

Fondul Proprietatea

2 March 2016



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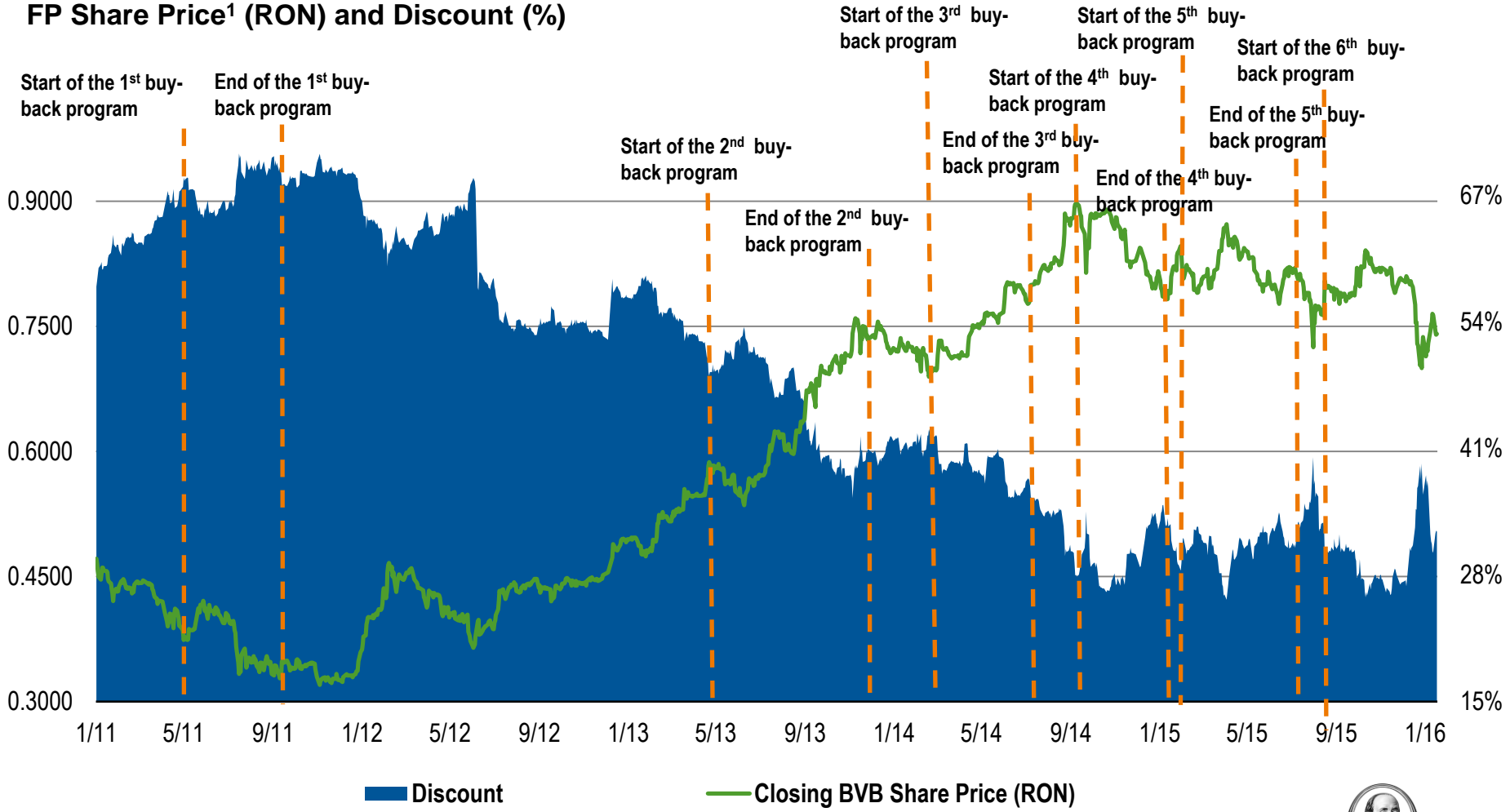
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The EU Directive 2011/61/EU on Alternative Investment Fund Managers has been transposed into Romanian legislation on April 2015, the AIFMs having to comply with the provisions of the law on implementing AIFM Directive by 24 May 2016. This presentation is not used for any direct / indirect promotion / offering of Fondul Proprietatea shares.

The headquarters of Fondul Proprietatea SA are at 78-80 Buzesti Str, 7th Floor, Bucharest District 1, 011017, Romania. Fondul Proprietatea's Fiscal Identification Code (CIF) is 18253260 and Trade Registry registration no is J40/21901/2005. The subscribed share capital is RON 10,074,080,745.90 and paid up share capital is RON 9,746,649,630.90 . This presentation is issued by Franklin Templeton Investment Management Limited ("FTIML"), registered with ASF under no. PJR09SIIR/400006/18.08.2010, which is authorized and regulated in the UK by the Financial Conduct Authority with Register Number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission, and the Romanian branch is regulated by the Romanian Financial Supervisory Authority.

- According to FSA Endorsement no. 1 issued on 7 January 2016, the Fund Manager was requested to present to the Fund's shareholders the following:
- Effects of the share buy-backs and return of capital on the discount level
- Alternative investment strategies

Effects of the Share Buy-backs on the Discount (I) **FONDUL PROPRIETATEA**



1. Note: Distribution adjusted share price. Source: Bloomberg, for the period 25 January 2011 – 12 February 2016.
 2. As at 12 February 2016.
 3. Source: BVB, for the period 5 January 2011 – 12 February 2016.
 4. Source: Bloomberg, for the period 29 April 2015 – 12 February 2016.



Effects of the Share Buy-backs on the Discount (II)

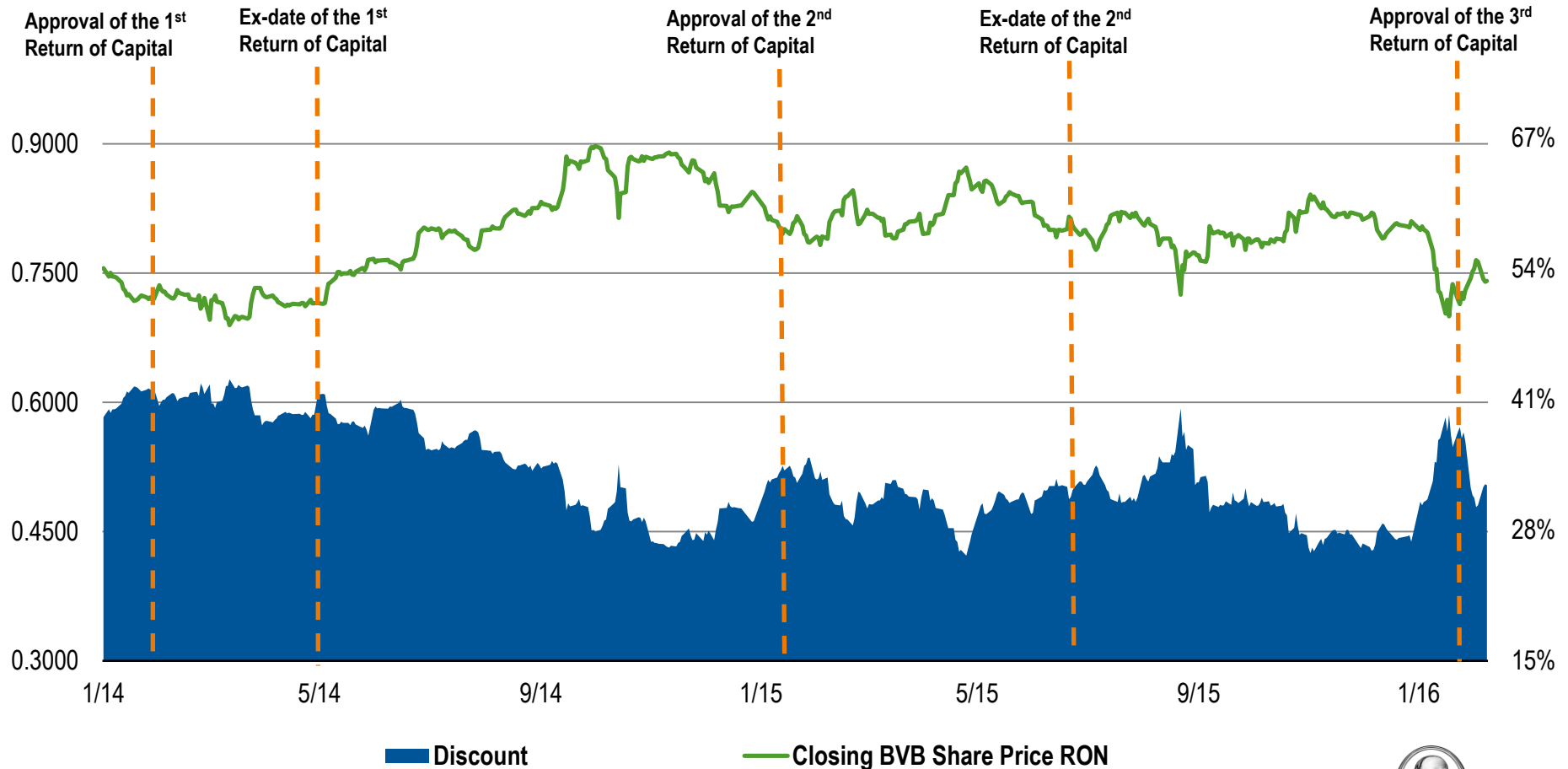
Buy-Back Programs	Period of the Buyback	Average Discount - 3 months before the start of the Program	Average Discount during the Program	Change in Discount
First	11 May 2011 – 30 September 2011	63.3%	67.8%	+4.5%
Second	12 April 2013 – 17 December 2013	53.4%	45.6%	-7.8%
Third	27 March 2014 – 23 July 2014	41.4%	38.8%	-2.6%
Fourth	1 October 2014 – 2 February 2015	34.8%	30.0%	-4.8%
Fifth	10 February 2015 – 29 July 2015	30.5%	31.0%	+0.5%
Sixth I	9 September 2015 – 11 January 2016	33.1%	29.0%	-4.1%
Sixth II	28 January – 12 February 2016	37.5% ¹	33.0%	-4.5%
Average		42.0%	39.3%	-2.7%

Source: Fondul Proprietatea.

1. For the period 13 – 27 January 2016.

Effects of the Return of Capital on the Discount (I) **FONDUL PROPRIETATEA**

FP Share Price¹ (RON) and Discount (%)



1. Note: Distribution adjusted share price. Source: Bloomberg, for the period 25 January 2011 – 12 February 2016.
 2. As at 12 February 2016.
 3. Source: BVB, for the period 5 January 2011 – 12 February 2016.
 4. Source: Bloomberg, for the period 29 April 2015 – 12 February 2016.



Effects of the Return of Capital on the Discount (II)

Return of Capital	Ex-Date	Average Discount - 30 days before the ex-date	Average Discount – 30 days after the ex-date	Change in Discount
First	28 April 2014	40.2%	39.4%	-0.8%
Second	23 June 2015	31.4%	32.1%	+0.7%
Average		35.8%	35.8%	-0.1%

Source: Fondul Proprietatea.

Investment and Performance Objectives – IPS (I) FONDUL PROPRIETATEA

- **Investment Objective:** the Fund's investment objective is the maximization of returns and per share capital appreciation via investments mainly in Romanian equities and equity-linked securities
- **Performance Objectives:**
 - **Discount Objective:** The discount between the closing price for each Trading Day on the BVB and the latest reported NAV per Share should equal to or lower than 15% in at least two thirds of the Trading Days during the Reporting Period
 - **NAV Objective:** The Fund Manager should achieve a higher Adjusted NAV¹ per Share than the reported NAV as at 30 June 2015 (RON 1.1851 per share)
- **General Principles for Achieving the Objectives:** in the absence of investment opportunities offering better returns for shareholders, or if the discount to NAV per share is wider than 15% for more than 50% of the Trading Days in any 3 month financial quarter, the Fund Manager will use all or a significant portion part of the proceeds from dividends and disposal of portfolio companies to implement measures aimed at maximizing cash returns to shareholders and fulfilling the Performance Objectives.

1. The adjusted NAV for a given date is calculated as the sum of: (1) the reported NAV as at the end of the reporting period, (2) any returns to shareholders, following reductions of the share capital (return of nominal value) implemented after 30 June 2015, and (3) any distribution fee and any transaction costs relating to non-dividend distributions including buy-backs of shares and/ or GDRs executed after 30 June 2015. The adjusted NAV per share is equal to the adjusted NAV divided by the total number of the Fund's paid shares, less treasury shares (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.



- **General Principles for Achieving the Objectives:** Discount management techniques to meet the Performance Objectives may include (but are not limited to) the following:
 - Recommendation of buy-back programs of the Fund's shares and GDRs
 - Reduction of the nominal value of shares, accompanied by cash distributions to shareholders
 - Execution of buy-back programs via (i) trading on the regular market and/or (ii) public tender offers, in each case subject to available liquidity, compliance with the Constitutive Act and all applicable legislation and receipt of all necessary regulatory approvals
 - Increasing investor demand for the shares and GDRs, with the aim of increasing the market price, by:
 - Maintaining a transparent cash distribution policy
 - Increasing the share of the listed companies in the portfolio and their transparency
 - Building good communication through active investor relations work
 - Supporting initiatives to make the Romanian capital market more attractive for investors

Alternative Investment Strategy

- Once the Performance Objectives are met and the discount is reduced below the 15% level, the Fund Manager will consider making new investments if the expected returns from those investments are higher than the returns generated by buying back the Fund's shares
- In accordance with the Fund's Investment Objective, the Fund Manager will focus mainly on Romanian equities and equity linked securities, in both listed and/or pre-IPO transactions
- Given the Fund's current exposure to listed companies, the size of the Fund, and the current liquidity on the BVB, there is a limited scope for new investments through the BVB
- Pre-IPO investments can be a reasonable alternative towards the objective of creating a more liquid portfolio in the medium term
- The table below shows an example of the returns generated by buying back shares at various discount levels. It is hard to find any investments that would beat returns to NAV delivered through buybacks above 15%

Discount for Share Buy-backs	35%	30%	25%	20%	15%	10%
NAV/Share	1.0974	1.0974	1.0974	1.0974	1.0974	1.0974
Price per Share	0.7133	0.7682	0.8231	0.8779	0.9328	0.9877
Shareholder Return	53.85%	42.86%	33.33%	25.00%	17.65%	11.11%

Fondul Proprietatea
Premium Point
Buzesti Street 78-80, 1st District
Bucharest 011017
www.fondulproprietatea.ro

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