

Fondul Proprietatea

16 February 2018



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The price of shares and income from them can go down as well as up and you may lose some or all of your capital invested. The previous results of a fund or company do not account for future performances. Currency fluctuations will affect the value of foreign investments. All investments are subject to certain risks. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Stocks and other equities representing an ownership interest in a corporation have historically outperformed other asset classes over the long term but tend to fluctuate more dramatically over the shorter term. Small or relatively new companies can be particularly sensitive to changing economic conditions due to factors such as relatively small revenues, limited product lines, and small market share. Smaller company stocks have historically exhibited greater price volatility than larger company stocks, particularly over the short term. The significant growth potential offered by Emerging Markets remains accompanied by heightened risks when compared to developed markets, including risks related to market and currency volatility, adverse social and political developments, and the relatively small size and lesser liquidity of these markets.

The Fund's headquarters are located at 78-80 Buzesti Street, 7th Floor, Bucharest, 1st District, 011017, Romania. Fund's Fiscal Identification Code is 18253260 and Trade Registry registration number is J40/21901/2005. The subscribed share capital is RON 4,854,034,784.56 and paid up share capital is RON 4,664,852,362.56.

Starting with 1 April 2016, in view of complying with the AIFMD, implemented in the Romanian legislation through Law no. 74/2015 on managers of alternative investment funds and Regulation no. 10/2015 on alternative investment fund management, Fondul Proprietatea SA, qualifying as an alternative investment fund, is managed by Franklin Templeton Investment Services S.A. 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, registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered with the Romanian Financial Supervisory Authority ("FSA") under number PJM07.1AFIASMDLUX0037/10 March 2016.

This presentation herein is issued by Franklin Templeton Investment Management Limited ("FTIML"), registered with the FSA under no. PJM01SFIM/400005/14 September 2009, which is authorized and regulated in the UK by the Financial Conduct Authority, registered therein under the number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania.

FTIML acts herein as a delegate of FTIS with respect to the portfolio management functions as well as administration services over the Fund.



FRANKLIN TEMPLETON
INVESTMENTS

February 2018

Fund Information



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The Fund – Key facts



Fund Details¹

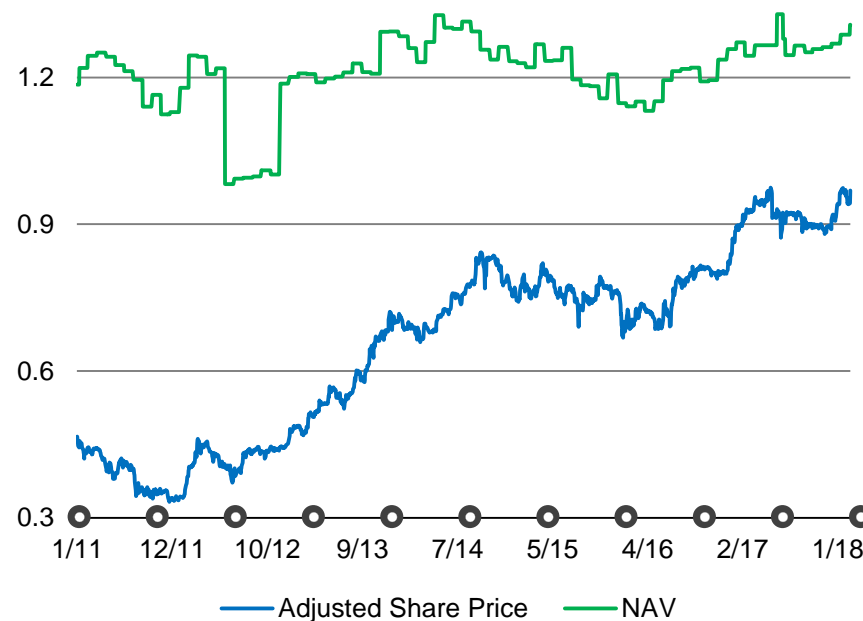
	RON	USD
NAV	10.97 bn	2.93 bn²
NAV/Share	1.2576	0.3359²
Price/Share	0.9200	0.2457²
Price/GDR	45.68	12.20
Market Capitalization as at 15 February 2018 ³	8.01 bn	2.15 bn³
Discount/Share as at 15 February 2018	26.92%	
Discount/GDR as at 15 February 2018	28.15%	
Number of Paid Shares less Treasury Shares ⁵	8,718,991,588	

Investment Objective

Maximization of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.



FP Share Price⁴ and NAV



Source: BVB, FP Report as at 31 January 2018 report.

1. Based on local regulator methodology.

2. Computed using the NBR USD/RON FX rate as at 31 January 2018.

3. Excluding Treasury shares and the equivalent number of shares corresponding to the GDRs, repurchased as at 8 December 2017.

Computed using the NBR USD/RON FX rate as at 15 February 2018.

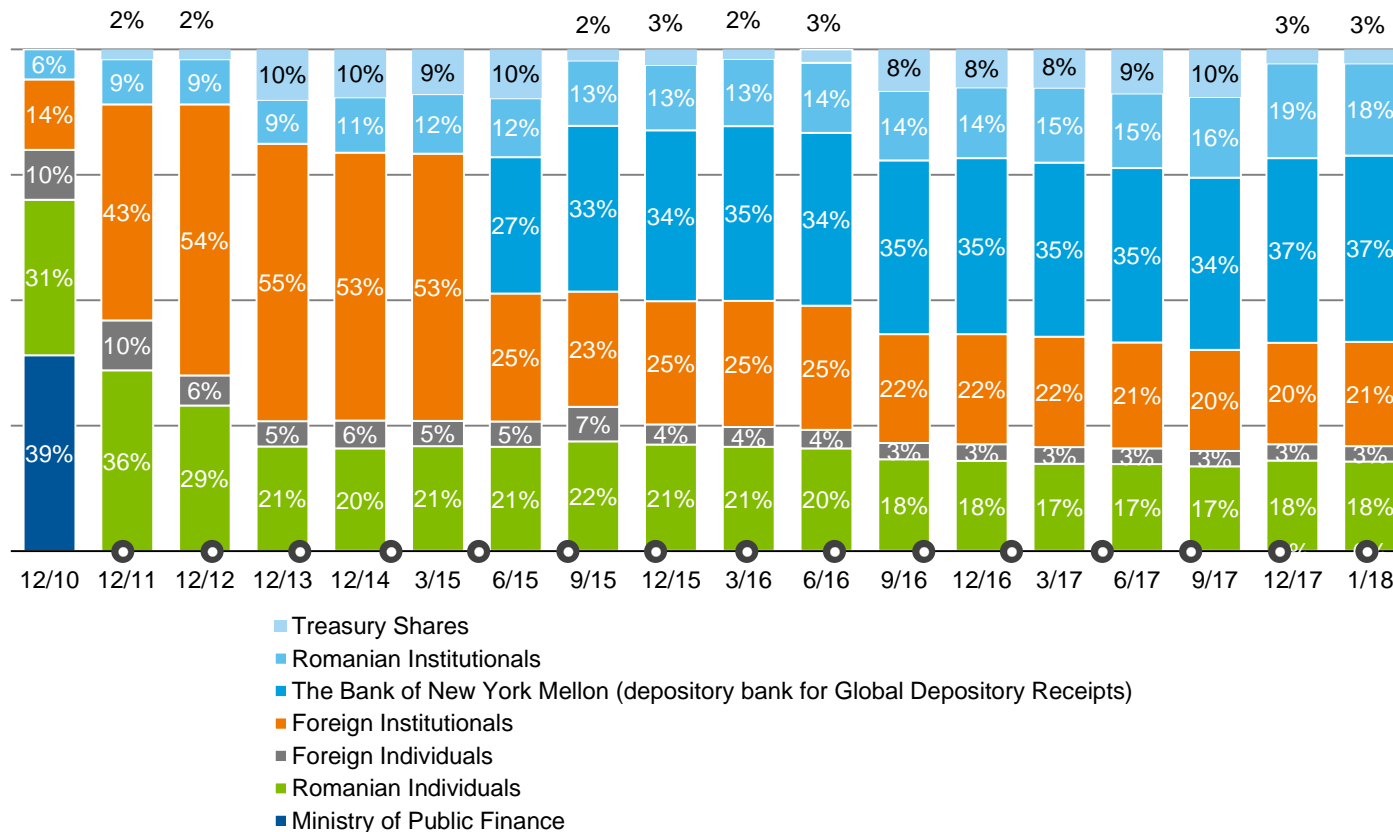
4. Source: BVB, Bloomberg, until 15 February 2018.

5. As at 15 February 2018.

Shareholders structure



Evolution (% Held)



Largest Shareholders¹

Elliott Associates
14.89%

City of London
Investment Mgmt.
5.04%

NN Group
5.02%

Total Number of
Shareholders²
6,420

1. Based on the total voting rights. Source: Ownership disclosures submitted by Elliott Associates on 24 November 2017, City of London Investment Management Company Ltd. on 5 April 2016, and NN Group on 27 March 2017.

2. Shareholders structure as at 31 January 2018. Based on paid share capital starting 31 July 2011. Source: Central Depository.

Independent valuations of unlisted holdings as at 29 December 2017

Holding	Value as at 29 November 2017 (RON mn)	Value as at 30 December 2017 (RON mn)	Impact of the update of independent valuation on NAV (RON mn)	% Change
Hidroelectrica SA	3,384.0	3,566.0	182.0	5.4%
CN Aeroporturi Bucuresti SA	761.0	774.0	13.0	1.7%
E-Distributie Banat SA	599.9	545.0	(54.9)	(9.2)%
Engie Romania SA	453.4	472.0	18.6	4.1%
E-Distributie Muntenia SA	449.4	419.0	(30.4)	(6.8)%
E-Distributie Dobrogea SA	380.2	342.0	(38.2)	(10.0)%
Societatea Nationala a Sarii Salrom SA	181.0	233.0	52.0	28.7%
CN Administratia Porturilor Maritime SA	216.0	230.0	14.0	6.5%
Enel Energie Muntenia SA	70.3	61.0	(9.3)	(13.2)%
Enel Energie SA	75.5	57.0	(18.5)	(24.5)%
Posta Romana SA	45.0	35.0	(10.0)	(22.2)%
Complexul Energetic Oltenia SA	0.0	32.0	32.0	100.0%
Zirom SA	25.5	26.8	1.3	5.1%
Aeroportul Int. Timisoara - Traian Vuia SA	3.6	22.0	18.4	511.1%
Aeroportul Int. Mihail Kogalniceanu - Constanta SA	1.7	2.4	0.7	41.2%
Plafar SA	2.2	2.0	(0.2)	(9.1)%
Total	6,648.7	6,819.2	170.5	2.6%

Source: FP 29 December 2017 NAV report.

NAV, Share price and GDR performance



Cumulative Performance

	2011	2012	2013	2014	2015	2016	2017	YTD ¹	Since Performance Inception ¹
NAV (RON)	(0.47)%	8.91%	13.29%	1.39%	(0.60)%	7.33%	13.10%	1.62%	52.68%
Ordinary Share Price (RON)	(30.32)%	38.30%	61.34%	14.53%	(4.06)%	4.90%	21.46%	6.48%	131.79%
GDR (USD)	N/A	N/A	N/A	N/A	N/A	1.15%	35.88%	6.55%	33.99%



Average Annual Discount

2011	2012	2013	2014	2015	2016	2017	2018 YTD ²	Current Share Price Discount ³	Current GDR Price Discount ³
55.67%	50.09%	40.74%	30.87%	29.12%	32.08%	28.05%	26.60%	26.92%	28.15%

Source: BVB, LSE, Bloomberg, FP NAV reports.

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

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.

1. As at 31 January 2018.

2. For the period: 3 January – 15 February 2018.

3. As at 15 February 2018.

Attribution to NAV Performance for Q4 2017



Top Performers

Company	Status	Weight in total NAV ¹	Change in NAV performance for Q4 2017	% Change in share price/ NAV value per share in Q4 2017
Hidroelectrica SA	Unlisted	33.0%	1.72%	5.4%
Alro SA	Listed	2.2%	0.87%	63.5%
Societatea Nationala a Sariei SA	Unlisted	2.2%	0.49%	28.7%
Complexul Energetic Oltenia SA	Unlisted	0.3%	0.30%	N/A ²
Engie Romania SA	Unlisted	4.4%	0.18%	4.1%



Bottom Performers

Company	Status	Weight in total NAV ¹	Change in NAV performance for Q4 2017	% Change in share price/ NAV value per share in Q4 2017
E-Distributie Banat SA	Unlisted	5.1%	(0.52)%	(9.20)%
E-Distributie Dobrogea SA	Unlisted	3.2%	(0.36)%	(10.0)%
E-Distributie Muntenia SA	Unlisted	3.9%	(0.29)%	(6.8)%
Enel Energie SA	Unlisted	0.5%	(0.17)%	(24.5)%
OMV Petrom SA	Listed	15.0%	(0.16)%	(1.0)%

TOTAL NAV PER SHARE CHANGE Q4 2017

2.46%

Note: The amounts are adjusted with the dividends declared by the companies, according with FP accounting policy.

1. NAV report as at 29 December 2017.

2. The company was valued at 0 from January to November 2017.

Attribution to NAV Performance for 2017



Top Performers

Company	Status	Weight in total NAV ¹	Change in NAV performance for 2017	% Change in share price/ NAV value per share in 2017
Hidroelectrica SA	Unlisted	33.0%	4.54%	5.4%
OMV Petrom SA	Listed	15.0%	2.35%	9.6%
Alro SA	Listed	2.2%	1.40%	179.5%
CN Aeroporturi Bucuresti SA	Unlisted	7.2%	0.84%	1.7%
Nuclearelectrica SA	Listed	1.8%	0.73%	49.8%



Bottom Performers

Company	Status	Weight in total NAV ¹	Change in NAV performance for 2017	% Change in share price/ NAV value per share in 2017
SDEE Transilvania Sud SA ²	Unlisted	0.0%	(0.45)%	(29.5)%
E-Distributie Banat SA	Unlisted	5.1%	(0.40)%	(9.2)%
E-Distributie Dobrogea SA	Unlisted	3.2%	(0.28)%	(10.0)%
E-Distributie Muntenia SA	Unlisted	3.9%	(0.27)%	(6.8)%
SDEE Muntenia Nord SA ²	Unlisted	0.0%	(0.23)%	(17.8)%

TOTAL NAV PER SHARE CHANGE 2017

4.30%

Note: The amounts are adjusted with the dividends declared by the companies, according with FP accounting policy.

1. NAV report as at 29 December 2017.

2. Entirely sold in November 2017.

Portfolio



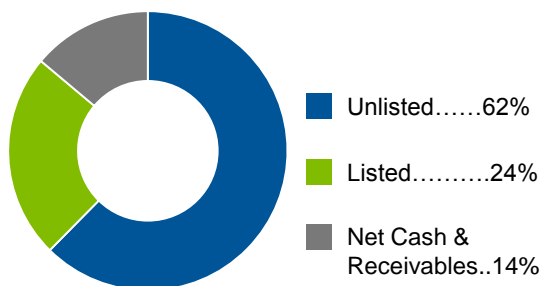
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Portfolio structure



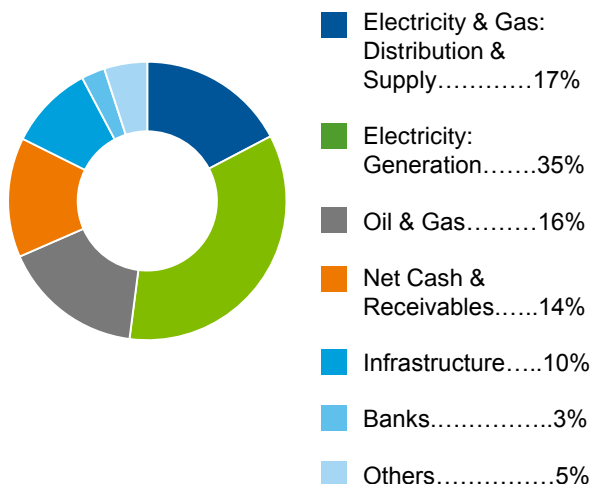
Listed vs Unlisted

as at 31 January 2018 (% NAV)¹



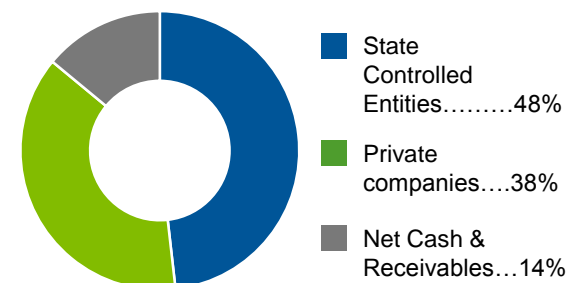
By Sector

as at 31 January 2018 (% NAV)¹



By Controlling Ownership

as at 29 December 2017²



- As at 31 January 2018, the portfolio included stakes in 37 companies (10 listed and 27 unlisted)
- Net cash and receivables position as at 31 January 2018 was USD 406.6 mn, including the amount to be spent on the ongoing Tender offer.
- In July 2016, the Fund Manager contracted a revolving credit facility for a maximum committed amount of RON 1 billion from BRD - Groupe Societe Generale SA. The purpose of this credit facility is for general corporate use, including buybacks of own shares, distributions to shareholders, but excluding investments. The credit facility was extended until July 2018.

1. Source: FP 31 January 2018 Factsheet.

2. FP 29 December 2017 Detailed Statement of Investments.

Largest holdings by NAV

Portfolio Company	Status	Majority Shareholder	% Stake ¹	NAV as at 31 January 2018 (USD mn)	% in NAV as at 31 January 2018
Hidroelectrica SA	Unlisted	Romanian State	19.9%	952.41	32.52
OMV Petrom SA	Listed	OMV	10.0%	463.62	15.83
CN Aeroporturi Bucuresti SA	Unlisted	Romanian State	20.0%	206.72	7.06
E-Distributie Banat SA	Unlisted	Enel Group	24.1%	145.56	4.97
Engie Romania SA	Unlisted	Engie	12.0%	126.07	4.30
E-Distributie Muntenia SA	Unlisted	Enel Group	12.0%	111.91	3.82
E-Distributie Dobrogea SA	Unlisted	Enel Group	24.1%	91.34	3.12
BRD Groupe Societe Generale SA	Listed	Societe Generale Group	3.2%	79.84	2.73
Alro SA	Listed	Vimetco NV NLD	10.2%	68.13	2.33
SN a Sarii Salrom SA	Unlisted	Romanian State	49.0%	62.23	2.12
Top 10 Portfolio Holdings				2,307.83	78.80
NAV				2,928.62	100.00
NAV Per Share (USD)				0.3359	

Note: Values in USD calculated using the USD/RON FX rate as at 31 January 2018.

Source: FP Factsheet as at 31 January 2018.

1. Based on the FP 29 December 2017 Detailed Statement of Investments.

Hidroelectrica – Update



Dividends:

In 2017, FP received from the company record high dividends for FY 2016 of RON 206.6 mn, 53.5% higher than the previous year.

In September 2017, the Company's shareholders approved a special dividend of RON 655 million to be paid by the end of the month. FP received RON 130.6 million.



The Fund's Strategic Review:

The Fund announced in September 2017 that is reviewing strategic options regarding its ownership in the company and has appointed Citi and UBS as financial advisers in connection with a potential transaction.



Financials:

Net profit increased by 14% in the first nine months of 2017 to RON 1,014 mn, compared to RON 890 mn in the same period of 2016.



Listing:

The Consortium's mandate for the IPO has been extended until August 2018.



Corporate Governance:

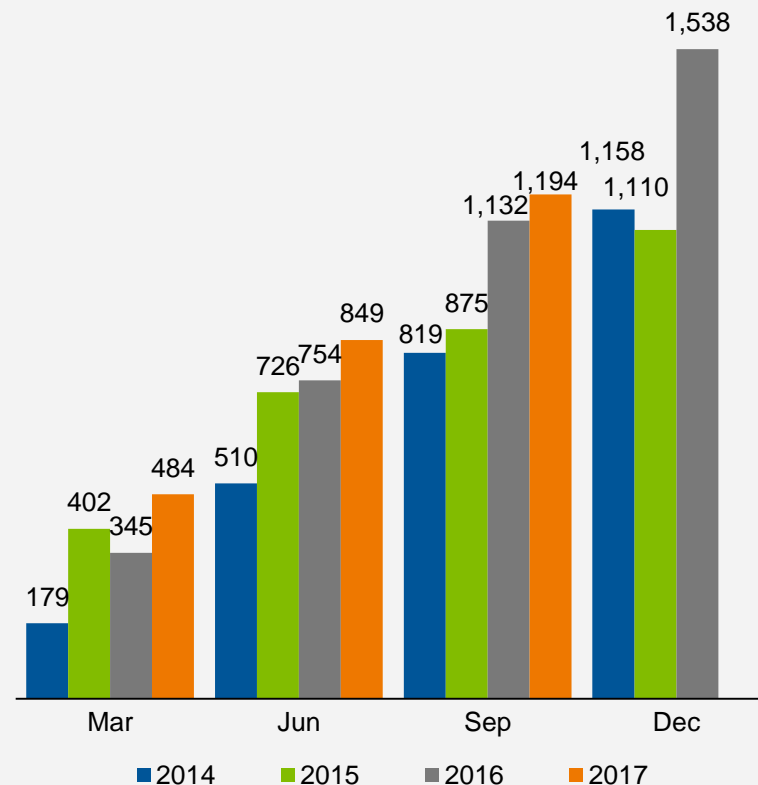
In the shareholders' meeting held on 9 January 2018, the Government approved the appointment of an interim Board with a mandate of 4 months. This came after previous extensions starting 29 April 2017. There is no progress in the selection of the Board members based on Law 111/2016.



Litigations:

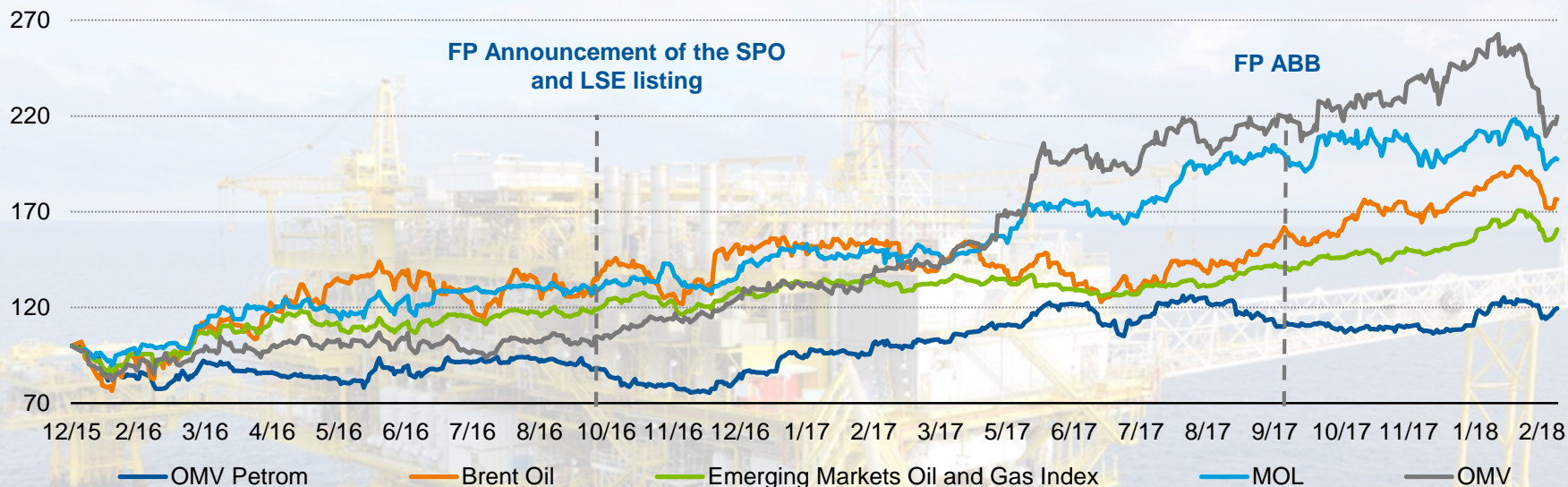
The Fund has started several litigations against the appointment of the new members of the Directorate for breaching corporate governance principles.

Pre-tax Cumulated Profit (RON mn)



Source: Hidroelectrica 2009 – 2017 Annual reports and financial statements, Hidroelectrica monthly press releases, reports, and presentations.

OMV Petrom – Share Price Performance % in USD¹



Management update

- In January 2018, the company's Supervisory Board appointed Ms. Christina Verchere as President of the Executive Board and CEO, effective 21 May 2018 at the latest, for the remaining term of the mandate granted to Ms. Mariana Gheorghe, i.e. until 16 April 2019.

1. Source: Bloomberg, as at 15 February 2018.

C.N. Aeroporturi Bucuresti – Update

Financial Performance	2011	2012	2013	2014	2015	2016	2017 Prelim.	% y/y	2018 budget
Operating revenues (mn RON)	501.5	555.5	582.6	672.1	755.6	882.3	1,054.6	19.5%	1,141.5
Operating profit (mn RON)	88.5	80.9	94.0	124.4	213.5	276.6	385.9	39.5%	317.4
Net Income (mn RON)	52.6	53.1	72.0	98.8	178.8	234.5	327.3	39.6	275.2
Number of passengers (mn)	7.45	7.54	7.67	8.32	9.28	10.99	12.84	16.8%	N/A



Passenger Traffic

Increased by 16.8% in 2017 compared to the previous year, reaching 12.84 million passengers. Total revenues in 2017 are estimated at RON 1.08 bn, 8.3% higher than in 2016, while the gross profit reached RON 389.7 mn, i.e. 45% higher than the previous year.



Board and Management

The interim Board appointed on 12 January an interim General manager for a 4-month mandate.



IPO

We continue discussions with the Government on this topic, but there is no clear timeline or plans in this direction.

Source: CN Aeroporturi Bucuresti financial statements and annual reports, company press releases, 2018 Budget.

Portfolio Holdings – 2017 Preliminary key financials

Company	EBITDA (RON mn)		Net profit (RON mn)	
	2016	2017	2016	2017
BRD Groupe Societe Generale SA	-	-	763.5	1,414.6
Nuclearelectrica SA	622.8	858.6	111.4	303.1
Alro SA	169.6	420.7	67.2	317.7
Conpet SA	120.6	128.1	71.3	73.7
Total	913.0	1,407.4	1,013.4	2,109.1
Weighted Total	81.2	128.8	45.6	109.4

- OMV Petrom will publish the 2017 Preliminary results on 21 February 2018.

Source: Companies Preliminary 2017 financial statements.

Note: EBITDA is calculated as Operational result + Depreciation and Amortization.

Corporate Actions



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Fifth Tender Offer

Value of the Offer	1,200,000,000 shares, in the form of shares and GDRs
Purchase price	RON 0.9350 per share and the US dollar equivalent of RON 46.75 per GDR
Subscription period	18 January – 23 February 2018
Intermediary	WOOD & Company Financial Services a.s
Dealer managers	Jefferies International Limited and WOOD & Company Financial Services a.s
GDR Tender Agent	The Bank of New York Mellon

Source: Investment Manager current reports and Tender offer documentation.

Dividend Proposal for FY 2017



The Investment Manager's proposal for the dividend distribution for the 2017 financial year to be approved in the General Shareholders' Meeting on 26 April 2018 is as follows:

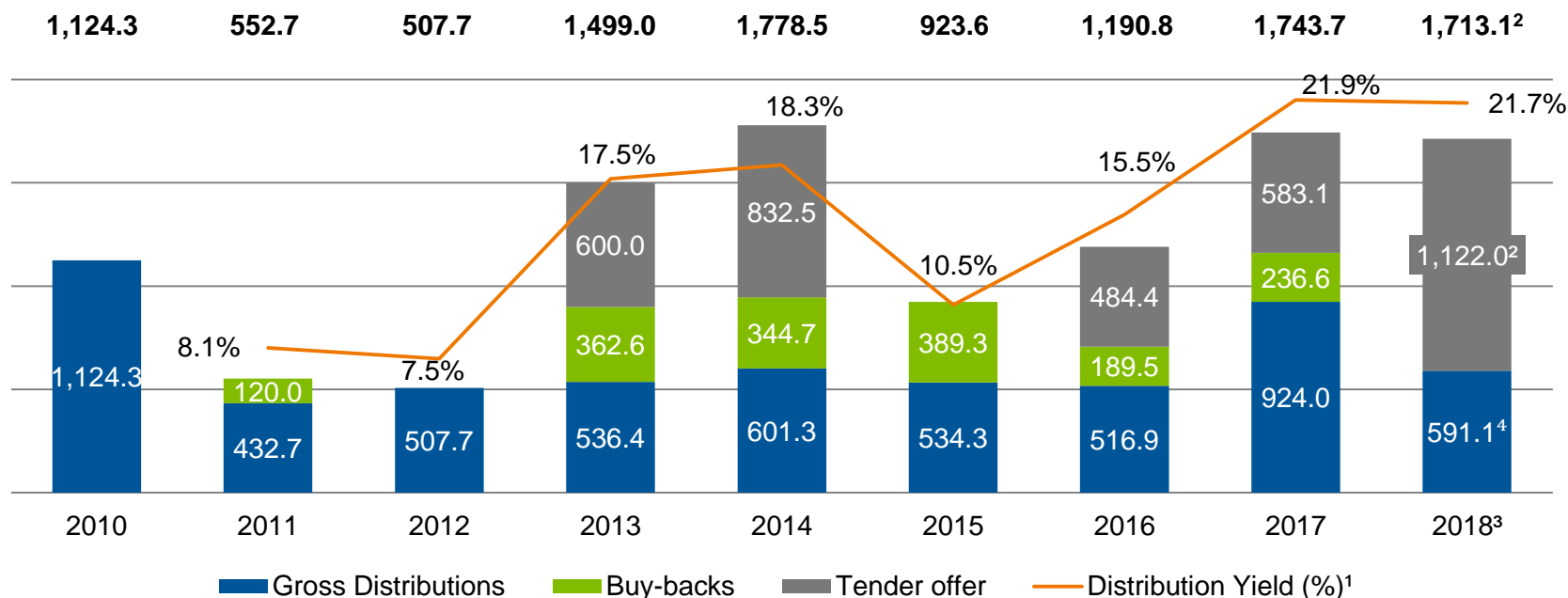
- RON 591.1 million gross dividend distribution
- RON 0.0678 dividend per share
- 8 June 2018 Ex-date
- 11 June 2018 Registration Date
- 29 June 2018 Payment date.

Source: FP Annual Sole Director's Report 2017.

Distributions to shareholders



Annual Distributions to Shareholders (RON mn)



The total distributions through buy-backs and cash would amount to RON 11.03 bn/USD 3.07 bn³

Note: Values exclude related acquisition fees. USD values based on the NBR average USD/RON FX for each year. For 2018, average USD/RON FX as at 15 February.

1. Based on the total annual distributions through buy-backs and cash, based on the average closing share price on BVB for the respective year and the average number of paid shares, excluding Treasury shares. For 2018, average closing share price as at 15 February.

2. Estimation based on the value of the Tender offer of 1.2 bn shares and purchase price of RON 0.935 per share.

3. As at 15 February 2018.

4. Gross dividend proposal to be approved by shareholders on 26 April 2018.

Buy-back programs

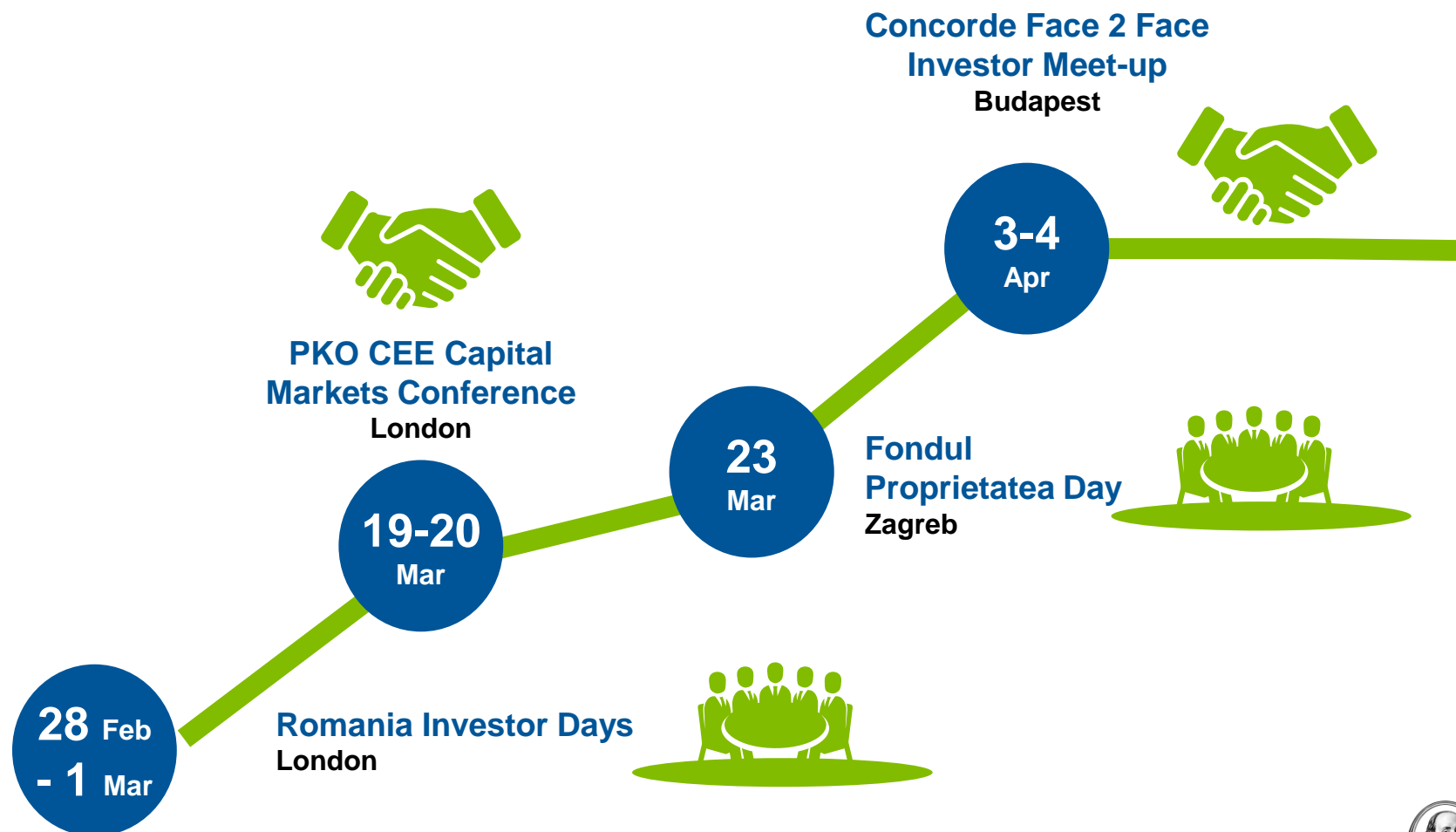
Program	Period	Status	No. of shares to be repurchased/% of the Fund's issued share capital	Average share price (RON/share)	Broker	Cancellation of shares ¹
Seventh	29 Sep 16 – 26 May 17	Finalized	830.2 mn/8.2%	0.8967	Wood & Co., Goldman Sachs Int.	Cancellation approved by the shareholders during the 3 May '17 ² and 26 Sep '17 EGMs
Eight	30 May – 10 Nov 2017	Finalized	141.9 mn/1.4%	0.8624	Wood & Co., Jefferies Internat.	Partial cancellation of 67.7 mn shares approved by shareholders during the 26 Sep '17 EGM
Ninth	Started on 14 Nov 2017	Ongoing	1,866.9 mn/20%	0.8430 ³	Wood & Co., Jefferies Internat.	-

1. To be effective, the FSA endorsement is legally required.

2. Effective starting 29 November 2017.

3. As at 8 December 2017. Estimated value based on the 19,159,328 shares repurchased (13,955,428 ordinary shares and 5,203,900 equivalent shares of the GDRs repurchased). Starting 11 December 2017, the daily buy-backs have been suspended, following the announcement regarding the Public tender offer process in relation to the ninth buy-back programme.

Investor relations – Upcoming events



More information about the Fund can be found on the website www.fondulproprietatea.ro



OGM agenda:

- Board of Nominees' presentation of its annual report for 2017 financial year.
- The approval of the Annual Activity Report of the Sole Director of Fondul Proprietatea S.A. for the financial year 2017, and the approval of the auditor's report.
- The approval to cover the negative reserves incurred in 2017 financial year derived from the cancellation of treasury shares.
- The approval of the net profit allocation registered for the financial year 2017, and the approval of the value of the gross dividend of RON 0.0678 per share.

Financial results



Statement of Financial Position

RON mn	31 December 2017 Audited	31 December 2016 Audited
Cash and current accounts	19.2	5.8
Deposits with banks	1,276.7	305.3
Treasury bills	46.3	781.4
Government bonds	195.9	328.6
Equity investments	9,278.2	9,992.2
Other assets	10.7	20.8
Total assets	10,827.0	11,434.1
Payables	15.2	27.1
Other liabilities	21.6	21.0
Total liabilities	36.8	48.1
Total equity	10,790.2	11,386.0
Total liabilities and equity	10,827.0	11,434.1

Source: FP Annual Sole Director's Report 2017.

Statement of Comprehensive Income

RON mn	2017 Audited	2016 Audited
Gross dividend income	740.4	353.1
Net realised gain / (loss) from disposal of non-current assets held for sale	330.6	(127.5)
Net unrealised gain/ (loss) from equity investments at fair value through profit or loss	222.8	(377.8)
Net gain on disposal of equity investments classified as available for sale	38.5	926.0
Reversal of impairment losses on receivables, net	36.4	17.9
Interest income	11.9	7.9
Net realised gain / (Loss) from equity investments at fair value through profit or loss	(1.4)	-
Impairment losses on equity investments classified as available for sale	(8.0)	(122.4)
Other income/ (expenses), net ¹	0.9	(0.5)
Net operating income/ (loss)	1,372.1	676.7
Administration fees recognised in Profit and Loss	(63.0)	(70.6)
Other operating expenses	(34.5)	(61.5)
Operating expenses	(97.5)	(132.1)
Finance costs	(0.2)	(0.3)
Profit before income tax	1,274.4	544.3
Income tax expense	15.5	(97.3)
Profit for the year	1,289.9	447.0
Other comprehensive income	(85.4)	100.7
Total comprehensive income for the year	1,204.5	547.7

Source: FP Annual Sole Director's Report 2017.

1. Other items of income/ (expense), net included mainly the net loss from revaluation of government securities through profit or loss, net foreign exchange gain / (loss) and other operating income/ (expenses).

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