

The Board of Nominees
REVIEW REPORT

Pursuant to the Management Agreement ('Management Agreement') in force, the Fund Manager is obliged to submit to the Board of Nominees ('BoN') a report on its performance ("Performance Report") for the following Reporting Periods ("Reporting Period"):

- 1) 1 July 2016 – 30 June 2017 for the Discount Objective; and
- 2) 1 July 2015 – 30 June 2017 For the NAV Objective

During the Reporting Periods there were two Fund Managers:

- (a) between 1 July 2015 and 31 March 2016, Franklin Templeton Investment Management Ltd. UK was the Fund Manager of Fondul Proprietatea SA ('the Fund') under a management agreement dated 29 April 2014, and
- (b) between 1 April 2016 and 30 June 2016, Franklin Templeton International Services S.à r.l. has been the Fund Manager pursuant to the Management Agreement dated 2 November 2015.

The Performance Report should include:

- a) reporting on the fulfilment of the Discount Objective as defined in the Investment Policy Statement ("IPS");
- b) reporting on the fulfilment of the NAV Objective, as defined in the IPS;
- c) reporting on the fulfilment of obligations regarding Discount Control Mechanisms ("DCM");
- d) a summary of the regulatory issues affecting the performance during the Reporting Periods;
- e) a summary of market conditions affecting the performance during the Reporting Periods;
- f) such other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the relevant period.

The Fund Manager presented its Performance Report to the BoN during 11 August 2017 Board meeting.

In accordance with its obligations under clause 9.6 of the Management Agreement in force, the BoN has reviewed the Performance Report and is submitting this Review Report for the information of shareholders at the GSM on 26 October 2017. This Review Report covers the contents of the Performance Report and an evaluation of the performance of the Fund Manager, as well as any other factors considered relevant by the BoN to the decision of the shareholders at the General Shareholders Meeting ("GSM") on 26 October 2017 regarding the continuation or termination of the Management Agreement and the Fund Manager's mandate.

1) CONTENTS OF THE PERFORMANCE REPORT

The BoN considers that the Performance Report has been properly prepared and contains all material relevant information.

2) EVALUATION OF THE FUND MANAGER'S PERFORMANCE

(i) *The Discount Objective*

As set out in the Performance Report, the Discount range for Fondul Proprietatea SA during the relevant Reporting Period was 23.85% - 35.67%. The Discount Objective, as defined in the IPS, was to achieve a discount level of no greater than 15% during no less than 2/3 of the trading days in the Reporting Period. The average Discount for the Reporting Period was 29.22%.

The Discount Objective, for both shares and Global Depository Receipts ("GDRs"), has, therefore, not been achieved.

During the Reporting Period, the Fund Manager undertook a number of actions aimed at reducing the Discount level and increasing demand for Fondul Proprietatea SA's shares. These actions are described on pages 13 -18 of the Performance Report and include the distributions of RON 2.21 billion made to shareholders through buy-back programs, cash distributions and two tender offers.

The BoN commends the Fund Manager for its efforts to increase the attractiveness of Fondul Proprietatea SA's shares, whilst noting, however, the need to continue to apply rigorous Discount Control Mechanisms ("DCMs") in the future and stimulate greater demand for Fondul Proprietatea SA's shares.

The BoN believes that a positive medium-term outlook on continuing cash distributions is important for stimulating demand for the Fund's shares. The BoN applauds the Fund Manager's efforts in employing diverse instruments to create liquidity for making cash distributions (portfolio disposals, dividend from invested companies, the use of a credit facility). The BoN continues to encourage the Fund Manager to make increased efforts to convert liquid portfolio investments into cash, given the Fund's persistent deep Discount.

The BoN believes that the challenging local operating environment and the absence of new listings on the Bucharest Stock Exchange have been significant factors in the Fund Manager's failure to achieve the Discount Objective. In particular, delays and an uncertainty in government actions with respect to the listing of some of the majority state-owned portfolio companies has a negative impact on portfolio liquidity.

(ii) *The NAV Objective*

As set out in the Performance Report, the Adjusted NAV per share (as defined in the IPS) as at 30 June 2017 was RON 1.3664 and was higher than the NAV per share as at 30 June 2015, which was RON 1.1851.

The NAV Objective, as defined in the IPS, was to ensure that the Adjusted NAV per share at the end of the Reporting Period was higher than the starting NAV and this has been achieved.

In the Performance Report, the Fund Manager has described factors contributing to the NAV evolution during the Reporting Period and also the most important actions it has undertaken to protect and enhance the value of portfolio companies.

The BoN continues to support strongly appropriate shareholder activism implemented by the Fund Manager on behalf of Fondul Proprietatea SA at companies in which it has minority stakes and which are controlled by the Romanian State or other dominant investors. The BoN also fully agrees with the Fund Manager's robust and consistent approach to corporate governance and its commitment to arguing for the recruitment of independent and qualified professional management teams and competent boards of directors at portfolio companies. Whenever appropriate and possible, members of the BoN have actively and vigorously supported the Fund Manager's actions through meetings and interaction with Romanian government officials and through communication with government institutions.

3. DCM ACTIVITIES

The BON has noted the account of DCM activities by the Fund Manager, in relation to its obligations under the Management Agreement in force, set out in the Performance Report.

4. REGULATORY AND MARKET FACTORS AND OTHER MATTERS

The Performance Report provides summary descriptions of the other factors (regulatory, market and other) which the Fund Manager considers have had an impact on its performance in seeking to fulfil the two Objectives set out in the IPS. The BoN considers that the Fund Manager has set out a fair account of these factors and in appropriate detail and that all of them are relevant and useful for an assessment of the Fund Manager's performance in the Reporting Periods.

5. SUMMARY CONCLUSION

Based on all relevant information available to it, the BoN considers that the Performance Report provides a fair and materially accurate account of the Fund Manager's performance during the Reporting Periods in respect of the two above IPS Objectives and in respect of its fulfilment of its obligations as regards DCMs.

The BoN emphasizes that, in accordance with the Management Agreement and IPS in force, the Fund Manager's performance in the Reporting Period is being evaluated in this Review Report against the two above IPS Objectives and as regards its DCM execution obligations and not as measured against other possible benchmarks such as, for example, Romanian and frontier stock market indices or global stock market indices.

Based on its review of the Performance Report and its regular interaction and cooperation with the Fund Manager since 1 July 2015, the BoN considers that the performance of the Fund Manager has been creditable during the Reporting Period and evaluates the Fund Manager's efforts and actions positively.