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# Fondul Proprietatea

## 2013 Preliminary Annual Results Conference Call



FRANKLIN TEMPLETON  
INVESTMENTS

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This presentation has been prepared by the management of the Fund whose headquarters are at 78-80 Buzesti Str, 7th Floor, Bucharest District 1, 011017, Romania. The Fund’s Fiscal Identification Code (CIF) is 18253260 and Trade Registry registration no is J40/21901/2005. The subscribed share capital is RON 13,778,392,208 and paid share capital is RON 13,413,137,586. .

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# Fund Information

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## The Fund – Key Facts

### Fund Details as at 31 January 2014

Base Currency	RON
Fund Launch Date	28 December 2005
Franklin Templeton Appointment Date	29 September 2010
Listing Date	25 January 2011

Values <sup>1</sup>	RON	EUR <sup>2</sup>
NAV	14.90 bn	3.31 bn
NAV/Share	1.2339	0.2743
Price/Share <sup>3</sup>	0.8155	0.1813
Discount	33.91%	33.91%
Number of Shares in Issue	13,778,392,208	
Number of Paid Shares	13,413,137,586	

### Country Breakdown (% of NAV)

Romania	99.09%
Austria	0.91%

1. As at 31 January 2014, based on local regulator methodology.

2. Computed using the NBR EUR/RON FX rate as at 31 January 2014.

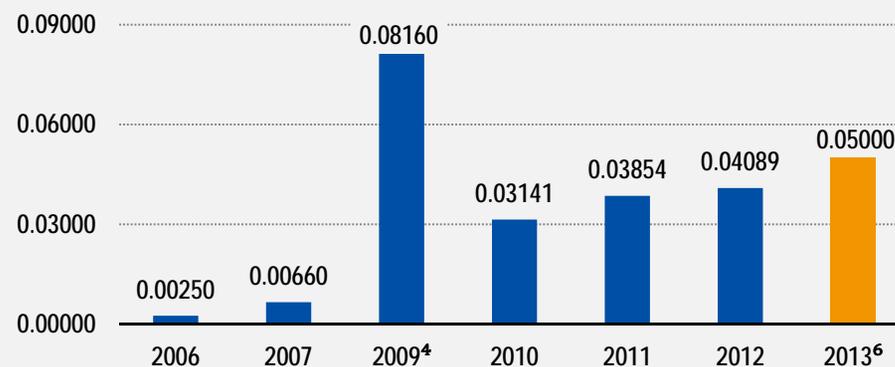
3. Share price as at 31 January 2014.

4. Distribution for 2008 and 2009.

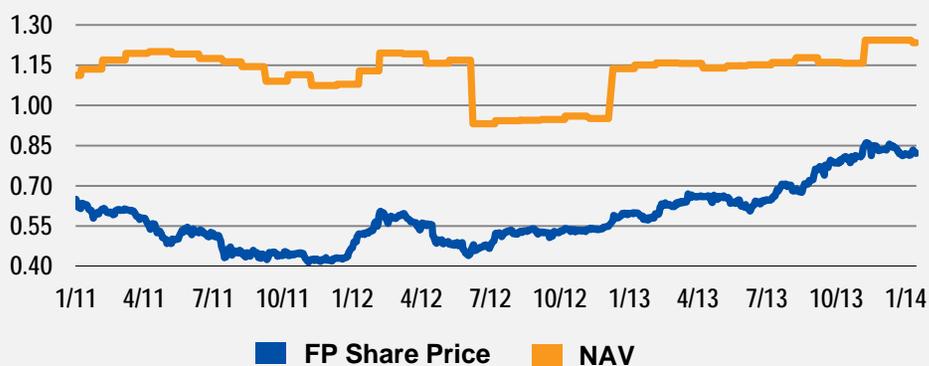
5. Source: Bucharest Stock Exchange, until 7 February 2014.

6. Return of capital recommended by the Fund Manager and approved by shareholders during the Extraordinary General Shareholders Meeting on 3 February 2014.

### Distributions per Share (RON)



### FP Share Price<sup>5</sup> and NAV



## New Investment Management Agreement – Key terms

On 22 November 2013, the GSM approved the extension of the mandate with the current Fund Manager and recommended the following terms to be included in a new IMA

- The mandate of the Fund Manager is of 2 years, starting with 30 September 2014
- The total fee payable to Franklin Templeton shall include a base fee linked to the market capitalisation of the Company and an additional variable fee linked to the amount of exceptional distributions to shareholders in the relevant period (including, for example, by way of share buybacks, public tender buybacks, reductions of the share capital with the return to shareholders of a part of their contributions, but excluding regular dividend distributions)

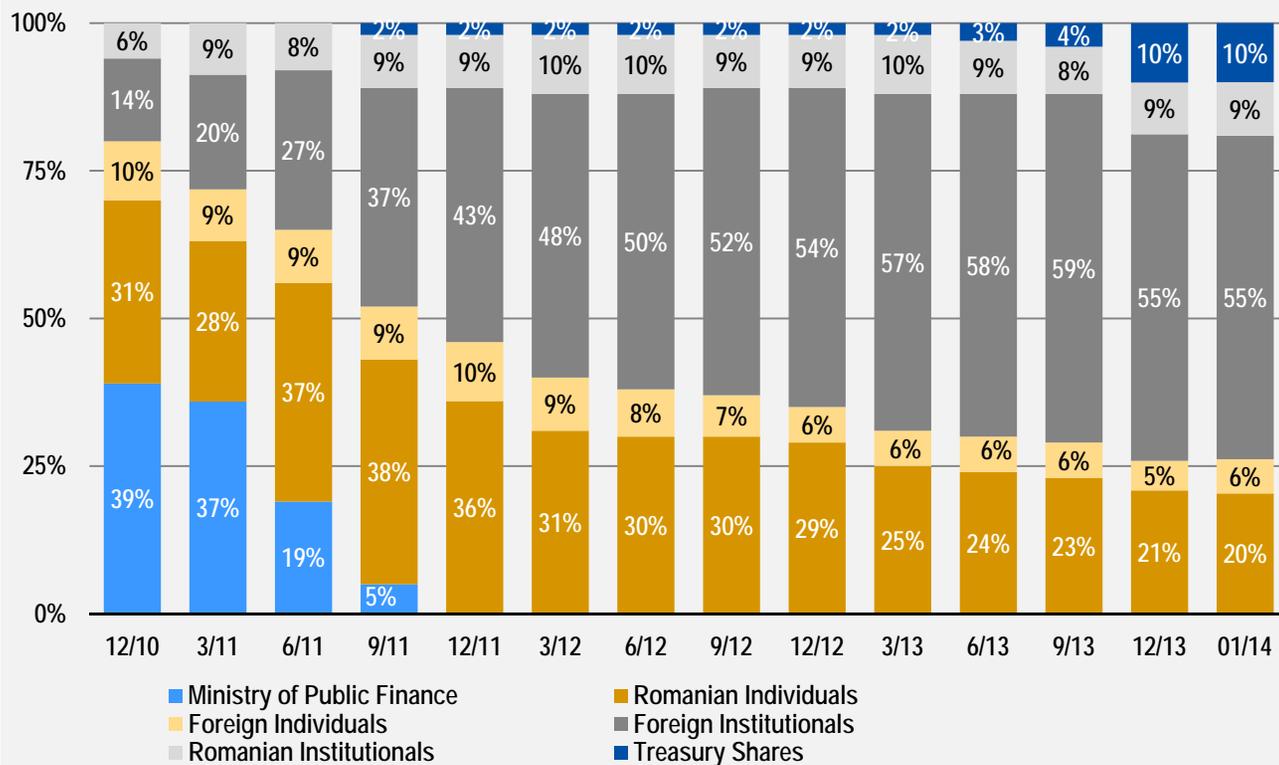
### Performance criteria

- The discount between the closing share price for each trading day and the latest published NAV per share must be equal to or lower than 15% in at least two thirds of the trading days in the period 1 October 2014 – 30 June 2015
- The adjusted NAV<sup>1</sup> per share at 30 June 2015 must be higher than the NAV per share at 30 September 2013
- Failure to meet the criteria triggers an obligation on the Fund Manager to call a GSM and have a vote regarding the termination of the mandate
- New IMA will be submitted for shareholder approval in a subsequent shareholder meeting to be convened in April 2014

1. For the purpose of applying this performance criterion, the adjusted NAV per share shall be computed as: the NAV computed as per the legal provisions in force PLUS any returns to shareholders following reductions of the share capital during the period 11 October 2013 – 30 June 2015 PLUS any variable fee paid to Franklin Templeton, all divided by the number of paid shares at 30 June 2015 less the number of shares bought back (and not cancelled) by the Company.

# Shareholders Structure<sup>1</sup>

## Evolution (% Held)



## Largest Shareholders<sup>2</sup>

Elliott Associates	14.95%
Morgan Stanley <sup>3</sup>	5.14%
Total Number of Shareholders <sup>1</sup>	8,328

1. Shareholders structure as at 31 January 2014, based on paid share capital starting 31 July 2011. Source: Central Depository.

2. Based on the paid share capital as at 31 December 2013. Source: Ownership disclosures submitted by shareholders.

3. Based on the aggregate ownership disclosure of holdings sent by Morgan Stanley Corporation in September 2013.

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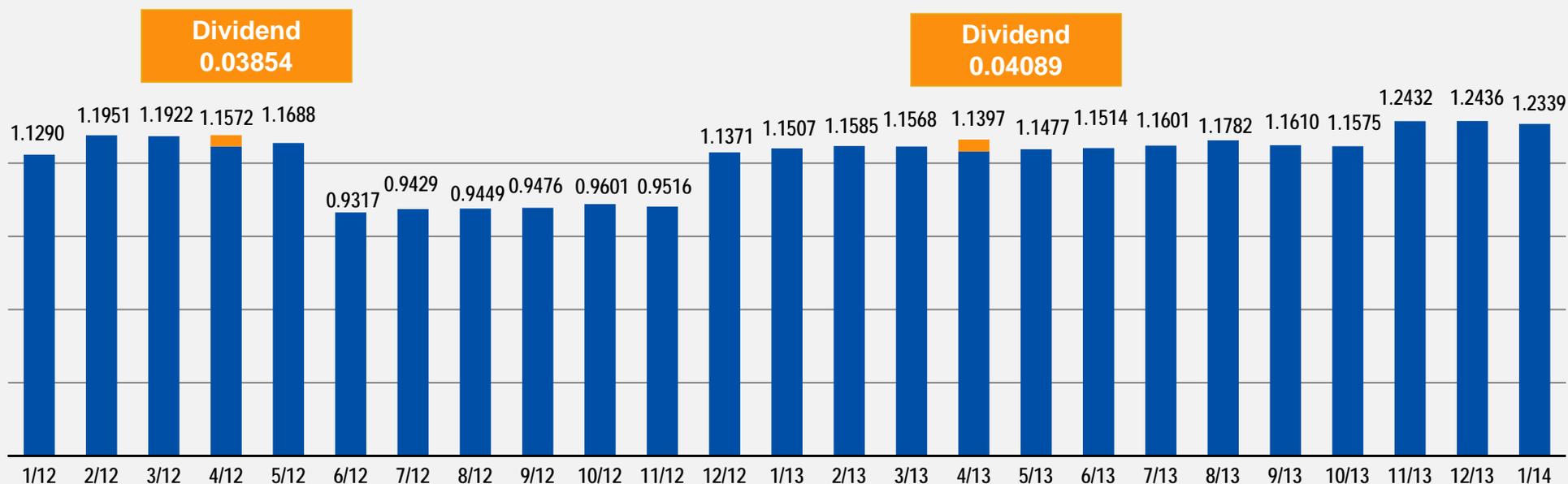
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# Net Asset Value

Cumulative Performance Fourth Quarter 2013	7.11%
Cumulative Performance 2013	13.29%

## NAV (RON)/Share



- From June to November 2012, the NAV reflects a zero valuation for Hidroelectrica after the Court admitted the Company’s request for insolvency
- Starting December 2012, the NAV reflects the change in the CNVM valuation methodology which allows companies in insolvency to be valued based on an independent valuation report.
- Hidroelectrica came out of insolvency on 29 June 2013 and the Fund’s stake has been valued based on an independent valuation report.

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## NAV – New Independent Fair Valuations (1/2)

Portfolio Company	30 November 2013 Value (RON mn)	31 December 2013 Value (RON mn)	Valuation Method for 30 Nov 2013 NAV	Impact on Total NAV (RON mn)	Impact on NAV / share (RON) <sup>1</sup>
Hydroelectrica SA	2,001.00	2,239.40	Fair value/share (Value as per independent valuator's report)	238.40	0.0196
Posta Romana SA	80.00	60.80	Fair value/share (Value as per independent valuator's report)	(20.00)	(0.0016)
CN Aeroporturi Bucuresti SA	272.00	287.70	Fair value/share (Value as per independent valuator's report)	15.70	0.0013
CE Oltenia SA	880.00	321.60	Fair value/share (Value as per independent valuator's report)	(558.40)	(0.0458)
E.ON Moldova Distributie SA	324.00	345.40	Fair value/share (Value as per independent valuator's report)	21.40	0.0018
Zirom SA	47.40	43.50	Fair value/share (Subscription value/share)	(3.90)	(0.0003)
Enel Distributie Banat SA	485.80	573.20	Shareholder equity/share	87.40	0.0072
Enel Distributie Muntenia SA	434.20	473.10	Shareholder equity/share	38.90	0.0032
Enel Distributie Dobrogea SA	324.20	379.10	Shareholder equity/share	54.90	0.0045

1. Computed based on the number of shares used in NAV per share computation as at 30 November 2013.

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## NAV – New Independent Fair Valuations (2/2)

Portfolio Company	30 November 2013 Value (RON mn)	31 December 2013 Value (RON mn)	Valuation Method for 30 Nov 2013 NAV	Impact on Total NAV (RON mn)	Impact on NAV / share (RON) <sup>1</sup>
GDF Suez Energy Romania SA	346.20	404.40	Shareholders' equity as per IFRS separate financial statements adjusted with dividends declared/share	58.20	0.0048
Electrica Distributie Muntenia Nord SA	277.90	296.20	Shareholder equity adjusted with dividends declared/share	18.30	0.0015
Electrica Distributie Transilvania Sud SA	212.70	192.00	Shareholder equity/share	(20.70)	(0.0017)
Electrica Distributie Transilvania Nord SA	200.70	206.70	Shareholder equity/share	6.00	0.0005
E.ON Gaz Distributie SA	176.70	165.20	Shareholder equity/share	(11.50)	(0.0009)
<b>TOTAL</b>	<b>6,063.60</b>	<b>5,988.30</b>		<b>(75.30)</b>	<b>(0.0059)</b>

1. Computed based on the number of shares used in NAV per share computation as at 30 November 2013.

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## Contributors to NAV Performance<sup>1</sup> for Q4 2013

### TOP PERFORMERS

Company	Status	% in Total NAV <sup>4</sup>	% change in NAV performance for Q4 2013 <sup>1</sup>	Change in NAV per share (RON)
Romgaz SA	Listed	13.2%	4.25%	0.0529
Hydroelectrica SA <sup>2</sup>	Unlisted	14.9%	1.59%	0.0197
OMV Petrom SA	Listed	33.7%	1.56%	0.0194
ENEL Distributie Banat SA <sup>2</sup>	Unlisted	3.8%	0.58%	0.0072
GDF Suez Energy Romania <sup>2</sup>	Unlisted	2.7%	0.39%	0.0048

### BOTTOM PERFORMERS

Company	Status	% in Total NAV <sup>4</sup>	% change in NAV performance for Q4 2013 <sup>1</sup>	Change in NAV per share (RON)
Complexul Energetic Oltenia SA <sup>2</sup>	Unlisted	2.1%	(3.72%)	(0.0463)
Transgaz SA <sup>3</sup>	Listed	2.0%	(0.18%)	(0.0022)
Electrica Distributie Transilvania Sud SA <sup>2</sup>	Unlisted	1.3%	(0.14%)	(0.0017)
Posta Romana SA <sup>2</sup>	Unlisted	0.4%	(0.13%)	(0.0017)
E.ON Gaz Distributie SA <sup>2</sup>	Unlisted	1.1%	(0.08%)	(0.0010)

### NAV PER SHARE VARIANCE Q4 2013

0.0827

1. This means change in the contribution of the holding to the total NAV, as at 30 September 2013 and 31 December 2013.

2. Changes due to independent valuation reflected in 31 December 2013 NAV.

3. Holding sold in December 2013.

4. NAV report as at 31 December 2013.

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## Contributors to NAV Performance<sup>1</sup> for 2013

### TOP PERFORMERS

Company	Status	% in Total NAV <sup>2</sup>	% change in NAV performance for 2013 <sup>1</sup>	Change in NAV per share (RON)
Romgaz SA	Listed	13.2%	4.54%	0.0563
OMV Petrom SA	Listed	33.7%	2.83%	0.0352
Hidroelectrica SA <sup>3</sup>	Unlisted	14.9%	1.59%	0.0197
ENEL Distributie Muntenia SA <sup>3</sup>	Unlisted	3.2%	0.86%	0.0107
ENEL Distributie Banat SA <sup>3</sup>	Unlisted	3.8%	0.85%	0.0106

### BOTTOM PERFORMERS

Company	Status	% in Total NAV <sup>2</sup>	% change in NAV performance for 2013 <sup>1</sup>	Change in NAV per share (RON)
Complexul Energetic Oltenia SA <sup>3</sup>	Unlisted	2.1%	(3.73%)	(0.0463)
Nuclearelectrica SA	Listed	2.0%	(2.48%)	(0.0308)
Transgaz SA <sup>4</sup>	Listed	2.0%	(0.54%)	(0.0067)
Alro SA	Listed	0.7%	(0.27%)	(0.0033)
Raiffeisen Bank International AG	Listed	0.6%	(0.15%)	(0.0019)

NAV PER SHARE VARIANCE year ended 31 December 2013

0.1066

1. This means change in the contribution of the holding to the total NAV, as at 31 December 2012 and 31 December 2013.

2. NAV report as at 31 December 2013.

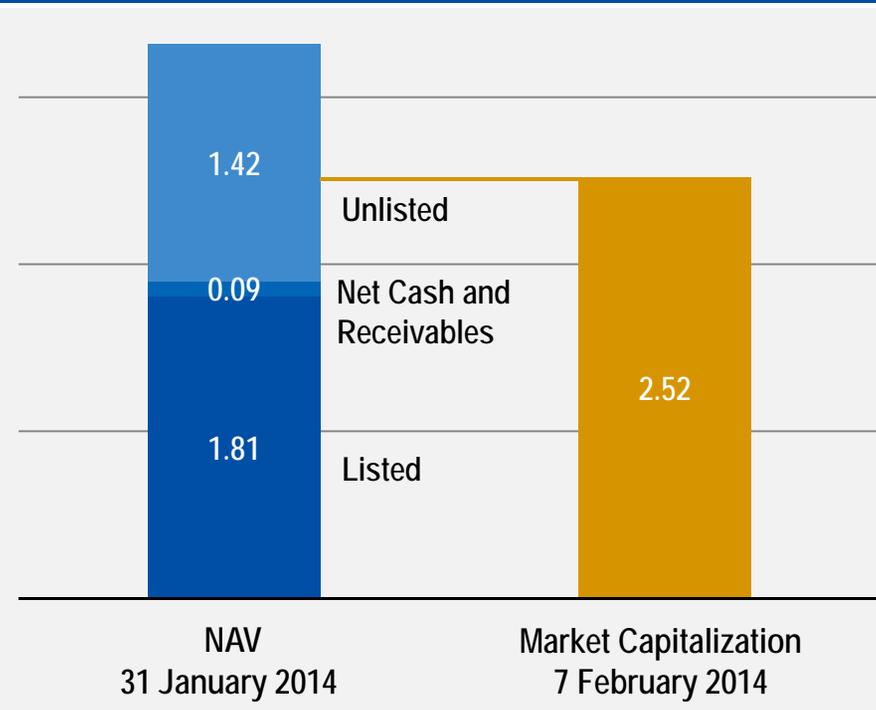
3. Changes due to independent valuation reflected in 31 December 2013 NAV.

4. Holding sold in December 2013.

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## FP Market Valuation / Performance

### NAV vs. Market Capitalization (EUR bn)<sup>1</sup>



### FP Share Price<sup>2</sup> (RON) and Discount (%)



Discount <sup>3</sup>	33.4%
Average Daily Turnover <sup>4</sup>	EUR 3.5 mn

Number of Shares Traded <sup>4</sup>	6.1 bn shares (45.4% of the paid share capital)
Value of the Shares Traded <sup>4</sup>	EUR 982.5 mn

1. Source: BVB, FP NAV as at 31 January 2014.
2. Source: BVB, for the period 25 January 2011 – 7 February 2014.
3. As at 7 February 2014.
4. Source: BVB, for the period 3 January 2013 – 7 February 2014.

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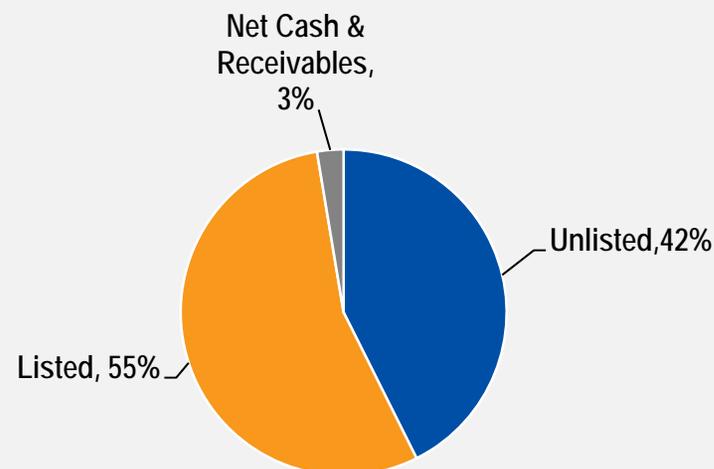
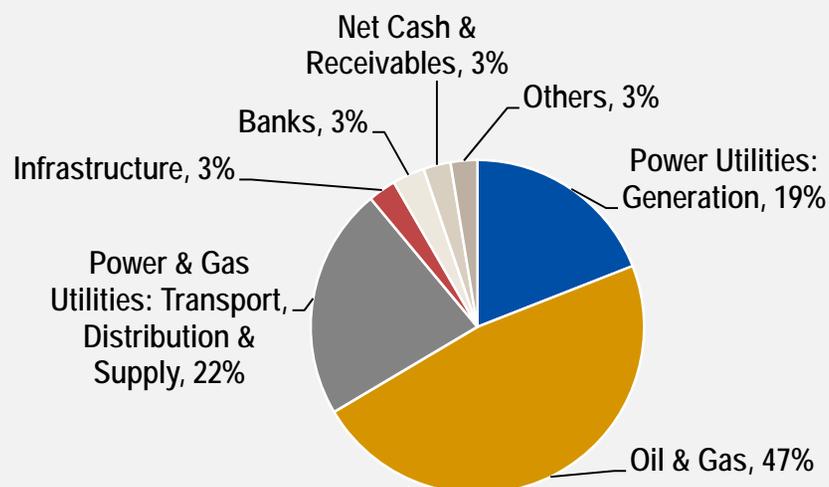


# Portfolio Performance

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## Portfolio Structure – 31 January 2014



- As at 31 December 2013, the portfolio included stakes in 62 companies (24 listed and 38 unlisted)
- In September 2013, the Fund announced that it is considering strategic options relating to the potential sale of a part of its holding in Conpet SA, not exceeding 10% of all outstanding shares in the company
- In December 2013, the Fund disposed of its entire stake in Transgaz SA, i.e. 15.0% equivalent to 1,764,620 ordinary shares of the company, following an accelerated bookbuilding process, at a price of RON 172 per share. Total proceeds from the disposal were RON 303 mn
- During Q4 2013, the Fund disposed of its entire holdings in Celuloza si Otel, Telerom Proiect and Ciocirlia, and part of the holding in Raiffeisen Bank International

## Largest Holdings by NAV

No.	Portfolio Company	Status	Majority Shareholder	% Stake <sup>1</sup>	NAV as at 31 January 2014 (EUR mn)	% in NAV as at 31 January 2014
1	OMV Petrom SA	Listed	OMV	19.0%	1,114.9	33.7
2	Hidroelectrica SA	IPO 2014	Romanian State	19.9%	497.9	15.0
3	Romgaz SA	Listed	Romanian State	15.0%	428.7	13.0
4	ENEL Distributie Banat	Unlisted	Enel Group	24.1%	127.5	3.9
5	ENEL Distributie Muntenia	Unlisted	Enel Group	12.0%	105.2	3.2
6	GDF Suez Energy Romania	Unlisted	GDF Suez	12.0%	89.9	2.7
7	ENEL Distributie Dobrogea	Unlisted	Enel Group	24.1%	84.3	2.6
8	E.ON Moldova Distributie SA	Unlisted	E.ON Group	22.0%	76.8	2.3
9	CE Oltenia SA	IPO 2014	Romanian State	21.5%	71.5	2.2
10	Electrica Distributie Muntenia Nord SA	Unlisted	Electrica Group	22.0%	65.9	2.0
<b>Top 10 Portfolio Holdings</b>					<b>2,662.6</b>	<b>80.4</b>
<b>NAV</b>					<b>3,311.9</b>	<b>100.0</b>
<b>NAV Per Share (EUR)</b>					<b>0.2743</b>	

Note: Values in EUR calculated using the EUR/RON FX rate as at 31 January 2014.

Source: Report prepared by the Fund Manager as at 31 January 2014.

1. Based on the 31 December 2013 Detailed Statement of Investments.

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## Government SPO & IPO Calendar for FP's Holdings (1/2)

### Completed Transactions

Company	Transaction	Seller	Offering Stake	Market Value (EUR mn)	Investment Consortium Selected	Comments
Transelectrica	SPO	Romanian State	15.0%	37.6 <sup>1</sup>	BCR, Swiss Capital, Intercapital Invest	Completed in March 2012
Transgaz	SPO	Romanian State	15.0%	72.0 <sup>2</sup>	Raiffeisen, Wood & Company, BT Securities	Completed in April 2013
Nuclearelectrica	IPO	New Shares	10.0%	63.2 <sup>4</sup>	Swiss Capital, BT Securities	Completed in September 2013
Romgaz	IPO	Romanian State	15.0%	382.8 <sup>3</sup>	Goldman Sachs, Erste-BCR, Raiffeisen	Completed in November 2013

Company	NAV before IPO (EUR mn)	Market Value 1 <sup>st</sup> day of trading on the BSE (EUR mn) <sup>7</sup>	Market Value as at 31 January 2014 (EUR mn)
Nuclearelectrica	146.1 <sup>5</sup>	71.2	61.9
Romgaz	301.9 <sup>6</sup>	447.5	428.7

1. Source: Based on final price of RON 14.9 for institutional tranche and RON 15.7 for the retail tranche and NBR EUR/RON FX rate as at 29<sup>th</sup> March 2012.

2. Source: Based on final price of RON 179 for institutional and large retail tranche and RON 170 for the small retail tranche and NBR EUR/RON FX rate as at 17 April 2013.

3. Source: Based on the final price of RON 30 for institutional tranche and RON 28.5 for the small retail tranche that subscribed in the first 5 days and RON 29.1 for the rest of the small retail tranche and NBR EUR/RON FX rate as at 1 November 2013. the final price for the GDRs listed on the London Stock Exchange is USD 9.25.

4. Source: Based on the price of RON 11.2 for institutional and large retail tranche and RON 10.304 for the small retail tranche that subscribed in the first 3 days and RON 10.864 for the rest of the small retail tranche and NBR EUR/RON FX rate as at 20 September 2013.

5. Source: The NAV report prepared by the Fund Manager as at 31 August 2013.

6. Source: The NAV report prepared by the Fund Manager as at 30 October 2013.

7. For Nuclearelectrica – 4 November 2013; for Romgaz - 12 November 2013.

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## Government SPO & IPO Calendar for FP's Holdings (2/2)

### Future IPOs and Privatizations

Company	Official Timeline <sup>1</sup>	Offering Stake	Market Value (EUR mn)	Seller	Investment Consortium Selected	Comments
Hidroelectrica	IPO – June 2014	15.0%	374.5 <sup>2</sup>	New Shares	Morgan Stanley, Raiffeisen	IPO 2014
CE Oltenia	IPO – June 2014	12.0/15.3%	39.9/51.3 <sup>2</sup>	New Shares	BRD Groupe Societe Generale, Swiss Capital <sup>3</sup>	IPO 2014
Posta Romana	Privatization (Capital Increase)	>50.0%	—	New Shares	KPMG, Tuca, Zbarcea and Associates	No bidder; privatization delayed until June 2014
Administratia Porturilor Maritime	—	5.0%	3.7 <sup>4</sup>	Romanian State	Swiss Capital	—
Administratia Canalelor Navigabile	—	5.0%	0.9 <sup>4</sup>	Romanian State	Romcapital	—
Administratia Porturilor Dunarii Fluviale	—	5.0%	0.2 <sup>4</sup>	Romanian State	Romcapital	—
Administratia Porturilor Dunarii Maritime	—	5.0%	0.0 <sup>4</sup>	Romanian State	Romcapital	—
Electrica SA <sup>5</sup>	IPO – May 2014	51.0%	362.8 <sup>5</sup>	New Shares	Citi, Raiffeisen, Swiss Capital, BRD, Societe Generale	H1 2014

- **Other candidates from the Fund's portfolio for IPOs:**
  - **Aeroporturi Bucuresti**
  - **Salrom**
  - **Electricity and Gas Distributors**
- **Long-term objective is to increase the Fund's exposure to listed companies to 100%**

1. As agreed with the IMF in the September 2013 Letter of Intent.

2. Source: The NAV report prepared by the Fund Manager as at 31 January 2014.

3. Offer submitted in April 2013.

4. Source: Based on the 31 December 2013 Detailed Statement of Investment and EUR/RON FX rate as at 31 December 2013.

5. FP is not a shareholder of the company but is a shareholder of the subsidiaries of Electrica. Market value calculated based on the NAV report prepared by the Fund Manager as at 31 December 2013 NAV Report.

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# Corporate Actions

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# Buy-Back Programs

## First Buy-Back Program

- 240.3 mn shares equivalent to 1.74% of the Fund's issued share capital were bought back as at 30 September 2011, at an average price of RON 0.4994, for a total amount of RON 120.3 mn

## Second Buy-Back Program

- 1.1 bn shares, equivalent to 7.9% of the Fund's issued share capital were bought via open market buybacks (501 mn shares bought at an average price of RON 0.7239) and a tender offer (600 mn shares bought at the price of RON 1)

## Third Buy-Back Program

- The third buy-back program to repurchase 252,858,056 shares or 1.89% of the paid share capital was approved by shareholders at the 22 November 2013 Extraordinary General Shareholders Meeting
- The start of the buy-back is dependent on the FSA approval for the cancellation of the shares repurchased in the first buy-back program and the registration with the Trade Registry and the publication in the Official Gazette of the 22 November 2013 shareholder resolution approving the buy-back
- The execution of the program is authorized for a maximum period of 18 months as of the date when the shareholders' resolution is published in the Official Gazette of Romania
- The buy-back shall be performed at a price that between RON 0.2 / share and RON 1.5 / share
- The shares repurchased in the third buy-back program will be cancelled
- The execution of the buy-back program is subject to available cash and the 25% of the daily trading volume restriction, according to applicable EU buy-back regulation

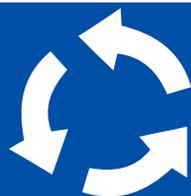
## Secondary Listing on the Warsaw Stock Exchange



Given the lack of the link between the Polish and Romanian Central Depositories, the Fund Manager will not request from shareholders a further extension of the authorization for the secondary listing of the Fund on the WSE. The current authorization expired on 31 December 2013



Considering the potential benefits of an additional listing, the Fund Manager engaged in a dialogue with shareholders, prospective investors, and investment banks, and intends to recommend the most value-enhancing option for the Fund's shareholders, including potentially a different structure and venue for the Fund's secondary listing



The Fund Manager will update investors and shareholders in the first quarter of 2014

## Dividend Income – Top 20 Portfolio Companies

Top 20 Holdings <sup>1</sup>	PROFIT			DIVIDEND PAYOUT %		FP NET DIVIDEND		
	2012	2011	2010	2012	2011	2013 <sup>8</sup>	2012	2011
1 OMV Petrom SA <sup>2</sup>	3,946.1	3,758.6	2,189.7	40	47	319.0	353.1	201.6
2 Hidroelectrica SA	(508.0)	6.5	292.3	—	—	—	—	52.5
3 Romgaz SA	1,244.1	1,031.8	651.2	85	91	158.9	140.6	106.0
4 ENEL Distributie Banat SA	167.2	220.5	150.7	—	—	—	—	20.2
5 Enel Distributie Muntenia SA	206.3	50.5	105.1	—	—	—	—	—
6 GDF Suez Energy Romania	379.5 <sup>6</sup>	192.1 <sup>6</sup>	199.4 <sup>7</sup>	50	—	22.8	—	9.6
7 ENEL Distributie Dobrogea SA	94.5	108.9	99.7	—	—	—	—	13.5
8 E.ON Moldova Distributie SA	71.3	7.2	165.4	—	—	—	—	—
9 Complexul Energetic Oltenia SA <sup>3</sup>	191.2 <sup>6</sup>	179.8	(126.6)	N/A	N/A	10.3	N/A	N/A
10 Nuclearelectrica SA	34.5	95.0	16.1	83	—	2.3	—	—
11 Electrica Distributie Muntenia Nord SA	87.2	67.4	26.7	84	12	16.2	1.8	—
12 CN Aeroporturi Bucuresti SA	53.1	52.6	42.6	85	89	9.1	9.4	9.9
13 BRD Groupe Societe Generale <sup>2</sup>	(290.6)	498.5	1,008.8	—	25	—	3.6	2.1
14 Electrica Distributie Transilvania Nord SA	53.1	29.1	8.5	—	—	—	—	—
15 Electrica Distributie Transilvania Sud SA	45.8	19.6	11.9	—	—	—	—	—
16 E.ON Gaz Distributie SA	73.0	230.5	159.6	— <sup>9</sup>	— <sup>9</sup>	29.9	—	—
17 Transelectrica SA <sup>2</sup>	47.9	135.5	104.0	86	89	4.0	10.9	1.2
18 Conpet SA	30.9	28.6	38.7	92	90	8.4	6.6	7.0
19 Banca Transilvania SA <sup>2</sup>	346.5 <sup>10</sup>	297.2 <sup>10</sup>	134.0	—	—	—	—	—
20 SN a Sarii Salrom SA	20.8	1.4	6.0	92	90	9.3	0.1	0.8
<b>TOTAL (RON mn)</b>	<b>5,723.7</b>	<b>6,819.2</b>	<b>5,283.9</b>					
Total Dividends from Listed Companies (RON mn)						373.9	450.1	304.0
Total Dividends from Unlisted Companies (RON mn)						275.8	168.9	215.1
Total Dividend Income (RON mn)						649.7	619.0	519.1
Dividend per Share (RON)							0.04089	0.03854
Share Price (RON)							0.6600 <sup>4</sup>	0.5550 <sup>5</sup>
Dividend Yield							6.20%	6.94%

Note: Calculation based on the companies' 2011 and 2012 statutory financial statements.

1. Based on the 31 December 2013 Detailed Statement of Investments.

2. IFRS consolidated financial statements.

3. Created through the merger of CE Craiova SA, CE Rovinari SA, CE Turceni SA and SNLO; Combined IFRS financial statements of CE Craiova SA, CE Rovinari SA, CE Turceni SA and SNLO; Dividends distributed to FP by merged companies: 2012 (CE Rovinari RON 6.5mn, CE Craiova RON 0.03mn), 2011 (CE Rovinari RON 0.02mn, CE Craiova RON 0.01mn).

4. Share price as at 15 May 2013.

5. Share price as at 9 May 2012.

6. IFRS financial statements.

7. RAS financial statements.

8. Dividends announced until 31 December 2013.

9. Part of retained profits from 2011 and 2012.

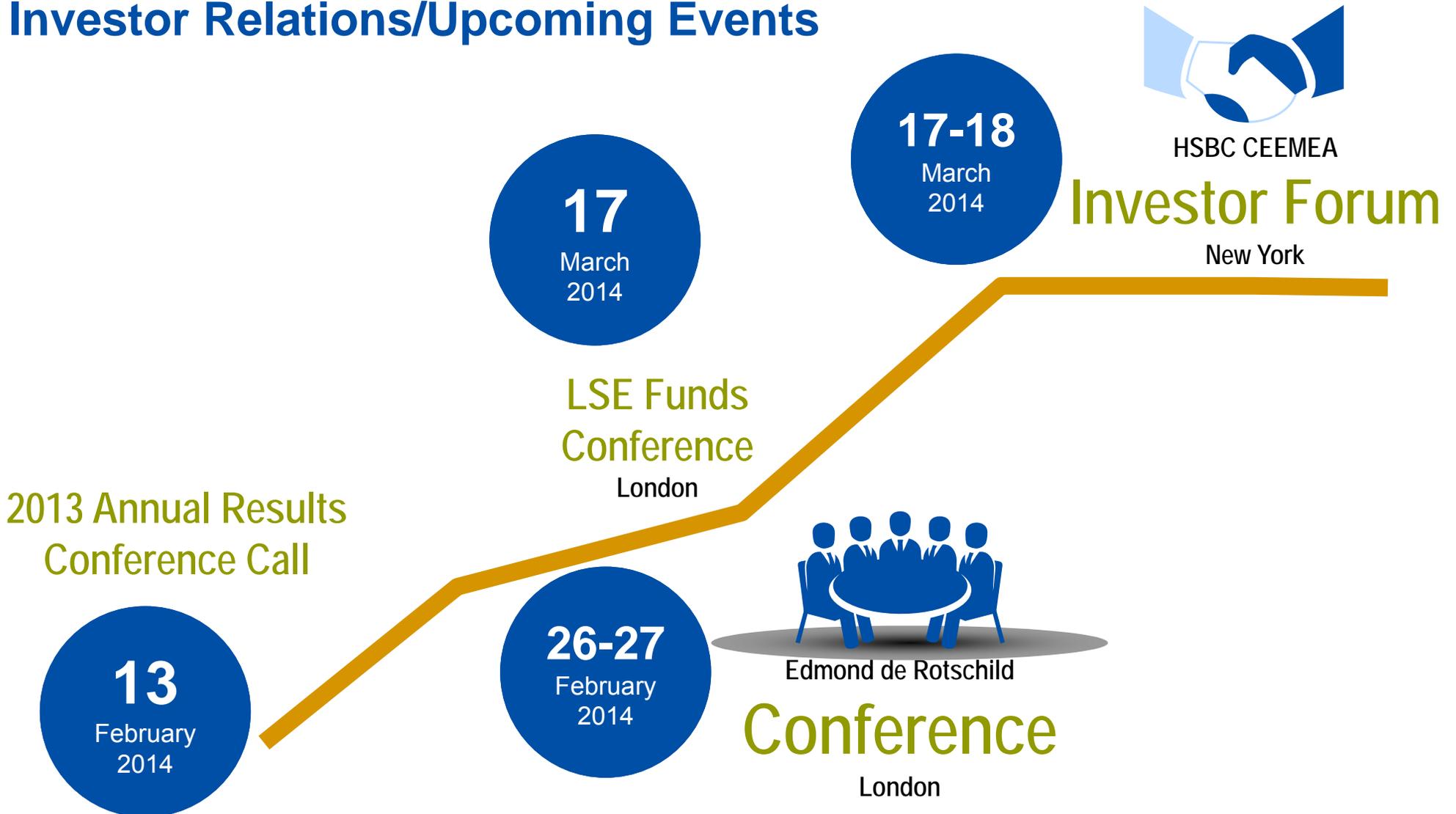
10. The company did not distribute cash dividends, but bonus shares

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## Investor Relations/Upcoming Events



More information about the Fund can be found on the website [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)

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# 2013 Preliminary Annual Results

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## Income Statement

Million RON	2012 (Audited)	2013 (Unaudited)
<b>Revenues from Current Activity, Out of Which:</b>	<b>871.8</b>	<b>1,311.2</b>
Revenues from Financial Assets	619.0	649.7
Interest Income	34.9	36.2
Reversal of Impairment Adjustments & Provisions	5.7	48.3
Revenues from Disposal of Financial Assets	208.1	573.1
Revenues from Foreign Exchange Differences	0.1	0.3
Other Income from Current Activity	4.0	3.6
<b>Expenses from Current Activity, out of which:</b>	<b>304.8</b>	<b>629.0</b>
Expenses from Disposal of Financial Assets	195.1	528.7
Expenses from Foreign Exchange Differences	0.3	0.2
Depreciation, provisions, losses from receivables and sundry debtors	49.7	13.0
Commissions and Fees	16.2	26.3
Other Expenses from Current Activity <sup>1</sup>	43.5	60.8
<b>Gross Profit</b>	<b>567.0</b>	<b>682.2</b>
Income Tax Expense	-	-
<b>Net Profit</b>	<b>567.0</b>	<b>682.2</b>

Source: 2013 Preliminary Annual Result Report, prepared in accordance with the National Security Commission ("CNVM") regulation in force (Romanian Accounting Regulations).

1. Other expenses from current activity include bank charges, material and utilities expenses, salary costs, third party expenses as well as duties and other taxes.

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## Balance Sheet

Million RON	2012 (Audited)	2013 (Unaudited)
Intangible Assets	0.3	0.8
Financial Assets	11,097.8	10,624.9
<b>Non-Current Assets – Total</b>	<b>11,098.1</b>	<b>10,625.7</b>
<b>Current Assets – Total</b>	<b>776.5</b>	<b>454.1</b>
Prepaid Expenses	0.1	-
Payables Within One Year	21.1	31.2
<b>Total Assets Less Current Liabilities</b>	<b>11,853.6</b>	<b>11,048.6</b>
Provisions	16.8	29.3
<b>Shareholder's Equity</b>	<b>11,836.8</b>	<b>11,019.3</b>

Source: 2013 Preliminary Annual Result Report, prepared in accordance with the National Security Commission ("CNVM") regulation in force (Romanian Accounting Regulations).

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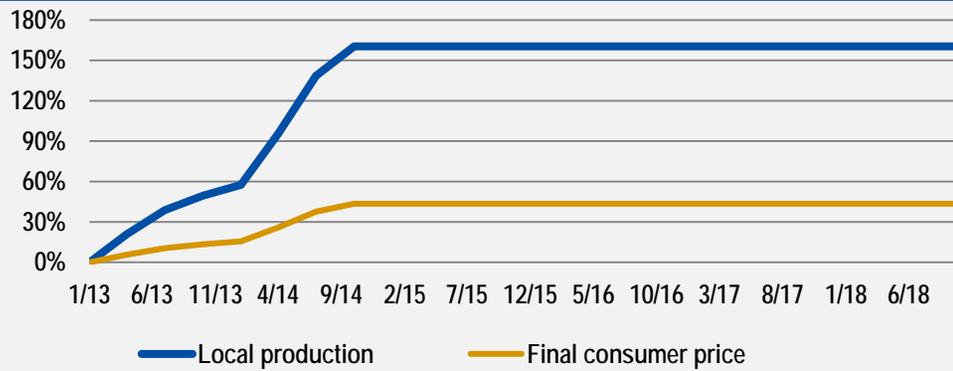
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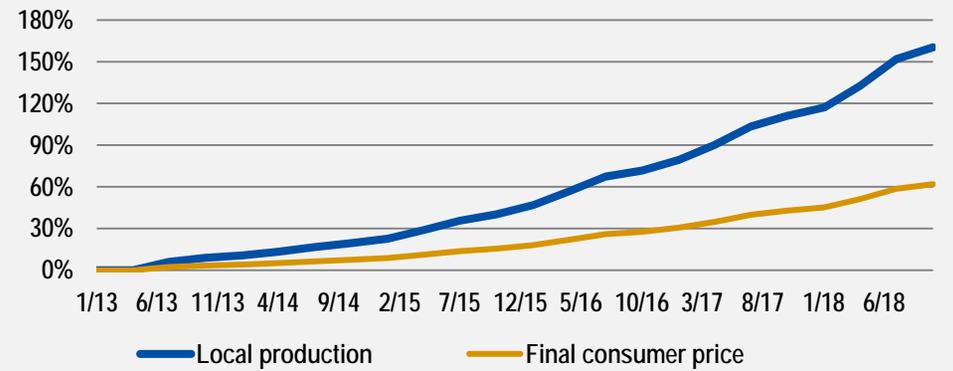
# Appendix I – Romanian Gas & Electricity Market

# Gas Price Liberalization

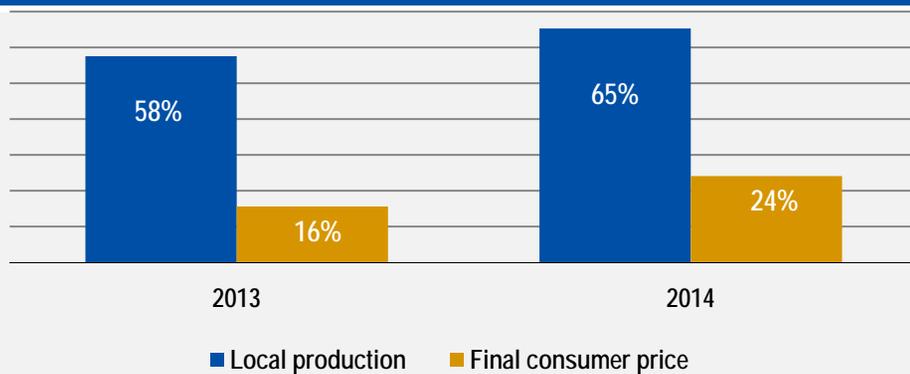
Industrial Consumers



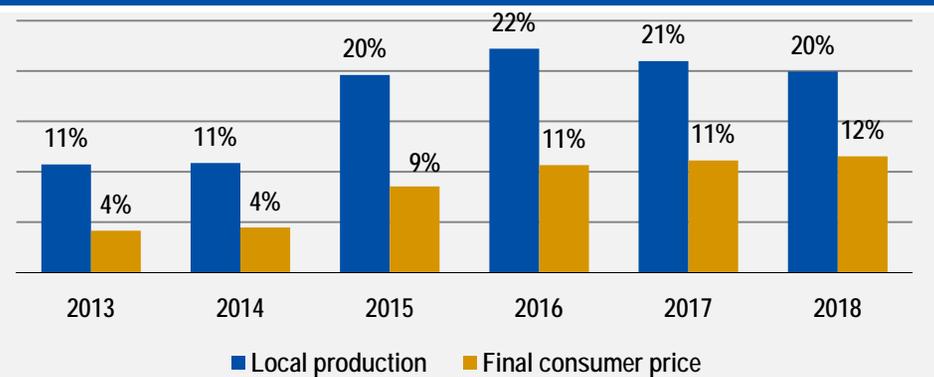
Household Consumers



Annual Increase of Gas Prices, Industrial Consumers



Annual Increase of Gas Prices, Household Consumers



Source: Eurostat, ANRE, Bloomberg.

Notes: Import price = estimated by ANRE for Oct-Dec 2013.

Import % of total basket for each consumer type = regulated by ENRE for Oct-Dec 2013.

Components of final price other than local production as of H1 2013.

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## Calendar of the Gradual Elimination of the Regulated Gas Prices

Starting date	Non-household consumers		
	Convergence degree %	Internal production price (RON/MWh)	Final price growth
01.12.2012	35	49.0	5
01.04.2013	40	55.3	5
01.07.2013	47	63.4	5
01.10.2013	51	68.3	3
<b>Annual growth of the final price 2013 %</b>	<b>18.0</b>		
01.01.2014	55	72.0	4
01.04.2014	71	89.4	5
01.07.2014	91	109.0	5
01.10.2014	100	119.0	4
<b>Annual growth of the final price 2014 %</b>	<b>18.0</b>		

Source: ANRE.

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## Calendar of the Gradual Elimination of the Regulated Gas Prices

Starting date	Household consumers		
	Convergence degree %	Internal production price (RON/MWh)	Final price growth
01.12.2012	3	45.7	0
01.04.2013	33	45.7	0
01.07.2013	36	48.5	8
01.10.2013	37	49.8	2
<b>Annual growth of the final price 2013 %</b>	<b>10.0</b>		
01.01.2014	38	50.6	2
01.04.2014	41	51.8	2
01.07.2014	44	53.3	3
01.10.2014	46	54.6	3
<b>Annual growth of the final price 2014 %</b>	<b>12.0</b>		
01.01.2015	47	56.1	2
01.04.2015	49	58.9	3
01.07.2015	52	62.0	4
01.10.2015	54	64.1	3
<b>Annual growth of the final price 2015 %</b>	<b>12.0</b>		

Source: ANRE.

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## Calendar of the Gradual Elimination of the Regulated Gas Prices

Starting date	Household consumers		
	Convergence degree %	Internal production price (RON/MWh)	Final price growth
01.01.2016	56	67.1	3
01.04.2016	60	71.7	3
01.07.2016	64	76.5	3
01.10.2016	66	78.5	3
<b>Annual growth of the final price 2016 %</b>		<b>12.0</b>	
01.01.2017	69	82.0	2
01.04.2017	73	86.9	2
01.07.2017	78	93.0	5
01.10.2017	81	96.5	3
<b>Annual growth of the final price 2017 %</b>		<b>12.0</b>	
01.01.2018	83	99.2	3
01.04.2018	89	106.3	3
01.07.2018	97	115.1	3
01.10.2018	100	119.0	3
<b>Annual growth of the final price 2018 %</b>		<b>12.0</b>	

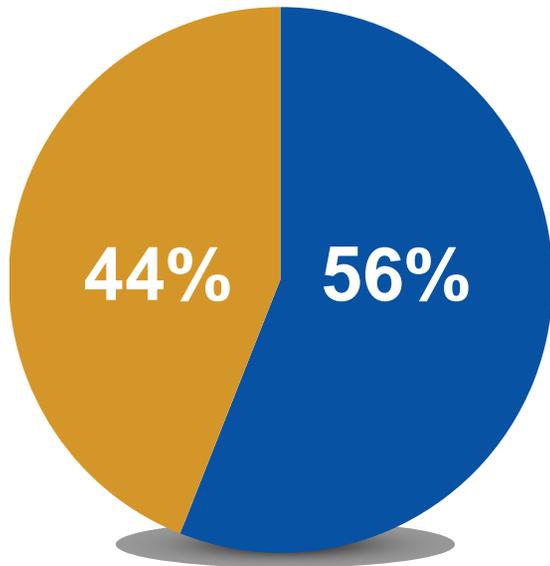
Source: ANRE

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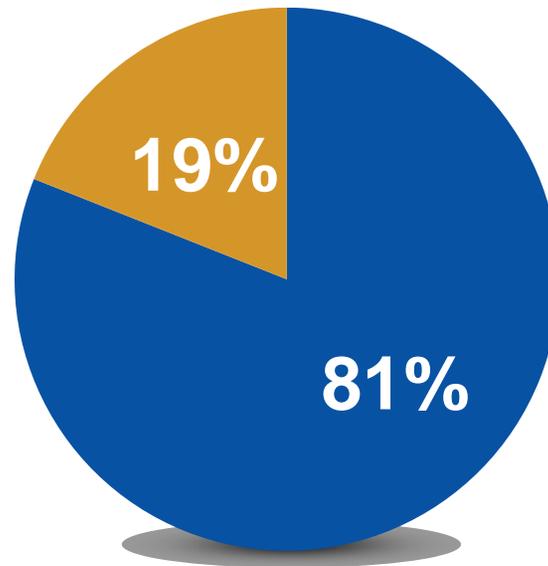
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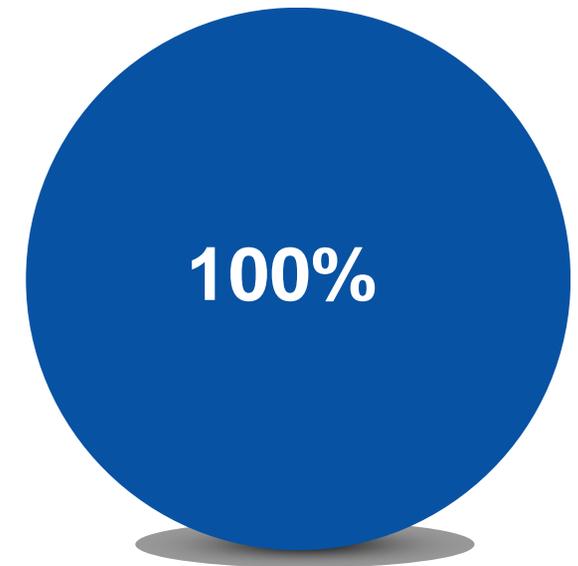
## Calendar of Gradual Elimination of Regulated Electricity Prices



2012



2014e



2018e

● Regulated Market ● Free Market

Source: ANRE

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## Calendar of Gradual Elimination of the Regulated Electricity Prices

Starting date	Non – household consumers – % acquisition from the competitive market	Household consumers – % acquisition from the competitive market
01.09.2012	15	–
01.01.2013	30	0
01.04.2013	45	0
01.07.2013	65	10
01.09.2013	85	10
01.01.2014	100	20
01.07.2014		30
01.01.2015		40
01.07.2015		50
01.01.2016		60
01.07.2016		70
01.01.2017		80
01.07.2017		90
31.12.2017		100

Source: ANRE

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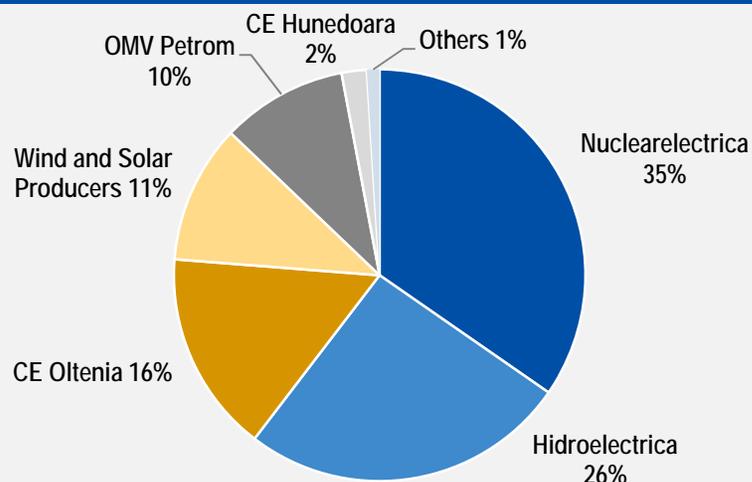
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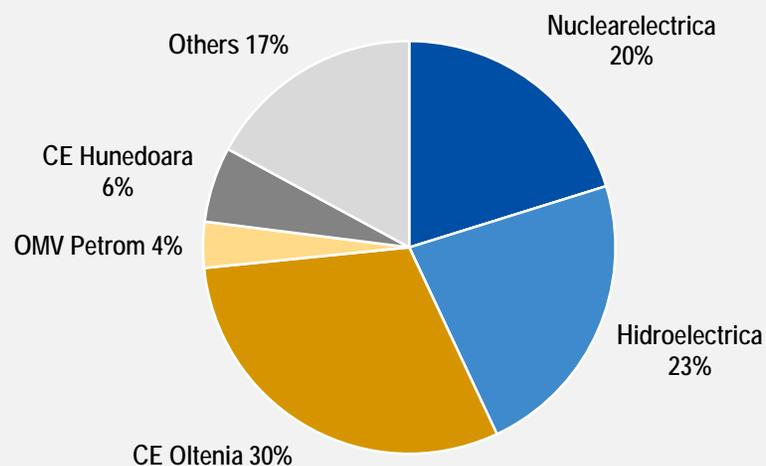
## Energy on the Regulated Market 2012 – 2014

Producer	2012 Quantity (TWh)	2013 Quantity (TWh)	2014 Quantity (TWh)	2012 Average Price (RON/MWh)	2013 Average Price (RON/MWh)	2014 Average Price (RON/MWh)
Nuclearelectrica SA	7.5	5.3	3.7	123	142	146
Hidroelectrica SA	4.1	3.9	5.3	72	125	115
CE Oltenia SA	3.5	2.5	-	183	190	-
OMV Petrom SA	0.3 <sup>1</sup>	1.5	-	169 <sup>1</sup>	169	-

### 2013 Structure of deliveries on the regulated market



### 2012 Structure of deliveries on the total market



Source: ANRE.

1. The company started the electricity deliveries on the regulated market in October 2012.

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# Appendix II - Litigations

## Litigations Update:

- Over the past 3 years, a very high workload has been required of the Fund Manager in defending the Fund's rights against third parties and managing external counsels.
- Currently more than 300 cases ongoing in relation to: (i) portfolio companies, (ii) Romanian State, (iii) shareholders (iii) cases with a single minority shareholder), (iv) the Romanian regulator, and (v) others.
- Other examples:
  - ✓ Numerous litigations against portfolio companies for serious breaches of corporate governance rules (e.g. appointing members of the board without respecting the correct legal process);
  - ✓ Litigations against members of the portfolio company boards for signing agreements against the company's best interests (e.g. Hidroelectrica bilateral contract signed with Arcelor Mittal, Romgaz donation in favor of Romanian state, other contracts signed by companies in favor of a shareholder);
  - ✓ Litigations against the Romanian State;
  - ✓ Recovery of historical dividends due to the Fund;
  - ✓ Supporting the portfolio companies in litigations to protect the value of the Fund's investment;
  - ✓ Challenging decisions of the CNVM/FSA to block shareholder resolutions changing the IMA;
  - ✓ Defense vs. claimants unhappy with ANRP compensation process (not FP fault) – the number of such cases is decreasing.

## Litigations Update:

- On 10 October 2012, the Bucharest Court of Appeal upheld a claim by Sfiraiala to annul 4 resolutions of the September 2010 GSM, regarding the changeover in management, on the grounds of a technical fault in the calling notice. After this, Sfiraiala filed a huge number of other claims, all arguing that this decision meant that FT was not the valid manager of the Fund. However, the matters to which the 4 annulled resolutions related had been approved/ratified by the shareholders with vast majority at other GSMs in the meantime. Furthermore, the shareholders' resolution of 23 November 2012 and 25 April 2013 for the reappointment of Franklin Templeton has been registered with the Trade Registry and published within the Official Gazette.
- In October 2013 Bucharest Court ruled against the Fund and annulled 4 resolutions of the Fund's shareholders (2 EGM and 2 OMG resolutions) in a case started by Hidrosind Union. The Court has not yet supplied its argumentation in this case, but regarding the annulments it is to be noted that: (i) the two EGM decisions relate to the ratification/readoption of decisions of the EGM of 6 September 2010 which have been irrevocably confirmed as annulled in separate proceedings (mentioned above), prior to this judgment, and the Trade Register has already been updated; (ii) the two OGM decisions relate to the ratification/readoption of the legal acts of FTIML as Sole Director during the period 29 September 2010 to 25 April 2012, the shareholders ratified/re-adopted all legal acts of FTIML as Sole Director for the period 29 September 2010 to 23 November 2012 (i.e. including the above period and more) and the Court has upheld these decisions in the same file.
- In November 2013 Court of Appeal has ruled against the Fund in a case filed by Sfiraiala for the annulment of EGM Resolution no. 5/2010 for modifying the Constitutive Act approved by shareholders on 29 November 2010, and annulled the EGM Resolution no. 5/2010 for modifying the Constitutive Act. It is necessary to see the full decision document of the Bucharest Court of Appeal before one can fully comment on the effects of the latest decision (for the moment only the very short statement is available), but the Fund Manager notes that the Fund's Constitutive Act has been modified, ratified and reapproved by the shareholders in separate and subsequent resolutions during November 2011, April 2012, November 2012 and April 2013 EGMs.
- To date the Fund has irrevocably won more than 64 cases against Sfiraiala.
- The Fund Manager is seeking full recovery of legal fees with every case won and is in the process of enforcement of costs against Sfiraiala in the amount of approximately RON 660,000.

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