



Fondul Proprietatea SA

Annual Sole Director's Report
for the Financial Year Ended
31 December 2022



This is a translation from the official Romanian version.

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List of Abbreviations

ABB	Accelerated Bookbuild
ACDP	Annual Cash Distribution Policy
AIF	Alternative Investment Fund
AIF Law	Romanian Law no. 243/2019 on the regulation of alternative investment funds and amending and supplementing certain normative acts
AIF Regulation	Regulation no. 7/2020 on the authorisation and functioning of alternative investment funds, issued by the Financial Supervisory Authority
AIFM	Alternative Investment Fund Manager
AIFM Directive	Directive 2011/61/EU on Alternative Investment Fund Managers
AIFRI	Alternative investment fund for retail investors
ALFI	Association of the Luxembourg Fund Industry
AML	Anti-Money Laundering
ANAF	Romanian National Agency for Fiscal Administration
ANAR	National Administration for Romanian Water
ANRE	Romanian National Energy Regulatory Authority
ASPAAS	Authority for the Public Supervision of the Statutory Audit Activity
ATS	Alternative Trading System
AVC	Audit and Valuation Committee of Fondul Proprietatea SA
BoN	Board of Nominees of Fondul Proprietatea SA
BVB	Bucharest Stock Exchange
NBR	National Bank of Romania
CAEN	Classification of Economic Activities in Romania
CE Oltenia	Complexul Energetic Oltenia SA
CIIF	Certification of Registration of Financial Instruments
CNVM	National Securities Commission (currently FSA)
Companies' Law	Law no. 31/1990 regarding companies, with subsequent amendments
CRS	Common Reporting Standard
CSRD	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
DCM	Discount Control Mechanism
Depository Bank/ Depository	BRD – Groupe Societe Generale SA
Depozitarul Central SA	Romanian Central Depository
DLOM	Discount of Lack of Marketability
EBIT	Operating profit
EBITDA	Operating profit before depreciation and amortisation
EGM	Extraordinary General Shareholders Meeting
ESG	Environmental, Social and Governance
EU	European Union
FATCA	The Foreign Account Tax Compliance Act
Fondul Proprietatea/ the Fund/ FP	Fondul Proprietatea SA
FSA	Romanian Financial Supervisory Authority
FT	Franklin Templeton
FTIML	Franklin Templeton Investment Management Limited United Kingdom
FTIS/ AIFM/ Sole Director	Franklin Templeton International Services S.à r.l.

GDP	Gross Domestic Product
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation)
GDR	Global Depositary Receipt
GEO	Government Emergency Ordinance
GEO no. 1/2020	GEO no. 1/ 9 January 2020 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts
GEO no. 74/2020	GEO no. 74/ 19 May 2020 for modifying the Romanian Energy Law no. 123/2012
GEO no. 108/2022	GEO no. 108/2022 regarding the decarbonisation of the energy sector
GEO no. 119/2022	GEO no. 119/2022 regulating the Romanian energy market and which further amends GEO no. 27/2022 on the measures applicable to final consumers of electricity and natural gas for the period 1 April 2022 to 31 March 2023
GO	Government Ordinance
GRI	Global Reporting Initiative
GSM	General Shareholders Meeting
H1/ H2	First/ second semester
IFRS	International Financial Reporting Standards as endorsed by the European Union
INS	Romanian National Institute of Statistics
IMF	International Monetary Fund
IPO	Initial Public Offering
IPS	Investment Policy Statement
Law no. 334/2022	Law no. 334/2022 regarding the approval of GEO no. 108/2022 regarding the decarbonisation of the energy sector
LME	London Metal Exchange
LSE	London Stock Exchange
MA	Management Agreement signed between Fondul Proprietatea and FTIS Luxembourg, as Sole Director and Alternative Investment Fund Manager
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
NAV	Net Asset Value
NRC	Nomination and Remuneration Committee of Fondul Proprietatea SA
OCR	Ongoing charge ratio
OGM	Ordinary General Shareholders Meeting
PNRR	National Recovery and Resilience Plan
PRIIPs	Packaged retail and insurance-based investment products
Q1/ Q2/ Q3/ Q4	First/ second/ third/ fourth quarter
REGS	Main market (Regular) of Bucharest Stock Exchange
RRR	Regulatory Rate of Return
Salrom	Societatea Nationala a Sarii SA
SAPE	Societatea de Administrare a Participatiilor in Energie SA
SFDR	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector
SME	Small and Medium Enterprise
TO	Tender Offer
UCI	Undertakings for Collective Investment

UCITS	Undertakings for Collective Investment in Transferable Securities
Water Law	Romanian Water Law no. 107/1996
9M/ 9MO	9-month period

Sole Director's Letter to Shareholders

Dear Shareholders,

2022 was marked by uncertainty at both macroeconomic and geopolitical level, with significant volatility and declines in global and local markets, affecting investor sentiment. Global economic risks have been continuously reassessed following the start of the war on Ukraine, with forecasts being adjusted downwards from previous levels, while inflationary pressures intensified, with emerging economies, including Romania seeing significant inflation levels compared to the previous years.

Though uncertainty and restrictions associated with the COVID-19 pandemic decreased, supply chain disruptions and trade blockages continued to pose a challenge. These were also enhanced by the sanctions imposed on Russia and the reduction of transport capacity in Ukraine, considering that these countries have an important role in the production and global export of grains and raw materials, including natural gas and oil in the case of Russia.

Our focus throughout the year remained unwavering on protecting and creating shareholder value for the Fund's shareholders through our active management approach, close supervision of the portfolio companies, and a constant focus on value-enhancing corporate actions.

The Fund's performance in 2022

The NAV total return in 2022 was 19.1%, the total return for the local shares was 12.2%, while the total return for the GDRs was 3.9% (due to a stronger US dollar). Since the start of the calculation of the Fund's performance¹, the NAV total return was 325.5%, while the total return for local shares was 651.4%, and 237.6% for the GDRs.

On the BVB, the shares traded throughout the year at a discount² to NAV between 2.1% and 39.4%, ending the year at 20.4%. On LSE, the GDRs traded at a discount² to NAV between 1.7% and 39.5%, ending the year at 20.1%. The average annual discount for ordinary shares was 21.6%, while for GDRs was 22.4%.

We are pleased that we have been able to continue to generate positive NAV and share price returns for the Fund's shareholders, and we will continue our efforts to create shareholder value, with share buy-backs and cash distributions as key actions that are under our control.

Maximising shareholder value in 2023

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, and finalise the listing of Hidroelectrica SA and Societatea Nationala a Sariei SA.

Value-enhancing corporate actions, such as share buybacks and cash distributions to shareholders, and 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.

¹ Source: BVB, Bloomberg, Fund Manager 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.

² Calculated as the discount/premium between FP share closing price on BVB - REGS/ FP GDR closing price on LSE and the latest available published NAV per share at the date of calculation.

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

Outlook for 2023

According to the IMF¹, the global fight against inflation, Russia's war in Ukraine, and a resurgence of COVID-19 in China weighed on global economic activity in 2022, and the first two factors will continue to do so in 2023.

Global growth is projected to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise again to 3.1% in 2024. For Romania, according to October 2022 World Economic Outlook published by IMF, the **real GDP growth** for 2021 was 5.9% and this is expected to decrease to 4.8% in 2022 and further to 3.1% to 2023¹.

IMF projections from January 2023¹ forecast **global inflation** to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024. According to Eurostat², the EU annual inflation rate was 9.2% in December 2022, down from 10.1% in November. For Romania, according with National Statistics Institute³ the annual **inflation rate** in December 2022 was 16.4%.

According to the monthly BVB report⁴ for December 2022, BVB reached a new record in 2022 in terms of liquidity, with the total trading value on all markets exceeding RON 24 billion. The average daily liquidity reached a new high of RON 95.6 million (11% increase compared to 2021).

Also, the number of investors reached over 128,000 at the end of September 2022, an all-time high for the Romanian **capital market**. In terms of performance, the BET index, which includes the 20 most liquid companies listed on the BVB decreased by 10.7% in 2022, following the trend of international stock markets, in the context of rising interest rates and increasing fears regarding the possibility of a recession in developed markets.

On 11 January 2023, the Board of the National Bank of Romania once again raised its key **monetary policy rate** by 0.25% to 7.0%, the eighth consecutive rate hike in the last 12 months, in line with the trend followed by most central banks across the world.

Whilst the potential for further interest rates increases is high, we expect inflationary pressure to be more subdued through 2023. With the right mix of fiscal and economic policy, Romania once again has strong prospects to become one of the best performing economies in the European Union.

¹ World Economic Outlook, January 2023, www.imf.org

² Eurostat – Euro Indicators Publication no. 2/6 January 2023, www.ec.europa.eu/eurostat

³ National Statistics Institute, Press Release no. 13/ 13 January 2023, www.insse.ro

⁴ BVB – Monthly report – December 2022, www.bvb.ro

2023 Annual General Shareholders Meeting

We would like to take this opportunity to invite shareholders to attend the 2023 Annual General Shareholders Meeting convened for 21 April 2023 at “InterContinental Athenée Palace Bucharest” Hotel, 1-3 Episcopiei Street, 1st district, Bucharest, starting with 11 a.m. 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 support documents are published on www.fondulproprietatea.ro.

Profit Appropriation Proposal

As per the annual audited IFRS financial statements, the Fund recorded an audited net profit of RON 2,769,448,871 for the financial year ended 31 December 2022.

The Fund's Sole Director proposal, subject to shareholders' approval, for the appropriation of the net accounting profit for the 2022 financial year is as follows:

RON 283,440,306

to dividends (RON 0.05 per share);

RON 908,845,064

to other reserves (to be used for coverage of estimated negative reserves to arise at the cancellation of shares acquired within the 13th buy-back programme);

RON 1,577,163,501

unallocated profit that remains available to the Fund's shareholders.

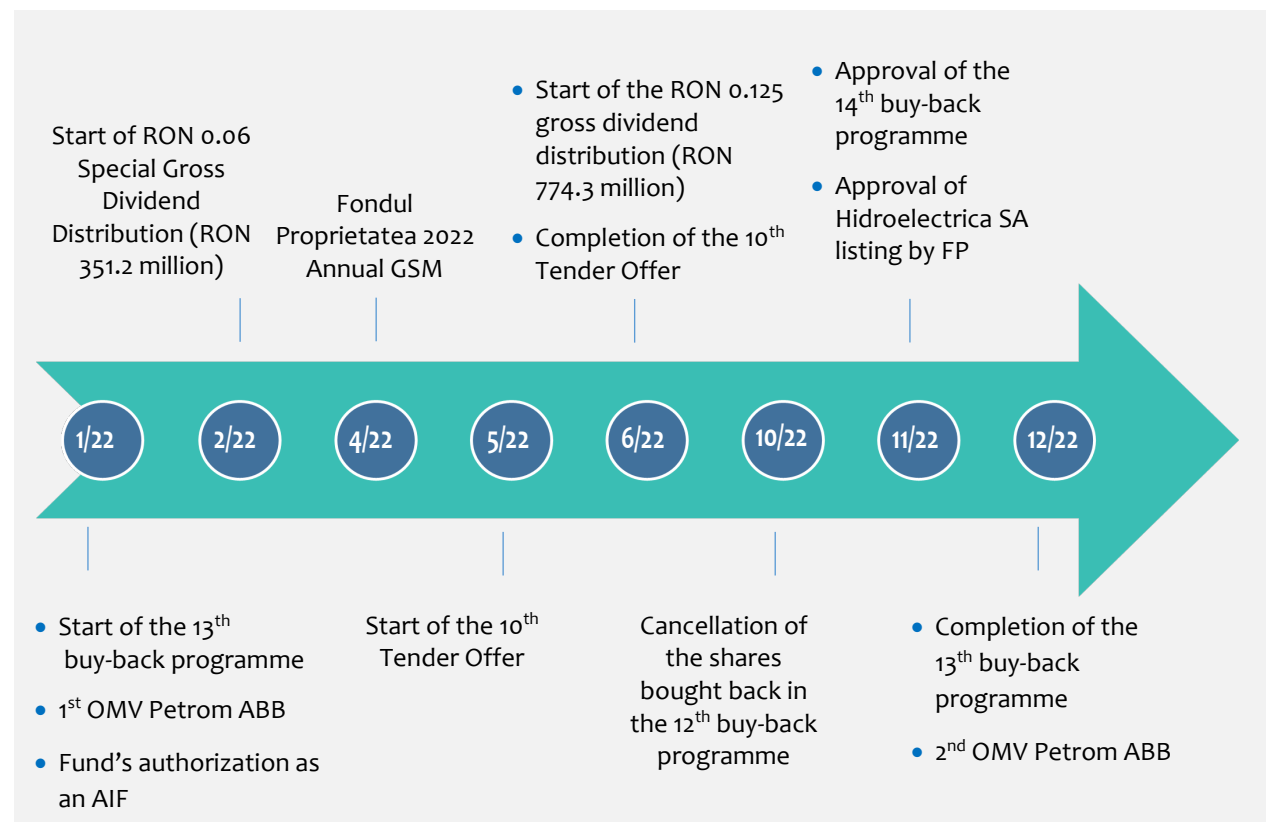
The Sole Director intends to propose the distribution of a special dividend in 2023 which is dependent upon the cash inflows related to portfolio events. The exact amount is expected to be announced during 2023. The potential distribution of special dividends will be subject to a future GSM. This special dividend will be separate from any distributions that may be proposed as a result of the ongoing listing projects.



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 2022



Key 2022 highlights

- 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 13th buy-back programme for 549.0 million shares (460.6 in the form of shares and 88.4 million in the form of GDRs). The total value of the programme excluding transaction costs was RON 1,157.2 million, and the average share price was RON 2.11 per share;
- Completion of the 10th Tender offer of 325 million shares (264.6 million in the form of shares and 60.4 million in the form of GDRs), at a purchase price of RON 2.19 per share and the USD equivalent of RON 109.50 per GDR, executed to accelerate the 13th buy-back programme;
- Payment to shareholders in February 2022 of the special dividend distribution of RON 0.06 per share (RON 351.2 million) approved in December 2021 – 97.0% of the distribution collected until 31 December 2022;
- Payment to shareholders in June 2022 of the dividend distribution from 2021 annual profit of RON 0.125 per share (RON 774.3 million) – 96.1% of the distribution collected until 31 December 2022;
- Completion of two ABB offerings for the entire holding of the Fund in OMV Petrom SA, namely 4,052,067,726 shares for a total value of RON 1,742.4 million;
- FSA authorisation of Fondul Proprietatea as a closed-end type Alternative Investment Fund intended to retail investors on 28 January 2022;
- Payment to the Fund by the Romanian State, represented by the Ministry of Finance on 1 February 2022 of RON 189,182,422, as payment for unpaid shares owned by the Romanian State in the Fund (363,812,350 unpaid shares, each share having a nominal value of RON 0.52).
- Approval of Hidroelectrica SA listing on BVB by the company's shareholders during 31 March 2022 GSM;
- Main shareholders' approvals during 2022:
 - Sale of the (entire/ part of the) shares held by FP in Hidroelectrica SA within a secondary public offering;
 - Decrease of the subscribed and paid-up share capital from RON 3,334,342,422.84 to RON 3,233,269,110.76 pursuant to the cancellation of 194,371,754 own shares acquired during 2021 in the 12th buy-back programme;
 - Appointment of a new member in the Board of Nominees;
 - Continuation of FTIS mandate as AIFM and Sole Director of FP;
 - Distribution of a gross dividend of RON 0.125 per share from the 2021 net accounting profit (Payment Date 27 June 2022);
 - Approval of the buy-back programme for 2023 (the 14th buy-back programme);
 - The 2023 budget;
 - Amendment of the Management Agreement in force starting 1 April 2022 between the Fund and FTIS, as requested by the FSA;
 - Increase of the remuneration for the Board of Nominees members and the increase in the notice period in case of withdrawal from the Board position.

Capital markets

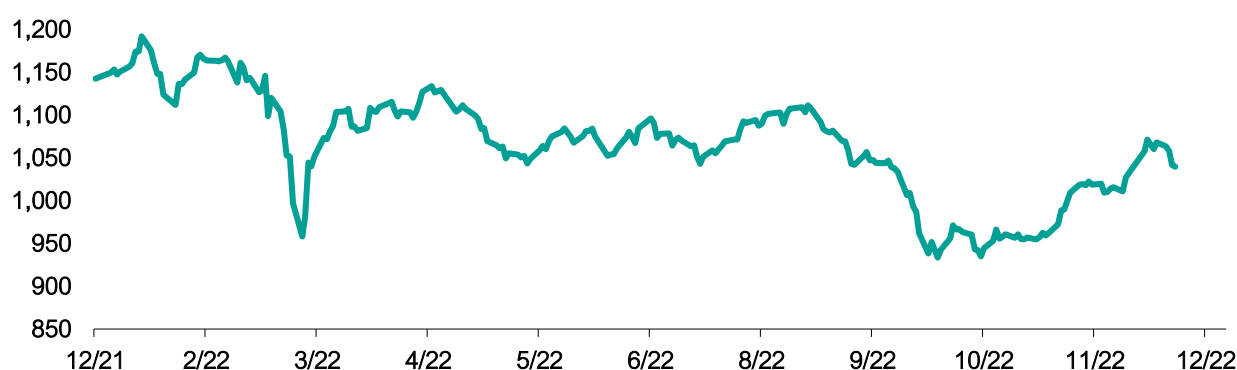
In 2022, BVB registered the slowest decline in both local and EUR terms compared to the largest markets in Central Europe, as shown in the table below:

% Change in 2022	In local currency	in EUR
BET-XT (Romania)	-1.9%	-1.8%
PX (Czech Republic)	-15.7%	-13.2%
ATX (Austria)	-19.0%	-19.0%
BUX (Hungary)	-13.7%	-20.1%
WIG20 (Poland)	-20.9%	-22.5%

Source: Bloomberg

The BET-XT index, which reflects the performance of the top 25 most traded companies listed on BVB's Regulated Market, including the financial investment companies (SIFs), decreased by 10.8% during 2022 compared to the end of 2021.

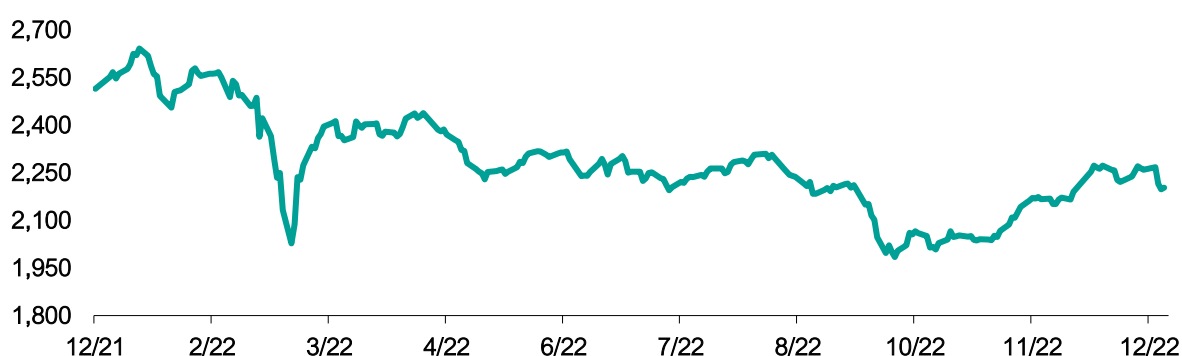
BET-XT index evolution



Source: Bucharest Stock Exchange

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 decreased by 12.4% during 2022 compared to the end of 2021.

BET-BK index evolution



Source: Bucharest Stock Exchange

Trading on the Bucharest Stock Exchange

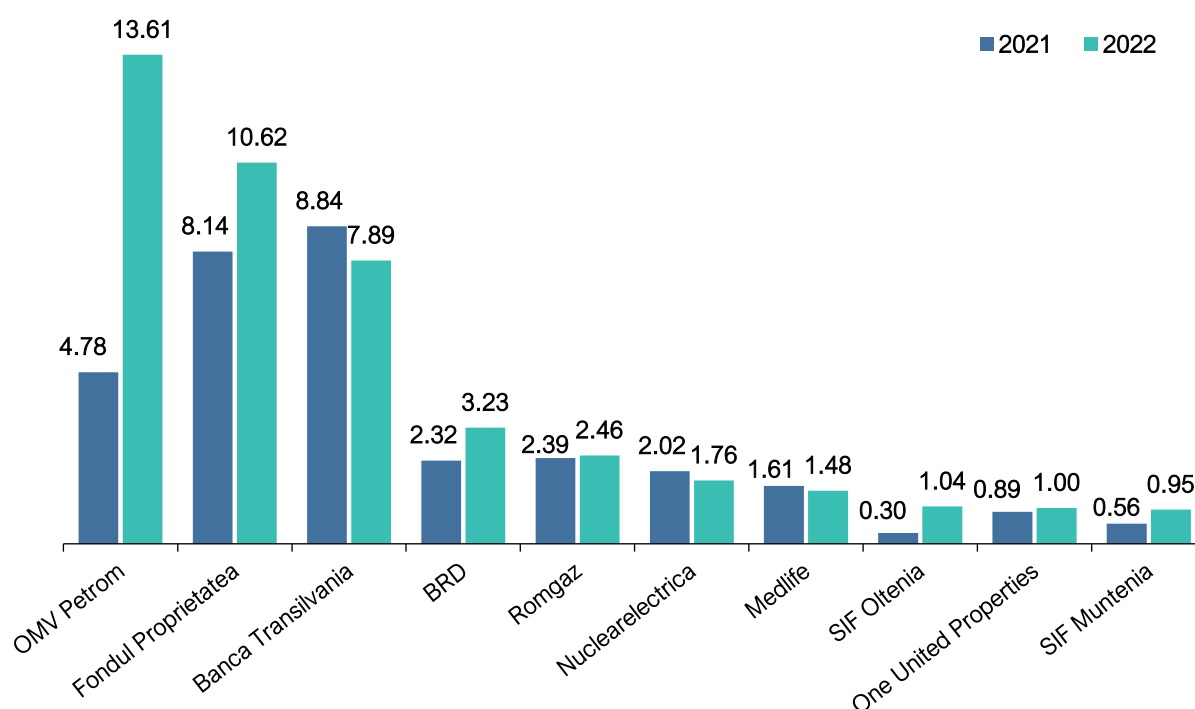
Since the listing on the BVB on 25 January 2011, the Fund continues to be among the most actively traded companies:

- 1.13 billion shares were traded on BVB in 2022, equivalent to 18.2% of the Fund's paid shares as at 31 December 2022;
- In 2022, the value of trading in Fondul Proprietatea shares was RON 2.28 billion / USD 492.5 million / EUR 461.4 million (based on NBR exchange rates as at 31 December 2022). The total trading value since the listing reached RON 30.6 billion / USD 6.6 billion / EUR 6.2 billion (based on NBR exchange rates as at 31 December 2022);
- The average daily trading volume in 2022 was 4.5 million shares.

Trading on the London Stock Exchange

- In 2022, 3.8 million GDRs were traded on LSE, for a total value of USD 82.4 million/ EUR 77.1 million/ RON 381.7 million (based on NBR exchange rates as at 31 December 2022);
- Since the listing on the LSE on 29 April 2015, the total trading volume was 144.2 million GDRs, reaching USD 1.9 billion/ EUR 1.8 billion/ RON 8.8 billion (based on NBR exchange rates as at 31 December 2022);
- The average daily trading volume in 2022 was 15.1 thousand GDRs.

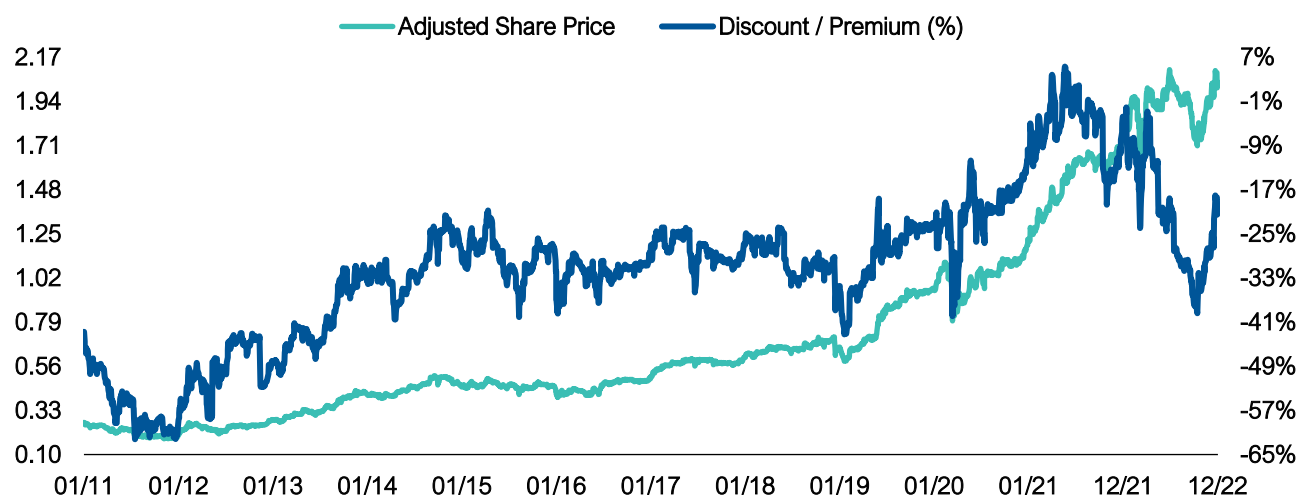
Average Daily Turnover in 2022 (RON million)



Source: BVB, Bloomberg

Note: The values for FP, Electrica, OMV Petrom and Romgaz also include the GDR trading on LSE. The values for FP include the tender offer from June 2022. The values for OMV Petrom include the 4.1 billion shares sold by FP in January and December 2022 under accelerated bookbuild offerings.

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



Source: Bloomberg for Adjusted Share Price (price adjusted with cash distributions), Fund Manager 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.

Key portfolio updates

Significant developments

On 31 March 2022, the GSM of Hidroelectrica approved the initiation of the listing process on BVB following a public offering of the company's shares held by the Fund. Also, the Fund's shareholders approved the sale of the shares held by FP in Hidroelectrica SA during the GSM convened for 15 November 2022. The Fund and Hidroelectrica SA continue to prepare for an IPO during 2023.

The Fund completed two ABB offerings, in January 2022 and December 2022, for all the Fund's holding in OMV Petrom SA, namely 4,052,067,726 shares for a total value of RON 1,742.4 million.

Valuation of unlisted holdings

Even if at the beginning of 2022, the risks associated with the COVID 19 pandemic decreased, the Russian invasion of Ukraine brought new turmoil on the global and regional markets. The Fund continued to closely monitor the evolution of financial markets and that of the specific industries the unlisted holdings operate in for each NAV reporting date and whenever necessary, updates on the valuation of unlisted holdings were prepared in accordance with the International Valuation Standards, with the assistance of KPMG Advisory and Darian DRS.

Following the valuation updates throughout the year, the unlisted holdings portfolio increased by RON 1,977.1 million (14.9%) in the 31 December 2022 NAV compared to the 31 December 2021 NAV.

Dividends from portfolio companies

During 2022, 8 companies in the Fund's portfolio declared annual dividends related to the 2021 financial year and/ or special dividends. The total amount of the gross dividend income recorded by the Fund in 2022 was RON 934.9 million, and the most significant amounts relate to Hidroelectrica SA and OMV Petrom SA.

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 AIFM is aiming to achieve. The NAV objective refers to an Adjusted NAV per share¹ in the last day of the Reporting Period higher than the reported NAV per share as at the end of the previous Reporting Period. The discount objective implies the discount between the closing price of the Fund's shares on BVB – REGS and the latest reported NAV per share to be equal to, or lower than 15%, in at least 2/3 of the trading days in the Reporting Period.

NAV Objective – First reporting period

The Adjusted NAV per share as at 31 December 2022 was 20.1% higher than the 31 December 2021 NAV per share of RON 2.2624.

NAV Objective	Amount RON	Details
Total NAV as at 31 December 2022	14,569,538,085	
Dividend distribution	774,290,893	Gross dividend distribution approved on 20 Apr 2022 of RON 0.125 per share with Ex-Date on 2 Jun 2022, and Payment Date on 27 Jun 2022
Costs related to buy-backs after 31 December 2021	9,249,962	Fees related to the 13 th buy-back programme, excluding the distribution fees for buy-backs
Distribution fees for buy-backs performed after 31 December 2021	27,866,008	Distribution fees for buy-backs
Distribution fees for cash distributions (return of capital/ dividend) after 31 December 2021	19,321,869	Distribution fee for dividend distributions
Costs related to the returns of capital and dividends after 31 December 2021	84,067	Fees charged by the Central Depository and Paying Agent for the payments performed
Total Adjusted NAV as at 31 December 2022	15,400,350,883	
Number of Fund's paid shares, less treasury shares and GDRs held as at 31 December 2022	5,668,806,128	
Adjusted NAV per share as at 31 December 2022	2.7167	
NAV per share as at 31 December 2021	2.2624	
Difference	0.4543	
%	20.1%	

Source: Fund Manager calculations

The Sole Director is committed to its continued efforts towards protecting shareholders' value and implementing the necessary measures in accordance with the IPS to address the volatile environment which marked the last years. For 2022, the Sole Director proposed, and shareholders

¹ 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.

approved during the 20 April 2022 GSM, a dividend distribution of RON 0.125 per share with payment date on 27 June 2022.

Also, on 18 February 2022 the Fund started the payment of the special dividend distribution of RON 0.06 per share, approved by shareholders during 15 December 2021 GSM. The remaining cash balance was distributed to shareholders through a combination of daily share buybacks and a Tender offer settled on 29 June 2022. Following the above, the total distributions to the Fund's shareholders during 2022 amount to RON 2,282.7 million¹.

Discount Objective – First reporting period

In the period between 1 January 2022 and 31 December 2022, the discount to NAV was below 15% in 81 trading days (32.3% of the period) while in the remaining 170 days it was above 15% (67.7% of the period).

Discount evolution

	Discount at the Start of the Reporting Period – 3 Jan 2022	Discount at the End of the Reporting Period – 31 Dec 2022	Average Discount for the Reporting Period 3 Jan – 31 Dec 2022	Discount Range for the Reporting Period 3 Jan – 31 Dec 2022
Share price	-3.8%	-20.4%	-21.6%	min -2.1% / max -39.4%
GDR	-4.2%	-20.1%	-22.4%	min -1.7% / max -39.5%

Source: Fund Manager calculations

Note: The discount is calculated based on the latest published NAV available for the day of the calculation.

The AIFM will continue its efforts to minimise the discount to NAV, through close collaboration with underlying portfolio assets 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.

Financial results summary

The table below presents the audited results of the Fund in accordance with IFRS for the financial year ended 31 December 2022:

RON million	31 December 2022	31 December 2021
Profit for the year ended	2,769.4	5,012.6
Shareholders' equity	14,569.5	13,757.5

Source: audited IFRS financial statements of the Fund

The main contributors to the profit recorded in 2022 were: (1) the net gain from equity instruments at fair value through profit or loss of RON 1,843.8 million (mainly generated by the valuation updates for Hidroelectrica SA), and (2) the gross dividend income from portfolio companies of RON 934.9 million.

¹ Out of which: RON 351.2 million for February 2022 distribution, RON 774.3 million for June 2022 distribution and RON 1,157.2 million for 13th buy-back programme.

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 2022:

NAV ¹ and share price developments ²	Notes	31 December 2022	31 December 2021	31 December 2020
Total shareholders' equity at the end of the period (RON million)		14,569.5	13,757.5	10,266.9
Total shareholders' equity change in period (%)		+5.9%	+34.0%	-13.5%
Total NAV at the end of the period (RON million)	a	14,569.5	13,244.6	10,266.9
Total NAV change in period (%)		+10.0%	+29.0%	-13.5%
NAV per share at the end of the period (RON)	a	2.5701	2.2624	1.6974
NAV per share at the end of the period (USD)	a	0.5546	0.5176	0.4280
NAV per share (RON) change in the period (%)		+13.6%	+33.3%	-2.1%
NAV per share total return in the period (%)	g	+19.1%	+47.8%	+2.2%
Share price as at the end of the period (RON)	b	2.0400	1.9900	1.4500
Share price low in the period (RON)	b	1.7080	1.4400	0.9980
Share price high in the period (RON)	b	2.1900	1.9900	1.4500
Share price change in the period (%)		+2.5%	+37.2%	+19.8%
Share price total return in the period (%)	h	+12.2%	+48.5%	+26.4%
Share price discount to NAV as at the end of the period (%)	d	-20.6%	-12.0%	-14.6%
Average share price discount in the period (%)	d	-21.6%	-5.7%	-21.1%
Average daily share turnover in the period (RON million)	c, j	9.1	3.6	7.4
GDR price as at the end of the period (USD)	e	21.6000	22.6000	17.1000
GDR price low in the period (USD)	e	17.5000	17.4000	11.2000
GDR price high in the period (USD)	e	24.2000	22.6000	17.3000
GDR price change in the period (%)		-4.4%	+32.2%	+24.8%
GDR price total return in the period (%)	i	+3.9%	+42.0%	+31.1%
GDR price discount to NAV as at the end of the period (%)	d	-22.1%	-12.7%	-20.1%
Average GDR price discount in the period (%)	d	-22.4%	-7.6%	-21.7%
Average daily GDR turnover in the period (USD million)	f, j	0.3	1.0	0.8

Source: BVB (for shares), Bloomberg (for GDRs), Fund Manager 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 2022/ year 2021/ year 2020, respectively

NAV ¹ and share price developments ²	Notes	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Total NAV at the end of the period (RON million)	a	14,535.9	16,327.3	15,433.3	14,569.5
Total NAV change in period (%)		+9.7%	+12.3%	-5.5%	-5.6%
NAV per share at the end of the period (RON)	a	2.3466	2.7817	2.6935	2.5701
NAV per share at the end of the period (USD)	a	0.5272	0.5866	0.5337	0.5546
NAV per share total return in the period (%)	g	+3.7%	+24.3%	-3.2%	-4.6%
Share price as at the end of the period (RON)	b	2.1100	2.0600	1.7500	2.0400
Share price total return in the period (%)	h	+9.2%	+3.8%	-15.1%	+16.6%

NAV ¹ and share price developments ²	Notes	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Share price discount to NAV as at the end of the period (%)	d	-10.1%	-25.9%	-35.0%	-20.6%
GDR price as at the end of the period (USD)	e	23.4000	21.8000	18.1000	21.6000
GDR price total return in the period (%)	i	+6.5%	-1.5%	-17.0%	+19.3%
GDR price discount to NAV as at the end of the period (%)	d	-11.2%	-25.7%	-32.2%	-22.1%

Source: BVB (for shares), Bloomberg (for GDRs), Fund Manager 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 Q1 2022/ Q2 2022/ Q3 2022/ Q4 2022, respectively

Notes:

- Prepared based on local rules issued by the capital market regulator (NAV in USD calculated using the NBR FX rate at the reporting date)
- Source: BVB - REGS market - Closing prices
- Source: BVB
- Share Price/ GDR Price discount/ premium to NAV as at the end of the period (%) is calculated as the discount/ premium between FP share closing price on BVB - REGS/ FP GDR closing price on LSE on the last trading day of the period and the NAV per share at the end of the period; the average discount/ 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.
- Source: Bloomberg - Closing prices
- Source: Bloomberg
- The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- Including the tender offers carried out by the Fund in June 2022/ March 2020/ September 2020/ December 2020.

Corporate actions

2021 Financial Year Dividend Distribution

On 20 April 2022, the shareholders approved the distribution of a gross dividend of RON 0.1250 per share, with Ex-date on 2 June 2022, Registration date on 3 June 2022, and Payment date on 27 June 2022. As at 31 December 2022, 96.1% of the RON 774.3 million gross dividend was distributed to shareholders.

Important notice to shareholders

This dividend payment is subject to the general statute of limitation. As such, shareholders may request the payments only within a three-year term starting with the Payment Date, namely by 27 June 2025.

Buy-back programmes

During 2022 the Fund completed the cancellation of the shares acquired within the **12th buy-back programme** (carried on during 2021) and acquired shares within the **13th buy-back programme**, which are proposed for cancellation to shareholders during 21 April 2023 GSM.

In 2022, the Fund bought back a total number of 549,019,085 own shares within the **13th buy-back programme** (out of which 460,629,885 ordinary shares and 88,389,200 ordinary shares corresponding to GDRs), representing 8.8% of the total issued shares as at 31 December 2022, for a total acquisition value of RON 1,157,219,018.3, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 31 December 2022 is 549,019,085, having a total nominal value of RON 285,489,924.20 (RON 0.52 per share). As at 31 December 2022, the Fund held 84,465 GDRs (based on transaction date).

The **14th buy-back programme** to be implemented during 2023 was approved by shareholders during the 15 November 2022 GSM, for a total number of 3,500 million shares in the form of ordinary shares and GDRs, at a price that cannot be lower than RON 0.2 per share, or higher than RON 3.0 per share. The duration of the **14th buy-back programme** is 1 January 2023 – 31 December 2023. Please see *Subsequent Events* section for more details regarding the ongoing tender offer within the **14th buy-back programme**.

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

Tender Offer within the 13th buy-back programme

Between 18 May and 24 June 2022, the Fund executed a Tender offer in relation to the acceleration of the **13th buy-back programme**. The purchase price was RON 2.19 per share and the USD equivalent of RON 109.50 per GDR.

Under the tender offer, the Fund repurchased 325 million shares (264.6 million in the form of shares and 60.4 million shares in the form of GDRs, namely 1.21 million GDRs). Total subscriptions were 1,358.02 million shares representing 417.8511% of the Offer.

Share capital decrease

On 19 October 2022, the Fund finalised the registration of the decrease of the subscribed share capital from RON 3,334,342,422.84 to RON 3,233,269,110.76 pursuant to the cancellation of 194,371,754 shares acquired during 2021 within the 12th buy-back programme, which was endorsed by FSA through Endorsement no. 146/29 September 2022.

Investor relations

In 2022, 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 6 road-shows in the United States and the United Kingdom, and met with 58 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.

During the year, we participated to 9 online and in person investor conferences organised by international brokers and investment banks, where we discussed with representatives of 92 international asset managers. Furthermore, we had 21 meetings and 72 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 2021 annual results, 2022 first quarter, 2022 first half, and 2022 third quarter results conference calls, with 27 analysts and investors participating on average to the calls.

Also, on 2 February we organised a conference call for institutional investors and financial analysts to inform them about the latest developments regarding Fondul's share capital and the payment made by the Romanian Ministry of Finance on 1 February for unpaid shares owned by the Romanian State in Fondul Proprietatea. 28 investors and analysts participated to the call.

Between 14 and 16 September, we organised the 25th edition of our investor days conferences. The event took place in Bucharest, and 76 investors from 45 investment houses participated to the event. Also, representatives of the Romanian Government, UK Embassy in Romania, the National Bank of Romania, Ministry of Finance, WOOD & Company, Ministry of Energy, OMV Petrom, Hidroelectrica, Enel Romania, European Bank for Reconstruction and Development, Bucharest Stock Exchange, London Stock Exchange, and other related parties joined the event, bringing the total number of attendees to over 190.

During the first day of the event, we organised a group site visit to the Hidroelectrica Iron Gates power plant on the Danube, the third largest in Europe. The first half of the second day of the event was dedicated to speeches from representatives of the Romanian Government, and the UK Embassy in Romania, and to 3 panels on Romanian macroeconomics, Romanian energy sector, and Romanian capital market. In the second part of the day, and the entire day on 16 September, we organised together with WOOD & Company, the Frontier Investor Days conference. 266 investor meetings – individual and group meetings - were organised between the institutional investors and the 76 representatives of the 27 corporates present at the event, Romanian listed and unlisted companies,

as well as foreign corporates from other Frontier markets (Georgia, Slovenia, Croatia, Estonia, Moldova, Serbia, Turkey, Ukraine).

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

Changes in Board of Nominees' composition and remuneration

Starting with 27 April 2022, Mr. Martin Bernstein's new mandate as member of the Board of Nominees has begun, following Mr. Mark Gitenstein's resignation on 18 December 2021. As at the date of this report, Mr. Bernstein is also a member of the Audit and Valuation Committee and of the Nomination and Remuneration Committee of the Fund.

Starting with 16 November 2022, the shareholders approved an increase of 10% to the gross monthly remuneration for the Board of Nominees members, an additional fixed gross monthly remuneration of 15% of the base monthly remuneration for the Chairperson of the Board of Nominees and an additional fixed gross monthly remuneration of 10% of the base monthly remuneration for the Chairpersons of the Audit and Valuation Committee and Nomination and Remuneration Committee.

Depository agreement with BRD Groupe Societe Generale SA

In 2022, the Fund extended the depository agreement with BRD Groupe Societe Generale SA for another three years, until 20 May 2025. There were no material changes of the depository agreement in respect of the main obligations and liabilities of the parties.

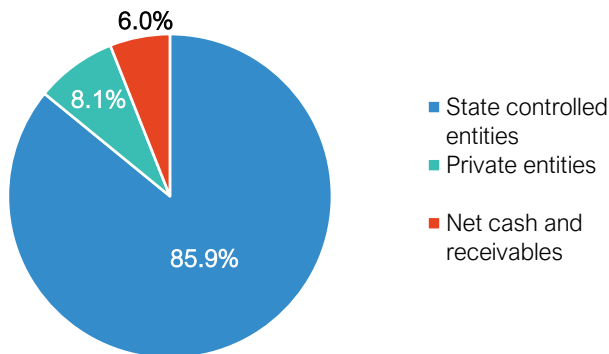


Portfolio

Portfolio structure

The equity exposure amounted to 94% of the Fund's NAV as at 31 December 2022. As at that date, the portfolio was composed of holdings in 32 companies (5 listed and 27 unlisted), a combination of privately held and state-controlled entities.

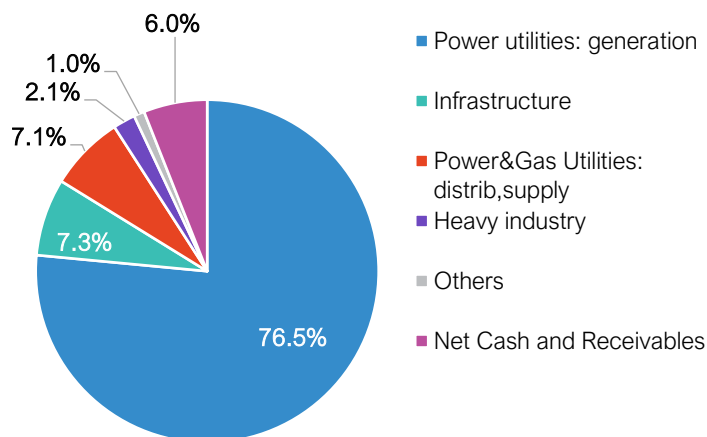
Portfolio structure – by controlling ownership



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: Fund Manager calculations
Note: % in total NAV as at 31 December 2022

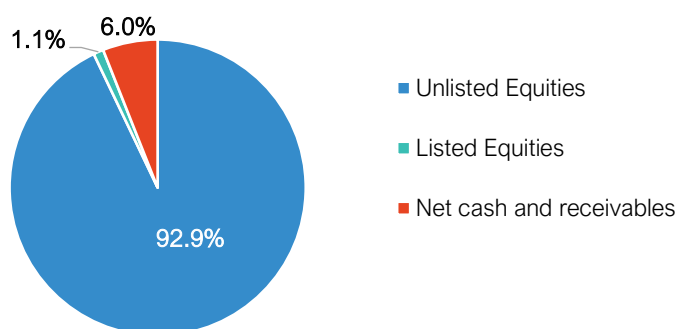
Portfolio structure – by sector



The portfolio remains heavily weighted in power and gas sectors (approx. 83.6% of the NAV), through several unlisted Romanian companies

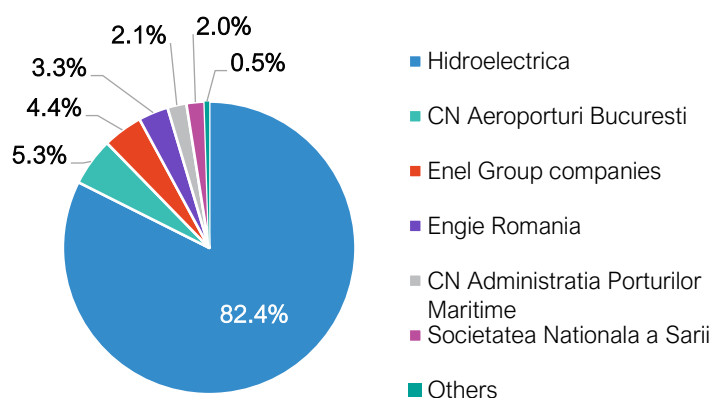
Source: Fund Manager calculations
Note: % in total NAV as at 31 December 2022

Portfolio structure – by asset type



Source: Fund Manager calculations
Note: % in total NAV as at 31 December 2022

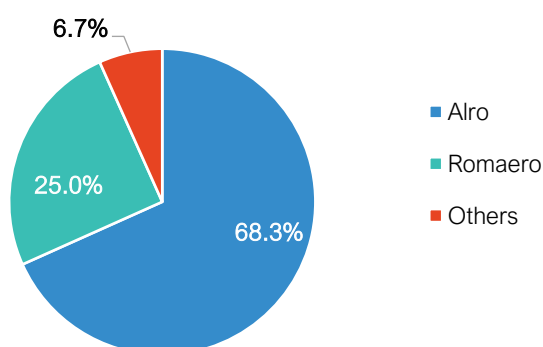
Portfolio structure – unlisted holdings



The largest unlisted holding is Hidroelectrica SA (76.5% of the NAV)

Source: Fund Manager calculations
Note: as at 31 December 2022. 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 (0.8% of the NAV)

Source: Fund Manager calculations
Note: as at 31 December 2022. The chart reflects the company's NAV value as a % in total NAV value of listed holdings.

Key portfolio developments

Dividends and Special dividends received from portfolio companies

During 2022, 8 companies in the Fund's portfolio declared annual dividends related to the 2021 financial year and/ or special dividends¹.

The total amount of the gross dividend income recorded by the Fund in 2022 is RON 934.9 million, and the most significant amounts relate to Hidroelectrica SA and OMV Petrom SA.

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

Portfolio company	Gross amounts (RON million)	Date of recording in accounting	Collection date
Hidroelectrica SA	199.4	28-Apr-22	29-Sep-22
OMV Petrom SA	76.0	10-Aug-22	2-Sep-22
Alcom SA	0.4	22-Jun-22	7-Jul-22
Administratia Porturilor Maritime SA	0.1	4-Oct-22	14-Oct-22
Total	275.9		

Source: Fondul Proprietatea internal records

Accelerated bookbuild offers for shares in OMV Petrom SA

During 2022 the Fund completed two accelerated bookbuild offerings of the shares held by the Fund in OMV Petrom SA, details of which are included below:

Details	1 st ABB	2 nd ABB
Announcement of the ABB	19-Jan-2022	13-Dec-2022
No. of shares sold	2,275,000,000	1,777,067,726
Selling price	0.43 RON/ share	0.43 RON/ share
Trade date	20-Jan-2022	14-Dec-2022
Settlement date	26-Jan-2022	16-Dec-2022

Source: Fondul Proprietatea current reports

Erste Group Bank AG and SSIF Swiss Capital SA acted as Joint Global Coordinators and Joint Bookrunners, and Banca Comerciala Romana SA and Auerbach Grayson and Company LLC acted as Joint Bookrunners for both transactions.

Following the completion of the two ABB offerings the Fund liquidated its entire holding in OMV Petrom SA.

¹ According to the definition of "special dividends" from the Annual cash Distribution Policy of the Fund

Listings

Hidroelectrica SA

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

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

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, which is composed of reputable international, regional, and local investment banks.

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

The Fund and Hidroelectrica SA continue to prepare for an IPO during 2023. The Romanian State committed in PNRR to the listing of Hidroelectrica by the end of H1 2023.

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 and Salrom continue to prepare for an IPO during 2023.

Participation in share capital increases/ decreases

Hidroelectrica SA share capital increase

On 12 December 2021, the Fund subscribed to the share capital increase of Hidroelectrica SA with a cash contribution of RON 23,970, which was effective on 6 May 2022, at the registration date with the Romanian Trade Register.

CN Aeroporturi Bucuresti SA share capital increase

CN Aeroporturi Bucuresti 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 land inside Baneasa airport, brought as Romanian State's contribution in kind to the company's capital. The initial proposed value for the share capital increase was RON 3,814,809,171. This was the third time the share capital increase process was initiated since 2001, when Baneasa Airport received the land ownership certificates.

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

- The share capital increase approved was 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 Register;

- 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 used 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.

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

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

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 GSM is irrevocably settled. The litigation related to the claim for annulment of the aforementioned GSM is ongoing in front of the Romanian courts (Tribunalul Ilfov) and the next hearing is on 9 March 2023.

Considering the above, the dilution risk was assessed as not significant and thus no additional adjustments were applied to the valuation of the company for both 31 December 2021 and 31 December 2022.

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, and the related litigation is ongoing.

OMV Petrom SA share capital increase

During the 27 April 2022 EGM, the company's shareholders approved the share capital increase of OMV Petrom SA with the in-kind contribution of the Romania State, as a result of obtaining a number of 1,944 land ownership certificates. Darian DRS SA was approved as independent valuer to value the land plots for the in-kind contribution.

On 21 June 2022, the Supervisory Board of the company approved the share capital increase under the following structure: RON 120,660,239.20 in exchange of 1,206,602,392 new shares, representing the in-kind contribution of the Romanian State, through the Ministry of Energy, and up to a maximum of RON 463,966,423.40, representing a maximum number of 4,639,664,234 new shares, to be offered for subscription, within the exercise of their preference right, to the other shareholders (except the Romanian State).

After the end of the subscription period the company published the results: 96.1% of the total 4,639,664,234 new shares offered for subscription were subscribed by the holders of preference rights, including the Fund.

On 3 November 2022 the Board of OMV Petrom announced the completion of the share capital increase approved in April. OMV Petrom share capital was increased by in-kind and cash contribution, with the value of RON 566,755,872.3, from RON 5,664,410,833.50 to RON 6,231,166,705.80, through the issue of 5,667,558,723 new ordinary nominative shares as follows:

- 1,206,602,392 new shares with the nominal value of RON 120,660,239.20, representing the in-kind contribution of the Romanian State, through the Ministry of Energy;
- 4,460,956,331 new shares (including shares corresponding to GDRs), with a total value of RON 446,095,633.10, subscribed in cash, within the exercise of the preference right by the shareholders of OMV Petrom other than the Romanian State.

The Fund subscribed at a price of RON 0.1 per share and received 174,275,887 new shares on 3 November 2022 when the share capital increase process was finalised.

Zirom SA share capital decrease

During the 21 June 2022 EGM, the company's 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 such, the cumulated losses would decrease by RON 15,420,830. The share capital decrease was finalised on 16 September 2022, the date of registration with the Trade Register.

Aeroportul International Timisoara SA share capital increase

The company's management called an EGM on 8 December 2022 to approve a share capital increase of RON 1.3 million, by issuing 132,200 new shares at a nominal value of RON 10/share. The management also mentioned that there could be a second share capital increase proposal in 2023, of up to RON 28.7 million, which would be used to finance an investment project. On 8 December 2022, the majority shareholder, the Romanian State represented by the Ministry of Transports and Infrastructure voted to postpone this point on the agenda and it remains unclear when or if it could be put on the agenda of a future GSM.

Restructuring plan of CE Oltenia and related roadmap

In preparation of the European Commission's approval of the Restructuring Plan, shareholders approved during the GSM of CE Oltenia in late October 2021 the partial coverage of the accumulated accounting losses registered by the company as at 31 December 2020, proportionally by all shareholders. The accounting losses in amount of RON 1 billion were covered by reducing the share capital. Following the share capital decrease operation, the Fund maintains its 21.559% stake holding, but the number of shares decreased from 27,031,809 shares to 5,828,033 shares, with a total nominal value of RON 58,280,330. The share capital decrease operation is effective starting with 19 January 2022.

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

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 and restore its long-term viability. The implementation of the Restructuring Plan will lead to the need to operate capital increases, both in cash as well as with the

value of lands that will be used by CE Oltenia to develop the new investments alongside co-investors (photovoltaic power plants and gas fired power plants).

As approved in the GSMs of CE Oltenia, the Company will develop together with OMV Petrom 4 solar parks with a total capacity of 455 MW, with Tinmar Energy 4 solar parks with a total capacity of 280 MW (in disbanded CE Oltenia locations) and a 475 MW natural gas energy block at SE Turceni (to replace a lignite 330 MW capacity). The company is also in advanced negotiations and has selected Alro SA for the development of an 850 MW combined cycle power plant on natural gas at SE Isalnita (to replace a lignite 630 MW capacity).

The implementation of the Restructuring Plan also led to a spin-off from CE Oltenia of 2 units totalling 300 MW, 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). As a result of the spin-off, the Fund's number of shares in CE Oltenia decreased with its corresponding shares in Electrocentrale Craiova SA, respectively from 5,828,033 to 5,314,279 shares, however maintaining its 21.559% stake holding. The registration with the Trade Registry of the newly set-up entity and correspondent decrease of the share capital of CE Oltenia have been performed on 30 September 2022.

In 2023, CE Oltenia will receive EUR 90.5 million (RON 453.5 million) in state aid as part of the Restructuring Plan. The state aid is intended to finance the purchase of greenhouse gas emission certificates in 2023. The company has so far received grants worth EUR 776 million.

Assuming Fondul Proprietatea will not participate in the share capital increases foreseen in the Restructuring Plan, the participation of the Fund in CE Oltenia will be diluted at approximately 5% based on the Fund's current estimates. To carry out the share capital increase with the value of the lands that will be contributed by CE Oltenia in the new investments, a change in the current legislation would be needed so that the valuations of all the lands with which the capital increase would be carried out can be realised at fair value.

Enel Energie and Enel Energie Muntenia

Starting with the second semester of 2021, the companies are struggling with a crisis that hit the entire energy sector following the increase of the electricity prices, as well as due to the enactment of several legislative changes which introduce a governmental scheme to support the electricity and natural gas for final consumers until 31 March 2025.

In December 2021 and March 2022, the board of directors of the 2 companies approved the contracting from banks of a bridge-financing program amounting to EUR 235 million for Enel Energie and EUR 255 million for Enel Energie Muntenia, to cover the financing needs.

In August 2022, given that the financing needs have increased and the banks with whom the companies already concluded financial agreements could not positively respond in a timely manner, the management identified a solution to be urgently implemented, namely a shareholder loan from the financing arm of Enel Group – Enel Finance International N.V. amounting to EUR 250 million for Enel Energie and EUR 125 million for Enel Energie Muntenia.

Top portfolio holdings

Name	Fund's stake (%)	Value as at 31 December 2022 (RON million)	% of NAV as at 31 December 2022
Hidroelectrica SA	19.94%	11,148.8	76.5%
CN Aeroporturi Bucuresti SA	20.00%	713.0	4.9%
Engie Romania SA	12.00%	440.7	3.0%
CN Administratia Porturilor Maritime SA	20.00%	283.0	1.9%
Societatea Nationala a Sarii SA	49.00%	273.7	1.9%
E-Distributie Banat SA	24.13%	212.9	1.5%
E-Distributie Muntenia SA	12.00%	183.9	1.3%
E-Distributie Dobrogea SA	24.09%	170.4	1.2%
Top equity holdings		13,426.4	92.2%
Total equity holdings		13,696.6	94.0%
Net cash and receivables		872.9	6.0%
Total NAV		14,569.5	100.0%

Source: Fund Manager calculations

Hidroelectrica SA

Financial and operational results

RON million	2021 ¹	2022 ²	%	9M 2021 ³	9M 2022 ³	%
Revenues	6,501.3	9,121.1	+40.3%	4,688.7	6,883.3	+46.8%
Operating profit	3,478.0	4,762.0	+36.9%	3,115.7	4,143.6	+33.0%
EBITDA	4,668.6	5,853.7	+25.4%	3,612.8	4,647.0	+28.6%
Net profit	3,019.5	4,006.9	+32.7%	2,566.8	3,527.7	+37.4%
Dividends ⁴	2,830.9					

1. Individual audited IFRS financial statements

2. Based on preliminary Hidroelectrica's management data, on an individual basis

3. Based on Hidroelectrica's management data

4. Do not include the special dividends declared by Hidroelectrica

According to management, for the full-year 2022, on a stand-alone basis Hidroelectrica SA registered total costs with the windfall tax of RON 557.1 million as compared to RON 113.2 million in 2021 and registered total costs with turbinated water of RON 451.0 million, down 16.5% y.o.y driven by lower electricity production volume.

At the end of December 2022, the company's cash and equivalents position stood at RON 4.13 billion. At the same date, total interest-bearing debt amounted to RON 498.4 million as compared to RON 579.3 million at the end of December 2021. Over the period, operating cash-flow amounted to RON 4,511.7 million as compared to RON 3,952.9 million during 2021.

CAPEX carried out by the company over full year 2022 amounted to RON 194.1 million as compared to RON 829.3 million the previous year (out of which RON 635.2 million was related to the acquisition of Crucea Wind Park).

RON million	2021	2022	%	9M 2021	9M 2022	%
Total electricity sold (TWh)	17.11	14.33	-16.2%	14.1	10.6	-24.8%
Electricity sold out of own production (TWh)	16.51	13.25	-19.7%	13.6	10.0	-26.5%
Average realised electricity selling price (RON/MWh)	339.2	560.0	+65.1%	305.4	590.5	+93.4%

Source: based on Hidroelectrica's management data, on an individual basis

Significant GSM decisions

During 31 March 2022 GSM the shareholders approved the initiation of the listing of the company's shares on the Bucharest Stock Exchange following a secondary public offering of the company's shares held by the Fund.

During April 2022 GSMs, shareholders approved:

- the distribution of RON 2.83 billion as dividend out of the 2021 net profit and RON 1.00 billion as special dividend out of retained earnings. The deadline for the payment to shareholders was 27 June 2022 for the annual dividend and 30 September 2022 for the special dividend;
- the merger project for the absorption by Hidroelectrica SA of its fully owned subsidiaries Crucea Wind Farm and Hidroelectrica Wind Services. Crucea Wind Farm is the entity that owns Crucea Wind Park located in Constanta county, Romania, which has an installed capacity of 108 MW. Hidroelectrica Wind Services is an operations and maintenance entity, providing its services exclusively to Crucea Wind Farm. After the expiration of the legal deadline for third parties to file oppositions to the merger project, the merger through absorption was approved by shareholders on 18 August 2022 and became effective as of 31 December 2022.

Corporate governance

In October 2022, the shareholders approved the initiation of the selection process for the members of the Supervisory Board in accordance with the provisions of GEO no. 109/2011. The selection process is conducted by the Ministry of Energy with the assistance of an independent HR recruitment specialist. The selection process is ongoing. The deadline for submission of applications was on 20 February 2023.

On 7 December 2022, Mr. Andrei Gereu was appointed as interim member of the Directorate for a period of 4 months. Mr. Gereu replaced Mr. Radu Pop.

The 4-year mandate of all the seven members of the Supervisory Board appointed in 2019 expired on 5 February 2023. Subsequently, a new Supervisory Board with the same composition was appointed for an interim mandate of 4 months or until the finalisation of the selection process based on GEO no. 109/2011, in case it occurs before the expiration of the 4-months mandate period.

Following a court case initiated by one natural person in 2020, the Bucharest Court annulled, in April 2022, the recruitment procedure and the selection process that was carried out by the company during 10 April 2019 – 4 June 2019, for the selection of the 5 members of the Directorate. According to the decision, the company is obliged to issue a new decision for a new recruitment process. Hidroelectrica has appealed the Court decision. A ruling on the matter is expected in the next period.

ESG

According to the management, Hidroelectrica is aiming to publish its first separate Sustainability Report prepared in accordance with GRI Standards in 2023. Also, in line with best practices, the company is in the process of reviewing its sustainability strategy and objectives in its focus areas, in

the context of its overall business and development strategy. Up until now, Hidroelectrica has been publishing its non-financial statement, in line with the requirements of the EU Directive 2014/95/EU and the Romanian Ministry of Finance Order no. 1938/ 2016 and Order no. 2844/ 2016. The latest non-financial statements have been published by Hidroelectrica in June 2022 for the year 2021.

CN Aeroporturi Bucuresti SA

Financial and operational results

RON million	2021	2022 ¹	%	Budget 2022	Budget 2023	%
Operating revenue	578.0	999.5	+72.9%	750.1	1,118.9	+49.2%
Operating profit / (Loss)	40.8	280.1	>100%	59.3	288.3	>100%
Net profit / (Loss)	34.0	215.7	>100%	56.5	229.1	>100%
Dividends	-	43.4	n/a	-	121.3	n/a

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

1. Preliminary unaudited figures as reported in 2023 Budget

In the first 6 months of 2022 the financial results improved significantly on the back of traffic recovery. Number of passengers transiting the terminals reached 5.44 million, 2.8 times higher y.o.y., and 21% below pre-Covid levels.

Traffic in Q3 2022 reached the seasonal peak in August, at 1.4 million passengers per month. Thus, cumulated traffic in the first 9 months of 2022 continued the recovery trend to 9.4 million passengers, just 17% below pre-covid levels, and almost double y.o.y.

In Q4 2022, traffic was down by 8% compared to the same period from 2019, which was at a historical peak and just before the start of the pandemic. In 2022 traffic reached 12.6 million passengers, 14% below pre-pandemic levels. This was the main trigger for improved financial results, as preliminary 2022 net result stood at RON 215.7 million, up by six times compared to 2021.

Corporate governance

In July 2022, the company's Board appointed a new interim General Manager, Mr Sorin Radu Paun.

ESG

CN Aeroporturi Bucuresti SA does not publish sustainability reports.

Engie Romania SA

Financial results

RON million	2020	2021	%	Budget 2021	Budget 2022	%
Turnover	6,228.9	6,683.5	+7.3%	6,116.8	10,268.8	+67.9%
Operating profit/ (loss)	557.4	85.9	-84.6%	351.8	(150.6)	-142.8%
Net profit/ (loss)	492.8	69.9	-85.8%	315.9	(127.8)	-140.5%
Dividends ¹	149.5	-	-100%	-	-	-

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

1. Dividends are based on the separate financial statements

GSM

In the context of legislative changes introducing a governmental support scheme for the electricity and natural gas prices for the final consumers, the financing needs of Engie Romania increased significantly during second half of 2022 and the banks with whom the company already concluded financial agreements could not positively respond to increasing the limits in a timely manner. In this context, during the September 2022 GSM, shareholders approved a bridge loan from the Engie Group for a limit of EUR 100 million for 3 months, with the possibility of extending the limit and terms.

Corporate governance

In March 2022, the Ministry of Energy replaced one of its appointed board members: Mrs. Postica Diana was replaced by Mr. Ionut Stelian Micu for the remaining period of the mandate, respectively until 31 May 2025.

In May 2022, 3 new board members were appointed for the remaining period of the existing mandates, respectively until 31 May 2025, as follows: Mr. Constantin Stefan at the proposal of the Ministry of Energy, Mr. Vincent Philippe at the proposal of Engie and Ms. Simona Ochian at the proposal of Fondul Proprietatea.

Tariffs

The gas distribution tariffs for Engie's subsidiary Distrigaz Sud Retelele, operating in the gas distribution sector, were increased by ANRE in March 2022 on average by 7.3% compared to previous level, as follows:

Annual consumption (MWh)	Tariffs applicable starting 1 July 2021 (RON/MWh)	Tariffs applicable starting 1 April 2022 (RON/MWh)	Change (%)
between 0-280	30.13	32.32	7.3%
between 280-2,800	28.38	30.44	7.3%
between 2,800-28,000	27.05	29.02	7.3%
between 28,000-280,000	20.87	22.39	7.3%
higher than 280,000	10.53	11.30	7.3%
clients benefitting from proximity distribution tariff	5.00	5.36	7.2%

Source: ANRE Orders no. 44/15.06.2021, no. 39/29.03.2022

ESG

Engie Romania SA published on its website, www.engie.ro, its first sustainability report in July 2021, in accordance with GRI Standards, while Engie Group reports frequently on ESG issues and has a sustainability plan at parent company level (available on the company's website, www.engieimpact.com).

CN Administratia Porturilor Maritime SA

Financial and operational results

RON million	2021	2022 ¹	%	Budget 2022	Budget 2023	%
Operating revenue	418.9	493.3	+17.8%	489.2	542.3	+10.9%
Operating profit	140.6	128.6	-8.5%	84.2	91.4	+8.6%
Net profit	130.5	117.0	-10.3%	88.2	89.8	+1.8%
Dividends	33.3	29.4	-11.7%	23.8	23.2	-2.5%

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

1. Preliminary unaudited figures, as reported in 2023 Budget

H1 2022 results evince a rather flattish performance, as an almost symmetrical increase in revenues and costs. The increase in costs is mainly due to higher utilities costs, which are mostly passed through to the operators. Total traffic increased by 17% y.o.y. to 37.5 million tons, on the back higher volumes of crude oil, petroleum products, cereals, and iron-ore. Almost half of the incremental increase in volumes of 5.4 million tons was linked to Ukraine.

For 2022 traffic volumes reached an all-time high of 75.6 million tons, including one-off traffic triggered by the war in Ukraine (approx. 11.85 million tons). Management estimates that while revenues also jumped by 24%, profitability slightly deteriorated to RON 117 million.

Corporate governance

In August 2022, Mr Florin Vizan was appointed as interim General Manager.

Exposure to geopolitical events

As the war in Ukraine broke out in late February, naval shipments to the neighbouring country were practically blocked. According to the management of Constanta Port, volumes from Ukraine increased from 0.15 million tons in H1 2021 to 2.5 million tons in H1 2022.

GSM

During May 2022 GSM, shareholders approved the management proposal of a total dividend distribution of RON 33.3 million, out of which RON 6.6 million was paid to the Fund.

ESG

CN Administratia Porturilor Maritime SA does not publish sustainability reports.

Societatea Nationala a Sarii SA

Financial results

RON million	2021	2022 ¹	%	Budget 2022	Budget 2023 ²	%
Operating revenue	374.5	521.0	39.1%	506.4	597.5	18.0%
Operating profit	70.1	144.9	106.7%	97.3	143.9	47.9%
Net profit	60.2	141.7	135.4%	84.4	127.7	51.3%
Dividends	59.9	141.7	136.6%	84.4	127.7	51.3%

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

1. Preliminary unaudited figures

2. Subject to shareholders approval

Corporate governance

In January 2022 the majority shareholder replaced 3 Board members appointing Mr. Constantin Dan Dobrea, Mr. Cristi Sandu and Mr. Nicolae Cimpeanu as temporary board members. Fondul Proprietatea proposed and appointed Ms. Simona Ochian and Mr. Valeriu Ionita. The mandates entered into force on 2 February 2022 for a period of 4 months. The temporary mandates of the Board of Directors members were extended throughout 2022 by additional 2 and 4 month periods. Current mandate period is of 4 months lapsing on 6 June 2023.

In February 2022, Mr. Constantin Dan Dobrea replaced Mr. Emil Militaru as interim General Manager, while retaining his interim Board mandate.

In January 2023, shareholders approved the re-launch of the selection process for Board Members based on GEO no. 109/2011, with the selection procedure being conducted at the level of the Ministry of Economy.

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.

Enel Group companies

Financial and operational results

E-Distributie Banat SA

RON million	2020	2021	%	Budget 2021	Budget 2022	%
Operating revenue	556.8	593.5	+6.6%	546.5	893.0	+63.4%
EBITDA	151.7	58.2	-61.6%	163.4	107.0	-34.5%
Net profit/ (Loss)	38.6	(33.3)	-186.3%	36.0	(13.0)	-136.1%
Dividends	77.3 ¹	-	-100.0%	-	-	-

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

EBITDA computed as operating profit plus depreciation/amortization and adjusted for revenues/expenses from revaluation of tangible assets, provisions, impairment of tangible assets and subsidies, except the budget figures

¹As per 12 May 2021 GSM resolution, out of which RON 62 million represents special dividends

E-Distributie Muntenia SA

RON million	2020	2021	%	Budget 2021	Budget 2022	%
Operating revenue	968.2	1,038.7	+7.3%	939.4	1,463.0	+55.7%
EBITDA	250.9	168.1	-33.0%	328.7	264.0	-19.7%
Net profit/ (Loss)	111.8	55.8	-50.1%	115.9	48.0	-58.6%
Dividends	167.7 ¹	-	-100.0%	-	-	-

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

EBITDA computed as operating profit plus depreciation / amortization and adjusted for revenues / expenses from revaluation of tangible assets, provisions, impairment of tangible assets and subsidies, except the budget figures

¹As per 12 May 2021 GSM resolution, out of which RON 71.7 million represents special dividends.

E-Distributie Dobrogea SA

RON million	2020	2021	%	Budget 2021	Budget 2022	%
Operating revenue	530.1	554.8	+4.7%	525.8	846.0	+60.9%
EBITDA	166.2	86.9	-47.7%	183.1	119.0	-35.0%
Net profit/ (Loss)	53.7	11.5	-78.6%	58.4	15.0	-74.3%
Dividends	-	-	-	-	-	-

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

EBITDA computed as operating profit plus depreciation / amortisation and adjusted for revenues / expenses from revaluation of tangible assets, provisions, impairment of tangible assets and subsidies, except the budget figures

The table below contains information regarding Enel business in Romania, extracted from Enel S.p.A. H1 2022 financial results report for the global group, published on 28 July 2022.

Indicator	H1 2021	H1 2022	%
EBITDA - infrastructure and networks' segment (distribution) EUR million	51	(51)	-200.0%
EBITDA - retail segment (supply) EUR million	43	(115)	-367.4%
Electricity distributed by Enel subsidiaries (TWh)	7.8	7.8	-
End users (million)	3.0	3.1	+3.3%

Source: Enel S.p.A. H1 2022 financial results for the global group published on 28 July 2022

Enel S.p.A. published 9M 2022 operational and financial results for the global group on 3 November, as follows: the quantity of electricity distributed by Enel's subsidiaries in Romania slightly declined at 11.8 TWh, number of smart meters installed increased by 20% y.o.y, while the number of end users remained flat compared to H1 2022 at 3.1 million (+3.3% compared to the same period of 2021).

Distribution tariffs

According to the ANRE orders, the specific electricity distribution tariffs for the companies in the Fund's portfolio operating in power distribution sector, applicable starting with 1 April 2022, compared to those applicable starting 1 January 2022 and 1 January 2021, are the following:

Company	Voltage level	Tariffs applicable starting				
		1 January 2021 (RON/MWh)	1 January 2022 (RON/MWh)	Change (%)	1 April 2022 (RON/MWh)	Change (%)
E-Distributie Banat	High	15.51	15.98	3.03%	17.90	12.02%
	Medium	38.27	43.05	12.49%	51.01	18.49%
	Low	107.81	117.71	9.18%	147.89	25.64%
E-Distributie Dobrogea	High	20.17	21.00	4.12%	26.36	25.52%
	Medium	42.80	48.01	12.17%	59.71	24.37%
	Low	135.17	141.99	5.05%	173.28	22.04%
E-Distributie Muntenia	High	10.41	11.37	9.22%	12.56	10.47%
	Medium	34.55	39.43	14.12%	45.71	15.93%
	Low	112.22	119.07	6.10%	143.96	20.90%

Source: ANRE Orders no. 217/09.12.2020, 218/09.12.2020, 219/09.12.2020, 121/25.11.2021, 122/25.11.2021, 123/25.11.2021, 30/23.03.2022, 31/23.03.2022 and 32/23.03.2022

Corporate governance

In July 2022, Mr. Laurentiu Cazacu resigned from the position of board member of E-Distributie Muntenia SA, and shareholders appointed Mrs. Andreea Apostu as a new board member, based on SAPE's recommendation.

In May 2022, Mr. Popescu Alexandru's mandate as board member of E-Distributie Dobrogea SA expired and shareholders voted him for a new mandate. Mrs. Valerica Draniceanu's mandate as board member of E-Distributie Dobrogea SA expired and Mr. Ion Gabriel Grozavu was appointed by shareholders as a new board member. Both appointments were based on SAPE's recommendation.

ESG

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

Bankruptcies, insolvencies and reorganisations

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

- Gerovital Cosmetics SA (sole registration code 334493) is a company under bankruptcy procedure starting with 6 January 2010, according to the decision issued by the Bucharest Court related to the file 22491/3/2007;
- Romplumb SA (sole registration code 2206334) is a company under bankruptcy procedure starting with 15 September 2017, according to the decision issued by the Maramures Court related to the file 729/100/2012;
- Simtex SA (sole registration code 324490) is a company under judicial reorganisation procedure starting with 10 December 2008, according to the decision issued by the Bucharest Court related to the file 5768/3/2008;
- Salubriserv SA (sole registration code 7774360) is a company in judicial reorganisation procedure according to the decision issued by the Mures Court related to the file 108/1371/2015 on 22 December 2016;
- World Trade Center Bucharest SA (sole registration code 364354) is a company under insolvency procedure starting with 8 June 2010, according to the decision issued by the Bucharest Court related to the file 45619/3/2011.

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

Energy Sector

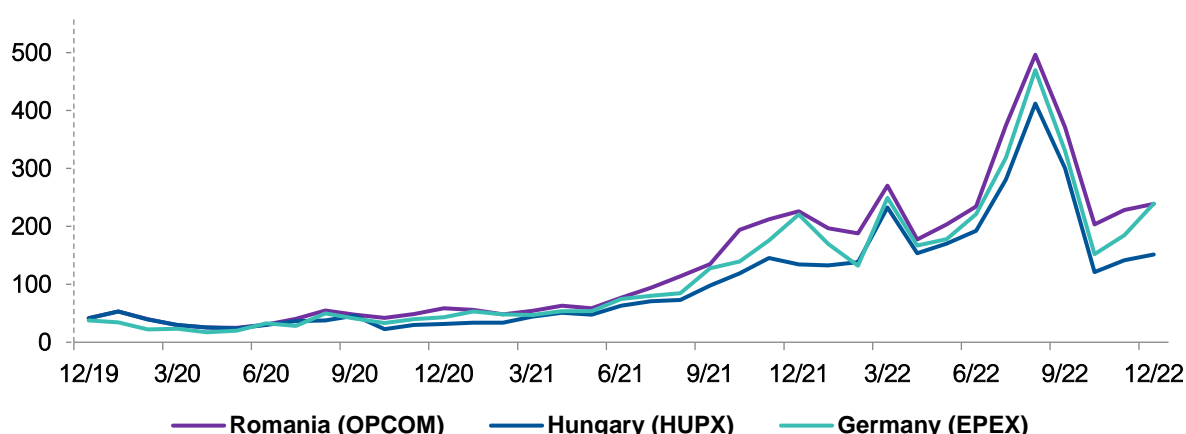
Energy market developments

As per currently available information from the grid operator, national electricity consumption decreased by 12% y.o.y. in Q4 2022, while national production decreased by 4%. Romania switched to being a net power exporter in Q4 2022, from net importer in Q3 2022.

As per OMV Petrom's estimates, national gas consumption significantly decreased by approximately 22% compared to Q4 2021, the lowest level for a fourth quarter so far in the last two decades, from a reduced end user consumption impacted by high prices and warm weather.

On the Romanian centralised markets, the weighted average price of natural gas for transactions with medium and long-term standardised products concluded in Q4 2022, irrespective of delivery period was RON 568/MWh (Q4 2021: RON 398/MWh). The average price for the quantities delivered during the quarter was RON 364/MWh (Q4 2021: RON 259/MWh). Regarding short-term deliveries, on BRM day-ahead market, the average price in Q4 2022 was RON 458/MWh (Q4 2021: RON 446/MWh).

Electricity prices (EUR/MWh)



Source: Bloomberg

Energy resources (thousand tonnes barrels of oil equivalent)

	January – December 2022			January – December 2021			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	3,459.0	3,066.6	392.4	3,479.1	3,007.1	472.0	-0.6%	+2.0%	-16.9%
Crude oil	11,629.2	2,924.5	8,704.7	9,927.1	3,103.7	6,823.4	+17.1%	-5.8%	+27.6%
Usable natural gas	9,394.4	7,133.7	2,260.7	10,038.1	7,211.4	2,826.7	-6.4%	-1.1%	-20.0%
Hidro. nuclear. & import energy	5,427.2	4,692.0	735.2	5,659.6	4,961.8	697.8	-4.1%	-5.4%	+5.4%
Import oil products	3,191.1	-	3,191.1	4,015.6	-	4,015.6	-20.5%	-	-20.5%
Others	390.9	-	390.9	562.8	-	562.8	-30.5%	-	-30.5%
Total resources	33,491.8	17,816.8	15,675.0	33,682.3	18,284.0	15,398.3	-0.6%	-2.6%	+1.8%

Source: National Institute of Statistics

Energy market regulatory environment

Updates on the regulatory requirements in the energy sector

GEO no. 108/2022 related to the decarbonisation of the energy market, which entered into force on 1 July 2022, foresees gradual shutdown of the lignite and coal power plants by 2030, while allowing for temporary closure postponement in case of an energy crisis.

GEO no. 108/2022 was further modified on 16 December 2022 through Law no. 334/2022. According to Law no. 334/2022 the total installed capacity of lignite and coal-fired electricity that will be phased out of service by 2032 at the latest is 4,920 MW, of which 3,780 MW by the end of 2025.

The energy capacities based on coal and lignite remaining available on 31 December 2021 are gradually taken out of operation and can be transferred to the technical reserve at the disposal of the national energy dispatcher, as follows:

- a) by the end of 2022, 660 MW of lignite-based electricity production capacity;
- b) by the end of 2025, another 1,425 MW of remaining lignite-based electricity production capacities;
- c) until the end of 2032 at the latest, additional electricity production capacities based on lignite and coal of 1,140 MW.



Windfall tax

In the context of high energy price, the electricity sector was subject to several forms of windfall taxation throughout 2022. Initially, between 1 November 2021 and 31 March 2022, Law no. 259/2021 introduced for electricity producers the taxation at an 80% rate of the additional revenues resulting from the difference between the average monthly selling price and RON 450 per MWh.

Subsequently, GEO no. 27/2022 extended the timeline of the windfall tax until 31 March 2023 while keeping the 80% tax rate and the RON 450/MWh reference rate unchanged.

Starting 1 September 2022, GEO no. 119/2022 extended the timeline for the windfall tax until 31 August 2023, increased the windfall taxation rate on electricity producers to 100% (from 80% previously) and broadened the scope of the windfall tax to electricity and gas traders on the wholesale market and to import/ export and intra-EU electricity transactions.

Law no. 357/2022 for the approval of GEO no. 119/2022, which entered into force on 16 December 2022, further extended the application of the windfall taxation until 31 March 2025.

a) Electricity producers

For electricity producers, the monthly additional revenues subject to the windfall taxation are calculated based on the average realized price above RON 450/ MWh multiplied by the volume of electricity sold. In the computation of the average price, certain expenses are subtracted from revenues (e.g. costs with electricity purchased in the market, costs with carbon allowances, grid access costs, financing costs). Starting with 1 January 2023, in the computation of the average price the costs with electricity purchased for imbalances is limited to only 5% of the value of the production sold.

Cogeneration plants supplying public heating services and production capacities commissioned after 1 April 2022 are exempted from the windfall taxation.

b) Electricity traders - limitation of profits to 2% for trading activities

Starting with 1 September 2022 electricity and natural gas producing entities, aggregated electricity producing entities, electricity and natural gas traders, electricity and natural gas suppliers and independent electricity aggregators have the obligation to pay a contribution to the Fund for Energy Transition for trading activities. Based on the formula for calculating the contribution to the Fund for Energy Transition, the profit resulting from trading activities is capped at 2%.

Caps for end-consumers prices

Throughout 2022, the Government implemented several support schemes and price caps at the level of electricity and gas end-consumers, key legislation pieces being represented by GEO no. 118/2021 related to the compensation scheme for consumption of electricity and natural gas for the cold season 2021-2022 (i.e. between 1 November 2021 and 31 March 2022), Law no. 259/2021 for the approval of GEO no. 118/2021 and GEO no. 3/2022 which further amended GEO no. 118/2021.

Starting with 1 April 2022, the price caps at the level of electricity and gas end-consumers were implemented through GEO no. 27/2022 which was subsequently amended by several normative acts, most notably by GEO no. 119/2022 which extended the duration of the price caps at the level of electricity and gas end-consumers from 31 March 2023 until 31 August 2023 and Law no. 357/2022 for the approval of GEO no. 119/2022 which among other adjustments further extended the duration of price-capping measures until 31 March 2025.

Between 1 January 2023 and 31 March 2025 the following price caps apply at the level of the end-consumers:

Electricity supply	Maximum invoiced price (VAT included)
Households (monthly consumption less than 100 KWh and households in other special circumstances specified by the law)	RON 0.68 / KWh
Households (monthly consumption less than 255 KWh)	RON 0.80 / KWh
Households (monthly consumption between 255 KWh and 300 KWh)	RON 0.80/ KWh for the first 255 KWh and RON 1.3 / KWh for the rest
Households (monthly consumption above 300 KWh)	RON 1.0 / kWh
Non-household consumers ¹	RON 1.0/ KWh for 85% of consumption and up to RON 1.3/ KWh for the rest of monthly consumption
Public and private hospitals as defined by Law no. 95/2006	RON 1.0 / KWh
Other household and non-household consumers not covered above	RON 1.3 / KWh
Gas supply	Maximum invoiced price (VAT included)
Households	RON 0.31 / KWh
Non-household consumers with an annual consumption of up to 50.000 MWh and heat producers	RON 0.37 / KWh

Source: Law no. 357/2022

1. Includes SMEs, certain regional public utility service providers and public authorities, Bucharest Underground service Metrorex, airports under the Ministry of Transport, companies in the food sector, agriculture and pisciculture (NACE Code 01 and 03).

Based on the existing legislation, the supply component is capped at RON 73/ MWh for power and RON 12/ MWh for natural gas respectively, with the component 10% higher for suppliers of last resort.

As an exception, based on Law no. 357/2022, in case of electricity producers who are transferring electricity from the production portfolio to the supply portfolio the capped price is either the contractual price in case it is lower than the price caps or the maximum price cap for each category of consumers.

The value resulting as a product between the quantity of electricity billed to final customers, beneficiaries of the support scheme established by the Government, and the positive difference between average purchase price of active electricity recorded by electricity suppliers and the value of the active electricity invoiced to end-consumers by the same electricity suppliers is compensated to suppliers from the state budget.

According to GEO no. 119/2022, the maximum weighted average price of electricity used by ANRE to calculate the amounts compensated from the State Budget and paid to electricity suppliers is RON 1,300 / MWh.

Regulated domestic wholesale gas price for natural gas producers

Based on the provisions of GEO no. 27/2022 as subsequently amended natural gas producers have been obliged to sell part of their production at regulated prices.

According to the latest legislative provisions enacted through GEO no. 119/2022 and Law no. 357/2022 in the period 1 September 2022 – 31 March 2025, natural gas producers have the obligation to sell at a price of RON 150/MWh, the volumes of natural gas used for the production of thermal energy in the cogeneration plants and in the thermal power plants for population consumption.

Also, for the period 1 April 2023 – 31 March 2025, natural gas producers have the obligation to sell at a price of RON 150/MWh, the necessary quantities of natural gas resulting from the current domestic production activity to the transport and system operator Transgaz and to the gas distribution operators in order to cover 75% of the gas quantity for technological consumption.

For the household and heating producers' volumes, the producers are exempt from the payment of the windfall tax.

The centralized electricity acquisition mechanism

Through GEO no. 153/2022, adopted on 11 November 2022, the Government introduced from 1 January 2023 until 31 March 2025 the centralised electricity acquisition mechanism at the regulated price of RON 450/MWh.

According to GEO no. 153/2022, the electricity producers in scope of the regulation would have to sell based on an annual and monthly centralised acquisition mechanism the available production to the electricity and natural gas market operator OPCOM at the above-mentioned regulated price. In the same time, OPCOM would sell at the same price of RON 450/MWh the electricity purchased through the centralised acquisition mechanism to the supply companies who have end-consumer portfolios and to the electricity transport operator Transelectrica and to the electricity distribution operators for covering their grid losses. The electricity producers from renewable sources benefiting from support schemes such as wind and solar, the cogeneration plants and the production capacities commissioned after 1 April 2022 are exempted from the obligation to sell to OPCOM.

Measures regarding sale of energy to Republic of Moldova

Government issued GEO no. 138/2022 amending GEO no. 119/2022 by temporary introducing the requirement to conclude bilateral contracts, within the limits of available quantities, giving priority to traders/ suppliers appointed by to the Government of the Republic of Moldova at a set price of RON 450/MWh.

Regulated transport and distribution tariffs

According to the provisions of GEO no. 119/2022, as subsequently amended by Law no. 357/2022, for licensed economic operators, providers of electricity and natural gas transport and distribution services, the additional costs of purchasing electricity and natural gas, made between 1 January 2022 and 31 August 2025, in order to cover own technological consumption and, respectively, technological consumption, compared to the costs included in the regulated tariffs, are capitalised quarterly. The capitalised costs are recognised in the regulated tariffs in compliance with the cost recognition criteria provided in the ANRE methodologies.

Capitalised costs shall be amortised over a period of 5 years from the date of capitalisation and are remunerated with 50% of the RRR approved by the ANRE, applicable during the amortisation period of the respective costs and recognised as a distinct component. The resulting assets are recognised in the accounting records and in the annual financial statements of the distribution operators, according to the instructions developed by the Ministry of Finance.

On 19 October 2022, ANRE's methodology for capitalising the cost difference related to the own technological consumption for the period 2022-2023 was published in the Official Gazette of Romania.

Other regulations

According to ANRE Order no. 1/ 20 January 2021 and Order no. 3/ 20 January 2021, starting with 1 February 2021, the regulator allows the following, until the 4th regulatory period ends (2019 - 2023), for electricity and gas distribution companies:

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

Corporate Strategy

Distributions to shareholders

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 in force as at 31 December 2022 is included in full in Annex 8 to this report.

Active distributions to shareholders

During the 15 December 2021 GSM, the Fund's shareholders approved the distribution of a special gross dividend of RON 0.060 per share from the remaining balance of 2019 unallocated profits, with Ex-date 27 January 2022. The payment started on 18 February 2022.

On 20 April 2022, the shareholders approved the distribution of a gross dividend of RON 0.1250 per share, with Ex-date on 2 June 2022. The Fund started the payment of dividends on 27 June 2022.

The table below presents information regarding all the Fund's active distributions to shareholders.

Distribution	Date of GSM approval	Value (RON per share)	Ex-date	Registration date	Payment date	General statute of limitation	Last payment date
2020 Annual Dividend Distribution	28 Apr 2020	0.0642	9 Jun 2020	10 Jun 2020	1 Jul 2020	3 years	1 Jul 2023
2021 First Special Dividend Distribution	28 Apr 2021	0.0720	27 May 2021	28 May 2021	22 Jun 2021	3 years	22 Jun 2024
2021 Second Special Dividend Distribution	16 Jul 2021	0.0700	5 Aug 2021	6 Aug 2021	27 Aug 2021	3 years	27 Aug 2024
2021 Third Special Dividend Distribution	15 Dec 2021	0.0600	27 Jan 2022	28 Jan 2022	18 Feb 2022	3 years	18 Feb 2025
2021 Annual Dividend Distribution	20 Apr 2022	0.1250	2 Jun 2022	3 Jun 2022	27 Jun 2022	3 years	27 Jun 2025

Source: Fondul Proprietatea internal records

Important notice to shareholders

All dividend payments presented in the table above are subject to the general statute of limitation. As such, shareholders may request the payment only within a three-year term starting with the Payment Date, namely by the date mention in the last column of the table.

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).

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 ¹	Status of distribution payment (%)	Deadline for distribution collection by shareholders
2007 Dividend	2008	89,997,678	0.00660	13,644,179,910		30 Jun 2012 (Status of limitation occurred)
2008-2009 Dividend (aggregate)	2010	1,124,316,804	0.08160	13,778,392,208		11 Oct 2013 (Status of limitation occurred)
2010 Dividend	2011	432,729,046	0.03141	13,776,792,208		30 Jun 2014 (Status of limitation occurred)
2011 Dividend	2012	507,658,517	0.03854	13,172,250,055		30 Jun 2015 (Status of limitation occurred)
2012 Dividend	2013	536,437,206	0.04089	13,119,031,695		28 Jun 2016 (Status of limitation occurred)
Distribution - Return of capital	2014	601,325,852	0.05000	12,026,517,031		25 Jul 2017 (Status of limitation occurred)
Distribution - Return of capital	2015	534,322,868	0.05000	10,686,457,366		29 Jun 2018 (Status of limitation occurred)
Distribution - Return of capital	2016	516,886,344	0.05000	10,337,726,877		27 Jun 2019 (Status of limitation occurred)
Distribution - Return of capital	Mar 2017	480,543,496	0.05000	9,610,869,928		27 Sep 2020 (Status of limitation occurred) ²
Distribution - Return of capital	Jun 2017	443,502,747	0.05000	8,870,054,948		27 Sep 2020 (Status of limitation occurred) ²
2017 Dividend	Jun 2018	499,976,344	0.06780	7,374,282,346		29 Jun 2021 (Status of limitation occurred)
2018 Dividend	Jul 2019	642,318,808	0.09030	7,113,165,099		1 Jul 2022 (Status of limitation occurred)
2019 Dividend	Jul 2020	417,965,383	0.06420	6,510,364,222	97.8%	1 Jul 2023
2021 First Special dividend	Jun 2021	427,147,747	0.07200	5,932,607,596	97.2%	22 Jun 2024
2021 Second Special dividend	Aug 2021	413,480,183	0.07000	5,906,859,764	97.1%	27 Aug 2024
2021 Third Special Dividend	Feb 2022	351,240,772	0.06000	5,854,012,863	97.0%	18 Feb 2025
2021 Dividend	Jun 2022	774,290,893	0.12500	6,194,326,989	96.1%	27 Jun 2025

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

Buy-back programmes

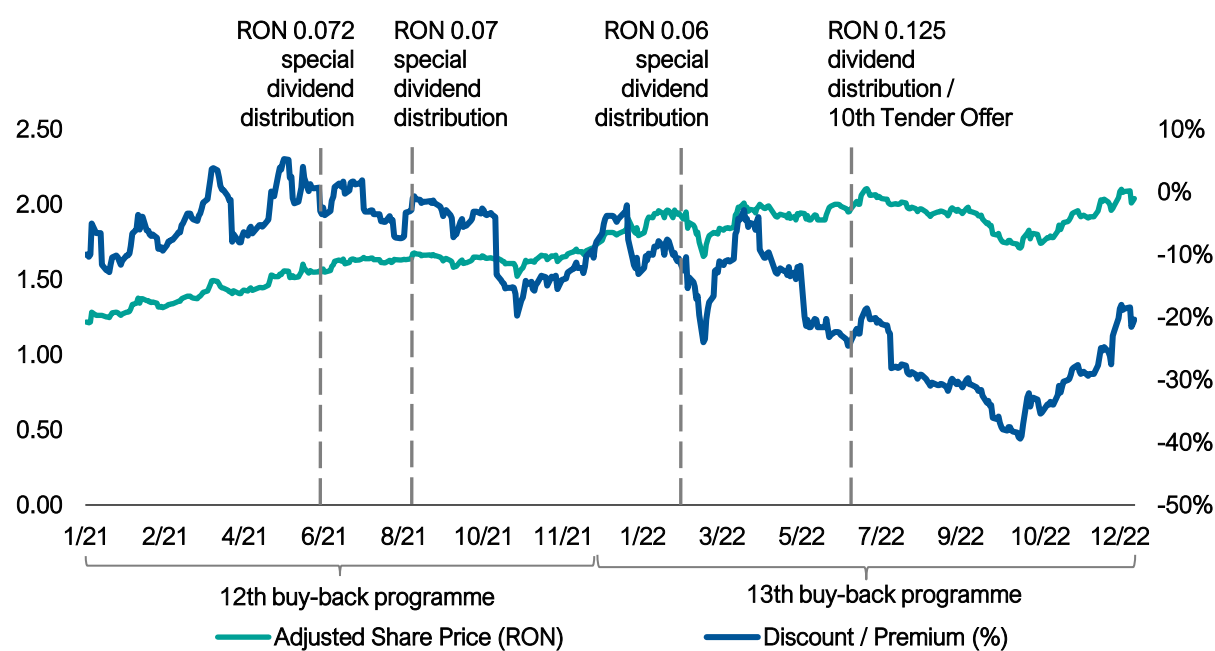
Overview of share buy-back programmes

Programme	Period	No. of shares (million)	Tender offer	Status
First	May – Sep 2011	240.3	N/A	Completed
Second	Apr – Dec 2013	1,100.9	Oct – Nov 2013	Completed
Third	Mar – Jul 2014	252.9	N/A	Completed
Fourth	Oct 2014 – Feb 2015	990.8	Nov – Dec 2014	Completed
Fifth	Feb – Jul 2015	227.5	N/A	Completed
Sixth	Sep 2015 – Sep 2016	891.7	Aug – Sep 2016	Completed
Seventh	Sep 2016 – May 2017	830.2	Feb – Mar 2017	Completed
Eight	May – Nov 2017	141.9	N/A	Completed
Ninth	Nov 2017 – Dec 2018	1,488.0	Jan – Feb 2018	Completed
Tenth	Jan – Dec 2019	403.8	Jul – Aug 2019	Completed
Eleventh	Jan – Dec 2020	798.0	Jan – Mar 2020 / Jul – Sep 2020 / Oct – Dec 2020	Completed
Twelfth	Jan - Dec 2021	194.4	N/A	Completed
Thirteenth	Jan – Dec 2022	549.0	May – Jun 2022	Cancellation in progress ¹
Fourteenth	Jan – Dec 2023	-	N/A	Approved during 15 Nov 2022 GSM
Total		8,109.4		

Source: Fondul Proprietatea internal records

1. Last trade date on 30 Dec 2022. Cancellation of shares pending approval during April 2023 GSM

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



Source: Bloomberg for Adjusted Share Price (price adjusted with cash distributions), Fund Manager 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

The table below shows a summary of the buy-back programmes during 2022:

Progr.	Description	No of shares	Equivalent shares of GDRs	Total no of shares	% of issued share capital ²
12 th	Balance at 1 Jan 2022	193,776,054	595,700	194,371,754	
	Conversions	595,700	(595,700)	-	
	Cancellations	194,371,754	-	194,371,754	
	Balance at 31 Dec 2022	-	-	-	
	Weighted average price³	RON 1.7017	USD 20.1058	RON 1.6878	
13 th	Balance at 1 Jan 2022	-	-	-	
	Acquisitions	460,629,885	88,389,200	549,019,085	
	Conversions	84,165,950	(84,165,950)	-	
	Balance at 31 Dec 2022	544,795,835	4,223,250	549,019,085	8.8%
	Weighted average price³	RON 2.1057	USD 22.4682	RON 2.1078	
All	Total balance at 31 Dec 2022	544,795,835	4,223,250	549,019,085	8.8%

Source: Fund Manager 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 12th buy-back programme (implemented during 2021)

The 12th buy-back programme has been finalised on 31 December 2021. During the 20 April 2022 EGM, the Fund's Sole Director proposed, and the shareholders approved the cancellation of the 194,371,754 treasury shares repurchased through the 12th buy-back programme. All the related legal and regulatory steps for the cancellation of shares were finalised on 19 October 2022.

The 13th buy-back programme (implemented during 2022)

During the 15 December 2021 GSM, the shareholders approved the 13th buy-back programme for a maximum number of 800,000,000 shares and/ or equivalent GDRs corresponding to shares, starting with 1 January 2022 until 31 December 2022, at a price between RON 0.2 per share and RON 2.5 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 13th buy-back programme started on 31 January 2022 and the last trade took place on 30 December 2022.

During the 21 April 2023 Annual GSM, the Fund's Sole Director proposed the cancellation of the treasury shares repurchased within the 13th buy-back programme.

Tender Offer within the 13th buy-back programme

On 29 March 2022, the Fund submitted to the FSA an application for the endorsement of a tender offer to accelerate the 13th buy-back programme.

The daily execution of buy-backs for both shares on BVB and GDRs on LSE was suspended starting with 14 March 2022.

The Fund selected Swiss Capital SA together with Auerbach Grayson as agents and Swiss Capital SA as intermediary in relation to the purchase of shares, and The Bank of New York Mellon as tender agent in relation to the GDR purchases.

On 11 May 2022, the FSA approved the Fund's application for the public tender offer. The purchase price was RON 2.19 per share and the USD equivalent of RON 109.50 per GDR, and the subscription period was from 18 May to 24 June 2022.

On 24 June 2022, the Fund Manager announced the results of the tender offer: total subscriptions of 1,358,016,097 shares representing 417.8511% of the Offer (1,105,449,747 were subscribed in the form of shares and 252,566,350 shares in the form of GDRs, namely 5,051,327 GDRs).

Under the tender offer, the Fund repurchased 325,000,000 shares (264,555,900 in the form of shares and 60,444,100 shares in the form of GDRs, namely 1,208,882 GDRs) at a purchase price of RON 2.19 per share and the USD equivalent of RON 109.50 per GDR, computed in accordance with the terms and conditions of the Tender Offer Documentation. The shares' Trade Date was 27 June 2022, and the settlement/ payment date was 29 June 2022 for both shares and GDRs.

The daily execution of the 13th buy-back programme resumed on 4 July 2022 on both BVB and LSE.

The 14th buy-back programme (to be carried out during 2023)

The 14th buy-back programme to be implemented during 2023 was approved by shareholders during the 15 November 2022 GSM, for a total number of 3,500 million shares in the form of ordinary shares and GDRs, at a price that cannot be lower than RON 0.2 per share, or higher than RON 3.0 per share.

The Fund selected Auerbach Grayson in consortium with Swiss Capital to provide brokerage services for the programme. The Fund is allowed to buy back daily up to 25% of the average daily volume of the Fund's shares (in the form of ordinary shares or GDRs) on the regulated market on which the purchase is carried out, calculated in accordance with the applicable law. The duration of the 14th buy-back programme is 1 January 2023 – 31 December 2023.

Please see *Subsequent events* section for more details regarding the ongoing tender offer process in respect of the 14th buy-back programme.

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

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

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

A negative equity element arises upon cancellation of the shares acquired in a buy-back programme, where the acquisition price is higher than the nominal value, but this does not generate an additional shareholder's equity decrease. At the cancellation date, only a reallocation between the equity

accounts is booked, without any impact on profit or loss and without generating additional shareholders' equity decrease (the decrease is recorded at share acquisition date).

Article 75 from Norm no. 39/2015 mentions that the negative balance arising on the cancellation of equity instruments may be covered from the retained earnings and other equity elements, in accordance with the resolution of the GSM.

As at 31 December 2022, 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 13 impact on equity during 2022	All amounts in RON
Acquisition cost at trade price (excluding transaction costs)	1,157,219,004
Total costs directly related to transaction, out of which:	37,115,984
Distribution fees paid to the Sole Director in relation with the buy-backs performed ¹	27,866,008
FSA fees	7,351,853
Stock Exchange fees (BVB and LSE)	1,390,647
Brokerage fees	231,782
Legal advisory fees	184,202
Central Depository fees	82,447
Other professional fees	9,045
Total impact on equity of buy-back programme 13 during 2022	1,194,334,988

Source: Fund Manager 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 20 April 2022 Annual GSM, the shareholders approved the coverage of the negative reserves in amount of RON 671,941,938 related to the 11th buy-back programme using the other reserves set up for this purpose as per the decision taken in the 2021 Annual GSM.

During the same GSM shareholders approved the cancellation of the 194,371,754 treasury shares repurchased within the 12th buy-back programme, and also the allocation of RON 230,576,693 from the 2021 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 2022:

Movement in negative reserve	All amounts in RON
Opening balance of the negative reserve as at 1 January 2022 (audited)	671,941,938
Coverage of negative reserves according with GSM Resolution no. 5/ 20 Apr 2022	(671,941,938)
Negative reserve arising on the cancellation of 12 th buy-back programme shares (recorded on 19 October 2022) according to EGM Resolution no. 1/ 20 Apr 2022	230,576,693
Closing balance of the negative reserve at 31 December 2022 (audited)	230,576,693

Source: Fund Manager calculations

The table below shows details on the estimated negative reserve that will arise upon the cancellation of the treasury shares in balance at 31 December 2022:

Negative reserve to arise on cancellation of the treasury shares in balance as at 31 December 2022		Buy-back programme 13
Number of shares to be cancelled	(1)	549,019,085
Total costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	1,194,334,988
Correspondent nominal value (NV = RON 0.52 per share) (RON)	(3)=(1)*NV	285,489,924
Estimated negative reserve to be booked on cancellation (RON)	(4)=(3)-(2)	(908,845,064)

Source: Fund Manager calculations

The estimated negative reserve in amount of RON 908,845,064 (please see table above) corresponding to the treasury shares subject to the cancellation proposal, will be recorded only after all legal and regulatory steps related to the cancellation are completed (e.g. FSA endorsement, registration with the Trade Registry, etc.).

During the 21 April 2023 Annual GSM, the Fund's Sole Director proposed the cancellation of the 549,019,085 treasury shares repurchased within the 13th buy-back programme and also recommended shareholders to allocate RON 908,845,064 from 2022 accounting profit to other reserves in order to be available for covering the related negative reserve. The actual coverage of this negative reserve using the amount of RON 908,845,064 transferred to other reserves will be subject to shareholders' approval during the annual shareholders' meeting subsequent to the completion of all cancellation steps.



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 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Current accounts ¹	73.8	78.9	137.6	87.7	68.2
Bank deposits	912.6	279.5	121.1	636.2	347.4
Treasury bills and government bonds	-	-	178.5	321.7	77.1
Dividend receivables	-	-	229.8	-	-
Total liabilities	(114.4)	(106.1)	(217.7)	(115.6)	(448.4)
Liquid assets less liabilities	872.0	252.3	449.3	930.0	44.3
Net Assets Value	14,569.5	15,433.3	16,327.3	14,535.9	13,244.6
% Liquid assets less liabilities in NAV	6.0%	1.6%	2.8%	6.4%	0.3%

Source: Fund Manager calculations

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

The total liabilities position as at 31 December 2021 was higher due to the recording of the February 2022 dividend payable amount following the shareholders' approval of a RON 0.0600 per share gross dividend distribution during the 15 December 2021 GSM.

The liquid assets decreased during the year mainly as a result of the June 2022 dividend distribution and following the cash outflows for the 13th buy-back programme, including the Tender Offer in June.

The most important cash inflows are related to the collection of dividend receivables from portfolio companies and of the proceeds from the sale of OMV Petrom shares within the ABB offerings in January and December 2022.

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 2022 was 0.85% and including transaction related expenses this was 0.98% (31 December 2021: 0.87% and including transaction related expenses this was 0.87%).

The **Total Expense Ratio** of the Fund recorded the same value as OCR for both 31 December 2022 (0.85%) and 31 December 2021 (0.87%).

The total transaction costs recorded by the Fund are higher in 2022 as a result of the costs related to the two ABB offerings for OMV Petrom shares in January and December 2022 as well as due to the costs recorded with the two ongoing listing projects - Hidroelectrica SA and Societatea Nationala a Sarii SA.

Performance fees

According to the Management Agreement in force during the period 1 April 2020 – 31 March 2022, in certain conditions detailed below a Performance fee become payable by the Fund to the AIFM.

- For each day in a calculation period when the share price discount¹ to NAV was below or equal to 20%, but above 15%, an additional Base Fee Rate of 5 basis points per year becomes payable (i.e. the Base Fee Rate becomes 65 basis points instead of 60 basis points per year for the applicable days in the relevant period);
- For each day in a calculation period when the share price discount¹ to NAV is equal to or below 15%, a further additional Base Fee Rate of 5 basis points per year becomes payable (i.e. the Base Fee Rate becomes 70 basis points instead of 60 basis points per year for the applicable days in the relevant period).

The Performance fees recorded by the Fund because of the Fund's share price discount to NAV lowering below 20%/ 15% in certain trading days are detailed in the table below:

All amounts in million RON	Year ended 31 December 2022	Year ended 31 December 2021
Total Performance fee during the period	2.7	10.1
Total NAV at the end of the period	14,569.5	13,244.6
% Total Performance fee in NAV	0.02 %	0.08 %

Source: Fund Manager calculations

The performance fee was applicable until 31 March 2022. There is no performance fee applicable under the FTIS mandate that started on 1 April 2022.

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

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 2022, 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. 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 2022. The analysis presents the main developments during 2022, for more details regarding the comparative amounts from previous period, please see the corresponding section in *Annex 1 Audited IFRS Financial Statements*.

Statement of Financial Position

RON million	31 December 2022 Audited	31 December 2021 Audited	31 December 2020 Audited	31 Dec 2022 vs. 31 Dec 2021 (%)
Cash and current accounts	73.8	68.2	34.4	+8.2%
Deposits with banks	912.6	347.4	660.0	+162.7%
Government bonds	-	77.1	380.3	-100.0%
Equity investments	13,696.6	12,577.7	9,246.7	-8.9%
Non-current assets held for sale	-	1,135.2	-	-100.0%
Other assets	0.6	0.3	0.6	+100.0%
Total assets	14,683.6	14,205.9	10,322.0	+3.4%
Payables	27.3	38.8	19.8	-29.6%
Other liabilities	86.8	409.6	35.3	-78.8%
Total liabilities	114.1	448.4	55.1	-74.6%
Total equity	14,569.5	13,757.5	10,266.9	+5.9%
Total liabilities and equity	14,683.6	14,205.9	10,322.0	+3.4%

Source: Audited IFRS financial statements of the Fund

The **liquid assets** of the Fund during 2022 included term deposits with banks, and 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 liquid assets increased with RON 493.7 million at the end of 2022. Most important inflows relate to the proceeds from disposal of shares in OMV Petrom SA (RON 1,781.9 million) and net dividends received (RON 928.2 million), partially offset by the dividends paid net of withholding tax (RON 1,074.3 million) and the amounts paid for the acquisition of treasury shares (RON 1,146.6 million).

Payables and **Other liabilities** decreased compared to 31 December 2021 mainly due to the payments made during the period in respect of the dividend distribution with payment date 18 February 2022, to shareholders and State budget for the related withholding tax.

The net increase in **equity investments** of RON 1,118.9 million during 2022 was mainly generated by the increase in the fair value of Hidroelectrica SA (RON 2,107.9 million); this was partially offset by the disposal of the entire stake of the Fund in OMV Petrom SA (RON 842.6 million) and the decrease in the fair value of Enel companies (RON 141.2 million) and Engie Romania SA (RON 82.0 million).

Capital Expenditure

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 2022 the total capital expenditure costs of the Fund amount to RON 53.7 thousand and includes the updates to the accounting and reporting software, following the finalisation of the Fund's registration process as an AIF with the FSA.

Statement of Comprehensive Income

RON million	2022 Audited	2021 Audited	2020 Audited
Net unrealised gain/ (loss) from equity investments at fair value through profit or loss	1,961.5	4,455.7	(1,103.2)
Gross dividend income	934.9	655.1	1,218.7
Net gain/ (loss) from other financial instruments at fair value through profit or loss	250.2	(4.5)	(0.6)
Net realised loss from non-current assets held for sale	(157.0)	-	-
Net realised loss from equity investments at fair value through profit or loss	(117.7)	-	(142.6)
Interest income	25.1	13.7	14.0
Other income, net ¹	4.40	5.4	3.6
Net operating income/ (loss)	2,901.4	5,125.4	(10.1)
Administration fees recognised in profit or loss	(79.4)	(84.0)	(55.2)
Other operating expenses	(45.8)	(22.6)	(27.1)
Operating expenses	(125.2)	(106.6)	(82.3)
Finance costs	(0.1)	(0.1)	(0.1)
Profit/ (Loss) before income tax	2,776.1	5,018.7	(92.5)
Withholding tax on the dividend income	(6.7)	(6.1)	(10.5)
Profit/ (Loss) for the year	2,769.4	5,012.6	(103.0)
Other comprehensive income	-	-	-
Total comprehensive income for the year	2,769.4	5,012.6	(103.0)

Source: Audited IFRS financial statements of the Fund

1. Other income, net included mainly 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 portfolio companies as well as by money market performance.

The **net unrealised gain from equity investments at fair value through profit or loss** in 2022 of RON 1,961.5 million was mainly generated by the increase in the fair value of unlisted portfolio holding Hidroelectrica SA (RON 2,107.9 million) partially offset by the decrease in the fair value of the holdings in Engie Romania SA (RON 82.0 million) and Enel companies (RON 141.2 million).

Gross dividend income for 2022 included the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 764.0 million) and OMV Petrom SA (RON 133.6 million).

The gain from other financial instruments at fair value through profit or loss in 2022 represents the realised income related to:

- the collection by the Fund of unpaid shares owned by the Romanian State - Ministry of Finance of RON 189.2 million (at 31 December 2021, the fair value of the receivable was zero);
- the net gain from the change in fair value of the preferential rights linked to the share capital increase of OMV Petrom SA (RON 61.3 million);
- net loss from revaluation of government securities at fair value

Net realised loss from non-current assets held for sale is related to the disposal of 2,275,000,000 shares in OMV Petrom SA through an ABB offering finalised in January 2022.

The **realised loss from equity investments at fair value through profit or loss** of RON 117.7 million is related to the Fund's shares in OMV Petrom SA disposed of during 2022 either through daily market transactions or the ABB offering finalised in December 2022. For more details, please see *Annex 1 Audited IFRS Financial Statements, Note 6*.

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

Additional details on the **administration fees** for 2022 and comparatives are presented below:

RON million	2022 Audited	2021 Audited	2020 Audited
Recognised in profit or loss	79.3	84.0	55.2
Base fee	57.3	62.0	49.0
Distribution fee for dividends	19.3	11.9	4.2
Performance fee	2.7	10.1	2.0
Recognised in other comprehensive income	27.9	3.3	10.7
Distribution fee for buy-back programmes	27.9	3.3	10.7
Total administration fees	107.2	87.3	65.9

Source: Audited IFRS financial statements of the Fund

The increase in the administration fees in 2022 compared to 2021 was mainly due to:

- the higher market capitalization following the increase in number of FP paid shares as a result of collection of unpaid shares owned by the Romanian State in the Fund starting with 1 February 2022;
- the increase in distribution fee as a result of the tender offer organized by the Fund in June 2022 for the acquisition of 325 million shares (no tender was organised in 2021);
- the increased distribution fee rate to 2.5%, as per the new Management Agreement starting with 1 April 2022 (1% under the previous Management Agreement);
- the above were partially offset by the decrease in base fee rate as per the Management Agreement which came into force on 1 April 2022 (0.45% compared to 0.6% as per the previous Management Agreement).

Other operating expenses

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

RON million	2022 Audited	2021 Audited	2020 Audited
Transaction costs	19.1	0.1	5.5
FSA monthly fees	14.3	10.6	9.4
Depository fees	0.4	0.6	0.6
Other expenses	12.1	11.3	11.6
Other operating expenses	45.9	22.6	27.1

Source: Audited IFRS financial statements of the Fund

The **transaction costs** in amount of RON 19.1 million are mainly related to the disposal of the entire Fund's holding in OMV Petrom SA (mainly brokerage fees, BVB fee) and also include costs related to the listings of Hidroelectrica SA and Societatea Nationala a Sarii SA.

In 2022, **other expenses** caption comprised mainly legal and litigation assistance expenses, Board of Nominees remuneration and related expenses, portfolio valuation expenses, external audit expenses, PR expenses, investors' relations expenses and tax compliance and tax advisory expenses.

Statement of Cash Flows

RON million	2022 Audited	2021 Audited	2020 Audited
Cash flows from operating activities			
Proceeds from disposal of equity investments	1,781.9	-	920.6
Dividends received (net of withholding tax)	928.2	649.3	1,207.9
Proceeds from transactions with treasury bills and bonds	304.3	495.5	253.0
Amounts received from Romanian State for unpaid share capital	189.2	-	-
Interest received	24.5	15.9	12.3
Amounts collected from the depository Bank of the Fund's GDRs	3.8	3.0	4.2
Acquisitions of treasury bills and bonds	(227.8)	(199.1)	(530.3)
Suppliers and other taxes and fees paid	(194.1)	(127.8)	(114.1)
Subscriptions to share capital increase of portfolio companies	(17.4)	(10.1)	(0.5)
Other payments, net	(1.7)	(0.3)	(1.2)
Net cash flows from operating activities	2,790.9	826.4	1,751.9
Cash flows from financing activities			
Acquisition cost of treasury shares	(1,146.5)	(327.1)	(1,065.2)
Dividends paid (net of withholding tax)	(1,074.3)	(777.9)	(395.3)
Payments to shareholders related to the return of capital	-	-	(2.7)
Payment of interest and fees related to the short-term bank loans	(0.1)	(0.1)	(0.1)
Net cash flows used in financing activities	(2,220.9)	(1,105.1)	(1,463.3)
Net increase / (decrease) in cash and cash equivalents	570.0	(278.8)	288.6

RON million	2022 Audited	2021 Audited	2020 Audited
Cash and cash equivalents at the beginning of the year	415.5	694.3	405.7
Cash and cash equivalents at the end of the year	985.5	415.5	694.3
Cash and current accounts	73.8	68.2	34.4
Bank deposits with original maturities of less than three months	911.7	347.3	659.9
	985.5	415.5	694.3

Source: Audited IFRS financial statements of the Fund

Proceeds from disposal of equity investments in 2022 relate to the amounts collected following the disposal of the Fund's entire holding in OMV Petrom SA through daily market transactions and within the two ABB offerings finalised in January and December 2022.

Dividends received in 2022 included the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 764.0 million) and OMV Petrom SA (RON 133.6 million).

Amounts received from Romanian State for unpaid share capital represent the amount collected on 1 February 2022 as payment for 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).

Acquisition of treasury shares represents the acquisition cost of own shares bought back by the Fund within the buy-back programmes carried during each period, by acquiring ordinary shares on BVB and GDRs on LSE.

Dividends paid for 2022 mainly include the net payments to shareholders regarding the dividend distributions (1) of RON 0.06 per share with Registration date on 28 January 2022 and Payment date on 18 February 2022 and (2) dividend of RON 0.1250 per share with Registration Date on 3 June 2022 and Payment Date on 27 June 2022.

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 21*.

Analysis of budget vs actual expenses

The 2022 Budget of Income, Expenses and Capital Expenditure of the Fund was prepared in September 2021, based on IFRS as endorsed by the European Union and was approved by shareholders on 15 December 2021. It contains the main categories of budgeted income and expenses of the Fund. According to the main assumptions of the 2022 Budget, there are certain categories of income and expenses which cannot be budgeted such as: foreign exchange gains or losses, changes in fair value of financial instruments, gains, or losses from changes in portfolio.

During the year end 31 December 2022, the actual expenses from current activity amount to RON 106.2 million and exceed the budgeted expenses by RON 13.3 million. The negative variance is mainly due to the investment management and administration fees, for which the shareholders granted the Fund Manager the power to exceed the budgeted expenses as part of the approval process for 2022 Budget in December 2021.

For more details, please see Annex 6 Actual versus Budget Analysis for year end 31 December 2022.

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 Société Générale 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	549300PVO1VWBFH3DO07
CIIF registration no	AC-4522-9/27.10.2022

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.

Following the payment made in February 2022, the Romanian state's participation in the share capital of the Fund as at 31 December 2022 was of 370,456,198 shares, representing 5.9580% 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

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 Agreements in force between 1 April 2020 – 31 March 2022 and 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. 153¹³ of the Companies Law no. 31/1990, the legal representation of the Sole Director of the

Fund will be made by a single permanent representative, which is registered with the Trade Registry.

Management Agreement in force between 1 January 2022 and 31 March 2022

Between 1 April 2020 – 31 March 2022, the Fund was managed under the Management Agreement approved during the 28 June 2019 GSM, under the following key commercial terms:

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

Management Agreement in force between 1 April 2022 and 31 December 2022

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:

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

The mandate continuation vote took place in April 2022, and there will not be a mandate continuation vote in April 2023, as negotiations for a new mandate will take place during 2023.

Shareholder structure information

Largest shareholders

Shareholder	Latest ownership disclosure	% of voting rights
NN Private Pension Funds	11 April 2022	11.24%
Silver Point Capital Funds	7 July 2022	8.81%
Ministry of Finance	30 March 2022	5.97%
Allianz-Tiriace Private Pension Funds	1 July 2019	5.05%

Source: ownership disclosures submitted by shareholders

Disclosure of holdings during the year

According with the disclosures received by the Fund during the reported period:

- the Ministry of Finance held, as of 30 March 2022, a number of 370,456,198 voting rights, representing 5.9726% of the total number of voting rights in Fondul Proprietatea at that date;
- Fondul de Pensii Facultative NN ACTIV, Fondul de Pensii Facultative NN OPTIM and Fondul de Pensii Administrat Privat NN held together, as of 11 April 2022, a number of 720,798,204 voting rights, representing 11.24% of the total number of voting rights in Fondul Proprietatea at that date;
- Silver Point Luxembourg Platform S.a.r.l., SPCP Luxembourg Strategies S.a.r.l., Silver Point Distressed Opportunities Fund, L.P., Silver Point Distressed Opportunities Offshore Master Fund, L.P., Silver Point Distressed Opportunity Institutional Partners, L.P. and Silver Point Distressed Opportunity Institutional Partners (Offshore), L.P. held together, as of 30 June 2022, a number of 517,244,351 voting rights, representing 8.81% of the total number of voting rights in Fondul Proprietatea at that date.

Shareholder structure as at 31 December 2022

Shareholder categories ¹	% of subscribed and paid-up share capital	% of voting rights
Romanian institutional shareholders	37.31%	40.88%
Romanian private individuals	21.17%	23.19%
The Bank of New York Mellon ² (GDRs) ³	12.52%	13.65%
Foreign institutional shareholders	11.25%	12.33%
Romanian State represented by Ministry of Finance	5.96%	6.53%
Foreign private individuals	3.13%	3.42%
Treasury shares ⁴	8.66%	0.00%

Source: Depozitarul Central SA

1. Information provided based on settlement date of transactions

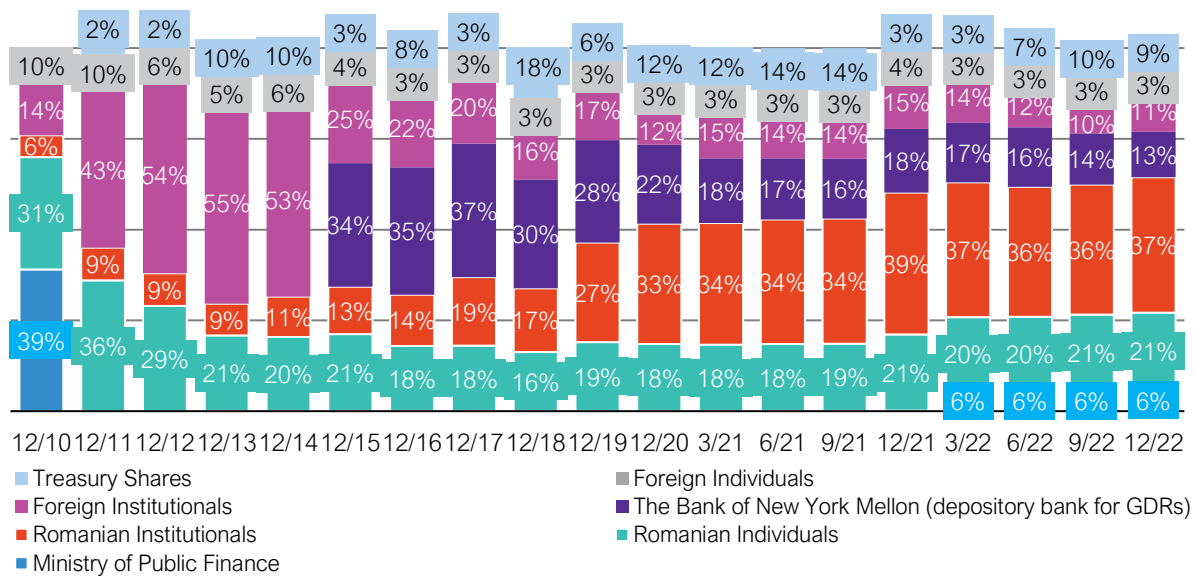
2. The shares underlying the GDRs issued by the Bank of New York Mellon are held in the name of the Bank of New York Mellon and for the account of the GDRs holders.

3. Fondul Proprietatea held 79,602 GDRs (3,980,100 shares equivalent) as at 31 December 2022

4. 538,720,318 treasury shares acquired in 2022 within the 13th buyback program. The GDRs held by the Fund and not converted are included under The Bank of New York Mellon's position for the paid-up shareholders structure, similar with the records provided by the Central Depository. The GDRs held by the Fund are deducted from The Bank of New York Mellon's position for the voting rights shareholder structure.

As at 31 December 2022, the Fund had 16,585 shareholders and the total number of voting rights was 5,675,124,795.

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 2022	31 December 2021	31 December 2020
Issued share capital (RON)	3,233,269,110.76	3,334,342,422.84	3,749,282,292.08
Paid in share capital (RON)	3,233,269,110.76	3,145,160,000.84	3,560,099,870.08
Number of shares in issue	6,217,825,213	6,412,196,967	7,210,158,254
Number of paid shares	6,217,825,213	6,048,384,617	6,846,345,904
Nominal value per share (RON)	0.52	0.52	0.52

Source: National Trade Registry

On 1 February 2022, the Romanian State, represented by the Ministry of Finance paid RON 189,182,422 to the Fund, as payment for unpaid shares owned by the Romanian State in the Fund (as at 31 December 2021, the Romanian State held 363,812,350 unpaid shares, each share having a nominal value of RON 0.52). The payment mentioned above was performed in exercise of the Romanian State's rights under Law no. 247/2005 on the reform in the fields of property and justice, as well as some adjacent measures.

Consequently, as of 1 February 2022, the new value of the Fund's subscribed and paid-up share capital was RON 3,334,342,422.84 (divided into 6,412,196,967 shares with a nominal value of RON 0.52/share). On 16 February 2022, the Trade Registry confirmed the registration of the payment, and on 25 February 2022, FSA issued a new certificate with no AC-4522-8/25.02.2022.

On 19 October 2022, the Bucharest Trade Registry registered Resolution no. 1/20 April 2022 of the Fund's EGM, approving the decrease of the subscribed share capital from RON 3,334,342,422.84 to RON 3,233,269,110.76 pursuant to the cancellation of 194,371,754 own shares acquired by Fondul Proprietatea during 2021 within the 12th buy-back programme.

The amendment of the Constitutive Act following the decrease was endorsed by the FSA through Endorsement no. 146/29 September 2022.

Consequently, starting 19 October 2022, the new value of the Fund's subscribed and paid-up share capital is RON 3,233,269,110.76, being divided into 6,217,825,213 shares, each share having a nominal value of RON 0.52.

GDR facility

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 41,452,168 GDRs (2,072,608,400 shares equivalent) as at 31 December 2022, each GDR representing 50 shares. As at 31 December 2022, 778,694,650 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depositary bank, accounting for 15,573,893 GDRs, representing 37.57% 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 2022, 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 1 st BB programme	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 2 nd BB programme	11,815,279,886.85	11,469,656,813.90	12,437,136,723	12,073,322,962
27 Jan 2015	Cancellation of shares 3 rd BB programme	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 to shareholders	10,965,850,800.30	10,638,419,685.30	12,184,278,667	11,820,466,317
12 Aug 2015	Cancellation of shares 4 th BB programme	10,074,080,745.90	9,746,649,630.90	11,193,423,051	10,829,610,701
14 Mar 2016	Cancellation of shares 5 th BB programme	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 to shareholders	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 6 th BB programme	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 6 th BB programme	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 to shareholders	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 to shareholders	5,238,521,987.92	5,049,339,565.92	10,074,080,746	9,710,268,396

Structure of the share capital after event					
Date	Event	Issued share capital (RON)	Paid share capital (RON)	Issued shares (Shares)	Paid shares (Shares)
29 Nov 2017	Partial cancelation of the shares 7 th BB programme	4,854,034,784.56	4,664,852,362.56	9,334,682,278	8,970,869,928
29 Jun 2018	Partial cancelation of the shares 7 th and 8 th BB programme	4,771,610,196.08	4,582,427,774.08	9,176,173,454	8,812,361,104
28 Dec 2018	Partial cancelation of the shares 8 th BB programme	4,733,020,898.32	4,543,838,476.32	9,101,963,266	8,738,150,916
15 Oct 2019	Cancellation of shares 9 th BB programme	3,959,264,762.44	3,770,082,340.44	7,613,970,697	7,250,158,347
30 Sep 2020	Cancellation of shares 10 th BB programme	3,749,282,292.08	3,560,099,870.08	7,210,158,254	6,846,345,904
25 Oct 2021	Cancellation of shares 11 th BB programme	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 12 th BB programme	3,233,269,110.76	3,233,269,110.76	6,217,825,213	6,217,825,213
31 Dec 2022	Closing balance	3,233,269,110.76	3,233,269,110.76	6,217,825,213	6,217,825,213

Source: Fondul Proprietatea internal records

Changes to the Constitutive Act during 2022

The Constitutive Act was updated on 8 February 2022, following the FSA's authorisation on 28 January 2022 of the Fund as an AIF and of the amendments of the Constitutive Act in order to reflect the new qualification.

The second updated Constitutive Act was published on 19 October 2022, following the authorisation by the FSA of the decrease of the subscribed and paid-up share capital as approved through Resolution no. 1 / 20 April 2022 of the Fund's EGM pursuant to the cancellation of own shares acquired by the Fund during 2021.

The Fund's Constitutive Act in force as at 31 December 2022 is included in full in Annex 7 to this report.

Credit facility agreement and issued debt

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

The Fund did not use the credit facility during 2022 and decided not to extend the credit facility after 30 June 2022.

The Fund had no bonds or other debt securities in issue during 2022.

Employees

As at 31 December 2022 the Fund had no employees. Given that the Fund is administrated by the AIFM, it is not expected that the Fund will have any employees in the future.

Subsidiaries

As at 31 December 2022, the Fund controlled the following companies, which under Romanian applicable laws qualify as subsidiaries of the Fund, all of which are incorporated and operate in Romania. In the Sole Director's opinion, none of these subsidiaries qualifies as a significant subsidiary.

Name	Ownership interest
Alcom SA	72%
Comsig SA	70%
Zirom SA	100%

Source: Fondul Proprietatea internal records

None of the subsidiaries of the Fund holds shares in the Fund as at 31 December 2022, based on the information made available to the Fund.

Comsig SA is in administrative liquidation process.

There was no corporate reorganisation of the Fund or its subsidiaries during 2022.

Branches

During 2022 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 Register.

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

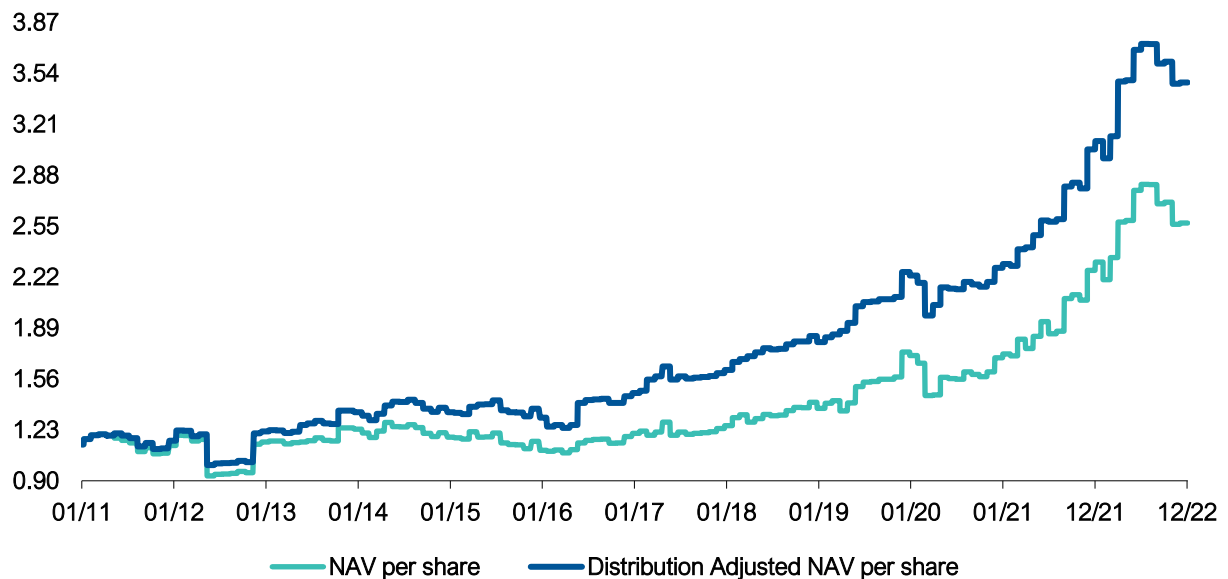
Starting with 28 January 2022, the date when the Fund's registration process as an AIF with the FSA was finalised, the Fund started to apply the Romanian AIF Law (Law no. 243/2019) and AIF Regulation (Regulation no. 7/2020).

Listed securities are valued either at closing market prices if listed on regulated markets, or at reference prices if listed on an ATS. Illiquid and unlisted securities are valued using the fair value determined either by reference to published prices on the stock exchange where shares are traded (listed securities) or assessed using valuation techniques in accordance with International Valuation Standards. The holdings in the companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at zero.

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

NAV evolution

Evolution of distribution adjusted NAV per share

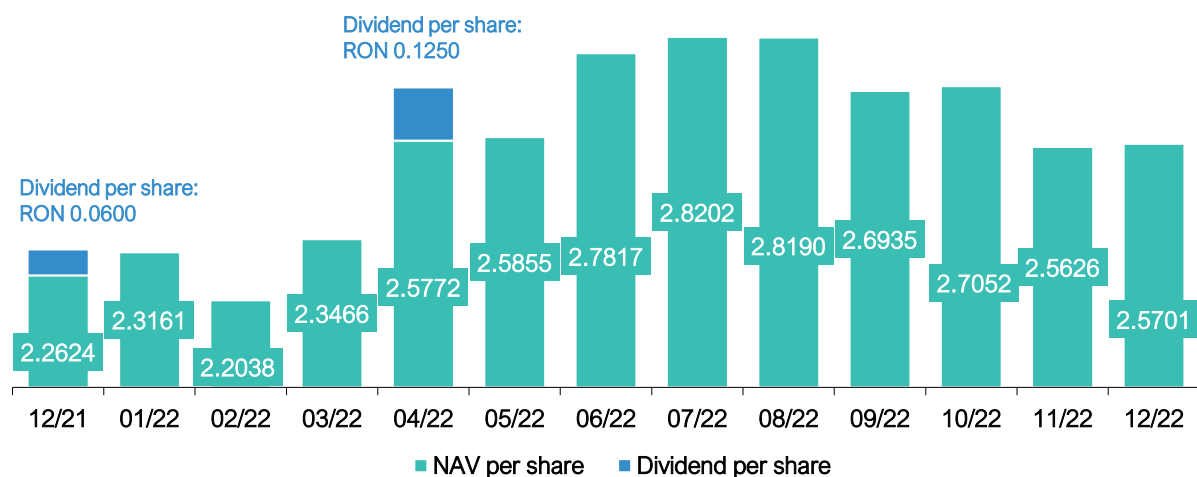


Source: Fund Manager calculations

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 31 December 2021 to 31 December 2022:



Source: Fund Manager calculations

During the **first quarter of 2022**, the NAV per share had an increase of 3.7% compared to the end of the previous year, mainly due to the increase in valuation of the unlisted holding Hidroelectrica SA (please see table below), netted off by the dilution in NAV/ share resulted from the Ministry of Finance's payment for unpaid shares during February 2022¹.

Portfolio company	Value in 31 Mar 2022 NAV	Value in 31 Jan 2022 NAV	Value in 31 Dec 2021 NAV	31 Mar 2022 NAV vs. 31 Dec 2021 NAV	31 Mar 2022 NAV vs. 31 Jan 2022 NAV
	RON million	RON million	RON million	%	%
Hidroelectrica SA	9,924.4	9,040.9	8,528.0	+16.4%	+9.8%

Source: Fondul Proprietatea internal records

The valuation of Hidroelectrica SA in 31 January 2022 NAV was also used in the preparation of the Audited IFRS financial statements of the Fund for the year ended 31 December 2021, being considered a subsequent adjusting event for that purpose.

During the **second quarter of 2022**, the NAV per share had an overall increase of 18.5% compared to the end of the first quarter, mainly due to the (1) dividends recorded from portfolio companies (impact on the Fund's NAV of RON 856.0 million), (2) the valuation update of the unlisted holdings in the portfolio (please see table below), and (3) the 13th buyback programme carried out by the Fund during this period, including the TO settlement.

In April 2022, based on the most recent financial information, the most recent comparable trading multiple for EBITDA and the most recent estimated DLOM from KPMG, the Fund performed an update of the valuation for Hidroelectrica SA, presented in the table below:

Portfolio company	Value in 30 Apr 2022 NAV	Value in 31 Mar 2022 NAV	30 Apr 2022 NAV vs. 31 Mar 2022 NAV
	RON million	RON million	%
Hidroelectrica SA	11,370.4	9,924.4	+14.6%

Source: Fondul Proprietatea internal records

In June 2022, the Fund performed valuation updates for 8 unlisted holdings representing 98.7% of the Fund's total unlisted portfolio as at 31 March 2022. 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 2022 (date for the market multiples) and is based on the financial data of the companies as at 31 March 2022 (except Hidroelectrica SA for which the financial information date was 30 April 2022).

The reports also considered all relevant subsequent events until 30 June 2022 (such as dividends declared, changes in legislation, etc.). The total impact of the valuation update was an increase of RON 3,854.2 million compared to 31 December 2021 NAV, and an increase of RON 2,457.8 million compared with 31 March 2022 NAV (RON 1,011.8 million increase compared with April 2022).

The table below presents information regarding the changes in the value of the top 8 unlisted holdings in the Fund's portfolio during the second quarter of 2022:

¹ On 1 February 2022, the Romanian State paid for 363,812,350 unpaid shares owned in the Fund. As a result, the number of shares used in the calculation of the NAV per share increased.

Portfolio company	Value in 30 Jun 2022 NAV	Value in 30 Apr 2022 NAV	Value in 31 Mar 2022 NAV	30 Jun 2022 NAV vs. 31 Mar 2022 NAV	
	RON million	RON million	RON million	RON million	%
Hidroelectrica SA	12,559.8	11,370.4	9,924.4	2,635.4	+26.6%
CN Aeroporturi Bucuresti SA	695.6	674.2	674.2	21.4	+3.2%
Engie Romania SA	440.3	522.7	522.7	(82.4)	-15.8%
E-Distributie Banat SA	175.2	245.1	245.1	(69.9)	-28.5%
CN Administratia Porturilor Maritime SA	298.9	294.4	294.4	4.5	+1.5%
Societatea Nationala a Sariei SA	253.4	216.7	216.7	36.7	+16.9%
E-Distributie Muntenia SA	162.5	206.7	206.7	(44.2)	-21.4%
E-Distributie Dobrogea SA	140.3	184.0	184.0	(43.7)	-23.8%
Total	14,726.0	13,714.2	12,268.2	2,457.8	+20.0%

Source: Fondul Proprietatea internal records

During the **third quarter of 2022**, the NAV per share had an overall decrease of 3.2% compared to the end of the second quarter, mainly due to the valuation update of the unlisted holdings in the portfolio (impact on the Fund's NAV of RON 602.9 million compared with 30 June 2022), net off by the 13th buyback programme carried out by the Fund during this period.

In September 2022, based on the most recent comparable trading multiple for EBITDA obtained with the assistance of KPMG, the Fund performed an update of the valuation for Engie and E-Distributie companies. Also, the Fund prepared an updated valuation report in accordance with the International Valuation Standards for Hidroelectrica SA, with the assistance of KPMG. The valuation date for the updated report was 30 September 2022 (date for the market multiples) and was based on financial data of the company as at 31 July 2022. The valuation update results are presented in the table below:

Portfolio company	Value in 30 Sep 2022 NAV	Value in 30 Jun 2022 NAV	30 Sep 2022 NAV vs. 30 Jun 2022 NAV	
	RON million	RON million	RON million	%
Hidroelectrica SA	12,115.5	12,559.8	(444.3)	-3.5%
Engie Romania SA	399.5	440.3	(40.8)	-9.3%
E-Distributie Banat SA	133.2	175.2	(42.0)	-24.0%
E-Distributie Muntenia SA	127.2	162.5	(35.3)	-21.7%
E-Distributie Dobrogea SA	99.8	140.3	(40.5)	-28.9%
Total	12,875.2	13,478.1	(602.9)	-4.5%

Source: Fondul Proprietatea internal records

During the **last quarter of 2022**, the NAV per share decreased by 4.6% mainly as a result of the valuation update of the portfolio companies.

For 30 November 2022 NAV, starting from the methodology used in the last valuation report prepared with the assistance of KPMG Advisory for Hidroelectrica SA, the main inputs were updated: the market multiples, EBITDA, and net cash position, based on the company's financial information. Also, the inputs to the valuation included an adjustment to reflect the impact coming from the latest changes in the energy market legislation.

For 31 December 2022 NAV, valuation updates in accordance with the International Valuation Standards were prepared for 19 unlisted holdings with the assistance of KPMG Advisory and Darian DRS, representing 100% of the unlisted portfolio. The valuation report for Alcom SA was also updated for year-end reporting. The valuation date was 31 October 2022, and the reports are

based on the financial data of the companies as at 30 September 2022, while the valuations also considered the subsequent developments until 31 December 2022, such as changes in legislation.

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

Portfolio company	Value in 31 Dec 2022 NAV	Value in 30 Nov 2022 NAV	Value in 30 Sep 2022 NAV	31 Dec 2022 NAV vs. 30 Sep 2022 NAV	
	RON million	RON million	RON million	RON million	%
Hidroelectrica SA	11,148.8	11,259.7	12,115.5	(966.7)	-8.0%
CN Aeroporturi Bucuresti SA	713.0	695.6	695.6	17.4	+2.5%
Engie Romania SA	440.7	399.5	399.5	41.2	+10.3%
E-Distributie Banat SA	212.9	133.2	133.2	79.7	+59.8%
CN Administratia Porturilor Maritime SA	283.0	298.9	298.9	(15.9)	-5.3%
Societatea Nationala a Sarii SA	273.7	253.4	253.4	20.3	+8.0%
E-Distributie Muntenia SA	183.9	127.2	127.2	56.7	+44.6%
E-Distributie Dobrogea SA	170.4	99.8	99.8	70.6	+70.7%
Zirom SA	28.8	26.2	26.2	2.6	+9.9%
Posta Romana SA	21.7	13.9	13.9	7.8	+56.1%
ENEL Energie SA	21.6	61.1	61.1	(39.5)	-64.6%
CN Administratia Canalelor Navigabile SA	13.5	15.8	15.8	(2.3)	-14.6%
Aeroportul International Timisoara - Traian Vuia SA	5.5	5.6	5.6	(0.1)	-1.8%
CN Administratia Porturilor Dunarii Maritime SA	3.8	4.0	4.0	(0.2)	-5.0%
CN Administratia Porturilor Dunarii Fluviale SA	3.3	3.7	3.7	(0.4)	-10.8%
Plafar SA	2.2	2.2	2.2	-	-
Aeroportul International Mihail Kogalniceanu - Constanta SA	2.1	1.7	1.7	0.4	+23.5%
ENEL Energie Muntenia SA	-	33.1	33.1	(33.1)	-100.0%
Complexul Energetic Oltenia SA	-	-	-	-	-
Societatea Electrocentrale Craiova SA ¹	-	-	-	-	-
Total	13,528.9	13,434.6	14,290.4	(761.5)	-5.3%

Source: Fondul Proprietatea internal records

1. The company was set up on 30 September 2022. A valuation report could not be prepared for this company as the related financial information was not available.

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

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 AIFM 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 Fund Manager.

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 thirty (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;
- f¹) 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;
- k¹) 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 2022, there were 2 GSMs, and 3 EGM resolutions and 13 OGM resolutions were issued. All EGM and OGM resolutions are published on the Fund's webpage.

The Fund's shareholders rights

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

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 section on its website (*Investor Relations – GSM Documentation*) that can be easily identified and accessed. This information typically includes: the time and place of meetings; information on how to exercise voting rights, including the proxy process with

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

The Fund is committed to encourage shareholders to participate at the 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.

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 website of the Fund.

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

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

Increase of the 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 Register Office, on the basis of the resolution of the Fund's GSM.

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

Board of Nominees and the Consultative Committees

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

The Board of Nominees has sufficient members in order to effectively supervise, scrutinise and evaluate the activity of the Sole Director and the fair treatment of all shareholders.

The composition of the Board of Nominees is balanced so as to enable it to take well-informed decisions. The decision-making process is a collective responsibility of the Board, which remains fully liable for decisions taken within its field of competence.

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

The Board of Nominees ensures that 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 2022

The structure of the Board of Nominees as at 31 December 2022 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	<ul style="list-style-type: none"> • Chair of BON, member of NRC • Member of AVC until 10 May 2022 	26 Nov 2020	26 Nov 2023	2 years and 1 month	12/12	2/4*	3/5*
Mr. Ciprian Lăduncă	<ul style="list-style-type: none"> • Board member, Chair of AVC • Member of NRC until 10 May 2022 	16 Nov 2020	16 Nov 2023	2 years and 1 month	12/12	4/4	3/5*
Mr. Nicholas Paris	<ul style="list-style-type: none"> • Board member, Chair of NRC and member of AVC 	6 Apr 2021	6 Apr 2024	1 year and 8 months	12/12	4/4	5/5
Mr. Ömer Tetik	<ul style="list-style-type: none"> • Board Member • Member of NRC and of AVC until 10 May 2022 	6 Apr 2021	6 Apr 2024	1 year and 8 months	10/12	3/4*	3/5*

Name	Position	First appointment date	Current mandate expiring on	Length of service	BON meetings attendance	AVC meetings attendance	NRC meetings attendance
Mr. Martin Bernstein	• Board Member, member of NRC and AVC	27 Apr 2022	27 Apr 2025	8 months	6/12**	2/4**	2/5**

Source: Fondul Proprietatea internal records

* Starting 10 May 2022, the composition of the Consultative Committees of the Fund has changed, decreasing the number of members per each Committee from 5 to 3. For the current membership of the Consultative Committees, please see the Fund's webpage in the *Investor Relations – Investor Reports – Current Report published on 11 May 2022* section.

** Mr. Martin Bernstein became a member of the AVC and NRC starting 10 May 2022.

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

For more details regarding the activity of the Board of Nominees during 2022, 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.

As at 31 December 2022, 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 2022, 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 closed-end fund area around the globe. He is a member of the Chartered Institute for Securities & Investment of the UK and a member of the Chartered Alternative Investment Analysts Association. Mr. Paris also acts as a non-executive director in ASEANA Properties Ltd, Dolphin Capital Investors Ltd and Myanmar Investments International Ltd.

As at 31 December 2022, Mr. Paris held no shares issued by the Fund. Mr. Paris is an independent member.

Mr. Ömer Tetik has a long and extensive experience in banking and capital markets, being active in Turkey, Russia, and Romania. 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 2022, 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 2022, 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 2022 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 2022 the Nomination and Remuneration Committee members were Mr. Nicholas Paris (as Chairperson), Mr. Martin Bernstein and Mrs. Ilinca von Derenthall.

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.

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 2022, 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 Annex 5 Remuneration Report.

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 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.

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.

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

Neither FTIS nor FTIML had any agreement, understanding or family relationship with the shareholders responsible for appointing it to the position of Sole Director and Investment Manager/ AIFM.

On 31 December 2022, 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, after obtaining the prior approval of the Board of Nominees;
- ensuring that a copy of or extract of the GSM minutes is given to any shareholder upon his request; making available to shareholders the financial statements of the Fund and the reports of the AIFM and of the financial auditors, after the announcement of the Annual OGM is published;
- preparing the annual financial statements, drafting the annual activity report, examining the financial auditors' report, presenting them to the Board of Nominees before submitting such documents to the GSM and making proposals on the distribution of the profit to the GSM, after obtaining the prior approval of the Board of Nominees;

- managing the relationship with Romanian Central Depository with regard to its shareholders register functions;
- preparing an annual report on the management and business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the GSM;
- proposing to the Board of Nominees for prior approval and further, to the GSM for final approval, the annual budget and business plan;
- 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 2022, 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 2022, 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 *Annex 5 Remuneration Report*.

Potential professional liability risks for AIFM

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

- 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:

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- 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 2022 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.

The auditor of the Fund up to the audit for the financial year ended 31 December 2021 (including) was Deloitte Audit SRL.

The Foreign Account Tax Compliance Act

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

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

Packaged retail and insurance-based investment products

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

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

Market Abuse Regulation

EU Regulation no. 596/2014 on market abuse, repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC and Directive 2014/57/EU on criminal sanctions for market abuse were published in the Official Journal of the European Union on 12 June 2014 and apply as of 3 July 2016.

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

Gender and nationality diversity

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



Franklin Templeton culture is founded on diversity, inclusion, and empowerment and the selection policy is to appoint the best qualified person for the job, considering factors such as

diversity of gender, experience, and qualification. As a global company, Franklin Templeton believes it benefits from the unique skills and experiences of an inclusive workforce made up of employees who span different generations, capabilities, and cultural identification.

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

Treatment of corporate information

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

General Data Protection Regulation

The Fund has fully implemented GDPR and there have not been identified any issues during 2022.

ESG

The European Union has set in motion a legislative programme to make environmental, social and governance concerns a central plank of regulation in the financial services industry.

Taxonomy Regulation

As part of this package, the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector ("SFDR") was published in December 2019 and needed to be implemented by March 2021.

The EU's Regulation on the establishment of a framework to facilitate sustainable investment (the "Taxonomy Regulation") was published in the Official Journal of the EU on 22 June 2020 and entered into force starting with 1 January 2022 in respect of climate change mitigation and climate change adaptation and with 1 January 2023 for provisions in respect of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Given the range of interpretations by different Member States as to what counts as a 'sustainable' investment, the European Commission considered that a common taxonomy was needed.

The 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.

An ESG Questionnaire on integration of the climatic risk by Fondul Proprietatea was submitted to the FSA on June 2022.

Corporate Sustainability Reporting Directive

On 28 November 2022, the European Parliament adopted Directive (EU) 2022/2464 regarding corporate sustainability reporting (CSRD), 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.

The Fund will analyse the impact of the CSRD requirements on its activity and will 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 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;
- FSA Regulation no. 7/2020 on the authorisation and function of alternative investment funds, as subsequently amended.

Regulatory updates

Fund's registration as an AIF

On 28 January 2022, through authorisation no. 25/28.01.2022 the FSA authorised Fondul Proprietatea as an Alternative Investment Fund closed-end type, intended to retail investors ("closed-end type AIFRI"), with BRD Groupe Société Générale as depositary.

FSA also authorised the amendments to the Fund's Constitutive Act, as approved by the Fund's EGM Resolution no. 1/ 14 January 2021 and the simplified Prospectus of Fondul Proprietatea.

The documentation regarding the authorisation of the Fund as a closed-end type AIFRI, including the FSA authorisation, the Simplified Prospectus, the Rules of the Fund and the Constitutive Act in force can be consulted on the Fund's website, in the section *About the Fund - Fund Overview*.

FSA Regulation no. 9/2022 amending the legislation governing the GDRs

The FSA Regulation no. 9/2022 entered into force on 10 May 2022, the date when it was published in the Official Gazette of Romania, amending the FSA Regulation governing the GDRs.

According to this, for public offers carried after the date the regulation entered into force, the limit of the number of shares subject to public offers for which GDRs can be issued is reduced "at most 1/10 of the number of shares object of the offer, but not exceeding 1/3 of the total shares issued by the issuing company". At the same time, the regulation removes the provisions stating that the FSA may derogate from the provisions which set the limits for which GDRs may be issued and adds provisions for delisting the GDRs.

A response letter expressing the Fund's disagreement to the amendments and the reasons for keeping the previous rules was submitted to the FSA, during the consultation period, on 8 April 2022. However, the Fund's observations were not considered in the final version of the regulation.

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

In August 2020, the Romanian Parliament enacted Law no. 173/2020 regarding certain measures for protecting national interest within the economic activity. The law entered into force on 16 August 2020, banning the sale of shareholdings owned by the Romanian State in national companies, banks, or other companies in which the State was a shareholder, irrespective of the ownership percentage, for the next two years.

Ownership transfers that commenced before the entry into force of the law were suspended for a two-year term. On 5 October 2020, GEO no. 166/2020 entered into force, setting exceptions from Law no. 173/2020 by limiting the prohibition only with respect to shares held by the Romanian State. On 3 February 2021, the Government proposed for Parliament's approval a new draft law that repeals the requirements of Law no. 173/2020, which was adopted by the Senate on 22 March 2021.

On 16 August 2022, the 2-year prohibition period provided by Law no. 173/2020 ended.

Also, a new draft law was registered with the Senate on 30 June 2022 for amending the deadlines stipulated in Law no. 173/2020 (extending the prohibition until 13 August 2024) and for repealing the GEO no. 166/2020.

The Fund is monitoring further developments in the legislative process.

Changes in Romanian Water Law

During 2020, the Parliament approved several changes to the Water Law which entered into force on 16 July 2020. According to these changes, all owners of water installations that collect underground or surface waters are required to install water metering devices within 6 months calculated from 16 July 2020. Failure to comply with this requirement, even for well justified technical reasons, could lead to the obligation to pay the water contribution to ANAR at the level of the maximum authorised flow.

To calculate the water volume used by its hydropower plants to produce electricity, Hidroelectrica has been using an indirect calculation method based on the electricity volume produced by each hydro-unit. Hidroelectrica management considers it is technically unfeasible to install standard water meters as required by law, given the size and the variety of technical specifications of its power plants.

The Romanian Government changed the Water Law starting with 31 December 2020, via GEO no. 225/2020, according to which by way of exception, in case of the non-existence/ proven technical impossibility of mounting water metering devices, indirect metering methods are applied, by reporting the maximum authorised flow to the actual time of use for electricity production, the user having the obligation to communicate the data generated by compliant devices measuring the time of use.

Following the changes approved in December 2020, further amendments to Romanian Water Law are currently debated in Parliament, with a potential impact on the activity of Hidroelectrica. On 8 February 2021, the Senate, as first chamber discussing the amendments, approved a change that would allow Hidroelectrica to continue to use indirect methods for determining the water volumes, as before July 2020 (i.e. cancelling the effects of the changes in legislation adopted after July 2020). The law then moved to the Chamber of Deputies which was the decisional body. Here, it suffered unexpected changes brought by the Agricultural Commission, which included a flat-water contribution for hydropower producers of RON 33/ MWh. This would push Hidroelectrica production costs, in an average hydrological year, to around RON 528 million from around RON 350 million based on the calculation system used until 2020, leading to an over 10% increase in Hidroelectrica overall average production cost.

The entire legislative process involves several mandatory steps, and the final wording of the law cannot be predicted. The changes in legislation are estimated to be effective after the date of publication of this report. The Fund is monitoring the legislative process in Parliament, as well as Hidroelectrica ongoing discussions with ANAR, in order to be able to assess any potential impact on the company.

Windfall Tax

Please see details regarding the windfall tax in section *Energy market regulatory environment*.

New legal provisions regarding the composition of the audit committees

The provisions in the ASPAAS Order no. 123/2022 require that at least one member of the audit committee must have the financial audit qualification.

This was modified by ASPAAS Order no. 392/2022 that entered into force on 13 September 2022, which provides that any person who has at least 3 years of experience in statutory audit acquired by participating in statutory audit missions in Romania, in another Member State, in an European Free Trade Association state, in Switzerland or in the United Kingdom of Great Britain and Northern Ireland or within audit committees formed at the level of administrative/ supervisory boards of some public interest companies, proven with documents, is also competent to be part of the audit committee.

The structure and membership of the Fund's Audit and Valuation Committee is fully compliant with ASPAAS requirements.

Government Ordinance no. 16/2022

Amendments enacted to the Romanian Fiscal Code

GO no. 16/2022, published in the Official Gazette of Romania no. 716/15 July 2022, entails important amendments to the Romanian Fiscal Code. The ordinance includes among others, amendments on the dividend withholding tax regime, impacting the Fund's distributions.

Also, the draft law approving the GO no. 16/2022 was adopted by the Parliament as Law no. 370/2022 and published in the Official Gazette of Romania no. 1228/20 December 2022.

Amendments of the dividend withholding tax regime introduced by the GO 16/2022

The GO no. 16/2022 applies to dividends distributed after 1 January 2023, having the following main implications:

- Increase of the standard dividend withholding tax rate from 5% to 8%;
- Withdrawal of the dividend withholding tax exemption for: (i) Romanian government agencies, (ii) Romanian pension funds, (iii) Romanian investment funds without legal personality and (iv) pension funds with seat in the EU or in the Economic European Area.

Shareholders are still eligible to reduced withholding tax rates or withholding tax exemptions based on the provisions of Double Taxation Treaties conducted by Romania. Moreover, the exception for shareholders holding over 10% of the share capital of the paying entity, for an uninterrupted period of 1 year, remains in place.

Amendments enacted to the Romanian Fiscal Procedure Code in terms of FATCA / CRS reporting - GEO no. 102/2022

GEO no. 102/2022, published in the Official Gazette of Romania no. 654/30 June 2022, entails amendments to the FATCA and CRS reporting.

The most important provisions introduced by the GEO no. 102/2022 are summarised below:

- details regarding new specific administrative tax procedures which will be applicable going forward in the communication between ANAF and the financial reporting entities;
- obligations of the financial reporting entity for keeping all the records/ documents obtained during the tax diligence procedures and the supporting documents on the efforts performed for complying with the FATCA/ CRS regulations for a period of ten years from the annual reporting deadline;
- details regarding the data related to a reportable account which will be exchanged between the Romanian tax authorities and the foreign tax authorities;
- administrative sanctions and fines for the financial reporting entities for non-complying with the FATCA/ CRS obligations in Romania.

Also, the draft law approving GEO no. 102/2022 was adopted by the Senate on 19 September 2022. The Fund is currently monitoring the legislative process.



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>Risks related to COVID-19 pandemic</p> <p>The widespread nature of the COVID-19 outbreak, and the measures taken to contain the spread continue to have an impact on global economic and local Romanian activity.</p> <p>The further evolution of the pandemic and the accompanying governmental actions will continue to have an impact on the Fund's companies and their financial situation and will impact the overall performance of the Fund, possibly leading to increased price volatility.</p> <p>Since most holdings of the Fund are not listed and do not have observable market prices, the risk of estimation uncertainty regarding valuation also increased.</p>	<p>The risks associated with the pandemic affect all areas of the Fund's investments as well as operations.</p> <p>Fund Management and Board of Nominees are reviewing and discussing the situation regularly, including a review of the portfolio, risk management and business continuity. The AIFM regularly reports on the status of operations.</p> <p>The Fund ensures ongoing communication with investors including current reports, investor calls, and updates on the website.</p> <p>Portfolio company valuations are thoroughly tested with respect to relevance and impact from the pandemic.</p> <p>Mitigation strategies apply as detailed within the specific areas of risk.</p>
<p>Market risk</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>Security price risk and valuation risk</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</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.</p>

Description of risk	Mitigating action
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.	Valuations performed by the external service providers are reviewed by Franklin Templeton's Fair Valuation Committee.
Dilution Risk 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.	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.
Sector concentration risk Large portfolio exposure to a specific industry sector or group of companies expose the Fund to concentration risk and can cause overall Fund performance to be negatively affected by the performance of a specific sector.	Diversification and concentration limits are set and monitored periodically. The companies in which the Fund holds equity instruments operate in different industries, however the Fund has concentrated exposures to the Energy sector ("Power & Gas utilities"). Regular review is performed assessing sector by sector risk and return contribution.
Corporate governance risk Poorly managed companies in the Fund's portfolio can negatively affect the Fund's performance due to missing professional skills and missing experience in the industry the company operates in.	The portfolio management team is actively involved with portfolio companies, promoting and enhancing high standards of good corporate governance.
People Risk 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.	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 Fund Manager.
Share price discount to NAV risk Shares of the Fund are traded on the Bucharest and London stock exchanges. Market participants expectations may cause the shares of the Fund to trade at a premium or discount to the NAV per share of the Fund. Investor returns may be positively or negatively affected by such market factors.	The Fund has implemented several measures to reduce the discount to NAV, including an attractive dividend yield, ongoing buy-back programs as well as transparency, disclosure, and proactive investor relation efforts. A discount objective and related DCM are part of the IPS.
Credit and Counterparty risk There is a risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations; it arises principally from cash and deposits with banks, treasury bills,	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

Description of risk	Mitigating action
government bonds and other receivables.	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>Liquidity risk</p> <p>The Fund might not be able to meet its financial obligations as they fall due.</p> <p>The Fund's equity investments include unlisted instruments issued by companies domiciled in Romania, which are not traded on a regulated market and generally may be considered illiquid. As a result, the Fund may not be able to sell certain investments within the time constraints imposed by its own liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of a particular issuer.</p>	<p>As a closed end investment fund, liquidity risk of the Fund is less significant than for an open-end fund, as shareholders do not have the option to redeem their holdings.</p> <p>The Fund's approach to managing liquidity is to ensure that it has sufficient liquid assets to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's assets are periodically monitored for their liquidity levels under both normal and stressed market conditions.</p>
<p>Operational and Cyber risk</p> <p>The Fund might incur direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Failure or breach of information technology systems and security may entail risk of financial loss, disruption to operations or damage to the reputation of the Fund. Operational risks arise from all the Fund's operations.</p>	<p>The Fund's objective in managing operational risk is to maintain a proper balance between limitation of financial losses and damage to the Fund's reputation with the overall cost effectiveness, avoiding control procedures that restrict initiative and creativity. The Fund has in place an operational monitoring system, documented through policies and procedures, which ensures escalation and remediation of potential operational issues. The information technology framework is designed to mitigate the risk of a cyber security breach. A dedicated Cyber Security Program aims to monitor, identify, and respond to cyber-attacks and external threats. The operational monitoring system covers all teams involved with the operations of the Fund.</p>
<p>Legal and Regulatory risk</p> <p>The existence, operation and the initial set-up of the Fund are regulated by local and European regulations. Such regulations may be subject to change or subject of some local interpretations and may directly affect the Fund and its shareholders. 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>

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

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

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

Franklin Templeton oversees the key 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 portfolio also has a large exposure to the Power and Gas sector. The principal risks in relation to the Fund are therefore market risk, valuation risk and credit risk. Further details in relation to the nature and extent of these risks are presented above in *Overview of Main Risks* section and in the 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 2022.

Liquidity risk

As at 31 December 2022, the Fund held 92.9% of the NAV in unlisted securities. There were no assets subject to special arrangements arising from their illiquid nature.

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

The processes for potential listings of Hidroelectrica SA and SN a Sarii Salrom SA as proposed by Fondul Proprietatea need to continue to be supported by Romanian State as controlling shareholder. There may be a risk for the two listings to be blocked by Romanian State and the percentage of unlisted securities in Fund's portfolio 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 2022.

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 2022.

Therefore, the actual level of leverage recorded under the requirements of AIFM Directive for 31 December 2022 is 1.00 (or 100.00%) using the “commitment” method and 0.94 (or 94.01%) under the “gross” method.

Subsequent Events

Tender Offer within the 14th buy-back programme

The FSA approved on 2 February 2023 the Fund's application for a public tender offer in relation to the acceleration of the 14th buy-back programme whose main details are included below:

- Value of the Offer: up to 225,000,000 shares in the form of shares and/or GDRs
- Purchase price: RON 2.19 per share and the USD equivalent of RON 109.50 per GDR
- Subscription period: 10 February 2023 – 13 March 2023
- Allocation method: pro-rata
- Intermediary: Swiss Capital SA
- Dealer managers: Swiss Capital SA together with Auerbach Grayson
- GDR Tender Agent: Bank of New York Mellon

The full Tender Offer documentation is available on the Fund's website in *Investor Relations - Public Tender Offers* section.

Enel exit from Romania

On 14 December, 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 (Target Assets). During the exclusivity period, the parties will negotiate the transaction documentation and PPC will carry out appropriate due diligence on the Target Assets. Upon completion of such due diligence, PPC's board of directors will determine whether PPC will submit a binding offer to Enel.

On 4 February 2023 Enel Spa announced that the exclusivity period for negotiations with PPC in relation to the potential disposal of all the equity stakes held by Enel Group in Romania has been extended until 28 February 2023.

Signatures:

27 February 2023

Johan Meyer

Permanent Representative

Prepared by

Catalin Cadaru

Financial Reporting 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

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Annex 1

FONDUL PROPRIETATEA SA

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

This is a translation from the official Romanian version.

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022
 (all amounts are in RON unless otherwise stated)

	<i>Note</i>	Year ended 31 December 2022	Year ended 31 December 2021
Net gain from equity investments at fair value through profit or loss	6	1,843,756,081	4,455,723,508
Gross dividend income	7	934,898,400	655,137,209
Net gain/(loss) from other financial instruments at fair value through profit or loss	8	250,186,726	(4,489,102)
Interest income		25,065,131	13,706,414
Net realised loss from non-current assets held for sale	9	(156,975,000)	-
Net foreign exchange gain/(loss)		752,624	(170,427)
Other income, net		3,721,768	5,560,078
Net operating income		2,901,405,730	5,125,467,680
Operating expenses	10	(125,241,401)	(106,588,223)
Finance costs	11	(37,250)	(91,250)
Profit before income tax		2,776,127,079	5,018,788,207
Withholding tax on the dividend income	12	(6,678,208)	(6,143,500)
Profit for the period		2,769,448,871	5,012,644,707
Other comprehensive income		-	-
Total comprehensive income for the period		2,769,448,871	5,012,644,707
Basic and diluted earnings per share	13	0.4664	0.8452

The annual financial statements were authorised for issue on 27 February 2023 by:

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

Johan Meyer

Permanent Representative

Prepared by:

Catalin Cadaru

Financial Reporting Manager

The notes on pages 6 to 52 are an integral part of these annual financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 December 2022	31 December 2021
Assets			
Cash and current accounts	<i>14</i>	58,066	76,632
Distributions bank accounts	<i>14</i>	73,775,078	68,148,338
Deposits with banks	<i>14</i>	912,616,396	347,387,604
Government bonds		-	77,106,529
Equity investments	<i>16</i>	13,696,597,396	12,577,678,606
Non-current assets held for sale	<i>9</i>	-	1,135,225,000
Other assets		569,827	298,725
Total assets		14,683,616,763	14,205,921,434
Liabilities			
Payable to shareholders	<i>17(a)</i>	74,166,644	408,245,702
Other liabilities and provisions	<i>17(b)</i>	39,906,577	40,127,825
Total liabilities		114,073,221	448,373,527
Equity			
Paid share capital	<i>18(a)</i>	3,233,269,111	3,145,160,001
Reserves related to the unpaid share capital	<i>18(b)</i>	-	189,182,422
Other reserves	<i>18(c)</i>	667,020,430	666,991,766
Treasury shares	<i>18(d)</i>	(1,194,334,988)	(331,650,005)
Retained earnings		11,863,588,989	10,087,863,723
Total equity		14,569,543,542	13,757,547,907
Total liabilities and equity		14,683,616,763	14,205,921,434

The notes on pages 6 to 52 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

The notes on pages 6 to 52 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

	Share capital	Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2021	3,560,099,870	189,182,422	539,400,224	(1,086,443,209)	7,064,680,119	10,266,919,426
Profit for the period	-	-	-	-	5,012,644,707	5,012,644,707
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,012,644,707	5,012,644,707
Transactions with owners, recorded directly in equity						
Profit appropriation to other reserves	-	-	666,368,661	-	(666,368,661)	-
Dividends declared	-	-	-	-	(1,191,868,702)	(1,191,868,702)
Transfer to legal reserves	-	-	133,041,538	-	(133,041,538)	-
Acquisition of treasury shares	-	-	-	(332,088,603)	-	(332,088,603)
Cancellation of treasury shares	(414,939,869)	-	(671,941,938)	1,086,881,807	-	-
Distributions for which the statute of limitation occurred	-	-	123,281	-	1,817,798	1,941,079
Total transactions with owners recorded directly in equity	(414,939,869)	-	127,591,542	754,793,204	(1,989,461,103)	(1,522,016,226)
Balance as at 31 December 2021	3,145,160,001	189,182,422	666,991,766	(331,650,005)	10,087,863,723	13,757,547,907

The notes on pages 6 to 52 are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from operating activities		
Proceeds from disposal of equity investments (<i>see Note 6</i>)		
OMV Petrom SA transactions	1,781,883,964	-
Dividends received (net of withholding tax)	928,242,194	649,270,587
Proceeds from transactions with treasury bills and bonds	304,282,220	495,487,025
Amounts received from Romanian State for the unpaid share capital (<i>see Note 8</i>)	189,182,422	-
Interest received	24,491,606	15,934,852
Amounts collected from the depository Bank of the Fund's GDRs	3,840,656	2,970,229
Acquisition of treasury bills and bonds	(227,774,993)	(199,120,876)
Suppliers and other taxes and fees paid	(194,113,948)	(127,848,751)
Subscriptions to share capital increase of portfolio companies (<i>see Note 6</i>)	(17,427,589)	(10,079,690)
Other (payments performed)/amounts received, net	(1,660,102)	(369,543)
Net cash flows from operating activities	2,790,946,430	826,243,833
Cash flows from financing activities		
Dividends paid (net of withholding tax) (<i>see Note 17(a)</i>)	(1,074,343,983)	(777,941,709)
Acquisition cost of treasury shares	(1,146,552,498)	(327,027,418)
Payment of fees related to the short term bank loans	(45,000)	(91,250)
Net cash flows used in financing activities	(2,220,941,481)	(1,105,060,377)
Net increase/(decrease) in cash and cash equivalents	570,004,949	(278,816,544)
Cash and cash equivalents at the beginning of the period	415,528,011	694,344,555
Cash and cash equivalents at the end of the period as per the Statement of Cash Flows	985,532,960	415,528,011
Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position		
	31 December 2022	31 December 2021
Cash and current accounts (<i>see Note 14</i>)	58,066	76,632
Distributions bank accounts (<i>see Note 14</i>)	73,775,078	68,148,338
Bank deposits with original maturities of less than three months (<i>see Note 14</i>)	911,699,816	347,303,041
	985,532,960	415,528,011
Interest accrued on bank deposits (<i>see Note 14</i>)	916,580	84,563
Government bonds with original maturities of more than three months and less than one year	-	77,106,529
Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position	986,449,540	492,719,103

The notes on pages 6 to 52 are an integral part of these annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company, 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, Buzești 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 designed for 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.

Starting with 1 December 2020, the portfolio management and the administrative activities previously delegated to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch are performed by FTIS through its Bucharest Branch.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

These separate financial statements are the annual statutory financial statements of Fondul Proprietatea for the year ended 31 December 2022 prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and applying the FSA Norm 39/2015. These financial statements are available starting with 28 February 2023, on the Fund's official webpage, www.fondulproprietatea.ro, and at the Fund's registered office.

The Fund is an investment entity and does not consolidate its subsidiaries as it applies IFRS 10, IFRS 12 and IAS 27 (Investment Entities). In consequence, the Fund does not prepare consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the year ended 31 December 2022 and continues to meet them.

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

Please see *Note 4 (c) Risk administration – liquidity risk* for an assessment of the Fund's current/ non-current assets and liabilities.

(b) Going concern

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

According 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.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Foreign currency

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

The exchange rates of the main foreign currencies, published by the National Bank of Romania at 31 December 2022 were as follows: 4.9474 RON/EUR, 4.6346 RON/USD and 5.5878 RON/GBP (31 December 2021: 4.9481 RON/EUR, 4.3707 RON/USD and 5.8994 RON/GBP).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

2. Basis of preparation (continued)**(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 15 – Deferred tax;
- Note 16 – Equity investments;
- Note 19 – Contingencies.

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

During the year ended 31 December 2022, the Fund's Sole Director performed a periodic analysis of the multiples values of publicly traded peer companies and of the portfolio companies financial information and adjusted the value of unlisted holdings accordingly where required (*see Note 5 Financial assets and financial liabilities and Note 16 Equity investments for further details on fair value adjustments*).

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.

(h) COVID-19 pandemic

The Romanian Government decided to no longer extend the state of alert beyond 8 March 2022 and lifted all the restrictions imposed in the country in the context of the COVID-19 pandemic.

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

3. Significant accounting policies

The significant accounting policies applied in these annual financial statements are the same as those applied in the Fund's financial statements for the year ended 31 December 2021 and have been applied consistently to all periods presented in these annual financial statements.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. The Fund controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Associates are those entities in which the Fund has significant influence over the financial and operating policies, but no control or joint control. The existence of significant influence is assessed, in each reporting year, by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

However, the Fund does not exercise significant influence in several companies in which it holds between 20% and 50% of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the 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 2022 and 31 December 2021, there were three portfolio companies, which met the criteria for classification as subsidiaries, and two portfolio companies which met the criteria for classification as associates. The lists of subsidiaries and associates as at 31 December 2022 and 31 December 2021 are disclosed in *Note 20 Related parties (b) and (c) and in Note 16 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.

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.

The receivable related to the unpaid share capital was classified at fair value through profit or loss due to the failure of Solely Payments of Principal and Interest (SPPI) test requested by IFRS 9. The fair value of this receivable as at 31 December 2021 was nil.

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

- *Financial assets and liabilities at amortised cost*

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.

3. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

ii) Classification and subsequent measurement (continued)

- *Financial assets and liabilities at amortised cost (continued)*

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

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

See accounting policy 3(c) for details.

iii) Derecognition

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, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

(a) Transferred substantially all of the risks and rewards of the asset, or

(b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

iv) Offsetting

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

v) Fair value measurement

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

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

The Fund uses a variety of methods and makes assumptions that are based on the market conditions existing at each reporting date. Valuation techniques used are recognised as standard within the industry and include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants, making maximum use of observable market inputs and relying as little as possible on entity-specific inputs.

3. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

v) Fair value measurement (continued)

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.

vi) 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. According to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* the instruments in the scope of IFRS 9 *Financial Instruments* continue to be measured according to this standard after the reclassification as non-current assets held for sale. The disclosures in the financial statements for non-current assets held for sale are in accordance to IFRS 5.

There were no assets classified as held-for-sale as at 31 December 2022. As at 31 December 2021, based on the assessment made by the Fund, all the criteria for classifying as held-for-sale part of its holding in OMV Petrom SA were met, in accordance with IFRS 5 requirements.

3. Significant accounting policies (continued)

(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 standard describes a separate segment of an entity, for which the related disclosure requirements would be applicable, as: a component that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Fund's activity is not managed by activity components and therefore there are no reportable segments at 31 December 2022 or 31 December 2021.

(e) Cash and current accounts and 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(i) Dividend income (continued)**

Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared, at the date when the dividend distribution is approved by the General Shareholders Meeting (“GSM”) of the respective company.

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

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

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

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

(j) Interest income and expense

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

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

(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 gain from equity investments at fair value through profit or loss”, together with the unrealised gains and losses from the change in the fair value of these instruments and detailed in the notes to the financial statements.

The realised gains and losses from the disposal of equity investments classified as non-current assets held for sale, if any, are presented in the statement of comprehensive income under the caption “Realised net gains/(losses) from disposal of non-current assets held for sale”.

(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 most part of its transactions are denominated in RON.

(m) Expenses

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

3. Significant 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.

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

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

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

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

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

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

During 2022 and 2021, the applicable standard tax rate was 16%. The applicable dividend withholding tax was nil in case of holdings over 10% of the total share capital of the issuer, held for an uninterrupted period of at least one year and 5% in case of the other holdings. On 15 July 2022 Government Ordinance No 16/2022 was published which modified the Romanian Fiscal Code. According to the new legislation, for dividends distributed after 1 January 2023, the applicable dividend withholding tax will change from 5% to 8% with the 10% holding exemption mentioned above still in place.

(o) Distributions to shareholders

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

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

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

According to the provisions of the legislation in force, the statute of limitation occurs three years after the date when the respective distribution commenced except for specific instances that are individually assessed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

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. 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 2022 and 31 December 2021, 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' benefits

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

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

(r) Standards and interpretations effective in the current year

The following 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 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

- **Annual Improvements 2018-2020** make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards**, **IFRS 9 Financial Instruments**, **IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases**
- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**
The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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

(s) Standards and interpretations issued by the IASB and adopted 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 and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. 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.
- **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 with earlier application permitted 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.
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

- **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretionary participation contracts.

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

(t) Standards and interpretations issued by the IASB but not yet adopted by the EU and no early application performed

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 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. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

- **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. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

- **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**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

4. Risk management

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

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and with the markets in which it invests. The most important 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 AIFM 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 daily.

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 equity operate in different industries, the largest exposures being in the "Power utilities: generation", "Power and gas utilities: distribution and supply" and "Infrastructure" sectors.

The Fund's exposure to industries is detailed below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

	31 December 2022	31 December 2022 (%)	31 December 2021	31 December 2022 (%)
Power utilities: generation	11,148,800,000	81.4%	9,040,900,000	65.9%
Infrastructure	1,066,219,748	7.8%	1,040,856,754	7.6%
Power and gas utilities: distribution, supply	1,029,500,000	7.5%	1,252,700,000	9.1%
Heavy industry	302,543,300	2.2%	242,856,500	1.8%
Aluminum	114,429,001	0.8%	131,192,485	1.0%
Postal services	21,700,000	0.2%	13,900,000	0.1%
Others	13,405,347	0.1%	12,687,376	0.1%
Oil and gas	-	0%	1,977,810,491	14.4%
	13,696,597,396	100%	13,712,903,606	100%

As at 31 December 2022, the listed and liquid investments represented 0.8% (31 December 2021: 15%) of the total Fund's equity investments. As at 31 December 2022, the Fund's listed liquid holdings are in amount of RON 114,429,001 (31 December 2021: RON 2,109,002,976) and mainly represent investments in Alro SA (31 December 2021: mainly in Alro SA and Petrom OMV SA) which is listed on Bucharest Stock Exchange, and which is included in the BET-BK index. For these investments, a ten per cent increase in the BET-BK index at 31 December 2022 would impact profit or loss and would determine an increase in equity of RON 13,514,065 (31 December 2021: RON 238,998,545 out of which Alro SA RON 15,703,740). An equal change in the opposite direction as at 31 December 2022 would impact profit or loss and would determine a decrease in equity by RON 13,514,065 (31 December 2021: RON 238,998,545 out of which Alro SA RON 15,703,740). This analysis assumes that all other variables remain constant.

As mentioned above, at 31 December 2022, 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. A 10% decrease of the closing price for the company would result in a total fair value loss for the Fund in amount of 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 its holdings are listed and correlates this analysis with the liquidity and cash management process.

The Fund's equity investments also include both unlisted instruments issued by companies domiciled in Romania and listed but not liquid instruments, both of which representing 99.2% of total equity investments as at 31 December 2022 (85% of total equity investments as at 31 December 2021). Please see *Note 5 - Financial assets and financial liabilities* - for more information regarding these instruments.

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits and short-term government securities with fixed interest rates and original maturities of up to one year. Any potential reasonable movement in interest rates would have an immaterial effect on the Fund.

At the reporting date the risk profile of the Fund's interest-bearing financial instruments is:

Fixed rate instruments	31 December 2022	31 December 2021
Bank deposits with original maturities of less than three months	911,699,816	347,303,041
Government bonds	-	75,017,625
	911,699,816	422,320,666

The above balances of fixed rate instruments do not include the related accrued interest. The financial instruments above do not have any repricing dates. Please see *Note 4 (c) Risk administration – liquidity risk* for information regarding the contractual maturities of the elements presented above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(a) Market risk (continued)***(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 2022, the local currency appreciated compared to the EUR (4.9481 RON/EUR at 31 December 2021 to 4.9474 RON/EUR at 31 December 2022) and to the GBP (from 5.8994 RON/GBP at 31 December 2021 to 5.5878 RON/GBP at 31 December 2022) and depreciated compared to the USD (from 4.3707 RON/USD at 31 December 2021 to 4.6346 RON/USD at 31 December 2022). The tables below contain information on the Fund's financial assets and liabilities based on the original currency:

RON	31 December 2022	31 December 2021
Monetary assets		
Petty cash	416	536
Cash and current accounts	53,248	68,287
Distributions bank accounts	73,775,078	68,148,338
Deposits with banks	912,616,396	347,387,604
Government bonds	-	77,106,529
Other financial assets	30,030	54,000
	986,475,168	492,765,294
Monetary liabilities		
Other financial liabilities	(14,738,893)	(2,631,061)
Payable to shareholders	(74,166,644)	(408,245,702)
	(88,905,537)	(410,876,763)
Net position RON	897,569,631	81,888,531
EUR (in RON equivalent)	31 December 2022	31 December 2021
Monetary assets		
Current accounts with banks	1,599	3,607
Other financial assets	295,142	-
Monetary liabilities		
Other financial liabilities	(20,084,641)	(22,780,953)
Net position EUR (in RON equivalent)	(19,787,900)	(22,777,346)
USD (in RON equivalent)	31 December 2022	31 December 2021
Monetary assets		
Current accounts with banks	2,040	2,144
Monetary liabilities		
Other financial liabilities	(2,104,401)	(262,242)
Net position USD (in RON equivalent)	(2,102,361)	(260,098)
GBP (in RON equivalent)	31 December 2022	31 December 2021
Monetary assets		
Current accounts with banks	764	2,058
Monetary liabilities		
Other financial liabilities	(63,528)	(48,106)
Net position GBP (in RON equivalent)	(62,765)	(46,048)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

A ten percent strengthening of the RON against the EUR, USD and GBP respectively as at 31 December 2022 and 31 December 2021 would have the following impact on profit or loss (the analysis assumes that all other variables remain constant), impact expressed in RON:

Profit / (loss)	31 December 2022	31 December 2021
EUR	1,978,790	2,277,735
USD	210,236	26,010
GBP	6,276	4,605

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 2022 and 31 December 2021, the Fund did not hold any equity investment denominated in a currency other than RON.

(b) Credit and counterparty risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, government bonds and other receivables.

(i) Cash and deposits with banks

As at 31 December 2022, the Fund's maximum exposure to credit risk from cash and deposits with banks was RON 986,449,124 (31 December 2021: RON 415,612,038).

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

Cash and deposits held with banks	Credit rating*	31 December 2022	31 December 2021
ING Bank	AA-(stable)	297,855,062	159,725,891
Unicredit Bank	BBB(stable)	77,331,334	96,120,852
BRD - Groupe Societe Generale	A-(stable)	290,835,385	78,359,570
Banca Comerciala Romana	A(stable)	167,666,953	50,082,961
Citi Bank	A+(stable)	152,759,637	31,321,657
Raiffeisen Bank	A+(stable)	753	1,107
		986,449,124	415,612,038

*Source: Fitch Ratings at reporting date

Current accounts and deposits are held with banks in Romania. The management of the Fund implemented a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent has a credit rating "investment grade" (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions was made and the exposure limits were decided upon based on their credit ratings of the credit institutions or their parent.

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 impairment would be immaterial.

(ii) Treasury bills

During 2022, the Fund invested in treasury bills that had maturity date during the same year. During 2021 the Fund did not invest in treasury bills. Therefore, the balances as at 31 December 2022 and 31 December 2021 are nil. These items were assessed to have low credit risk being issued by the Ministry of Public Finance of Romania.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

As at 31 December 2022, the Fund was not exposed to credit risk from government bonds as there were no such instruments in balance at that date (31 December 2021: RON 77,106,529). These items are assessed to have low credit risk being issued by the Ministry of Public Finance of Romania.

As at 31 December 2021, the Fund held the following government bonds, denominated in RON, which had original maturities of less than one year:

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

(iv) Other assets

As at 31 December 2022 and 31 December 2021, the Fund did not have significant credit risk from other assets.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's equity investments include unlisted instruments issued by companies domiciled in Romania which may be considered illiquid and listed but not liquid instruments (respectively 99% of total equity investments as at 31 December 2022 and 85% of total equity investments as at 31 December 2021).

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:

31 December 2022	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity	Total
Financial assets					
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
	986,774,712	-	-	13,696,597,396	14,683,372,108
Financial liabilities					
Other financial liabilities	(111,120,926)	-	-	-	(111,120,926)
	(111,120,926)	-	-	-	(111,120,926)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

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

For both 31 December 2021 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, as can be seen in the tables above. The amounts included in the table above at 31 December 2021 and 31 December 2022 are discounted as the difference between the discounted and undiscounted cashflows is immaterial at both dates.

(d) Taxation risk

The Fund had to comply with the Romanian tax legislation in force and with any direct applicable tax legislation issued by the European Union. Interpretation of the text and practical implementation procedures of the tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has several agencies that are authorised to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries and may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is possible that the Fund will be subject to regular controls as new laws and regulations are issued. The frequent changes of Romanian tax legislation without observing the transparency rules also increase the uncertainty and tax risk.

(e) Operating environment

Equity markets may be exposed to temporary higher levels of volatility triggered by uncertainty surrounding political events either locally or globally. Such events may in particular affect the oil and energy sectors, which represent an important part of the Fund's portfolio. Commodity markets may as well experience prolonged volatility given the uncertainty regarding global trade relationships and increasing protectionism.

Both political uncertainty and fluctuation in commodity prices, particularly in the energy sector, can have an impact on the Romanian economy and consequently on the Fund's portfolio companies – Please see commodity price sensitivity analysis in *Note 5 Financial assets and financial liabilities*.

According to International Monetary Fund¹, persistent and broadening inflation pressures have triggered a rapid and synchronized tightening of monetary conditions, alongside a powerful appreciation of the US dollar against most other currencies. Tighter global monetary and financial conditions will work their way through the economy, weighing demand down and helping to gradually subjugate inflation. So far, however, price pressures are proving quite stubborn and a major source of concern for policymakers.

¹ World Economic Outlook Report – October 2022

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(e) Operating environment (continued)**

The widespread nature of the COVID-19 outbreak and the measures taken to contain the spread continue to have a significant impact on global economic activity which was also adversely impacted by the military conflict between Russia and Ukraine which started in February 2022.

Management cannot predict all developments which could have an impact on the Romanian economy and consequently what effect, if any, they could have on the performance of the Fund and its financial statements. Management cannot reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets and devaluation of financial assets influenced by the increased volatility in the equity and currency markets.

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate 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 policy is to maintain a strong capital base to sustain shareholders' confidence and future developments.

The Fund's shareholders' equity comprises share capital, reserves and retained earnings, net of treasury shares. The shareholders' equity was RON 14,569,543,542 at 31 December 2022 (31 December 2021: RON 13,757,547,907).

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 2022	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	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	-	-	(111,120,926)	(111,120,926)	(111,120,926)
	986,774,712	13,696,597,396	(111,120,926)	14,572,251,182	14,572,251,182

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities (continued)

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

Fair value hierarchy

The Fund classifies the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement, the levels of the fair value hierarchy being defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below presents the fair value amount and hierarchy of financial instruments carried at amortised cost as at 31 December 2022 and as at 31 December 2021:

31 December 2022	Amortised cost	Level 1	Level 2	Level 3	Total
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	(111,120,926)	-	-	(111,120,926)	(111,120,926)
Total	875,653,785	986,449,540	-	(110,795,755)	875,653,785

31 December 2021	Amortised cost	Level 1	Level 2	Level 3	Total
Cash and current accounts	76,632	76,632	-	-	76,632
Distributions bank accounts	68,148,338	68,148,338	-	-	68,148,338
Deposits with banks	347,387,604	347,387,604	-	-	347,387,604
Other financial assets	54,000	-	-	54,000	54,000
Other financial liabilities	(433,968,064)	-	-	(433,968,064)	(433,968,064)
Total	(18,301,490)	415,612,574	-	(433,914,064)	(18,301,490)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities (continued)

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:

31 December 2022	Level 1	Level 2	Level 3	Total
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
Total	114,429,001	-	13,582,168,395	13,696,597,396

31 December 2021	Level 1	Level 2	Level 3	Total
Government bonds	77,106,529	-	-	77,106,529
Equity investments:	973,777,976	-	11,603,900,630	12,577,678,606
<i>Power utilities: generation</i>	-	-	9,040,900,000	9,040,900,000
<i>Oil and gas</i>	842,585,491	-	-	842,585,491
<i>Power and gas utilities: distribution, supply</i>	-	-	1,252,700,000	1,252,700,000
<i>Infrastructure</i>	-	-	1,040,856,754	1,040,856,754
<i>Heavy industry</i>	-	-	242,856,500	242,856,500
<i>Aluminum</i>	131,192,485	-	-	131,192,485
<i>Postal services</i>	-	-	13,900,000	13,900,000
<i>Others</i>	-	-	12,687,377	12,687,377
Non-current assets held for sale	1,135,225,000	-	-	1,135,225,000
Total	2,186,109,505	-	11,603,900,630	13,790,010,135

The table below presents the movement in Level 3 equity investments during the year ended 31 December 2022 and the year ended 31 December 2021:

	Year ended 31 December 2022	Year ended 31 December 2021
Opening balance	11,603,900,630	7,642,697,782
Net unrealised gain recognised in profit or loss	1,978,243,795	3,950,732,018
Subscriptions to share capital increase of portfolio companies	23,970	10,470,830
Closing balance	13,582,168,395	11,603,900,630

As at 31 December 2022, the fair value for 90% of the Level 3 equity investments (31 December 2021: for 89% of the Level 3 equity investments) was determined by applying the market comparison technique using comparable trading multiples for EBITDA, while the fair value for almost 10% of the Level 3 equity investments (31 December 2021: for almost 11% of the Level 3 equity investments) was determined by applying the income approach using the discounted cash flow method. There was no significant change in the valuation technique used for the valuation of the holdings as at 31 December 2022 compared with that used as at 31 December 2021.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities (continued)

- 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;
- the holdings in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity were valued at nil.

The valuation for the Level 3 equity investments as at 31 December 2021 was prepared as follows:

- 99.6% 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 2021 incorporating the impact of any significant corporate action that took place until 31 December 2021;
- 0.4% 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;
- the holdings in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity were valued at nil

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 classifies the fair value measurement using a fair value hierarchy that reflects the significance of inputs used in making the measurements.

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

The valuations are based on prevailing market, economic and other conditions at the valuation date and correspond with a period of significant volatility in global financial markets and widespread macro-economic uncertainty. To the extent possible, these conditions were reflected in the valuation. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and on the Fund's portfolio holdings specifically, could impact the estimated fair values in the future, either positively or negatively.

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

As a result, the current valuation may not have identified, or reliably quantified the impact of all such uncertainties and implications.

The valuation reports were prepared as at 31 October 2022 (for 31 December 2021: 31 October 2021, except the valuation report for the holding in Hidroelectrica SA which was prepared as at 31 December 2021), based on financial information available for the companies under valuation at the respective dates.

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

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

Considering the economic uncertainties, the risks and the strong volatility existing in the capital markets, the Fund's Sole Director closely monitors the evolution of the economic environment and the effects of the economic measures on the Fund's portfolio companies. The Fund's Sole Director will perform a periodic analysis of multiples values of publicly traded peer companies and of the available portfolio companies' financial information and will adjust the value of unlisted holdings accordingly, if the case.

5. Financial assets and financial liabilities (continued)

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

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Fund believes that a third-party market participant would consider these factors in pricing a transaction.

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

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

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

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

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

Significant unobservable inputs are the following:

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

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

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

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

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

Price/Earnings multiple ("P/E"): Price/Earnings ratio is a market prospect ratio that calculates the market value of an investment relative to its earnings by comparing the market price per share by the earnings per share. It shows what the market is willing to pay for an investment based on its current earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities (continued)

Investors often use this ratio to evaluate what an investment's fair market value should be by predicting future earnings per share.

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

The following tables set out information about the significant unobservable inputs used at 31 December 2022 and 31 December 2021 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

Financial assets	Fair value as at 31 December 2022	Main valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	13,582,168,395			
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	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 revenue 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 revenue 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.	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities (continued)

Financial assets	Fair value as at 31 December 2021	Main valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	11,603,900,630			
Unlisted equity instruments	10,317,127,618	Market approach - comparable companies (based on EBITDA multiple)	EBITDA estimated for each company EBITDA multiple ranging from 4.02 - 11.50 (10.88) Discount for lack of marketability: 16.20% (16.20%)	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	1,230,362,631	Income approach - discounted cash flow method	EBIT estimated for each company Weighted average cost of capital ranging from 10.30% - 14.70% (11.53%) Discount for lack of marketability ranging from 11.4% - 16.3% (15.87%) Discount for lack of control: 0% - 26.7% (17.89%) Long-term revenue growth rate: 2.50% (2.50%)	The 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 revenue growth rate, the higher the fair value.
Unlisted equity instruments	13,900,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 6.14 (6.14) Discount for lack of marketability: 22.8% (22.8%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	-	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.43 (0.43)	Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts.
Listed illiquid equity instruments	42,510,381	Bucharest Stock Exchange reference price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the Financial Supervisory Authority.	

As at 31 December 2022 and 31 December 2021, 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities (continued)

Valuation techniques used	Change in the significant unobservable inputs used in the valuation	Impact on the profit or loss as at 31 December	
		2022	2021
Market approach - comparable companies (based on EBITDA multiple)	EBITDA estimate increase by 10%	1,153,606,636	953,535,208
	EBITDA estimate decrease by 10%	(1,153,606,636)	(953,535,208)
	EBITDA multiple increase by 10%	1,153,606,636	953,535,208
	EBITDA multiple decrease by 10%	(1,153,606,636)	(953,535,208)
	Discount for lack of marketability increase by 10%	(106,139,450)	(197,166,224)
	Discount for lack of marketability decrease by 10%	106,139,450	197,166,224
Income approach - discounted cash flow method	EBIT estimate increase by 10%	118,420,343	109,757,561
	EBIT estimate decrease by 10%	(117,758,463)	(108,963,862)
	Weighted average cost of capital increase with 0.50 percentage points	(48,450,000)	(61,740,000)
	Weighted average cost of capital decrease with 0.50 percentage points	55,030,000	69,310,000
	Discount for lack of marketability increase by 10%	(23,940,000)	(22,430,000)
	Discount for lack of marketability decrease by 10%	23,940,000	22,430,000
	Discount for lack of control increase by 10%	(28,650,000)	(26,760,000)
	Discount for lack of control decrease by 10%	28,650,000	26,760,000
	Long-term revenue growth rate increase with 0.50 percentage points	60,310,000	52,550,000
	Long-term revenue growth rate decrease with 0.50 percentage points	(53,110,000)	(46,870,000)

The above sensitivity analysis was performed for the equity investments representing 99% (31 December 2021: 98%) of the total unlisted and illiquid 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 constant.

Considering the current macro environment as affected by the global energy crisis and that rising energy costs are expected to have sector-specific effects, the Fund has performed and presented below a sensitivity analysis to commodity price risk in order to enable users of financial statements to understand the possible effects of this risk on the Fund's holdings. Whereas energy/ gas prices indirectly impact the valuation of all the Fund's holdings, only Hidroelectrica SA (regarding average energy prices) and Engie Romania SA (regarding average gas prices) are significantly and directly impacted by the variation in the price of these commodities. Therefore, the analysis regarding the commodity risk is presented only for these two holdings that represent 85.3% of total unlisted and listed but unliquid portfolio as at 31 December 2022 (82.4% at 31 December 2021).

The sensitivity analysis was based on stress tests performed with the assistance of the of the external valuation services provider KPMG. The Market value of the companies' issued shares considered in the stress test analysis was estimated based on the income approach, respectively on the DCF methodology (irrespective of the primary method used in the valuation).

Changes in Average Energy Prices*Assumptions used in Base Case Valuation*

Electricity prices during financial years 2023 – 2027 were estimated based on the latest available information regarding the energy market evolution and regulatory changes introduced mainly through GEO no. 153/ 2022 and GEO no. 27/ 2022 as amended.

The prices used in the DCF model take into consideration the increased market volatility and uncertainties surrounding the factors that have an impact on the prices for active energy (i.e.: gas, oil and coal prices evolution, the transition process from brown to green energy with impact on the volatility of the energy supply-demand as well as the impact of Russia – Ukraine conflict on energy market).

5. Financial assets and financial liabilities (continued)***Changes in Average Energy Prices (continued)****Scenarios considered and results*

A 10% decrease of the average energy prices (both for the explicit forecasting period and for the terminal value) as compared to Base Case scenario would result in the participation held by the Fund in Hidroelectrica SA to decrease by 9.9% whereas a 10% increase of the prices used in the explicit forecasting period (while the price used for terminal value remains the unchanged compared to the Base Case) would imply a 1.7% increase in the value of participation held by the Fund in the Company.

Changes in Average Gas Prices*Assumptions used in Base Case Valuation*

For the purpose of the sensitivity analysis the evolution of gas prices was considered, as gas sales account over 50% of Engie's operating income. Gas prices during 2023 – 2027 were estimated based on latest available information regarding energy market evolution and regulatory changes, introduced mainly through GEO no. 153/ 2022 and GEO no. 27/ 2022 as amended.

The prices used in the DCF model take into consideration the increased market volatility and uncertainties surrounding the factors that have an impact on the prices for active energy (i.e.: gas, oil and coal prices evolution, the transition process from brown to green energy with impact on the volatility of the energy supply-demand as well as the impact of Russia – Ukraine conflict on energy market).

Scenarios considered and results

To have a reasonable variation in gas prices, the general expectation that these prices would decrease was considered together with the industry forecast regarding the gas market. A variation of + 1.0% and – 2.0% in the average gas prices used in Base Case valuation for 2024 – 2027 would result in total impact of +10.5% increase in the value of the holding and a 21% decrease in the holding value.

Valuation of Hidroelectrica SA

On 31 March 2022, the GSM of Hidroelectrica approved the initiation of the listing process on BVB following a public offering of the company's shares held by the Fund. The Fund's shareholders approved the sale of the shares held by FP in Hidroelectrica SA during the GSM convened for 15 November 2022.

The Fund and Hidroelectrica SA continue to prepare for an IPO during 2023. The Romanian State committed in PNRR to the listing of Hidroelectrica by the end of H1 2023.

As a result of the strong financial performance of the Company and the volatility of the energy sector, including of the regulatory framework during the year ended 31 December 2022, and the circumstances linked to the listing (a decrease in discount for lack of marketability from 16.2% in December 2021 to 7.21% in December 2022), the Fund, with the assistance of KPMG, as an external valuation services provider, performed several valuation reports for Hidroelectrica SA. Please see the table below for a summary of the changes throughout the year:

Date	FP investment in Hidroelectrica SA (RON)	Change (%)	Total Fund's Equity (RON)	Investment in Hidroelectrica SA in Total Equity of the Fund (%)
31-Dec-21	9,040,900,000		13,757,547,907	65.7%
31-Mar-22	9,924,444,000	+9.8%	14,535,940,090	68.3%
30-Apr-22	11,370,403,300	+14.6%	15,964,568,846	71.2%
30-Jun-22	12,559,800,000	+10.5%	16,327,273,801	76.9%
30-Sep-22	12,115,500,000	-3.5%	15,433,328,042	78.5%
30-Nov -22	11,259,700,000	-7.0%	14,636,071,053	76.9%
31-Dec-22	11,148,800,000	-0.9%	14,569,538,085	76.5%

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(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities (continued)**Valuation of Hidroelectrica SA (continued)**

For the valuation of Hidroelectrica, the valuation method undertaken by the external provider is the comparable companies' method, which has been applied as the primary valuation method, while a DCF was prepared to cross-check the results. The valuation of the Company is based on the standalone financial statements. The main components of the valuation include:

- Peer group and market multiple (EV/ EBITDA) - Given the specificities of the European electricity market, the peer group contains comparable companies that only operate in these markets. As of 31 December 2022, the peer group included the following companies: Verbund AG, Iberdrola SA, EDP - Energias de Portugal SA, Corporación Acciona Energías Renovables SA and Erg SpA (31 December 2021: Verbund AG, Fortum Oyj, Iberdrola SA, EDP - Energias de Portugal SA and ContourGlobal plc). Given the current market circumstances, the comparable companies characteristics and the size of the peer group the median was used to derive the multiple as at 31 December 2022 (31 December 2021: the median);
- Normalized EBITDA – considering the latest regulatory developments, normalized EBITDA was determined considering the electricity quantity produced based on the multiannual production average and an average price of 450 RON/MWh. (31 December 2021: EBITDA was normalized for the historical actual results for the last 12 months);
- Net cash / debt position of the company – based on the accounting records of the company for the reference date above, the valuation includes the net cash value of RON 1,405.9 million (31 December 2021: RON 1,707.6 million);
- Market value of financial and non-core assets (including the book value of Hidroelectrica Wind Services SRL and Crucea Wind Farm SA) – based on the accounting records of the company for the reference date above, the valuation includes the value of RON 582.5 million (31 December 2021: RON 925.8 million);
- Discount for lack of marketability (DLOM) - based on the specific context of Hidroelectrica's expected listing, the most relevant approach for estimating DLOM was the application of the Finnerty option pricing model. (31 December 2021: DLOM indicated in Stout Restricted Stock Study 2021 for Energy industry)

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

	Year ended 31 December 2022	Year ended 31 December 2021
Net unrealised gain from equity investments at fair value through profit or loss	2,216,096,111	4,591,149,777
Net unrealised loss from equity investments at fair value through profit or loss	(254,615,801)	(135,426,269)
Realised from equity investments at fair value through profit or loss	(117,724,229)	-
Total	1,843,756,081	4,455,723,508

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

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 current electricity market context. The unrealised gain from equity investments at fair value through profit or loss for the year ended 31 December 2021 was also generated by the change in fair value for the holding in Hidroelectrica SA (unrealised gain of RON 3,911,584,890) together with OMV Petrom SA (unrealised gain of RON 537,060,765), as a result of the strong performance of these companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

The unrealised loss from equity investments at fair value through profit or loss for the year ended 31 December 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 unrealised loss from equity investments at fair value through profit or loss for the year ended 31 December 2021 was generated by the negative change in fair value for the holding in Alro SA (unrealised loss of RON 32,069,274), E-Distributie Banat SA (unrealised loss of RON 27,600,000) and E-Distributie Muntenia SA (unrealised loss of RON 21,100,000).

OMV Petrom SA transactions

The table below presents the OMV Petrom transactions impact during the period ended 31 December 2022.

	<i>Note</i>	Shares classified under IFRS 5	Shares not classified under IFRS 5	Preferential rights
Opening balance at 31 December 2021 (audited)		1,135,225,000	842,585,491	-
Disposal through the first AB B	<i>(i)</i>			
Amounts collected in the first ABB		(978,250,000)	-	-
Net realised loss from non current assets held for sale		(156,975,000)	-	-
Disposals through daily sales	<i>(ii)</i>			
Amounts collected from the daily disposals		-	(39,494,840)	-
Net realised loss from daily disposal		-	(3,297,523)	-
Share capital increase and preferential rights	<i>(iii)</i>			
Payment of the exercise price		-	-	17,427,589
Net fair value gain related to the preferential rights		-	-	61,345,112
Transfer to the equity portfolio on new shares issuance		-	78,772,701	(78,772,701)
Disposal through the second ABB	<i>(iv)</i>			
Amounts collected in the second ABB		-	(764,139,122)	-
Net realised loss resulting from second ABB		-	(114,426,706)	-
Closing balance at 31 December 2022 (audited)		-	-	-

(i) Disposal through the first Accelerated Book Building ("ABB")

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 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.

The realised loss of RON 156,975,000 from the disposal of the shares classified as non-current assets held for sale is booked under *Net realised loss from non-current assets held for sale* in the Statement of Comprehensive Income for the year ended 31 December 2022 – please see *Note 9 - Net realised loss from non-current assets held for sale*.

(ii) Disposals through daily sales

Between August and November 2022, the Fund disposed of 85,756,239 shares in OMV Petrom SA through daily sales. The gross proceeds received from these sales amounted to RON 39,494,840.

The realised loss from equity investments at fair value through profit or loss of RON 3,297,523 from these daily sales is booked under caption *Net gain from equity investments at fair value through profit or loss* in the Statement of Comprehensive Income for the year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

6. Net gain from equity investments at fair value through profit or loss (continued)**OMV Petrom SA transactions (continued)***(iii) Share capital increase, preferential rights and new shares received*

On 27 April 2022, the Extraordinary General Meeting of Shareholders of OMV Petrom SA approved the initiation of the share capital increase operation. As part of this operation, new shares were offered for subscription through preference rights (to contribute at nominal value) to all shareholders, except the Romanian State (that had an in-kind contribution).

On 7 September 2022 the Romanian Financial Supervisory Authority approved the simplified prospectus and the Fund received the preferential rights which were valued at fair value through profit and loss as separate instruments.

The overall net fair value gain related to the preferential rights was RON 61,345,112 and these amounts are booked under *Net gain/(loss) from other financial instruments at fair value through profit or loss* in the Statement of Comprehensive Income for the year ended 31 December 2022 - please see *Note 8 - Net gain/(loss) from other financial instruments at fair value through profit or loss*

During the subscription period, the Fund transferred RON 17,427,589 to OMV Petrom, exercising its preferential rights.

On 3 November 2022, OMV Petrom SA announced the completion of the share capital increase, and the Fund received 174,275,887 new shares. The carrying value of the preferential rights was transferred to the equity portfolio at the same date without any profit and loss impact.

(iv) Disposal through the second Accelerated Book Building

On 13 December 2022 the Fund announced the launch of an accelerated bookbuild offering of its entire holding, representing 1,777,067,726 ordinary shares held by the Fund in OMV Petrom S.A. The gross proceeds of the transaction amounted to RON 764,139,122 and the settlement of the transaction was performed on 16 December 2022.

The realised loss from the disposal amounted to RON 114,426,706 and is booked under *Net gain from equity investments at fair value through profit or loss* in the Statement of Comprehensive Income for the year ended 31 December 2022.

Following the transactions above, the Fund does not hold any shares in OMV Petrom SA at 31 December 2022.

7. Gross dividend income

	Year ended 31 December 2022	Year ended 31 December 2021
Hidroelectrica SA	764,040,021	455,991,603
OMV Petrom SA	133,564,153	122,869,990
Societatea Nationala a Sarii SA	29,345,514	5,626,066
CN Administratia Porturilor Maritime SA	6,677,532	6,691,539
E-Distributie Muntenia SA	-	20,119,733
E-Distributie Banat SA	-	18,653,091
Engie Romania SA	-	17,941,285
ENEL Energie Muntenia SA	-	4,800,019
ENEL Energie SA	-	1,800,000
Others	1,271,181	643,882
Total	934,898,400	655,137,209

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

7. Gross dividend income (continued)

The dividend income was subject to 5% Romanian withholding tax in 2022 and 2021. In cases where the relevant shareholding of the Fund was above 10% of total share capital of the paying company, for at least one year prior to the dividend distribution date, a withholding tax exemption is applied. As described in the *Significant accounting policies* section, for dividends distributed after 1 January 2023 a rate of 8% withholding tax will be applied.

According to the Annual Cash Distribution Policy of the Fund, the special cash distributions received from portfolio companies are not subject to Fund's dividend distribution to shareholders. The Fund Manager may propose the distribution to shareholders of such amounts after considering the on-going measures imposed by the Discount Control Mechanism and the available cash. For the purpose of the Annual Cash Distribution Policy of the Fund, the special cash distributions are the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements. From the total gross dividend income for the year ended 31 December 2022 an amount of RON 275,800,239 represented special cash distributions (year ended 31 December 2021: RON 252,330,382).

8. Net gain/(loss) from other financial instruments at fair value through profit or loss

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 (for the year ended 31 December 2021: nil). 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 (please see *Note 18(a) Shareholder's equity – Share capital*).

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 *Note 6 - OMV Petrom SA transactions* (for the year ended 31 December 2021: nil).

The remaining amounts recorded under this category represent the net loss generated by the change in fair value for the government bonds held by the Fund during the year ended 31 December 2022 and 31 December 2021.

9. Net realised loss from non-current assets held for sale

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 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.

The realised loss 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) as mentioned in *Note 6 – OMV Petrom SA*

There were no assets classified as non-current assets held for sale during the year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

10. Operating expenses

	Year ended 31 December 2022	Year ended 31 December 2021
FTIS administration fees (i)	79,364,514	83,973,405
Intermediaries and other transaction related fees (ii)	19,087,916	76,162
FSA monthly fees (iii)	14,337,444	10,560,041
Third party services (iv)	10,401,374	8,972,233
BON remunerations and related taxes (v)	1,386,213	1,434,117
Depository bank fee	414,516	557,599
Other operating expenses	249,424	1,014,666
	125,241,401	106,588,223

(i) FTIS administration fees

The administration fees include the base fee and the distribution fee. The distribution fee related to dividend distributions to shareholders is recognised through profit or loss while the distribution fee related to the buy-backs is recognised directly in equity as buy-backs acquisition cost.

The administration fees recorded during the year ended 31 December 2022 and the year ended 31 December 2021 are presented in the table below:

	Year ended 31 December 2022	Year ended 31 December 2021
Base fee	57,328,011	61,994,838
Distribution fee related to dividend distributions to shareholders	19,321,869	11,914,206
Performance fee	2,714,634	10,064,361
Administration fees recognised in profit or loss	79,364,514	83,973,405
Distribution fees related to buy-backs recognised in equity	27,866,008	3,266,509
Total administration fees	107,230,522	87,239,914

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.

(ii) Intermediaries and other transaction related fees

These fees are mainly related to the following transactions/projects:

- the sale of the entire OMV Petrom participation, consisting of brokerage fees, market fees and legal fees linked to the sale in total amount of RON 14 million (31 December 2021: RON 76,162) (please see *Note 6* for more details);
- costs related to ongoing listing projects in amount of RON 5 million (31 December 2021: RON 0).

(iii) FSA monthly fees

During 2022 and 2021, the FSA fee was 0.0078% per month applied on the total net asset value.

(iv) Third party services

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

10. Operating expenses (continued)*(iv) Third party services (continued)*

	Year ended 31 December 2022	Year ended 31 December 2021
Legal consultancy and litigation assistance	2,581,126	3,334,033
Portfolio valuation services	2,352,068	1,641,202
Investors' relations expenses	994,845	430,474
Public relations services	958,321	323,079
Financial auditor's fees	807,152	833,465
Board of Nominees related costs	822,451	574,197
Regulatory and compliance expenses	476,107	274,880
Tax compliance and advisory services	406,094	378,871
Other services	1,003,210	1,182,032
	10,401,374	8,972,233

The financial audit fees are recorded in the year they relate to. The financial auditor of Fondul Proprietatea for 2021 was Deloitte Audit SRL, while the financial auditor for 2022 is Ernst & Young Assurance Services SRL.

The table below contains information regarding total audit fees for the years ended 31 December 2022 and 31 December 2021.

Financial auditor's fee (including VAT)	Year ended 31 December 2022	Year ended 31 December 2021
Financial year audit	599,067	586,964
Remuneration report	32,381	29,441
European single electronic format review	17,662	27,675
Out of pocket expense	12,982	5,399
ISAE 3000 buy-back review as requested by the FSA*	145,059	131,784
Related parties report	-	52,203
	807,152	833,465

*The report, as requested by the FSA, was performed in both reporting period by Deloitte Audit SRL, the previous external auditor of the Fund.

(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 20(a) Related parties* for further details).

11. Finance cost

On 29 June 2020, the Fund extended the credit facility concluded with BRD - Groupe Societe Generale SA for a period of another two years, until 29 June 2022. The Fund decided not to extend the credit facility further, after this date. The credit facility was for general corporate and operational use and had a committed amount of RON 45,000,000. The Fund could access, subject to bank's approval and in accordance with the provisions of the credit facility agreement, additional financing in excess of the said committed amount, without exceeding a total amount of RON 100,000,000 at any given time.

The finance costs for the year ended 31 December 2022 of RON 37,250 (year ended 31 December 2021: RON 91,250) comprise the commitment fee on undrawn amounts from the credit facility. No amount was drawn by the Fund during any of the periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

12. Income tax

No current tax and no deferred tax were recorded during the year ended 31 December 2022 and the year ended 31 December 2021.

	Year ended 31 December 2022	Year ended 31 December 2021
Reconciliation of effective tax rate		
Net profit for the period	2,769,448,871	5,012,644,707
Withholding tax on the dividend income	(6,678,208)	(6,143,500)
Profit excluding income tax	2,776,127,079	5,018,788,207

Income tax expense using the standard tax rate (16%)	(444,180,333)	(803,006,113)
<i>Impact on the income tax of:</i>		
Non-taxable income (other than dividend income)	714,787,810	728,073,121
Taxation applied on dividend income	142,905,536	98,678,453
Non-deductible expenses	(383,704,645)	(112,098,412)
Elements similar to revenues (taxable equity items)	(1,787,623)	(310,573)
Fiscal result impact in the current period	(34,698,953)	67,287,215
Profit appropriation to legal reserves	-	15,232,809
Tax on income (i.e. withholding tax on the dividend income)	(6,678,208)	(6,143,500)

The fiscal result impact as at 31 December 2022 of RON 34,698,953 as resulting from the table above represents the unrecognised deferred tax asset for the tax losses recorded for the year ended 31 December 2022.

The fiscal result impact as at 31 December 2021 of RON 67,287,215 as resulting from the table above represents the current tax on profit for the year ended 31 December 2021 which was offset by the Fund's tax losses carried forward. 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 2022 and 31 December 2021 there is no income tax due or to be recovered from the State Budget by the Fund.

See *Note 15 Deferred tax* for details regarding the deferred tax computation and recognition.

13. Basic and diluted earnings/(loss) 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 2022 and 31 December 2021, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

	Year ended 31 December 2022	Year ended 31 December 2021
Profit for the period	2,769,448,871	5,012,644,707
Weighted average number of ordinary shares	5,937,410,145	5,931,017,632
Basic and diluted earnings per share	0.4664	0.8452

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(all amounts are in RON unless otherwise stated)

14. Cash and current accounts and deposits with banks

	31 December 2022	31 December 2021
Petty cash	416	536
Current accounts with banks	57,650	76,096
Distributions bank accounts	73,775,078	68,148,338
Cash and current accounts	73,833,144	68,224,970
	31 December 2022	31 December 2021
Bank deposits with original maturities of less than three months	911,699,816	347,303,041
Interest accrued on bank deposits	916,580	84,563
Deposits with banks	912,616,396	347,387,604

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.

15. Deferred tax

As at 31 December 2022 and 31 December 2021 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 2022 and 31 December 2021, 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 2022 the unused fiscal loss carried forward amounts to RON 717,393,241 out of which RON 500,524,785 will expire on 31 December 2027 and RON 216,868,456 will expire on 31 December 2029.

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

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

There was no movement in the deferred tax position during the year ended 31 December 2022 and year ended 31 December 2021. The deferred tax balances during both these periods were zero.

16. Equity investments

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

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

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

The movement in the carrying amounts of equity investments at fair value through profit or loss during the year ended 31 December 2022 and the year ended 31 December 2021 is presented below:

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(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

	Year ended 31 December 2022	Year ended 31 December 2021
Opening balance	12,577,678,606	9,246,709,268
Net gain from equity investments at fair value through profit or loss (see Note 6)	1,843,756,082	4,455,723,508
Subscriptions to share capital increase of portfolio companies (see Note 6 – section regarding OMV Petrom SA transactions and Note 20(b))	17,451,559	10,470,830
Fair value net gain of preferential rights exercised and converted to shares (see Note 6 – section regarding OMV Petrom SA transactions)	61,345,112	-
Reclassification to non-current assets held for sale (see Note 6 – section regarding OMV transactions)	-	(1,135,225,000)
Disposals (see Note 6 – section regarding OMV transactions)	(803,633,963)	-
Closing balance	13,696,597,396	12,577,678,606

Portfolio

As at 31 December 2022 and 31 December 2021 the Fund's portfolio comprised the following holdings:

	31 December 2022	31 December 2021
Hidroelectrica SA	11,148,800,000	9,040,900,000
CN Aeroporturi Bucuresti SA	713,000,000	674,200,000
Engie Romania SA	440,700,000	522,700,000
Administratia Porturilor Maritime SA	283,000,000	294,400,000
Societatea Nationala a Sarii SA	273,700,000	216,700,000
E-Distributie Banat SA	212,900,000	245,100,000
E-Distributie Muntenia SA	183,900,000	206,700,000
E-Distributie Dobrogea SA	170,400,000	184,000,000
Alro SA	114,429,001	131,192,485
Romaero SA	41,974,112	41,449,436
Zirom SA	28,843,300	26,156,500
Enel Energie SA	21,600,000	61,100,000
CN Administratia Canalelor Navigabile SA	13,543,680	15,831,240
OMV Petrom SA	-	842,585,491
Enel Energie Muntenia SA	-	33,100,000
Other	49,807,303	41,563,454
Total equity investments	13,696,597,396	12,577,678,606

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

As 31 December 2022 and 31 December 2021 the Fund had the following subsidiaries, all of which are incorporated in Romania:

	31 December 2022	31 December 2021
Zirom SA	28,843,300	26,156,500
Alcom SA	10,407,436	9,453,631
Comsig SA	-	-
	39,250,736	35,610,131

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(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

As 31 December 2022 and 31 December 2021 the Fund had two associates, both incorporated in Romania:

	31 December 2022	31 December 2021
Societatea Nationala a Sarii SA	273,700,000	216,700,000
Plafar SA	2,199,600	2,172,800
	275,899,600	218,872,800

Please see Note 20(b) and (c)– Related parties for information on the transactions and balances registered with these companies.

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

	31 December 2022	31 December 2021
Dividends payable	74,166,644	408,217,038
Payable to shareholders related to the return of capital	-	28,664
	74,166,644	408,245,702

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

	31 December 2022	31 December 2021
Opening balance	408,245,702	34,380,437
Gross distributions approved during the period	774,290,893	1,191,868,702
Payments of net distributions performed from the dedicated bank accounts	(1,074,343,988)	(777,941,710)
Withholding tax paid/payable to State Budget	(22,853,319)	(38,120,648)
Distributions for which the statute of limitation occurred	(11,172,644)	(1,941,079)
Closing balance	74,166,644	408,245,702

The gross distribution amount presented at 31 December 2021 also includes the estimated amount of the dividend distribution approved by the Fund's shareholders during 15 December 2021 OGSM for which the payment started on 18 February 2022. Also, the withholding tax paid/payable to State Budget for 31 December 2021 includes the accrual for the estimated withholding tax payable to State Budget during 2022 in relation with the distribution mentioned above.

(b) Other liabilities and provisions

	31 December 2022	31 December 2021
FTIS Administration fees	14,961,308	22,780,953
Payables related to treasury shares under settlement	12,583,133	1,372,217
Intermediaries and other transaction related payables	7,591,736	-
Tax on dividends due to State Budget	1,934,140	13,433,093
Financial Supervisory Authority fees	1,141,614	946,208
Other liabilities	1,694,646	1,595,354
	39,906,577	40,127,825

For 31 December 2021, the tax on dividends due to State Budget includes the accrual of RON 11,168,985 for the estimated withholding tax payable to State Budget during 2022 in relation with the dividend distribution approved by the Fund's shareholders during 15 December 2021 OGSM. The significant increase which can be seen in the intermediaries and other transaction related payables caption is due to brokerage fees, market fees and legal fees linked to the sale of OMV Petrom which was gradually performed in the year ended 2022 and also due to the listings processes of Hidroelectrica SA and Societatea Nationala a Sarii SA (See *Note 10 Operating expenses* for information regarding total expenses recorded in the year 2022).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

The movement in the paid share capital is presented below:

	Year ended 31 December 2022	Year ended 31 December 2021
Opening balance	3,145,160,001	3,560,099,870
	(101,073,312)	(414,939,869)
Cancellation of treasury shares		
Collection of unpaid shares	189,182,422	-
	3,233,269,111	3,145,160,001
Closing balance		

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).

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.

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

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

	31 December 2022	31 December 2021
Number of shares in issue	6,217,825,213	6,412,196,967
Number of paid shares	6,217,825,213	6,048,384,617
Nominal value per share (RON)	0.52	0.52

The shareholders structure as at 31 December 2022 was as follows:

Shareholder categories	% of subscribed and paid share capital	% of voting rights
Romanian institutional investors	37.31%	40.88%
Romanian private individuals	21.16%	23.19%
The Bank of New York Mellon (depository bank for the Fund's GDRs)	12.52%	13.65%
Foreign institutional investors	11.25%	12.33%
Romanian State	5.96%	6.53%
Foreign private individuals	3.13%	3.43%
Treasury shares	8.66%	0.00%
Total	100.00%	100.00%

Source: Depozitarul Central SA (Central Depository)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

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

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

As at 31 December 2021 the fair value of the receivable related to the unpaid amounts from the Romanian State was nil. On 1 February 2022, the Romanian State, represented by the Ministry of Public Finance, transferred RON 189,182,422 to the Fund, as payment for unpaid shares mentioned above.

The registration of the new share capital structure (subscribed and paid-up) and of the total voting rights of the Ministry of Public Finance with the Trade Registry, Financial Supervisory Authority and the Central Depository was completed during the first quarter of 2022. Consequently, this presentation adjustment was reversed in the first quarter of 2022.

(c) Other reserves

	31 December 2022	31 December 2021
Legal reserve	666,868,485	666,868,485
Other reserves	230,576,693	671,941,938
Distributions for which the statute of limitation occurred	151,945	123,281
Losses from cancellation of treasury shares (negative equity reserves)	(230,576,693)	(671,941,938)
	667,020,430	666,991,766

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. As at 31 December 2021, only an amount of RON 133,041,538 representing 3% of the 2021 profit before income tax was necessary to be transferred to the legal reserve so that the legal reserve to reach the threshold of 20% of the issued share capital. Therefore, at 31 December 31 December 2021 the legal reserve amount represented 20% of the value of the issued share capital as per applicable regulation. At 31 December 2022, due to the capital decrease described in this section, the legal reserve amount represented 20.63% of the value of the issued share capital. For the GSM to be held on 21 April 2023, the Sole Director proposes to shareholders to decrease the legal reserves by RON 20,214,662.42 from RON 666,868,484.57 representing 20.63% of the share capital to RON 646,653,822.15 representing 20.00% of the share capital. Following the decrease, the corresponding amount will be transferred to retained earnings and remain available for future use by shareholders.

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 General Shareholder Meeting held on 20 April 2022 the shareholders authorized that the amount of RON 671,941,938, which was allocated to other reserves based on the 28 April 2021 GSM, be used to cover the negative reserve generated from the cancellation of shares acquired during 2020 through the eleventh buy-back programme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts are in RON unless otherwise stated)

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

During the GSM held on 20 April 2022, the Fund's shareholders also approved the allocation to other reserves of an amount of RON 230,576,693 from the 2021 net accounting profit to be used for covering the negative reserves estimated to arise from the cancellation of treasury shares acquired during 2021 through the twelfth buy-back programme. The coverage of these negative reserves will be subject to shareholders' approval during 21 April 2023 GSM.

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

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

The table below shows the changes in the negative reserves recorded as result of the losses from cancellation of treasury shares during the year ended 31 December 2022:

1 January 2022	671,941,938
Coverage of the negative 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)
Negative equity reserve arising on the cancellation of shares acquired during the 12 th 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
31 December 2022	230,576,693

The table below shows the changes in the negative reserves recorded as result of the losses from cancellation of treasury shares during the year ended 31 December 2021:

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

(d) Treasury shares

The table below summarises the details regarding the thirteenth buy-back programme, respectively the buy-back programme carried during 2022:

	GSM date approving the buy-back programme	Start date	Completion date	Acquisition price range as approved by GSM
13th buy-back	15-Dec-2021	1-Jan-2022	31-Dec-2022	RON 0.2 – 2.5 per share

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

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(all amounts are in RON unless otherwise stated)

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

The movement in the number of treasury shares (including the equivalent shares of GDRs bought-back) during the year ended 31 December 2022 and the year ended 31 December 2021 is presented in the tables below:

Year ended 31 December 2022	Opening balance 1 January 2022	Acquisitions during the period	Cancellations during the period	Closing balance 31 December 2022
12th buy-back	194,371,754	-	(194,371,754)	-
13th buy-back	-	549,019,085	-	549,019,085
	194,371,754	549,019,085	(194,371,754)	549,019,085
Year ended 31 December 2021	Opening balance 1 January 2021	Acquisitions during the period	Cancellations during the period	Closing balance 31 December 2021
11th buy-back	797,961,287	-	(797,961,287)	-
12th buy-back	-	194,371,754	-	194,371,754
	797,961,287	194,371,754	(797,961,287)	194,371,754

The movement of treasury shares carrying amounts during the year ended 31 December 2022 and the year ended 31 December 2021 is presented in the tables below:

Year ended 31 December 2022	Opening balance 1 January 2022	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 31 December 2022
12th buy-back	331,650,005	-	(331,650,005)	-
13th buy-back	-	1,194,334,988	-	1,194,334,988
	331,650,005	1,194,334,988	(331,650,005)	1,194,334,988
Year ended 31 December 2021	Opening balance 1 January 2021	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 31 December 2021
11th buy-back	1,086,443,209	438,598	(1,086,881,807)	-
12th buy-back	-	331,650,005	-	331,650,005
	1,086,443,209	332,088,603	(1,086,881,807)	331,650,005

(e) Dividend distribution

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

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 have 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.

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18. Shareholders' equity (continued)**(e) Dividend distribution (continued)**

The dividend distributions for which the payments were ongoing at the reporting date are presented in the table below:

Registration date*	Gross dividend per share (RON)	Source of distribution	Starting Payment Date	Payment expiration date**	Remaining balance payable to shareholders
Specific instances where the statute of limitations was individually assessed and extended					427,396
10-Jun-20	0.0642	2019 profit	01-Jul-20	01-Jul-23	9,049,203
28-May-21	0.0720	remaining balance of 2016 and 2017 unallocated profits	22-Jun-21	22-Jun-24	11,411,438
06-Aug-21	0.0700	remaining balance of 2017 and 2019 unallocated profits	27-Aug-21	27-Aug-24	11,606,332
28-Jan-22	0.0600	remaining balance of 2019 unallocated profit	18-Feb-22	18-Feb-25	10,884,228
3-Jun-22	0.1250	2021 profit	27-Jun-22	27-Jun-25	30,788,047
Total					74,166,644

*Registration date of the shareholders in the shareholders' registry kept by the Central Depository

**The dividend payment is subject to the general statute of limitation. As such, shareholders may request the payment only within a three-year term from the Starting Payment Date, unless the legislation provides for another term.

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.

(f) Profit appropriation

As per these annual financial statements, prepared in accordance with the IFRS, the Fund recorded a net profit for the financial year ended 31 December 2022 of RON 2,769,448,871. The Fund's AIFM proposal, subject for shareholders' approval in accordance with the legislation in force, for the appropriation of the net accounting profit for the 2022 financial year is as follows:

- RON 283,440,306 to dividends (corresponding to 0.05 RON/ share).
- RON 908,845,064 to other reserves (to be used to cover the negative reserves estimated to arise from cancellation of shares acquired during the 13th buy-back programme);
- RON 1,577,163,501 unallocated profit that remains available to the Fund's shareholders.

19. Contingencies**(a) Litigations**

At 31 December 2022, the Fund was involved in certain litigations, either as defendant or claimant. After analysing the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

(b) Other contingencies

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

19. 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 for recovering the amounts from World Trade Center Bucharest SA in this respect, which are pending with the Court. In addition, the Fund - based on the argumentation of the High Court of Cassation and Justice in the claim against the State - is considering what other steps can be taken to recover the amounts mentioned above.

(ii) CN Aeroporturi Bucuresti SA share capital increase

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

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

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

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(all amounts are in RON unless otherwise stated)

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

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

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

Following the hearing that took place on 13 January 2022, the Bucharest Court of Appeal admitted the request of suspension filed by the Fund and ordered the suspension of the effects of the increase until the claim for the annulment of the CN Aeroporturi Bucuresti GSM is irrevocably settled. The litigation related to the claim for annulment of the aforementioned GSM is ongoing in front of the Romanian courts (*Tribunalul Ilfov*).

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

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

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

	Year ended 31 December 2022	Year ended 31 December 2021
BON gross remunerations, out of which:	1,386,213	1,434,117
Contributions to social security fund retained from gross remuneration	147,503	125,789
Contributions to health insurance fund retained from gross remuneration	58,994	50,308
Income tax	117,966	125,792
Net remunerations paid to BON members	1,061,750	1,132,228

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

	Year ended 31 December 2022	Year ended 31 December 2021
Professional insurance costs	518,061	482,707
Legal consulting and notary services	89,714	62,123
Other costs (accommodation, transport, meals etc.)	214,676	29,367
	822,451	574,197

There were no loans between the Fund and the members of the Board of Nominees neither in 2022 nor in 2021. There are no post-employment, long term or termination benefits related to the remuneration of the members of the Board of Nominees.

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(all amounts are in RON unless otherwise stated)

20. Related parties (continued)**(a) Key management (continued)***(ii) Sole Director*

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. Starting 1 December 2020, the portfolio management and the administrative activities previously delegated to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch are performed by FTIS through its Bucharest Branch.

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

Transactions	Year ended 31 December 2022	Year ended 31 December 2021
Administration fees	107,230,522	87,239,913

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

Transactions	Year ended 31 December 2022	Year ended 31 December 2021
Rent expense charged to the Fund	76,860	79,798
Operating cost charged to the Fund	28,410	27,173
	105,270	106,972

During the year ended 31 December 2022, the Fund recorded RON 529,138 (31 December 2021: RON 401,546) 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:

Amounts due to:	31 December 2022	31 December 2021
FTIS Luxembourg	14,961,308	22,780,953
FTIS Bucharest Branch	9,327	251,935
	14,970,636	23,032,888

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

(b) Subsidiaries

As described in *Note 16 – Equity investments*, the Fund has the following subsidiaries at 31 December 2022 and 31 December 2021:

Ownership

interest	31 December 2022	31 December 2021
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

As at 31 December 2022 and 31 December 2021, Comsig SA was in administrative liquidation process, which is still ongoing at the date of these annual financial statements. In April 2021, the Fund received from Comsig SA as liquidation proceeds an amount of RON 62,154. Until the date of annual financial statements, Comsig SA was not deregistered from Trade Registry.

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).

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

As such, the cumulated losses would decrease by RON 15,420,830. The share capital decrease was finalised on 16 September 2022, the date of registration with the Trade Register.

During 2021, the Fund participated in the cash share capital increase of Zirom SA, subscribing 1,000,000 new shares, at the nominal value of RON 10 per share (in total of RON 10,000,000).

As at 31 December 2022 and 31 December 2021, 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 investments in subsidiaries is presented in the table below:

	Year ended 31 December 2022	Year ended 31 December 2021
Alcom SA	824,054	233,725

At 31 December 2022 and 31 December 2021 there were no dividends receivable from the subsidiaries.

(c) Associates

As described in *Note 16 – Equity investments*, the Fund has the following associates at 31 December 2022 and 31 December 2021:

Ownership interest	31 December 2022	31 December 2021
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

The gross dividend income recorded from investments in associates is presented in the table below:

	Year ended 31 December 2022	Year ended 31 December 2021
Societatea Nationala a Sarii SA	29,345,514	5,626,066
Plafar SA	-	116,856
	29,345,514	5,742,922

At 31 December 2022 and 31 December 2021 there were no dividends receivable from the associates.

21. Subsequent events**Tender offer process in relation to buy-back programme**

On 17 January 2023, The Fund Manager informed the shareholders and investors that it has initiated the procedures regarding a new tender offer under buy-back programme approved by the Fund's Extraordinary Shareholders' through Resolution no. 2 / 15 November 2022. Under this tender offer, the Fund intends to repurchase from its shareholders up to 225,000,000 shares (both in the form of shares and GDRs).

On 2 February 2023, the FSA approved the Fund's application for a public tender offer in relation to the acceleration of the on-going buy-back programme with a total value of the offer of up to 225,000,000 shares in the form of shares and/or global depository receipts, a purchase price of RON 2.19 per share and USD equivalent of RON 109.5 per GDR with the subscription period being 10 February 2023 – 13 March 2023. The documentation related to the offer was published on 6 February 2023.

Enel Group exit from Romania

On 14 December, 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 (Target Assets).

21. Subsequent events (continued)**Enel Group exit from Romania (continued)**

During the exclusivity period, the parties will negotiate the transaction documentation and PPC will carry out appropriate due diligence on the Target Assets. Upon completion of such due diligence, PPC's board of directors will determine whether PPC will submit a binding offer to Enel.

On 4 February 2023 Enel Spa announced that the exclusivity period for negotiations with PPC in relation to the potential disposal of all the equity stakes held by Enel Group in Romania has been extended until 28 February 2023.

The Fund will monitor future developments and will inform the shareholders accordingly.

Annex 2 Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 December 2022, prepared in accordance with FSA Regulation nr. 7/2020 (Annex no. 11)

	Item	31 December 2021				31 December 2022				Differences RON
		% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	
I.	Total assets	103.3853%	100.0000%	-	13,693,013,395.43	100.7850%	100.0000%	-	14,683,910,693.57	990,897,298.14
1	Securities and money market instruments, out of which:	16.8980%	16.3445%	-	2,238,073,515.26	1.1503%	1.1415%	-	167,608,857.01	(2,070,464,658.25)
1.1	securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	16.8980%	16.3445%	-	2,238,073,515.26	1.1503%	1.1415%	-	167,608,857.01	(2,070,464,658.25)
	1.1.1 listed shares traded in the last 30 trading days	16.2384%	15.7066%	-	2,150,714,639.02	1.0789%	1.0706%	-	157,201,424.02	(1,993,513,215.00)
	1.1.2 listed shares not traded in the last 30 trading days	0.0774%	0.0748%	-	10,252,347.13	0.0714%	0.0709%	-	10,407,432.99	155,085.86
	1.1.3 other similar securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.4 bonds	0.5822%	0.5631%	-	77,106,529.11	0.0000%	0.0000%	-	-	(77,106,529.11)
	1.1.5 other title debts	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.6 other securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.7 money market instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.8 allotment rights admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
1.2	Securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.1 listed shares traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.2 listed shares not traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.3 other similar securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.4 bonds	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.5 other title debts	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.6 other securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.7 money market instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.8 allotment rights admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
1.3	Securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the Financial Supervisory Authority (FSA), out of which:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.1 listed shares traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.2 listed shares not traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.3 other similar securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.4 bonds	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.5 other title debts	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.6 other securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.7 money market instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.8 allotment rights admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
2	New issued securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
3	Other securities and money market instruments mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32 / 2012 of which:	83.3471%	80.6180%	-	11,039,028,581.11	92.8582%	92.1349%	-	13,528,983,081.84	2,489,954,500.73
	- shares not admitted at trading	83.3471%	80.6180%	-	11,039,028,581.11	92.8582%	92.1349%	-	13,528,983,081.84	2,489,954,500.73
	- 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%	-	-	-

Annex 2 Statement of Assets and Obligations as
at 31 December 2022, prepared in accordance
with FSA Regulation 7/2020

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	Item	31 December 2021				31 December 2022				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%	-	-	-
4	Bank deposits, out of which:	2.6228%	2.5370%	-	347,387,604.24	6.2639%	6.2151%	-	912,616,396.35	565,228,792.11
4.1	bank deposits made with credit institutions from Romania	2.6228%	2.5370%	-	347,387,604.24	6.2639%	6.2151%	-	912,616,396.35	565,228,792.11
	- in RON	2.6228%	2.5370%	-	347,387,604.24	6.2639%	6.2151%	-	912,616,396.35	565,228,792.11
4.2	bank deposits made with credit institutions from an EU state	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
4.3	Bank deposits made with credit institutions from a non-EU state	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
5	Derivatives financial instruments traded on a regulated market, out of which:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
5.1	derivatives financial instruments traded on a regulated market from Romania (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
5.2	derivatives financial instruments traded on a regulated market from a EU state (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
5.3	derivatives financial instruments traded on a regulated market from a non-EU state (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
5.4	derivatives financial instruments traded on a regulated market (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
6	Current accounts and petty cash, out of which:	0.5150%	0.4982%	-	68,224,969.70	0.5067%	0.5027%	-	73,833,144.34	5,608,174.64
	- in RON	0.5150%	0.4982%	-	68,217,161.58	0.5067%	0.5027%	-	73,828,741.75	5,611,580.17
	- in EUR	0.0000%	0.0000%	EUR 728.90	3,606.67	0.0000%	0.0000%	EUR 323.22	1,599.10	(2,007.57)
	- in GBP	0.0000%	0.0000%	GBP 348.80	2,057.71	0.0000%	0.0000%	GBP 136.69	763.80	(1,293.91)
	- in USD	0.0000%	0.0000%	USD 490.48	2,143.74	0.0000%	0.0000%	USD 440.10	2,039.69	(104.05)
7	Money market instruments, other than those traded on a regulated market, according to art. 82 letter g) of the O.U.G. no. 32/2012, din care:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	-treasury bills with original maturities of less than 1 year	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
8	Participation titles of F.I.A./O.P.C.V.M.	-	-	-	-	-	-	-	-	-
9	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%	-	-	0.0000%	0.0000%	-	-	-
	- in USD	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
10	Other assets out of which:	0.0024%	0.0023%	-	298,725.12	0.0059%	0.0058%	-	869,214.03	570,488.91
	- guarantee deposited to the broker for the buyback tender offer	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- receivables related to the cash contributions to the share capital increases performed by portfolio companies	0.0004%	0.0004%	-	54,000.00	0.0002%	0.0002%	-	30,030.00	(23,970.00)
	- receivables related to transactions under settlement	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- tax on dividends to be recovered from the State Budget	0.0000%	0.0000%	-	-	0.0020%	0.0020%	-	294,926.41	294,926.41
	- intangible assets	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- advance payments for intangible assets	0.0005%	0.0005%	-	53,682.69	0.0006%	0.0006%	-	88,311.09	34,628.40
	- other receivables	0.0000%	0.0000%	-	1,146.25	0.0020%	0.0019%	-	299,602.65	298,456.40
	- in RON	0.0000%	0.0000%	-	1,146.25	0.0020%	0.0019%	-	299,602.65	298,456.40
	- in EUR	0.0000%	0.0000%	-	-	0.0000%	0.0000%	EUR -	-	-
	- in USD	0.0000%	0.0000%	-	-	0.0000%	0.0000%	USD -	-	-
	- prepaid expenses	0.0014%	0.0014%	-	189,896.18	0.0011%	0.0011%	-	156,343.88	(33,552.30)

Annex 2 Statement of Assets and Obligations as
at 31 December 2022, prepared in accordance
with FSA Regulation 7/2020

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	Item	31 December 2021				31 December 2022				Differences RON
		% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	
II	Total liabilities	3.3852%	3.2745%	-	448,373,527.12	0.7850%	0.7789%	-	114,372,608.92	(334,000,918.20)
1	Liabilities in relation with the payments of fees due to the A.F.I.A.	0.1739%	0.1682%	-	23,032,887.84	0.1027%	0.1019%	-	14,961,308.43	(8,071,579.41)
	- in RON	0.0019%	0.0018%	-	251,934.52	0.0000%	0.0000%	-	0.00	(251,934.52)
	- in EUR	0.1720%	0.1664%	EUR 4,603,979.98	22,780,953.32	0.1027%	0.1019%	EUR 3,024,074.95	14,961,308.43	(7,819,644.89)
2	Liabilities related to the fees payable to the depositary bank	0.0004%	0.0004%	-	48,030.20	0.0002%	0.0001%	-	21,935.87	(26,094.33)
3	Liabilities related to the fees payable to intermediaries	0.0020%	0.0019%	-	262,242.00	0.0404%	0.0400%	-	5,880,160.97	5,617,918.97
	- in RON	0.0000%	0.0000%	-	-	0.0156%	0.0154%	-	2,267,852.50	2,267,852.50
	- in EUR	0.0000%	0.0000%	-	-	0.0136%	0.0135%	EUR 400,000.00	1,978,960.00	1,978,960.00
	- in USD	0.0020%	0.0019%	USD 60,000.00	262,242.00	0.0112%	0.0111%	USD 352,424.91	1,633,348.47	1,371,106.47
4	Liabilities related to commissions and other bank services	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
5	Interest payable	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
6	Issuance expense	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
7	Liabilities in relation with the fees/commissions to FSA	0.0071%	0.0069%	-	946,208.06	0.0078%	0.0078%	-	1,141,613.52	195,405.46
8	Audit fees	0.0006%	0.0006%	-	78,704.69	-0.0011%	-0.0011%	-	(160,638.87)	(239,343.56)
9	Other Liabilities, out of which:	3.1909%	3.0865%	-	422,633,236.90	0.5486%	0.5445%	-	79,945,096.21	(342,688,140.69)
	- short term credit facility	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- liabilities to the Fund's shareholders related to the dividend distribution	3.1665%	3.0628%	-	419,386,022.90	0.5091%	0.5051%	-	74,166,644.07	(345,219,378.83)
	- liabilities related to the return of capital	0.0002%	0.0002%	-	28,664.00	0.0000%	0.0000%	-	-	(28,664.00)
	- 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%	-	26,162.00	0.0002%	0.0002%	-	31,751.00	5,589.00
	- VAT payable to State Budget	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	4,874.96	4,874.96
	- tax on dividends payable to State Budget	0.0170%	0.0165%	-	2,264,108.00	0.0153%	0.0152%	-	2,233,527.00	(30,581.00)
	- other liabilities out of which:	0.0070%	0.0068%	-	928,280.00	0.0240%	0.0240%	-	3,508,299.18	2,580,019.18
	- in RON	0.0070%	0.0068%	-	928,280.00	0.0240%	0.0240%	-	3,508,299.18	2,580,019.18
	- in EUR	0.0000%	0.0000%	-	-	0.0000%	0.0000%	EUR	-	-
	- in USD	0.0000%	0.0000%	-	-	0.0000%	0.0000%	USD	-	-
	- in GBP	0.0000%	0.0000%	-	-	0.0000%	0.0000%	GBP	-	-
10	Payables related to buybacks under settlement	0.0104%	0.0100%	-	1,372,217.43	0.0864%	0.0857%	-	12,583,132.79	11,210,915.36
III	Net Asset Value (I - II)	100.0000%	96.7255%		13,244,639,868.31	100.0000%	99.2211%		14,569,538,084.65	1,324,898,216.34

Unitary Net Asset Value

Item	31 December 2022	31 December 2021	Differences
Net Asset Value	14,569,538,084.65	13,244,639,868.31	1,324,898,216.34
Number of outstanding shares	5,668,806,128	5,854,012,863	-185,206,735
Unitary net asset value	2.5701	2.2624	0.3077

DETAILED STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2022

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	30-Dec-22	72,884,714	0.5	1.5700	114,429,000.98	10.21%	0.7793%	0.7854%	Closing Price
IOR SA	IORB	20-Dec-22	2,622,273	0.1	0.0800	209,781.84	0.69%	0.0014%	0.0014%	Reference price (Closing Price)
MECON SA	MECP	09-Dec-22	60,054	11.6	9.8000	588,529.20	12.51%	0.0040%	0.0040%	Reference price (Closing Price)
ROMAERO SA	RORX	20-Dec-22	1,311,691	2.5	32.0000	41,974,112.00	18.87%	0.2859%	0.2881%	Reference price (Closing Price)
Total						157,201,424.02		1.0706%	1.0789%	

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	116.6112	10,407,432.99	71.89%	0.0709%	0.0714%	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
Total						10,407,432.99		0.0709%	0.0714%	

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 net asset	Company status	Valuation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	10	91.0099	2,107,698.27	20.00%	0.0144%	0.0145%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
Aeroportul International Timisoara - Traian Vuia SA	32,016	10	171.7891	5,499,999.83	20.00%	0.0375%	0.0377%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
CN Administratia Canalelor Navigabile SA	203,160	10	66.665	13,543,661.40	20.00%	0.0922%	0.0930%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	10	118.2238	3,257,538.59	20.00%	0.0222%	0.0224%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Dunarii Maritime SA	21,237	10	180.6618	3,836,714.65	20.00%	0.0261%	0.0263%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Maritime SA	6,466,226	10	43.7658	282,999,553.87	19.99%	1.9273%	1.9424%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
CN Aeroporturi Bucuresti SA	2,875,443	10	247.9617	712,999,734.53	20.00%	4.8557%	4.8938%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
Complexul Energetic Oltenia SA	5,314,279	10	0	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (valued at zero mainly due to high net debt position)

Annex 2 Statement of Assets and Obligations as
at 31 December 2022, prepared in accordance
with FSA Regulation 7/2020

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Issuer	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital %	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset	Company status	Valuation method
Comsig SA	75,655	3	0	0.00	69.94%	0.0000%	0.0000%	Administrative liquidation	Priced at zero
E-Distributie Banat SA	9,220,644	10	23.0894	212,899,137.57	24.12%	1.4499%	1.4613%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
E-Distributie Dobrogea SA	6,753,127	10	25.2327	170,399,627.65	24.09%	1.1605%	1.1696%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
E-Distributie Muntenia SA	3,256,396	10	56.4734	183,899,753.87	12.00%	1.2524%	1.2622%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
ENEL Energie Muntenia SA	444,054	10	0	0.00	12.00%	0.0000%	0.0000%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
ENEL Energie SA	1,680,000	10	12.8571	21,599,928.00	12.00%	0.1471%	0.1483%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
Engie Romania SA	2,390,698	10	184.3394	440,699,834.90	11.99%	3.0012%	3.0248%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
Gerovital Cosmetics SA	1,350,988	0	0	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,440,313	10	124.6507	11,148,797,623.67	19.94%	75.9253%	76.5213%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
Plafar SA	132,784	10	16.5652	2,199,593.52	48.99%	0.0150%	0.0151%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
Posta Romana SA	14,871,947	1	1.4591	21,699,657.87	6.48%	0.1478%	0.1489%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (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%	Juridical reorganisation	Priced at zero
Societatea Electrocentrale Craiova SA	513,754	10	0	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of financial statements required for year end valuation)
Societatea Nationala a Sarii SA	2,011,456	10	136.0705	273,699,823.65	48.99%	1.8639%	1.8786%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (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	4.8072	28,843,200.00	100.00%	0.1964%	0.1980%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
Total				13,528,983,081.84		92.1349%	92.8582%		

8.1.2. Shares traded under systems other than regulated markets

Not the case

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

Issuer	No of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset
World Trade Hotel SA	17,912	1	0.0000	0.00	19.90%	0.0000%	0.0000%
Total				0.00		0.0000%	0.0000%

8.1.4. Bonds not admitted to trading

Not the case

8.1.5. Amounts being settled for shares traded on systems other than regulated markets

Not the case

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

Commercial papers

Not the case

9. Available cash in the current accounts and petty cash

9.1. Available cash in the current accounts and petty cash in RON

Bank	Current value	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset
BRD Groupe Societe Generale*	73,775,078.07	0.5024%	0.5064%
BRD Groupe Societe Generale - amounts under settlement**	-170.73	0.0000%	0.0000%
Banca Comerciala Romana	50,633.17	0.0003%	0.0003%
CITI Bank	683.24	0.0000%	0.0000%
ING BANK	934.12	0.0000%	0.0000%
Raiffeisen Bank	752.82	0.0000%	0.0000%
Unicredit Tiriac Bank	414.90	0.0000%	0.0000%
Petty cash	416.16	0.0000%	0.0000%
Total	73,828,741.75	0.5027%	0.5067%

*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 2022

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	323.22	4.9474	1,599.10	0.0000%	0.0000%
BRD Groupe Societe Generale	GBP	136.69	5.5878	763.80	0.0000%	0.0000%
BRD Groupe Societe Generale	USD	440.10	4.6346	2,039.69	0.0000%	0.0000%
Total				4,402.59	0.0000%	0.0000%

10. Bank deposits by categories: within credit institutions from Romania / EU Member States / non-member EU states

Bank deposits in RON

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value (RON)	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Valuation method
ING BANK	20-Dec-22	03-Jan-23	130,000,000.00	19,138.89	229,666.67	130,229,666.67	0.8869%	0.8938%	Bank deposit value cumulated with the daily related interest for the period from starting date
BRD Groupe Societe Generale	20-Dec-22	03-Jan-23	130,000,000.00	18,416.67	221,000.00	130,221,000.00	0.8868%	0.8938%	
CITI Bank	22-Dec-22	05-Jan-23	84,200,000.00	14,033.33	140,333.33	84,340,333.33	0.5744%	0.5789%	
ING BANK	27-Dec-22	03-Jan-23	167,500,000.00	24,892.37	124,461.81	167,624,461.81	1.1416%	1.1505%	
Banca Comerciala Romana	27-Dec-22	03-Jan-23	167,500,000.00	23,263.88	116,319.44	167,616,319.44	1.1415%	1.1505%	
Unicredit Tiriac Bank	29-Dec-22	12-Jan-23	77,300,000.00	10,306.67	30,920.00	77,330,920.00	0.5266%	0.5308%	
BRD Groupe Societe Generale	29-Dec-22	12-Jan-23	77,300,000.00	10,950.83	32,852.50	77,332,852.50	0.5267%	0.5308%	
BRD Groupe Societe Generale	30-Dec-22	03-Jan-23	9,499,815.98	1,203.31	2,406.62	9,502,222.60	0.0647%	0.0652%	
CITI Bank	30-Dec-22	06-Jan-23	68,400,000.00	9,310.00	18,620.00	68,418,620.00	0.4659%	0.4696%	
Total			911,699,815.98		916,580.37	912,616,396.35	6.2151%	6.2639%	

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 2020	31 December 2021	31 December 2022
Net Asset	10,266,911,904.10	13,244,639,868.31	14,569,538,084.65
NAV/share	1.6974	2.2624	2.5701

Leverage of Fondul Proprietatea

Method type	Leverage level	Exposure amount
a) Gross method	94.01%	13,696,596,341.44
b) Commitment method	100.00%	14,569,538,084.65

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

Johan Meyer
Permanent representative

BRD Groupe Societe Generale

Victor Strâmbei
Manager Depositary Department

Annex 3 Statement of persons responsible

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

The annual financial statements for the financial year 31 December 2022 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 2022 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 2022, 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

Financial Reporting 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-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	✓		
A.3. The Board of Nominees has five members.	✓		
A.4. All members of the Board of Nominees are non-executive and independent. Each member of the Board of Nominees submitted a declaration that he is independent at the moment of his nomination for election or re-election as well as when any change in his status arises, by demonstrating the ground on which he is considered independent in character and judgement in practice.	✓		
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/ her mandate.	✓		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	✓		
A.7. The Fund has appointed a Board secretary responsible for supporting the work of the Board.	✓		
A.8. The annual report informs on whether an evaluation of the Board has taken place under the leadership of the chairman or the Nomination and Remuneration Committee and, if it has, summarize key action points and changes resulting from it. The Fund has a policy regarding the evaluation of the Board containing the purpose, criteria, and frequency of the evaluation process.	✓		
A.9. The annual report contains information on the number of meetings of the Board and the committees during the past year, attendance by each member (in person and in absentia) and a report of the Board and committees on their activities.	✓		
A.10 The annual report contains information on the precise number of the independent members of the Board of Nominees.	✓		
A.11. The Board of Nominees set up the Nomination and Remuneration Committee formed of non-executives, which will lead the process for the AIFM appointments and make recommendations to the Board. All members of the Nomination and	✓		

Code Provisions	Complies	Does not comply/partially complies	Reason for non- compliance
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;	✓		
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 –	✓		

Code Provisions	Complies	Does not comply/partially complies	Reason for non- compliance
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 The Remuneration Report of Fondul Proprietatea for 2022 financial year

Chapter I. Preamble

This Remuneration Report (“the Report”) of Fondul Proprietatea SA, a joint-stock company incorporated under the laws of Romania, qualifying as an alternative investment fund under Law no. 74/2015 on alternative investment fund managers and Law no. 243/2019 on alternative investment funds, amending and supplementing certain normative acts and as an issuer under Law no. 24/2017 on issuers of financial instruments and market operations (the “Issuers Law”), an entity supervised by the Financial Supervisory Authority (“FSA”), has been discussed by the Board of Nominees of Fondul Proprietatea SA (“Fondul Proprietatea / the Fund”) in accordance with the Fund’s Remuneration Policy¹ and Issuers Law, in order to present the remuneration granted to , Franklin Templeton International Services S.À R.L. Luxembourg² (the “Fund Manager”), and to the Board of Nominees during the financial year ending on 31 December 2022.

Fondul Proprietatea’s Remuneration Policy mentioned above was approved on 15 November 2022 by the Ordinary General Meeting of Shareholders of the Fund with 56.7900 % of the validly cast votes (“Remuneration Policy”).

This Report provides an overview of the remunerations, including all benefits, if any, regardless of their form, which were granted or due for the last financial year ended 31 December 2022 to the Fund Manager, based on the Management Agreement in force between 1 April 2020 – 31 March 2022, respectively the Management Agreement in force between 1 April 2022 – 31 March 2024, as further amended, and to each member of the Board of Nominees, including the newly appointed during 2022 and former members, in accordance with the Remuneration Policy.

The remunerations for 2022 of both the Fund Manager and of the Board of Nominees’ members have been paid in full compliance with the Remuneration Policy; the Fund did not apply any deviations or derogations from the Remuneration Policy. There were no key events in the Fund’s business environment affecting the remunerations.

The current Management Agreement in force as of 1 April 2022 was approved by the Fund’s OGSM Resolution no. 15/15 December 2021, with the key commercial terms approved by the Fund’s shareholders during the 29 September 2021 OGSM (including the remuneration of the Fund Manager) and is valid for a 2-year duration.

The Management Agreement was subsequently amended in terms of Chapter 10. Fund Manager Remuneration and Expenses, as per the FSA request. Addendum 1 to the Management Agreement reflecting the changes requested by the FSA was approved by OGSM Resolution no. 10 / 15 November 2022.

¹The Remuneration Policy is available on the Fund website, section Investor Relations – GSM Information – GSM Resolution – OGM 11 Resolution for approving the amendments proposed by the Board of Nominees

² During 2022, the Fund was managed by Franklin Templeton International Services S.À R.L. as its Sole Director and Alternative Investment Fund Manager under the AIFM Directive and local implementation regulations, on the basis of the Management Agreement in force between 1 April 2020 – 31 March 2022 (according to 28 June 2019 GSM Resolution) and the Management Agreement in force between 1 April 2022 – 31 March 2024, as per the 15 December 2021 GSM Resolution, as amended by Addendum 1 approved by OGM Resolution no. 10/15 November 2022. The portfolio management and the administrative activities are performed by FTIS via its Bucharest Branch.

Both the Management Agreement in force and Addendum no. 1 are available on the Fund's webpage, section Fund Management– Management Agreement.

For transparency purposes, this Report also reflects information regarding the remuneration policy of the Fund Manager and an overview of the remuneration paid by the Fund Manager to its staff members in relation with Fondul Proprietatea during the financial year ended 30 September 2022 (for the Fund Manager, the financial year is ending on 30 September). Such remuneration does not represent an additional cost for the Fund.

This Report will be presented to the advisory vote of the Ordinary General Meeting of Shareholders planned for 21 April 2023, being an annex of the financial annual report of the Fund for the financial year ending on 31 December 2022.

Chapter II. Management structure of the Fund

Fund Manager

During 2022, the Fund was managed by Franklin Templeton International Services S.à r.l. ("FTIS"), 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, authorized 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, registered with the FSA under number PJM07.1AFIASMDLUX0037/10 March 2016 as its Sole Director and Alternative Investment Fund Manager ("AIFM") under the AIFM Directive and local implementation regulations, based on the Management Agreement executed between the Fund and the Fund Manager in force during the period 1 April 2020 – 31 March 2022 (according to 28 June 2019 General Meeting of Shareholders Resolution), respectively during 1 April 2022 – 31 March 2024, as further amended. The Management Agreement is available on the Fund's website, section Fund Management– Management Agreement.

Board of Nominees

The Board of Nominees consists of five members appointed by the ordinary general meeting of shareholders in order to supervise, scrutinize and evaluate the activity of the Fund Manager and the fair treatment of all shareholders, in accordance with the provisions of the Fund's Constitutive Act.

During 2022, the following persons were members of the Board of Nominees:

Name	First appointment date	Expiration date
Mrs. Ilinca von Derenthall	26 November 2020	25 November 2023
Mr. Ciprian Ladunca	16 November 2020	15 November 2023
Mr. Nicholas Paris	6 April 2021	6 April 2024
Mr. Ömer Tetik	6 April 2021	6 April 2024
Mr. Martin Bernstein	27 April 2022	27 April 2025

Mr. Martin Bernstein was appointed as member of the Board of Nominees starting with 27 April 2022, further to Mr. Mark Gitenstein's resignation from his positions held within the Fund's Board of Nominees and all consultative committees of the Fund with effective date on 18 December 2021.

Chapter III. Remuneration Policy of the AIFM

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

The AIFM fully implemented the remuneration policy during 2021 – a summary of the version applicable at the reporting date is available on Franklin Templeton Luxembourg website and in the Annex 2 to this report. There are procedures in place for the preparation, update, review and approval of the policy as well as for communication and implementation of the policy. Senior management, human resources, internal audit and other functions are involved in this process and the policy is approved by FTIS.

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

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

The full Remuneration Policy of the AIFM is available at the registered office of the AIFM.

Information regarding the **remuneration paid by FTIS to its staff members in relation to Fondul Proprietatea** during the financial year ended 30 September 2022 (the financial year of the FTIS is ending on 30 September and the figures are presented as such) are included in the table below:

Name	2022		2021	
	Amount (EUR)	No. of beneficiaries	Amount (EUR)	No. of beneficiaries
Total remuneration in relation to Fondul Proprietatea for the financial year ended 30 September, out of which:	1,936,249	368	689,561	269
Fixed remuneration paid by FTIS to members of staff	1,429,127	368	523,282	269
Variable remuneration paid by FTIS to members of staff, except for performance fees	507,122	265	166,279	249
Variable remuneration representing performance fees	-	-	-	-

Source: FTIS

Name	2022	2021
	Amount (EUR)	Amount (EUR)
Remuneration paid to the identified staff members in relation to Fondul Proprietatea for the financial year ended 30 September		
Remuneration paid to members of the board of directors or of the supervisory board	32,397	20,878
Remuneration paid to senior management (Key decision makers)	354,391	162,292

Name	2022	2021
	Amount (EUR)	Amount (EUR)
Remuneration paid to members of staff with control responsibilities (compliance, risk management, internal audit, etc.)	40,606	34,435
Remuneration paid to members of staff whose actions have a material impact on the risk profile of the Fund	-	-
Total	427,394	217,605

Source: FTIS

For more details regarding the remuneration paid by FTIS to its staff members in relation with Fondul Proprietatea during the financial year ended 30 September 2022 please refer to Annex 1.

Chapter IV. Remuneration of the Fund Manager

The remuneration of the Fund Manager is part of the Management Agreement approved by the Fund's shareholders, being in line with the Remuneration Policy.

In accordance with the Management Agreement, the Fund Manager must manage the Fund's portfolio in accordance with, and must comply with, all the obligations undertaken under the Investment Policy Statement and seek to achieve the performance objectives therein, including (without limitation) the Discount Objective and the NAV Objective, as detailed under both Management Agreement and Investment Policy Statement.

The NAV objective refers to an Adjusted NAV per share in the last day of the Reporting Period higher than the reported NAV per share as at the end of the previous Reporting Period.

The discount objective implies the discount between the closing price of the Fund's shares on BVB – REGS and the latest reported NAV per share to be equal to, or lower than 15%, in at least 2/3 of the trading days in the Reporting Period.

The detailed Investment Policy Statement can be found on the Fund's website at section Investments – Investment Strategy.

Until 31 March 2022 of the financial year ending 31 December 2022, the Management Agreement included a performance fee that was linked to the discount between the share price and NAV. In the period between 1 January 2022 and 31 March 2022, the share price discount to NAV was below 15% in 81 days and between 15% – 20% was in 17 days.

The Fund Manager is committed to its continued efforts to protect shareholders' value and to implement the necessary measures in accordance with the Investment Policy Statement. In applying Discount Control Management ("DCM") measures during 2022, inter alia, the Fund Manager proposed, and shareholders approved during the 20 April 2022 shareholders' meeting the distribution of an annual gross dividend of RON 0.1250 per share from the 2021 net accounting profit, with payment date starting on 27 June 2022, and carried out a tender offer in June 2022: 325 million shares (264,555,900 in the form of shares and 60,444,100 shares in the form of GDRs, namely 1,208,882 GDRs).

The remuneration structure of the Fund Manager is presented in the table below:

All amounts in RON equivalent

Year	Total gross remuneration	Fixed remuneration (Base Fee)		Additional base fee (Performance fee*)		Variable remuneration (Distribution Fee**)	
		Value	Proportion	Value	Proportion	Value	Proportion
2022	107,230,522	57,328,010	53.5	2,714,634	2.5%	47,187,877	44.0%
2021	87,239,913	61,994,838	71%	10,064,361	12%	15,180,715	17%

* The performance fee was applicable until 31 March 2022. There is no performance fee applicable under the FTIS mandate that started on 1 April 2022 – see management agreement on the Fund's webpage, section Fund Management– Management Agreement.

** For more details regarding the calculation formulas of the Base Fee, Performance Fee and Distribution Fee, please refer to Chapter V, Section 2 of the Remuneration Policy of Fondul Proprietatea available on the Fund's website at section About the Fund – Fund Overview – Corporate Governance

The remuneration presented above includes also the accruals booked in the accounting for the fees related to 2022 to be invoiced by the Fund Manager in 2023.

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

Transactions	Year ended 31 December 2022	Year ended 31 December 2021
Rent expense charged to the Fund	76,860	79,798
Operating cost charged to the Fund	28,410	27,173
TOTAL	105,270	106,972

During 2022, the Fund also recorded RON 529,138 (in 2021: RON 401,546) representing expenses incurred by Fund Manager on its behalf. These expenses were primarily related to expenses in the interest of protecting and promoting the image of the Fund and its securities (investor relations). The recharge of these expenses to the Fund follows the provisions of the Management Agreement in place and are subject to Board of Nominees' approval.

The Fund Manager (i) did not obtain any other benefits from Fondul Proprietatea and (ii) did not receive any remuneration from any affiliated entity to Fondul Proprietatea.

There is no stock option plan offered by the Fund to its Manager.

Chapter V. Remuneration of the Board of Nominees' members

Each member of the Board of Nominees receives a fixed remuneration, as approved through the Resolutions of the Fund's Ordinary General Meeting of Shareholders no. 9 of 29 October 2015, no. 5 of 14 February 2018, and no. 11 of 15 November 2022, being in line with the Remuneration Policy; no malus/claw back arrangement is in place.

Starting with 16 November 2022, an additional fixed gross monthly remuneration for the Chairperson of the Board of Nominees and for the Chairpersons of the Audit and Valuation Committee and of the Nomination and Remuneration Committee was approved by the Fund's shareholders, as per OGSM Resolution no. 10/15 November 2022, published on the Fund's website, in section Investor Relations – GSM Information – GSM Resolution.

The remuneration structure of each member of the Board of Nominees for the financial year ended 31 December 2022 was as follows:

All amounts in RON

Name, Position	Total gross remuneration	Proportion of the fixed remuneration	Proportion of the variable remuneration
Mrs. Ilinca von Derenthall, Chairperson of the Board between 1 Jan 2022 – 31 Dec 2022	298,912	100%	N/A
Mr. Ciprian Ladunca, Board Member between 1 January 2022 - 31 December 2022 and Chairperson of the Audit and Valuation Committee during 1 Jan 2022 – 31 Dec 2022	296,955	100%	N/A
Mr. Nicholas Paris, Board Member between 1 Jan 2022 - 31 Dec 2022 and Chairperson of the Nomination and Remuneration Committee during 1 Jan 2022 – 31 Dec 2022	296,955	100%	N/A
Mr. Ömer Tetik, Board Member between 1 Jan 2022 - 31 Dec 2022	293,037	100%	N/A
Mr. Martin Bernstein, Board Member between 27 Apr 2022 – 31 Dec 2022	200,354	100%	N/A

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

During 2022, the Fund supported also the costs below related to the Board of Nominees.

All amounts in RON equivalent

Name	Costs related to meetings (transport and accommodation)	Costs related to new appointments
Mrs. Ilinca von Derenthall	17,638	-
Mr. Ciprian Ladunca	18,231	-
Mr. Nicholas Paris	32,437	-
Mr. Ömer Tetik	4,989	-
Mr. Martin Bernstein	42,580	6,246

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

Costs	RON
Professional insurance costs	518,061
Legal consulting services	83,468
Other costs (meals, business cards, notary services, translations etc.)	98,802
Total	700,331

There were no loans between the Fund and the members of the Board of Nominees.

Chapter VI. Comparative information on the amendment of the remuneration and on the Fund's performance for the last 5 financial years

The total remuneration due to the Fund Manager in the last 5 years is presented in the table below:

Total remuneration	2022	2021	2020	2019	2018
Amount in RON	107,230,522	87,239,913	65,906,915	54,699,657	60,515,467
Variation% YoY	+23%	+32%	+20%	-10%	-23%

The variation of the remuneration payable to the Fund Manager year-over-year is determined by:

- the Fund's market capitalization,
- the discount of the Fund's share price to net asset value per share (applicable only until 31 March 2022),
- the distributions made available to the Fund's shareholders (including, without limitation, repurchases of own Fund's shares and GDRs, dividends, returns of capital).

The structure of the administration fees during the last 5 years was as follows:

Administration fees	2022	2021	2020	2019	2018
Base fee	Starting with 1 Apr 2022: 45 bps applied on market capitalization	No change	No change	No change	60 bps applied on market capitalization
Performance fee	- No change until 31 Mar 2022 - Starting with 1 Apr 2022 there is no additional performance fee	No change	No change	No change	An additional base fee of 0.05% is payable as performance fee when the discount of the Fund's share price to net asset value per share is below or equal to 20% but above 15% and a further 0.05% when the discount is equal or below 15%
Distribution fee on buy-backs (including, without limitation, repurchases of own shares and GDRs)	No change until 31 Mar 2022. Starting with 1 Apr 2022: - 2.50% applied to the value of the distributions during 1 Apr 2022 – 31 Mar 2023 - 1.75% applied to the value of the distributions during 1 Apr 2023 – 31 Mar 2024	No change	No change	No change	100 bps
Distribution fee on returns of capital	No change until 31 Mar 2022. Starting with 1 Apr 2022: - 2.50% applied to the value of the distributions during 1 Apr 2022 – 31 Mar 2023	No change	No change	No change	100 bps

Administration fees	2022	2021	2020	2019	2018
	- 1.75% applied to the value of the distributions during 1 Apr 2023 – 31 Mar 2024				
Distribution fee on dividend distributions	No change until 31 Mar 2022. Starting with 1 Apr 2022: - 2.50% applied to the value of the distributions during 1 Apr 2022 – 31 Mar 2023 - 1.75% applied to the value of the distributions during 1 Apr 2023 – 31 Mar 2024	No change	No change	No change	- No fee up to and including 31 Mar 2018 - 100 bps starting 1 Apr 2018

The table below presents the remuneration for the active Board members during 2022, in accordance with the terms of their mandates presented above.

Board of Nominees' members Remuneration					
Annual amendment	Financial year 2022 compared to financial year 2021	Financial year 2021 compared to financial year 2020	Financial year 2020 compared to financial year 2019	Financial year 2019 compared to financial year 2018	Financial year 2018 compared to financial year 2017
Mrs. Ilinca von Derenthall	See amendment below in note 1	No amendment	N/A	N/A	N/A
Mr. Ciprian Ladunca	See amendment below in note 1	No amendment	N/A	N/A	N/A
Mr. Nicholas Paris	See amendment below in note 1	N/A	N/A	N/A	N/A
Mr. Ömer Tetik	See amendment below in note 1	N/A	N/A	N/A	N/A
Mr. Martin Bernstein	See amendment below in note 1	N/A	N/A	N/A	N/A

N/A was mentioned for the cases where the respective person was not a member of the Fund's Board of Nominees in the respective year or when the person was elected in the respective year and consequently the comparatives are not applicable.

Notes:

- Starting with 16 November 2022 the shareholders approved an increase of the gross monthly remuneration for each member of the Board of Nominees by ten (10) per cent, from RON 24,123 to RON 26,535.30 (the "Base Monthly Remuneration"). The shareholders also approved an additional fixed gross monthly remuneration of fifteen (15) per cent of the Base Monthly Remuneration, for the Chairperson of the Board of Nominees and an additional fixed gross monthly remuneration of ten (10) per cent of the Base Monthly Remuneration, for the Chairperson of the Audit and Valuation Committee and for the Chairperson of the Nomination and Remuneration Committee.

The annual gross remuneration due by the Fund to the Board of Nominees in the last 5 years is presented in table below:

Total remuneration	2022	2021	2020	2019	2018
Amount in RON	1,386,213	1,434,117	1,376,217	1,407,175	1,447,380
Variation% YoY	-3%	4%	-2%	-3%	21%

The variations year-over-year during 2019 – 2022 were due to the periods when the number of Board of Nominees members was lower than 5 (the complete number), due either to their resignation or as result of the expiration of their mandates.

Fondul Proprietatea Performance (distributions to shareholders)					
	Financial year 2022	Financial year 2021	Financial year 2020	Financial year 2019	Financial year 2018
Cash Distributions to shareholders (including dividends, returns of capital) – total gross amounts in RON	1,125,531,664	840,627,930	417,965,383	642,318,809	499,976,344
Variation% YoY	+34%	+101%	-35%	+28%	-46%
Buy-backs* in RON (including repurchases of own shares and GDRs either through daily trades or Tender Offers)	1,157,219,018	328,053,551	1,065,008,457	439,032,611	1,370,570,876
Variation% YoY	+253%	-69%	+143%	-68%	+67%

* The Buy-backs amounts comprise the acquisition cost at trade price, excluding brokerage fees and other acquisition related costs

Fondul Proprietatea Performance (year-end results)					
	Financial year 2022	Financial year 2021	Financial year 2020	Financial year 2019	Financial year 2018
Annual net Profit/ (Loss) in RON as per audited IFRS financial statements	2,769,448,871	5,012,644,707	(102,978,968)	3,129,870,912	935,091,985
Variation% YoY	-45%	+4968%	-103%	+235%	-28%
NAV/share in RON (calculated as per FSA regulation, certified by the custodian)	2.5701	2.2624	1.6974	1.7339	1.4095
Variation% YoY	+14%	+33%	-2%	+23%	+14%
Share's Closing Price published by BSE	2.0400	1.9900	1.4500	1.2100	0.8830
Variation% YoY	+3%	+37%	+20%	+37%	+2%

Note: NAV/share are for the last working day until and including 2021 and for the last day of the year starting 2022. Share's Closing Price are for the last trading day of the year.

The main contributor to the Fund's annual result and NAV is the net change in fair value of the Fund's equity investments (mainly Hidroelectrica). Thus, the loss recorded in 2020 was due the negative net change in fair value of the Fund's equity investments as result of COVID-19 pandemic impact on the economic activity and capital markets, partially netted off by the gross dividend income from portfolio companies.

Chapter. VII. Environmental, social and governance (ESG)

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

The EU's Regulation on the establishment of a framework to facilitate sustainable investment (the 'Taxonomy Regulation') was published in the Official Journal of the EU on 22 June 2020 and entered into force starting with 1 January 2022 in respect of climate change mitigation and climate change adaptation and with 1 January 2023 for provisions in respect of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Given the range of interpretations by different Member States as to what counts as a 'sustainable' investment, the European Commission considered that a common taxonomy was needed. The 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.

Chapter VIII. Disclosure

This Report will be published on the Fund's website, www.fondulproprietatea.ro, as part of Annual Report, and will remain publicly available, free of charge, for a period of 10 years from its publication, in accordance with the Issuers Law.

A paper version will be made available upon request to the Fund.

This report was verified by the financial auditor and discussed by the Board of Nominees on 23 February 2023 and is subject to the Fund's shareholders' approval during 21 April 2023 Ordinary General Meeting of Shareholders.

Annex 1 – Remuneration paid by AIFM to its staff members in relation with Fondul Proprietatea during the financial year ended 30 September 2022

Indicators	Amounts relating to the activity carried out in 2022 (n) (EUR)	Amounts paid during 2022 (n) (EUR)	Amounts payable during 2023 (n+1) or deferred (EUR)	No. of beneficiaries 2022	Amounts relating to the activity carried out in 2021 (n-1) (EUR)	No. of beneficiaries 2021
1. Remuneration paid to all members of staff of AIFM (including outsourced functions) in relation with Fondul Proprietatea for the financial year ended 30 September, out of which:	1,936,249	1,936,249	-	368	689,561	269
(a) Fixed remuneration	1,429,127	1,429,127	-	368	523,282	268
(b) Variable remuneration, except for performance fees	507,122	507,122	-	265	166,279	249
- in cash	389,766	389,766	-		120,769	
- other forms (restricted stock units and mutual fund units)	117,356	117,356	-		45,510	
(c) Variable remuneration representing performance fees	-	-	-		-	
2. Remuneration paid to the identified staff members (including outsourced functions) in relation with Fondul Proprietatea for the financial year ended 30 September	427,394	427,394	-		217,605	
(A) Remuneration paid to members of the board of directors or of the supervisory board:						
(a) Fixed remuneration	32,397	32,397	-		20,878	
(b) Variable remuneration, except for performance fees	15,168	15,168	-		6,710	
- in cash	17,229	17,229	-		7,084	
	10,714	10,714	-		3,709	

Indicators	Amounts relating to the activity carried out in 2022 (n) (EUR)	Amounts paid during 2022 (n) (EUR)	Amounts payable during 2023 (n+1) or deferred (EUR)	No. of beneficiaries 2022	Amounts relating to the activity carried out in 2021 (n-1) (EUR)	No. of beneficiaries 2021
- other forms (restricted stock units and mutual fund units)	6,515	6,515	-		3,375	
(c) Variable remuneration representing performance fees	-	-	-		-	
(B) Remuneration paid to Directors/ Senior management out of which:	354,391	354,391	-		162,292	
(a) Fixed remuneration	222,587	222,587	-		50,602	
(b) Variable remuneration, except for performance fees	131,804	131,804	-		55,845	
- in cash	84,680	84,680	-		30,743	
- other forms (restricted stock units and mutual fund units)	47,124	47,124	-		25,102	
(c) Variable remuneration representing performance fees	-	-	-		-	
(C) Remuneration paid to members of staff with control responsibilities (compliance, risk management, internal audit)	40,606	40,606	-		34,435	
(a) Fixed remuneration	26,638	26,638	-		17,053	
(b) Variable remuneration, except for performance fees	13,968	13,968	-		8,691	
- in cash	5,836	5,836	-		5,262	
- other forms (restricted stock units and mutual fund units)	8,132	8,132	-		3,429	
(c) Variable remuneration representing performance fees	-	-	-		-	
(D) Other functions than those indicated at points A-C, included in identified staff category	-	-	-		-	
(a) Fixed remuneration	-	-	-		-	

Indicators	Amounts relating to the activity carried out in 2022 (n) (EUR)	Amounts paid during 2022 (n) (EUR)	Amounts payable during 2023 (n+1) or deferred (EUR)	No. of beneficiaries 2022	Amounts relating to the activity carried out in 2021 (n-1) (EUR)	No. of beneficiaries 2021
(b) Variable remuneration, except for performance fees	-	-	-		-	
- in cash	-	-	-		-	
- other forms (restricted stock units and mutual fund units)	-	-	-		-	
(c) Variable remuneration representing performance fees	-	-	-		-	

Source: FTIS

Annex 2 - Franklin Templeton International Services S.A R .L. ("FTIS") Remuneration Policy Statement

Purpose and scope of the Remuneration Policy Statement

FTIS is a management company licensed to manage UCITS funds and Alternative Investment Funds ("AIFs") and licensed to provide MiFID ancillary services to clients. In accordance with Directive 2009/65/EC and with Directive 2011/61/EU the purpose of this Remuneration Policy Statement is to provide to investors details on FTIS remuneration policy (the "Remuneration Policy"). A paper copy of FTIS Remuneration Policy is available free of charge upon request at our office.

The Remuneration Policy of FTIS has been designed to align the personal objectives of staff with the long term interests of FTIS and the UCITS and AIFs managed by FTIS. It aims at mitigating incentives practices which may encourage employees to take unnecessary risk.

The Policy applies to a certain category of staff called the identified staff which includes members of the Board of Directors, Conducting Officers, members of control functions, risk takers, and any employee with remuneration which takes them into the same bracket as Conducting Officers or risk takers whose activities have a material impact on the risk profiles of the Management Company, AIFM or the UCITS and AIF's it manages.

Description of the structure of remuneration

The remuneration includes a fixed and variable (performance related) component. Our remuneration policy ensure that performance related pay is designed to reflect success or failure against a range of targets which have appropriate risk-management and risk-mitigation as a key component. These targets include non-financial metrics and both qualitative and quantitative factors in determining actual compensation pay-outs. We consider, in particular, good stewardship and management of sustainability risks in the performance measurement of each member of our investment teams and include compliance with the firm's stewardship and ESG risk integration policies among the non-financial metrics which determines total compensation.

Fixed remuneration: Fixed remuneration is defined as base salary plus material company provided benefits which may include company cars, company pension contributions, private medical insurance premiums and life assurance premiums.

Base salary levels (including benefits) are set with reference to market benchmarking data (third party industry surveys), which are reviewed regularly.

Fixed salaries are set as a sufficiently high proportion of the total remuneration so that FTIS is able to operate a fully flexible bonus policy, including the possibility to pay no bonus.

Variable remuneration: Variable remuneration is defined as annual bonuses paid under the Annual Incentive Plan (AIP), Long Term Awards in the form of performance share grants and Sales Bonus payments. Bonus levels are set with reference to overall corporate and business units performance as well as individual performance achieved in FTIS. Annual bonuses are funded under the corporate Annual Incentive Plan of Franklin Resources Inc., the ultimate parent company ("FRI"). The level of funding is dependent on overall FRI corporate performance and approved by the Compensation Committee of the FRI Board made up of five non-executive members of FRI Board (the "FRI Compensation Committee").

Annual bonus can be paid in cash or FRI shares or a combination of both, subject to restrictions and vesting determined by FRI Compensation Committee.

Sales bonus comprises a structured commission component and a discretionary sales bonus and is paid quarterly. Deferral would be applied in the case of key sales employees who have a material impact on the risk Variable profile of the Management Company, AIFM or the UCITS and AIFs it manages.

Staff can be eligible for a supplemental equity-based award which is a specific retention benefit limited to key functional positions.

Measures implemented in order to promote sound and effective risk management, align the interests of the individuals and FTIS and avoid excessive risk taking.

Deferral: Awards to manager level and above are paid in a combination of cash and equity awards.

Bonuses at these levels are subject to a deferral which can in case of very large bonuses increase to up to 100%. Vesting occurs over a 3 year period.

Equity portion: The equity portion is awarded as Franklin Resources Inc. stock.

Claw back provisions: Variable remuneration granted or earned can be taken back as a result of special circumstances, e.g. fraud or willful misconduct on the part of the recipient.

Award process for remuneration: FTIS is part of the Franklin Templeton Investment group. The responsibility for the remuneration process at Franklin Templeton Investments rests with the Compensation Committee of Franklin Resources Inc. (FRI). The FRI Compensation Committee is composed of five non-executive members of the Board of Directors of Franklin Resources Inc. who are independent under applicable corporate governance standards of the New York Stock Exchange. The members of the Compensation Committee throughout fiscal year 2021 were Seth Waugh (Chair), Geoffrey Yang, John Thiel, Karen King and John Kim. All members were non-executive directors of FRI.

The FRI Compensation Committee receives independent advice on remuneration issues from Exequity, LLP.

During the year, the Committee received briefings from Management, including the Group Chief Executive, Head of Human Resources, and General Counsel on the implications of the remuneration policy on risk and risk management. No individual is involved in decisions relating to his or her own remuneration.

The FRI Compensation Committee meets at least once a quarter and periodically reviews the general principles of the FRI remuneration policy. Each year the FRI Compensation Committee sets the annual incentive compensation plan (AIP) pool by considering in particular factors such as FRI's pre-bonus operating income, the overall company performance (actual and projected) as well as investment performance, profitability growth and the overall market environment.

The AIP recognizes and rewards employees with an opportunity to share in Franklin Templeton's overall success. It is designed to link the achievement of individual and company results with measurable, objective rewards. At the end of each fiscal year, employees are evaluated on their performance measured by an assessment of competencies and achievement against predetermined goals. Incentives awarded through participation in this program are based on a combination of the individual's performance and the company's financial results.

Annex 6 Actual vs. budget analysis for the year ended 31 December 2022

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 2022 compared to the same period budgeted and derived from the 2022 Annual Budget, approved by shareholders on 15 December 2021.

Presentation

The actual vs. budget analysis for the year ended 31 December 2022 was prepared based on IFRS accounting records (statutory basis of accounting), according to FSA¹ Norm 39/28 December 2015, as subsequently amended.

For the actual vs. budget analysis, the income and expense items were categorised to match the budget presentation. The foreign exchange gains/ losses, the gains/ losses from financial instruments at fair value through profit or loss, the gains/ losses on sale of financial instruments, other items of income/ expenses and expenses/ income from reversal of impairment adjustments and provisions are presented on a net basis.

According to the accounting policy, the distribution fees related to buy-backs and other related costs, such as, brokerage fees and regulatory fees are recognised in other comprehensive income.

According to the main assumptions of the 2022 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 2022 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 2022 Budget, reallocations between expense categories were taken into account in accordance with Board of Nominees Decision no. 18/15 December 2022.

Results

A. Total actual net result

The table below presents an overview of the budgeted/ non-budgeted results for 2022:

RON million	Budget	Actual	Variance
Budgeted items	311.8	578.8	267.0
Non-budgeted items	-	2,190.7	2,190.7
Total profit for the period	311.8	2,769.5	2,457.7

¹ Romanian Financial Supervisory Authority

The *actual net result* of the Fund for the year 2022 was a profit of RON 2,769.5 million, while the actual result corresponding to the budgeted items was a profit of RON 578.8 million.

The main difference is due to the non-budgeted items which relate to the *net gain from equity instruments at fair value through profit or loss* amounting to RON 1,686.78 million (generated mainly by the valuation update for unlisted holdings) and special dividends in amount of RON 272.0 million (also mainly approved by Hidroelectrica SA and OMV Petrom SA).

Also in the non-budgeted category are included costs related to the listings of Hidroelectrica SA and Societatea Nationala a Sarii SA in total amount of RON 5 million. For these types of expenses there is no approved budget although the shareholders granted the Fund Manager the power to incur on behalf of the Fund all expenses necessary related to the execution of acquisitions and disposals of equity investments or participation in share capital increases of portfolio companies.

B. Variances for the budgeted net profit (please see Annex 1)

This section presents a detailed analysis of the budgeted items by comparison with the actual results for the same elements. Therefore, the net result under this section should be read as the net result corresponding to the budgeted elements while the reconciliation to the total net result is presented in the previous section.

Net result overview

The *actual net profit* for the year ended 2022 was RON 578.8 million, compared to a budgeted profit of RON 311.8 million.

The main contributor to the actual result recorded in 2022 was the increased net dividend income (annual dividends) amounting to RON 656.2 million with the most significant amounts relating to Hidroelectrica SA and OMV Petrom SA.

Income from current activity

Actual income from current activity for the year 2022 significantly exceeds the budgeted income and the table below presents additional details and explanations for the differences between the budgeted and actual net dividend income received from the portfolio companies:

Portfolio company	Actual net dividend 2022	Budgeted net dividend 2022	Variance	Reason for variance
All amounts in RON				
Hidroelectrica SA	564,601,016	256,552,599	308,048,417	Increase due to the higher 2021 profit compared with the estimates. The 2022 budget assumption was a similar level dividend as approved in 2021.
OMV Petrom SA	54,700,515	88,753,939	(34,053,424)	During 2022 OMV Petrom approved a RON 0.341 per share (increased dividend per share compared with 2022 budget assumption of RON 0.31 per share), but the total FP dividend decreased due to the partial disposal of the holding in OMV Petrom in January 2022 (assumption not included in the 2022 Budget).
Societatea Nationala a Sarii SA	29,345,514	10,943,668	18,401,846	Increase due to the higher 2021 profit compared with the company's 2021 budget used in 2022 Budget assumption.
CN Administratia Porturilor Maritime SA	6,660,439	3,924,999	2,735,440	Increase due to the higher 2021 profit compared with the company's 2021 budget used in 2022 Budget assumption.
Engie Romania SA	-	17,941,285	(17,941,285)	
E-Distributie Muntenia SA	-	11,518,078	(11,518,078)	

Portfolio company	Actual net dividend 2022	Budgeted net dividend 2022	Variance	Reason for variance
ENEL Energie Muntenia SA	-	4,800,019	(4,800,019)	No dividend distribution approved by shareholders. The 2022 Budget assumed a dividend like in the previous year.
E-Distributie Banat SA	-	3,693,510	(3,693,510)	
Enel Energie SA	-	1,800,000	(1,800,000)	
Others	911,703	610,076	301,627	
TOTAL	656,219,187	400,538,173	255,681,014	

In addition, actual total income from current activity for year 2022 exceeds the budgeted income due to the *interest income*, which was higher by RON 23.8 million, arising from deposits with banks and from short-term government securities held during the period. The related cash inflows were mainly collected from the total disposal of the Fund's holding in OMV Petrom during 2022 (RON 978.3 million through an accelerated bookbuild offer in January 2022, RON 764.1 million through an accelerated bookbuild offer in December 2022 and RON 39.5 million through daily sales on the Bucharest Stock Exchange), from the transfer performed by the Ministry of Finance on 1 Feb 2022 as payment of the unpaid shares held by the Romanian State in Fondul Proprietatea (RON 189.2 million) and from additional dividends collected compared with the budgeted amounts, net of the payment of daily buybacks, the tender offer and the annual dividend distribution which was at a higher value compared to the budgeted amount. The disposals of holdings, the payment from the Ministry of Finance, the special dividends received, and the tender offer were not budgeted according to the assumptions for the 2022 Budget.

Expenses from current activity

During the year end 31 December 2022, the *actual expenses from current activity* amount to RON 106.2 million and exceed the budgeted expenses by RON 13.3 million. The negative variance is mainly due to the investment management and administration fees which are detailed in the following paragraphs.

Third-party service providers' expenses account for the majority of the Fund's total expenses. The main component of this category relates to the fees due to the Fund Manager (a detailed breakdown of third-party service providers' expenses is shown in Annex 2).

During 2022, the total investment management and administration fees were higher by RON 21.9 million, as presented in the table below:

All amounts in RON	Actual	Budgeted	Variance	Reason for variance
Recognised in profit or loss	79,364,514	57,479,391	21,885,123	
Base fee	57,328,011	50,355,151	6,972,860	The base fee increased due to: - increase of Fund's average closing share price during 2022 to RON 1.9691 per share as opposed to the average share price used in the 2022 Budget of RON 1.82 per share, and - increase of the number of paid shares used in the calculation of the base fee, following the payment for all unpaid shares owned by the Romanian State in the Fund, starting 1 February 2022 - Net of by the increased no of shares repurchased during tender offer completed on 24 June (325 million shares).
Performance fee	2,714,634	-	2,714,634	

All amounts in RON	Actual	Budgeted	Variance	Reason for variance
				During the Q1 2022 the discount varied: - In 3 days higher 20%, - in 12 days between <20% and >15%. - in 75 days lower than 15% The performance fee was not estimated for 2022 Budget purposes.
Distribution fees for annual dividends	19,321,869	7,124,240	12,197,629	Increase due to higher distribution per share performed in 2022 of RON 0.1250 per share, compared with the amount used in the 2022 Budget of RON 0.05 per share and by the increased applicable rate according with the new management agreement (starting 1 April 2022 until 31 March 2023 the distribution fee is 2.5% vs. 1% estimate used in the 2022 Budget preparation).
Recognised in other comprehensive income	27,866,008	10,410,877	17,455,131	
Distribution fee for buy-back programmes	27,866,008	10,410,877	17,455,131	Increase mainly due to the Tender offer which was completed on 24 June 2022 (total acquisition cost RON 712.2 million) and also due to the increase in volume for the daily buybacks in July, determined by the Tender Offer which was significantly higher. According with 2022 budget, there was no assumption regarding the Tender offer.
Total administration fees	107,230,522	67,890,268	39,340,254	

The increase in investment management and administration fees was partially offset by lower costs with legal and litigation assistance in 2022 (by RON 5.1 million).

In addition, *Commissions and fees (including FSA fees)* were higher than budgeted due to higher average NAV during 2022 (RON 15,236.2 million) compared with the average NAV used in the 2022 Budget (RON 10,775.0 million) and due to a higher total value of the Fund's holdings during the period, based on which the fees are calculated.

For the two expense categories, *Investment management and administration fees* and *Commissions and fees (including FSA fees)*, the shareholders granted the Fund Manager the power to exceed the budgeted expenses (even if this will result in exceeding the total expenses approved in the 2022 Budget).

Information on expense reallocations

In the Fund's 2022 Budget the following reallocations were performed, which were approved during the 15 December Board meeting:

- *External audit fee*: The actual external audit fee is higher than the budget due to the supplementary fees required by Deloitte and EY according with April and November GSM approval and also due to the impact of a negative foreign exchange effect (higher actual EUR/RON exchange rate than estimated in the 2022 Budget);
- *Portfolio holdings valuation*: The actual valuation fees are estimated to be higher than the budget due to the potential impact of a negative foreign exchange effect for the amounts remaining to be invoiced on issuance of final reports (higher actual EUR/RON exchange rate than estimated in the 2022 Budget).

The reallocations above were performed within the Third-party service providers' expenses subcategories (please see Annex 2) and do not affect any other budgeted items.

Capital Expenditure

In 2022 the Fund's investments in intangible assets included the updates to the accounting and reporting software, following the finalisation of the Fund's registration process as an alternative investment fund with the FSA (the Fund started to apply the Romanian AIF Law (Law 243/2019) and AIF Regulation (Regulation 7/2020)).

Other information

Please note that together with the approval of 2022 Budget in December 2021, 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 2022 being higher than the ones assumed in the 2022 Budget;
- incur on behalf of the Fund all expenses necessary (e.g. intermediary fees of brokers or investment banks, market authorities' fees, lawyers, public notaries, other advisors' costs, as well as other related expenses, commissions or fees) related to the execution of acquisitions and disposals of equity investments or participation in share capital increases of portfolio companies;
- incur on behalf of the Fund all expenses related to the buy-back of the Fund's shares or the equivalent global depositary receipts corresponding to shares of the Fund and their subsequent cancellation (after the approval by shareholders), under any buy-back programme approved by shareholders;
- incur on behalf of the Fund any expenses related to bank loans/ credit facilities contracted by the Fund, with Board of Nominees approval;
- incur on behalf of the Fund any expenses related to the potential change of the 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 2022 Budget.

Annex 1: 2022 Actual vs. Budget Results

	Budget 2022	Actual 2022	Variance	
	RON	RON	RON	%
I. INCOME FROM CURRENT ACTIVITY	404,764,616	685,022,094	280,257,478	>100%
Budgeted income	404,764,616	685,022,094	280,257,478	69%
Net dividend income	400,538,173	656,219,187	255,681,014	64%
BNY Mellon income*	2,991,587	3,737,776	746,189	25%
Interest income	1,234,856	25,065,131	23,830,275	>100%
II. EXPENSES FROM CURRENT ACTIVITY	92,963,700	106,231,423	13,267,723	14%
Budgeted expenses	92,963,700	106,231,423	13,267,723	14%
Third-party service providers' expenses	74,077,664	86,775,914	12,698,250	17%
Commissions and fees (including FSA fees)	10,560,851	14,782,157	4,221,306	40%
Investor relations expenses	2,411,335	995,554	(1,415,781)	-59%
Public relations expenses	1,520,365	751,558	(768,807)	-51%
Board of Nominees remunerations	1,447,380	1,386,213	(61,167)	-4%
Bank fees and distribution to shareholders fees (including Depositary fees)	621,168	527,619	(93,549)	-15%
Finance costs	91,250	37,250	(54,000)	-59%
Amortisation expenses	90,390	53,683	(36,707)	-41%
Insurance expenses	542,828	518,061	(24,767)	-5%
Other expenses	1,600,469	403,414	(1,197,055)	-75%
III. GROSS PROFIT/ (LOSS)	311,800,916	578,790,671	266,989,755	86%
Income tax	-	-	-	n/a
IV. NET PROFIT/ (LOSS)	311,800,916	578,790,671	266,989,755	86%
Distribution fee and other costs related to buy- backs recognised in other comprehensive income**	10,856,188	37,097,380	26,241,192	>100%
V. CAPITAL EXPENDITURE	542,341	53,683	(488,658)	-90%
Intangible assets	542,341	53,683	(488,658)	-90%

Note

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: 2022 Actual vs. Budget - Detail of Third-Party Service Providers' Expenses

	Budget 2022	Reallocations	Budget 2022 after reallocations	Actual 2022	Variance	
	RON	Lei	RON	RON	RON	%
Third-party service providers' expenses	74,077,664	-	74,077,664	86,775,914	12,698,250	17%
Investment management and administration fees	57,479,391		57,479,391	79,364,514	21,885,123	38%
Legal and litigation assistance (including stamp duty expenses for litigations)	7,654,192		7,654,192	2,580,695	(5,073,497)	-66%
Portfolio holdings valuation	2,255,691	120,000	2,375,691	2,261,451	(114,240)	-5%
GSM organisation	714,000		714,000	153,685	(560,315)	-78%
Tax compliance and tax advisory expenses	578,432		578,432	366,402	(212,030)	-37%
Software maintenance and support fees	304,617		304,617	240,641	(63,976)	-21%
External audit	542,169	187,000	729,169	662,092	(67,077)	-9%
Trade Register and Official Gazette expenses	261,800		261,800	890	(260,910)	-100%
Internal audit	91,523		91,523	78,158	(13,365)	-15%
Other third-party service providers' expenses	4,195,849	(307,000)	3,888,849	1,067,386	(2,821,463)	-73%

Annex 7 Constitutive Act of Fondul Proprietatea in force as at 31 December 2022

Constitutive act updated as at 14 October 2022, based on Financial Supervisory Authority's authorization no. 146 of 29 September 2022, effective starting with 19 October 2022

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 7th, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Alternative Investment Fund Manager), according to article 21 paragraph (4) xii).
- (2) The Company may set up secondary headquarters such as branches, representative offices, working points or other units with no legal personality, under the terms provided by law.

ARTICLE 4

Company duration

- (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 3,233,269,110.76, divided in 6,217,825,213 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[^]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 Depositary 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;

- f¹) 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;
- k¹) 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 the questionnaire regarding the independence of the candidate, completed and signed by the candidate, whose template shall be available in the informative materials, following that, this questionnaire will be brought to the attention of the

shareholders. The members of the Board of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Alternative Investment Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Board of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Alternative Investment Fund Manager needing the approval of the Board of Nominees are made to the advantage of the shareholders.

(3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting of the Shareholders.

(4) The Board of Nominees elects from amongst its members a chairman of the Board.

ARTICLE 16

Functioning

(1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Alternative Investment Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.

(2) The Chairperson of the Board of Nominees or, during his/her absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper unfolding of the meetings. The meetings of the Board of Nominees shall be held at the headquarters of Fondul Proprietatea or at such other location as may be agreed among the members of the Board of Nominees or by means of electronic communications (e.g. telephone, videoconference).

(3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board of Nominees on the basis of a special written empowerment, presented in its original form at the beginning of the meeting. One member of the Board of Nominees may represent only one absent member. The decisions of the Board of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Board of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.

(4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision, the chairperson of the Board of Nominees shall give notice for a second meeting of Board of Nominees, having the same agenda as the first, in order to discuss this agenda. If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Board of Nominees shall ask the Alternative Investment Fund Manager to convoke the general meeting of the shareholders in order to properly decide on the respective decisions; in case that the Alternative Investment Fund Manager does not convoke it, any of the members of the Board of nominees will be in his right to convoke the general meeting.

(5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board of Nominees on nominating members ad interim will be communicated to the Alternative Investment Fund Manager, the auditor and will be filed with the Trade Register.

ARTICLE 17

Attributions of the Board of Nominees

The Board of Nominees has the followings duties and functions:

- (1) Following the information received from the Alternative Investment Fund Manager with regard to the summoning of the ordinary and/or extraordinary general meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting of shareholders;
- (2) Receives from the Alternative Investment Fund Manager the information in connection with the answers to the written requests submitted before the date of the general meeting of the shareholders, by the shareholders on topics regarding Fondul Proprietatea's activity;
- (3) Receives from the Alternative Investment Fund Manager the annual financial statements, the annual activity report presented by the Alternative Investment Fund Manager and the financial auditors' report, before being made available to the shareholders and analyses them, being able to formulate an opinion to be presented to both the Alternative Investment Fund Manager and the general meeting;
- (4) Receives from the Alternative Investment Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;
- (5) Receives from the Alternative Investment Fund Manager for analysis the yearly income and expenditure budget before it is submitted to the approval of the general meeting of shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;
- (6) Receives from the Alternative Investment Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (7) Receives from the Alternative Investment Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Alternative Investment Fund Manager according to legal provisions in force, capital market rules and regulations;
- (8) Receives from the Alternative Investment Fund Manager for analysis the proposal to the ordinary general meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (11) Monitors the following, based on information and reports received from the Alternative Investment Fund Manager:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio companies and comparison with the appropriate market

benchmark;

- comparison of the obtained profit with the initial objective;
- the extent of compliance with the investment policy, including, specifically, the degree to which any performance objectives set out therein are achieved, as well as any variations and actions taken to achieve such objectives and improve investment results;
- the performance evaluation report.

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

(12) Represents the general meeting of the shareholders in relation with the Alternative Investment Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general meeting and the Alternative Investment Fund Manager;

(13) Verifies the report of the Alternative Investment Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Alternative Investment Fund Manager, and verifies if the operations carried on by the Alternative Investment Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general meeting of the shareholders;

(14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;

(15) Participates to the meetings of the general shareholders' meetings and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;

(16) Proposes to the general meeting of shareholders the prior approval or rejection of the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

(17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders;

(18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders;

(19) Following of proposal of Alternative Investment Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea;

(20) Approves the delegation by the Alternative Investment Fund Manager of certain activities. The delegation shall be effective in accordance with the legal provisions in force;

(21) Is responsible for monitoring the Alternative Investment Fund Manager performance according to the Management Agreement.

ARTICLE 18

The obligations of the members of the Board of Nominees

(1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.

(2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.

- (3) The members of the Board of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.
- (4) If a member of the Board of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.
- (5) The same obligation must be observed by the member of the Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by the 4th grade inclusive are interested.
- (6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Board of Nominees, are not applicable if the vote refers to:
- a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Board of Nominees or to the persons mentioned in paragraph (5);
 - b) the granting by a member of the Board of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.
- (7) The member of the Board of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.
- (8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Board of Nominees, through operations such as:
- a) granting loans;
 - b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
 - c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Board of Nominees, concomitant or after granting the loan;
 - d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
 - e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Board of Nominees or other personal service of those members.
- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons by the 4th grade inclusive of the members of the Board of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.
- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties.
- (11) The Board of Nominees shall promptly decide on all requests for approval from the Alternative Investment Fund Manager within a reasonable time frame to allow the Alternative Investment Fund Manager to comply with its own obligations.

CHAPTER VI

Provisions regarding the company's management

ARTICLE 19

Organisation

- (1) Shareholders of Fondul Proprietatea designate the Alternative Investment Fund Manager (AIFM) for the purpose of managing it. The AIFM has also the sole director role.
- (2) The Alternative Investment Fund Manager is elected by the general meeting of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the AIFM is of 2 years. The AIFM will call an Ordinary General Meeting of Shareholders to be held at least 6 months before the expiry of the mandate of the AIFM and will ensure that the agenda for such meeting will include points granting the options to (i) approve the renewal of the AIFM's mandate and (ii) appoint a new AIFM in accordance with the legal provisions in force, with the shareholders being granted the opportunity to propose candidates for such position; the agenda will also include provisions for the authorization of the negotiation and execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorization and legal completion of such appointment.
- (4) The AIFM must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.
- (5) The Management Agreement can be modified or replaced in accordance with articles 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.
- (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 after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;

(iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the AIFM and of the company's financial auditors;

(iv) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;

(v) manages the relationship with the Central Depository with regard to its shareholders register functions;

(vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;

(vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;

(viii) approves the outsourcing of certain activities, within the limits of the approved budget, respectively the delegation of the performance of certain activities, subject to the observance of the applicable legislation;

(ix) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of shareholders the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

(x) execute contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value does not exceed, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables, without the approval of the ordinary or extraordinary general shareholders' meeting;

(xi) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;

(xii) decide the relocation of the registered office, provided that the registered office shall at all times

be registered in Romania;

(xiii) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);

(xiv) inform at once the Board of Nominees of any litigation or infringement of legislation regarding Alternative Investment Fund Manager, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters;

(xv) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Alternative Investment Fund Manager, which cannot be resolved amiably;

(xvi) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea;

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

(5) For the avoidance of any doubt, in fulfilling the obligations listed under paragraph (4) of this Article 21, the Alternative Investment Fund Manager acts mainly in its capacity as sole director according to the applicable Romanian legislation.

ARTICLE 22

The obligations of the Alternative Investment Fund Manager

(1) The Alternative Investment Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.

(2) The Alternative Investment Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Alternative Investment Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.

(3) The Alternative Investment Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.

(4) If the Alternative Investment Fund Manager, respectively its permanent representative and its employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Alternative Investment Fund Manager must give notice to the internal auditors and Board of Nominees of this issue and not take part in any deliberation concerning the specific situation.

(5) The same obligation must be observed by the Alternative Investment Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an affiliate of the Alternative Investment Fund Manager or the wife or husband, relatives or related persons by the 4th grade inclusive of the representative and its employees, are interested.

ARTICLE 23

Representation of Fondul Proprietatea

(1) In relations with third parties, Fondul Proprietatea is represented by the Alternative Investment Fund Manager, respectively by its permanent representative.

(2) The Alternative Investment Fund Manager may delegate the representative powers, in accordance with the applicable law.

CHAPTER VII

The audit of Fondul Proprietatea

ARTICLE 24

The internal auditors and the financial audit

- (1) The financial statements of Fondul Proprietatea are subject to financial audit in accordance with the applicable laws and regulations. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.
- (2) 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;
 - f¹) 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 8 Annual Cash Distribution Policy of Fondul Proprietatea in force as at 31 December 2022

1. Scope

In order to comply with the requirements of Bucharest Stock Exchange Code of Corporate Governance and in accordance with the IPS, Fondul Proprietatea SA decided to adopt this Annual Cash Distribution Policy.

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 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 a cash distribution of at least RON 0.05 per share in cash, on an annual basis, subject to applicable law and necessary approvals, to any restrictions under Romanian legal or tax regulations and subject to available financing sources.

Under exceptional market conditions or circumstances (e.g. events that may significantly impact the discount), the 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 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 dividend level up to the amount computed as above, 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 intend to propose interim 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 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 and any update to the policy shall be disseminated to the market and uploaded on the website.