisions of the legislation in force, the statute of limitation generally occurs three years after the date when the respective distribution commences, except for specific instances that are individually assessed – in these cases the payments are performed directly by the Fund based on the specific requests and documentation provided by shareholders entitled to amounts payable.

### Annual Dividend Distribution from 2022 profit

On 21 April 2023, the shareholders approved the distribution of a gross dividend of RON 0.05 per share from 2022 annual profit, with Ex-date on 11 May 2023 and Registration date on 12 May 2023. The Fund started the payment of dividends on 6 June 2023 and by the date of this report approximately 96.8% of the total distribution amount was collected by shareholders.

## Special Dividend Distribution from Hidroelectrica SA IPO proceeds

On 18 August 2023, the shareholders approved the distribution of a gross dividend of RON 1.7225 per share from Hidroelectrica SA IPO proceeds, with Ex-date on 7 September 2023 and Registration date on 8 September 2023. The Fund started the payment of dividends on 29 September 2023 and by the date of this report approximately 94.5% of the total distribution amount was collected by shareholders.

### 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 <sup>1</sup>	Status of distribution payment (%)	Deadline for distribution collection as per Central Depository
2007 Dividend	2008	89,997,678	0.00660	13,644,179,910		30 Jun 2012
2008-2009 Dividend (aggregate)	2010	1,124,316,804	0.08160	13,778,392,208		11 Oct 2013
2010 Dividend	2011	432,729,046	0.03141	13,776,792,208		30 Jun 2014
2011 Dividend	2012	507,658,517	0.03854	13,172,250,055		30 Jun 2015
2012 Dividend	2013	536,437,206	0.04089	13,119,031,695		28 Jun 2016
Distribution - Return of capital	2014	601,325,852	0.05000	12,026,517,031		25 Jul 2017
Distribution - Return of capital	2015	534,322,868	0.05000	10,686,457,366		29 Jun 2018
Distribution - Return of capital	2016	516,886,344	0.05000	10,337,726,877		27 Jun 2019
Distribution - Return of capital	Mar 2017	480,543,496	0.05000	9,610,869,928		27 Sep 2020 <sup>2</sup>
Distribution - Return of capital	Jun 2017	443,502,747	0.05000	8,870,054,948		27 Sep 2020 <sup>2</sup>
2017 Dividend	Jun 2018	499,976,344	0.06780	7,374,282,346		29 Jun 2021
2018 Dividend	Jul 2019	642,318,808	0.09030	7,113,165,099		1 Jul 2022
2019 Dividend	Jul 2020	417,965,383	0.06420	6,510,364,222		1 July 2023 <sup>3</sup>
2021 First Special dividend	Jun 2021	427,147,747	0.07200	5,932,607,596	97.7%	22 Jun 2024
2021 Second Special dividend	Aug 2021	413,480,183	0.07000	5,906,859,764	97.6%	27 Aug 2024
2021 Third Special Dividend	Feb 2022	351,240,772	0.06000	5,854,012,863	97.5%	18 Feb 2025
2021 Dividend	Jun 2022	774,290,893	0.12500	6,194,326,989	97.5%	27 Jun 2025
2022 Dividend	Jun 2023	269,837,832	0.05000	5,396,756,645	96.8%	6 Jun 2026
2023 Special Dividend	Sep 2023	9,180,252,728	1.72250	5,329,609,743	94.5%	29 Sep 2026

Source: Fondul Proprietatea internal records

1. 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.

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

3. Status of limitation was extended until 31 May 2026 due to certain legal provisions and procedures applied.

## Buy-back programmes

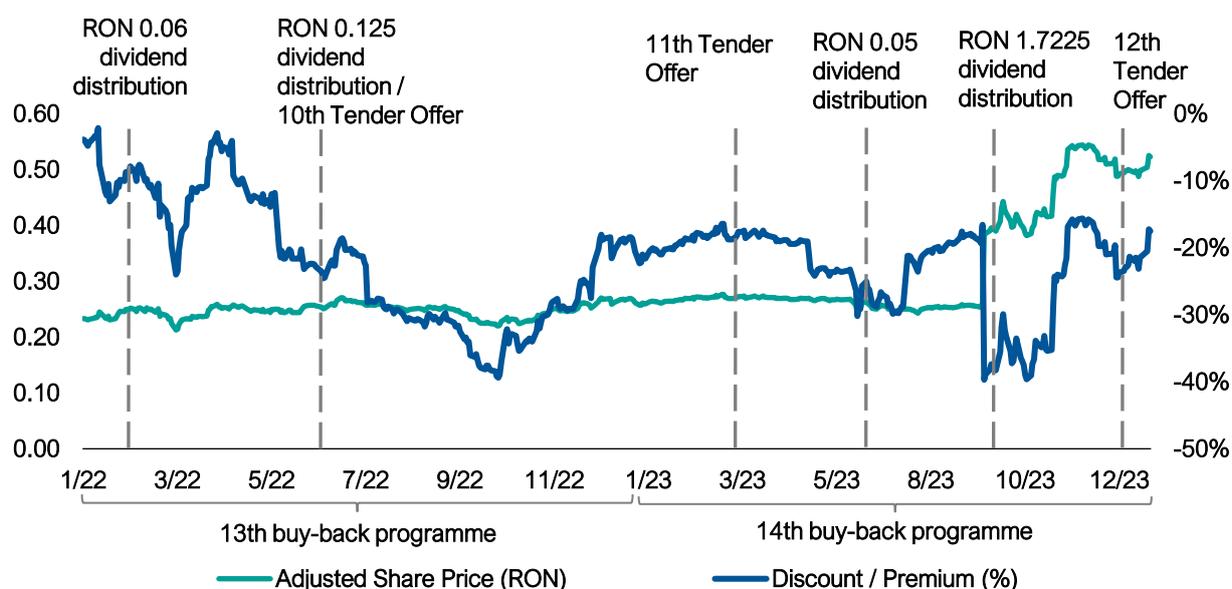
### Overview of share buy-back programmes

Programme	Period	No. of shares (million)	Tender offer	Status
<b>First</b>	May – Sep 2011	240.3	N/A	Completed
<b>Second</b>	Apr – Dec 2013	1,100.9	Oct – Nov 2013	Completed
<b>Third</b>	Mar – Jul 2014	252.9	N/A	Completed
<b>Fourth</b>	Oct 2014 – Feb 2015	990.8	Nov – Dec 2014	Completed
<b>Fifth</b>	Feb – Jul 2015	227.5	N/A	Completed
<b>Sixth</b>	Sep 2015 – Sep 2016	891.7	Aug – Sep 2016	Completed
<b>Seventh</b>	Sep 2016 – May 2017	830.2	Feb – Mar 2017	Completed
<b>Eight</b>	May – Nov 2017	141.9	N/A	Completed
<b>Ninth</b>	Nov 2017 – Dec 2018	1,488.0	Jan – Feb 2018	Completed
<b>Tenth</b>	Jan – Dec 2019	403.8	Jul – Aug 2019	Completed
<b>Eleventh</b>	Jan – Dec 2020	798.0	Jan – Mar 2020 / Jul – Sep 2020 / Oct – Dec 2020	Completed
<b>Twelfth</b>	Jan - Dec 2021	194.4	N/A	Completed
<b>Thirteenth</b>	Jan – Dec 2022	549.0	May – Jun 2022	Completed
<b>Fourteenth</b>	Jan – Dec 2023	2,112.4	Jan – Mar 2023 Oct – Dec 2023	Cancellation in progress <sup>1</sup>
<b>Total</b>		<b>10,221.8</b>		

Source: Fondul Proprietatea internal records

1. Cancellation of shares pending approval during 30 April 2024 Annual GSM

### Evolution of discount / premium vs. buy-back programmes and distributions



Source: Bloomberg for Adjusted Share Price (price adjusted with cash distributions), Sole Director calculations 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. However, the discount to NAV for the trading days 7-14 September 2023 was calculated based on the 31 August 2023 NAV (published on 15 September 2023), in order to eliminate the mismatch between the NAV and FP BVB market price that was adjusted on 7 September 2023 (the Ex-date of 29 September 2023 dividend distribution).

The table below shows a summary of the buy-back programmes during 2023:

Progr.	Description	No of shares	Equivalent shares of GDRs	Total no of shares	% of issued share capital <sup>2</sup>
	<b>Balance at 1 Jan 2023</b>	<b>544,795,835</b>	<b>4,223,250</b>	<b>549,019,085</b>	
	Conversions	4,223,250	(4,223,250)	-	
<b>13<sup>th</sup></b>	Cancellations	(549,019,085)	-	(549,019,085)	
	<b>Balance at 31 Dec 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Weighted average price (RON per share, USD per GDR) <sup>3</sup>	RON 2.1057	USD 22.4682	RON 2.1078	
	<b>Balance at 1 Jan 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	Acquisitions	1,892,873,339	219,505,550	2,112,378,889	
<b>14<sup>th</sup></b>	Conversions	219,505,550	(219,505,550)	-	
	<b>Balance at 31 Dec 2023</b>	<b>2,112,378,889</b>	<b>-</b>	<b>2,112,378,889</b>	<b>37.3%</b>
	Weighted average price (RON per share, USD per GDR) <sup>3</sup>	RON 0.7983	USD 6.8551	RON 0.8600	
<b>All</b>	<b>Total balance at 31 Dec 2023</b>	<b>2,112,378,889</b>	<b>-</b>	<b>2,112,378,889</b>	<b>37.3%</b>

Source: Sole Director calculations

Notes:

1. All information is presented based on the transaction date

2. 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).

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

### The 13<sup>th</sup> buy-back programme (implemented during 2022)

The 13<sup>th</sup> buyback programme was finalised on 30 December 2022. During the 21 April 2023 EGM, the Fund's Sole Director proposed, and the shareholders approved the cancellation of the 549,019,085 treasury shares repurchased through the 13<sup>th</sup> buy-back programme. All the related legal and regulatory steps for the cancellation of shares were finalised on 12 October 2023.

### The 14<sup>th</sup> buy-back programme (implemented during 2023)

During 15 November 2022 GSM the shareholders approved the 14th buy-back programme for 2023, for a total number of 3,500 million shares in the form of ordinary shares and GDRs, at a price between RON 0.2 per share and RON 3.0 per share.

Auerbach Grayson in consortium with Swiss Capital provided brokerage services for the programme. The Fund was allowed to buy back daily up to 25% of the average daily trading volume of the Fund's shares (in the form of ordinary shares or GDRs) on the regulated market on which the purchase was carried out, calculated in accordance with the applicable law.

The duration of the 14th buy-back programme was 1 January 2023 – 31 December 2023.

The Fund's Sole Director proposed the cancellation of the treasury shares repurchased within the 14th buy-back programme during the 30 April 2024 Annual GSM.

## The Tender Offers within the 14<sup>th</sup> buy-back programme

The table below presents details regarding the two tender offers completed by the Fund within the 14<sup>th</sup> buy-back programme:

	First Tender Offer March 2023	Second Tender offer December 2023
<b>Total no of shares acquired in the TO</b>	<b>225,000,000</b>	<b>1,670,000,000</b>
<i>Shares (ordinary)</i>	<i>132,875,150</i>	<i>1,560,550,300</i>
<i>Shares (corresponding to GDRs)</i>	<i>92,124,850</i>	<i>109,449,700</i>
GDRs acquired	1,842,497	2,188,994
<b>TO price per share (RON)</b>	<b>2.1900</b>	<b>0.6319</b>
TO price per GDR (RON)	109.5000	31.5950
FX rate of the TO (RON/USD)	4.6150	4.6090
<b>TO price per GDR (USD)</b>	<b>23.7270</b>	<b>6.8551</b>
Dealer Managers	Swiss Capital SA and Auerbach Grayson	
Intermediary for shares	Swiss Capital SA	
Tender agent for GDRs	The Bank of New York Mellon	
Date of application request to FSA	17 Jan 2023	11 Oct 2023
FSA approval of the tender	2 Feb 2023	24 Oct 2023/ 8 Nov 2023 <sup>1</sup>
<b>Subscription period</b>	<b>10 Feb - 13 Mar 2023</b>	<b>31 Oct - 5 Dec 2023</b>
Total subscriptions, out of which:	1,237,263,281	3,513,088,143
<i>Ordinary shares</i>	<i>730,673,281</i>	<i>3,282,844,693</i>
<i>Shares corresponding to GDRs</i>	<i>506,590,000</i>	<i>230,243,450</i>
Subscriptions % Offer	549.895%	210.3646%

Source: internal records of the Fund

1. On 2 November 2023 the Fund submitted for FSA's approval an application to amend the public tender offer documentation by increasing the number of tendered shares (both in the form of shares and GDRs) from 670,000,000 to up to 1,670,000,000, which was approved by the FSA on 8 November 2023.

## 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 GSM.

As at 31 December 2023, 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 programme 14 impact on equity during 2023	All amounts in RON
<b>Acquisition cost at trade price (excluding transaction costs)</b>	<b>1,816,723,950</b>
<b>Total costs directly related to transaction, out of which:</b>	<b>56,469,330</b>
Distribution fees paid to the Sole Director in relation with the buy-backs performed <sup>1</sup>	35,695,074
FSA fees	15,620,638
Stock Exchange fees (BVB and LSE)	2,842,050
Brokerage fees	930,664
Fees paid to The Bank of New York Mellon	855,064
Legal advisory fees	376,229
Central Depository fees	130,153
Other professional fees	19,457
<b>Total impact on equity of buy-back programme 14 during 2023</b>	<b>1,873,193,280</b>

Source: Sole Director calculations

1. 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

During the 21 April 2023 Annual GSM, the shareholders approved the coverage of the negative reserves in amount of RON 230,576,693 related to the 12<sup>th</sup> buy-back programme using the other reserves set up for this purpose as per the decision taken in the 2022 Annual GSM.

During the same GSM, the shareholders approved the cancellation of the 549,019,085 treasury shares repurchased within the 13<sup>th</sup> buy-back programme and also the allocation of RON 908,845,064 from 2022 accounting profit to other reserves in order to be available for covering the related negative reserve.

The table below shows the movement of the negative reserves during 2023:

Movement in negative reserve	All amounts in RON
<b>Opening balance of the negative reserve as at 1 January 2023 (audited)</b>	<b>230,576,693</b>
Coverage of negative reserves according with OGM Resolution no. 2/ 21 Apr 2023	(230,576,693)
Negative reserve arising on the cancellation of 13 <sup>th</sup> buy-back programme shares (recorded on 12 October 2023) according to EGM Resolution no. 2/ 21 Apr 2023	908,845,064
<b>Closing balance of the negative reserve at 31 December 2023 (audited)</b>	<b>908,845,064</b>

Source: Sole Director calculations

The table below shows additional details on the estimated negative reserve that will arise upon the cancelation of the treasury shares in balance as at 31 December 2023:

Negative reserve to arise on cancellation of the treasury shares in balance as at 31 December 2023		Buy-back programme 14 <sup>1</sup>
Number of shares to be cancelled	(1)	2,112,378,889
Total costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	1,873,193,280
Correspondent nominal value (NV = RON 0.52 per share) (RON)	(3)=(1)*NV	1,098,437,022
<b>Estimated negative reserve to be booked on cancelation (RON)</b>	<b>(4)=(3)-(2)</b>	<b>774,756,258</b>

Source: Sole Director calculations

1. During the period 7-30 September 2023, following the price adjustment at dividend Ex-date for the 29 September 2023 dividend distribution, the Fund's shares were traded at a price lower than the related nominal value of RON 0.52 per share.

During 30 April 2024 Annual GSM, the Fund's Sole Director proposed the cancellation of the 2,112,378,889 treasury shares repurchased within the 14<sup>th</sup> buy-back programme. The estimated negative reserve in amount of RON 774,756,258 (please see table above) corresponding to the treasury shares repurchased within the 14<sup>th</sup> buy-back programme subject to the cancellation proposal will be recorded only after all legal and regulatory steps related to the cancellation are completed (FSA endorsement, registration with the Trade Registry, etc.).

### **The 15<sup>th</sup> buy-back programme (for 2024)**

During 13 February 2024 GSM the shareholders approved the 15<sup>th</sup> buy-back programme for 2024, for a total number of 1 billion shares in the form of ordinary shares and GDRs, at a price between RON 0.2 per share and RON 1.0 per share.

For more details regarding the clarifications requested by the Fund in the context of the point added by the Ministry of Finance on 26 March 2024 GSM agenda concerning the Fund's strategy during the 1-year mandate for the period 1 April 2024 – 31 March 2025, please see section *Subsequent events*.

# Financial Information

## Evolution of liquid assets

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

RON million	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022
Current accounts <sup>1</sup>	546.1	986.0	81.1	69.9	73.8
Bank deposits	191.4	1,345.7	786.7	351.7	912.6
Treasury bills and government bonds	-	202.0	-	-	-
Dividend receivables	-	-	175.8	-	-
Total liabilities	(613.8)	(1,974.0)	(139.6)	(123.5)	(114.4)
<b>Liquid assets less liabilities</b>	<b>123.7</b>	<b>559.7</b>	<b>904.0</b>	<b>298.1</b>	<b>872.0</b>
<b>Net Assets Value</b>	<b>2,350.1</b>	<b>3,372.8</b>	<b>13,008.0</b>	<b>13,999.6</b>	<b>14,569.5</b>
<b>% Liquid assets less liabilities in NAV</b>	<b>5.3%</b>	<b>16.6%</b>	<b>6.9%</b>	<b>2.1%</b>	<b>6.0%</b>

Source: Sole Director calculations

1. Current accounts include also the cash blocked for distributions to shareholders

The liquid assets decreased at the end of Q1 mainly as a result of the cash outflows for the Tender Offer within the 14<sup>th</sup> buy-back programme settled in March 2023.

The most important cash inflows in Q2 are related to the collection of dividend receivables from portfolio companies (mainly Hidroelectrica SA), partially netted off by the dividend distribution of RON 0.05 per share with Payment date 6 June 2023.

The increase in total liabilities at the end of Q3 is related to the special dividend distribution from Hidroelectrica SA IPO proceeds of RON 1.7225 per share, with Payment date 29 September 2023.

During Q4 the main cash inflow was related to the disposal of the Fund's holding in Enel companies (RON 650 million), netted off by the cash outflows related to the tender offer within the 14<sup>th</sup> buyback programme, finalised in December 2023 (RON 1.1 billion).

## 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 it is calculated as the total ongoing charges for the last 12 months divided by the average monthly net asset value of the Fund during the same period.

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.

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 2023 was 2.83% and including transaction related expenses this was 5.40% (31 December 2022: 0.85% and including transaction related expenses this was 0.98%).

The OCR of the Fund increased significantly in 2023 compared to previous year as a result of the higher administration fees (both base fee and distribution fee) and significant decrease in 2023 average NAV, following (1) the completion of Hidroelectrica SA IPO and subsequent distribution to shareholders of the related proceeds and (2) the implementation of the 14<sup>th</sup> buyback programme, in which the Fund repurchased 2.1 billion shares.

Also, the total transaction costs recorded by the Fund are significantly higher in 2023 as a result of the expenses incurred in the listing of Hidroelectrica SA.

The **Total Expense Ratio** of the Fund recorded the same value as OCR for both 31 December 2023 and 31 December 2022.

## Fees, charges, and expenses directly or indirectly borne by investors

According to article 22 of Law no. 74/2015 the AIFM shall make available to investors the information on all fees, charges and expenses and the maximum amounts thereof which are directly or indirectly borne by investors.

Please find below additional details on this topic, as recommended in the communications received from FSA.

### 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 BVB, LSE and any other exchange on which the financial instruments of the Fund or GDRs 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;

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.

The AIFM shall be liable for the following out of pocket expenses incurred by it when performing its duties, 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 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.

## Financial statements analysis

The audited financial statements for the year ended 31 December 2023, prepared in accordance with IFRS and applying the FSA Norm no. 39/2015 with subsequent amendments, are included in full in Annex 1 to this report. Also, the independent auditor's report for the IFRS financial statements of the Fund for 2023 is published on the Fund website together with the Annual Sole Director's Report for 2023 in the section *Investor Relations – Financial Results – Annual reports*.

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 audited 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 2023. The analysis presents the main developments during 2023, for more details regarding the comparative amounts from previous period, please see the corresponding section in *Annex 1 Audited IFRS Financial Statements*.

The difference in valuation of equity investments in the IFRS financial statements of the Fund authorised for issue on 25 March 2024 vs. the NAV reporting at 31 December 2023 published on 12 January 2024 is as a result of update in CE Oltenia SA valuation.

The Fund has analysed the potential effect on the valuation of portfolio holdings of the events that took place between 31 October 2023 (date of valuation reports for 31 December 2023 NAV) and 31 December 2023 and consequently has adjusted the value of CE Oltenia SA from RON 64.8 million to RON 56.8 million in the 2023 IFRS financial statements if the Fund.

### Statement of Financial Position

RON million	31 December 2023 Audited	31 December 2022 Audited	31 December 2021 Audited	31 Dec 2023 vs. 31 Dec 2022 (%)
Cash and current accounts	0.1	0.1	0.1	-
Distributions bank accounts	547.5	73.8	68.1	>100%
Deposits with banks	191.4	912.6	347.4	-79.0%
Government bonds	-	-	77.1	-
Equity investments	1,784.4	13,696.6	12,577.7	-87.0%
Non-current assets held for sale	432.6	-	1,135.2	+100.0%
Other assets	-	0.5	0.3	-100.0%
<b>Total assets</b>	<b>2,956.0</b>	<b>14,683.6</b>	<b>14,205.9</b>	<b>-79.9%</b>
Payable to shareholders	546.5	74.2	408.3	>100%
Other liabilities and provisions	67.3	39.9	40.1	+68.7%
<b>Total liabilities</b>	<b>613.8</b>	<b>114.1</b>	<b>448.4</b>	<b>&gt;100%</b>
Total equity	2,342.2	14,569.5	13,757.5	-83.9%
<b>Total liabilities and equity</b>	<b>2,956.0</b>	<b>14,683.6</b>	<b>14,205.9</b>	<b>-79.9%</b>

Source: Audited IFRS financial statements of the Fund

The **liquid assets** of the Fund during 2023 included current accounts, term deposits with banks, T-bills and government bonds issued by the Ministry of Public Finance of Romania. All instruments were denominated in RON, with maturities of up to one year.

The most important **cash inflows** during 2023 were related to the proceeds from Hidroelectrica SA IPO (RON 9.28 billion), disposal of the entire stake in Enel companies (RON 650 million) and the net dividends received from portfolio companies (RON 955.8 million), while the most significant **cash outflows** were related to net dividends paid (RON 8.23 billion) and to the acquisition of treasury shares within the 14<sup>th</sup> buyback programme, including the tender offers settled in March 2023 and December 2023 (RON 1.83 billion in total).

The net decrease in **Equity investments** of RON 11.91 billion during 2023 was mainly related to the disposal of the entire holdings in Enel holdings (impact RON 588.8 million) and in Hidroelectrica SA (impact RON 11.15 billion), and to the reclassification of the holding in Engie Romania SA as non-current assets held for sale (RON 440.7 million).

At 31 December 2023, **Payable to shareholders** caption comprised the dividends payable to shareholders, out of which the most significant amounts are related to the 29 September 2023 special dividend distribution (RON 464.8 million). At the same date the **Other liabilities and provisions** caption mainly comprises the withholding tax due to the State budget related to dividend distributions performed during 2023 (RON 44.2 million) and the Q4 2023 fees payable to the Sole Director (RON 21.3 million).

**Capital expenditure** comprises the value of the licenses, the implementation costs and the updates of the accounting and reporting software, net of the accumulated amortisation. During 2023 the Fund incurred capital expenditure costs of RON 131 thousand, which were entirely amortised over the year.

### Statement of Comprehensive Income

RON million	2023 Audited	2022 Audited	2021 Audited
Net (loss)/ gain from equity investments at fair value through profit or loss	(1,612.3)	1,843.8	4,455.7
Gross dividend income	962.8	934.9	655.1
Interest income	157.5	25.1	13.7
Net gain/ (loss) from non-current assets held for sale	61.2	(157.0)	-
Net gain/ (loss) from other financial instruments at fair value through profit or loss	1.2	250.2	(4.5)
Other (expenses)/ income, net <sup>1</sup>	(0.1)	4.4	5.4
<b>Net operating (loss)/ income</b>	<b>(429.7)</b>	<b>2,901.4</b>	<b>5,125.4</b>
Administration fees recognised in profit or loss	(202.2)	(79.4)	(84.0)
Other operating expenses	(265.1)	(45.8)	(22.6)
<b>Operating expenses</b>	<b>(467.3)</b>	<b>(125.2)</b>	<b>(106.6)</b>
Finance costs	(0.1)	(0.1)	(0.1)
<b>(Loss)/ Profit before income tax</b>	<b>(897.1)</b>	<b>2,776.1</b>	<b>5,018.7</b>
Withholding tax on the dividend income	(7.0)	(6.7)	(6.1)
<b>(Loss)/ Profit for the year</b>	<b>(904.1)</b>	<b>2,769.4</b>	<b>5,012.6</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>(904.1)</b>	<b>2,769.4</b>	<b>5,012.6</b>

Source: Audited IFRS financial statements of the Fund

1. This caption mainly includes the net foreign exchange gain/ (loss), annual income from the depositary bank of the Fund's GDRs and other operating income/(expenses).

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

The **loss from equity investments at fair value through profit or loss** during 2023 was mainly generated by the valuation of the holding in Hidroelectrica SA at expected IPO proceeds

(impact RON 1.87 billion), which was partially offset by the increase in fair value of CN Aeroporturi Bucuresti SA (impact RON 164.7 million), CE Oltenia SA (impact RON 56.8 million), CN Administratia Porturilor Maritime SA (impact RON 45.3 million) and Societatea Nationala a Sarii SA (impact RON 44.7 million).

**Gross dividend income** was mainly generated by the amounts recorded from Hidroelectrica SA (RON 867.4 million), Societatea Nationala a Sarii SA (RON 56.0 million) and CN Aeroporturi Bucuresti SA (RON 31.5 million).

The significant increase in **interest income** during 2023 was recorded following the placement of Hidroelectrica SA IPO proceeds in various short term money market instruments for the period between the IPO settlement date (10 July 2023) and the related dividend distribution Payment date (29 September 2023). These instruments included bank deposits, treasury bills and government bonds.

**Net gain from non-current assets held for sale** of RON 61.2 million represents the fair value movement of the holdings in the Enel group companies following their reclassification to non-current assets held for sale on 31 March 2023.

Additional details on the **administration fees** are presented below:

RON million	2023 Audited	2022 Audited	2021 Audited
<b>Recognised in profit or loss</b>	<b>202.2</b>	<b>79.3</b>	<b>84.0</b>
Base fee	36.8	57.3	62.0
Distribution fee for dividends	165.4	19.3	11.9
Performance fee	-	2.7	10.1
<b>Recognised in other comprehensive income</b>	<b>35.7</b>	<b>27.9</b>	<b>3.3</b>
Distribution fee for buy-back programmes	35.7	27.9	3.3
<b>Total administration fees</b>	<b>237.9</b>	<b>107.2</b>	<b>87.3</b>

Source: Audited IFRS financial statements of the Fund

The increase in the administration fees recognised in profit or loss for 2023 compared to 2022 was mainly due to the increase in dividend distribution fee following the special gross dividend distribution of RON 1.7225 per share from Hidroelectrica SA IPO proceeds.

The decrease in base fee during 2023 compared to 2022 is mainly due to:

- the decrease in base fee rate as per the Management Agreement starting on 1 April 2022 compared to previous one (i.e. 0.45% vs. 0.6%);
- the lower market capitalisation of the Fund following Hidroelectrica IPO proceeds disbursement as dividends;

### Other operating expenses

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

RON million	2023 Audited	2022 Audited	2021 Audited
Intermediaries and other transaction related fees	242.9	19.1	0.1
FSA monthly fees	8.8	14.3	10.6
BON remunerations and other related expenses	2.7	2.2	2.0
Legal and litigation assistance expenses	2.7	2.6	3.3
Portfolio valuation services	1.3	2.4	1.6
Public relations services	0.9	1.0	0.3

RON million	2023 Audited	2022 Audited	2021 Audited
Investors' relations expenses	0.8	1.0	0.4
Financial auditor's fees	0.8	0.8	0.8
Other operating expenses	4.2	2.4	3.5
<b>Total operating expenses</b>	<b>265.1</b>	<b>45.8</b>	<b>22.6</b>

Source: Audited IFRS financial statements of the Fund

The **intermediaries and other transaction related fees** in amount of RON 242.9 million are mainly related to the listing of Hidroelectrica SA and include bank fees, legal costs, and other consultancy fees.

### Statement of Cash Flows

RON million	2023 Audited	2022 Audited	2021 Audited
<b>Cash flows from operating activities</b>			
Proceeds from disposal of equity investments	9,931.2	1,781.9	-
Dividends received (net of withholding tax)	955.8	928.2	649.3
Interest received	156.9	24.5	15.9
Amounts collected from the depository Bank of the Fund's GDRs	1.2	3.8	3.0
Net proceeds from transactions with treasury bills and bonds	1.2	304.3	495.5
Amounts received from Romanian State for the unpaid share capital	-	189.2	-
WHT payments performed	(702.4)	(34.4)	(25.0)
Suppliers and other taxes and fees paid	(50.3)	(34.4)	(21.9)
Intermediaries and other transaction related fees	(242.9)	(11.5)	-
Sole Director fees	(231.7)	(113.8)	(80.9)
Acquisition of treasury bills and bonds	-	(227.8)	(199.1)
Subscriptions to share capital increase of portfolio companies	(2.7)	(17.4)	(10.1)
Other payments performed/amounts received, net	(1.7)	(1.6)	(0.4)
<b>Net cash flows from operating activities</b>	<b>9,814.6</b>	<b>2,791.0</b>	<b>826.3</b>
<b>Cash flows from financing activities</b>			
Transfer to distribution accounts	(8,687.1)	(1,146.1)	(777.9)
Dividends transferred corresponding to shareholders having specific legal status	(18.4)	(2.0)	-
Acquisition cost of treasury shares	(1,829.5)	(1,146.6)	(327.1)
Payment of fees related to the short-term bank loans	(0.1)	-	(0.1)
<b>Net cash flows used in financing activities</b>	<b>(10,535.1)</b>	<b>(2,294.7)</b>	<b>(1,105.1)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(720.5)</b>	<b>496.3</b>	<b>(278.8)</b>
Cash and cash equivalents at the beginning of the year	911.8	415.5	694.3
<b>Cash and cash equivalents at the end of the year</b>	<b>191.3</b>	<b>911.8</b>	<b>415.5</b>

Source: Audited IFRS financial statements of the Fund

The presentation of the distribution accounts for 31 December 2022 has been changed in line with the re-assessed presentation for the year ended 31 December 2023 where the distribution accounts are presented separately from the cash and cash equivalents for the purpose of the cash flow statement.

### Related party transactions

The transactions with related parties were performed in the normal course of business. For more details, please see *Annex 1 Audited IFRS Financial Statements, Note 22*.

### Analysis of budget vs actual expenses

The 2023 Budget of Income, Expenses and Capital Expenditure of the Fund was prepared in September 2022, based on IFRS as endorsed by the European Union and was approved by shareholders on 15 November 2022. It contains the main categories of budgeted income and expenses of the Fund. According to the main assumptions of the 2023 Budget, there are certain categories of income and expenses which cannot be budgeted such as: foreign exchange gains and losses, fair value changes, gains or losses and other expenses related to disposal of financial instruments, and other items of income/ expenses.

During the year ended 31 December 2023, the actual expenses from current activity amount to RON 224.4 million and exceed the budgeted expenses by RON 129.5 million. The negative variance is due to the investment management and administration fees, for which the shareholders granted the Sole Director the power to exceed the budgeted expenses as part of the approval process for 2023 Budget. The management fees in 2023 exceeded the budgeted levels mainly as a result of the distribution fee for the special dividend distribution from Hidroelectrica SA IPO proceeds.

For more details, please see *Annex 5 Actual versus Budget Analysis for the year ended 31 December 2023*.

# 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 duration of Fondul Proprietatea is until 31 December 2031 and this may be extended by the EGM with additional periods of 5 years each.

On 28 January 2022, FSA authorised Fondul Proprietatea as an AIF closed-end type intended to retail investors, with BRD - Groupe Societe Generale as depositary. The Fund is registered within the FSA Register – Section 9 – ‘Alternative Investment Funds’ under no. PJR09FIAIR/400018 as Alternative Investment Fund intended for retail investors.

The Fund is registered with the Bucharest Trade Register under the number J40/21901/2005 and has the sole registration code 18253260.

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).

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.

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

### Share information

Primary listing	Bucharest Stock Exchange – since 25 January 2011
Secondary listing	London Stock Exchange – since 29 April 2015
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	549300PVO1VWBFH3D007
CIIF registration no	AC-4522-10/16.10.2023

The list of countries where the Fund has notified CSSF for marketing activities under AIFM Directive includes Denmark, the United Kingdom, France, Germany, Austria, and Romania.

## History

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 no. 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.

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

The Romanian state's participation in the share capital of the Fund as at 31 December 2023 was of 370,456,198 shares, representing 6.53% of the Fund's subscribed and paid-up share capital.

## Investment policy

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 current IPS was approved by shareholders during the 15 December 2021 EGM and entered into force on 1 April 2022.

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. The Fund's investment restrictions are included in the IPS, which is published on the Fund webpage in the section *About the Fund – Fund overview*.

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. In case of any breaches to the IPS, the AIFM would inform investors by publishing current reports.

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

## Management

Franklin Templeton has been the Sole Director of the Fund starting 29 September 2010, with successive mandates of two or four years.

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 2022 – 31 March 2024. The portfolio management and the administrative activities are performed by FTIS via its Bucharest Branch.

Starting with 23 August 2021, following the correspondence with FSA regarding the provisions of art. 153<sup>13</sup> 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, which is registered with the Trade Registry. As at 31 December 2023, Johan Meyer is the permanent representative of the AIFM, being also the portfolio manager of the Fund.

### Management Agreement in force during 1 April 2022 – 31 March 2024

Starting with 1 April 2022, the Fund is managed under the Management Agreement approved during the 15 December 2021 GSM, with a duration of 2 years (1 April 2022 – 31 March 2024), under the following key commercial terms:

<b>Base Fee per year</b>	<ul style="list-style-type: none"> <li>• 0.45%</li> </ul>
<b>Consideration for the Base Fee</b>	<ul style="list-style-type: none"> <li>• Weighted average market capitalisation of the Fund</li> </ul>
<b>Distribution Fee for all distributions</b>	<ul style="list-style-type: none"> <li>• 2.50% applied to the value of the distributions during 1 April 2022 – 31 March 2023</li> <li>• 1.75% applied to the value of the distributions during 1 April 2023 – 31 March 2024</li> </ul>
<b>Consideration for the Distribution Fee</b>	<ul style="list-style-type: none"> <li>• Share buy-backs and GDR buy-backs</li> <li>• Public tender buy-backs</li> <li>• Return of share capital and dividends</li> </ul>
<b>Duration</b>	<ul style="list-style-type: none"> <li>• 2 years</li> </ul>

### Management Agreement for the period 1 April 2024 – 31 March 2025

During 25 September 2023 GSM the shareholders approved the renewal of FTIS mandate as Sole Director and AIFM of Fondul Proprietatea for a duration of 1 year (1 April 2024 - 31 March 2025).

The draft management agreement for the period 1 April 2024 – 31 March 2025 was discussed and agreed with the Board of Nominees and was included on the agenda of 26 March 2024 GSM. This is in line with the current IPS of the Fund and has similar contractual terms with the Management Agreement currently in force, with the main difference represented by the increase in base fee rate from 0.45% to 2.00%.

On 22 February 2024 the shareholder Ministry of Finance submitted a request to supplement the 26 March 2024 GSM agenda with new points, proposing a base fee rate of 1.35% instead of 2.00% and an updated strategy of the Fund for the period 1 April 2024 - 31 March 2025, so that it includes the preservation of the current portfolio.

On 29 February 2024 the Fund submitted a letter to the Ministry of Finance, requesting clarifications in respect of the points added on 26 March 2024 GSM. For more details, please see *Subsequent events* section.

### Management Agreement in force starting 1 April 2025

During 25 September 2023 GSM the shareholders also approved that the Board of Nominees should launch a transparent and competitive selection procedure for the appointment of a new Sole Director starting 1 April 2025, based on investment expertise and experience, in accordance with the legal provisions in force. The shareholders also approved that the Board of Nominees is empowered to establish new terms and conditions for the evaluation and remuneration of the fund manager, corresponding to the new objectives, in line with international best practices and present them for approval by the GSM.

For more details regarding the full resolutions adopted by shareholders during 25 September 2023 GSM, please see the dedicated section on the Fund's webpage *Investor Relations - GSM Information*.

## Shareholder structure information

### Largest shareholders – based on ownership disclosures submitted by shareholders

According to Art. 71(1) of Law no. 24/2017, if a shareholder acquires or disposes of shares from an issuer listed on a regulated market, having attached voting rights, the shareholder must notify the issuer about the percentage of voting rights held following the acquisition or disposal in discussion, when the percentage reaches, exceeds or falls below one of the thresholds: 5%, 10%, 15%, 20%, 25%, 33%, 50% and 75%.

As a result of this legal requirement, during 2023 the Fund has received from shareholders the disclosures presented below – the information is presented based on the data included in the notification at the respective dates, while the voting rights percentage at 31 December 2023 might be different.

Shareholder	Latest ownership disclosure	% of voting rights
Ministry of Finance	1 April 2022	5.97%
NN Private Pension Funds	11 April 2022	11.24%
Silver Point Capital Funds	5 April 2023	4.89%
AZT pension funds and Allianz Tiriac Asigurari SA	12 December 2023	4.13%
Metropolitan Life Pension Fund and Metropolitan Insurance	22 December 2023	4.74%

Source: ownership disclosures submitted by shareholders

### Silver Point Capital Funds

On **5 April 2023**, the Fund announced that Silver Point Distressed Opportunities Fund, L.P., Silver Point Distressed Opportunities Offshore Master Fund, L.P., Silver Point Distressed Opportunity Institutional Partners (Offshore), L.P., Silver Point Distressed Opportunity Institutional Partners, L.P., SPCP Luxembourg Strategies S.a.r.l. Offshore and SPCP Luxembourg Strategies S.a.r.l. Onshore have sent an aggregate disclosure of holdings under 5% of the total voting rights in the Fund.

According to the disclosure, by virtue of acting in concert, Silver Point Distressed Opportunities Fund, L.P., Silver Point Distressed Opportunities Offshore Master Fund, L.P., Silver Point Distressed Opportunity Institutional Partners (Offshore), L.P., Silver Point Distressed Opportunity Institutional Partners, L.P., SPCP Luxembourg Strategies S.a.r.l. Offshore and SPCP Luxembourg Strategies S.a.r.l. Onshore held together, as of 29 March 2023, a number of 266,233,051 voting rights, representing 4.89% of the total number of voting rights in the Fund.

### AZT pension funds and Allianz Tiriac Asigurari SA

On **12 December 2023** the Fund announced that Fondul de Pensii Adminstrat Privat AZT Viitorul Tau, Fondul de Pensii Facultative Privat AZT Moderato, Fondul de Pensii Facultative Privat AZT Vivace and Allianz Tiriac Asigurari SA have sent an aggregate disclosure of holdings under 5% of the total voting rights in the Fund.

According to the disclosure, as at 8 December 2023 Fondul de Pensii Adminstrat Privat AZT Viitorul Tau, Fondul de Pensii Facultative Privat AZT Moderato, Fondul de Pensii Facultative Privat AZT Vivace and Allianz Tiriac Asigurari SA, by virtue of acting in concert, held in common a number of 234,082,629 voting rights, representing 4.13% of the total number of Fondul Proprietatea of 5,668,806,128.

## Metropolitan group entities

On 10 May 2023, the Fund announced that Fondul de Pensii Administrat Privat Metropolitan Life and Metropolitan Life Asigurari Metlife Europe D.A.C. Dublin Sucursala Bucuresti have sent an aggregate disclosure of holdings over 5% of the total voting rights in the Fund. According to the disclosure, Fondul de Pensii Administrat Privat Metropolitan Life and Metropolitan Life Asigurari Metlife Europe D.A.C. Dublin Sucursala Bucuresti, by virtue of acting in concert, held in common a number of 300,900,475 voting rights, representing 5.1267% of the total number of voting rights in Fondul Proprietatea at 30 June 2022 (i.e. 5,869,326,989).

On **22 December 2023** the Fund announced that Fondul de Pensii Administrat Privat Metropolitan Life and Metropolitan Life Asigurari Metlife Europe d.a.c. Dublin Sucursala Bucuresti have sent an aggregate disclosure of holdings under 5% of the total voting rights in the Fund. According to the disclosure, as of 8 December 2023, Fondul de Pensii Administrat Privat Metropolitan Life and Metropolitan Life Asigurari Metlife Europe d.a.c. Dublin Sucursala Bucuresti, by virtue of acting in concert, held a number of 168,468,348 voting rights, representing 4.7370% from the total Fund voting rights (5,668,806,128) excluding own shares whose voting rights are suspended (2,112,378,889), respectively from 3,556,427,239 voting rights.

## Metropolitan Life Private Pension Fund

On 12 April 2023, the Fund announced that Fondul de Pensii Administrat Privat Metropolitan Life has sent a disclosure of holding over 5% of the total voting rights held in the Fund. According to the disclosure, at 31 August 2022 Fondul de Pensii Administrat Privat Metropolitan Life held a number of 287,443,608 voting rights, representing 5.0069% of the total number of voting rights in the Fund (i.e. 5,740,983,458).

On 15 December 2023 the Fund announced that Fondul de Pensii Administrat Privat Metropolitan Life has sent a disclosure of holdings under 5% of the total voting rights in the Fund. According to the disclosure, as of 6 December 2023, Fondul de Pensii Administrat Privat Metropolitan Life held a number of 146,032,587 voting rights, representing 4.1061% from the total Fondul Proprietatea voting rights (5,668,806,128) excluding own shares that do not have voting rights (2,112,378,889), respectively from 3,556,427,239 voting rights.

## Shareholder structure as at 31 December 2023

Shareholder categories <sup>1</sup>	% of subscribed and paid-up share capital	% of total voting rights	% of total exercisable voting rights
Treasury shares <sup>2</sup>	37.26%	37.26%	-
Romanian institutional shareholders	24.41%	24.41%	38.91%
Romanian private individuals	23.42%	23.42%	37.32%
Romanian State represented by Ministry of Finance	6.53%	6.53%	10.42%
Foreign private individuals	3.25%	3.25%	5.18%
Foreign institutional shareholders	2.93%	2.93%	4.67%
The Bank of New York Mellon (GDRs) <sup>3</sup>	2.20%	2.20%	3.50%

Source: Depozitarul Central SA

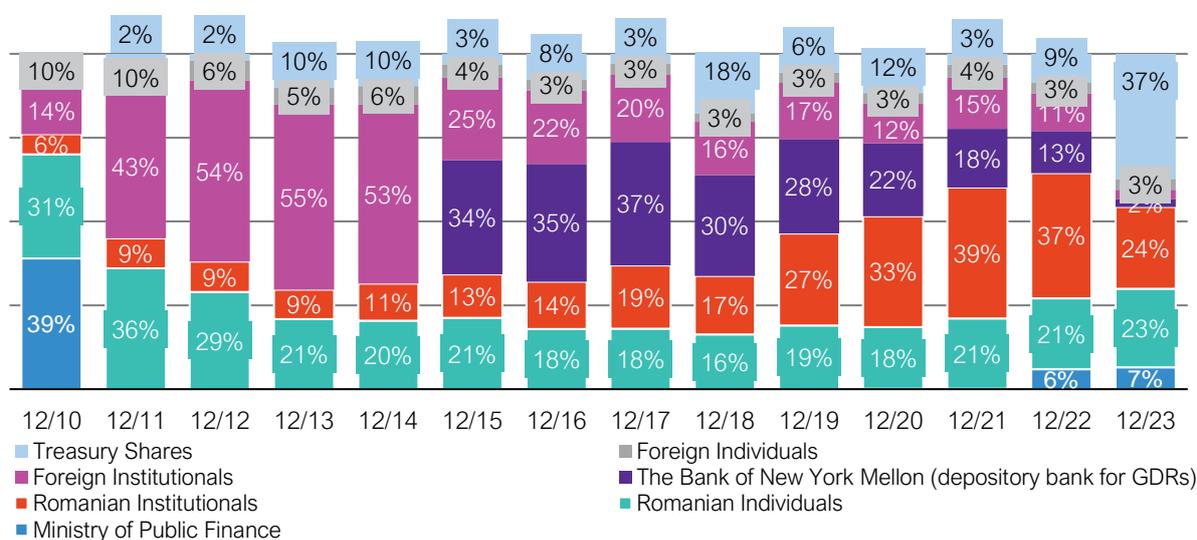
1. Information provided based on settlement date of transactions. The suspended voting rights related to the Fund's treasury shares acquired under the buyback programmes, either in the form of shares and/or GDRs, were not included in the computation of the exercisable voting rights.

2. 2,112,378,889 treasury shares acquired in 2023 within the 14<sup>th</sup> buyback program (either in the form of shares and/or GDRs)

3. The shares underlying the GDRs issued by the Bank of New York Mellon are held in the name of the Bank of New York Mellon and for the account of the GDRs holders. Out of BNY holding, the GDRs held by Fondul Proprietatea were excluded, namely 0 GDRs (0 shares equivalent – the Fund did not hold any GDR as at 31 December 2023)

As at 31 December 2023, the Fund had 22,673 shareholders. The total number of voting rights was 5,668,806,128, out of which a total of 3,556,427,239 exercisable voting rights.

### Evolution of the shareholder structure



Source: Depozitarul Central SA, based on issued share capital until 31 July 2011, based on paid share capital starting 31 July 2011

## Share capital information

### Changes in share capital during the reporting period

	31 December 2023	31 December 2022	31 December 2021
Issued share capital (RON)	2,947,779,186.56	3,233,269,110.76	3,334,342,422.84
Paid in share capital (RON)	2,947,779,186.56	3,233,269,110.76	3,145,160,000.84
Number of shares in issue	5,668,806,128	6,217,825,213	6,412,196,967
Number of paid shares	5,668,806,128	6,217,825,213	6,048,384,617
Nominal value per share (RON)	0.52	0.52	0.52

Source: National Trade Registry

On 12 October 2023, the Bucharest Trade Registry registered Resolution no. 2 /21 April 2023 of the Fund's EGM, approving the decrease of the subscribed share capital from RON 3,233,269,110.76 to RON 2,947,779,186.56 pursuant to the cancellation of 549,019,085 own shares acquired by Fondul Proprietatea during 2022 within the 13<sup>th</sup> buy-back programme.

The amendment of the Constitutive Act following the decrease was endorsed by the FSA through Endorsement no. 140/5 October 2023.

Consequently, as of 12 October 2023, the new value of the Fund's subscribed and paid-up share capital is RON 2,947,779,186.56, divided into 5,668,806,128 shares with a nominal value of RON 0.52 per share.

### GDR facility

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 37,792,040 GDRs (1,889,602,000 shares equivalent) as at 31 December 2023, each GDR representing 50 shares. As at 31 December 2023, 124,530,650 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depository bank, accounting for 2,490,613 GDRs, representing 6.59% of the GDR facility.

## Evolution of the Fund's share capital since listing

The following table presents information on the main events during the period from 1 January 2011 until 31 December 2023, which have changed the amount of the issued share capital of the Fund.

Date	Event	Structure of the share capital after event			
		Issued share capital (RON)	Paid share capital (RON)	Issued shares (Shares)	Paid shares (Shares)
1 Jan 2011	Opening balance	13,778,392,208.00	13,778,392,208.00	13,778,392,208	13,778,392,208
24 Feb 2014	Cancellation of shares BB 1	13,538,087,407.00	13,172,832,785.00	13,538,087,407	13,172,832,785
25 Jun 2014	Decrease for annual cash distribution to shareholders	12,861,183,036.65	12,515,396,724.25	13,538,087,407	13,174,101,815
26 Sep 2014	Cancellation of shares BB 2	11,815,279,886.85	11,469,656,813.90	12,437,136,723	12,073,322,962
27 Jan 2015	Cancellation of shares BB 3	11,575,064,733.65	11,229,443,001.15	12,184,278,667	11,820,466,317
31 May 2015	Decrease for annual cash distribution	10,965,850,800.30	10,638,419,685.30	12,184,278,667	11,820,466,317
12 Aug 2015	Cancellation of shares BB 4	10,074,080,745.90	9,746,649,630.90	11,193,423,051	10,829,610,701
14 Mar 2016	Cancellation of shares BB 5	9,869,265,720.90	9,541,834,605.90	10,965,850,801	10,602,038,451
9 Jun 2016	Decrease for annual cash distribution	9,320,973,180.85	9,011,732,683.35	10,965,850,801	10,602,038,451
26 Oct 2016	Partial cancellation of shares BB 6	9,168,314,116.70	8,859,073,619.20	10,786,251,902	10,422,439,552
18 Jan 2017	Partial cancellation of shares BB 6	8,562,968,634.10	8,253,728,136.60	10,074,080,746	9,710,268,396
24 Mar 2017	Decrease for covering accounting loss and for extraordinary cash distribution	5,742,226,025.22	5,534,852,985.72	10,074,080,746	9,710,268,396
16 Jun 2017	Decrease for annual cash distribution	5,238,521,987.92	5,049,339,565.92	10,074,080,746	9,710,268,396
29 Nov 2017	Partial cancellation of shares BB 7	4,854,034,784.56	4,664,852,362.56	9,334,682,278	8,970,869,928
29 Jun 2018	Partial cancellation of shares BB 7 and BB 8	4,771,610,196.08	4,582,427,774.08	9,176,173,454	8,812,361,104
28 Dec 2018	Partial cancellation of shares BB 8	4,733,020,898.32	4,543,838,476.32	9,101,963,266	8,738,150,916
15 Oct 2019	Cancellation of shares BB 9	3,959,264,762.44	3,770,082,340.44	7,613,970,697	7,250,158,347
30 Sep 2020	Cancellation of shares BB 10	3,749,282,292.08	3,560,099,870.08	7,210,158,254	6,846,345,904
25 Oct 2021	Cancellation of shares BB 11	3,334,342,422.84	3,145,160,000.84	6,412,196,967	6,048,384,617
1 Feb 2022	Payment of unpaid shares by Romanian State	3,334,342,422.84	3,334,342,422.84	6,412,196,967	6,412,196,967
19 Oct 2022	Cancellation of shares BB 12	3,233,269,110.76	3,233,269,110.76	6,217,825,213	6,217,825,213
12 Oct 2023	Cancellation of shares BB 13	2,947,779,186.56	2,947,779,186.56	5,668,806,128	5,668,806,128
<b>31 Dec 2023</b>	<b>Closing balance</b>	<b>2,947,779,186.56</b>	<b>2,947,779,186.56</b>	<b>5,668,806,128</b>	<b>5,668,806,128</b>
	Treasury shares			(2,112,378,889)	(2,112,378,889)
	<b>Voting rights</b>			<b>3,556,427,239</b>	<b>3,556,427,239</b>

Source: Fondul Proprietatea internal records

## Changes to the Constitutive Act during 2023

The Constitutive Act of the Fund updated on the basis of EGM Resolution no. 1 / 21 April 2023 for approving the amendment of Article 15 (2) and of Article 21 (4) point ii), entered into force as of 2 October 2023, further to the FSA Authorisation no. 138 / 27 September 2023.

The second updated Constitutive Act of the Fund was published on 12 October 2023, following the Authorisation no. 140/ 5 October 2023 by the FSA of the decrease of the subscribed and paid-up share capital as approved through Resolution no. 2/ 21 April 2023 of the Fund's EGM pursuant to the cancellation of own shares acquired by the Fund during 2022.

The Fund's Constitutive Act in force as at 31 December 2023 is included in full in Annex 6 to this report.

For more details regarding the update of the Fund's Constitutive Act following the shareholders decision during 25 September 2023 EGM, please see section *Subsequent Events*.

## Credit facility agreement and issued debt

The Fund had in place a credit facility from BRD - Groupe Societe Generale SA expiring on 31 July 2023 of RON 284 million. The credit facility was for general corporate use. The Fund did not use the credit facility during 2023 and decided not to extend the credit facility after 31 July 2023.

The Fund had no bonds or other debt securities in issue during 2023.

## Employees

As at 31 December 2023 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 before 31 March 2025.

## Subsidiaries

As at 31 December 2023, 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%
Zirom SA	100%

Source: Fondul Proprietatea internal records

None of the Fund's subsidiaries holds shares in the Fund as at 31 December 2023, based on the information made available to the Fund.

Comsig SA was a subsidiary of the Fund in administrative liquidation process, which was finalised on 28 March 2023, when it was deregistered from the Trade Registry.

There was no corporate reorganisation of the Fund or its subsidiaries during 2023.

## Branches

During 2023 the Fund had no branches.

# Net Asset Value

## NAV methodology

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

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

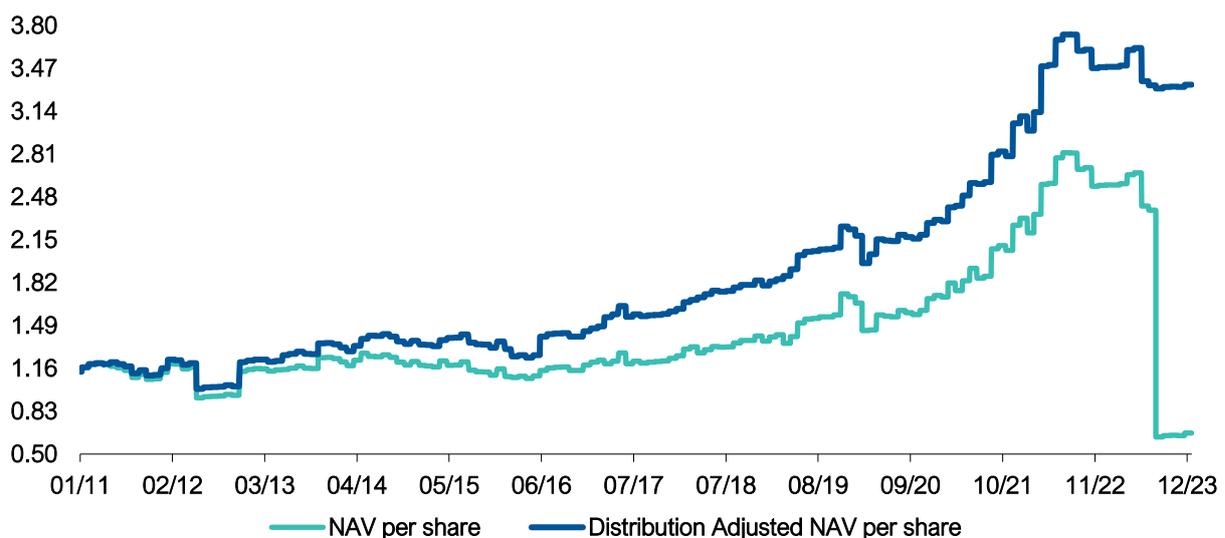
Starting with 28 January 2022, the date when the Fund's registration process as an AIF with the FSA was finalised, the Fund started to apply the Romanian AIF Law (Law no. 243/2019) and AIF Regulation (Regulation no. 7/2020).

Listed liquid shares are valued either at closing market prices if listed on regulated markets, or at reference prices if listed on an ATS. Listed illiquid and unlisted shares are valued 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.

## NAV evolution

### Evolution of distribution adjusted NAV per share

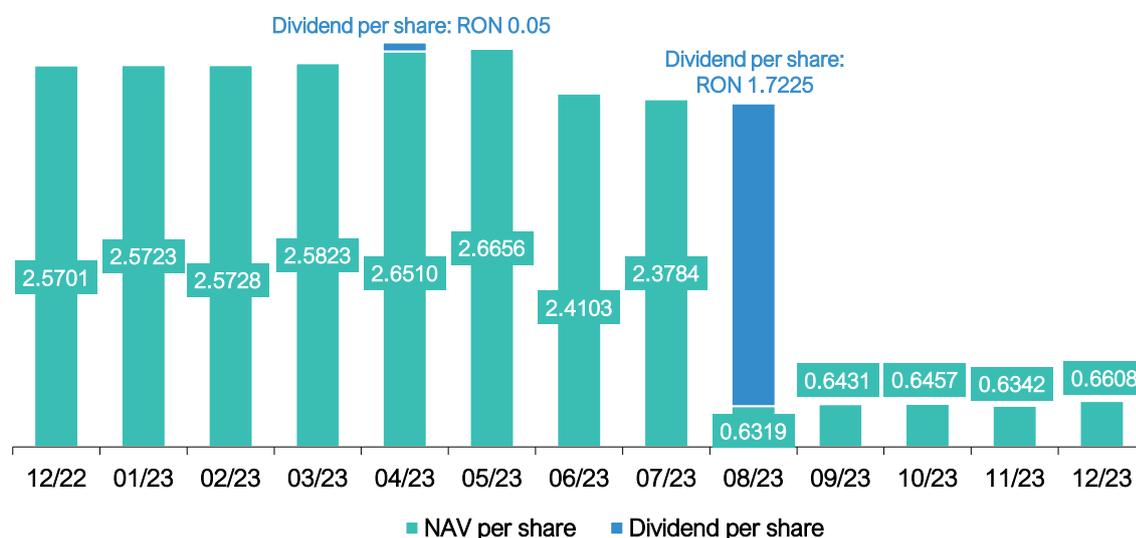


Source: Sole Director calculations

Note: Distribution Adjusted NAV per share is calculated as the NAV per share for the respective month plus the cumulated cash distributions per share since the start of FT mandates

## Evolution of the NAV per share (RON)

The following chart shows information on the monthly published NAVs per share for the period from 31 December 2022 to 31 December 2023. The 31 December 2023 NAV reporting was published on 12 January 2024.



Source: Sole Director calculations

During the **first quarter of 2023**, the NAV per share had an increase of 0.5% compared to the end of the previous year, mainly due to the tender offer within the 14<sup>th</sup> buyback programme that was finalised in March and also due to the slight net increase in the value of listed holdings.

During the quarter, the Fund has also performed an analysis of the unlisted holdings valuation based on the most recent information available (market multiples, updated financial information, business plans, changes in legislation) and concluded that there were no significant changes. As a result, no updates were required to the valuation of the unlisted holdings in the portfolio.

During the **second quarter of 2023**, the NAV per share had an overall decrease of 6.7% compared to the end of the first quarter, mainly due to the valuation update of the holding in Hidroelectrica SA at the end of June (details included below), which was partially netted of by the (1) dividends recorded from portfolio companies (impact on the Fund's NAV of RON 962.5 million), (2) the valuation update of the other significant unlisted holdings in the portfolio (details included below), and (3) the 14<sup>th</sup> buyback programme carried out by the Fund during this period.

In April 2023, the valuation of the holding in Hidroelectrica SA was updated with assistance from KPMG Advisory, using the Discounted Cash Flow method as primary valuation method and taking into consideration the final (audited) financial statements as at 31 December 2022, the financial information as at 31 March 2023, the dividends approved by the company's shareholders on 28 April GSM and the Company's Business plan.

Also, following the signing on 19 April 2023 of the Sale and Purchase Agreement between the Fund, as seller, and Public Power Corporation SA, as purchaser, for the sale of all the equity stakes held by the Fund in E-Distributie Muntenia SA, Enel Energie Muntenia SA, E-Distributie Dobrogea SA, E-Distributie Banat SA, and Enel Energie SA, in exchange for a total consideration of RON 650,000,000, the Fund update the valuation of these holdings accordingly.

Portfolio company	Value in	Value in	30 Apr 2023 NAV vs.
	30 Apr 2023 NAV	31 Mar 2023 NAV/ 31 Dec 2022 NAV	31 Dec 2022 NAV
	RON million	RON million	%
Hidroelectrica SA	10,863.1	11,148.8	-2.6%
E-Distributie Banat SA	212.9	212.9	-
E-Distributie Muntenia SA	223.5	183.9	+21.5%
E-Distributie Dobrogea SA	170.4	170.4	-
Enel Energie SA	21.6	21.6	-
Enel Energie Muntenia SA	21.6	-	+100.0%
<b>Total</b>	<b>11,513.1</b>	<b>11,737.6</b>	<b>-1.9%</b>

Source: Fondul Proprietatea internal records

For 30 June 2023 NAV, following the completion of the offer period and publication of the pricing announcement on 5 July 2023 for Hidroelectrica SA IPO, the Fund updated the valuation of Hidroelectrica SA based on the total gross IPO proceeds of RON 9,281.2 million, resulting in a 14.6% discount vs. the valuation in 31 May 2023 NAV. The price used in valuation (RON 103.46 per share) was the weighted average between the final IPO price (RON 104 per share) and the discounted price for the retail investors (RON 100.88 per share).

In addition, in June the Fund performed valuation updates for the remaining 4 large unlisted holdings, which together with Hidroelectrica SA and Enel holdings represent 98.0% of the Fund's total unlisted portfolio as at 30 June 2023. The valuation was performed with the assistance of KPMG Advisory, in accordance with International Valuation Standards. The valuation date for the updated reports was 31 May 2023 (date for the market multiples) and it was based on the financial data of the companies as at 31 March 2023. The reports also considered all relevant subsequent events until 30 June 2023 (such as dividends declared, changes in legislation, etc.). The total impact of the valuation update was an increase of RON 218.4 million compared to 31 December 2022 NAV.

Portfolio company	Value in	Value in	Value in	30 Jun 2023 NAV vs.	
	30 Jun 2023 NAV	30 Apr 2023 NAV	31 Mar 2023 NAV/ 31 Dec 2022 NAV	31 Dec 2022 NAV	
	RON million	RON million	RON million	RON million	%
Hidroelectrica SA	9,281.2	10,863.1	11,148.8	(1,867.6)	-16.8%
CN Aeroporturi Bucuresti SA	828.1	713.0	713.0	115.1	16.1%
Engie Romania SA	490.3	440.7	440.7	49.6	11.3%
CN Administratia Porturilor Maritime SA	313.2	283.0	283.0	30.2	10.7%
Societatea Nationala a Sarii SA	297.2	273.7	273.7	23.5	8.6%
<b>Total</b>	<b>11,210.0</b>	<b>12,573.5</b>	<b>12,859.2</b>	<b>(1,649.2)</b>	<b>-12.8%</b>

Source: Fondul Proprietatea internal records

During the **third quarter** of 2023, the NAV per share had an overall decrease of 73.3% compared to the end of the second quarter, mainly as a result of the disposal of the Fund's entire holding in Hidroelectrica SA within the IPO finalised in July 2023, followed by the shareholders' approval for the distribution of the related proceeds in total amount of RON 9.2 billion as dividends, during 18 August 2023 GSM. There were no significant valuation updates in Q3 2023 for the other holdings in the Fund's portfolio.

During the **last quarter** of 2023 the NAV per share recorded an increase of 2.8%. The most important events that impacted the NAV per share were the tender offer within the 14<sup>th</sup> buyback programme finalised in December 2023 for 1.67 billion own shares and the valuation update process for the portfolio holdings.

In November, the Fund has updated the valuation of the holding in Engie Romania SA, based on the binding offer received from GDF International SA (total impact was a decrease of RON 57.7 million, to RON 432.6 million).

Portfolio company	Value in 30 Nov 2023 NAV	Value in 30 Jun 2023 NAV	Value in 31 Dec 2022 NAV	30 Nov 2023 NAV vs. 31 Dec 2022 NAV	
	RON million	RON million	RON million	RON million	%
Engie Romania SA	432.6	490.3	440.7	(8.1)	-1.8%

Source: Fondul Proprietatea internal records

For 31 December 2023 NAV, valuation updates in accordance with the International Valuation Standards were prepared for 16 holdings with the assistance of KPMG Advisory and Darian DRS, representing all the unlisted portfolio and 3 listed companies with low liquidity. The valuation date was 31 October 2023, and the valuation reports considered all relevant corporate actions until 31 December 2023 (such as dividends declared and share capital increases).

The overall impact of the valuation adjustments Fund's holdings is detailed below:

Portfolio company	Value in 31 Dec 2023 NAV	Value in 30 Jun 2023 NAV	Value in 31 Dec 2022 NAV	31 Dec 2023 NAV vs. 31 Dec 2022 NAV	
	RON million	RON million	RON million	RON million	%
CN Aeroporturi Bucuresti SA	877.7	828.1	713.0	164.7	+23.1%
Engie Romania SA	432.6	490.3	440.7	(8.1)	-1.8%
CN Administratia Porturilor Maritime SA	328.3	313.2	283.0	45.3	+16.0%
Societatea Nationala a Sarii SA	318.4	297.2	273.7	44.7	+16.3%
Complexul Energetic Oltenia SA <sup>1</sup>	64.8	-	-	64.8	+100.0%
Zirom SA	28.6	28.8	28.8	(0.2)	-0.7%
Posta Romana SA	17.4	21.7	21.7	(4.3)	-19.8%
CN Administratia Canalelor Navigabile SA	15.6	13.5	13.5	2.1	+15.6%
Aeroportul Int Timisoara - Traian Vuia SA	6.0	5.5	5.5	0.5	+9.1%
CN Administratia Porturilor Dunarii Maritime SA	3.2	3.8	3.8	(0.6)	-15.8%
CN Administratia Porturilor Dunarii Fluviale SA	3.1	3.3	3.3	(0.2)	-6.1%
Aeroportul Int Mihail Kogalniceanu - Constanta SA	2.1	2.1	2.1	-	-
Plafar SA	2.0	2.2	2.2	(0.2)	-9.1%
Societatea Electrocentrale Craiova SA	-	-	-	-	-
<b>Total unlisted holdings</b>	<b>2,099.8</b>	<b>2,009.7</b>	<b>1,791.3</b>	<b>308.5</b>	<b>+17.2%</b>
Alcom SA	10.1	10.4	10.4	(0.3)	-2.9%
Mecon SA	2.4	1.0	0.6	1.8	+300.0%
Romaero SA	-	31.2	42.0	(42.0)	-100.0%
<b>Total listed and not liquid holdings</b>	<b>12.5</b>	<b>42.6</b>	<b>53.0</b>	<b>(40.5)</b>	<b>-76.4%</b>
<b>Total</b>	<b>2,112.3</b>	<b>2,052.3</b>	<b>1,844.3</b>	<b>268.0</b>	<b>+14.5%</b>

Source: Fondul Proprietatea internal records

1. For the preparation of the IFRS financial statements of the Fund for the year ended 31 December 2023 the Fund has also analysed the potential effect on the valuation of portfolio holdings of the events that took place between 31 October 2023 (the date of valuation reports for 31 December 2023 NAV reporting) and 31 December 2023 and consequently has adjusted the value of CE Oltenia SA from RON 64.8 million to RON 56.8 million in the 2023 IFRS financial statements if the Fund.

In the 31 December 2023 NAV report published on 12 January 2024, in the Preliminary results report of the Fund for 2023 published on 29 February 2024 and in the audited IFRS financial statements of the Fund for the financial year ended 31 December 2023 authorised on 25 March 2024, the Fund's holding in CN Aeroporturi Bucuresti SA was valued using the same assumptions and valuation methodology as in the previous valuation reports prepared during 2023 - for more details please see section *Legal actions against CN Aeroporturi Bucuresti SA share capital increase*.

The Fund will continue to closely monitor the evolution of financial markets and that of the specific industries the portfolio holdings operate in, and for each NAV reporting date will assess if an updated valuation is required.

# 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 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 and is published on the Fund's website in the section *About the Fund – Fund Overview – Corporate Governance*.

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 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 Corporate Governance Code.

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

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, its corporate structure also includes the Board of Nominees, a contractually created body whose main role is to monitor the activity of the Sole Director.

The powers and duties of the above-mentioned bodies are described in a number of official documents, available on the Fund's website in *About the Fund – Fund Overview – Corporate Governance* section:

- The Constitutive Act of the Fund;
- The current Management Agreement, signed between the Fund and FTIS in 2022, applicable until 31 March 2024;
- 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 and Business Conduct of Fondul Proprietatea;
- The Annual Cash Distribution Policy;
- The 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 notification of the Board of Nominees, in accordance with the provisions of the law. The date of the meeting may not be less than 30 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 for publication purposes 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 *Investor Relations - GSM Information* 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 chairperson of the meeting designates one or more technical secretaries to verify the fulfilment of the formalities required by law for carrying out the meeting and for drafting the minutes thereof, apart from the GSM secretary appointed by shareholders during the GSM.

The minutes, signed by the Chairperson and by the GSM 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 shareholders request, 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 approve the remuneration policy applicable to the members of the Board of Nominees and to the AIFM, that includes the level of their remuneration, and to set the level of remuneration of the financial auditor;
- f<sup>1</sup>) to vote on an annual basis on the remuneration report for the previous fiscal year; such a vote shall be of an advisory nature and the Fund shall explain in the following remuneration report how the GSM vote has been taken into account;
- 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 the Fund;
- 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 the Fund, 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 the Fund's 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 the Fund;

- j) limitation or cancellation of the preference right of the shareholders;
- k) approval of the IPS;
- k<sup>1</sup>) approval of (i) the dissolution and liquidation of the Fund; or (ii) the extension of the duration of the Fund;
- l) any other amendment of the Constitutive Act or any other resolution requiring the approval of the EGM.

During 2023, there were 3 GSMs in which the shareholders adopted 14 resolutions (4 EGM resolutions and 10 OGM resolutions). 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.

According to the provision of the Constitutive Act in force, each share issued by the Fund which is rightfully owned and paid by a shareholder carries the following rights: (i) voting right at the GSM, (ii) the right to elect and to be elected in the management bodies, and (iii) the right to take part in the profit distribution.

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.

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 no. 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.

The Romanian legislation imposes various restrictions regarding the unpaid shares, including no voting rights for those unpaid shares and no right to receive dividends or return of capital in relation to them.

Currently, the Constitutive Act does not specify any further special conditions on such rights than those specified by the law. 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 communicate with its shareholders effectively and actively and ensure that all shareholders have equal access to relevant material information, so as to allow them to fully exercise their rights. The AIFM has established a dedicated experienced investor relations team, responsible for handling relationship with both private and institutional investors, locally and abroad.

The Fund has a dedicated GSM related section on its website (*Investor Relations – GSM Documentation*) that can be easily identified and accessed. The information in this section 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 Fund is committed to encourage shareholders to participate at GSMs, to fully exercise their rights, and to raise questions concerning items debated during such meetings. GSMs enable and encourage the dialogue between the shareholders and the Fund and its representatives.

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

Also, the shareholders who cannot attend are able to vote in absence by sending the votes to the Fund's headquarters or via e-mail having attached an extended electronic signature, using the voting bulletin for the votes by correspondence made available by the Fund at the headquarters and/ or on the Fund's website.

Starting 2024, namely the 13 February 2024 GSM, the Fund also implemented the possibility for the Fund's shareholders registered as such on the GSM Reference Date, to vote by electronic means via eVote platform, in accordance with the provisions of Art. 197 of FSA Regulation no. 5/2018. The electronic voting may be used exclusively before each GSM, as detailed in the GSM Procedure published on the Fund's website in the Investor Relations - GSM Information Section.

Shareholders holding individually or jointly at least 5% of the Fund's paid 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 no. 455/2001 on digital signature.

Likewise, the shareholders holding individually or jointly at least 5% of the Fund's paid 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 of the Fund, regardless of the stake held in the share capital, 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 or may raise them during the GSM. The answers will be provided during the GSM; the questions may be answered as well on the Q&A section of the Fund's website.

Should the questions require elaborate answers, a Q&A 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 Fund's share capital

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 Registry, on the basis of the resolution of the Fund's GSM.

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

## Board of Nominees and the Consultative Committees

The Board of Nominees consists of 5 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 the consultative committees of the Fund (i.e. the Nomination and Remuneration Committee and the Audit and Valuation Committee) are constituted to examine specific topics chosen by the Board and to report to the Board. The majority of the members of such committee should be independent.

The mandate of each member of the Board of Nominees imposes restrictions around confidentiality of information and certain type of reporting and consent requirements on the individual's ability to personally trade in the Fund's shares. The members of the Board of Nominees may be shareholders of the Fund.

Beginning with 2016, the Fund implemented the Board members annual evaluation – for more details please see section *Nomination and Remuneration Committee* below.

### Board of Nominees composition and activities during 2023

The structure of the Board of Nominees as at 31 December 2023 was the following:

Name	Position	First appointment date	Current mandate expiring on	Length of service	BON meetings attendance	AVC meetings attendance	NRC meetings attendance
Mrs. Ilinca von Derenthall	• Chair of BON, member of NRC	26 Nov 2020	26 Nov 2026*	3 years and 1 month	5/5	n/a	6/6
Mr. Ciprian Lăduncă	• BoN member, Chair of AVC	16 Nov 2020	16 Nov 2026**	3 years and 1 month	5/5	5/5	n/a

Name	Position	First appointment date	Current mandate expiring on	Length of service	BON meetings attendance	AVC meetings attendance	NRC meetings attendance
Mr. Nicholas Paris	• BoN member, Chair of NRC and member of AVC	6 Apr 2021	6 Apr 2024	2 years and 8 months	5/5	5/5	6/6
Mr. Ömer Tetik	• BoN Member	6 Apr 2021	6 Apr 2024	2 years and 8 months	4/5	n/a	n/a
Mr. Martin Bernstein	• BoN Member, member of NRC and AVC	27 Apr 2022	27 Apr 2025	1 year and 8 months	5/5	5/5	6/6

Source: Fondul Proprietatea internal records

\* During the 25 Sep. 2023 OGM, the Fund's shareholders re-elected Mrs. Ilinca von Derenthall as Board of Nominees member for a new 3-years mandate starting 26 November 2023.

\*\* During the 25 Sep. 2023 OGM, the Fund's shareholders re-elected Mr. Ciprian Ladunca as Board of Nominees member for a new 3-years mandate starting 16 November 2023

During 2023, at the request of the BoN, there were also several informal conference calls and meetings organised for discussing current subjects regarding the Fund's activity, most specifically the Hidroelectrica SA IPO, where BoN asked that fortnightly calls to be organised between the BoN, the Sole Director and the advisors engaged in the project for presenting to the BoN the developments on the Hidroelectrica SA IPO status.

For more details regarding the activity of the Board of Nominees during 2023, please see the annual activity report of the Board, available on the Fund's webpage in the *Investor Relations – GSM Information* section.

**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, Austria 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 as well as the UK. Mrs. von Derenthall also acts as a non-executive director and Chair of the Advisory Board in other companies in Romania, Austria and the United Kingdom.

As at 31 December 2023, Mrs. Derenthall did not hold any shares issued by the Fund. Mrs. von Derenthall is an independent member of the Board of Nominees.

**Mr. Ciprian Ladunca** has a long and extensive experience in financial institutions and various other industries, being certified in Board Practice & Directorship, Accounting and in ESG Investing. Mr. Ladunca also acts as a trusted advisor and non-executive director in a number of other companies.

As at 31 December 2023, Mr. Ladunca held 25,000 shares issued by the Fund. Mr. Ladunca is an independent member.

**Mr. Nicholas Paris** is very experienced in investment management, especially in the 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 Chairman of ASEANA Properties Ltd. and a Managing Director of DCI Advisors Ltd.

As at 31 December 2023, Mr. Paris held no shares issued by the Fund. Mr. Paris is an independent member.

**Mr. Omer Tetik** has a long and extensive experience in financial markets, starting in Turkey and Russia and continuing in Romania since 1999. Mr. Tetik has been the Chief Executive Officer of Banca Transilvania for the last 10 years and acts as a Member of the Board for BT Capital Partners.

As at 31 December 2023, Mr. Tetik held no shares issued by the Fund. Mr. Tetik is an independent member.

**Mr. Martin Bernstein** is an experienced investor across public and private markets in the USA and Europe. Mr. Bernstein currently serves as Head of Private Investments with B. Riley Principal Investments, responsible for sourcing, underwriting, and managing company investments. He has extensive experience leading investments across technology, transportation, automotive, aerospace, manufacturing, power, infrastructure, and other sectors. Prior to joining B. Riley, Mr. Bernstein was with Anchorage Capital and led investments across capital structures from their New York and London offices. While at Anchorage, he led the firm's investment in Fondul Proprietatea. Mr. Bernstein has extensive experience working with management teams and boards on capital allocation strategies, governance, financing, and operational turnarounds. He was appointed to the Synchronoss Technologies, Inc. (NASDAQ: SNCR) board of directors in July 2021.

As at 31 December 2023, Mr. Bernstein held no shares issued by the Fund. Mr. Bernstein is an independent member.

### Duties of the 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;
- 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;
- 6) Receiving from the AIFM for analysis the strategy in accordance with the Fund's investment policy, before these are submitted for approval to the GSM, and presenting an opinion to the AIFM and to the GSM;
- 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;
- 9) Reviewing on a regular basis the investment policy 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;
- 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 companies and comparison with the appropriate market benchmark;
- comparison of the obtained profit with the initial objective;
- the extent of compliance with the investment policy, including, specifically, the degree to which any performance objectives set out are achieved, as well as any variations and actions taken to achieve such objectives and improve investment results;
- the performance evaluation report.

The Board of Nominees shall draft and present to the 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 and any relevant resolution of the GSM;
- 14) Calling upon the GSM, under the conditions provided in 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 shall be effective in accordance with the legal provisions in force;
- 21) Monitoring the AIFM performance in accordance with the Management Agreement.

## Committees

### Audit and Valuation Committee

A permanent Audit and Valuation Committee composed of 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. Starting 10 May 2022, the composition of the Audit and Valuation Committee of the Fund has changed, decreasing the number of members from 5 to 3. As at 31 December 2023 the members of the Audit and Valuation Committee were Mr. Ciprian Ladunca (as Chairperson), Mr. Nicholas Paris, Mr. Martin Bernstein.

### Nomination and Remuneration Committee

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

Starting 10 May 2022, the composition of the Nomination and Remuneration Committee of the Fund has changed, decreasing the number of members from 5 to 3. As at 31 December 2023 the Nomination and Remuneration Committee members were Mr. Nicholas Paris (as Chairperson), Mr. Martin Bernstein and Mrs. Ilinca von Derenthal.

The Fund has in place a Remuneration Policy and its latest version was adopted by shareholders during 15 November 2022 GSM and is available on the Fund's website in *About the Fund – Fund Overview – Corporate Governance* section. The Fund's Remuneration Policy purpose is to set forth the corporate governance principles with regards the remuneration of the (i) Sole Director and of the (ii) Board of Nominees members. An updated version of the Remuneration Policy is subject to shareholders approval during 26 March 2024 GSM, and this is available on the Fund's website in the section *Investor Relations – GSM Information – GSM Documentation*.

The Nomination and Remuneration Committee fully implemented the requirements of the Remuneration Policy of Fondul Proprietatea, undertaking an annual evaluation for the 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 2023, the Chairperson 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 the 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.

More details on the remuneration of the Sole Director and of the Board of Nominees members are presented in the Remuneration Report of Fondul Proprietatea for 2023 which is available on the Fund's website in the section *Investor Relations – GSM Information* and will be subject to Fund's shareholders advisory vote during 30 April 2024 Annual GSM.

## The Sole Director and AIFM

### Overview

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 5 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers, authorised by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, 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 and registered with the Romanian FSA under number PJM07.1AFIASMDLUX0037/10 March 2016.

FTIS, being qualified as an AIFM under Chapter 2 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers, is entitled to carry out services in Romania in accordance with the Law no. 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 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 protects the general interests of the shareholders.

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 2022.

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 until 31 March 2018. This was followed by successive mandates of two years, as detailed below:

- Mandate from 1 April 2018 until 31 March 2020, approved during 14 February 2018 GSM
- Mandate from 1 April 2020 until 31 March 2022, approved during 28 June 2019 GSM
- Mandate from 1 April 2022 until 31 March 2024, approved during 15 December 2021 GSM

During 25 September 2023 GSM the shareholders approved the renewal of FTIS mandate as Sole Director and AIFM of the Fund for a duration of 1 year (1 April 2024 - 31 March 2025). During the same GSM the shareholders also approved that the BoN should launch a transparent and competitive selection procedure for the appointment of a new Sole Director starting 1 April 2025.

The draft management agreement for the period 1 April 2024 - 31 March 2025, under substantially same terms as the Management Agreement currently in force and in line with the current IPS of the Fund was included on the agenda of 26 March 2024 GSM.

On 22 February 2024 the shareholder Ministry of Finance submitted a request to supplement the 26 March 2024 GSM agenda with new points, proposing a base fee rate of 1.35% instead of 2.00% and an updated strategy of the Fund for the period 1 April 2024 - 31 March 2025, so that it includes the preservation of the current portfolio. On 29 February 2024 the Fund submitted a letter to the Ministry of Finance, requesting clarifications in respect of the points added on 26 March 2024 GSM. For more details, please see *Subsequent events* section.

On 31 December 2023, FTIS, the current AIFM of the Fund, does not hold any shares issued by the Fund.

## FT policies

Treating customers fairly is one of the core values of Franklin Templeton.

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 summarises 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;
- Franklin Templeton Stewardship Policy comprising details on FT stewardship activities that include monitoring and engagement on topics such as strategy, performance, risk (including social and environmental risk) and governance (including remuneration and culture);
- Conflicts of Interest Policy to evidence that policies and procedures are put in place in FT to address actual, perceived, or potential areas of conflicts and to prevent or manage such conflicts as well as to ensure compliance with relevant regulatory requirements;
- Data Protection Policy to ensure that business operations comply with the Data Protection Regulation;
- Anti-Corruption Policy to ensure that FTIS employees 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 AIFM

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;
- 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 investment policy;
- implementing the investment policy and achieving a proper balance between profits and the risks related to Fondul Proprietatea portfolio;
- informing the Board of Nominees periodically on any significant changes in the activities and portfolio structure of the Fund;
- 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; such responses shall be notified to 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;
- approving the outsourcing of certain activities, within the limits of the approved budget, delegating the performance of certain activities, subject to the observance of the 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;
- executing 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 investment policy 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 recommendation for EGM for the appointment of the investment firm/ investment bank who shall manage a public offer, as well as its

remuneration, when it becomes necessary that such a company is appointed related to the admission to trading of Fondul Proprietatea;

- approving any related parties transactions, and, if the related parties transactions' value is greater than 0.25% of the NAV, to ask for the Board of Nominees' approval, and, if the related parties transactions' value is greater than 5% of the NAV, to convene the GSM.

The AIFM ensures that the provisions of the relevant European and Romanian capital markets legislation are complied with and implemented by the Fund. Likewise, the AIFM 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 AIFM and the persons closely related to them and to the AIFM qualify as insiders and have the duty to report to the AIFM 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 AIFM 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.

AIFM 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 AIFM. 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 AIFM's licensing application.

All business transactions between the Fund and the AIFM as well as persons or companies closely related to them must comply with the normal industry standards and applicable corporate regulations.

### Permanent representative of the AIFM

As at 31 December 2023, Johan Meyer is the permanent representative of the AIFM, 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 2023, Mr. Meyer held no shares issued by the Fund.

### The remuneration of the AIFM

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 - 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. The fees are calculated and paid on a quarterly basis. The payment of the fees is performed after the computation of the fees is verified and certified by the Depositary of the Fund.

More details on the remuneration of the AIFM are presented in Remuneration Report of Fondul Proprietatea for 2023 which is available on the Fund's website in the section *Investor Relations – GSM Information* and that will be subject to Fund's shareholders advisory vote during 30 April 2024 Annual GSM.

### 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:

- Professional liability to provide against any failure to duly perform the management agreement;
- 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's NAV, and the computation of the AIFM fees through a depositary and custody agreement entered into force on 20 May 2016 for a three-year term. The agreement was initially extended for a three-year term until 20 May 2022 and subsequently extended again during 2022, for a three-year term until 20 May 2025.

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 value of the net assets, and the unit value of the net assets in compliance with the legal provisions in force;
- 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.
- Executes payments from the Fund's cash account only upon receiving proper instructions and only after assessing the operation as compliant to the legal provisions, Fund's articles of incorporation and regulations of the Fund;
- Transfers financial instruments from the securities account of the Fund only upon receipt of proper instructions, after the assessment of the operation as compliant with legal provisions, the provisions of the articles of incorporation of the Fund, and upon the receipt of the equivalent value of such financial instruments, where applicable;

#### 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 no. 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 2023 is Ernst & Young Assurance Services SRL, registered with the Trade Registry under no. J40/5964/1999, having Sole Registration Code RO11909783, member of the Chamber of Financial Auditors of Romania and registered in the Public Registry of Financial Auditors of ASPAAS with number FA77.

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 for the financial years 2022, 2023, 2024.

### 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 has women involved in the management of the Fund. Also, people from more than 10 different nationalities are involved in the management of the Fund, this being in line with the diversity of the shareholders of the Fund.

### ESG

Within the meaning of Article 6 of the SFDR, the sustainability risks were not deemed relevant for the investment decision process due to the Fund's unique initial set-up as well as the current applicable regulatory framework, that imposes numerous investment restrictions, hence limiting the investment decisions. Also, the Fund has limited ability to consider sustainability risks in its investment decisions unless there are amendments to the governing regulatory framework of the Fund, which cannot be reliably estimated at the date of this report.

### Taxonomy Regulation

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.

### Corporate Sustainability Reporting Directive

On 28 November 2022, the European Parliament adopted Directive (EU) 2022/2464 regarding corporate sustainability reporting, published in the Official Journal of the European Union on 16 December 2022. The requirements will start to apply between 2024 and 2028, and the Member States have to transpose the directive into local legislation so that it applies from 1 January 2024.

According to the provisions in CSRD, there is an explicit exemption for alternative investment funds in respect of the applicability of reporting requirements on sustainability information based on the provisions introduced in the revised Accounting Directive, Article 1 Scope, paragraph 4.

On 15 June 2023, the FSA published on its website for public consultation a draft norm amending FSA Norm no. 39/2015, implementing CSRD requirements for Fondul. Based on the

provisions of this draft norm, similarly to the provisions of CSRD, there is a specific exemption from the reporting requirements on sustainability information applicable in case of the Fund.

The Fund will continue to monitor the implementation of the directive requirements within the national legislation, during the following reporting periods.

### Conflicts of interests

FTIS implemented a Conflicts of Interest Policy and 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. Also, 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 handling potential conflicts of interests in their mandate agreements and the Code of Ethics.

## Regulatory framework

### 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;
- 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 Regulation no. 9/2014 regarding the authorisation and functioning of the investment management companies, undertakings for the collective investment in transferable securities and the depositaries of undertakings for the collective investment in transferable securities
- 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. 4/2013 on underlying shares for depositary receipts;
- FSA Regulation no. 10/2015 regarding the alternative investment funds management;
- FSA Regulation no. 5/2018 regarding the issuers of financial instruments and market operations;
- FSA Regulation no. 12/2018 on the implementation of certain provisions of Regulation (EU) no. 1286/ 2014 on key information documents for structured and insurance-based individual investment products;
- FSA Regulation no. 13/2019 on implementing the measures related to anti-money laundering and counter-terrorist financing within the financial sectors supervised by the FSA with subsequent amendments provided within FSA Regulation no. 18/2022;
- FSA Regulation no. 7/2020 on the authorisation and function of alternative investment funds, as subsequently amended.

## Regulatory updates

### Minimum corporate tax

The fiscal requirements regarding the minimum corporate tax were published in the Official Gazette of Romania on 27 October 2023 and are in force starting 1 January 2024.

Based on these provisions, a minimum corporate tax of 1% on adjusted turnover is implemented for taxpayers:

- with an adjusted turnover above EUR 50 million in the previous fiscal year **and**
- for which during the concerned year:
  - the minimum corporate tax is higher than the corporate tax calculated according to the applicable general rules **or**
  - if the entity registers a tax loss.

The adjusted turnover is calculated as the difference of the total revenues of the entity and among other (i) non-taxable revenues, (ii) revenues related to product inventory costs, (iii) revenues related to the costs of work in progress, (iv) specific revenues from the production of tangible and intangible assets, (v) revenues from subsidies, (vi) revenues obtained from compensation from insurance/ reinsurance companies for damage caused to stocks or tangible assets.

The Fund's adjusted turnover did not exceed the EUR 50 million threshold in 2023, therefore the Fund would not be subject to the provisions of the minimum corporate tax in 2024.

### Utilisation of tax losses

Starting 1 January 2024 the utilisation of tax losses is limited as follows:

- entities showing a tax profit will be able to offset only 70% of the tax profit with past tax losses (assuming that tax losses are available for utilisation). The remaining 30% of the tax profit will be subject to Romanian corporate income tax at the 16% rate;
- tax losses brought forward from the fiscal years prior to 1 January 2024, as recorded as at 31 December 2023, might be recovered from future taxable profits during the next 7 years;
- tax losses recorded starting with 1 January 2024 might be recovered from future taxable profits during the next 5 years.

As a result, if the Fund shows a tax profit in 2024, it will be able to offset only 70% of this tax profit. The remaining 30% will be subject to Romanian corporate income tax at the 16% rate. As the Romanian corporate income tax needs to be computed and declared on quarterly basis, the Fund might be in a corporate income tax paying position starting Q1 2024, if a tax profit for this period will be reported. The actual amounts due to the state budget will depend on the amount of taxable/ non-taxable elements recorded during the year 2024.

# 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><b>Market risk</b></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 returns. The AIFM has an ongoing risk management framework in compliance with requirements of the AIFM Directive.</p>
<p><b>Security price risk and valuation risk</b></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. Valuations performed by the external service providers are reviewed by Franklin Templeton's Fair Valuation Committee.</p>
<p><b>Dilution risk</b></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. 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>

Description of risk	Mitigating action
<p><b>Sector concentration risk</b></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. Regular review is performed assessing sector by sector risk and return contribution.</p>
<p><b>Corporate governance risk</b></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><b>People Risk</b></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 Sole Director.</p>
<p><b>Share price discount to NAV risk</b></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><b>Credit and Counterparty risk</b></p> <p>There is a risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations; it arises principally from cash and deposits with banks, treasury bills, government bonds and other receivables.</p>	<p>Cash and short-term money market instruments are diversified across counterparties. An internal Credit Counterparty Committee oversees the selection and approval of authorised counterparties. The committee meets periodically and reviews current exposure, credit limits and ratings for counterparties. The committee has the power to assign a counterparty to a "watch list" or "restricted list" thereby limiting or preventing further trades with it.</p>
<p><b>Liquidity risk</b></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>

Description of risk	Mitigating action
<p><b>Operational and cyber risk</b></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><b>Legal and regulatory risk</b></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. 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. 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, regulatory reporting, and disclosures. 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 the Compliance department 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 Global Regulatory 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 compliance risks based on the multi-annual 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 FTIS Risk Management 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 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 Audited 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 2023.***

## Liquidity risk

As at 31 December 2023, the Fund held 89.4% of the NAV in unlisted securities. In addition, the total unlisted holdings and listed but not liquid holdings represent 95.0% of the total equity portfolio at 31 December 2023. 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 listing of Societatea Nationala a Sarii SA as proposed by Fondul Proprietatea need to continue to be supported by Romanian State as controlling shareholder.

There may be a risk for the listing to be blocked by Romanian State and the percentage of unlisted securities in Fund's portfolio not to be decreased.

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.

## 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 use of derivative financial instruments is permitted. The Fund is not using derivatives to hedge any risks as at 31 December 2023.

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 2023.***

***Therefore, the actual level of leverage recorded under the requirements of AIFM Directive for 31 December 2023 is 100% using the "commitment" method and 94.67% under the "gross" method.***

## Subsequent Events

### Order no. 85/2024 regulating sustainability reporting aspects

On 26 January 2024, the Ministry of Finance Order no. 85/2024 regulating sustainability reporting aspects entered into force, transposing the CSRD provisions into the national legislation.

The entities in scope of Order 85/2024 should include in the administrators' report relevant information for understanding the business impact of sustainability issues and how sustainability issues affect the development, performance and position of the entity.

The reporting requirements provided by Order 85/2024 will enter into force in stages, starting with the financial year 2024. The reporting obligations and deadlines for implementation depend on various criteria such as: number of employees, turnover, total assets, if the company is a public interest entity, if the company is part of a group, etc.

The companies in the Fund's portfolio are currently analysing the applicability and potential impact of Order no. 85/2024 on their activity.

In terms of Fund's portfolio valuation, for the relevant portfolio companies based on the information available, under income approach, a higher volatility embedded in the market risk premium was considered compared to previous year.

### Amendment of the Fund's Constitutive Act

During 25 September 2023 EGM, the Fund's shareholders approved the amendment of Article 19 paragraph (3) of the Fund's Constitutive Act, as proposed by the Ministry of Finance. The amendment entered into force on 30 January 2024, when the FSA Authorisation no. 6/ 19 January 2024 was registered with the Trade Registry.

### Resolutions adopted during 13 February 2024 GSM

During 13 February 2024 GSM the Fund's shareholders approved the following:

- approval the disposal of the Fund's entire stake in Engie Romania SA;
- approval of a new buy-back programme to be carried during the financial year 2024, for maximum 1 billion shares (in the form of shares or GDRs), at a price that cannot be lower than RON 0.2 per share or higher than RON 1 per share.

The third point on the agenda, regarding the approval of a mandate for executing discretionary disposals exceeding 20% of the total value of the non-current assets less receivables of the Fund, was rejected by shareholders.

For more details regarding the full text of the resolutions adopted by shareholders during the 13 February 2024 GSM, please see the Fund's website, sections *Investor Relations – GSM Information*.

### Disposal of the entire holding in Engie Romania SA

Following the approval of the transaction by the Fund's shareholders during 13 February 2024 GSM, on 20 February 2024 the Sole Director of the Fund informed the market about the completion of the sale of the Fund's entire holding in Engie Romania SA. Following the transaction, the Fund received gross proceeds of RON 432,616,167.75 and no longer holds any shares in Engie Romania SA.

## 26 March 2024 GSM

### Convening 26 March 2024 GSM

On 5 February 2024, the Sole Director convened a GSM for 26 March 2024 with the following main points on the agenda:

- approval of the Management Agreement for the renewal of FTIS mandate as Sole Director and AIFM of the Fund for the period 1 April 2024 – 31 March 2025;
- approval of the updated Remuneration Policy of the Fund;
- approval of the Budget for the financial year 2024;
- appointing two new members in the BoN following the expiration of the mandates of Mr. Omer Tetik and Mr. Nicholas Paris.

### Supplementing the agenda of 26 March 2024 GSM

On 26 February 2024, the agenda of 26 March 2024 GSM was supplemented with the following points, based on the request received on 22 February 2024 from the shareholder Ministry of Finance:

- alternative to item 1 of GSM convening notice - approval of the Management Agreement in the form set out in GSM agenda item 1, with a change in base fee rate from 2.00% to 1.35%;
- alternative to item 2 of GSM convening notice – approval of the Remuneration Policy of the Fund in force starting 1 April 2024, with a change in the base fee rate from 2.00% to 1.35%;
- approval of the Fund's strategy during the mandate from 1 April 2024 to 31 March 2025 so that it includes the preservation of the current portfolio managed FTIS.

### Clarifications requested from the Ministry of Finance in respect of the additional points included on the agenda of 26 March 2024 GSM

On 29 February 2024 the Fund sent a letter to the Ministry of Finance requesting clarifications in respect of the points added on the agenda of 26 March 2024 GSM, as detailed below:

- confirmation that the only amendment proposed by the Ministry of Finance to the Management Agreement for the period 1 April 2024 to 31 March 2025 ("New Management Agreement") refers to the base fee rate (which is to be reduced to 1.35% from 2.00%) and that all other proposed clauses of the New Management Agreement remain unchanged;
- clarifications on the proposed strategy of the Fund applicable to the 1-year mandate period (1 April 2024 to 31 March 2025), in terms of portfolio management and general strategy:
  1. "current portfolio" refers to the latest NAV available (i.e. 31 January 2024) or to the NAV as at 31 March 2024 (before the beginning of the new mandate)?
  2. "current portfolio" includes only shares in Fund's portfolio companies or refer also to other financial instruments such as cash and cash equivalents held by the Fund?
  3. How should the proposed Strategy of the Fund be implemented considering:
    - a) the IPS already approved by the GSM and in force starting with April 2022;
    - b) the Annual Cash Distribution Policy, updated as of 18 December 2023;
    - c) the annual payment of dividends;
    - d) that portfolio companies may initiate share capital increases during the period 1 April 2024 to 31 March 2025 and this may trigger the need for the Fund to contribute cash amounts in order to maintain its shareholding (assuming that the

Sole Director decides that contributing the cash amount and maintaining the shareholding are in the best interest of the Fund) and

- e) the EGM Resolutions no. 1 and 2 approved during 13 February 2024 GSM, whereby the shareholders approved the buy-back program for 2024 and the disposal of shares in Engie Romania SA?
4. In addition the Fund inquired if, in the Ministry of Finance understanding, the strategy of the Fund proposed by the Ministry of Finance would allow the Sole Director to carry out the buy-back program approved for 2024.

#### **Clarifications received from the Ministry of Finance in respect of the additional points included on the agenda of 26 March 2024 GSM**

On 11 March 2024 the Fund received the response from the Ministry of Finance following the letter mentioned above submitted by the Fund, in which:

- It is confirmed the fact the only amendment proposed by the Ministry of Finance to the new Management Agreement for the period 1 April 2024 to 31 March 2025 refers to the base fee rate - the Ministry of Finance proposes this to be reduced from 2.00% to 1.35%;
- It is clarified that by “the preservation of the current portfolio managed FTIS” it is proposed that the Fund should maintain its holdings in the portfolio companies as at 31 March 2024 without performing disposals of shares during the 1-year mandate 1 April 2024 – 31 March 2025.

The response received from the Ministry of Finance with clarifications in respect of the additional points included on the agenda of 26 March 2024 GSM is published on the Fund's website in the section *Investor Relations – GSM Information*.

### **Litigation with CN Aeroporturi Bucuresti SA**

In the main litigation related to the claim for annulment of the EGM Resolution regarding the share capital increase of CN Aeroporturi Bucuresti SA, the Fund filed the appeal against the 25 May 2023 Ilfov Court's decision. Following the hearing, the Bucharest Court of Appeal decided to postpone the issuance of a final decision for 7 March 2024. On 7 March 2024 the Bucharest Court of Appeal admitted the appeal filed by the Fund, annulling EGM Resolution no. 15/ 26 October 2021 of CN Aeroporturi Bucuresti SA. The decision issued by the Bucharest Court of Appeal in the file is final.

For additional information please see section *Legal actions against CN Aeroporturi Bucuresti SA share capital increase*.

### **Signatures:**

**25 March 2024**

**Johan Meyer**

Permanent Representative

Prepared by

**Catalin Cadaru**

Fund Administration and  
Oversight Senior Manager

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

## Contact

**Address:** 76-80 Buzesti Street, 7th floor, District 1, postal code 011017,  
Bucharest, Romania.

**Web:** [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)

**E-mail:** [office@fondulproprietatea.ro](mailto:office@fondulproprietatea.ro)  
[investor.relations@fondulproprietatea.ro](mailto:investor.relations@fondulproprietatea.ro)

**Telephone:** +40 21 200 9600

**Fax:** +40 21 200 9631/32  
+40 31 630 00 48

# Annex 1

## FONDUL PROPRIETATEA SA

### ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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”)

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**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023**

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
Net (loss)/gain from equity investments at fair value through profit or loss	6	(1,612,251,514)	1,843,756,081
Gross dividend income	7	962,766,928	934,898,400
Interest income	8	157,467,146	25,065,131
Net realised gain/(loss) from non-current assets held for sale	9	61,200,000	(156,975,000)
Net gain from other financial instruments at fair value through profit or loss	10	1,165,243	250,186,726
Net foreign exchange (loss)/gain		(1,397,889)	752,624
Other income, net		1,307,978	3,721,768
<b>Net operating (loss)/income</b>		<b>(429,742,108)</b>	<b>2,901,405,730</b>
Operating expenses		(224,440,567)	(106,153,485)
Transaction costs		(242,865,533)	(19,087,916)
<b>Total operating expenses</b>	11	<b>(467,306,100)</b>	<b>(125,241,401)</b>
<b>Finance costs</b>	12	<b>(68,471)</b>	<b>(37,250)</b>
<b>(Loss)/Profit before income tax</b>		<b>(897,116,679)</b>	<b>2,776,127,079</b>
Withholding tax on the dividend income	13	(6,980,407)	(6,678,208)
<b>(Loss)/Profit for the period</b>		<b>(904,097,086)</b>	<b>2,769,448,871</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>(904,097,086)</b>	<b>2,769,448,871</b>
<b>Basic and diluted (loss)/earnings per share</b>	14	<b>(0.1709)</b>	<b>0.4664</b>

The annual financial statements were authorised for issue on 25 March 2024 by:

Franklin Templeton International Services S.à r.l. Luxembourg, in its capacity of Sole Director and Alternative Investment Fund Manager of Fondul Proprietatea SA

Johan Meyer

Permanent Representative

Prepared by:

Catalin Cadaru

Fund Administration and Oversight Senior Manager

The notes on pages 6 to 59 are an integral part of these annual financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Assets</b>			
Cash and current accounts	15	60,109	58,066
Distributions bank accounts	15	547,496,881	73,775,078
Deposits with banks	15	191,368,978	912,616,396
Equity investments	17	1,784,396,314	13,696,597,396
Non-current assets held for sale	18	432,616,168	-
Other assets		27,704	569,827
<b>Total assets</b>		<b>2,955,966,154</b>	<b>14,683,616,763</b>
<b>Liabilities</b>			
Payable to shareholders	19(a)	546,457,941	74,166,644
Other liabilities and provisions	19(b)	67,328,920	39,906,577
<b>Total liabilities</b>		<b>613,786,861</b>	<b>114,073,221</b>
<b>Equity</b>			
Paid share capital	20(a)	2,947,779,187	3,233,269,111
Other reserves	20(b)	646,805,769	667,020,430
Treasury shares	20(c)	(1,873,193,280)	(1,194,334,988)
Retained earnings		620,787,617	11,863,588,989
<b>Total equity</b>		<b>2,342,179,293</b>	<b>14,569,543,542</b>
<b>Total liabilities and equity</b>		<b>2,955,966,154</b>	<b>14,683,616,763</b>

The notes on pages 6 to 59 are an integral part of these annual financial statements.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023**

(all amounts are in RON unless otherwise stated)

	Share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
<b>Balance as at 1 January 2023</b>	<b>3,233,269,111</b>	<b>667,020,430</b>	<b>(1,194,334,988)</b>	<b>11,863,588,989</b>	<b>14,569,543,542</b>
(Loss) for the period	-	-	-	(904,097,086)	<b>(904,097,086)</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>(904,097,086)</b>	<b>(904,097,086)</b>
<b>Transactions with owners, recorded directly in equity</b>					
Profit appropriation to other reserves	-	908,845,064	-	(908,845,064)	-
Dividends declared	-	-	-	(9,450,090,560)	<b>(9,450,090,560)</b>
Acquisition of treasury shares	-	-	(1,873,193,280)	-	<b>(1,873,193,280)</b>
Cancellation of treasury shares	(285,489,924)	(908,845,064)	1,194,334,988	-	-
Legal reserve transfer to retained earnings	-	(20,214,662)	-	20,214,662	-
Distributions for which the statute of limitation occurred	-	-	-	16,676	<b>16,676</b>
<b>Total transactions with owners recorded directly in equity</b>	<b>(285,489,924)</b>	<b>(20,214,661)</b>	<b>(678,858,292)</b>	<b>(10,338,704,287)</b>	<b>(11,323,267,164)</b>
<b>Balance as at 31 December 2023</b>	<b>2,947,779,187</b>	<b>646,805,769</b>	<b>(1,873,193,280)</b>	<b>620,787,617</b>	<b>2,342,179,293</b>

The notes on pages 6 to 59 are an integral part of these annual financial statements.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023**

(all amounts are in RON unless otherwise stated)

	<b>Share capital</b>	<b>Reserves related to the unpaid share capital</b>	<b>Other reserves</b>	<b>Treasury shares</b>	<b>Retained earnings</b>	<b>Total attributable to the equity holders of the Fund</b>
<b>Balance as at 1 January 2022</b>	<b>3,145,160,001</b>	<b>189,182,422</b>	<b>666,991,766</b>	<b>(331,650,005)</b>	<b>10,087,863,723</b>	<b>13,757,547,907</b>
Profit for the period	-	-	-	-	2,769,448,871	2,769,448,871
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,769,448,871</b>	<b>2,769,448,871</b>
<b>Transactions with owners, recorded directly in equity</b>						
Profit appropriation to other reserves	-	-	230,576,693	-	(230,576,693)	-
Dividends declared	-	-	-	-	(774,290,893)	<b>(774,290,893)</b>
Acquisition of treasury shares	-	-	-	(1,194,334,988)	-	<b>(1,194,334,988)</b>
Cancellation of treasury shares	(101,073,312)	-	(230,576,693)	331,650,005	-	-
Collection of the unpaid share capital	189,182,422	(189,182,422)	-	-	-	-
Distributions for which the statute of limitation occurred	-	-	28,664	-	11,143,981	<b>11,172,645</b>
<b>Total transactions with owners recorded directly in equity</b>	<b>88,109,110</b>	<b>(189,182,422)</b>	<b>28,664</b>	<b>(862,684,983)</b>	<b>(993,723,605)</b>	<b>(1,957,453,236)</b>
<b>Balance as at 31 December 2022</b>	<b>3,233,269,111</b>	<b>-</b>	<b>667,020,430</b>	<b>(1,194,334,988)</b>	<b>11,863,588,989</b>	<b>14,569,543,542</b>

The notes on pages 6 to 59 are an integral part of these annual financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023**

(all amounts are in RON unless otherwise stated)

	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
<b>Cash flows from operating activities</b>		
Proceeds from disposal of equity investments	9,931,212,040	1,781,883,964
Dividends collected (net of withholding tax)	955,786,521	928,242,194
Interest collected	156,856,933	24,491,606
Amounts collected from the depository Bank of the Fund's GDRs	1,179,636	3,840,656
Net proceeds from transactions with treasury bills and bonds	1,165,243	304,282,220
Amounts received from Romanian State for the unpaid share capital (see Note 10)	-	189,182,422
Dividend withholding tax payments performed	(702,390,480)	(34,352,270)
Suppliers and other taxes and fees paid	(50,349,332)	(34,435,290)
Intermediaries and other transaction related fees	(242,939,993)	(11,507,219)
Sole Director administration fees	(231,666,775)	(113,819,169)
Acquisition of treasury bills and bonds	-	(227,774,993)
Subscriptions to share capital increase of portfolio companies	(2,678,640)	(17,427,589)
Other payments performed, net	(1,498,938)	(1,660,102)
<b>Net cash flows from operating activities</b>	<b>9,814,676,215</b>	<b>2,790,946,430</b>
<b>Cash flows from financing activities</b>		
Transfer to distribution accounts	(8,687,126,113)	(1,146,162,505)
Dividends transferred corresponding to shareholders having specific legal status	(18,362,279)	(1,956,556)
Acquisition cost of treasury shares	(1,829,544,967)	(1,146,552,498)
Payment of fees related to the short term bank loans	(68,471)	(45,000)
<b>Net cash flows used in financing activities</b>	<b>(10,535,101,830)</b>	<b>(2,294,716,559)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(720,425,615)</b>	<b>496,229,871</b>
Cash and cash equivalents at the beginning of the period	911,757,882	415,528,011
<b>Cash and cash equivalents at the end of the period as per the Statement of Cash Flows</b>	<b>191,332,267</b>	<b>911,757,882</b>
<b>Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position</b>		
	<b>31 December 2023</b>	<b>31 December 2022</b>
Cash and current accounts (see Note 15)	60,109	58,066
Bank deposits with original maturities of less than three months (see Note 15)	191,272,158	911,699,816
	<b>191,332,267</b>	<b>911,757,882</b>
Distributions bank accounts (see Note 15)	546,066,907	73,775,078
Interest accrued on bank deposits (see Note 15)	96,820	916,580
Interest accrued on distribution accounts (see Note 15)	1,429,974	-
<b>Total cash and current accounts, distribution accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position</b>	<b>738,925,968</b>	<b>986,449,540</b>

The notes on pages 6 to 59 are an integral part of these annual financial statements.

## 1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company, undertaking for collective investment, in the form of a closed end investment company, based on 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 76 - 80, Buzesti Street, 7th Floor, District 1, Bucharest.

Starting 1 April 2016, Fondul Proprietatea is an alternative investment fund as defined by the Directive 2011/61/EU (“Alternative Investment Fund Managers Directive”) and by the Romanian legislation. On 28 January 2022, the Financial Supervisory Authority authorized Fondul Proprietatea as a closed-end Alternative Investment Fund intended to retail investors, with BRD Groupe Société Générale as depositary. 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. 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 Alternative Investment Fund Managers Directive and local implementation regulations. The FTIS mandate is for a period of two years and the current mandate was approved during 29 September 2021 shareholders’ meeting for the period 1 April 2022 – 31 March 2024. 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 and subsequently amended during 15 November 2022 shareholders’ meeting.

During the September 2023 GSM, the shareholders of the Fund approved the Sole Director’s mandate renewal for a period of 1 year, starting on 1 April 2024 and ending on 31 March 2025. The contractual terms of this new mandate are subject to the approval of the shareholders and have been included on the Convening Notice for the 26 March 2024 OGSM.

During the same September 2023 GSM, the shareholders also approved that the Board of Nominees should launch a transparent and competitive selection procedure for the appointment of a new director based on investment expertise and experience for a mandate not exceeding four years from 1 April 2024, in accordance with the legal provisions in force. The shareholders also approved that the Board of Nominees is empowered to establish new terms and conditions for the evaluation and remuneration of the manager of the Fund corresponding to the new objectives, in line with international best practices and present them for approval by the GSM.

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, under ISIN number ROFPTAACNOR5 with the market symbol “FP”. Since 29 April 2015, the Fund’s Global Depositary Receipts (“GDR”) have been listed on the London Stock Exchange – Specialist Fund Market, under ISIN number US34460G1067, with the market symbol “FP.”. The Bank of New York Mellon has been appointed by the Fund to act as depositary bank in relation to the GDR facility. The GDR facility is limited to one-third of the Fund’s subscribed share capital under the Romanian securities regulations, each GDR representing 50 shares, and the currency of the GDRs is the US dollar.

## 2. Basis of preparation

### (a) Statement of compliance

These separate financial statements are the annual statutory financial statements of Fondul Proprietatea for the year ended 31 December 2023 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 26 March 2024, on the Fund's official webpage, [www.fondulproprietatea.ro](http://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 2023 and determined that it 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 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 substantially all Fund investments are accounted for using the fair value model, the Fund has a set exit strategy for its equity positions through initial public offerings and/or private placements.

### (b) Going concern

The liquidity events from Hidroelectrica initial public offering (IPO) and sale of Enel Group companies and subsequent distributions to shareholders were performed in accordance with the provisions of the Management Agreement, related Investment Policy Statement as well as relevant shareholders decisions and resulted in a 83.92% decrease of the Fund's equity compared to 31 December 2022.

The Fund's Sole Director has at the authorization date of these financial statements, a reasonable expectation that the Fund has adequate resources to meet all its obligations as and when they fall due and 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 to 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.

During the September 2023 GSM, the shareholders of the Fund approved the Sole Director's mandate renewal for a period of 1 year, starting on 1 April 2024 and ending on 31 March 2025.

During the same GSM, the Board of Nominees was empowered by the shareholders to initiate, organize a transparent selection procedure for a Fund Manager after 1 April 2025 and to establish new objectives, performance criteria and remuneration conditions realigned with these objectives and present them for approval by the shareholders.

While assessing the appropriateness of the going concern basis, the Sole Director has also analysed the following events, factors and conditions related to the Fund's ability to continue as a going concern. These events, factors and conditions include, but are not limited to:

## 2. Basis of preparation (continued)

### (b) Going concern (continued)

- The portfolio structure/ composition at the end of the reporting period and expected developments/ events (e.g. ongoing litigations, dividends receivable) for a period of at least 12 months after the end of the reporting period.
- Alternative cash flow projections scenarios that may occur, including the effects of potential negative ruling in the litigation against CN Bucharest Airport. In all the alternatives scenarios considered, the Fund has adequate liquidity resources to meet its obligations as they fall due. On 7 March 2024 the Bucharest Court of Appeal admitted the claim filed by the Fund, annulling Resolution no. 15/ 26 October 2021 of C.N. Aeroporturi Bucuresti S.A.
- The cash management policies and procedures implemented for the Fund and the related cash flow projections up to 31 March 2025 (the end of the Sole's Director 1-year mandate) give a reasonable expectation that all the Fund's obligations will be met in the regular course of business.
- The 2024 Budget proposed for shareholders' approval and the ongoing costs for a period of 12 months correlate with the size of the Fund as of the reporting period. The proposed 2024 Budget is available on the website of the Fund and the main categories include: dividend income, interest income, Sole Director's fees based on the proposed 1-year Management Agreement, buyback related costs, transaction costs and other operating expenses needed to run the Fund (based on the agreements in place, historical information and the new size of Fondul).
- Shareholders' decisions during the September 2023 GSM and communication/ feedback from the Board of Nominees relating to the selection process ongoing at the date the financial statements were authorized for issuing.

Considering the information described above, the Sole Director has concluded that there are mitigating actions related to each event, factor, and condition above and that the Fund is operating under normal circumstances relevant for a closed end fund, and there are no material uncertainties related to the Fund's ability to continue as a going concern.

### (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, non-current assets held for sale, 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.

## **2. Basis of preparation (continued)**

### **(e) Foreign currency (continued)**

The exchange rates of the main foreign currencies, published by the National Bank of Romania at 31 December 2023 were as follows: 4.9746 RON/EUR, 4.4958 RON/USD and 5.7225 RON/GBP (31 December 2022: 4.9474 RON/EUR, 4.6346 RON/USD and 5.5878 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.

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 5 – Financial assets and financial liabilities;
- Note 16 – Deferred tax;
- Note 17 – Equity investments;
- Note 18 – Non-current assets held for sale;
- Note 21 – Contingencies.

The Fund uses measurement techniques to develop accounting estimates in regards to the valuation of its holdings and other relevant assets and liabilities. It does so in order to measure these items at monetary amounts that cannot be observed directly and must instead be estimated

### **(g) The impact of the Russia – Ukraine military conflict on the Fund’s financial position**

On 24 February 2022, Russia engaged in military actions on Ukraine territory. The Fund does not have any direct exposure to Russia or Ukraine. The Sole Director is closely monitoring developments that may impact financial markets including sanctions, actions by governments and developments in Ukraine itself. The Sole Director 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 Sole Director is not able to reliably estimate the impact as events are unfolding day-by-day.

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. Material accounting policies

The material 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 2022 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 existence of significant influence is assessed, in each reporting year, by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee.

However, the Fund does not exercise significant influence in several companies in which it holds between 20% and 50% of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the majority 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 2023 there were two portfolio companies (31 December 2022: three portfolio companies), which met the criteria for classification as subsidiaries, and two portfolio companies (31 December 2022: two portfolio companies) which met the criteria for classification as associates. The lists of subsidiaries and associates as at 31 December 2023 and 31 December 2022 are disclosed in Note 22 Related parties (b) and (c) and in Note 17 Equity investments.

#### (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. Share capital increases of portfolio companies are also recognised at the date the shareholder decision is registered with the Trade Register.

##### *ii) Classification and subsequent measurement*

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

The Fund classified all its equity investments as equity investments at fair value through profit or loss (the default option under IFRS 9). The Fund also uses the fair value classification and subsequent measure for all its government bonds and treasury bills. Being an investment entity as described in the *Statement of compliance* section, the Fund's management believes that fair value classification and subsequent measure method are the most relevant for the Fund.

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

### 3. Material accounting policies (continued)

#### ii) Classification and subsequent measurement

- *Financial assets and liabilities at amortised cost*

As required by *IFRS 9 Financial instruments*, the Fund classifies financial assets which are debt instruments as subsequently measured at amortised cost based on both:

- (a) the business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

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.

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

See accounting policy 3(c) for details.

#### iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset and the Fund has transferred substantially all of the risks and rewards of the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

#### iv) Fair value measurement

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, counterparty risk and commodity price risk, where applicable.

### 3. Material accounting policies (continued)

#### v) Identification and measurement of impairment

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

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

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

As described above, the Fund's financial asset which are measured at amortised cost are cash and current accounts, deposits with banks, dividends receivable and other receivables. The related loss allowance for expected credit losses for cash and current accounts and deposits with banks is considered to be insignificant as the Fund only places its funds on very short maturities and only with financial institutions where the institution or the institution's corporate parent has a credit rating "investment grade" (BBB- or better). Loss allowances for expected credit losses for dividends receivable and other receivables are recognised by the Fund based on the method described above.

#### (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, the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is expected to be completed within twelve months without significant changes to the plan.

The instruments classified by the Fund under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured based on the requirements of IFRS 9 *Financial Instruments* as this standard still applies 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.

#### (d) Operating segments

According to IFRS 8 *Operating Segments* an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The Fund's activity is not managed by activity components and therefore there are no reportable segments at 31 December 2023 or 31 December 2022.

### 3. Material accounting policies (continued)

#### (e) Cash, current accounts and deposits with banks and distribution accounts

##### *Cash, current accounts, deposits with banks*

Cash and current accounts include petty cash and current accounts held with banks. Deposits with banks are only placed for maturities of less than one year, according to the Fund's cash management policy. 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.

Current accounts include both regular accounts and distribution accounts.

##### *Distribution accounts*

The legal framework applicable to the Fund states that the listed entities must pay dividends and any other amounts due to shareholders through the Central Depository of the respective securities, as well as the participants in their system. According to the same legislation, a listed entity designates as Paying Agent a financial institution through which the holders of debt securities can exercise their financial rights.

The Fund has signed agreements with both the Central Depository and a Paying Agent. The Fund has selected BRD Groupe Societe Generale as Paying Agent. For each distribution approved by the shareholders, the Fund needs to open two dedicated accounts ("distribution accounts") with the Paying Agent.

As per applicable legislation, the distribution to shareholders process is managed by the Central Depository and the Paying Agent.

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.

During 2023 the cash flow presentation of the distribution accounts as cash and cash equivalents has been re-assessed. The re-assessment has indicated that the distribution accounts have the nature of an account for dividend payments restricted for operational use (for any other use than payments to shareholders) until the 3-year statute of limitation expires. As a result, the distribution accounts are not included in cash and cash equivalents for the purpose of cash flow statement presentation. The transfers to distribution accounts are presented on two separate lines *Transfer to distribution accounts* and *Dividends transferred corresponding to shareholders having specific legal status* under cash-flow from financing activities with corresponding amounts to be further used exclusively for shareholder payments (until the status of limitations expires). The actual payments to shareholders are not presented in the cash flow statement but these are reflected in Note 19 (a) to the financial statements.

The presentation of the distribution accounts for 31 December 2022 has been changed in line with the re-assessed presentation for the year ended 31 December 2023 where the distribution accounts are presented separately from the cash and cash equivalents for the purpose of the cash flow statement. As a result, in the comparative information of the Cash Flow statement for 2022:

### 3. Material accounting policies (continued)

#### (e) Cash, current accounts and deposits with banks and distribution accounts (continued)

- Under *Cash flows from financing activities* line item *Dividends paid (net of withholding tax)* was replaced with the two line items *Transfer to distribution accounts* (RON 1,146,162,505) and *Dividends transferred to shareholders with special legal provisions* (RON 1,956,556) the sum of which is RON 73,775,078 more than the amount previously reported as dividends paid,
- Line item *Cash and cash equivalents at the end of the period as per the Statement of Cash Flows* has decreased by RON 73,775,078.

#### (f) 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.

#### (g) 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.

#### (h) 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.

#### (i) 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.

### 3. Material accounting policies (continued)

#### (i) Dividend income (continued)

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.

#### (j) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method.

Interest income relates to current accounts, distribution 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.

#### (k) 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 (loss)/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 "Net gain/(loss) from non-current assets held for sale valued at fair value through profit or loss". This caption is also used to present the fair value movement of non-current assets held for sale following the assets classification in this category (presented as unrealised in the notes if the asset has not been sold at date of the financial statements).

#### (l) 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 substantially all of its transactions are denominated in RON.

#### (m) Expenses

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

### 3. Material accounting policies (continued)

#### (n) 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.

During 2023 and 2022, 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 8%/5% in case of the other holdings. On 15 July 2022 Government Ordinance No 16/2022 was published which modified the Romanian Fiscal Code. According to the legislative changes, for dividends distributed after 1 January 2023, the applicable dividend withholding tax was changed from 5% (applicable throughout the financial year ended 31 December 2022) to 8% while the 10% holding exemption mentioned above still in place.

Please see Note 4 Risk management – (d) Taxation risk for information regarding fiscal changes on income tax and possible impact on the Fund's financial statements.

#### (o) Distributions to shareholders

According to the Fund's Annual Cash Distribution policy, which can be found on the Fund's website, 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.

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. As stated in Note 3 - (e) Cash, current accounts and deposits with banks, dividends are distributed to shareholders through the Central Depository and the Paying Agent.

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.

#### (p) 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.

### 3. Material accounting policies (continued)

#### (p) Basic and diluted earnings per share (continued)

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 2023 and 31 December 2022, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

#### (q) Board of Nominees members' remuneration

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 or those that cannot benefit from Romanian pension according to the applicable tax treaties. The Fund does not operate any pension plan or post-retirement benefits plan and therefore has no obligations regarding pensions.

#### (r) Standards/amendments that are effective and have been endorsed by the European Union

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

- **IFRS 17 insurance contracts**
- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments),**
- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments),**
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments),**
- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)**

The newly adopted IFRS and amendments to IFRS did not have a material impact on the Fund's accounting policies. Please see below a summary description of the changes brought to the standards applicable to the Fund:

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):** The Amendments are effective for annual periods beginning on or after January 1, 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

The Fund has reviewed the presentation of the accounting policies considering the new requirements in IAS 1 and has updated the financial statements accordingly.

### 3. Material accounting policies (continued)

#### (r) Standards/amendments that are effective and have been endorsed by the European Union (continued)

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):** The amendments become effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.  
The Fund has reviewed the presentation of the accounting policies considering the new requirements in IAS 8 and has update the financial statements accordingly.
- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments):**The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.  
The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.  
The Fund has reviewed the legislative provisions and concluded that it does not fall within the scope of the new regulation because it is classified as an investment fund that is also an Ultimate Parent Entity and according to article 1.5 Excluded Entity, point (e), this type of company is exempted from the new provisions.

#### (s) Standards and interpretations issued by the IASB and endorsed by the EU but not yet effective and not early adopted

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:

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments).** The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8.
- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments).** The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.

Management has assessed that the two standard amendments will not have a material impact on the Fund as the Fund does not apply IFRS 16 and all liabilities are current.

### 3. Material accounting policies (continued)

#### (t) Standards and amendments/interpretations that are not yet effective and have not yet been endorsed by the European Union

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 amendments to the existing standards, which were not endorsed by the EU as at the reporting date of these financial statements:

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments).** The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.
- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments).** The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted.
- **Amendment in 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.** In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

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

### 4. Risk management

The Fund's investment portfolio comprises mainly 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 financial risks the Fund is exposed to are market risk, credit risk and liquidity risk. The management monitors the potential adverse effects on the financial performance of the Fund associated with these risk factors.

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. The Sole Director implemented for the Fund financial risk management procedures consistent with those applied globally by Franklin Templeton.

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

FTIS has implemented a specific Risk Management Policy applicable to the Fund.

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 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 regularly.

#### 4. Risk management (continued)

The Risk Management 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. This Committee meets quarterly, reviews risk reports and input from business management and maintains a detailed register of risk items and resolutions.

The Board of FTIS provides oversight, being aware of the risk management practices and their deployment within the firm, staying apprised of significant risks and management responses.

##### (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 investments at the end of the reporting period operate in different industries, the largest exposures being in the "Infrastructure", "Power and gas utilities: distribution, supply" and "Heavy industry" sectors.

The Fund's exposure to industries is detailed below:

	<b>31 December 23</b>	<b>31 December 2023 (%)</b>	<b>31 December 22</b>	<b>31 December 2022 (%)</b>
Infrastructure	1,235,851,681	55.74%	1,066,219,748	7.78%
Power and gas utilities: distribution, supply	432,616,168	19.51%	1,029,500,000	7.52%
Heavy industry	346,984,407	15.65%	302,543,300	2.21%
Aluminium	112,242,460	5.06%	114,429,001	0.84%
Power utilities: generation	56,840,465	2.56%	11,148,800,000	81.40%
Postal services	17,398,691	0.78%	21,700,000	0.16%
Others	15,078,611	0.68%	13,405,347	0.10%
	<b>2,217,012,482</b>	<b>100%</b>	<b>13,696,597,396</b>	<b>100%</b>

The Fund's equity investments include unlisted instruments issued by companies incorporated in Romania and listed but illiquid instruments, both of which represent 95.0% of total equity investments as at 31 December 2023 (99.2% of total equity investments as at 31 December 2022).

As at 31 December 2023, the listed and liquid investments represented 5.0% (31 December 2022: 0.8%) of the total Fund's equity investments. As at 31 December 2023, the Fund's listed liquid holdings are in amount of RON 112,242,460 (31 December 2022: RON 114,429,001) represented at both reporting dates by Alro SA which is listed on Bucharest Stock Exchange.

Up to the Hidroelectrica SA initial public offering date and its subsequent inclusion in the BET-BK index, Alro SA used to also be included in this index. The BET-BK index is a free float market capitalization weighted index of the Romanian and foreign stocks listed on BVB's regulated market, with the highest free float market capitalization adjusted with liquidity factors and selected also based on qualitative criteria (the index contains 30 companies). Based on the Sole Director review, the exclusion of Alro SA from the companies included in the index was not related to a decrease in the liquidity of the holding.

#### 4. Risk management (continued)

##### (a) Market risk (continued)

###### (i) Equity price risk (continued)

As mentioned above, at 31 December 2023, the Fund's listed portfolio consists mainly of Alro SA. At the reporting date, the Fund holds 72,884,714 shares in Alro SA, representing 10,21% of the company's share capital. As the company is no longer included in the BET-BK index, the Fund prepared a stress test analysis only by changing the closing price compared to the previous period when the BET-BK index was also used.

A 10% decrease of the closing share price for the company would result in a total fair value loss for the Fund in amount of RON 11,224,246 (31 December 2022: RON 11,442,900). A similar change of price in the opposite direction would result in an identical fair value gain for the Fund.

The Fund periodically monitors the liquidity of the markets where it's holdings are listed and correlates this analysis with the liquidity and cash management process.

###### (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's financial statements.

At the reporting dates 31 December 2023 and 31 December 2022 the Fund's interest-bearing fixed rate financial instruments consist of bank deposits with original maturities of less than three months in amount of RON 191,272,158 (31 December 2023) and RON 911,699,816 (31 December 2022).

As described in Note 3 - (e) Cash, current accounts and deposits with banks, for each distribution, the Fund opens dedicated distribution accounts with the Paying Agent, which generate variable interest paid monthly to the Fund. As per the agreed contract with the Paying Agent the distribution accounts bear a variable interest rate based linked on ROBID ON.

###### (iii) Currency risk

The Fund's exposure to currency risk is not significant. The Fund holds current accounts with banks, receivables and payables denominated in foreign currencies (EUR, USD and GBP), but the balances were immaterial during the reporting period.

During 2023, the local currency appreciated compared to the USD (4.6346 RON/USD at 31 December 2022 to 4.4958 RON/USD at 31 December 2023) and depreciated compared to the EUR (from 4.9474 RON/EUR at 31 December 2022 to 4.9746 RON/EUR at 31 December 2023) and to the GBP (from 5.5878 RON/GBP at 31 December 2022 to 5.7225 RON/GBP at 31 December 2023).

The tables below contain information on the Fund's financial assets and monetary liabilities based on the original currency:

##### RON equivalent - 31 December 2023

Monetary assets	RON	EUR	USD	GBP	Total
Cash and current accounts	55,098	1,255	1,955	1,801	60,109
Distributions bank accounts	547,496,881	-	-	-	547,496,881
Deposits with banks	191,368,978	-	-	-	191,368,978
<b>Monetary liabilities</b>					
Other financial liabilities	(398,762)	(21,781,722)	(708,397)	(63,691)	(22,952,573)
Payable to shareholders	(546,457,941)	-	-	-	(546,457,941)
<b>Net position</b>	<b>192,064,253</b>	<b>(21,780,467)</b>	<b>(706,442)</b>	<b>(61,890)</b>	<b>169,515,454</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(all amounts are in RON unless otherwise stated)

**4. Risk management (continued)****(a) Market risk (continued)***(iii) Currency risk (continued)***RON equivalent - 31 December 2022**

<b>Monetary assets</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>GBP</b>	<b>Total</b>
Cash and current accounts	53,664	1,599	2,040	764	58,066
Distributions bank accounts	73,775,078	-	-	-	<b>73,775,078</b>
Deposits with banks	912,616,396	-	-	-	<b>912,616,396</b>
Other financial assets	30,030	295,142	-	-	<b>325,172</b>
<b>Monetary liabilities</b>					
Other financial liabilities	(14,701,712)	(20,084,641)	(2,104,401)	(63,528)	<b>(36,954,282)</b>
Payable to shareholders	(74,166,644)	-	-	-	<b>(74,166,644)</b>
<b>Net position</b>	<b>897,606,812</b>	<b>(19,787,900)</b>	<b>(2,102,361)</b>	<b>(62,765)</b>	<b>875,653,786</b>

A ten percent strengthening of the RON against the EUR, USD and GBP respectively as at 31 December 2023 and 31 December 2022 would have the following impact on profit or loss (the analysis assumes that all other variables remain constant), impact expressed in RON:

<b>Profit</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
EUR	2,178,047	1,978,790
USD	70,644	210,236
GBP	6,189	6,276

A ten percent depreciation of the RON against the currencies would have an identical opposite effect compared to the one presented above.

As at 31 December 2023 and 31 December 2022, 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 presented in the below table, at 31 December 2023, the Fund's maximum exposure to credit risk from cash and deposits with banks was RON 738,925,552 (31 December 2022: RON 986,449,124).

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

<b>Cash and deposits held with banks</b>	<b>Credit rating*</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
BRD - Groupe Societe Generale	BBB+(stable)	557,578,037	290,835,385
Banca Comerciala Romana	BBB+(stable)	45,475,560	167,666,953
Unicredit Bank	BBB(stable)	45,428,109	77,331,334
ING Bank	AA-(stable)	45,221,286	297,855,062
Citi Bank	A+(stable)	45,220,984	152,759,637
Raiffeisen Bank	AA-(stable)	1,576	753
		<b>738,925,552</b>	<b>986,449,124</b>

\*Source: Fitch Ratings at reporting date

As of 31 December 2023 a significant part of the amounts held with BRD - Groupe Societe Generale, are linked to distribution accounts (98.2%) (31 December 2022: 25.4%).

#### 4. Risk management (continued)

##### (b) Credit and counterparty risk (continued)

###### (i) Cash and deposits with banks (continued)

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.

All current accounts and deposit balances are assessed to have low credit risk as they are held with reputable banking institutions, and they are held for very short maturities according to the cash management policy. Considering this, the effect of any credit loss is assessed as immaterial.

###### (ii) Treasury bills and Government bonds

During 2022 and 2023, the Fund invested in treasury bills and government bonds that had maturities during the same year. Therefore, the balances as at 31 December 2023 and 31 December 2022 are nil. These items were assessed to have low credit risk being issued by the Ministry of Public Finance of Romania. At the reporting date of these financial statements, Fitch Ratings quote Romania's sovereign rating at "BBB-" with a stable outlook.

###### (iii) Other financial assets

As can be seen from the table above, at 31 December 2023 the Fund did not have any other financial assets. At 31 December 2022, other financial assets generally include receivables from portfolio companies or other third parties.

##### (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 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 registered in Romania and listed but not liquid instruments (respectively 95% of total equity investments as at 31 December 2023 and 99.2% of total equity investments as at 31 December 2022). The table below shows the amounts afferent to the listed liquid portfolio and the listed but not liquid portfolio.

	<b>31 December 2023</b>	<b>31 December 2022</b>
Listed and liquid (Alro SA)	112,242,460	114,429,001
Listed and not liquid*	13,090,715	53,179,859
<b>Total listed portfolio</b>	<b>125,333,174</b>	<b>167,608,860</b>

\*On December 31, 2023, the Fund, with assistance from the external evaluators, prepared evaluation reports for Alcom SA, Romaero SA and Mecon SA. Considering materiality aspects, IOR SA (the value of this company representing 0.03% of the entire portfolio at 31 December 2023), although considered illiquid, was valued using the market price.

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:

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

<b>31 December 2023</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>No fixed maturity</b>	<b>Total</b>
<b>Financial assets</b>					
Cash and current accounts	60,109	-	-	-	60,109
Distributions bank accounts	547,496,881	-	-	-	547,496,881
Deposits with banks	191,368,978	-	-	-	191,368,978
Equity investments	-	-	-	1,784,396,314	1,784,396,314
Non-current assets held for sale	-	432,616,169	-	-	432,616,168
	<b>738,925,968</b>	<b>432,616,169</b>	<b>-</b>	<b>1,784,396,314</b>	<b>2,955,938,451</b>
<b>Financial liabilities</b>					
Other financial liabilities	(22,952,573)	-	-	-	(22,952,573)
Payable to shareholders	(546,457,941)	-	-	-	(546,457,941)
	<b>(569,410,514)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(569,410,514)</b>
<b>Net position</b>	<b>169,515,454</b>	<b>432,616,169</b>	<b>-</b>	<b>1,784,396,314</b>	<b>2,386,527,937</b>
<b>31 December 2022</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>No fixed maturity</b>	<b>Total</b>
<b>Financial assets</b>					
Cash and current accounts	58,066	-	-	-	58,066
Distributions bank accounts	73,775,078	-	-	-	73,775,078
Deposits with banks	912,616,396	-	-	-	912,616,396
Equity investments	-	-	-	13,696,597,396	13,696,597,396
Other financial assets	325,172	-	-	-	325,172
	<b>986,774,712</b>	<b>-</b>	<b>-</b>	<b>13,696,597,396</b>	<b>14,683,372,108</b>
<b>Financial liabilities</b>					
Other financial liabilities	(36,954,282)	-	-	-	(36,954,282)
Payable to shareholders	(74,166,644)	-	-	-	(74,166,644)
	<b>(111,120,926)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(111,120,926)</b>
<b>Net position</b>	<b>875,653,786</b>	<b>-</b>	<b>-</b>	<b>13,696,597,396</b>	<b>14,572,251,182</b>

For both 31 December 2023 and 31 December 2022, all financial assets except equity investments and all financial liabilities are considered current as their residual contractual maturity dates are within one year of the reporting dates. The amounts included in the table above at 31 December 2023 and 31 December 2022 are discounted as the difference between the discounted and undiscounted cashflows is immaterial at both dates.

The transaction regarding Engie Romania SA which is further detailed in Note 18 – Non-current assets was completed on 20 February 2024, as such, the participation is presented in the maturity table above in the range of 1 month to 3 months – For more information please see Note 23 – Subsequent Events.

**(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.

#### **4. Risk management (continued)**

##### **(d) Taxation risk (continued)**

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.

According to the changes to Law 296/2023 regarding some fiscal-budgetary measures to ensure Romania's long-term financial sustainability, a new minimum corporate tax of 1% on adjusted turnover is payable starting with 1 January 2024. Eligibility criteria for this new minimum tax was set at adjusted turnover above EUR 50 million in the previous fiscal year. The new legislation also provides the calculation method for the new minimum tax. Please see note 13 – Income tax for more information on the impact for the Fund.

According to the latest changes brought to the Fiscal Code by GEO 115/14 December 2023, starting with 1 January 2024, entities showing a tax profit will be able to offset only 70% of this tax profit with past tax losses (assuming that tax losses are available for utilization). The remaining 30% of any tax profit will be subject to Romanian corporate income tax at the 16%. Please see Note 16 – Deferred tax for more information on the impact for the Fund.

##### **(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 power and gas sectors, which still represent an important part of the Fund's portfolio. Commodity markets may experience prolonged volatility given the uncertainty regarding global trade relationships and increasing protectionism.

Considering the new structure of the Fund, following Hidroelectrica IPO, a significant part of the portfolio operates in the infrastructure sector, where freight and passenger transportation is heavily impacted by the macroeconomic situation which was also adversely impacted by the military conflict between Russia and Ukraine which started in February 2022 and the declared state of war in the State of Israel. Political uncertainty can have an impact on the Romanian economy and consequently on the Fund's portfolio companies. The high inflation rates seen throughout 2023 also had an impact on the values of the holdings.

According to International Monetary Fund<sup>1</sup>, the baseline forecast is for global growth to slow from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024, well below the historical (2000–19) average of 3.8 percent. Global inflation is forecast to decline steadily, from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024, due to tighter monetary policy aided by lower international commodity prices. Core inflation is generally projected to decline more gradually, and inflation is not expected to return to target until 2025 in most cases.

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.

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<sup>1</sup> World Economic Outlook Report – October 2023

#### 4. Risk management (continued)

##### (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 behavior. 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 shareholders' equity comprises share capital, reserves and retained earnings, net of treasury shares. The shareholders' equity was RON 2,342,179,293 at 31 December 2023 (31 December 2022: RON 14,569,543,542). The significant decrease seen in 2023 was determined by the RON 1.7225 gross dividend disbursement which was approved by shareholders on 18 August 2023 and paid starting with 29 September 2023 – the dividend represented the entire consideration received from the Hidroelectrica IPO.

The Fund is not subject to externally imposed capital requirements.

#### 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:

31 December 2023	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
Cash and current accounts	60,109	-	-	60,109	60,109
Distributions bank accounts	547,496,881	-	-	547,496,881	547,496,881
Deposits with banks	191,368,978	-	-	191,368,978	191,368,978
Equity investments	-	1,784,396,314	-	1,784,396,314	1,784,396,314
Non-current assets held for sale	-	432,616,169	-	432,616,169	432,616,169
Other financial liabilities	-	-	(22,952,573)	(22,952,573)	(22,952,573)
Payable to shareholders	-	-	(546,457,941)	(546,457,941)	(546,457,941)
	<b>738,925,968</b>	<b>2,217,012,483</b>	<b>(569,410,514)</b>	<b>2,386,527,937</b>	<b>2,386,527,937</b>

**5. Financial assets and financial liabilities (continued)****Accounting classifications and fair values (continued)**

<b>31 December 2022</b>	<b>Other financial assets at amortised cost</b>	<b>Fair value through profit or loss</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
Cash and current accounts	58,066	-	-	58,066	58,066
Distributions bank accounts	73,775,078	-	-	73,775,078	73,775,078
Deposits with banks	912,616,396	-	-	912,616,396	912,616,396
Equity investments	-	13,696,597,396	-	13,696,597,396	13,696,597,396
Other financial assets	325,172	-	-	325,172	325,172
Other financial liabilities	-	-	(36,954,282)	(36,954,282)	(36,954,282)
Payable to shareholders	-	-	(74,166,644)	(74,166,644)	(74,166,644)
	<b>986,774,712</b>	<b>13,696,597,396</b>	<b>(111,120,926)</b>	<b>14,572,251,182</b>	<b>14,572,251,182</b>

**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).

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

The 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.

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.

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.

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

The table below presents the fair value amount and hierarchy of financial instruments carried at amortised cost as at 31 December 2023 and as at 31 December 2022:

<b>31 December 2023</b>	<b>Amortised cost</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and current accounts	60,109	60,109	-	-	60,109
Distributions bank accounts	547,496,881	547,496,881	-	-	547,496,881
Deposits with banks	191,368,978	191,368,978	-	-	191,368,978
Other financial liabilities	(22,952,573)	-	-	(22,952,573)	(22,952,573)
Payable to shareholders	(546,457,941)	-	-	(546,457,941)	(546,457,941)
<b>Total</b>	<b>169,515,454</b>	<b>738,925,968</b>	<b>-</b>	<b>(569,410,514)</b>	<b>169,515,454</b>

<b>31 December 2022</b>	<b>Amortised cost</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and current accounts	58,066	58,066	-	-	58,066
Distributions bank accounts	73,775,078	73,775,078	-	-	73,775,078
Deposits with banks	912,616,396	912,616,396	-	-	912,616,396
Other financial assets	325,172	-	-	325,172	325,172
Other financial liabilities	(36,954,282)	-	-	(36,954,282)	(36,954,282)
Payable to shareholders	(74,166,644)	-	-	(74,166,644)	(74,166,644)
<b>Total</b>	<b>875,653,785</b>	<b>986,449,540</b>	<b>-</b>	<b>(110,795,755)</b>	<b>875,653,785</b>

Considering the nature of the amounts (very short maturities and immaterial counterparty credit risk) the carrying amounts approximate the fair value of the instruments presented above.

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:

<b>31 December 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity investments:	112,242,460	-	1,672,153,855	1,784,396,314
<i>Power utilities: generation</i>	-	-	56,840,465	56,840,465
<i>Infrastructure</i>	-	-	1,235,851,681	1,235,851,681
<i>Heavy industry</i>	-	-	346,984,407	346,984,407
<i>Aluminium</i>	112,242,460	-	-	112,242,460
<i>Postal services</i>	-	-	17,398,691	17,398,691
<i>Others</i>	-	-	15,078,611	15,078,611
Non-current assets held for sale (Power and gas utilities: distribution, supply)*	-	432,616,168	-	432,616,168
<b>Total</b>	<b>112,242,460</b>	<b>432,616,168</b>	<b>1,672,153,855</b>	<b>2,217,012,482</b>

\*On 22 December 2023 the Fund and the majority shareholder of the Engie Romania SA, GDF International S.A, entered into an agreement for the sale of the entire shareholding in the company as described below. As such, the Fund has classified this holding as Level 2 as its value has been derived from the agreed upon sale price.

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

<b>31 December 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity investments:	114,429,001	-	13,582,168,395	13,696,597,396
<i>Power utilities: generation</i>	-	-	11,148,800,000	11,148,800,000
<i>Power and gas utilities: distribution, supply</i>	-	-	1,029,500,000	1,029,500,000
<i>Infrastructure</i>	-	-	1,066,219,748	1,066,219,748
<i>Heavy industry</i>	-	-	302,543,300	302,543,300
<i>Aluminum</i>	114,429,001	-	-	114,429,001
<i>Postal services</i>	-	-	21,700,000	21,700,000
<i>Others</i>	-	-	13,405,347	13,405,347
<b>Total</b>	<b>114,429,001</b>	<b>-</b>	<b>13,582,168,395</b>	<b>13,696,597,396</b>

**Valuation process**

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

The valuations are based on prevailing market, economic and other conditions at the valuation date and correspond with the current context in the global financial markets. 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 valuation process is performed at least annually by the Fund with support from independent external valuation service providers and has in scope all unlisted and listed illiquid companies, except companies which are in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity which are valued at nil.

The valuation reports were prepared as at 31 October 2023 (for 31 December 2022: 31 October 2022), based on the financial information available for the companies under valuation at 30 September 2023 (for Romaero SA and Mecon SA, which have been valued based on public information, the valuation date is 30 June 2023) and took into consideration all relevant corporate events up to 31 December 2023.

On 22 December 2023 the Fund and the majority shareholder of the company, GDF International S.A, entered into an agreement for the sale of the entire holding in Engie Romania S.A. The Fund updated the valuation of this holding accordingly. The entire holding was sold on 20 February 2024 – Please see Note 23 Subsequent events for more information.

## 5. Financial assets and financial liabilities (continued)

### Valuation process (continued)

Following the subsequent events analysis performed by the Sole Director with the assistance of the external valuers with the purpose of checking if any significant events occurred between the valuation reports valuation date and the authorization date of these financial statements for the unlisted and listed but illiquid portfolio, a new report was prepared for Complexul Energetic Oltenia SA (valuation date: 31 December 2023) which compared to the value from the 31 October 2023 valuation report which was used in the 2023 Preliminary Annual Results Report, resulted in a fair value decrease of RON 7.9 million – new valuation: RON 56.8 million.

For all other holdings, 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 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 the available portfolio companies' financial information and of multiples values of publicly traded peer companies and will adjust the value of unlisted holdings accordingly, if the case.

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 financial statements.

### Valuation process Financial assets measured at fair value – Level 3

The table below presents the movement in Level 3 equity investments during the year ended 31 December 2023 and the year ended 31 December 2022:

	Period ended 31 December 2023	Period ended 31 December 2023	Period ended 31 December 2022
	Equity investments	Non-current assets held for sale	Equity investments
<b>Opening balance</b>	<b>13,582,168,395</b>	-	<b>11,603,900,630</b>
Net unrealised gain recognised in profit or loss	260,201,628		1,978,243,795
Reclassification to non-current assets held for sale	(588,800,000)	588,800,000	-
Net realised (loss)/gain recognised in profit or loss	(1,870,266,600)	61,200,000	
Subscriptions to share capital increase of portfolio companies	2,678,640	-	23,970
Disposals	(9,281,212,040)	(650,000,000)	-
Reclassification to non-current assets held for sale	(432,616,168)	432,616,168	-
<b>Closing balance</b>	<b>1,672,153,855</b>	<b>432,616,168</b>	<b>13,582,168,395</b>

The valuation for the Level 3 equity investments as at 31 December 2023 was prepared as follows:

## 5. Financial assets and financial liabilities (continued)

### Valuation process Financial assets measured at fair value – Level 3 (continued)

- 96.56% of the fair value of Level 3 equity investments was determined based on the valuation report updated with the assistance of the external valuation services provider as at 31 October 2023;
- 3.40% of the fair value of Level 3 equity investments was determined based on the valuation report updated with the assistance of the external valuation services provider as at 31 December 2023;
- 0.04% of the fair value of Level 3 equity investments representing listed but illiquid holdings was determined based on the last available Bucharest Stock Exchange reference price - Considering materiality aspects, IOR SA although considered illiquid, was valued using the market price;
- the holdings in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity were valued at nil.

As at 31 December 2023, the fair value for 2.3% of the Level 3 equity investments (31 December 2022: for 90% of the Level 3 equity investments) was determined by applying the market comparison technique using comparable trading multiples for EBITDA and Price/Earnings indicators, while the fair value for almost 97.5% of the Level 3 equity investments (31 December 2022: for almost 10% of the Level 3 equity investments) was determined by applying the income approach using the discounted cash flow method.

The valuation for the Level 3 equity investments as at 31 December 2022 was prepared as follows:

- 99.7% of the fair value of Level 3 equity investments was determined based on the valuation report updated with the assistance of the external valuation services provider as at 31 October 2022 incorporating the impact of any significant corporate action that took place until 31 December 2022;
- 0.3% of the fair value of Level 3 equity investments representing listed but illiquid holdings was determined based on the last available Bucharest Stock Exchange reference price - Considering materiality aspects, Romaero SA, Mecon SA and IOR SA although considered illiquid, were valued using the market price;
- the holdings in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity were valued at nil.

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.

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.

## 5. Financial assets and financial liabilities (continued)

### Valuation process Financial assets measured at fair value – Level 3 (continued)

*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.

*Long-term growth rate (g),* also known as the terminal growth rate, is the rate at which a company's cash flows are expected to grow indefinitely into the future. It represents the long-term sustainable growth that a company can achieve.

*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.

For the portfolio company CN Aeroporturi Bucuresti SA a significant unobservable input is linked to the final outcome of the share capital increase process that the company needs to implement by incorporating the plot of land. Assuming the share capital increase is performed at a reasonable valuation of the plot of land, it is the Fund's intention to participate with cash in order to preserve its stake in the holding. The Fund will initiate any necessary legal actions to protect the interest of the shareholders, as needed and depending on the future actions the company will take related to the capital increase process. Please see Note 17 Equity investments – CNAB litigation section for more information.

Fondul Proprietatea is not directly affected by climate related matters. However, Fondul owns holdings in a number of portfolio companies which by the specific of their activity are impacted by climate related matters. The assessment of climate-related factors and their impact on valuation require comprehensive and detailed company-specific data related to a set of environmental, ecological, economic, social and governance factors. The process of reaching a globally accepted set of standards to incorporate ESG considerations into the valuation of a business is still in progress.

For the relevant portfolio companies, based on the information available, under income approach a higher volatility embedded in the market risk premium was considered compared to previous year. Given the lack of transparency regarding the ESG impact on the portfolio companies and peers' profitability and future growth, generally no adjustments were applied in the market multiples used as within the market approach, as these were deemed to already reflect the investors perspective regarding the companies' profitability and risk related to ESG factors. Please note that at 31 December 2023 the income approach is the main method for most of the portfolio holdings (97.5%) as described below.

The following tables set out information about the significant unobservable inputs used at 31 December 2023 and 31 December 2022 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

## 5. Financial assets and financial liabilities (continued)

### Valuation process Financial assets measured at fair value – Level 3 (continued)

Financial assets	Fair value as at 31 December 2023	Main valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
<b>Total</b>	<b>1,672,153,855</b>			
Unlisted equity instruments and listed illiquid equity instruments	1,629,935,366	Income approach – discounted cash flow method (DCF)	<p>EBIT estimated for each company</p> <p>Weighted average cost of capital ranging from 11.4% - 16.91% (12.97%)</p> <p>Discount for lack of marketability ranging from 11.4% - 16.1% (15.77%)</p> <p>Discount for lack of control: 0% - 27% (18.29%)</p> <p>Long-term growth rate: 2.50% - 3% (2.50%)</p>	<p>The higher the EBIT estimates, the higher the fair value.</p> <p>The lower the weighted average cost of capital, the higher the fair value.</p> <p>The lower the discount for the lack of marketability, the higher the fair value.</p> <p>The lower the discount for the lack of control, the higher the fair value.</p> <p>The higher the long-term growth rate, the higher the fair value.</p>
Unlisted equity instruments	21,800,958	Market approach - comparable companies (based on EBITDA multiple)	<p>EBITDA estimated for each company</p> <p>EBITDA multiple: 4.80</p> <p>Discount for lack of marketability: 16.1%</p>	<p>The higher the EBITDA estimates, the higher the fair value.</p> <p>The higher the EBITDA multiple, the higher the fair value.</p> <p>The lower discount for lack of marketability, the higher the fair value.</p>
Unlisted equity instruments	17,398,691	Market approach - comparable companies (based on Price /Earnings multiple)	<p>Price/Earnings value: 6.09</p> <p>Discount for lack of marketability: 22.1%</p>	<p>The higher the Price /Earnings multiple, the higher the fair value.</p> <p>The lower the discount for the lack of marketability, the higher the fair value.</p>
Listed illiquid equity instruments	2,389,495	Asset based approach	Discount for lack of marketability: 30.1%	<p>The lower discount for lack of marketability, the higher the fair value.</p> <p>The asset based approach implies actual financial data obtained for the company (public) based on which quantitative un-observable adjustments are made by the valuers. The significance of the adjustment is directly seen in the resulting value of the company.</p>
Unlisted equity instruments	-	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.5	The costs with emission certificates that were not provisioned were higher than the estimated value of the enterprise, thus the market method approach resulted in a valuation of 0 Lei and the DCF method could not be applied, because all future cash flows were negative.
Listed illiquid equity instruments	629,346	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.	

## 5. Financial assets and financial liabilities (continued)

### Valuation process Financial assets measured at fair value – Level 3 (continued)

Financial assets	Fair value as at 31 December 2022	Main valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
<b>Total</b>	<b>13,582,168,395</b>			
Unlisted equity instruments	12,198,937,936	Market approach - comparable companies (based on EBITDA multiple)	EBITDA estimated for each company EBITDA multiple ranging from 3.49 - 10.23 (9.82) Discount for lack of marketability: 7.21% - 16.20% (7.98%)	The higher the EBITDA estimates, the higher the fair value. 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	1,318,758,036	Income approach - discounted cash flow method (DCF)	EBIT estimated for each company Weighted average cost of capital ranging from 10% - 20.6% (12.38%) Discount for lack of marketability ranging from 11.4% - 16.2% (15.82%) Discount for lack of control: 0% - 26.7% (17.87%) Long-term growth rate: 2.50% - 3% (2.50%)	The higher the EBIT estimates, the higher the fair value. 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 growth rate, the higher the fair value.
Unlisted equity instruments	21,700,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 5.5 (5.5) 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	-	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.36 Weighted average cost of capital 13.6% Long-term revenue growth rate: 2.50%	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	42,772,423	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 2023 and 31 December 2022, the Fund's investments in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at nil.

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.

## 5. Financial assets and financial liabilities (continued)

### Sensitivity analysis

The below sensitivity analysis was performed for the equity investments representing 96.3% (31 December 2022: 99%) of the total unlisted portfolio and considered the most relevant unobservable inputs impacting the holdings values and their reasonable possible variance. The analysis assumes that all other variables remain unchanged.

Valuation techniques used	Change in the significant unobservable inputs used in the valuation	Impact on the profit or loss as at 31 December	
		2023	2022
Income approach - discounted cash flow method	EBIT increase by 10%	153,760,689	118,420,343
	EBIT decrease by 10%	(152,657,797)	(117,758,463)
	Weighted average cost of capital increase with 0.50 percentage points	(54,660,000)	(48,450,000)
	Weighted average cost of capital decrease with 0.50 percentage points	61,490,000	55,030,000
	Discount for lack of marketability increase by 10%	(30,220,000)	(23,940,000)
	Discount for lack of marketability decrease by 10%	30,220,000	23,940,000
	Discount for lack of control increase by 10%	(36,530,000)	(28,650,000)
	Discount for lack of control decrease by 10%	36,530,000	28,650,000
	Long-term revenue growth rate increase with 0.50 percentage points	67,400,000	60,310,000
	Long-term revenue growth rate decrease with 0.50 percentage points	(59,910,000)	(53,110,000)
Market approach - comparable companies (based on EBITDA multiple)	EBITDA estimate increase by 10%	Not calculated - immaterial to Fund at 31 December 2023	1,153,606,636
	EBITDA estimate decrease by 10%		(1,153,606,636)
	EBITDA multiple increase by 10%		1,153,606,636
	EBITDA multiple decrease by 10%		(1,153,606,636)
	Discount for lack of marketability increase by 10%		(106,139,450)
	Discount for lack of marketability decrease by 10%		106,139,450

In addition to the analysis presented above, the Sole Director has also prepared the following specific analysis for the most significant unlisted holdings:

Company	Value	% of equity portfolio at 31 December 2023	Significant valuation input
CN Aeroporturi Bucuresti SA	877,699,934	48.97%	Passenger traffic
CN Administratia Porturilor Maritime SA	328,299,993	18.32%	Turnover
Societatea Nationala a Sarii SA	318,399,807	17.76%	Net Sales
<b>Total</b>	<b>1,524,399,734</b>	<b>85.05%</b>	

The sensitivity analysis was based on the stress tests analysis performed with the assistance of the of the external valuation services provider KPMG. The Equity value of the companies considered in the stress test analysis was estimated based on the income approach (DCF methodology).

#### a) Changes in Passenger traffic - CN Aeroporturi Bucuresti SA

##### Assumptions used in Base Case Valuation

During the forecasted period, up to FY 2027 it is estimated that the company's revenues and traffic will recover up to and exceed levels registered before the COVID 19 outbreak. The assessments are in line with industry forecasts.

##### Scenarios considered and results

For high and low case the passenger traffic was estimated in line with corresponding best/ worst case scenarios published by industry specialists.

In the high and low scenarios, passenger traffic was estimated in accordance with the corresponding high/low scenarios published in industry reports.

## 5. Financial assets and financial liabilities (continued)

### Sensitivity analysis (continued)

#### **a) Changes in Passenger traffic - CN Aeroporturi Bucuresti SA (continued)**

For low case the Fund estimates that the value of the holding would decrease by 18.1% whereas in the high case an increase of 15.8% is estimated.

#### **b) Changes in Turnover - CN Administratia Porturilor Maritime SA**

##### *Assumptions used in Base Case Valuation*

For the forecast period up to FY 2025 the turnover was estimated based on adjusted figures while maintaining the yearly increase budgeted by the company. For the remainder of the forecast period up to FY 2027 the growth rate was considered in line with expected inflation rate assuming that the company will maintain its operating capacity

##### *Scenarios considered and results*

For high case the analysis took into consideration the fact that the company will achieve the budget for FY 2023 and in the context of the change expected in geopolitical context assumes the company will increase its net sales in real terms during the period FY 2024 -FY 2028.

For low case the analysis maintained the projected turnover for FY 2023 however for the rest of the forecast period, a 50% realization of projected turnover increases was used heading to an increase in line with inflation rate in the terminal period.

For low case the Fund estimates that the value of the holding would decrease by 18.2% whereas in the high case an increase of 15.8% is estimated.

#### **c) Changes in Net sales - Societatea Nationala a Sarii SA**

##### *Assumptions used in Base Case Valuation*

For the forecasted period up to FY 2025 the analysis considered net sales in line with expected results considering a steady growth rate. For the rest of the forecasted period the analysis considered an adjustment in yearly sales under the assumption that the company will be able to continue obtaining partial revenues from former clients as well as prices increase in line with inflation.

##### *Scenarios considered and results*

For high case forecast period up to FY 2025, the same growth rate was used as for the base case. For the rest of the period the analysis considered that the company will be able to obtain new revenues from former clients at full previous levels. For the rest of the forecast period, new contract revenues and projected inflation were considered.

For low case the analysis, an increase in line with the expected inflation up to FY 2025 was considered. For the remainder of the forecast period the analysis considered an adjustment in yearly sales under the assumption that the company will be able to continue obtaining a quarter of the revenues from former clients, as projected in the base case.

For low case the Fund estimates that the value of the holding would decrease by 8.4% whereas in the high case an increase of 13.2% is estimated.

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

	<b>Year ended 31 December 2023</b>	<b>Year ended 31 December 2022</b>
Net unrealised gain from equity investments at fair value through profit or loss	316,280,361	2,216,096,111
Net unrealised (loss) from equity investments at fair value through profit or loss	(58,265,275)	(254,615,801)
Realised (loss) from equity investments at fair value through profit or loss	(1,870,266,600)	(117,724,229)
<b>Total</b>	<b>(1,612,251,514)</b>	<b>1,843,756,081</b>

The amounts presented above refer to the net gain and loss for the period at portfolio holding level.

The net unrealised gain from equity investments at fair value through profit or loss the year ended 31 December 2023 was mainly generated by the change in fair value for the holdings in CN Aeroporturi Bucuresti SA (unrealised gain of RON 164,699,934), Complexul Energetic Oltenia SA (unrealised gain of RON 56,840,465), CN Administratia Porturilor Maritime SA (unrealised gain of RON 45,299,993) and Societatea Nationala a Sarii SA (unrealised gain of RON 44,699,807). The unrealised gain from equity investments at fair value through profit or loss for the year ended 31 December 2022 was mainly generated by the change in fair value for the holding in Hidroelectrica SA (unrealised gain of RON 2,107,876,030), as a result of the strong performance registered by the company in the period in the electricity market context.

The net unrealised loss from equity investments at fair value through profit or loss for the year ended 31 December 2023 was mainly generated by the decrease in the fair value of the holding in Romaero SA as a result of the financial difficulties registered by the company during 2023, this company becoming insolvent in on January 17, 2024 (unrealised loss of RON 41,974,112 compared to 31 December 2022). The caption also contains the fair value movement registered for Engie Romania SA prior to its classification as non-current asset held for sale (unrealised loss of RON 8,083,832). The unrealised loss from equity investments at fair value through profit or loss for the year ended 31 December 2022 was generated by the negative change in fair value for the holding in Engie Romania SA (unrealised loss of RON 82,000,000), Enel Energie SA (unrealised loss of RON 39,500,000) and E-Distributie companies (unrealised loss of RON 68,600,000).

The realised loss from equity investment at fair value through profit or loss for the year ended 31 December 2023 was generated by the negative change in fair value for Hidroelectrica SA following the fair value adjustment to IPO price (RON 1,870,266,600 decrease) prior to the sale of the Fund's entire stake in the company – For more details please see Note 17 – Equity. investments.

**7. Gross dividend income**

	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
Hidroelectrica SA	867,437,770	764,040,021
Societatea Nationala a Sarii SA	55,996,590	29,345,514
CN Aeroporturi Bucuresti SA	31,486,581	-
CN Administratia Porturilor Maritime SA	5,728,126	6,677,532
OMV Petrom SA	-	133,564,153
Others	2,117,861	1,271,181
<b>Total</b>	<b>962,766,928</b>	<b>934,898,400</b>

The dividend income was subject to 8% Romanian withholding tax during the year ended 31 December 2023 and subject to 5% Romanian withholding tax during the year ended 31 December 2022. 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 payment date, a withholding tax exemption is applied.

## 7. Gross dividend income (continued)

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 Sole Director 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 2023 a total amount of RON 87,369,624 represented special cash distributions (year ended 31 December 2022: RON 275,800,239).

## 8. Interest income

The interest income recorded for the year ended 31 December 2023 of RON 157,467,146 (year ended 31 December 2022: RON 25,065,131) was mainly generated by the cash inflows from Hidroelectrica IPO. The proceeds from this transaction were placed in various short-term instruments for the period between the IPO settlement date and the Payment date of the dividend distribution approved by the shareholders on 18 August 2023, which occurred on 29 September 2023. These instruments included bank deposits, treasury bills and government bonds. The remaining interest income for 2023 as well as the amounts recorded for the year ended 31 December 2022 were generated by other cash placements performed by the Fund under the regular cash management process.

## 9. Net realised gain/(loss) from non-current assets held for sale

On 14 December 2022 Enel Spa announced that it entered into an exclusivity agreement with Greek company Public Power Corporation (PPC) in relation to the potential disposal of all the equity held by Enel Group in Romania. On 14 March 2023 the Fund received a notice from Enel Spa in relation to the exercise by the Fund of the tag along right under the Privatisation Agreement entered into between S.C. Electrica SA and Enel on 11 June 2007 relating to the acquisition of and subscription for shares in the subsidiary for Electricity Distribution and Supply Electrica Muntenia Sud S.A., in relation to Fondul Proprietatea's shareholding in Enel Energie Muntenia S.A. and E-Distributie Muntenia S.A. The tag along notice is triggered following the entry by Enel and the company PPC into an agreement for the sale of all the equity stakes held by the Enel Group in Romania. As of 31 March 2023, the Fund reclassified, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" requirements, its entire holdings in the companies Enel Energie Muntenia SA, Enel Energie SA, E-Distributie Banat SA, E-Distributie Dobrogea SA, E-Distributie Muntenia SA, as non-current assets held for sale at their total valuation at reclassification date of RON 588,800,000. On 19 April 2023, the Fund signed a Sale and Purchase Agreement ("SPA") with PPC by which it agreed to sell its entire stake in the Enel group companies for a consideration of RON 650,000,000. The sale was completed on 26 October 2023 – Please see Note 18 – Non-current assets held for sale for further details.

The realised gain in 2023 of RON 61,200,000 from the disposal of the non-current assets held for sale represents the difference between the total proceeds from the disposal (RON 650,000,000.) and the fair value at the reclassification date of the non-current assets held for sale disposed of (RON 588,800,000).

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 (listed company) through an accelerated bookbuild offering. Consequently, 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 of RON 1,135,225,000 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 and the gross proceeds received from the disposal amounted to RON 978,250,000– Please see Note 18 – Non-current assets held for sale for further details.

### 9. Net realised gain/(loss) from non-current assets held for sale (continued)

The realised loss in 2022 of RON 156,975,000 from the disposal of the non-current assets held for sale represents the difference between the total proceeds from the disposal (RON 978,250,000) and the fair value at the reclassification date of the non-current assets held for sale disposed of (RON 1,135,225,000).

### 10. Net gain from other financial instruments at fair value through profit or loss

The amounts presented in this category at 31 December 2023 represent the net gain/(loss) generated by the change in fair value for the government bonds held by the Fund during the year ended 31 December 2023.

The net gain/(loss) from other financial instruments at fair value through profit or loss for the year ended 31 December 2022 includes the realised gain from the change in the fair value of the receivable related to the unpaid share capital from the Romanian State which was classified at fair value through profit or loss, in amount of RON 189,182,422.

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.

For the period ended 31 December 2022 this caption also includes net gain of RON 61,345,112 from the change in fair value of the preferential rights linked to the share capital increase of OMV Petrom SA as mentioned in the annual financial statements published for the previous year.

### 11. Operating expenses

	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
<b>Transaction costs (i)</b>	<b>242,865,533</b>	<b>19,087,916</b>
<b>Operating expenses, out of which:</b>	<b>224,440,567</b>	<b>106,153,485</b>
-FTIS administration fees (ii)	202,152,281	79,364,514
-Third party services (iii)	9,346,053	9,578,923
-FSA monthly fees (iv)	8,844,362	14,337,444
-Board of Nominees ("BON") remunerations and related taxes (v)	1,703,556	1,386,213
-Other BON related costs (vi)	1,000,127	822,451
-Other operating expenses	968,933	249,424
-Depositary bank fee	425,255	414,516
	<b>467,306,100</b>	<b>125,241,401</b>

#### (i) Transaction costs

For the year ended 31 December 2023, these costs were mainly related to costs for the listing of Hidroelectrica SA and include bank, legal and other consultant fees.

For the year ended 31 December 2022 these fees were mainly related to the sale of the OMV Petrom holding, consisting of brokerage fees, market fees and legal fees linked to the sale in total amount of RON 14 million and costs related to ongoing listing projects in amount of RON 5 million.

#### (ii) 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.

The administration fees recorded during the year ended 31 December 2023 and the year ended 31 December 2022 are presented in the table below:

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(all amounts are in RON unless otherwise stated)

**11. Operating expenses (continued)***(ii) FTIS administration fees (continued)*

	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
Base fee	36,785,547	57,328,011
Distribution fee related to dividend distributions to shareholders	165,366,734	19,321,869
Performance fee	-	2,714,634
<b>Administration fees recognised in profit or loss</b>	<b>202,152,281</b>	<b>79,364,514</b>
Distribution fees related to buy-backs recognised in equity	35,695,074	27,866,008
<b>Total administration fees</b>	<b>237,847,355</b>	<b>107,230,522</b>

Distribution fees related to the buy-backs refer to treasury shares acquired during the year through daily transactions or public tender offers (2023: 225,000,000 shares through the public offer completed in March and 1,670,000,000 shares through the public offer completed in December, 2022: 325,000,000 shares through the public offer concluded in June).

The administration fees are invoiced and paid on a quarterly basis. The performance fee is no longer applicable after 31 March 2022, in accordance with the provisions of the Management Agreement in force.

The distribution fees related to buy-backs recognised in equity are included in caption Treasury Shares in the Statement of Financial position for both 31 December 2023 and 31 December 2022.

*(iii) Third party services*

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

	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
Legal consultancy and litigation assistance	2,745,690	2,581,126
Portfolio valuation services	1,254,903	2,352,068
Public relations services	863,143	958,321
Investors' relations expenses	839,561	994,845
Financial auditor's fees	819,701	807,152
Regulatory and compliance expenses	485,841	476,107
Tax compliance and advisory services	440,344	406,094
Corporate brokerage fee	411,964	290,994
GSM organization	314,424	152,062
Software maintenance	261,104	240,641
Other services	909,378	319,513
	<b>9,346,053</b>	<b>9,578,923</b>

Other services mainly include other consultant fees, internal audit fees and Central Depository distribution fees.

The financial audit fees are recorded in the year they relate to. The financial auditor of Fondul Proprietatea for the financial years ended 31 December 2022 and 31 December 2023 is Ernst & Young Assurance Services SRL.

The table below contains information regarding total audit fees for the years ended 31 December 2023 and 31 December 2022.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(all amounts are in RON unless otherwise stated)

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

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Financial auditor's fee (including VAT)</b>		
Statutory audit	659,206	662,092
Non-audit services	160,496	145,059
<b>Total fees</b>	<b>819,701</b>	<b>807,152</b>

Non-audit service fees are related to the annual limited assurance report specifically requested by the FSA regarding buy-back programmes funding.

*(iv) FSA monthly fees*

During 2023 and 2022, the FSA fee was 0.0078% per month applied on the total net asset value. The decrease seen between the two periods is due to the fact that the Fund's total net asset value significantly decreased following Hidroelectrica IPO proceeds distribution and also due to buybacks performed.

*(v) BON remunerations and related taxes*

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees as well as the related taxes and contributions payable to the Romanian State budget (see Note 22(a) Related parties for further details).

*(vi) Other BON related costs*

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

	Period ended 31 December 2023	Period ended 31 December 2022
Costs with accommodation, transport, meals etc.	496,042	214,676
Professional insurance costs	414,988	518,061
Advisory services	89,097	89,714
	<b>1,000,127</b>	<b>822,451</b>

**12. Finance cost**

On 17 May 2023, for cash management purposes, the Fund entered into a short-term loan facility agreement with BRD – Groupe Societe Generale SA for a total committed amount of RON 284,000,000. The amounts presented in this category for the year ended 31 December 2023 represent the commitment fee charged by the credit institution for this facility. The utilisation period for this facility ended on 30 June 2023 and the final maturity of the facility was on 31 July 2023 – no amounts were drawn by the Fund.

The amounts registered in the year ended 31 December 2022 represent the commitment fees for the previous loan facility which the Fund had signed with BRD – Groupe Societe Generale SA – total amount of RON 45,000,000 which remained undrawn and expired on 29 June 2022.

**13. Income tax**

No current tax and no deferred tax were recorded during the year ended 31 December 2023 and the year ended 31 December 2022.

	Period ended 31 December 2023	Period ended 31 December 2022
<b>Reconciliation of effective tax rate</b>		
Net (loss)/profit for the period	(904,097,086)	2,769,448,871
Withholding tax on the dividend income	(6,980,407)	(6,678,208)
<b>(Loss)/Profit excluding income tax</b>	<b>(897,116,679)</b>	<b>2,776,127,079</b>

**13. Income tax (continued)**

<b>Income tax benefit/(expense) using the standard tax rate (16%)</b>	<b>143,538,669</b>	<b>(444,180,333)</b>
<i>Impact on the income tax of:</i>		
Non-taxable income (other than dividend income)	1,694,222,139	714,787,810
Taxation applied on dividend income	147,062,301	142,905,536
Non-deductible expenses	(2,016,608,781)	(383,704,645)
Elements similar to revenues (taxable equity items)	(9,135,678)	(1,787,623)
Fiscal result impact in the current period	33,940,944	(34,698,953)
<b>Tax on income</b> (i.e. withholding tax on the dividend income)	<b>(6,980,407)</b>	<b>(6,678,208)</b>

The fiscal result impact as at 31 December 2023 of RON 33,940,944 represents the current tax on profit for the year ended 31 December 2023 which was offset by the Fund's tax losses carried forward

The fiscal result impact as at 31 December 2022 of RON 34,698,953 represents the unrecognised deferred tax asset for the tax losses recorded for the year ended 31 December 2022.

Non-taxable income and non-deductible expenses are mainly generated by fair value gains / losses and by dividend income related to the equity portfolio companies in which the Fund has held more than 10% stake for more than one year continuously.

As at 31 December 2023 and 31 December 2022 there is no income tax due or to be recovered from the State Budget by the Fund.

See Note 16 Deferred tax for details regarding the deferred tax computation and recognition.

As described in Note 4 Risk management – (d) Taxation risk the fiscal authorities introduced a new minimum tax rate based on adjusted turnover to be paid starting with 1 January 2024. Based on the analysis performed by the Sole Director, as the Fund's adjusted turnover is below EUR 50 million in the fiscal year 2023, the Fund falls outside the area of applicability of the new minimum tax for the financial year which will end on 31 December 2024.

**14. Basic and diluted (loss)/earnings per share**

Basic earnings 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 2023 and 31 December 2022, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
(Loss)/Profit for the period	(904,097,086)	2,769,448,871
Weighted average number of ordinary shares	5,289,087,696	5,937,410,145
<b>Basic and diluted earnings per share</b>	<b>(0.1709)</b>	<b>0.4664</b>

**15. Cash and current accounts, deposits with banks and distribution accounts**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Petty cash	416	416
Current accounts with banks	59,693	57,650
<b>Cash and current accounts</b>	<b>60,109</b>	<b>58,066</b>

	<u>31 December 2023</u>	<u>31 December 2022</u>
Bank deposits with original maturities of less than three months	191,272,158	911,699,816
Interest accrued on bank deposits	96,820	916,580
<b>Deposits with banks</b>	<b>191,368,978</b>	<b>912,616,396</b>

	<u>31 December 2023</u>	<u>31 December 2022</u>
Distributions bank accounts	546,066,907	73,775,078
Interest accrued on distributions bank accounts	1,429,974	-
<b>Distributions bank accounts</b>	<b>547,496,881</b>	<b>73,775,078</b>

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. Please see Note 3 – Material accounting policies (e) Cash, current accounts and deposits with banks.

**16. Deferred tax**

As at 31 December 2023 and 31 December 2022 there is no temporary 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 2023 and 31 December 2022, 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 2023 the unused fiscal loss carried forward amounts to RON 485,047,689 out of which RON 288,393,894 will expire on 31 December 2027 and RON 196,653,795 will expire on 31 December 2029. As described in Note 4 Risk management – (d) Taxation risk, starting with 1 January 2024, the Fund will be able to offset only 70% of any tax profit with past tax losses. The remaining 30% of any tax profit will be subject to Romanian corporate income tax at the 16% rate meaning that the Fund might be liable to pay income tax starting with the end of the first quarter of 2024 if the Fund will be showing a taxable profit for this period.. The actual amounts which will be due to the state budget will depend on the amount of taxable/non-taxable elements recorded during the year 2024.

As at 31 December 2022 the unused fiscal loss carried forward amounts to RON 717,393,241 out of which RON 500,524,785 was to expire on 31 December 2027 and RON 216,868,456 was to expire on 31 December 2029.

There was no movement in the deferred tax position during the year ended 31 December 2023 and year ended 31 December 2022. The deferred tax balances during both these periods were zero.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

(all amounts are in RON unless otherwise stated)

**17. 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 and liquid securities) or assessed using valuation techniques in accordance with International Valuation Standards (unlisted and listed illiquid securities);
- Valued at nil, for holdings in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity.

**Portfolio**

As at 31 December 2023 and 31 December 2022 the Fund's portfolio comprised the following holdings:

	<b>31 December 2023</b>	<b>31 December 2022</b>
CN Aeroporturi Bucuresti SA	877,699,934	713,000,000
Engie Romania SA	432,616,168	440,700,000
Administratia Porturilor Maritime SA	328,299,993	283,000,000
Societatea Nationala a Sarii SA	318,399,807	273,700,000
Alro SA	112,242,460	114,429,001
Complexul Energetic Oltenia SA	56,840,465	-
Zirom SA	28,584,600	28,843,300
Posta Romana SA	17,398,691	21,700,000
Romaero SA	-	41,974,112
Hydroelectrica SA <i>(sold)</i>	-	11,148,800,000
E-Distributie Banat SA <i>(sold)</i>	-	212,900,000
E-Distributie Muntenia SA <i>(sold)</i>	-	183,900,000
E-Distributie Dobrogea SA <i>(sold)</i>	-	170,400,000
Enel Energie SA <i>(sold)</i>	-	21,600,000
Other	44,930,365	41,650,983
<b>Total equity investments</b>	<b>2,217,012,482</b>	<b>13,696,597,396</b>
Reclassified as non-current assets held for sale	(432,616,168)	-
<b>Total equity investments as per statement of financial position</b>	<b>1,784,396,314</b>	<b>13,696,597,396</b>

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

As 31 December 2023 and 31 December 2022 the Fund had the following subsidiaries, all of which are incorporated in Romania:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Zirom SA	28,584,600	28,843,300
Alcom SA	10,071,875	10,407,436
Comsig SA	n/a	-
	<b>38,656,475</b>	<b>39,250,736</b>

As at 31 December 2022 Comsig SA was in administrative liquidation process, which was finalised being deregistered from the National Trade Registry on 28 March 2023.

As 31 December 2023 and 31 December 2022 the Fund had two associates, both incorporated in Romania:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Societatea Nationala a Sarii SA	318,399,807	273,700,000
Plafar SA	1,987,896	2,199,600
	<b>320,387,703</b>	<b>275,899,600</b>

**17. Equity investments (continued)****Portfolio (continued)**

Please see Note 22(b) and (c)– Related parties for information on the transactions and balances registered with these companies

The movement in the carrying amounts of equity investments at fair value through profit or loss during the year ended 31 December 2023 and the year ended 31 December 2022 is presented below:

	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
<b>Opening balance</b>	<b>13,696,597,396</b>	<b>12,577,678,606</b>
Net (loss)/gain from equity investments at fair value through profit or loss – see Note 6	(1,612,251,514)	1,843,756,082
Subscriptions to share capital increase of portfolio companies	2,678,640	17,451,559
Fair value net gain of preferential rights exercised and converted to shares – see Note 10	-	61,345,112
Disposals (see below)	(9,281,212,040)	(803,633,963)
Reclassification to non-current assets held for sale – see note 18	(1,021,416,168)	-
<b>Closing balance</b>	<b>1,784,396,314</b>	<b>13,696,597,396</b>

**Listing of Hidroelectrica SA**

On 31 March 2022, the shareholders of Hidroelectrica SA approved the initiation of the listing of the Company's shares on the Bucharest Stock Exchange following a public offering of the Company's shares held by the Fund. On 22 June 2023, the FSA issued Decision no. 641/ 22.06.2023 by which it approved the documentation regarding the initial public offering of Hidroelectrica SA shares.

On 23 June the prospectus of the offering was published which contained an indicative price range between RON 94 and RON 112 as well as a discount for retail investors in the first five business days of the offer period. The offer period was set between 23 June 2023 and 4 July 2023. Citigroup Global Markets Europe AG, Erste Group Bank AG, Jefferies GmbH, and Morgan Stanley Europe SE acted as Joint Global Coordinators in connection with the offering. The Fund granted the Joint Global Coordinators an option (the "Over-Allotment Option"), representing up to 15% of the Offer Shares, exercisable within 30 calendar days following the Admission to trading.

The expected size of the offer, including any Over-Allotment Option, was for up to 89,708,177 Offer Shares to be sold by the Fund, representing up to its entire holding of 19.94% of Hidroelectrica total issued share capital. On 5 July 2023, the Fund announced its agreement to sell 89,708,177 shares, representing 19.94% of Hidroelectrica SA total issued share capital, under the following structure:

<b>Category of shares</b>	<b>No. of shares sold</b>	<b>IPO price (RON)</b>	<b>Total gross proceeds (RON)</b>
<b>Base Deal shares</b>	<b>78,007,110</b>		<b>8,064,301,072</b>
• Retail Tranche – with discount	15,525,118	RON 100.88	
• Retail Tranche – no discount	2,416,517	RON 104	
• Institutional Tranche	60,065,475	RON 104	
<b>Over-Allotment shares</b>	<b>11,701,067</b>		<b>1,216,910,968</b>
• Institutional Tranche	11,701,067	RON 104	
<b>Total</b>	<b>89,708,177</b>		<b>9,281,212,040</b>

## 17. Equity investments (continued)

### *Listing of Hidroelectrica SA (continued)*

On 10 July the Fund received gross proceeds of RON 8,064,301,072 (excluding any Over-Allotment Option). On 12 July 2023 the Fund issued a Convening Notice of the Ordinary General Meeting of Shareholders in which it proposed that a dividend be approved in order to disburse these funds.

Admission and start of trading on BVB under the symbol "H2O" took place on 12 July 2023 and Hidroelectrica SA shares were included in the BET index of the BVB immediately following the admission.

The Stabilisation Period ended on 19 July 2023, following the notification received by the Fund according to the details presented in the current report published on the same date. Further to this, on 21 July 2023, the Fund collected the additional gross proceeds in the amount of RON 1,216,910,968 and the sale of the 11,701,067 additional shares in Hidroelectrica SA was completed. The Fund holds no more shares in Hidroelectrica SA.

### *CN Aeroporturi Bucuresti SA ("CNAB") litigation*

#### *Details regarding the proposed share capital increase*

CNAB called a GSM that took place on 25 October 2021 through the convening notice published in the Official Gazette of Romania Part IV no. 3873/20.09.2021, for the approval of a share capital increase with the plots of land inside Baneasa airport, brought as Romanian State's contribution in kind to the company's share capital. The proposed value for the relevant plots of land to be contributed to the share capital was RON 3,814,809,171. This was the third time the share capital increase process was initiated by the Romanian state since 2001.

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

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

#### *Valuation report prepared by ANG Consulting SRL*

Fondul Proprietatea expressed its opinion (on 21 September 2021), through a current report published after the agenda of the meeting was made public, strongly disputing the fundamentally flawed land valuation report. The land valuation report carried out in 2021 attributes a very high value to the plots of land, despite a previously approved valuation report from 2017, which had set the value of the same land at RON 269 million. In Fondul's view, this huge discrepancy in valuation was created using unrealistic and inaccurate commercial indicators in the disputed valuation report (prepared by ANG Consulting SRL, valuation company assigned by the Trade Registry) such as:

## 17. Equity investments (continued)

### ***CN Aeroporturi Bucuresti SA (“CNAB”) litigation (continued)***

#### *Valuation report prepared by ANG Consulting SRL (continued)*

- The estimated traffic of 3,118,000 passengers/ year, although CNAB provided the valuator with an estimate of 460,000 passengers/ year, information ignored by the valuator. Baneasa Airport had around 25,500 passengers in 2019 (pre-pandemic year), which means the valuator chose to overestimate the potential passengers' traffic, ignoring company forecasts and comparing Baneasa airport to actual traffic numbers on City Airport London and City Airport Belfast.
- The estimated revenues of Baneasa Airport are 30 times higher than the average revenues of the airport between 2014-2020. In addition, it is important to note that Baneasa airport has been incurring losses since 2014.
- The valuator did not include any estimated negative cash flows until the end of the forecast period, 2069. This implies the expectation that the terminal, the equipment, and the runway will not be repaired, changed, or modernized for almost 50 years.

#### *Legal actions against CN Aeroporturi Bucuresti SA*

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

In the main litigation related to the claim for annulment of the aforementioned EGM resolution, on 25 May 2023, Ilfov Court (Tribunalul Ilfov) dismissed, in the first instance, the Fund's claim as unfounded. The Fund filed the appeal against the decision. The Bucharest Court of Appeal postponed the final decision until 7 March 2024.

The Sole Director has analysed the legal argumentation and related outcomes of the Appeal together with the external counsels appointed to represent the Fund. In the view of the Sole Director, the arguments that are likely to be admitted by the court and lead to a favourable ruling on the appeal are the following: (i) nullity grounds related to the convening notice (lack of precise, correct and complete information necessary to identify the land parcels), (ii) breach of the special legal regime of the land parcels that are subject of the capital increase, (iii) the flawed valuation report of the land parcels and (iv) FP should have obtained 20% of the shares issued as a result of the capital increase, without any contribution, as CN Aeroporturi Bucuresti already owned the land parcels when FP was established.

On 7 March 2024 the Bucharest Court of Appeal admitted the appeal filed by the Fund, annulling Resolution no. 15/ 26 October 2021 of C.N. Aeroporturi Bucuresti S.A. The decision issued by the Bucharest Court of Appeal is final.

Once the details regarding the Decision of the Court of Appeal will be made available as well as depending on the actions carried out by CN Aeroporturi Bucharest, the Fund will reevaluate all ongoing legal actions or other potential new legal actions necessary to protect the interests of the Fund's shareholders.

In addition to the main litigation described above, the Fund has also entered into the following court proceedings in order to protect the shareholders' interests:

- Opposition against the registration of EGSM Resolution no. 15/26.10.2021 with the Trade Register - on 11 February 2022, the Ilfov Court has suspended the opposition pending a final decision in the main file;
- Action against the Certificates of attestation of the right of ownership (RO: “Certificate de atestare a dreptului de proprietate”) - the first hearing is scheduled on 3 April 2024;

**17. Equity investments (continued)*****CN Aeroporturi Bucuresti SA (“CNAB”) litigation (continued)******Legal actions against CN Aeroporturi Bucuresti SA (continued)***

- Action against the valuation report issued by ANG Consulting SRL - on 20 February 2024, the judge decided that another specialized section of the same Court is entitled to have jurisdiction on solving the case;
- Action for annulment of the EGSM Resolution no. 14/24.09.2019 for the annulment of the decision based on which ANG Consulting SRL performed the valuation.

Please see Note 23 – Subsequent events for further details regarding this topic.

***Valuation of CN Aeroporturi Bucuresti SA***

In the Fund’s Preliminary Annual Results Report for the year ending 31 December 2023 published on 29 February 2024, CN Aeroporturi Bucuresti SA was valued using the same assumptions and valuation methodology as in the previous valuation reports prepared during 2023 based on the argumentation presented above.

**18. Non-current assets held for sale**

Please see the table below for the movement in non-current assets held for sale registered in the years ended 31 December 2023 and 31 December 2022.

	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
<b>Opening balance</b>	-	<b>1,135,225,000</b>
Reclassification to non-current assets held for sale (Enel companies)	588,800,000	-
Net realised gain/(loss) from non-current assets held for sale at fair value through profit or loss –see Note 9	61,200,000	(156,975,000)
Disposals - see Note 9	(650,000,000)	(978,250,000)
Reclassification to non-current assets held for sale (Engie Romania SA)	432,616,168	-
<b>Closing balance</b>	<b>432,616,168</b>	-

**Enel companies – sale completed during the current period**

On 14 December 2022 Enel Spa announced that it entered into an exclusivity agreement with Greek company Public Power Corporation (PPC) in relation to the potential disposal of all the equity held by Enel Group in Romania. On 14 March 2023 the Fund received a notice from Enel Spa in relation to the exercise by the Fund of the tag along right under the Privatisation Agreement entered into between S.C Electrica SA and Enel on 11 June 2007 relating to the acquisition of and subscription for shares in the subsidiary for Electricity Distribution and Supply Electrica Muntenia Sud S.A., in relation to Fondul Proprietatea’s shareholding in Enel Energie Muntenia S.A. and E-Distributie Muntenia S.A. The tag along notice is triggered following the entry by Enel and the company PPC into an agreement for the sale of all the equity stakes held by the Enel Group in Romania. As of 31 March 2023, the Fund reclassified, in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” requirements, its entire holdings in the companies Enel Energie Muntenia SA, Enel Energie SA, E-Distributie Banat SA, E-Distributie Dobrogea SA, E-Distributie Muntenia SA, as non-current assets held for sale at their total valuation at reclassification date of RON 588,800,000.

On 19 April 2023, the Fund, as seller, and PPC, as buyer, have concluded an agreement for the sale of all the equity stakes held by the Fund in E-Distributie Muntenia SA, Enel Energie Muntenia SA, E-Distributie Dobrogea SA, E-Distributie Banat SA, and Enel Energie SA in exchange for a total consideration of RON 650,000,000. The SPA was concluded following the entry by Enel Spa and PPC into the agreement for the sale of all the equity stakes held by the Enel Group in Romania.

## 18. Non-current assets held for sale (continued)

The change in fair value of RON 61,200,0000 is presented in Note 9 - Net realised gain/(loss) from non-current assets held for sale.

	<u>Sale Price</u>
E-Distributie Banat SA	212,899,138
E-Distributie Dobrogea SA	170,399,628
E-Distributie Muntenia SA	223,501,978
Enel Energie Muntenia SA	21,599,628
Enel Energie SA	21,599,628
	<u><u>650,000,000</u></u>

The transaction was finalised on 26 October 2023 when the Fund collected all proceeds from the transaction.

### Engie Romania SA

On 11 December 2023 The Fund received a binding offer from GDF International S.A., the majority shareholder of Engie Romania SA, in relation to a potential sale of Fondul Proprietatea entire shareholding in Engie Romania S.A., for a consideration of EUR 87 million. The fund changed the valuation method accordingly to binding offer price. Furthermore to the information presented above, The Fund and the majority shareholder entered on 22 December 2023 into an agreement for the sale of the entire shareholding in Engie Romania S.A. in exchange for a total consideration of RON 432,616,167.75. The valuation method was changed from Fair value (binding offer price) to Fair value (SPA price).

Considering that all the requirements set forth in IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” were met, the Fund classified the holding as a non-current asset held for sale.

The transaction was finalised on 20 February 2024, please see Note 23 Subsequent events for updated information.

### OMV Petrom SA – sale completed during the previous period

As per previous year financial statements, 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 (listed company) through an accelerated bookbuild offering. Consequently, as at 31 December 2021, 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. The Fund’s remaining stake in the company (shares: 1,688,548,078) was sold through daily share sales and one more accelerated bookbuilding offering which was completed on 16 December 2022. For more details regarding this set of transactions please see the Fund’s financial statements for the year ended 31 December 2022 which are available on the Fund’s website.

## 19. Liabilities

### (a) Payable to shareholders

Total dividends payable at 31 December 2023 amount to RON 546,457,941 (31 December 2022: RON 74,166,644)

Dividends payable at 31 December 2023 are mostly related to the distribution approved by the Fund’s shareholders on 18 August 2023 by which the Hidroelectrica IPO proceeds were distributed (RON: 85% out of total dividends payable).

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

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

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Opening balance</b>	<b>74,166,644</b>	<b>408,245,702</b>
Gross distributions approved during the period out of which	9,450,090,560	774,290,893
-Annual dividends	269,837,832	774,290,893
-Special dividends	9,180,252,728	-
Payments of net distributions (dividends) performed from the dedicated bank accounts	(8,233,176,892)	(1,074,343,988)
Withholding tax payable to state budget	(744,605,695)	(22,853,319)
Distributions for which the statute of limitation occurred	(16,676)	(11,172,644)
<b>Closing balance</b>	<b>546,457,941</b>	<b>74,166,644</b>

**(b) Other liabilities and provisions**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Withholding tax on dividends	44,149,354	1,934,140
FTIS Administration fees	21,297,284	14,961,308
Financial Supervisory Authority fees	188,014	1,141,614
Intermediaries and other transaction related payables	17,668	7,591,736
Payables related to treasury shares under settlement	-	12,583,133
Other liabilities	1,676,600	1,694,646
	<b>67,328,920</b>	<b>39,906,577</b>

The increase seen in the caption Withholding tax on dividends is linked to the withholding tax payable registered for the RON 1.7225 gross dividend per share approved by the shareholders on 18 August 2023 and not collected by shareholders at the reporting date. As per Romanian legislation the entire withholding amount related to the uncollected dividends was paid to the State budget on 25 January 2024.

The FTIS Administration fees relate to the distribution fee recorded following the finalisation on 5 December 2023 of the public tender offer through which the Fund bought back 1.670.000.000 shares in the form of shares and share equivalent GDRs.

For 31 December 2023 other liabilities caption comprises mainly accruals recorded for fees due to The Bank of New York Mellon (tender offer and GDR cancelation fee), portfolio valuation services related accruals and other accruals related to the services received by the Fund. For 31 December 2022 the other liabilities caption mainly includes accruals related to the portfolio valuation services.

## 20. Shareholders' equity

### (a) Share capital

The movement in the paid share capital is presented below:

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Opening balance</b>	<b>3,233,269,111</b>	<b>3,145,160,001</b>
Cancellation of treasury shares	(285,489,924)	(101,073,312)
Collection of unpaid shares	-	189,182,422
<b>Closing balance</b>	<b>2,947,779,187</b>	<b>3,233,269,111</b>

During the year ended 31 December 2023, the paid in share capital of the Fund decreased by RON 285,489,924 following the cancellation on 12 October 2023 of 549,019,085 treasury shares acquired by the Fund within the thirteenth buyback programme.

During the year ended 31 December 2022, the paid in share capital of the Fund decreased by RON 101,073,312 following the cancellation on 19 October 2022 of 194,371,754 treasury shares acquired by the Fund within the twelfth buyback programme.

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, starting 1 February 2022, the new value of the Fund's subscribed and paid-up share capital was RON 3,334,342,422.84 (divided into 6,412,196,967 shares with a nominal value of RON 0.52/share).

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

	31 December 2023	31 December 2022
Number of shares in issue	5,668,806,128	6,217,825,213
Number of paid shares	5,668,806,128	6,217,825,213
Nominal value per share (RON)	0.52	0.52

The shareholders structure as at 31 December 2023 was as follows:

Shareholder categories	31 December 2023		31 December 2022	
	% of subscribed and paid share capital	% of voting rights	% of subscribed and paid share capital	% of voting rights
Romanian institutional investors	24.41%	38.91%	37.31%	40.88%
Romanian private individuals	23.42%	37.32%	21.16%	23.19%
Romanian State	6.53%	10.42%	5.96%	6.53%
Foreign private individuals	3.25%	5.18%	3.13%	3.43%
Foreign institutional investors	2.93%	4.67%	11.25%	12.33%
The Bank of New York Mellon (depository bank for the Fund's GDRs)	2.20%	3.50%	12.52%	13.65%
Treasury shares	37.26%	0.00%	8.66%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Depozitarul Central SA (Central Depository)

**20. Shareholders' equity****(b) Other reserves**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Other reserves <i>(i)</i>	908,845,064	230,576,693
Legal reserve <i>(ii)</i>	646,653,823	666,868,485
Distributions for which the statute of limitation occurred	151,946	151,945
Losses from cancellation of treasury shares (negative equity reserves) <i>(iii)</i>	(908,845,064)	(230,576,693)
	<b>646,805,769</b>	<b>667,020,430</b>

*(i)* 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.

During the GSM held on 21 April 2023, the Fund's shareholders also approved the allocation to other reserves of an amount of RON 908,845,064 from the 2022 net audited accounting profit to be used for covering the negative reserves estimated to arise in 2023 from the cancellation of treasury shares acquired during 2022 through the thirteenth buy-back programme.

During the General Shareholder Meeting held on 21 April 2023 the shareholders approved that the amount of RON 230,576,693, which was allocated to other reserves based on the 20 April 2022 GSM, be used to cover the negative reserve generated from the cancellation of shares acquired during 2021 through the twelfth buy-back programme.

*(ii)* 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 at least 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

During the 21 April 2023 meeting, the shareholders approved the decrease of the legal reserve of Fondul Proprietatea by RON 20,214,661.57 from RON 666,868,485 representing 20.63% of the share capital to RON 646,653,823 representing 20.00% of the share capital. Following the decrease, the corresponding amount was transferred to retained earnings and remains available for future use by shareholders.

As at 31 December 2023 the legal reserve amount represented 21.94% of the value of the issued share capital. The increase over the required minimum percentage is due to the treasury share cancellation finalised on 12 October 2023 as described at sub-point a) from this section.

*(iii)* 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 the other reserves specifically set up for this purpose (described at point *(i)*) and in accordance with the resolution of the General Shareholders Meeting.

All buy-backs performed at an acquisition price higher than the nominal value generate negative reserves.

The table below shows the changes in other reserves and negative reserves, from the main category of Other reserves, recorded as result of the GSM decisions taken during the year ended 31 December 2023:

**20. Shareholders' equity (continued)****(b) Other reserves (continued)**

	<b>Other reserves</b>	<b>Negative reserves</b>
<b>1 January 2023</b>	<b>230,576,693</b>	<b>(230,576,693)</b>
Coverage of the negative reserve balance existing as at 31 December 2022 from other reserves, according to Resolution no.2 of 21 April 2023 Ordinary General Shareholders' Meeting	(230,576,693)	230,576,693
Allocation to other reserves from 2022 net audited accounting profit of amounts which will be used to cover the negative reserves arising from the cancelation of shares acquired during the 13 <sup>th</sup> buy-back programme according to Resolution no. 3 of 21 April 2023 Ordinary General Shareholders' Meeting	908,845,064	-
Negative equity reserve arising on the cancellation of shares acquired during the 13 <sup>th</sup> buy-back programme (recorded on 12 October 2023) according to share capital decrease Resolution no. 2 of 21 April 2023 Extraordinary General Shareholders' Meeting	-	(908,845,064)
<b>31 December 2023</b>	<b>908,845,064</b>	<b>(908,845,064)</b>

The table below shows the changes in other reserves and negative reserves, from the main category of Other reserves, recorded as result of the GSM decisions taken during the year ended 31 December 2022:

	<b>Other reserves</b>	<b>Negative reserves</b>
<b>1 January 2022</b>	<b>671,941,938</b>	<b>(671,941,938)</b>
Coverage of the negative reserve balance existing as at 31 December 2021 from other reserves, according to Resolution no.5 of 20 April 2022 Ordinary General Shareholders' Meeting	(671,941,938)	671,941,938
Allocation to other reserves from 2021 net audited accounting profit of amounts which will be used to cover the negative reserves arising from the cancelation of shares acquired during the 12 <sup>th</sup> buy-back programme according to Resolution no. 6 of 20 April 2022 Ordinary General Shareholders' Meeting	230,576,693	-
Negative equity reserve arising on the cancellation of shares acquired during the 12 <sup>th</sup> buy-back programme (recorded on 19 October 2022) according to share capital decrease Resolution no. 1 of 20 April 2022 Extraordinary General Shareholders' Meeting	-	(230,576,693)
<b>31 December 2023</b>	<b>230,576,693</b>	<b>(230,576,693)</b>

**20. Shareholders' equity (continued)****(c) Treasury shares**

The table below summarises the details regarding the fourteenth buy-back programme, respectively the buy-back programme carried during 2023:

<b>Program</b>	<b>GSM date approving the buy-back programme</b>	<b>Starting date</b>	<b>Completion date</b>	<b>Acquisition price range as approved by GSM</b>
<b>Fourteenth buy-back</b>	15-Nov-2022	1-Jan-2023	31-Dec-2023	0.2 – 3 RON per share

The fourteenth buy-back programme refers to the acquisition by the Fund of a maximum number of 3,500,000,000 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 2023 and 31 December 2022 is presented in the tables below:

<b>Period ended</b>	<b>Treasury shares number - opening balance</b>	<b>Acquisitions during the period</b>	<b>Cancellations during the period</b>	<b>Treasury shares number - closing balance</b>
<b>31 December 2023</b>				
<b>Thirteenth buy-back</b>	549,019,085	-	(549,019,085)	-
<b>Fourteenth buy-back</b>	-	2,112,378,889	-	2,112,378,889
	<b>549,019,085</b>	<b>2,112,378,889</b>	<b>(549,019,085)</b>	<b>2,112,378,889</b>

<b>Period ended</b>	<b>Treasury shares number - opening balance</b>	<b>Acquisitions during the period</b>	<b>Cancellations during the period</b>	<b>Treasury shares number - closing balance</b>
<b>31 December 2022</b>				
<b>Twelfth buy-back</b>	194,371,754	-	(194,371,754)	-
<b>Thirteenth buy-back</b>	-	549,019,085	-	549,019,085
	<b>194,371,754</b>	<b>549,019,085</b>	<b>(194,371,754)</b>	<b>549,019,085</b>

The movement of treasury shares carrying amounts during the years ended 31 December 2023 and 31 December 2022 is presented in the tables below:

<b>Period ended</b>	<b>Opening balance</b>	<b>Cost of treasury shares acquired</b>	<b>Cancellation of treasury shares</b>	<b>Closing balance</b>
<b>31 December 2023</b>				
<b>Thirteenth buy-back</b>	1,194,334,988	-	(1,194,334,988)	-
<b>Fourteenth buy-back</b>	-	1,873,193,280	-	1,873,193,280
	<b>1,194,334,988</b>	<b>1,873,193,280</b>	<b>(1,194,334,988)</b>	<b>1,873,193,280</b>

<b>Period ended</b>	<b>Opening balance</b>	<b>Cost of treasury shares acquired</b>	<b>Cancellation of treasury shares</b>	<b>Closing balance</b>
<b>31 December 2022</b>				
<b>Twelfth buy-back</b>	331,650,005	-	(331,650,005)	-
<b>Thirteenth buy-back</b>	-	1,194,334,988	-	1,194,334,988
	<b>331,650,005</b>	<b>1,194,334,988</b>	<b>-</b>	<b>1,194,334,988</b>

On 13 February 2024 the Fund's shareholders approved a new buy-back programme for the year 2024. The programme will start with the date the approving resolution is published in the Official Gazette and will end on 31 December 2024. The price was set to be between RON 0.2/share and RON 1/share. Total number of shares approved is 1.000.000.000 and the programme execution is subject to available funds.

## **20. Shareholders' equity (continued)**

### **(d) Dividend distributions**

During the 20 April 2022 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.1250 per share from 2021 profit. The shareholders registered in the shareholders' registry with the Central Depository on 3 June 2022 had the right to receive a gross dividend of RON 0.1250 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 27 June 2022.

During the 21 April 2023 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.05 per share from 2022 financial year profit. The shareholders registered in the shareholders' registry with the Central Depository on 12 May 2023 had the right to receive a gross dividend of RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 6 June 2023.

During the 18 August 2023 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 1.7225 per share from retained earnings. The shareholders registered in the shareholders' registry with the Central Depository on 8 September 2023 had the right to receive dividends, proportionally with their participation in the paid in share capital of the Fund. The payment started on 29 September 2023. The dividend payment was funded by the Hidroelectrica SA IPO proceeds.

Only the shareholders registered in the shareholders' registry with the Central Depository on the registration date approved by the Fund's shareholders have the right to receive the related gross dividend, proportionally with their participation in the paid-in share capital of the Fund.

### **(e) Accounting loss coverage**

As per these annual financial statements, prepared in accordance with the IFRS, the Fund incurred an accounting loss of RON 904,097,086 for the financial year ended 31 December 2023. The accounting loss will be covered from various retained earnings elements, subject to shareholders' approval during 30 April 2024 GSM.

### **(f) Dividend distribution proposal for 2024**

Although there is no distributable profit according to the Fund's statutory annual financial statements for the year ended 31 December 2023, the Sole Director of the Fund proposes to the shareholders the payment of a special dividend during 2024. Thus, once the coverage of the accounting loss mentioned above (which legally impedes any distribution) is approved by the Fund's shareholders, the Fund's Sole Director proposal, subject to shareholders' approval, is a cash distribution of RON 0.06 per share from previous years unallocated profits.

## **21. Contingencies**

### **(a) Litigations**

At 31 December 2023, 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, the potential payable regarding CN Aeroporturi Bucuresti SA share capital increase and the potential payable regarding Aeroportul International Timisoara SA share capital increase, as detailed below.

## 21. Contingencies (continued)

### (b) Other contingencies (continued)

#### *(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 filed the second appeal which was rejected by the High Court of Cassation and Justice on 1 April 2021.

The Fund has initiated legal actions against World Trade Center Bucharest SA and the Ministry of Finance for recovering the amounts, which are pending with the Court.

#### *(ii) CN Aeroporturi Bucuresti SA share capital increase*

Please see Note 17 – Equity investments, section CN Aeroporturi Bucuresti SA (“CNAB”) litigation for information regarding this litigation.

#### *(iii) Aeroportul International Timisoara SA share capital increase*

During the GSM held on 9 June 2023, the majority shareholder approved a share capital increase of RON 25.2 million, by issuing 2,523,850 new shares at a nominal value of RON 10 per share, to finance a proposed investment project. In order to avoid dilution, Fondul Proprietatea would have to subscribe to 504,770 new shares, representing RON 5.04 million.

Fondul Proprietatea challenged the validity of the GSM decision, and the Court decided to suspend the effects of the share capital increase until there is a final verdict on the issues raised in the initial claim. As the company did not appeal the Court's decision, the effects of the GSM decision approving the share capital increase are suspended until the final decision of the court in the annulment file above-mentioned.

The legal proceedings initiated by the Fund in the file for the annulment of the GSM decision regarding the share capital increase are still in early stages. The Fund will provide further details on the development of the legal proceedings regarding Aeroportul International Timisoara SA share capital increase as and when relevant.

## 22. Related parties

### (a) Key management

#### (i) Board of Nominees ("BON")

	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
<b>BON gross remunerations, out of which:</b>	<b>1,703,556</b>	<b>1,386,213</b>
Contributions to social security fund retained from gross remuneration	167,172	147,503
Contributions to health insurance fund retained from gross remuneration	66,876	58,994
Income tax	146,964	117,966
<b>Net remunerations paid to BON members</b>	<b>1,322,544</b>	<b>1,061,750</b>

Other costs incurred by the Fund in relation to the members of the Board of Nominees are detailed in note 11 – Operating expenses - (vi) Other BON related costs.

There were no loans between the Fund and the members of the Board of Nominees neither in 2023 nor in 2022. There are no post-employment, long term or termination benefits related to the remuneration of the members of the Board of Nominees.

#### (ii) Sole Director

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. Please see Note 1 – General information for more details.

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

<b>Transactions</b>	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
Administration fees	237,847,355	107,230,522

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

<b>Transactions</b>	<b>Period ended 31 December 2023</b>	<b>Period ended 31 December 2022</b>
Rent expense charged to the Fund	85,612	76,860
Operating cost charged to the Fund	32,223	28,410
	<b>117,834</b>	<b>105,270</b>

During the year ended 31 December 2023, the Fund recorded RON 827,839 (31 December 2022: RON 529,138) representing expenses incurred by FTIS 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:

<b>Amounts due to:</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
FTIS Luxemburg	21,297,284	14,961,308
FTIS Bucharest Branch	203,407	9,327
	<b>21,500,690</b>	<b>14,970,636</b>

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

## 22. Related parties (continued)

### (b) Subsidiaries

As described in Note 17 – Equity investments, the Fund has the following subsidiaries at 31 December 2023 and 31 December 2022:

Ownership interest	31 December 2023	31 December 2022
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	n/a	70%

During the 21 June 2022 EGM, Zirom SA shareholders approved a capital decrease of 1,542,083 shares from 7,542,083 shares to 6,000,000 shares in order to partially cover the company's accumulated accounting losses of RON 75,420,830 (amount at the date of the GSM).

As at 31 December 2023 and 31 December 2022, the Fund had no commitment to provide financial or other support to its subsidiaries, including commitments to assist the subsidiaries in obtaining financial support.

The gross dividend income recorded from subsidiaries in 2023 was in amount of RON 934,651 and was received from Alcom SA ( 2022: 824,054 received from Alcom SA). At 31 December 2023 and 31 December 2022 there were no dividends receivable from the subsidiaries.

### (c) Associates

As described in Note 17 – Equity investments, the Fund has the following associates at 31 December 2023 and 31 December 2022:

Ownership interest	31 December 2023	31 December 2022
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

The gross dividend income recorded from associates for 2023 was in amount of RON 55,996,590 and was received from Societatea Nationala a Sarii SA (2022: 29,345,514 received from Societatea Nationala a Sarii SA). At 31 December 2023 and 31 December 2022 there were no dividends receivable from the associates.

## 23. Subsequent events

### 13 February 2024 EGSM

On 13 February 2024, the Fund's shareholders decided the following:

- To approve a new buy-back programme to be carried out during the year 2024 between the date when the resolution related to this approval is published in the Official Gazette of Romania, Part IV and until 31 December 2024. The proposed price interval is between RON 0.2 and RON 1.0, and currency equivalent in case of GDR buy-backs. The maximum number of shares to be bought back through the proposed programme is 1,000,000,000 shares.
- To approve the sale by Fondul Proprietatea of its shareholding in the share capital of Engie Romania S.A. at a price of RON 432,616,167.75 (date of resolution price).

The third point on the agenda, regarding the approval of a mandate for executing discretionary disposals exceeding 20% of the total value of the non-current assets less receivables of the Fund, was rejected by shareholders.

**23. Subsequent events (continued)****Convening notice of the 26 March 2024 OGSM**

On 5 February 2024, the Fund published a convening notice with the following proposals:

- the approval of the terms of, along with the execution of, the Management Agreement between Fondul Proprietatea and Franklin Templeton International Services S.a r.l. for a duration of one year starting 1 April 2024 and until 31 March 2025.
- the approval of the Remuneration Policy of Fondul Proprietatea in force starting 1 April 2024 to reflect the provisions of the Management Agreement, subject to point 1 on the OGM agenda being approved.
- the approval of 2024 Budget of Fondul Proprietatea.
- the appointment for a period of three years of two members in the Board of Nominees of Fondul Proprietatea following the expiration of two mandates.

On 23 February the Convening notice was supplemented at the request of the Ministry of Finance which holds more than 5% of Fondul Proprietatea's share capital by adding alternative voting options to the first two point on the agenda mainly regarding a lower base fee level for the Sole Director.

On 22 February 2024, the Ministry of Finance, acting as a shareholder, submitted a request to complete the AGM agenda of 26 March 2024 with new items, proposing a base fee of 1.35% instead of 2.00% and an updated strategy for the Fund for the period 1 April 2024 to 31 March 2025, so as to include the preservation of the current portfolio.

**CNAB litigation**

As described at Note 17 – Equity Investment – CNAB litigation, in the main litigation related to the claim for annulment of the EGSM Resolution regarding the share capital increase of CNAB, the Fund filed the appeal against the 25 May 2023 Ilfov Court's decision. Following the hearing, the Court decided to postpone the issuance of a final decision for 7 March 2024.

On 7 March 2024 the Bucharest Court of Appeal admitted the appeal filed by the Fund, annulling EGSM Resolution no. 15/ 26 October 2021 of C.N. Aeroporturi Bucuresti S.A. The decision issued by the Bucharest Court of Appeal is final.

**Sale of Engie Romania SA**

On 22 December 2023 the Fund as seller and GDF International SA as purchaser entered into an agreement for the sale of the entire shareholding in Engie Romania SA in exchange for a total consideration of RON 432,616,167.75. The sale under the agreement was approved by the Fund's shareholders during 13 February 2024 GSM and it was finalised on 20 February 2024.

Following the transaction, the Fund collected all proceeds and no longer holds any shares in Engie Romania SA.

## Annex 2 Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 December 2023, prepared in accordance with FSA Regulation nr. 7/2020 (Annex no. 11)

	Item	31 December 2022				31 December 2023				Differences
		% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	RON
<b>I.</b>	<b>Total assets</b>	<b>100.7850%</b>	<b>100.0000%</b>		<b>14,683,910,693.57</b>	<b>126.1171%</b>	<b>100.0000%</b>		<b>2,963,925,348.77</b>	<b>(11,719,985,344.80)</b>
<b>1</b>	Securities and money market instruments, out of which:	1.1503%	1.1415%		167,608,857.01	5.3331%	4.2286%		125,333,174.29	(42,275,682.72)
<b>1.1</b>	Securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	1.1503%	1.1415%		167,608,857.01	5.3331%	4.2286%		125,333,174.29	(42,275,682.72)
	1.1.1 listed shares traded in the last 30 trading days	1.0789%	1.0706%		157,201,424.02	4.8028%	3.8082%		112,871,805.08	(44,329,618.94)
	1.1.2 listed shares not traded in the last 30 trading days	0.0714%	0.0709%		10,407,432.99	0.5303%	0.4204%		12,461,369.21	2,053,936.22
	1.1.3 other similar securities	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
	1.1.4 bonds	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
	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%		-	-
<b>1.2</b>	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%		-	-
<b>1.3</b>	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%		-	-
<b>2</b>	New issued securities	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>3</b>	Other securities and money market instruments mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32 / 2012 of which:	92.8582%	92.1349%		13,528,983,081.84	89.3410%	70.8399%		2,099,638,503.52	(11,429,344,578.32)
	- shares not admitted at trading	92.8582%	92.1349%		13,528,983,081.84	89.3410%	70.8399%		2,099,638,503.52	(11,429,344,578.32)
	- 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%		-	-

Item	31 December 2022				31 December 2023				Differences RON
	% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	
- rights not admitted at trading	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
- other financial instruments	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>4</b> Bank deposits, out of which:	6.2639%	6.2151%		912,616,396.35	8.1427%	6.4568%		191,368,977.81	(721,247,418.54)
<b>4.1</b> bank deposits made with credit institutions from Romania	6.2639%	6.2151%		912,616,396.35	8.1427%	6.4568%		191,368,977.81	(721,247,418.54)
- in RON	6.2639%	6.2151%		912,616,396.35	8.1427%	6.4568%		191,368,977.81	(721,247,418.54)
<b>4.2</b> bank deposits made with credit institutions from an EU state	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>4.3</b> Bank deposits made with credit institutions from a non-EU state	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>5</b> Derivatives financial instruments traded on a regulated market, out of which:	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>5.1</b> derivatives financial instruments traded on a regulated market from Romania (forward, futures and options, swaps, etc.)	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>5.2</b> 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%		-	-
<b>5.3</b> 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%		-	-
<b>5.4</b> derivatives financial instruments traded on a regulated market (forward, futures and options, swaps, etc.)	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>6</b> Current accounts and petty cash, out of which:	0.5067%	0.5027%		73,833,144.34	23.2383%	18.4258%		546,127,016.32	472,293,871.98
- in RON	0.5067%	0.5027%		73,828,741.75	23.2380%	18.4256%		546,122,004.92	472,293,263.17
- in EUR	0.0000%	0.0000%	EUR 323.22	1,599.10	0.0001%	0.0000%	EUR 252.30	1,255.09	(344.01)
- in GBP	0.0000%	0.0000%	GBP 136.69	763.80	0.0001%	0.0001%	GBP 314.73	1,801.04	1,037.24
- in USD	0.0000%	0.0000%	USD 440.10	2,039.69	0.0001%	0.0001%	USD 434.91	1,955.27	(84.42)
<b>7</b> 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%		-	0.0000%	0.0000%		-	-
-treasury bills with original maturities of less than 1 year	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>8</b> Participation titles of F.I.A./O.P.C.V.M.	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>9</b> Dividends or other receivable rights	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
- in RON	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
- in EUR	0.0000%	0.0000%	EUR -	-	0.0000%	0.0000%	EUR -	-	-
- in USD	0.0000%	0.0000%	USD -	-	0.0000%	0.0000%	USD -	-	-
<b>10</b> Other assets out of which:	0.0059%	0.0058%		869,214.03	0.0620%	0.0489%		1,457,676.83	588,462.80
- <i>guarantee deposited to the broker for the buyback tender offer</i>	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
- <i>receivables related to the cash contributions to the share capital increases performed by portfolio companies</i>	0.0002%	0.0002%		30,030.00	0.0000%	0.0000%		-	(30,030.00)
- <i>receivables related to transactions under settlement</i>	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
- <i>tax on dividends to be recovered from the State Budget</i>	0.0020%	0.0020%		294,926.41	0.0000%	0.0000%		-	(294,926.41)
- <i>intangible assets</i>	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
- <i>advance payments for intangible assets</i>	0.0006%	0.0006%		88,311.09	0.0000%	0.0000%		-	(88,311.09)
- <i>other receivables</i>	0.0020%	0.0019%		299,602.65	0.0619%	0.0489%		1,457,676.83	1,158,074.18
- in RON	0.0020%	0.0019%		299,602.65	0.0619%	0.0489%		1,457,676.83	1,158,074.18
- in EUR	0.0000%	0.0000%	EUR -	-	0.0000%	0.0000%	EUR -	-	-
- in USD	0.0000%	0.0000%	USD -	-	0.0000%	0.0000%	USD -	-	-
- <i>prepaid expenses</i>	0.0011%	0.0011%		156,343.88	0.0000%	0.0000%		-	(156,343.88)

	Item	31 December 2022				31 December 2023				Differences
		% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	RON
<b>II</b>	<b>Total liabilities</b>	<b>0.7850%</b>	<b>0.7789%</b>		<b>114,372,608.92</b>	<b>26.1172%</b>	<b>20.7086%</b>		<b>613,786,861.26</b>	<b>499,414,252.34</b>
<b>1</b>	Liabilities in relation with the payments of fees due to the A.F.I.A.	0.1027%	0.1019%		14,961,308.43	0.9144%	0.7251%		21,490,311.32	6,529,002.89
	- in RON	0.0000%	0.0000%		-	0.0082%	0.0065%		193,027.50	193,027.50
	- in EUR	0.1027%	0.1019%	EUR 3,024,074.95	14,961,308.43	0.9062%	0.7185%	EUR 4,281,205.29	21,297,283.82	6,335,975.39
<b>2</b>	Liabilities related to the fees payable to the depositary bank	0.0002%	0.0001%		21,935.87	0.0003%	0.0002%		6,004.77	(15,931.10)
<b>3</b>	Liabilities related to the fees payable to intermediaries	0.0404%	0.0400%		5,880,160.97	0.0008%	0.0006%		17,668.29	(5,862,492.68)
	- in RON	0.0156%	0.0154%		2,267,852.50	0.0008%	0.0006%		17,668.29	(2,250,184.21)
	- in EUR	0.0136%	0.0135%	EUR 400,000.00	1,978,960.00	0.0000%	0.0000%	EUR	-	(1,978,960.00)
	- in USD	0.0112%	0.0111%	USD 352,424.91	1,633,348.47	0.0000%	0.0000%	USD	-	(1,633,348.47)
	- in GBP	0.0000%	0.0000%	GBP	-	0.0000%	0.0000%	GBP	-	-
<b>4</b>	Liabilities related to commissions and other bank services	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>5</b>	Interest payable	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>6</b>	Issuance expense	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
<b>7</b>	Liabilities in relation with the fees/commissions to FSA	0.0078%	0.0078%		1,141,613.52	0.0080%	0.0063%		188,013.73	(953,599.79)
<b>8</b>	Audit fees	(0.0011%)	(0.0011%)		(160,638.87)	0.0000%	0.0000%		-	160,638.87
<b>9</b>	Other Liabilities, out of which:									
	- short term credit facility	0.5486%	0.5445%		79,945,096.21	25.1937%	19.9764%		592,084,863.15	512,139,766.94
	- liabilities to the Fund's shareholders related to the dividend distribution	0.5091%	0.5051%		74,166,644.07	23.2522%	18.4370%		546,457,941.28	472,291,297.21
	- liabilities related to the return of capital	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
	- liabilities related to Government securities under settlement	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
	- provisions	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
	- remunerations and related contributions	0.0002%	0.0002%		31,751.00	0.0014%	0.0011%		31,751.00	-
	- VAT payable to State Budget	0.0000%	0.0000%		4,874.96	0.0002%	0.0001%		4,036.71	(838.25)
	- tax on dividends payable to State Budget	0.0153%	0.0152%		2,233,527.00	1.8786%	1.4896%		44,149,354.00	41,915,827.00
	- other liabilities out of which:	0.0240%	0.0240%		3,508,299.18	0.0613%	0.0486%		1,441,780.16	(2,066,519.02)
	- in RON	0.0240%	0.0240%		3,508,299.18	0.0612%	0.0485%		1,437,303.02	(2,070,996.16)
	- in EUR	0.0000%	0.0000%	EUR	-	0.0002%	0.0002%	EUR	900.00	4,477.14
	- in USD	0.0000%	0.0000%	USD	-	0.0000%	0.0000%	USD	-	-
	- in GBP	0.0000%	0.0000%	GBP	-	0.0000%	0.0000%	GBP	-	-
<b>10</b>	Payables related to buybacks under settlement	0.0864%	0.0857%		12,583,132.79	0.0000%	0.0000%		-	(12,583,132.79)
<b>III</b>	<b>Net Asset Value (I - II)</b>	<b>100.0000%</b>	<b>99.2211%</b>		<b>14,569,538,084.65</b>	<b>99.9999%</b>	<b>79.2914%</b>		<b>2,350,138,487.51</b>	<b>(12,219,399,597.14)</b>

## Unitary Net Asset Value

Item	31 December 2023	31 December 2022	Differences
<b>Net Asset Value</b>	2,350,138,487.51	14,569,538,084.65	(12,219,399,597.14)
Number of outstanding shares	3,556,427,239	5,668,806,128	(2,112,378,889)
Unitary net asset value	0.6608	2.5701	(1.9093)

## DETAILED STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2023

### 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 SA	ALR	29-Dec-23	72,884,714	0.5	1.5400	112,242,459.56	10.21%	3.7870%	4.7760%	Closing Price
IOR SA	IORB	29-Dec-23	2,622,273	0.1	0.2400	629,345.52	0.47%	0.0212%	0.0268%	Reference price (Closing Price)
ROMAERO SA	RORX	28-Dec-23	1,311,691	2.5	0.0000	0.00	18.87%	0.0000%	0.0000%	Value based on the valuation report as at 30 June 2023 (applying the income approach using the discounted cash flow method)
<b>Total</b>						<b>112,871,805.08</b>		<b>3.8082%</b>	<b>4.8028%</b>	

#### 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-17	89,249	2.5	112.8514	10,071,874.60	71.89%	0.3398%	0.4286%	Value based on the valuation report as at 31 October 2023 (applying the income approach using the discounted cash flow method)
MECON SA	MECP	3-Apr-23	60,054	11.6	39.7891	2,389,494.61	12.51%	0.0806%	0.1017%	Value based on the valuation report as at 30 June 2023 (applying the asset-based approach)
<b>Total</b>						<b>12,461,369.21</b>		<b>0.4204%</b>	<b>0.5303%</b>	

#### 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

Not the case

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 a net asset	Company status	Valuation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	10	88.553	2,050,798.93	20.00%	0.0692%	0.0873%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the income approach using the discounted cash flow method)
Aeroportul International Timisoara - Traian Vuia SA	32,016	10	187.4062	5,999,996.90	20.00%	0.2024%	0.2553%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the income approach using the discounted cash flow method)
CN Administratia Canalelor Navigabile SA	203,160	10	76.6062	15,563,315.59	20.00%	0.5251%	0.6622%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	10	111.2944	3,066,605.90	20.00%	0.1035%	0.1305%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the market comparison technique using comparable trading multiples for EBITDA)

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 a net asset	Company status	Valuation method
CN Administratia Porturilor Dunarii Maritime SA	21,237	10	149.3166	3,171,036.63	20.00%	0.1070%	0.1349%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Maritime SA	6,466,226	10	50.7715	328,299,993.36	19.99%	11.0765%	13.9694%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the income approach using the discounted cash flow method)
CN Aeroporturi Bucuresti SA	2,875,443	10	305.2399	877,699,933.78	20.00%	29.6128%	37.3467%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the income approach using the discounted cash flow method)
Complexul Energetic Oltenia SA	5,314,279	10	12.1935	64,799,660.99	11.81%	2.1863%	2.7573%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the income approach using the discounted cash flow method)
Engie Romania SA	2,390,698	10	180.9581	432,616,167.75	11.99%	14.5961%	18.4081%	Unlisted companies, in function	Fair value/ share (SPA Price)
Gerovital Cosmetics SA	1,350,988	0	0	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Plafar SA	132,784	10	14.9709	1,987,895.99	48.99%	0.0671%	0.0846%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the income approach using the discounted cash flow method)
Posta Romana SA	14,871,947	1	1.1699	17,398,690.80	6.48%	0.5870%	0.7403%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the market comparison technique using comparable trading multiples for price/Earnings)
ROMPLUMB SA	1,595,520	3	0	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	3	0	0.00	17.48%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Simtex SA	132,859	3	0	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Electrocentrale Craiova SA	513,754	10	0	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the market comparison technique using comparable trading multiples for EV/Revenue)
Societatea Nationala a Sarii SA	2,011,456	10	158.2932	318,399,806.90	48.99%	10.7425%	13.5481%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the income approach using the discounted cash flow method)
World Trade Center Bucuresti SA	198,860	79	0	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
Zirom SA	6,000,000	10	4.7641	28,584,600.00	100.00%	0.9644%	1.2163%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2023 (applying the income approach using the discounted cash flow method)
<b>Total</b>				<b>2,099,638,503.52</b>		<b>70.8399%</b>	<b>89.3410%</b>		

### 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%
<b>Total</b>				<b>0.00</b>		<b>0.0000%</b>	<b>0.0000%</b>

### 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*	547,496,880.99	18.4720%	23.2964%
BRD Groupe Societe Generale - amounts under settlement**	(1,429,973.94)	(0.0482%)	(0.0608%)
Banca Comerciala Romana	48,824.39	0.0016%	0.0021%
CITI Bank	1,397.64	0.0000%	0.0001%
ING BANK	1,510.52	0.0001%	0.0001%
Raiffeisen Bank	1,575.58	0.0001%	0.0001%
Unicredit Tiriac Bank	1,373.58	0.0000%	0.0001%
Petty cash	416.16	0.0000%	0.0000%
<b>Total</b>	<b>546,122,004.92</b>	<b>18.4256%</b>	<b>23.2381%</b>

\*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.

\*\*The amount under settlement according with the bank statement as at 31 December 2023

### 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	252.30	4.9746	1,255.09	0.0000%	0.0001%
BRD Groupe Societe Generale	GBP	314.73	5.7225	1,801.04	0.0001%	0.0001%
BRD Groupe Societe Generale	USD	434.91	4.4958	1,955.27	0.0001%	0.0001%
<b>Total</b>				<b>5,011.40</b>	<b>0.0002%</b>	<b>0.0003%</b>

## 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
Unicredit Tiriac Bank	28-Dec-23	03-Jan-24	45,400,000.00	6,683.89	26,735.56	45,426,735.56	1.5327%	1.9329%	Bank deposit value cumulated with the daily related interest for the period from starting date
Banca Comerciala Romana	28-Dec-23	03-Jan-24	45,400,000.00	6,683.89	26,735.56	45,426,735.56	1.5327%	1.9329%	
CITI Bank	29-Dec-23	04-Jan-24	45,200,000.00	6,528.89	19,586.67	45,219,586.67	1.5257%	1.9241%	
BRD Groupe Societe Generale	29-Dec-23	03-Jan-24	10,072,158.12	1,328.97	3,986.90	10,076,145.02	0.3400%	0.4287%	
ING BANK	29-Dec-23	04-Jan-24	45,200,000.00	6,591.67	19,775.00	45,219,775.00	1.5257%	1.9241%	
<b>Total</b>			<b>191,272,158.12</b>		<b>96,819.69</b>	<b>191,368,977.81</b>	<b>6.4568%</b>	<b>8.1427%</b>	

## **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)s

Not the case

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

Item	31 December 2021	31 December 2022	31 December 2023
Net Asset	13,244,639,868.31	14,569,538,084.65	2,350,138,487.51
NAV/share	2.2624	2.5701	0.6608

### Leverage of Fondul Proprietatea

Method type	Leverage level	Exposure amount
a) Gross method	94.67%	2,224,976,689.21
b) Commitment method	100.00%	2,350,138,487.51

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

Johan Meyer  
Permanent representative

BRD Groupe Societe Generale

Victor Strambei  
Manager Depository 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 2023 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 2023 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 2023, 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

## **Catalin Cadaru**

Fund Administration and Oversight Senior Manager

Franklin Templeton International Services S.À R.L, in its capacity of Sole Director and Alternative Investment Fund Manager of Fondul Proprietatea SA

# Annex 4 Compliance with the corporate governance requirements

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

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
A.1. The Fund has the Constitutive Act and the internal regulation which includes terms of reference/ responsibilities for Board and for the sole director.	✓		
A.2. Provisions for the management of conflict of interest are included in the internal regulation. In any event, the members of the Board should notify the Board of any conflicts of interest which have arisen or may arise and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quotate) 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 statement 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	✓		

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
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.	✓		
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;	✓		

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the Code of BVB;	✓		
D.1.4. Detailed information related to general meetings of shareholders;	✓		
D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	✓		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;	✓		
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	✓		
D.2. The Fund has an annual cash distribution policy, as a set of directions the Fund intends to follow regarding the distribution of net profit. The annual cash distribution policy is published on the corporate website.	✓		
D.3. The Fund has adopted a policy with respect to forecasts. The forecast policy is published on the corporate website.	✓		
D.4. The rules of general meetings of shareholders do not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	✓		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	✓		
D.6. The management of the Fund presents to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	✓		
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the management of the Fund. Accredited journalists may also participate in the general meeting of shareholders unless the management of the Fund decides otherwise.	✓		
D.8. The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the activity of the Fund.	✓		
D.9. The Fund organises at least four meetings/ conference calls with analysts and investors each year. The information presented on these occasions is published on the Fund's website.	✓		
D.10. If the Fund supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the Fund part of its business mission and development strategy, it publishes the policy guiding its activity in this area.	✓		

# Annex 5 Actual vs. budget analysis for the year ended 31 December 2023

## 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 2023 compared to the same period budgeted and derived from the 2023 Annual Budget, approved by shareholders through Resolution no. 9 / 15 November 2022 of the Shareholders' Ordinary General Meeting of Fondul Proprietatea S.A.

## Presentation

The actual vs. budget analysis for the year ended 31 December 2023 was prepared based on IFRS accounting records (statutory basis of accounting), according to FSA<sup>1</sup> 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 2023 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 2023 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 2023 Budget, no reallocations between expense categories were required.

The current paper was prepared using a new presentation of budgeted income and expense items, which differs from the 2023 Budget presentation, as approved by the shareholders during November 2022 GSM. For comparability, the 2023 Budget captions have been re-mapped to the new categories included in the 2024 Budget submitted for shareholders' approval during the March 2024 GSM.

Please see Annex 2 to this report for a reconciliation between the old and new presentation of the 2023 Budget used in the current actual vs. budgeted paper.

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<sup>1</sup> Romanian Financial Supervisory Authority

## Results

### A. Total actual net result

The table below presents an overview of the budgeted/ non-budgeted results for 2023:

All amounts in RON	Actual 2023 RON	Budget 2023 (Re-mapped ) RON	Variance	
			RON	%
Budgeted items	566,864,568	262,996,461	303,868,107	>100%
Non-budgeted items	(1,470,961,654)	-	(1,470,961,654)	
<b>Total (loss)/profit for the period</b>	<b>(904,097,086)</b>	<b>262,996,461</b>	<b>(1,167,093,547)</b>	<b>&lt;-100%</b>

The actual net result of the Fund for the year 2023 was loss of RON 904.1 million, while the actual result corresponding to the budgeted items was a profit of RON 566.9 million.

The difference between the two amounts mentioned above is largely due to the non-budgeted net losses from equity instruments at fair value through profit or loss, generated by the valuation of Hidroelectrica SA. Following the completion of the offering period, the company was valued based on the IPO subscription price (weighted average between final IPO price (RON 104/ share) and the discounted price for the retail (RON 100.88/ share)). The total impact was a loss of RON 1.87 billion by reference to the 31 December 2022 valuation.

This decrease was partially offset by other non-budgeted fair value net gains from equity instruments/non-current assets held for sale at fair value through profit or loss, the fair value net gain generated by the non-current assets held for sale after reclassification date and the non-budgeted Net dividend income from special dividends recorded in the financial year ended 31 December 2023.

### B. Variances for the budgeted net profit

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 2023 was RON 566.8 million, compared to a budgeted profit of RON 262.9 million. The following sections include detailed explanations about the main variances.

#### *B.1 Income from current activity*

All amounts in RON	Actual 2023 RON	Budget 2023 (Re-mapped) RON	Variance	
			RON	%
<b>I. BUDGETED INCOME FROM OPERATING ACTIVITY</b>	<b>1,033,991,254</b>	<b>663,623,839</b>	<b>370,367,415</b>	<b>+55.8%</b>
Net dividend income	875,357,374	658,128,682	217,228,692	+33%
Interest income	157,467,146	3,594,651	153,872,495	>100%
Other income (e.g. BNY Mellon income)	1,166,734	1,900,506	(733,772)	-39%

During the year 2023, the actual income from current activity amounted to RON 1,033.9 million being higher than the budgeted figures by RON 370.4 million. Please see the sections below for additional information regarding each significant income type.

a) *Net dividend income*

Actual net dividend income for the year 2023 exceeds the budgeted figures by RON 217.2 million. As a general assumption, the special dividends are not budgeted by the Fund. The special net dividends recorded during 2023 amount to RON 80.4 million.

Portfolio Company	Actual 2023 RON	Budget 2023 (Re-mapped ) RON	Variance RON	Reason for variance
Hidroelectrica SA	780,681,803	564,601,016	216,080,787	Increase due to the higher 2022 profit compared with the estimates. The 2023 budget assumption was a similar level dividend as approved in 2022.
OMV Petrom SA	-	60,458,464	(60,458,464)	The company was sold during 2022 (assumption not included in the 2023 Budget which was prepared before the company was sold).
CN Aeroporturi Bucuresti SA	31,486,581	-	31,486,581	According with the Company's 2022 budget, the assumption was that no dividends will be distributed.
Societatea Nationala a Sari SA	55,996,590	32,459,069	23,537,521	Increase due to the higher 2022 profit compared with the company's 2022 budget used in 2023 Budget assumption.
CN Administratia Porturilor Maritime SA	5,728,126	-	5,728,126	According with the Company's 2022 budget, the assumption was that no dividends will be distributed.
Others	1,464,273	610,133	854,140	Actual amounts mainly include dividends received from Alcom SA and Societatea Electrocentrale Craiova SA.
<b>Total annual net dividends</b>	<b>875,357,373</b>	<b>658,128,682</b>	<b>217,228,691</b>	
Total special net dividends	80,429,147	-	n/a	Includes the WHT amount deducted from Hidroelectrica special dividends (RON 6,940,477) as the WHT exemption was no longer applicable – the dividends were collected after the sale of the company.
<b>Total net dividends</b>	<b>955,786,520</b>	<b>658,128,682</b>	<b>n/a</b>	

b) *Interest income*

Actual total income from current activity for the year 2023 exceeds the budgeted income also due to interest income which was higher by RON 153.8 million. The increase was mainly generated by the interest-bearing money-market instruments acquired using the proceeds from the sale of Hidroelectrica SA. These instruments were bought for the period between the IPO closing and the distribution payment date, in line with the Fund's Cash Management Policy and to effectively meet the cash requirements set by the shareholders following the approval of the RON 1.7225 gross dividend per share during the 18 August 2023 GSM.

**B.2 Expenses from current activity**

All amounts in RON	Actual 2023 RON	Budget 2023 (Re-mapped ) RON	Variance RON	%
<b>II. BUDGETED EXPENSES FROM OPERATING ACTIVITY</b>	<b>224,404,521</b>	<b>94,910,675</b>	<b>129,493,846</b>	<b>&gt;100%</b>
Administration fees recognised in profit or loss	202,152,281	55,000,606	147,151,675	>100%
Board of Nominees related expenses	2,703,683	3,970,723	(1,267,040)	-32%
Taxes, fees and commissions	10,350,521	15,699,152	(5,348,631)	-34%
Legal and litigation assistance	2,635,320	7,786,595	(5,151,275)	-66%
Valuation and other portfolio related expenses	2,038,992	4,103,262	(2,064,270)	-50%
Audit and other regulatory reporting expenses	1,404,239	2,083,478	(679,239)	-33%
Investor relations expenses	904,484	2,635,057	(1,730,573)	-66%
Public relations expenses	863,143	1,373,641	(510,498)	-37%
GSM organisation and other shareholder related expenses	314,424	761,355	(446,931)	-59%
Other expenses	1,037,433	1,496,806	(459,373)	-31%

During the year 2023, the actual expenses from current activity amounted to RON 224.4 million being higher than the budgeted figures by RON 129.5 million. Please see the sections below for additional information regarding each expense type.

*a) Administration fees recognised in profit or loss*

All amounts in RON	Actual 2023 RON	Budget 2023 (Re-mapped ) RON	Variance RON	Reason for variance
<b>Recognised in profit or loss</b>	<b>202,152,281</b>	<b>55,000,606</b>	<b>147,151,675</b>	
	36,785,547	50,074,378	(13,288,831)	The market capitalization of the Fund decreased significantly after the Hidroelectrica IPO proceeds distribution Ex-Date.
Base fee				
Distribution fee for dividend distribution/ return of capital	165,366,734	4,926,228	160,440,506	The significant increase was generated by the distribution fee related to the gross dividend in amount of RON 9,180 billion.
<b>Recognised in other comprehensive income</b>	<b>35,695,074</b>	<b>7,865,038</b>	<b>27,830,036</b>	
	35,695,074	7,865,038	27,830,036	The higher distribution fees are due to the finalisation of the March 2023 and December 2023 Tender Offers and higher daily buyback volumes in the following 20 trading days.
Distribution fee for buy-back programmes				
<b>Total administration fees</b>	<b>237,847,355</b>	<b>62,865,644</b>	<b>174,981,711</b>	

The additional unbudgeted fees and costs related to the Tender Offers settled in March 2023 and in December 2023 (e.g. FSA fees, broker fees, legal expenses) are also booked directly in other comprehensive income together with the cost of the underlying treasury shares.

For this category of expenses, the shareholders granted the Fund Manager the power to exceed the budget even if this will result in exceeding the total expenses approved in the 2023 Budget.

*b) Board of Nominees related expenses*

The actual expenses under this category were lower than the budgeted levels, as detailed in the table below. The exception is the Diligent software cost (Other expenses captions) which increased mainly due to the fact that new users were included in the application license.

All amounts in RON	Actual 2023	Budget 2023 (Re-mapped )	Variance	
	RON	RON	RON	%
Board of Nominees remuneration	1,703,556	1,703,566	(10)	0%
Insurance expenses	414,988	597,147	(182,159)	-31%
Travel expenses for taking part in Board meetings and GSMs	392,955	939,644	(546,689)	-58%
Other expenses	103,087	60,991	42,096	+69%
Advisory services	89,097	669,375	(580,278)	-87%
<b>Board of Nominees related expenses</b>	<b>2,703,683</b>	<b>3,970,723</b>	<b>(1,267,040)</b>	<b>-32%</b>

*c) Taxes, fees and commissions*

This category includes mainly FSA monthly fees (85.5% from the total Taxes, fees and commissions) estimated based on NAV (0.0936% of NAV per year). During 2023 the average NAV was RON 9,449.6 million, lower than the NAV used in the 2023 Budget (RON 15,190.7 million). The variation seen for this category between actual and budgeted figures (RON 5.3 million) is almost entirely due to the lower FSA monthly fee following the NAV decrease after the Hidroelectrica IPO completion and subsequent dividend distribution.

As described in the first section of this report, following the new presentation of the budget, the expenses related to Central Depository fees and depository bank fees have been included in this category.

*d) Legal and litigation assistance*

These expenses include legal services provided by external legal advisors, as well as legal representation expenses for litigations and stamp taxes payable for litigation actions in which the Fund is involved/ takes part to defend its interests as well as government relations strategy costs.

The actual expenses under this category were lower by RON 5.1 million compared to the budget.

*e) Valuation and other portfolio related expenses*

This category is now presented separately to provide more transparent information regarding the Fund's valuation process and other portfolio related expenses. This category also includes expenses related to various reports prepared by external consultants which assist the Fund in various portfolio related matters (e.g. report on airport passengers traffic).

The actual expenses under this category were lower by RON 2.0 million compared to the budget. The variance mainly stems from the fact that the Fund did not prepare year end valuation reports and other periodic updates/ analysis for the companies that were sold/ committed to being sold during the year (e.g. Hidroelectrica SA and Enel group companies).

*f) Audit and other regulatory reporting expenses*

In addition to the statutory audit fees, this category includes all fees related to regulatory reporting requirements (e.g. non-audit services that may be required, tax compliance expenses, SAF-T reporting).

The actual expenses under this category were lower by RON 0.7 million compared to the budget mainly due to some regulatory reports not being required during 2023.

*g) Investor relations expenses*

This category mainly includes road-show expenses, quarterly earnings events costs, investor day organisation expenses, website up-keep expenses and other investor linked marketing expenses.

IR expenses are necessary for any listed company and cover the broad costs to effectively communicate with the Fund's existing investors, as well as attracting new investors to the equity story of the Fund. The IR efforts have been one of the cornerstones in the Discount Control Mechanism, being very effective in maintaining a high investor interest in the Fund despite many significant negative political developments and challenging regulations.

The actual expenses under this category were lower by RON 1.7 million compared to the budget as the Fund organised fewer such events than was estimated as part of the 2023 Budget preparation.

*h) Public relations expenses*

This category mainly includes the Fund's public relations agency monthly retainer fee, expenses related to media partnerships and PR project-based activities for promoting Fondul Proprietatea and its objectives and also expenses related to media monitoring. These expenses are intended to increase the visibility of Fondul Proprietatea in the media and inform the public about its business objectives, including implementation of better corporate governance in portfolio companies, listings of portfolio companies and development of the capital market.

Throughout the communication efforts, the media is exposed to various irregularities in portfolio companies, generating media pressure, which in turn determines the main shareholder, the Romanian State to act differently. Communication activities support unlocking the real potential of portfolio companies, thus being in the interest of the Fund's shareholders. Also, presenting the Fund in the international media as an attractive investment opportunity in Romania contributes to educating the international public about the Fund and potentially attracting new investors to the Fund.

The actual expenses under this category were lower by RON 0.5 million compared to the budget.

*i) GSM organisation and other shareholder related expenses*

The main component of this category is related to GSM organisation, such as hiring a venue, protocol expenses, copying documents and other organisational costs.

The actual expenses under this category were lower by RON 0.4 million compared to the budget as the fees related to organising the GSM's held during 2023 were lower than estimated as part of the Budget preparation.

*j) Other expenses*

This category includes the following type of expenses related to the Fund: rent and utility expenses, advisor fees for strategic consultants on various subjects and maintenance fees related to Fund's accounting and reporting software.

The actual expenses under this category were lower by RON 0.5 million compared to the budget and the saving mainly relates to the consultant fees.

### **B.3 Expenses related to listing of portfolio holdings**

This category includes expenses related to intermediaries and advisors, including services in connection listing projects (Hidroelectrica and Salrom).

Total actual expenses related to Hidroelectrica IPO amounted to RON 242,777,993 which were lower than the budgeted figures of RON 300,165,184, the main savings coming from lower base and discretionary fees paid to the consortium of financial institutions that assisted the Fund in the transaction.

The budgeted figures for the year 2023 also include amounts related to the listing of Salrom. Actual expenses related to the listing of this company recorded during 2023 were in amount of RON 180 thousand which were lower compared to the budgeted figures as no material developments occurred with this listing project.

For this category of expenses, the shareholders granted the Fund Manager the power to exceed the budget even if it resulted in exceeding the total expenses approved in the 2023 Budget.

### **C. Capital Expenditure**

During 2023 the Fund's investments in intangible assets included the updates to the accounting and reporting software, following the implementation of the new SAF-T reporting requirements.

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### **D. Other information**

*Please note that together with the approval of 2023 Budget in November 2022, 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 2023 being higher than the ones assumed in the 2023 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 (including listing projects) 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 2023 Budget.*

## Annex 1: 2023 Actual vs. Budget Results

All amounts in RON	Actual 2023	Budget 2023 (Re-mapped )	Variance	
	RON	RON	RON	%
<b>I. BUDGETED INCOME FROM OPERATING ACTIVITY</b>	<b>1,033,991,254</b>	<b>663,623,839</b>	<b>370,367,415</b>	<b>+55.8%</b>
Net dividend income	875,357,374	658,128,682	217,228,692	+33%
Interest income	157,467,146	3,594,651	153,872,495	>100%
Other income (e.g. BNY Mellon income)*	1,166,734	1,900,506	(733,772)	-39%
<b>II. BUDGETED EXPENSES FROM OPERATING ACTIVITY</b>	<b>224,404,521</b>	<b>94,910,675</b>	<b>129,493,846</b>	<b>&gt;100%</b>
Administration fees recognised in profit or loss	202,152,281	55,000,606	147,151,675	>100%
Board of Nominees related expenses	2,703,683	3,970,723	(1,267,040)	-32%
Taxes, fees and commissions	10,350,521	15,699,152	(5,348,631)	-34%
Legal and litigation assistance	2,635,320	7,786,595	(5,151,275)	-66%
Valuation and other portfolio related expenses	2,038,992	4,103,262	(2,064,270)	-50%
Audit and other regulatory reporting expenses	1,404,239	2,083,478	(679,239)	-33%
Investor relations expenses	904,484	2,635,057	(1,730,573)	-66%
Public relations expenses	863,143	1,373,641	(510,498)	-37%
GSM organisation and other shareholder related expenses	314,424	761,355	(446,931)	-59%
Other expenses	1,037,433	1,496,806	(459,373)	-31%
<b>III. GROSS BUDGETED OPERATING PROFIT</b>	<b>809,586,733</b>	<b>568,713,164</b>	<b>240,873,569</b>	<b>+42%</b>
Expenses related to listing of portfolio holdings	242,722,165	305,716,703	(62,994,538)	-21%
<b>III. GROSS BUDGETED PROFIT</b>	<b>566,864,568</b>	<b>262,996,461</b>	<b>303,868,107</b>	<b>&gt;100%</b>
Income tax expense	-	-		
<b>IV. NET BUDGETED PROFIT</b>	<b>566,864,568</b>	<b>262,996,461</b>	<b>303,868,107</b>	<b>&gt;100%</b>
<b>BUY-BACK PROGRAMME COSTS - REGONISED IN EQUITY**</b>	<b>56,469,374</b>	<b>8,233,176</b>	<b>48,236,198</b>	<b>&gt;100%</b>
Distribution fees for buy-back programmes recognised in equity	35,695,074	7,865,038	27,830,036	>100%
Other costs related to buy-back programmes	20,774,299	368,138	20,406,161	>100%
<b>CAPITAL EXPENDITURE</b>	<b>131,128</b>	<b>555,762</b>	<b>424,634</b>	<b>-76%</b>
Capital expenditure	131,128	555,762	424,634	-76%

For presentation purposes:

\*The Bank of New York Mellon – the depositary bank in relation to the global depositary receipts ("GDR") facility

\*\*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 – Reconciliation between the previous and new budget presentation

Previous presentation		Re-mapping			New presentation	
Category	Budget 2023 (RON) (a)	Moved from (RON) (b)	Moved to (RON) (c)	Comments regarding main changes	Category	Budget 2023 (Re-mapped ) (RON) (d)= (a)+(b)+(c)
<b>Budgeted income</b>	<b>663,623,839</b>				<b>Budgeted income</b>	<b>663,623,839</b>
Net dividend income	658,128,682	-	-		Net dividend income	658,128,682
BNY Mellon income	1,900,506	-	-		BNY Mellon income*	1,900,506
Interest income	3,594,651	-	-		Interest income	3,594,651
<b>Budgeted expenses</b>	<b>400,627,378</b>				<b>Budgeted expenses</b>	<b>400,627,378</b>
Expenses related to transactions with portfolio holding	306,891,257	(1,174,554)	-	Expenses related to market strategy consultancy services moved to valuation expenses.	Expenses related to listing of portfolio holdings	305,716,703
Investment management and administration fees	55,000,606	-	-		Administration fees recognised in profit or loss	55,000,606
Commissions and fees (including FSA fees)	14,518,786	(272,935)	1,453,301	Depository bank fees moved from bank fees to this category. LSE annual fee moved from stock exchange expense category to this category.	Taxes, fees and commissions	15,699,152
Legal and litigation assistance (including stamp duty expenses for litigations)	8,134,445	(934,945)	587,095	Government relations consultant fees moved from this category to other expenses. Trade Register and Official Gazette expenses moved to this category from commissions and fees.	Legal and litigation assistance	7,786,595
Board of Nominees and related expenses	3,970,723	-	-		Board of Nominees related expenses	3,970,723
Audit, portfolio holdings valuation	4,248,930	(4,248,930)	2,083,478	Category divided. Tax compliance and tax advisory expenses moved	Audit and other regulatory reporting expenses	2,083,478

Previous presentation	Re-mapping			New presentation
Budget 2023	Moved from	Moved to	Comments regarding main	Budget 2023
(RON)	(RON)	(RON)	changes	(Re-mapped ) (RON)
Category	(a)	(b)	(c)	Category
				(d)= (a)+(b)+(c)
and other professional services				
			from external service providers to this category.	
			4,103,262	Valuation and other portfolio related expenses
			Category divided. Expenses related to market strategy consultancy services moved to this category.	4,103,262
Investor relations and Public relations expenses	3,924,698	(3,924,698)	2,635,057	Investor relations expenses
			Category divided.	2,635,057
			1,373,641	Public relations expenses
			Category divided.	1,373,641
Expenses related to contracts with external service providers	1,202,770	(1,202,770)		-
			Expense mostly moved to audit and other regulatory reporting expenses.	-
GSM organisation / correspondence with the shareholders / registrar services and services related to distributions to shareholders	879,433	(118,078)	-	GSM organisation and other shareholder related expenses
				761,355
Expenses related to taxes and fees owed to the Stock Exchange Authorities	513,664	(513,664)		-
			Expense mostly moved to taxes, fees and commissions category.	-
Bank fees and distribution to shareholders fees (including depositary fees)	476,647	(476,647)		-
			Expense mostly moved to taxes, fees and commissions category.	-
Other expenses	865,419	(865,419)	1,496,806	Other expenses
			Government relations consultant fees moved from legal fees to this category.	1,496,806
<b>Gross budgeted profit/(loss)</b>	<b>262,996,461</b>	<b>(13,732,640)</b>	<b>13,732,640</b>	<b>Gross budgeted profit/(loss)</b>
				<b>262,996,461</b>

Previous presentation		Re-mapping			New presentation	
Category	Budget 2023 (RON) (a)	Moved from (RON) (b)	Moved to (RON) (c)	Comments regarding main changes	Category	Budget 2023 (Re-mapped ) (RON) (d)= (a)+(b)+(c)
Income tax	-				Income tax	-
<b>Net budgeted profit/(loss)</b>	<b>262,996,461</b>				<b>Net budgeted profit/(loss)</b>	<b>262,996,461</b>
<b>Distribution fee and other costs related to buy-backs recognised in other comprehensive income</b>	<b>8,233,176</b>	<b>(8,233,176)</b>	<b>7,865,038</b>	Category divided.	Distribution fees for buy-back programmes recognised in equity	7,865,038
			<b>368,138</b>	Category divided.	Other costs related to buy-back programmes	368,138
<b>Capital Expenditure</b>	<b>555,762</b>				<b>Capital Expenditure</b>	<b>555,762</b>
<b>Total re-mapped</b>		<b>(21,965,816)</b>	<b>21,965,816</b>			

# Annex 6 Constitutive Act of Fondul Proprietatea in force as at 31 December 2023

**CONSTITUTIVE ACT UPDATED AS AT 5 OCTOBER 2023, BASED ON FINANCIAL SUPERVISORY  
AUTHORITY'S AUTHORIZATION NO. 140 OF 5 OCTOBER 2023, EFFECTIVE STARTING WITH  
12 OCTOBER 2023**

## **CHAPTER I**

Name of the company, legal form, headquarters and duration

### **ARTICLE 1**

Name of the Company

- (1) The name of the Company is "Fondul Proprietatea" - S.A.
- (2) All invoices, offers, orders, tariffs, prospectuses and other documents used in business, issued by the Company shall indicate the name, the legal form, the registered office, the registration number with the Commercial Registry and the sole registration code (CUI), the subscribed share capital, and the paid share capital".

### **ARTICLE 2**

Legal form of the company

- (1) "Fondul Proprietatea" - S.A., hereinafter referred to as Fondul Proprietatea, is a Romanian legal person, set up as a joint-stock company.
- (2) Fondul Proprietatea is organized, operates and ceases its activity under the legal provisions in force.
- (3) Fondul Proprietatea is set up as an alternative investment fund (A.I.F.), addressed to retail investors, constituted as investment company of the closed-end-type.

### **ARTICLE 3**

Company headquarters

- (1) The registered office of Fondul Proprietatea is located in Bucharest, 76-80 Buzesti Street, floor 7<sup>th</sup>, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Alternative Investment Fund Manager), according to article 21 paragraph (4) xii).
- (2) The Company may set up secondary headquarters such as branches, representative offices, working points or other units with no legal personality, under the terms provided by law.

### **ARTICLE 4**

Company duration

- (1) The duration of Fondul Proprietatea is until 31 December 2031.

(2) The duration may be extended by the extraordinary general meeting of shareholders, with additional periods of 5 years/each.

## **CHAPTER II**

### **Purpose and business object of the company**

#### **ARTICLE 5**

##### **Company purpose**

The purpose of Fondul Proprietatea is the management and administration of the portfolio.

#### **ARTICLE 6**

##### **Business object**

(1) Fondul Proprietatea has as main object of activity the management and administration of the portfolio.

(2) The main domain of activity of Fondul Proprietatea is the one described by CAEN Code 643 – mutual funds and other similar financial entities, and the main activity is financial investments - CAEN Code 6430.

(3) The business object of Fondul Proprietatea is the following:

- a) management and administration of the portfolio;
- b) other additional and adjacent activities, according to the regulations in force.

## **CHAPTER III**

### **Share capital, shares**

#### **ARTICLE 7**

##### **Share capital**

(1) The subscribed and paid-up share capital of Fondul Proprietatea is in the amount of RON 2,947,779,186.56, divided in 5,668,806,128 ordinary nominative shares, having a nominal value of RON 0.52 each.

(2) The identification data of each shareholder, the contribution to the share capital of each shareholder, the number of shares to which a shareholder is entitled to and the participation quota out of the total share capital are included in the shareholders' register kept by a computerized system by the Central Depository.

(3) The capacity of shareholder of Fondul Proprietatea, as well as, in the case of legal persons or entities without legal personality, the capacity of legal representative of that respective shareholder is established on the basis of the list of shareholders from the reference/registration date received by Fondul Proprietatea from Depozitarul Central S.A. or, as the case may be, for dates different from the reference/registration date, on the basis of the following documents submitted to Fondul Proprietatea by the shareholder and issued by Depozitarul Central S.A. or by the participants as defined by the applicable laws and regulations, which provides custody services: a) the statement of account showing the capacity of shareholder and the number of shares held; b) documents evidencing the registration of the information on the legal representative with Depozitarul Central S.A./ respective participants.

## ARTICLE 8

### Share capital increase and decrease

(1) The extraordinary general meeting of the shareholders shall decide, under the conditions of the law, on the share capital increase and decrease of Fondul Proprietatea, in accordance with the provisions of art. 12 (3) letter c) and d) of this constitutive act.

(2) The share capital may be increased, in accordance with the provisions of the law:

a) by issuing new shares in exchange for cash contributions;  
b) by incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.

(3) The share capital increase stated for in paragraph 2 shall be registered at the Trade Register Office, on the basis of the decision made by the General Meeting of the Shareholders of Fondul Proprietatea.

(4) Any share capital decrease shall be performed in accordance with the provisions of the law.

(5) The share capital may be decreased by:

a) decreasing the number of shares;  
b) decreasing the nominal value of shares; and  
c) other means provided by the law.

(6) In case the Alternative Investment Fund Manager notices that, due to accrued losses, the amount of the net assets, established as the difference between the total assets and total liabilities of Fondul Proprietatea, is less than half of the value of the subscribed share capital, Fund Manager is bound to call the extraordinary general meeting of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general meeting of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest by the termination of the fiscal year subsequent to the one in which the losses were determined, to a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, in case in this time the net assets of Fondul Proprietatea were not reconstituted up to a value at least equal to half of the share capital.

(7) Share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the extraordinary general meeting of the shareholders.

## ARTICLE 9

### Shares

(1) The shares of Fondul Proprietatea are nominative, of equal value, issued in dematerialized form, established by registration in the account, and grants equal rights to their holders under the conditions provided by art. 11. The existing fully paid-up ordinary shares of Fondul Proprietatea are admitted to trading on the regulated market operated by Bursa de Valori Bucuresti S.A. and may be admitted to trading on other markets, with the approval of the extraordinary general meeting of shareholders.

(1<sup>^</sup>1) Fondul Proprietatea's Global Depositary Receipts (i.e., GDRs), having the shares of Fondul Proprietatea as underlying securities, are listed on the Specialist Fund Market of London Stock Exchange and may be admitted to trading on other markets, with the approval of the extraordinary general meeting of shareholders.

(2) The nominal value of a share is RON 0.52.

(3) The shares are indivisible with respect to Fondul Proprietatea, acknowledging only one holder for each share. In case a share becomes the property of more persons, Fondul Proprietatea / the Central Depository is not bound to register the transfer as long as those persons will not appoint a

sole representative to exercise the rights arising from the share.

(4) The partial or total transfer of the shares amongst the shareholders or third parties is done according to the terms, conditions and procedure provided by law.

(5) Fondul Proprietatea may buy back its own shares in accordance with the conditions laid down in legislation in force.

(6) The right to dividends are held by the shareholders registered in the shareholders' register, according to the applicable legal and/or regulatory provisions.

## **ARTICLE 10**

### **Bonds**

Fondul Proprietatea is authorized to issue bonds in accordance with the provisions of the law. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

## **ARTICLE 11**

### **Rights and obligations arising from shares**

(1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general meeting of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.

(2) The shares issued by Fondul Proprietatea grant the right to vote, each share grants one voting right.

(3) Holding one share implies the rightful adhesion to this constitutive act.

(4) The rights and obligations follow the shares in case ownership thereof passes to another person.

## **CHAPTER IV**

### **General meeting of the shareholders**

## **ARTICLE 12**

### **General meetings of the shareholders**

(1) The general meeting of the shareholders may be ordinary and extraordinary.

(2) The ordinary general meeting of the shareholders has the following competencies, duties and functions:

a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Alternative Investment Fund Manager and financial auditor;

b) to establish the distribution of the net profit and to establish the dividends;

c) to appoint the members of the Board of Nominees ("BoN") and to cancel their appointment;

d) to appoint the Alternative Investment Fund Manager in accordance with the law and to cancel its appointment;

e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;

f) to approve the remuneration policy applicable to the members of the Board of Nominees and to the Alternative Investment Fund Manager, that includes the level of remuneration of the members

of the Board of Nominees and of the Alternative Investment Fund Manager, and to set the level of the remuneration of the financial auditor for financial audit services;

f<sup>1</sup>) to vote on an annual basis on the remuneration report for the previous fiscal year; such a vote shall be of an advisory nature and Fondul Proprietatea shall explain in the following remuneration report how the vote by the general meeting has been taken into account;

g) to rule over the management of the Alternative Investment Fund Manager and to evaluate his/her performances and to discharge him/her from its management,

h) to decide on the action in a court of law against the Alternative Investment Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;

i) to approve the strategies and the development policies of Fondul Proprietatea;

j) to establish the annual income and expenditure budget for the following financial year;

k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea, according to the legislation in force;

l) to approve significant related parties' transactions, if their value is greater than 5% of the net asset value, at the proposal of the AIFM;

m) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.

(3) The extraordinary general meeting of the shareholders is entitled to decide on the following:

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

b) share capital increase;

c) share capital decrease or re-completion thereof by issuing new shares;

d) conversion of shares from one category to another;

e) conversion of a category of bonds to another category or to shares;

f) issue new bonds;

g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;

h) the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

i) change of the management system of Fondul Proprietatea;

j) limitation or cancellation of the preference right of the shareholders;

k) approves the Investment Policy Statement;

k<sup>1</sup>) approval of: (i) the dissolution and liquidation of the Company; or (ii) the extension of the duration of the Company, in all cases according to the legislation in force;

l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

### ARTICLE 13

#### Summoning the general meeting of the shareholders

(1) The general meeting of the shareholders is called by the Alternative Investment Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Alternative Investment Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.

(2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months

from the end of the financial year.

(3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.

(4) The general meeting of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local newspaper largely read in the locality where the headquarter of the company resides at least 30 days prior to the proposed date of meeting.

(5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Alternative Investment Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.

(6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Board of Nominees, the annual financial statements, the annual report of the Alternative Investment Fund Manager, the report of the Board of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general meeting, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.

(7) The calling notice includes all elements required according to legislation and regulations in force.

(8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.

(9) The notice for the first general meeting of the shareholders may provide also the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting cannot take place if the quorum is not being met.

(10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.

(11) The Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.

(12) The chairperson of Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.

(13) The Alternative Investment Fund Manager immediately call the general meeting of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general meeting of shareholders.

(14) In the case provided by paragraph (13), the general meeting of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Alternative Investment Fund Manager received the request of the shareholders.

(15) In the situation provided by paragraphs (13) and (14), in case the Alternative Investment Fund Manager does not call the general meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board of

Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Alternative Investment Fund Manager, may authorize the calling of the general meeting by the shareholders which formulated the request.

## ARTICLE 14

### Organization of the general meeting of the shareholders

#### I. Quorum and voting rights

(1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes held by the shareholders attending or being represented.

(2) In case the ordinary general meeting of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.

(3) For the validity of the deliberations of the extraordinary general meeting of the shareholders the following are required:

a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;

b) upon the second convocation, the general meeting of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.

(4) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:

(i) a share capital increase;

(ii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.

(5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease, the attendance of the shareholders representing:

(i) at least a fourth of the shares having voting rights upon the first convocation; and

(ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.

(6) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

#### II. Procedure of the meetings

(7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Alternative Investment Fund Manager or, in its absence, by the one holding its place. The permanent representative of the Alternative Investment Fund Manager or a person appointed by it shall be the chairman of the meeting. The

members of the Board of Nominees shall participate at the meetings, as well.

(8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfilment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.

(9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfilment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.

(10) The documents referring to the convocation and the shareholders' attending list shall be attached to each minute.

(11) The permanent representative of the Alternative Investment Fund Manager may appoint, from amongst the employees of the Alternative Investment Fund Manager, one or more technical secretaries, to fulfil their duties according to the legal provisions.

(12) The decisions of the general meetings of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Alternative Investment Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general meetings of the shareholders' register.

(13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Alternative Investment Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.

(14) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.

(15) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.

(16) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general meetings of the shareholders.

(17) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general meeting of the shareholders, by care of the Alternative Investment Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Alternative Investment Fund Manager has the obligation to fulfil all the above-mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above-mentioned documents will be made public on the website of Fondul Proprietatea, in accordance with the applicable legislation.

(18) In the ads informing on the convocation of the general meeting of shareholders of Fondul Proprietatea it will be indicated, by the Alternative Investment Fund Manager the reference date in

relation to which the shareholders will be entitled to participate and vote. Also, the date by when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general meeting of the shareholder by at least 48 hours.

(19) The votes of the shareholders will be sent electronically or by letter to the headquarters of Fondul Proprietatea, in a clear and precise form, noting "for", "against" or "abstained" in relation to each issue subject to approval for which the shareholder intends to cast a vote.

(20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Alternative Investment Fund Manager drawn up according to the Financial Supervisory Authority regulations and such votes will not be taken into consideration in calculating the attending quorum.

### III. Exercising the voting right in the general meeting of the shareholders

(21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.

(22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.

(23) Only the shareholders registered in the company shareholders' register at the reference date established by the Alternative Investment Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.

(24) Secret vote is compulsory for electing and revoking the Alternative Investment Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Alternative Investment Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.

(25) The procedures referring to the secret vote, where applicable will be approved by the Alternative Investment Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.

(26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.

(27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.

## **CHAPTER V** The Board of Nominees

### **ARTICLE 15** Organisation

- (1) The ordinary general meeting of the shareholders shall appoint the Board of Nominees, formed of 5 members, and shall establish their remuneration.
- (2) Any shareholder will have the right to make proposals on the members of the Board of Nominees. The nomination will be accompanied by (a) the questionnaire regarding the independence of the candidate, completed and signed by the candidate, whose template shall be available in the informative materials, and (b) a letter of intent setting out the reasons supporting the candidacy; following that, this questionnaire and the letter of intent will be brought to the attention of the shareholders. The members of the Board of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Alternative Investment Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Board of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Alternative Investment Fund Manager needing the approval of the Board of Nominees are made to the advantage of the shareholders.
- (3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting of the Shareholders.
- (4) The Board of Nominees elects from amongst its members a chairman of the Board.

### **ARTICLE 16** Functioning

- (1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Alternative Investment Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.
- (2) The Chairperson of the Board of Nominees or, during his/her absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper unfolding of the meetings. The meetings of the Board of Nominees shall be held at the headquarters of Fondul Proprietatea or at such other location as may be agreed among the members of the Board of Nominees or by means of electronic communications (e.g. telephone, videoconference).
- (3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board of Nominees on the basis of a special written empowerment, presented in its original form at the beginning of the meeting. One member of the Board of Nominees may represent only one absent member. The decisions of the Board of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Board of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.
- (4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision,

the chairperson of the Board of Nominees shall give notice for a second meeting of Board of Nominees, having the same agenda as the first, in order to discuss this agenda. If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Board of Nominees shall ask the Alternative Investment Fund Manager to convoke the general meeting of the shareholders in order to properly decide on the respective decisions; in case that the Alternative Investment Fund Manager does not convoke it, any of the members of the Board of nominees will be in his right to convoke the general meeting.

(5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board of Nominees on nominating members ad interim will be communicated to the Alternative Investment Fund Manager, the auditor and will be filed with the Trade Register.

## **ARTICLE 17**

### **Attributions of the Board of Nominees**

The Board of Nominees has the followings duties and functions:

(1) Following the information received from the Alternative Investment Fund Manager with regard to the summoning of the ordinary and/or extraordinary general meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting of shareholders;

(2) Receives from the Alternative Investment Fund Manager the information in connection with the answers to the written requests submitted before the date of the general meeting of the shareholders, by the shareholders on topics regarding Fondul Proprietatea's activity;

(3) Receives from the Alternative Investment Fund Manager the annual financial statements, the annual activity report presented by the Alternative Investment Fund Manager and the financial auditors' report, before being made available to the shareholders and analyses them, being able to formulate an opinion to be presented to both the Alternative Investment Fund Manager and the general meeting;

(4) Receives from the Alternative Investment Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;

(5) Receives from the Alternative Investment Fund Manager for analysis the yearly income and expenditure budget before it is submitted to the approval of the general meeting of shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;

(6) Receives from the Alternative Investment Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;

(7) Receives from the Alternative Investment Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Alternative Investment Fund Manager according to legal provisions in force, capital market rules and regulations;

(8) Receives from the Alternative Investment Fund Manager for analysis the proposal to the

ordinary general meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;

(9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;

(10) Receives the report of the internal auditor and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;

(11) Monitors the following, based on information and reports received from the Alternative Investment Fund Manager:

- the list of all portfolio investments and percentage breakdown by each investment type;
- a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
- the total profit of the portfolio companies and comparison with the appropriate market benchmark;
- comparison of the obtained profit with the initial objective;
- the extent of compliance with the investment policy, including, specifically, the degree to which any performance objectives set out therein are achieved, as well as any variations and actions taken to achieve such objectives and improve investment results;
- the performance evaluation report.

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

(12) Represents the general meeting of the shareholders in relation with the Alternative Investment Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general meeting and the Alternative Investment Fund Manager;

(13) Verifies the report of the Alternative Investment Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Alternative Investment Fund Manager, and verifies if the operations carried on by the Alternative Investment Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general meeting of the shareholders;

(14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;

(15) Participates to the meetings of the general shareholders' meetings and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;

(16) Proposes to the general meeting of shareholders the prior approval or rejection of the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

(17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders;

(18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders;

- (19) Following of proposal of Alternative Investment Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea;
- (20) Approves the delegation by the Alternative Investment Fund Manager of certain activities. The delegation shall be effective in accordance with the legal provisions in force;
- (21) Is responsible for monitoring the Alternative Investment Fund Manager performance according to the Management Agreement.

## ARTICLE 18

### The obligations of the members of the Board of Nominees

- (1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.
- (2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.
- (3) The members of the Board of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.
- (4) If a member of the Board of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.
- (5) The same obligation must be observed by the member of the Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by the 4<sup>th</sup> grade inclusive are interested.
- (6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Board of Nominees, are not applicable if the vote refers to:
- a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Board of Nominees or to the persons mentioned in paragraph (5);
  - b) the granting by a member of the Board of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.
- (7) The member of the Board of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.
- (8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Board of Nominees, through operations such as:
- a) granting loans;
  - b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
  - c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Board of Nominees, concomitant or after granting the loan;
  - d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
  - e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Board of Nominees or other personal service of those members.

(9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons by the 4<sup>th</sup> grade inclusive of the members of the Board of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.

(10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties.

(11) The Board of Nominees shall promptly decide on all requests for approval from the Alternative Investment Fund Manager within a reasonable time frame to allow the Alternative Investment Fund Manager to comply with its own obligations.

## **CHAPTER VI**

### Provisions regarding the company's management

#### **ARTICLE 19**

##### Organisation

(1) Shareholders of Fondul Proprietatea designate the Alternative Investment Fund Manager (AIFM) for the purpose of managing it. The AIFM has also the sole director role.

(2) The Alternative Investment Fund Manager is elected by the general meeting of the shareholders, with the observance of the legal provisions and of this constitutive act.

(3) The mandate of the AIFM is of 2 years. The AIFM will call an Ordinary General Meeting of Shareholders to be held at least 6 months before the expiry of the mandate of the AIFM and will ensure that the agenda for such meeting will include points granting the options to (i) approve the renewal of the AIFM's mandate and (ii) appoint a new AIFM in accordance with the legal provisions in force, with the shareholders being granted the opportunity to propose candidates for such position; the agenda will also include provisions for the authorization of the negotiation and execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorization and legal completion of such appointment.

(4) The AIFM must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.

(5) The Management Agreement can be modified or replaced in accordance with articles 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.

(6) The rules for remuneration of the Alternative Investment Fund Manager and the size of administration fees are included in the remuneration policy and the remuneration policy is approved by ordinary general meeting of shareholders, at least once at four years. The annual size of the administration fees is included in annual budget and approved by the ordinary general meeting of shareholders according to the legislation in force.

#### **ARTICLE 20**

##### Functioning

The Alternative Investment Fund Manager shall appoint a natural person as its permanent representative. The Alternative Investment Fund Manager can change the permanent

representative in accordance with the applicable law. All changes will be registered with the Trade Registry.

## ARTICLE 21

### Attributions of the Alternative Investment Fund Manager

(1) The management of Fondul Proprietatea is ensured by the Alternative Investment Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general meeting of the shareholders and has all the obligations attributed to it by the applicable law.

(2) The Alternative Investment Fund Manager exercises its attributions under the control of the general meeting of the shareholders and the monitoring of the Board of Nominees, according to article 17.

(3) In addition to the duties provided by the applicable law, the Alternative Investment Fund Manager shall propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea and it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio. The Alternative Investment Fund Manager undertakes to inform the Board of Nominees regularly, and as and when required by the Board of Nominees, about any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio.

(4) In excess of the duties provided by the applicable law, the Alternative Investment Fund Manager shall be liable to:

(i) establish a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;

(ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses regarding the aspects concerning the business of Fondul Proprietatea; such responses shall be notified to the Board of Nominees;

(iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the AIFM and of the company's financial auditors;

(iv) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;

(v) manages the relationship with the Central Depository with regard to its shareholders register functions;

(vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;

(vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;

(viii) approves the outsourcing of certain activities, within the limits of the approved budget, respectively the delegation of the performance of certain activities, subject to the observance of the

applicable legislation;

(ix) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of shareholders the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

(x) execute contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value does not exceed, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables, without the approval of the ordinary or extraordinary general shareholders' meeting;

(xi) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;

(xii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;

(xiii) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);

(xiv) inform at once the Board of Nominees of any litigation or infringement of legislation regarding Alternative Investment Fund Manager, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters;

(xv) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Alternative Investment Fund Manager, which cannot be resolved amiably;

(xvi) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea;

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

(5) For the avoidance of any doubt, in fulfilling the obligations listed under paragraph (4) of this Article 21, the Alternative Investment Fund Manager acts mainly in its capacity as sole director according to the applicable Romanian legislation.

## ARTICLE 22

### The obligations of the Alternative Investment Fund Manager

(1) The Alternative Investment Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.

(2) The Alternative Investment Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Alternative Investment Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.

(3) The Alternative Investment Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.

(4) If the Alternative Investment Fund Manager, respectively its permanent representative and its

employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Alternative Investment Fund Manager must give notice to the internal auditors and Board of Nominees of this issue and not take part in any deliberation concerning the specific situation.

(5) The same obligation must be observed by the Alternative Investment Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an affiliate of the Alternative Investment Fund Manager or the wife or husband, relatives or related persons by the 4<sup>th</sup> grade inclusive of the representative and its employees, are interested.

### **ARTICLE 23**

#### Representation of Fondul Proprietatea

(1) In relations with third parties, Fondul Proprietatea is represented by the Alternative Investment Fund Manager, respectively by its permanent representative.

(2) The Alternative Investment Fund Manager may delegate the representative powers, in accordance with the applicable law.

### **CHAPTER VII**

#### The audit of Fondul Proprietatea

### **ARTICLE 24**

#### The internal auditors and the financial audit

(1) The financial statements of Fondul Proprietatea are subject to financial audit in accordance with the applicable laws and regulations. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.

(2) The internal audit activity for Fondul Proprietatea will be rendered by a third party on a contractual basis, in accordance with the applicable legal provisions.

(3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.

(4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.

(5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.

(6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.

(7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Board of Nominees for information, as well as to the Alternative Investment Fund Manager for approval within the limits of its competencies.

(8) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general meeting of the shareholders.

(9) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.

(10) The internal audit shall present periodical reports to the Board of Nominees of Fondul Proprietatea and the Alternative Investment Fund Manager regarding the purpose of the internal

audit activity, authority, responsibility and performance according to its internal audit plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Alternative Investment Fund Manager.

(11) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Alternative Investment Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general meeting of the shareholders if the Alternative Investment Fund Manager has accepted the reported significant risks.

(12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.

(13) The internal auditors shall notify the Board of Nominees and the Alternative Investment Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general meeting of the shareholders.

(14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting of the shareholders.

(15) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

## **CHAPTER VIII**

### **Business of Fondul Proprietatea**

#### **ARTICLE 25**

##### **Financing its own business**

For the fulfilment of the business object and in accordance with the attributions established, Fondul Proprietatea uses the financial sources established pursuant to the law, banking credits and other financial sources. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

#### **ARTICLE 26**

##### **Financial year**

The financial year begins on 1 January and terminates on 31 December of each year.

#### **ARTICLE 27**

##### **Accounting evidence and annual financial statements**

(1) The accounting is kept in Romanian language and in national currency.

(2) Fondul Proprietatea must draft the annual financial statements according to legal provisions in force and to the applicable accounting and financial reporting standards.

#### **ARTICLE 28**

##### **Calculation and distribution of the profit**

(1) The result of the financial year is determined at the end of the year and represents the final

balance of the profit and loss account.

(2) The net accounting profit of Fondul Proprietatea, as reflected in the audited financial statements, shall be distributed according to the decision of the general meeting of the shareholders and to the legal provisions in force.

(3) Fondul Proprietatea creates the legal reserves and any other reserves, pursuant to the law.

(4) The payment of dividends owed to the shareholders is made by Fondul Proprietatea, according to the law.

(5) The dividends are distributed to the shareholders proportional with the number of paid shares held at the relevant record date.

(6) In case of loss of the net asset, the general meeting of the shareholders shall analyse the causes and decide properly, according to the law.

## **ARTICLE 29**

### Registries

Fondul Proprietatea shall maintain, by care of the Alternative Investment Fund Manager, all registries provided by the law. The shareholders registry is kept by the Central Depository SA.

## **CHAPTER IX**

### Association, change of the legal form, dissolution and liquidation, litigation

## **ARTICLE 30**

### Association

(1) Fondul Proprietatea may set-up, solely or together with other Romanian or foreign natural persons or legal entities, other companies or legal entities, according to the law and to this constitutive act.

(2) The conditions for the participation of Fondul Proprietatea at the setting-up of new legal entities shall be regulated by the constitutive acts, which to be approved by the general meeting of the shareholders.

## **ARTICLE 31**

### Dissolution

(1) The dissolution of Fondul Proprietatea shall take place in the following cases:

- a) impossibility of performing the company's business object;
- b) declaring the company's nullity;
- c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14;
- d) as consequence of losses, as reflected in the audited financial statements, if the net asset value, determined as difference between the total asset and company's debts, represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general meeting of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the

- company's net asset up to the value at least equal with half of the subscribed share capital;
  - e) opening of the bankruptcy procedure;
  - f) the number of shareholders reduces under the legal minimum;
  - f<sup>1</sup>) expiration of the duration of Fondul Proprietatea, if the extraordinary general meeting of shareholders of Fondul Proprietatea does not decide the extension of the duration, in accordance with Article 4;
  - g) other causes provided by the law or by this constitutive act.
- (2) The dissolution of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.
- (3) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV.

### **ARTICLE 32**

#### Liquidation

- (1) The dissolution of Fondul Proprietatea has as consequence the opening of the liquidation procedure and, irrespective of the reasons for dissolution of the Company, Fondul Proprietatea will be wound up only after finalising the related procedures, in accordance with the law.
- (2) The shareholders cannot, directly or indirectly, redeem their shares from Fondul Proprietatea's assets prior to the start of the liquidation procedure.
- (3) The liquidation of Fondul Proprietatea and distribution of the patrimony are made in accordance with the law.

### **ARTICLE 33**

#### Calculation method of the net asset

- (1) For the calculation of the net assets value of Fondul Proprietatea, the portfolio holdings are valued and included in the Fund's net asset at the values established according to the accounting and legal regulations in force. The net asset value of the Fund is determined as the difference between the total assets value and the aggregate value of the Fund's debts and deferred income. In the calculation of the aggregate value of debts are included both current and non-current debts, as well as the provisions booked by Fondul Proprietatea.
- (2) The total value of the assets is calculated according to the legal regulations in force, by cumulating:
- a) non-current assets;
  - b) current assets;
  - c) derivatives;
  - d) deferred expenses.
- (3) The total value of debts, provisions and deferred income is determined based on information provided by Fund's own accounting organised and managed in accordance with the legal provisions in force.
- (4) The calculation of the net assets value is prepared by the Fund's Sole Director and certified by the depositary bank on a monthly basis, for the last calendar day of the month, and for the dates when a share capital increase or decrease takes place respectively the dates when such share capital increase or decrease is recorded to Trade Registry

### **ARTICLE 34**

### Prudential rules concerning the investment policy

- (1) The investment policy is established by the Alternative Investment Fund Manager, with the observance of the investment limitation provided by the legal provisions in force for a diversified closed-ended alternative investment fund set up as a joint stock investment company addressed to retail investors and of this Constitutive Act.
- (2) Fondul Proprietatea shall be subject to the investment restrictions and can invest only in the categories of assets according to the provisions applicable to a diversified closed-ended alternative investment fund set up as a joint stock investment company addressed to retail investors according to legislation in force.
- (3) Subject to the terms of this Constitutive Act, of the Management Agreement and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Alternative Investment Fund Manager.
- (4) Prudential rules concerning the investment policy will be approved by the shareholders through Investment Policy Statement.
- (5) The detailed presentation of the investment policy and the rules for pricing the assets of the Company, drafted in line with Romanian and European legislation in force, are included in rules of the Fund and are published by the AIFM on the website of the Company.

### **ARTICLE 35**

#### Conditions for the replacement of the depositary

- (1) Fondul Proprietatea shall conclude a depositary agreement with a depositary legal entity authorised and supervised by the Financial Supervisory Authority, which performs the depositary operations of securities, as well as any operations in connection with those. The activities to be developed by the depositary and the conditions for its replacement shall be provided in the depositary agreement.
- (2) The depositary agreement shall mandatorily include clauses related to the replacement of the depositary and rules for ensuring shareholders' protection in such situations, as well as other mandatory clauses in accordance with the applicable regulations.

### **ARTICLE 36**

#### Identity, requirements regarding the qualification, professional experience and integrity of the management members

- (1) The Alternative Investment Fund Manager, respectively its permanent representative shall cumulatively fulfil with the minimum requirements regarding the integrity, qualification and professional experience provided in the legislation and in other specific provisions; the identity of the Alternative Investment Fund Manager is the one registered with the National Office of Trade Registry, based on the decision of the general meeting of the shareholders regarding its election.

### **ARTICLE 37**

#### Litigations

The litigations of any type shall be amiably resolved and if this is not possible, they shall be solved by the competent arbitral or judicial courts.

**CHAPTER X**  
Final provisions

**ARTICLE 38**  
Final provisions

The provisions of this constitutive act are completed by the provisions of Company Law No. 31/1990, republished, as further amended and completed, and other applicable legal provisions in force as well as by the provisions of the capital market legislation governing the issuers whose shares are admitted on trading.

# Annex 7 Annual Cash Distribution Policy of Fondul Proprietatea in force as at 31 December 2023

- Updated as of 18 December 2023 -

## 1. Scope

In order to comply with the requirements of Bucharest Stock Exchange Code of Corporate Governance and in accordance with the Investment Policy Statement (“IPS”), Fondul Proprietatea SA (the “Fund”) decided to adopt this Annual Cash Distribution Policy (“ACDP”).

The scope of this Policy is to set a series of guidelines and principles on the cash distributions made by the Fund.

## 2. General principles

In accordance with the IPS, the Alternative Investment Fund Manager (the “Fund Manager”) may propose cash distributions for shareholders’ approvals. The level of such cash distributions is proposed by the Fund Manager by applying this ACDP and in correlation with the other on-going Discount Control Mechanism measures (*e.g.* buy-backs).

The Fund Manager intends to recommend to shareholders for their approval cash distributions, on an annual basis, subject to applicable law and necessary approvals, to any restrictions under Romanian legal or tax regulations and subject to available financing sources.

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

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

The Fund Manager will include in its periodical reports (annual report, quarterly reports and semi-annual report) as well in the announcement (‘current report’) for completing a certain material transaction the use of proceeds from such transaction.

## 3. Cash distributions

Under current Romanian legislation and of the Constitutive Act, each fully paid share gives its owner the right to receive cash distributions (in the form of dividends or other types of cash distributions, such as return of capital). Unpaid shares and treasury shares will not be entitled to receive cash distributions.

Cash distributions are paid to the shareholders on a pro rata basis, proportionately to their participation in the paid share capital of the Fund.

a. Dividend distributions

In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian legal or tax regulations and subject to available financing sources, in case of dividend distributions (where permitted by applicable law), the distributable amount is calculated by the Fund Manager and proposed for shareholders' approval as sum of the following elements:

- i. the Fund's annual dividend income from portfolio companies, except special cash distributions,
- ii. plus interest on cash balances,
- iii. less operating and financing expenses and taxation and
- iv. less compulsory allocations to reserves according to the regulations in force.

For the purpose of this policy, 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.

The Fund Manager may propose the level of any dividends by considering the on-going measures imposed by Discount Control Mechanism and the available cash.

Any dividend distribution will be based on audited financial statements and will be submitted to shareholders approval generally during the Annual GSM. The Fund Manager does not intent to propose interim or quarterly dividends.

The dividends computed in accordance with the principles above can be distributed from the annual profits and/ or from other equity elements (*e.g.* retained earnings) by observing the applicable legal requirements.

b. Return of capital

In case of a return of capital, the distributable amount is subject to the restrictions under Romanian legislation and regulations in force and to available funding and will be based on the Fund Manager's best estimate according to the latest available financial statements at the time of proposing the respective distribution for the shareholders' approval.

According to Article 29 of the Romanian Law no. 243/2019 on alternative investment funds, amending and supplementing certain normative acts the return of capital can be done as mentioned below:

- ✓ With the purpose to decrease its share capital, the Fund may perform, only once during the financial year, share capital returns *pro rata* with the contributions made by the investors, subject to the approval of the extraordinary general meeting of shareholders, in accordance with the Romanian legal provisions in force.
- ✓ By way of exception from the provisions above, with the purpose to decrease its share capital, the Fund can perform additional share capital returns *pro rata* with the shares held by the investors, if the following conditions are cumulatively met:
  - a) the share capital return is approved by the Fund shareholders meeting held according to the provisions of Romanian legislation in force;

- b) the share capital return to shareholders is made exclusively from the own sources of the Fund;
  - c) the Fund has recorded profit in the last 3 financial years, according to its annual financial statements audited according to the law.
- ✓ The Fund may repurchase its own shares with the purpose to decrease its share capital if the following conditions are cumulatively met:
- a) the buy-back programme is approved by the Fund shareholders meeting held according to the provisions of Romanian legislation in force;
  - b) the payment of the shares thus purchased will be made exclusively from the own sources of the Fund.

#### **4. Payment of Cash Distributions**

The cash distributions will be proposed by the Fund Manager and paid in compliance with the General Shareholders Meeting Resolutions under the terms and conditions provided by Romanian law. The Fund publishes information on the payment of dividends and other cash distributions to shareholders on the Fund's website ([www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)) in compliance with the effective laws.

#### **5. Review of the Annual Cash Distribution Policy**

The ACDP may be revised by the Fund Manager after the consultation with the Board of Nominees, on an annual basis, in compliance with the applicable law and regulations or in case of new regulations or mandatory legal provisions regarding the scope of the policy. The current Policy is published on the Fund's website ([www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)) and any update to the Policy shall be disseminated to the market and uploaded on the website.