

Fondul Proprietatea – Performance Report

August 2015



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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 11,575,064,733.65 and paid up share capital is RON 11,229,443,001.15. 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.

Performance Report



Highly Confidential: for the Board of Nominees only

Content of the Performance Report – According to the IMA

Reporting Period: 1 October
2014 -30 June 2015

- a) The report on the fulfillment of the Discount Objective**
- b) The report on the fulfillment of the NAV Objective**
- c) Summary of the regulatory issues affecting the performance during the Reporting Period**
- d) Summary of market conditions affecting the performance during the Reporting Period**
- e) 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**

Investment Objective:

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



Investment Strategy:

- No new investments until the discount narrows significantly
- Active management and engagement with current portfolio companies to increase their value
- Continuing with buy-back programs (share repurchases and/or public tender offers) and cash distributions to shareholders (100% of dividends received from portfolio companies plus interest on cash less operating expenses and applicable taxes)



Performance

Objectives (IPS):

- Discount of 15% or less for at least two thirds of the trading days between 1 October 2014 – 30 June 2015
- Higher adjusted NAV per share than the NAV per share reported as at 30 September 2013¹ (RON 1.1610 per share)



1. The adjusted NAV for a given date will be calculated as the sum of: the reported NAV as at the end of reporting period, any returns to shareholders, following reductions of the share capital (return of nominal) implemented after 30 September 2013, and any Distribution Fees and any transaction costs relating to non-dividend distributions including buy-backs executed after 30 September 2013. The adjusted NAV per share will be equal to the adjusted NAV divided by the total number of the Fund's paid shares, less treasury shares, on the last day of the reporting period.

Historical NAV and Share Price Performance

Total Return Performance

	2011	2012	2013	2014	YTD ¹	Since Performance Inception ¹
NAV (RON)	(0.47)%	8.91%	13.29%	1.39%	1.87%	26.85%
Ordinary Share Price (RON)	(30.32)%	38.30%	61.34%	14.53%	(5.83)%	67.69%
GDR (USD)	N/A	N/A	N/A	N/A	N/A	(7.14)%

Average Annual Discount Evolution

2011	2012	2013	2014	YTD ²	Current Share Price Discount ³	Current GDR Price Discount ³
55.67%	50.20%	41.30%	30.57%	27.22%	32.92%	32.55%

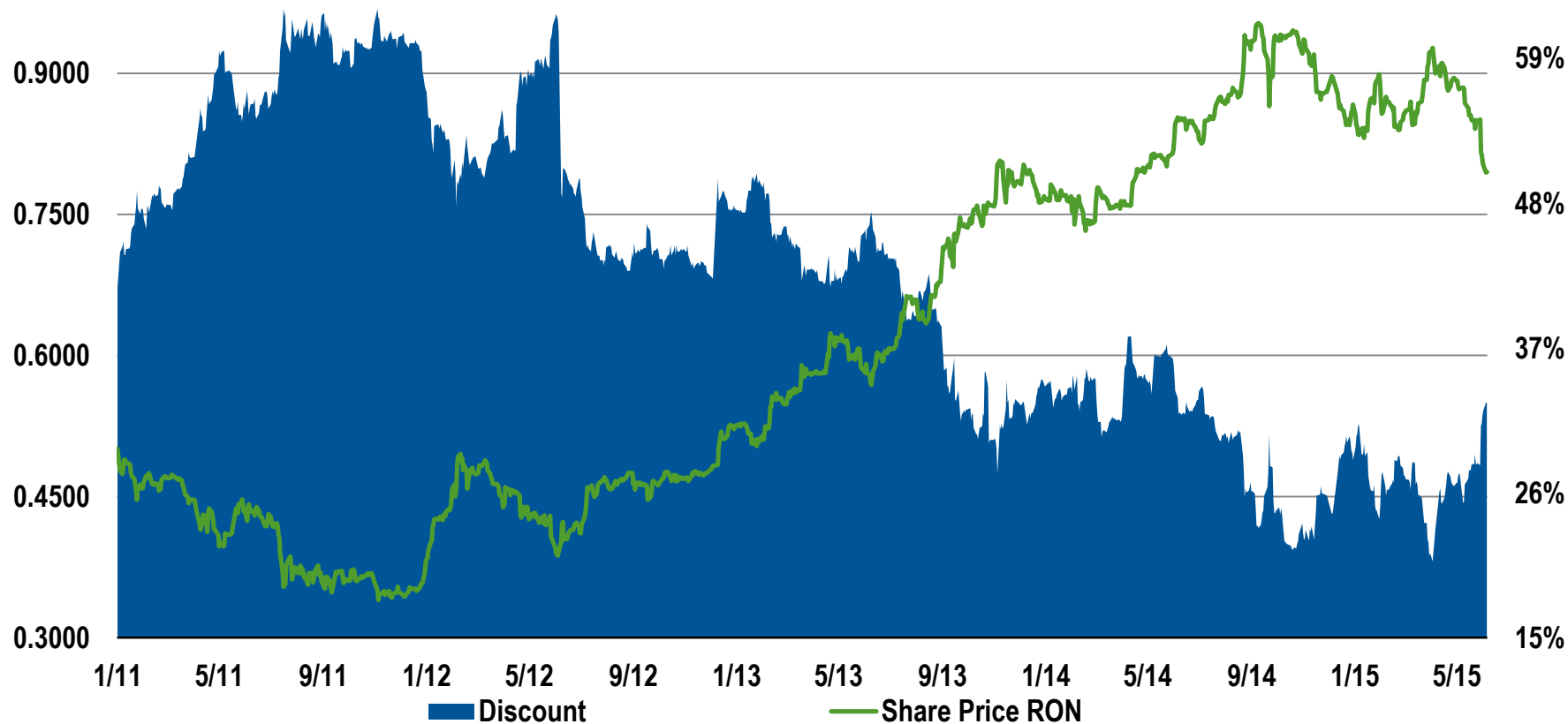
Source: BVB, LSE, FP NAV reports.

1. As at 29 May 2015.

2. For the period: 5 January – 30 June 2015.

3. As at 30 June 2015.

FP Share Price (RON) and Discount (%)



Source: BVB, for the period 25 January 2011 – 30 June 2015.

Report on the Discount Objective



Highly Confidential: for the Board of Nominees only

Discount Objective

- **Objective**

- The discount between the closing price and the last reported NAV per share to be equal to or lower than 15%, in at least 2/3 of the trading days in the period 1 October 2014 – 30 June 2015

- **Monthly Monitoring – 30 June 2015**

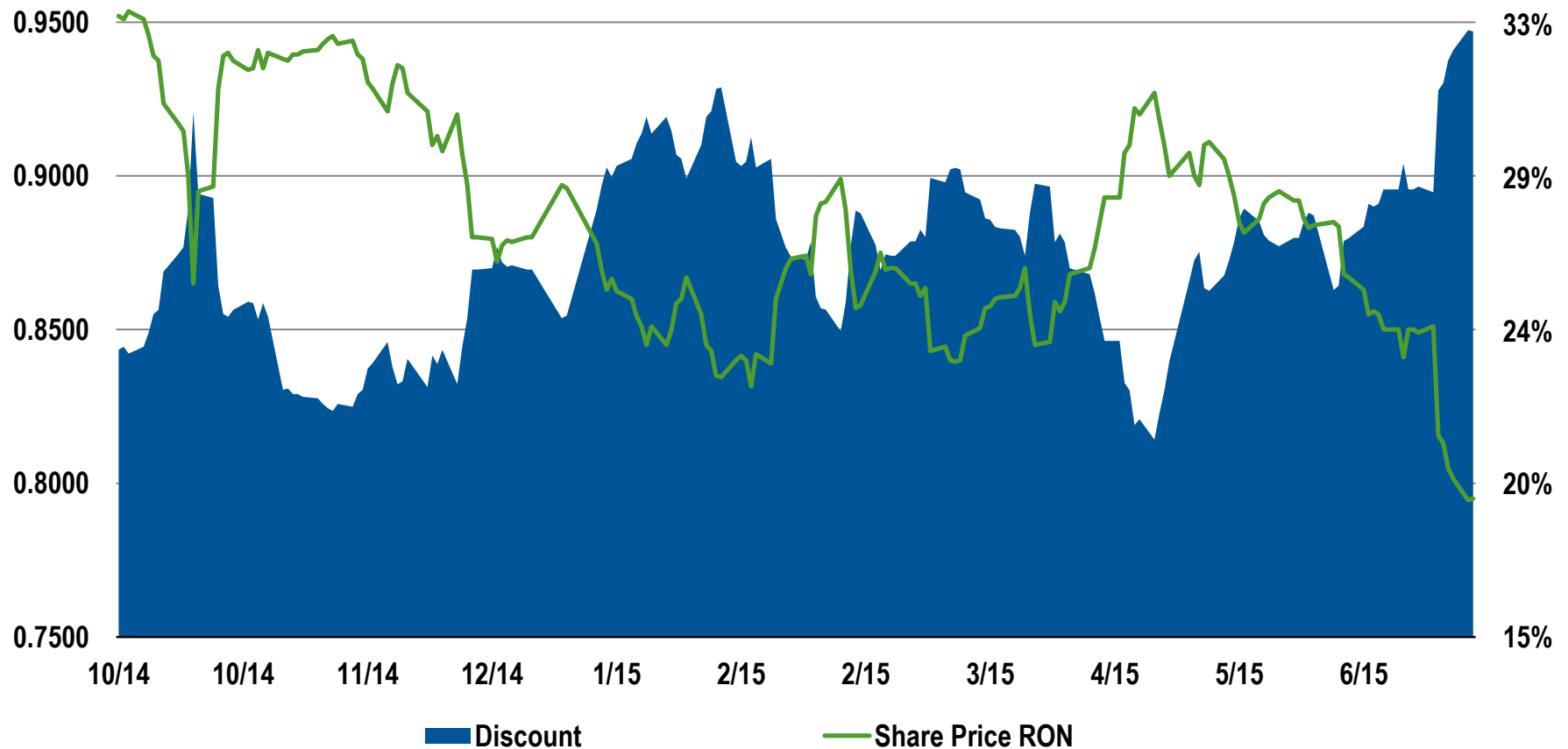
- In the period 1 October 2014 – 30 June 2015, the discount was higher than 15%, for both shares and GDRs.

- **Discount Evolution**

Discount at the Start of the Reporting Period – 1 October 2014	Discount at the End of the Reporting Period – 30 June 2015	Minimum Discount (on 27 April 2015)	Maximum Discount (on 30 June 2015)	Average for the Reporting Period ¹	Discount Range for the Reporting Period
23.46%	32.92%	20.81%	32.92%	26.22%	20.81% - 32.92%

1. Source: BVB, for the period 1 October 2014 – 30 June 2015.

Discount Objective – Evolution During the Reporting Period



Source: BVB, for the period 1 October 2014 – 30 June 2015.

Discount Objective – Measures Taken

- **Distributed RON 1.72 billion to the Fund's shareholders during 1 October 2014 – 30 June 2015 via:**
 - **Execution of the 4th and 5th buy-back programs to acquire approx. 10% of the outstanding shares, through daily share repurchases of up to 25% of the average daily trading volumes for the last 20 trading sessions**
 - **Execution of a tender offer to repurchase 750 million shares (equivalent to 6.6% of the outstanding shares) at a price of RON 1.11 per share (part of the 4th buyback program)**
 - **Cash distribution to shareholders of RON 0.05 per share – paid starting with 29 June 2015**
 - **The total amount distributed represents 11.7% of the Fund's NAV as at 30 September 2014**
- **Listing the Fund on the London Stock Exchange – 29 April 2015**
- **Proactive investor relations program to increase the visibility of the Fund to a broader base of investors**

Discount Objective – Creating Liquidity at the Portfolio Level during the Reporting Period¹

Amount RON

Total Value of Disposals	113,653,491
Dividends Received	445,520,467
Credit Facility	500,000,000
Total	1,059,173,958

Source: Fund Manager.
1. For the Reporting Period: 1 October 2014 – 30 June 2015



Discount Objective – Distributions to Shareholders

1 October 2014 – 30 June 2015

RON	Distributions to shareholders in the period 1 Oct 2014 - 30 June 2015 (excluding related costs)	Expenses recorded in the period 1 Oct 2014 - 30 June 2015	Total	% from the NAV as at 30 Sept 2014
Buyback program 4	1,046,128,420	14,746,003	1,060,874,423	7.22%
Buyback program 5	138,250,333	163,827	138,414,160	0.94%
Return of capital 2015	534,322,868	18,031	534,340,899	3.63%
Total	1,718,701,621	14,927,861	1,733,629,482	11.79%

NAV as at 30 September 2014 (RON) 14,703,397,850.56

NAV per share as at 30 September 2014 (RON) 1.2438

NAV as at 30 June 2015 (RON) 12,645,915,882.17

NAV per share as at 30 June 2015 (RON) 1.1851

Adjusted¹ NAV as at 30 June 2015 (RON) 13,821,232,920

Adjusted¹ NAV per share as at 30 June 2015 (RON) 1.2952

Source: Fund Manager.

1. The adjusted NAV for a given date will be calculated as the sum of: the reported NAV as at the end of reporting period, any returns to shareholders, following reductions of the share capital (return of nominal) implemented after 30 September 2013, and any Distribution Fees and any transaction costs relating to non-dividend distributions including buy-backs executed after 30 September 2013. The adjusted NAV per share will be equal to the adjusted NAV divided by the total number of the Fund's paid shares, less treasury shares, on the last day of the reporting period.

Discount Objective – Share Buybacks

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
Fourth	October 2014 – February 2015	Completed	991.0 mn/7.32%	1.0557	Raiffeisen	Approved by shareholders on 27 April 2015
Fifth	Started on 10 February 2015	Ongoing	227.6 mn/1.89%	0.8692 ¹	Wood & Co.	-
Sixth	-	Approved by shareholders on 27 April 2015	891.8 mn/7.54%	-	To be selected	-

- On 4 May 2015, the Fund signed a credit facility agreement with Citibank Europe – Bucharest Branch for up to RON 500 million to be used mainly for corporate actions (buy-backs and return of capital). The credit facility is intended to be a short term overdraft facility that expires at the end of 2015.

Program	Number of shares repurchased	Market value of shares repurchased (RON)
Fourth – Daily purchases	240,857,474	213,630,482.53
Fourth – Tender offer	749,998,142	832,497,937.62
Fifth ¹	159,055,335	138,250,332.67
Total	1,149,910,951	1,184,378,752.82

1. As at 30 June 2015.

Discount Objective - Secondary Listing on the LSE **FONDUL** PROPRIETATEA



The Fund is listed on the Specialist Fund Market of the London Stock Exchange (“LSE”) via Global Depository Receipts (“GDRs”). Bank of New York Mellon has been appointed as depository bank in relation to the GDR facility.



New local and foreign investors have been attracted via separate placements of GDRs facilitated by existing shareholders through accelerated placements and/or individual trades on the regular (open) market either at the same time or subsequent to the listing in London. No new GDRs have been issued by the Fund.

Status

The GDRs started trading on the LSE on 29 April 2015.



Discount Objective – Listing on the LSE

Fund	Symbol	Listing Currency	Total NAV (USD mn)	Premium / Discount to NAV (%)	% Listed Portfolio (approximate)	30 Days Avg. turnover (USD mn)	12m Yield
Scottish Mortgage Inv Tr Plc	SMT	GBP	5,046.73	3.2%	96.0	7.2	1.2%
Alliance Trust Plc	ATST	GBP	4,722.60	-11.2%	93.0	4.7	2.8%
Foreign & Colonial Invest Tr	FRCL	GBP	4,120.43	-8.2%	98.0	2.4	2.4%
Rit Capital Partners Plc	RCP	GBP	3,831.11	0.0%	39.0	2.8	2.1%
FONDUL PROPRIETATEA (GDRs)	FP.	USD	3,164.00	-32.6%	49.6	1.6	6.3%
Mercantile Investment Trust	MRC	GBP	2,814.07	-10.2%	89.0	2.1	2.8%
Templeton Emerging Markets-o	TEM	GBP	2,798.86	-10.7%	93.0	4.1	1.8%
Hicl Infrastructure Co Ltd	HICL	GBP	2,638.27	14.1%	101.0	3.1	4.8%
Caledonia Investments Plc	CLDN	GBP	2,440.06	-13.2%	64.0	1.4	2.3%
Witan Investment Trust Plc	WTAN	GBP	2,372.05	0.3%	96.0	2.1	2.2%
Kennedy Wilson Europe Rea	KWE	GBP	2,220.08	8.4%	0.0	1.9	2.2%
Edinburgh Investment Trust	EDIN	GBP	2,044.12	-0.6%	99.0	2.2	3.9%
3i Infrastructure Plc	3IN	GBP	1,956.50	16.7%	6.0	2.4	14.5%
City Of London Investment Tr	CTY	GBP	1,848.46	2.7%	100.0	3.2	4.2%
Murray International Tr-o	MYI	GBP	1,830.44	2.1%	86.0	2.5	5.3%

Source: Jefferies, Morningstar, Bloomberg, Company factsheets, LSE. Top 15 investment companies on LSEE by Total NAV, as per Morningstar. July 2015

Discount Objective – Discounts / Premiums for LSE and SFM Funds

	Average %	Min %	Max %
Specialist Fund Market (All)	(8.31)%	(75.17)%	27.23%
LSE (Top 15 largest)	(3.06)%	(32.55)%	16.72%

- Fondul Proprietatea's discount to NAV as at 30 June 2015 was 32.55%.

1. Jefferies, Morningstar, Bloomberg, Company factsheets, LSE.

Discount Objective – Investor Relations Activity

- New research coverage of the Fund:
 - January 2015: Value Investment Principals started covering the Fund
 - October 2014: Ipopema Securities started covering the Fund
- During the period, the Fund Manager continue to actively promote Fondul Proprietatea, through:
 - 380 Investor Meetings
 - 82 Investor Conference Calls
 - 27 Investor Conferences and Road-shows
 - 3 Analyst and Investor Days (Bucharest in November 2014, London in March 2015, and New York in March 2015)
- Investors that attended FP Investor Days in 2014 manage over EUR 900 billion
- Investors attending the Romania Day in London and Romania Investor Days in New York events in March 2015, have assets under management of over EUR 1,000 billion

Report on the NAV Objective



Highly Confidential: for the Board of Nominees only

NAV Objective

- **Objective**
 - The Adjusted NAV¹ per share as at 30 June 2015, to be higher than the NAV per share as at 30 September 2013 (RON 1.1610 / share)
- **Monthly Monitoring – 30 June 2015**
 - Adjusted NAV as at 30 June 2015 is higher than the NAV per share as at 30 September 2013

NAV Objective	Amount RON	Comments
Total NAV as at 30 June 2015	12,645,915,882	
2014 Return of capital to shareholders	601,325,852	2014 Return of capital (Liability to shareholders was recorded in June 2014 when the share capital decrease was approved and recorded; payment started in July 2014)
Costs related to the 2014 return of capital after 30 Sep 2013 , until 30 June 2015	47,617	Fee charged by the distribution bank for the 2014 return of capital
2015 Return of capital to shareholders	534,322,868	2015 Return of capital (Liability to shareholders was recorded in May 2015 when the share capital decrease was approved and recorded; payment started in June 2015)
Costs related to the 2015 return of capital until 30 June 2015	18,031	Accrual for the fees charged by Central Depository and Paying Agent for the payments performed in June 2015
Costs related to buybacks after 30 Sep 2013, until 30 June 2015	27,037,687	Fees related to: Second buyback programme after 30 Sept 2013 (including FSA and BVB fees for the Tender offer), Third buyback programme, Fourth buyback programme (including FSA and BVB fees for the Tender offer) and fifth buyback programme (before 30 June 2015).
Distribution fees	12,564,983	Accrual for FTIML distribution fees for non-dividend distributions to shareholders in the period from 20 March 2015 to 30 June 2015, based on the distribution fee of 2% applicable on the value of the buy-backs and cash distributions
Total Adjusted NAV as at 30 June 2015	13,821,232,920	
Number of Fund's paid shares, less Treasury shares as at 30 June 2015	10,670,555,366	
Adjusted NAV per share as at 30 June 2015	1.2952	
NAV per share as at 30 September 2013	1.1610	
Difference	0.1342	
%	11.6%	

Source: Fund Manager.

1. The adjusted NAV for a given date will be calculated as the sum of: the reported NAV as at the end of reporting period, any returns to shareholders, following reductions of the share capital (return of nominal) implemented after 30 September 2013, and any Distribution Fees and any transaction costs relating to non-dividend distributions including buy-backs executed after 30 September 2013. The adjusted NAV per share will be equal to the adjusted NAV divided by the total number of the Fund's paid shares, less treasury shares, on the last day of the reporting period.

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Quarterly NAV per Share Evolution

RON	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	% Change
NAV per share	1.1610	1.2436	1.1813	1.2518	1.2438	1.2125	1.1706	1.1851	2.08%
Adjusted NAV per share	1.1610	1.2446	1.1822	1.3035	1.2957	1.2701	1.2290	1.2952	11.56%

- The Adjusted NAV per Share was calculated as Adjusted NAV divided by the total number of the Fund's paid shares (less treasury shares), on the last day of Quarter.
- The Adjusted NAV for a given date was be calculated as the sum of:
 - the reported NAV as at the end of the Quarter;
 - any returns to shareholders, following reductions of the share capital (return of nominal) implemented after 30 September 2013, and
 - any Distribution Fee and any transaction costs relating to non-dividend distributions including buy-backs executed after 30 September 2013.

Source: Fund Manager.

Contributors to Change in the NAV for the period **FONDUL** 30 September 2013 – 30 June 2015 **PROPRIETATEA**

TOP PERFORMERS

Company	Status	% in Total NAV ²	% change in NAV performance	Change in NAV per share (RON) ¹
Romgaz SA ⁴	Listed	11.1%	4.75%	0.0664
Hidroelectrica SA	Unlisted	17.2%	1.19%	0.0166
ENEL Distributie Banat SA	Unlisted	5.1%	1.04%	0.0145
Electrica Furnizare SA	Unlisted	1.0%	0.85%	0.0118
GDF Suez Energy Romania SA	Unlisted	3.6%	0.77%	0.0108

BOTTOM PERFORMERS

Company	Status	% in Total NAV ²	% change in NAV performance	Change in NAV per share (RON) ¹
Complexul Energetic Oltenia SA	Unlisted	0.9%	(5.17)%	(0.0723)
OMV Petrom SA	Listed	32.1%	(5.13)%	(0.0717)
Nuclearelectrica SA ⁴	Listed	1.6%	(0.68)%	(0.0096)
E.ON Distributie Romania SA ³	Unlisted	3.5%	(0.37)%	(0.0051)
Electrica Distributie Muntenia Nord SA	Unlisted	1.9%	(0.28)%	(0.0040)

TOTAL NAV VARIANCE

0.0241

1. Calculated based on the number of shares, excluding treasury shares as at 30 June 2015
2. NAV report as at 30 June 2015
3. E.ON Distributie Romania resulted from the merger of E.ON Gaz Distributie SA (the absorbing company, whose name was changed) and E.ON Moldova Distributie SA (the absorbed company). The merger was effective as at 31 December 2014
4. Romgaz SA and Nuclearelectrica SA were listed on the BVB in November 2013



NAV Objective – Fondul Proprietatea Equity Transactions

Completed Transactions

Company	Transaction	Seller	Offering Stake	Market Value (EUR mn)	Investment Consortium Selected	Comments
Transgaz	ABO	FP	15.00%	67.8	Citigroup Global Markets, Raiffeisen Bank, and Wood & Co.	Completed in December 2013
Romgaz	ABO	FP	4.99%	146.4	Goldman Sachs and Erste-BCR	Completed in June 2014
Transelectrica	ABO	FP	13.00%	48.4	Raiffeisen Bank, UniCredit, SSIF Broker	Completed in July 2014
Conpet	ABO	FP	23.60%	22.5	Wood & Co and BRD-Groupe Societe Generale	Completed in November 2014
Total				285.1		

NAV Objective – Discount on Accelerated Bookbuild Offerings

Company	Pricing Announcement	Reference Price Pre ABO Announcement (RON/share)	Reference Price Based on the Latest NAV	Placement Price (RON/share)	Discount / Premium vs Reference Price ¹	Discount / Premium vs Latest NAV	Placement Value (RON mn)	Placement Value vs. Average Daily Trading Value (30 day pre-ABO)
Transgaz	12 Dec 2013	190.4	182.5	172.0	(9.7)%	(5.9)%	303.5	203.7x
Romgaz	17 Jun 2014	35.6	35.9	33.5	(5.9)%	(6.7)%	644.6	191.3x
Transelectrica	9 Jul 2014	23.38	18.99	21.50	(8.0)%	13.2%	212.7	281.5x
Conpet	13 November 2014	53.00	49.65	48.75	(8.0)%	(1.8)%	99.8	6,616x
Weighted Average Discount / Total Value					(7.3)%	(2.8)%	1,260.6	

- Accelerated Bookbuild Offerings (ABOs) are a form of offering in the equity capital markets, which involve offering shares in a short time period (one or two days), with limited to no marketing.

1. The Reference Price is the last closing price prior to the ABO announcement

NAV Objective – Full List of Disposals (I)

Company	Listed / Unlisted	Disposal type	Stake sold (%)	Proceeds on disposals (EUR) ¹	Gain / Loss on Disposal (EUR) ²	Date
Ciocarla SA	Unlisted	Total disposal	1.69%	46,159	(38,086)	Nov-13
Telerom Proiect SA	Listed	Total disposal	68.63%	1,505	1,505	Dec-13
Celuloza si Otel	Unlisted	Total disposal	8.63%	147,568	(97,273)	Dec-13
Transgaz SA	Listed	Total disposal	14.99%	67,677,802	(4,111,820)	Dec-13
Raiffeisen Bank International AG	Listed	Total disposal	0.44%	20,306,633	(2,109,965)	Dec 2013 – Mar 2014
Oil Terminal SA	Listed	Partial disposal	2.13%	328,450	17,376	Jan - Aug 2014
Resib SA	Listed	Total disposal	2.88%	4,027	4,027	Feb-Mar 2014
Turdapan SA	Listed	Total disposal	44.07%	111,123	87,655	Feb-14
Erste Group Bank AG	Listed	Total disposal	0.10%	9,565,926	(742,723)	Mar-14
Romgaz SA ³	Listed	Partial disposal	4.99%	146,618,277	(10,852,363)	Jun-14
Primcom SA	Listed	Partial disposal	6.51%	921,767	660,599	Jun-14
Transelectrica SA	Listed	Total disposal	13.50%	48,145,890	5,620,753	Jul-14

Source: Fund Manager.

Note: During the period 1 October 2013 - 30 June 2015, 2 companies, which were previously in bankruptcy, were deleted from the Trade Register: Carbid Fox (October 2014) and Fecne SA (June 2015)

1. The conversion in EUR at the NBR exchange rate of the end of the month when disposal took place.

2. Gain calculated based on the last NAV published before disposal.

3. Romgaz SA was listed on BVB in November 2013 .

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NAV Objective – Full List of Disposals (II)

Company	Listed / Unlisted	Disposal type	Stake sold (%)	Proceeds on disposals (EUR) ¹	Gain / Loss on Disposal (EUR) ²	Date
Transilvania Com SA	Listed	Total disposal	40.00%	442,905	75,126	Jul-14
Severnav SA	Listed	Total disposal	39.11%	446,925	(245,809)	Sep-14
Conpet SA	Listed	Partial disposal	23.65%	22,554,271	(1,457,353)	Nov-14
Forsev SA	Listed	Total disposal	28.14%	80,435	(1,303,776)	Apr-15
Comcereal Cluj SA (SIFI CJ AGRO SA)	Unlisted	Total disposal	11.36%	139,653	0	Apr-15
Electroconstructia Elco Cluj SA	Unlisted	Total disposal	7.62%	150,685	0	Jun-15
TOTAL				317,690,000	(14,492,126)	

Source: Fund Manager.

Note: During the period 1 October 2013 - 30 June 2015, 2 companies, which were previously in bankruptcy, were deleted from the Trade Register: Carbid Fox (October 2014) and Fecne SA (June 2015)

1. The conversion in EUR at the NBR exchange rate of the end of the month when disposal took place.
2. Gain calculated based on the last NAV published before disposal.

NAV Objective – Changes in the Valuations of Portfolio Companies(I)

Portfolio company	Listed / Unlisted 30 Jun 2015	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 Sep 2013	Comments on disposals & participation in share capital increase
OMV Petrom SA	Listed	4,054,934,501.30	4,819,874,387.33	Announced in March 2014 that we are reviewing options to reduce the Fund's stake in the Company from 19% to below 15%
Hidroelectrica SA	Unlisted	2,178,093,960.01	2,000,999,129.78	
Romgaz SA ¹ (previously unlisted)	Listed	1,402,963,744.00	1,337,646,160.01	Partially disposed [19,243,000 shares] in June 2014
ENEL Distributie Banat SA	Unlisted	640,490,827.98	485,804,382.17	
ENEL Distributie Muntenia SA	Unlisted	465,768,832.67	434,210,122.12	
GDF Suez Energy Romania SA	Unlisted	461,320,800.50	346,188,304.94	Participation in share capital increase (8,835 shares, RON 88,350) in April 2015
E.ON Distributie Romania SA ²	Unlisted	445,916,727.31	-	
ENEL Distributie Dobrogea SA	Unlisted	396,894,780.04	324,204,796.33	
CN Aeroporturi Bucuresti SA	Unlisted	332,285,905.54	271,999,942.69	
BRD Groupe Societe Generale SA	Listed	273,676,775.68	228,487,104.00	
Electrica Distributie Muntenia Nord SA	Unlisted	235,599,682.85	277,883,746.97	
Electrica Distributie Transilvania Sud SA	Unlisted	206,499,494.38	212,691,876.90	

Source: Fund Manager.

1. Romgaz SA was listed on BVB in November 2013.

2. E.ON Distributie Romania resulted from the merger of E.ON Gaz Distributie SA (the absorbing company, whose name was changed) and E.ON Moldova Distributie SA (the absorbed company); the merger was effective as at 31 December 2014.

NAV Objective – Changes in the Valuations of Portfolio Companies(II)

Portfolio company	Listed / Unlisted 30 Jun 2015	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 Sep 2013	Comments on disposals & participation in share capital increase
Nuclearelectrica SA ¹ (previously unlisted)	Listed	205,014,689.88	276,373,686.40	
Nuclearelectrica SA - Allotment rights ²		-	30,600,180.80	
Electrica Distributie Transilvania Nord SA	Unlisted	201,599,594.03	200,674,180.82	
Banca Transilvania SA	Listed	159,825,139.21	92,877,819.27	
Societatea Nationala a Sarii SA	Unlisted	142,881,925.56	106,349,362.03	
E.ON Energie Romania SA	Unlisted	133,899,605.89	65,130,525.59	
CN Administratia Porturilor Maritime SA	Unlisted	132,593,826.03	66,404,813.31	
Electrica Furnizare SA	Unlisted	126,367,968.02	-	
Complexul Energetic Oltenia SA	Unlisted	108,472,675.16	879,999,320.35	
Alro SA	Listed	87,461,656.80	109,327,071.00	
ENEL Energie SA	Unlisted	74,376,960.00	54,293,064.00	
Enel Energie Mutenia SA	Unlisted	65,143,965.15	45,871,977.15	

Source: Fund Manager.

1. Nuclearelectrica SA was listed on BVB in November 2013.

2. 2,732,159 allotment rights received by Fondul Proprietatea following exercising the pre-emption right in the share capital increase of Nuclearelectrica SA

NAV Objective – Changes in the Valuations of Portfolio Companies(III)

Portfolio company	Listed / Unlisted 30 Jun 2015	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 Sep 2013	Comments on disposals & participation in share capital increase
Posta Romana SA	Unlisted	55,894,725.60	80,821,595.97	
Zirom SA	Unlisted	39,337,980.60	47,359,210.00	
Conpet SA	Listed	36,600,746.80	113,144,284.00	Partially disposed in November 2014 (2,047,095 shares)
Romaero SA	Listed	17,707,828.50	19,675,365.00	
CN Administratia Canalelor Navigabile SA	Unlisted	16,474,345.98	16,218,526.91	
Primcom SA	Listed	14,129,161.20	15,635,429.81	Partially disposed in June 2014 (134,793 shares), and proceeds from share capital decrease in January 2014
Alcom SA	Listed	10,409,423.24	4,551,699.00	
Aeroportul International Timisoara - Traian Vuia SA	Unlisted	3,934,913.67	6,210,687.79	
Oil Terminal SA	Listed	3,182,856.25	6,398,148.38	Partially disposed in January - August 2014(12,420,500 shares)
CN Administratia Porturilor Dunarii Fluviale SA	Unlisted	2,946,503.52	3,540,556.74	
Aeroportul International Mihail Kogalniceanu - Constanta SA	Unlisted	2,279,998.92	4,706,730.94	
Plafar SA	Unlisted	1,833,999.33	4,789,332.98	

Source: Fund Manager

NAV Objective – Changes in the Valuations of Portfolio Companies(IV)

Portfolio company	Listed / Unlisted 30 Jun 2015	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 Sep 2013	Comments on disposals & participation in share capital increase
Comsig SA	Unlisted	1,720,901.59	1,629,011.03	
Palace SA	Listed	1,458,120.50	2,032,036.73	
CN Administratia Porturilor Dunarii Maritime SA	Unlisted	1,158,329.32	-	
IOR SA	Listed	550,677.33	865,350.09	
Cetatea SA	Unlisted	336,886.39	384,916.80	
Mecon SA	Listed	240,216.00	144,730.14	
Transelectrica SA	Listed	-	135,762,308.64	Entirely disposed in July 2014
Erste Group BANK AG	Listed	-	41,367,476.67	Entirely disposed in March 2014
Turdapan SA	Listed	-	105,591.76	Entirely disposed in February 2014
Transilvania Com SA	Listed	-	1,656,437.60	Entirely disposed in July 2014
Electroconstructia Elco Cluj SA	Unlisted	-	545,882.03	Entirely disposed in June 2015
Resib SA	Listed	-	-	Entirely disposed in February and March 2014

Source: Fund Manager.

NAV Objective – Changes in the Valuations of Portfolio Companies(V)

Portfolio company	Listed / Unlisted 30 Jun 2015	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 Sep 2013	Comments on disposals & participation in share capital increase
Telerom Proiect SA	Listed	-	-	Entirely disposed in December 2013
Romplumb SA	Listed	-	-	
Carbid Fox SA	Unlisted	-	-	Deleted from the Trade Register in October 2014
BAT Service SA	Unlisted	-	-	
World Trade Center Bucuresti SA	Unlisted	-	-	
Simtex SA	Unlisted	-	-	
Petrotel - Lukoil SA	Unlisted	-	-	
Gerovital Cosmetics SA	Unlisted	-	-	
FECNE SA	Unlisted	-	-	Deleted from the Trade Register in June 2015
World Trade Hotel SA	Unlisted	-	14,929.65	
Ciocarlia SA	Unlisted	-	374,148.47	Entirely disposed in November 2013
Severnav SA	Listed	-	2,188,438.26	Entirely disposed in September 2014
Comcereal Cluj SA (SIFI CJ AGRO SA)	Listed	-	1,027,409.33	Entirely disposed in April 2015
Celuloza si Otel SA (fost Remat Timis)	Unlisted	-	1,098,041.07	Entirely disposed in December 2013

Source: Fund Manager.

NAV Objective – Changes in the Valuations of Portfolio Companies(VI)

Portfolio company	Listed / Unlisted 30 Jun 2015	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 Sep 2013	Comments on disposals & participation in share capital increase
Raiffeisen BANK International AG	Listed	-	92,097,059.78	Entirely disposed in December 2013 - March 2014
Forsev SA	Listed	-	7,237,510.40	Entirely disposed in April 2015
Salubriserv SA	Unlisted	-	10,756,721.96	
Transgaz SA	Listed	-	329,807,478.00	Entirely disposed in December 2013
E.ON Gaz Distributie SA ¹	Unlisted	-	176,676,126.81	E.ON Moldova Distributie SA (as absorbed company) merged with E.ON Gaz Distributie SA (as absorbing company) resulting E.ON Distributie Romania; the merger was effective as at 31 December 2014.
E.ON Moldova Distributie SA ¹	Unlisted	-	324,000,051.12	E.ON Moldova Distributie SA (as absorbed company) merged with E.ON Gaz Distributie SA (as absorbing company) resulting E.ON Distributie Romania; the merger was effective as at 31 December 2014.
TOTAL		12,742,281,652.73	14,120,715,177.82	

Source: Fund Manager.

1. E.ON Distributie Romania resulted from the merger of E.ON Gaz Distributie SA (the absorbing company, whose name was changed) and E.ON Moldova Distributie SA (the absorbed company); the merger was effective as at 31 December 2014.

Actions to Protect and Increase Value of the Portfolio Companies

OMV Petrom

- Encouraged management to improve investor relations efforts by first introducing analyst and investor conference calls following the release of financial results, and then increasing their frequency from semi-annual to quarterly, as well as by participating to more investor events and management road-shows
- Continued to monitor and contribute as needed to the company's efforts to negotiate a fair and balanced taxation system for the oil and gas sector starting 2016 and to resume the liberalization process for natural gas prices

Hidroelectrica

- Supported the judicial administrator in the measures taken in order to maximize returns and decrease costs
- Following the Fund's complaint at the European Commission on alleged state aid given by Hidroelectrica to Termoelectrica and Electrocentrale Deva, the European Commission ruled in favor of the complaint and requested that the aid to be recovered
- Contested in Court the participation of Hidroelectrica to Tarnita Lapustesti and Submarine Cable projects
- Contested in Court the Government Decision 138/2013 that granted guaranteed access to the national grid for CE Hunedoara and CE Oltenia at the expense of other market participants, including Hidroelectrica.

Actions to Protect and Increase Value of the Portfolio Companies

Romgaz

- Through Board representation and in collaboration with the other significant minority shareholders, including EBRD and private pension funds, we have pushed for improvements in the company's corporate governance standards and investor relations efforts
- In several discussions with the executive management, we have stressed the risks in supplying gas to district heating companies, which are in financial difficulties and are also supplied at household prices
- Discussed with the 2 previous Ministers of Energy the importance of introducing variable remuneration packages for the Board and Management with payouts linked to the performance of the company's stock price through shadow options

E.ON Companies

- Engaged with E.ON's top management to protect the Fund's interest during the proposed merger of the electricity and gas distribution businesses. The Fund is currently challenging in Court the merger of the gas and power distributors.
- Engaged with E.ON group on several corporate governance issues, such as: the Fund's representation on the Board of E.ON companies, the implementation of a dividend policy, and the related party transactions, especially in relation with the parent holding company.
- On the last issue, in 2015, the Fund requested during the annual GSMs of E.ON Energie Romania and E.ON Distributie Romania the initiation of court actions against the Board members and managers of E.ON companies in which the Fund is a shareholder, to recover the damages caused to the Companies by approving, concluding, and performing services agreements related to management consultancy with the majority shareholder



Actions to Protect and Increase Value of the Portfolio Companies

ENEL Companies	<ul style="list-style-type: none">• We have constantly requested that Enel Energie, Enel Distributie Banat, and Enel Distributie Dobrogea resume paying dividend to shareholders. In 2015, shareholders of the 3 companies approved the first dividend payment after several years without a dividend
Electrica Companies	<ul style="list-style-type: none">• Challenged in Court the strategy to approve the consultancy and management/representation contracts between Electrica as majority shareholder and the subsidiaries in which the Fund is invested• The consultancy and management/representation contracts have been stopped in March 2014• Worked with the subsidiaries to increase performance of the companies in order to ensure that the companies earn at least the regulated profits. As a result, profitability increase 200-300% since 2010• Requested in Court that the CEO who signed bad contracts for the company (Oltchim) be held liable• Asked that experts be appointed for benchmarking the IT contracts signed by the companies against market prices
BRD	<ul style="list-style-type: none">• Encouraged management to improve investor relations efforts and to actively participate in investor events and management road-shows• In 2015, the candidate recommended by the Fund for the position of independent non-executive Director was accepted by Societe-Generale, and subsequently approved in the GSM

Actions to Protect and Increase Value of the Portfolio Companies

Bucharest Airports

- Through Board representation during April 2013 – May 2014, we have contributed to the drafting and implementation of several initiatives aimed to improve the company's financial results:
 - ✓ a new incentive scheme for new or existing airlines which open new routes from Bucharest which resulted in 3 new airlines and more then 10 new routes starting operations, leading to strong acceleration in passenger traffic numbers;
 - ✓ encouraged the termination or renegotiation of contracts with suppliers which lead to significant cost reductions.
- Cancelled in first court the GSM decisions which dismissed the Board and suspended the general manager which had previously been selected based on procedures from Government Ordinance 109/2011 regarding corporate governance in state owned entities
- Discussed on several occasions with the Minister of Transports the importance of selecting a new Board by following the procedures from GO 109/2011, and selection was finalized in April 2015.
- During the period when the company was managed by and interim board and general manager we have monitored their actions and met them several times in order to prevent any value destructive decisions. As a result, 2014 revenues and net profits were at record high for this company, with encouraging prospects for 2015, when passenger traffic increased by more then 15% in the first quarter, following an increase of 8.3% in 2014.



Actions to Protect and Increase Value of the Portfolio Companies

- Through Board representation, we have contributed to the drafting and implementation of several initiatives aimed to improve the company's financial results:
- ✓ cost reduction measures on non-personnel expenses through renegotiations of several contracts,
- ✓ improvements in the public procurement process by ensuring increased competition amongst bidders, prioritization of maintenance expenses.

Constanta Port

- We continue to work closely with the executive management in order to bring levels of rent paid by operators for land they occupy at market rates.
- Several other tariffs which had not been revised for many years have been or are in the process of being updated; a more conservative credit risk monitoring policy has been introduced.
- As a result, profitability in 2014 was more than double 2012 levels, while several of the above measures will have full impact in 2015, when we expect another strong increase in profitability.

CE Oltenia

- Started litigations against the members of the Directorate for continuing to supply coal to clients (SOEs) with overdue payments



Actions to Protect and Increase Value of the Portfolio Companies

Salrom

- Managed to increase the dividend payout ratio for FY 2014 from 50% (minimum legal requirement) to 85%, despite initial resistance of the newly appointed CEO and board; the company is debt free and with a cash/market capitalization of 30%, placed in bank deposits at negative real interest rates
- Through our board members activism, we supported the management to implement cost cutting measures and renegotiate contracts with key clients. As a result, the company achieved an increase of 900% for the operating profit (from RON 5.2mn in 2011 to RON 48.8mn in 2013 which was the record high for the company).
- Encouraged and helped the management to start participating at institutional investors events and have attended three of them: Analyst and Investor Days in Mamaia, Romania (June 2014), Analyst and Investor Days in Bucharest, Romania (November 2014) and Romania Days in New York (March 2015).

Posta Romana

- Following our recommendations, the performance objectives of the new Board of Directors and General Manager include the successful privatization of the company either to a strategic investor or an IPO, growing operating revenues, positive and increasing EBITDA and net income after 6 years of declining revenues and net losses.
- Through Board representation we have contributed to the drafting and implementation of several initiatives aimed to improve the company's financial results: setting up insurance brokerage and banking activities, a complete rethinking of the pricing policy on non-regulated services, prioritization of investments, restructuring of the workforce which resulted in a reduction of close to 7,000 in number of employees, cost reduction measures on non-personnel expenses. As a result, 2014 was the first year with growing operating revenues and positive bottom line since 2009.



Actions to Protect and Increase Value of the Portfolio Companies

Primcom

- Created value for shareholders at Primcom SA, a company controlled by the Fund, through the following actions: (1) in January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1; Fondul received RON 3.7mn. (2) in June 2014, the Fund sold part of its holding in Primcom SA in a buyback program carried out by this company; the proceeds received by Fondul were approx. RON 4mn. The return of capital to shareholders through share buyback programs will continue for the next years.

Conpet:

- Convinced the controlling shareholder, the Ministry of Energy, to approve the transfer of the company from the Rasdaq market to the main market, which took place in September 2013
- Encouraged the Ministry of Energy to finalize the selection process of the new Board based on the provisions of OUG 109. Though the cumulative voting, the Fund also appointed two independent non-executive Directors on the Board
- Provided to the Board and the majority shareholder feedback on the content of the administration and the performance criteria of the Directors.
- Requested and supported in the GSM the distribution to shareholders of a special dividend from the company's retained earnings.
- Successfully reduced our stake in the company by placing shares worth approx. USD 28mil in an ABB (at that time, daily trading value of Conpet was only a few hundred USD per day)



Actions to Protect and Increase Value of the Portfolio Companies

General Actions

- Commissioned the first Energy Strategy and Outlook report with AT Kearney, regarding the energy sector in Romania
- Worked with the management and Boards of several portfolio companies in drafting the notes for the financial statements and preparing the information for the Boards' annual report. Without such involvement, companies could have risked not being able to pay dividends or having financial audit reports with numerous qualifications
- Continued to push for implementation of the Corporate Governance Code (OUG 109) to ensure improvements in the quality of the Boards and management teams
- Initiated a number of litigations against ANRE decisions:
 - ✓ Annulment of ANRE decisions 3312/2012 and 3905/2013 regarding the price on the regulated market for Hidroelectrica in 2013 and 2014
 - ✓ Annulment of ANRE decision 112/2014 regarding the methodology for distribution tariffs
 - ✓ Annulment of ANRE decision 146/2014 for modifying the regulated rate of return

Top 20 Portfolio Holdings – Key Financials

Top 20 Holdings ¹	EBITDA (RON mn)			Net Profit (RON mn)		
	2012	2013	2014	2012	2013	2014
OMV Petrom SA ²	8,270.2	9,313.0	8,145.0	3,946.1	4,820.9	2,100.0
Hidroelectrica SA	707.3	2,008.3	2,172.2	(508.0)	718.8	941.5
Romgaz SA	2,126.6	1,972.5	2,511.0	1,244.1	995.6	1,434.4
ENEL Distributie Banat SA	292.4	335.1	323.2 ⁹	167.2	190.7	172.2 ⁹
ENEL Distributie Muntenia SA	357.9	424.0	439.9 ⁹	206.3	267.2	240.8 ⁹
GDF Suez Energy Romania SA ²	582.6	730.5	838.8	360.1	447.1	439.4
E.ON Distributie Romania SA ⁶	413.0	471.1	495.0 ¹⁰	144.3	154.8	151.0
ENEL Distributie Dobrogea SA	189.7	248.2	239.0 ⁹	94.5	133.5	87.7 ⁹
CN Aeroporturi Bucuresti SA	205.0	238.4	267.3	53.1	72.0	110.2
Electrica Distributie Muntenia Nord SA	165.6	146.8	271.7	87.2	126.5	140.3
BRD Groupe Societe Generale SA ²	0.0	0.0	0.0	(290.6)	(384.3)	63.1
Electrica Distributie Transilvania Sud SA	156.4	211.9	242.2	45.8	69.4	100.1
Electrica Distributie Transilvania Nord SA	161.6	205.5	255.4	53.1	63.7	95.3
Nuclearelectrica SA	549.1	892.5	605.7	34.5	426.9	137.1
Banca Transilvania SA	0.0	0.0	0.0	346.5	408.6	448.1
SN a Sarii Salrom SA	41.1	65.4	63.7	20.8	42.8	39.1
E.ON Energie Romania SA	(13.2)	228.8	153.0 ¹⁰	(32.6)	224.5	134.0
CN Administratia Porturilor Maritime SA	80.8	110.3	123.4	35.6	65.0	70.3
Electrica Furnizare SA ⁷	108.2	107.2	230.5	90.5	101.5	204.7
Complexul Energetic Oltenia SA	409.9 ⁴	543.0	203.6	191.2 ⁴	4.6	(693.6)
TOTAL	14,804.3	18,252.6	17,580.9	6,289.8	8,949.8	6,416.0
WEIGHTED TOTAL	2,576.7	3,216.0	3,056.7	1,058.4	1,548.9	962.9
WEIGHTED TOTAL LISTED COMPANIES⁵	1,836.6	2,052.6	1,931.1	876.5	1,054.4	599.2
WEIGHTED TOTAL UNLISTED COMPANIES⁵	740.1	1,163.3	1,125.6	181.9	494.5	363.7

Note: EBITDA is calculated as Operational result + Depreciation. Source: Companies' financial statements, Judicial Administrator's reports.

1. Based on the 31 March 2015 Detailed Statement of Investments.

2. Consolidated IFRS financial statements.

3. The company was registered in May 2012 and created through the merger of CE Craiova SA, CE Rovinari SA, CE Turceni SA and SNLO. Combined IFRS financial statements of the merged companies. Preliminary figures for the period 31 May – 31 December 2012.

5. Weighted for the Fund's stake in the companies.

6. The company was registered starting with 31 December 2014 and created through the merger of E.ON Gaz Distributie SA and E.ON Moldova Distributie SA. Combined financials of the merged companies.

7. The company was registered in July 2010 and created through the merger of Electrica Furnizare Muntenia Nord, Electrica Furnizare Transilvania Nord and Electrica Furnizare Transilvania Sud.

8. Preliminary 2014 figures, pending shareholders' approval during Annual GSMs. Source: 2015 budgets, 2014 Preliminary financial statements – Annual GSMs materials, companies presentations.

9. Source: 2014 financial statements approved by shareholders.

10. Company calculations.



FRANKLIN TEMPLETON
INVESTMENTS

Summary of the Regulatory Issues Affecting the Performance during the Reporting Period



Summary of Regulatory Changes and Issues

Regulatory issues
affecting the
Performance during the
reporting period

- FSA interpretation on the computation of Net Asset Value for the Fund led to inability to distribute dividends to the Fund's shareholders
- FSA not approving the DI regulation required to complete the Fund's listing in London in December 2014
- Significant work undertaken to list the Fund on the London Stock Exchange via GDRs
- Implementation of IFRS and requirement from the FSA to change back to Romanian Accounting Standards (ROGAAP)
- FSA including the Fund under the new AIFMD legislation
- Delays in implementation of Corporate Governance Legislation (OUG 109/2011)
- Delays in the IPO calendar of the SOEs
- Hidroelectrica re-entering the insolvency procedure
- Introduction of the infrastructure tax of 1.5% (estimated impact on the Fund portfolio companies in 2014: around RON 1.0 billion; for some portfolio companies, the infrastructure tax paid is a direct impact on the companies' P&L)
- Delays in the gas liberalization for households
- Reduction of the regulated rate of return of the electricity distribution companies from 8.5% to 7.7% of the Regulated Asset Base
- Delays in publication of the new law on taxation of the oil and gas sector

Impact of the Infrastructure Tax on Selected Portfolio Companies in 2014

Company	RON mn
OMV Petrom SA	400.0
Hidroelectrica SA	150.1
Romgaz SA	91.6
Nuclearelectrica SA	89.4
GDF Companies	53.8
ENEL Companies	44.5
CE Oltenia SA	33.9
E.ON Gaz Distributie SA	22.0
E.ON Moldova Distribute SA	18.0
Electrica Distributie Muntenia Nord SA	16.4
Electrica Distribute Transilvania Sud SA	15.9
Electrica Distributie Transilvania Nord SA	15.3
Conpet SA	2.6
Salrom SA	0.7
TOTAL	954.2

Source: Companies.

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Summary of the Market Conditions Affecting the Performance during the Reporting Period



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Summary of Market Conditions

Market Conditions Affecting the Performance during the Reporting Period

- **General Risks**
- **Oil Prices**
- **Gas Prices**
- **Electricity Prices**
- **Market Sentiment due to events in Greece and Ukraine**
- **Performance of the BVB**

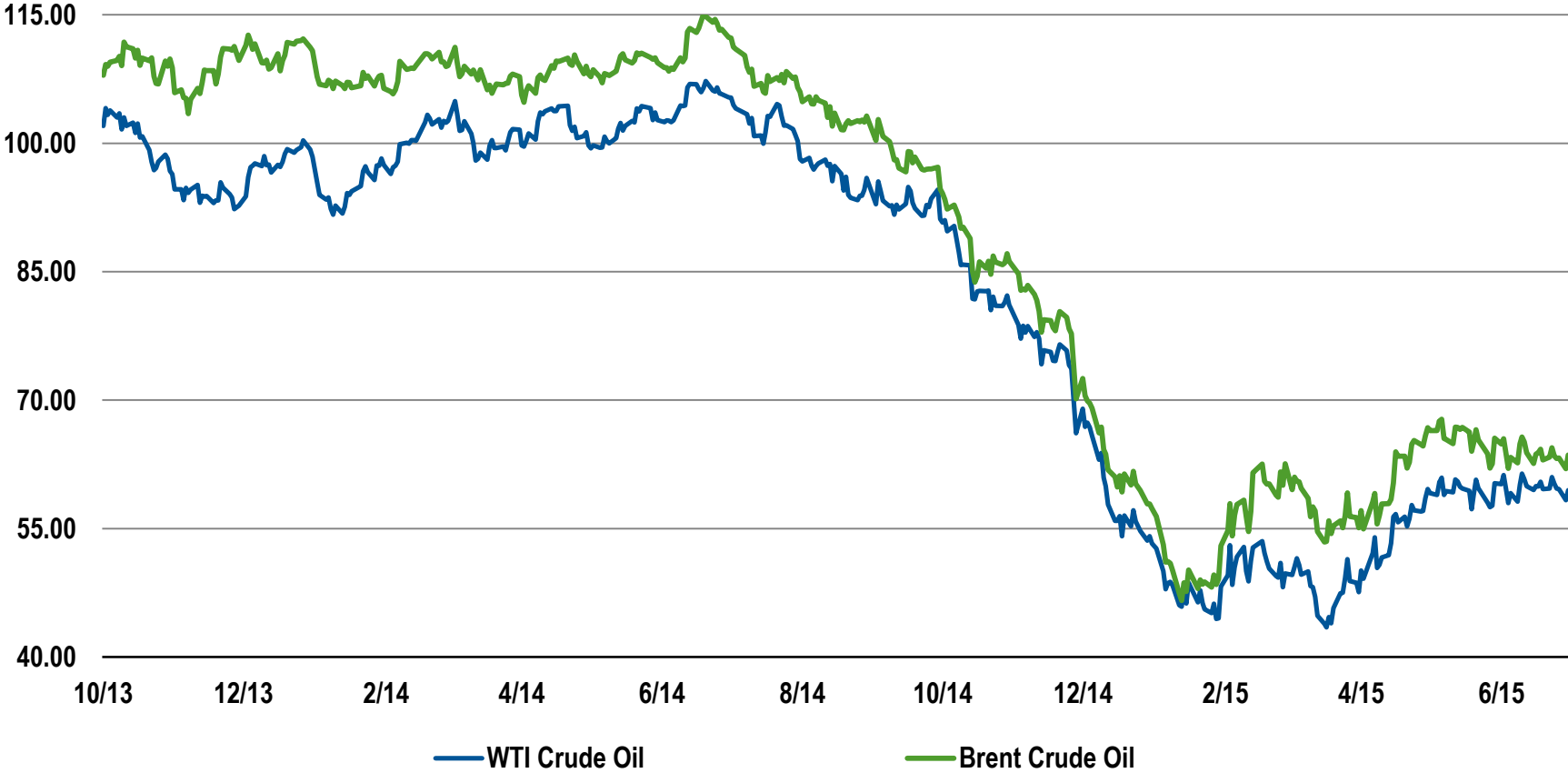
- The Fund's investments are concentrated in a limited number of industry sectors
- Risks related to the oil, gas industry and electricity sectors
- Risks related to poor performance of smaller and/or poorly managed companies in the Fund's portfolio
- Potential difficulties in implementing the Fund's strategy related to the companies in the Fund's portfolio
- Risks related to the liquidity of investments held by the Fund
- Risks related to holdings in majority State-owned companies
- There are certain risks associated with an investment in developing markets, including Romania, which may be greater than risks inherent in more developed markets
- Political instability in Ukraine could materially and adversely affect Romania
- Risks relating to global events
- The Romanian judicial system and Romanian legislation continue to develop and this may create an uncertain environment for investment and for business activity

Market Conditions Affecting the Performance during the Reporting Period



FRANKLIN TEMPLETON
INVESTMENTS

Oil Prices

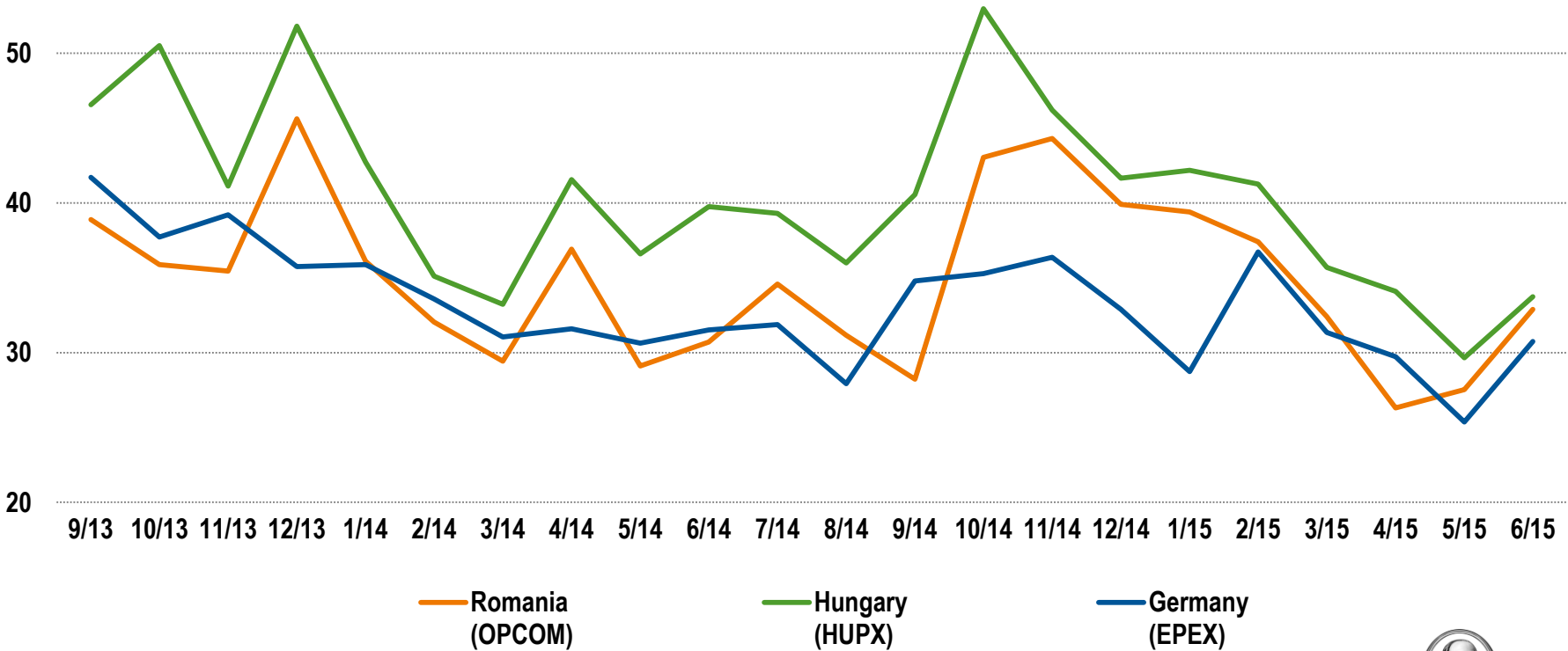


Source: Bloomberg, for the period 1 October 2013 – 30 June 2015.



Electricity Prices

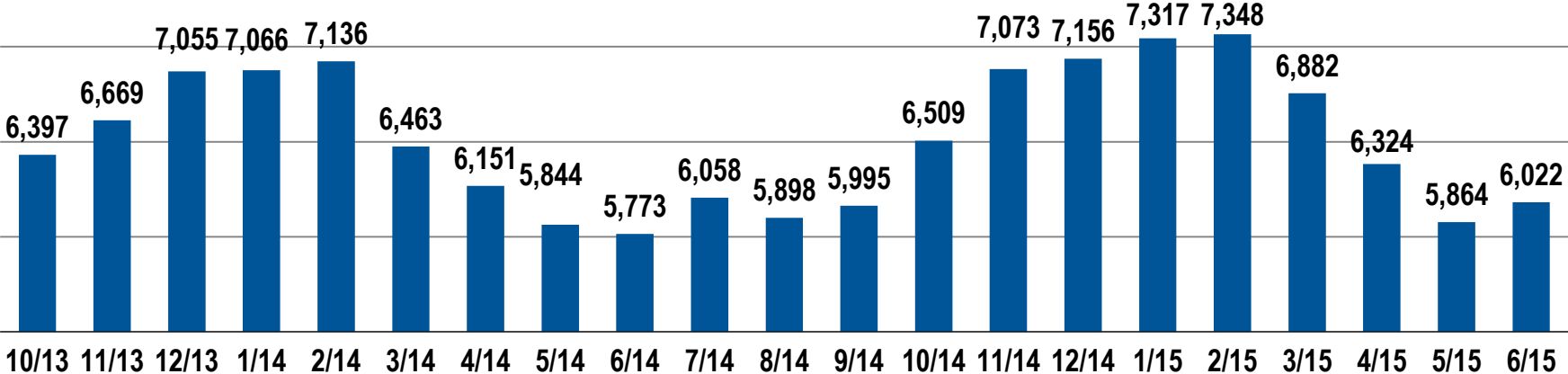
Electricity prices (EUR/MWh)



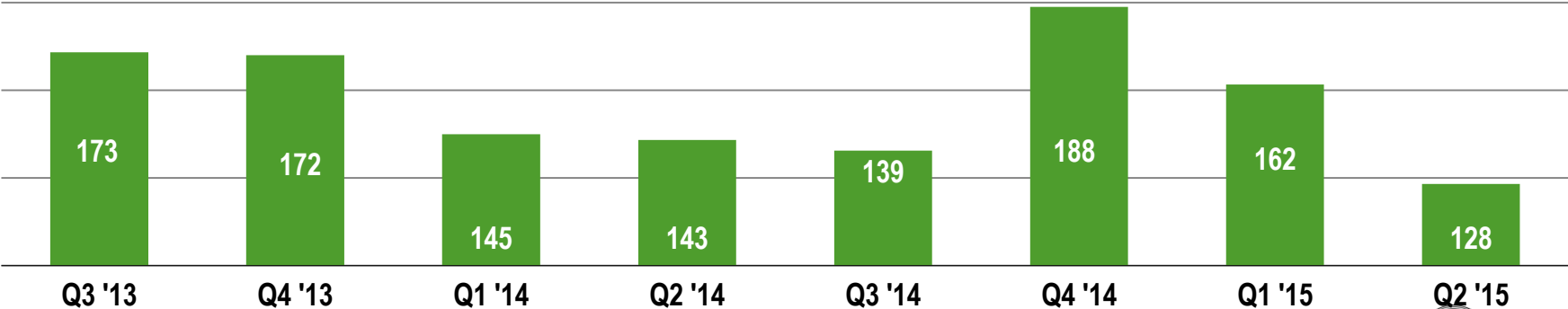
Source: Hidroelectrica, Bloomberg.
Note: Base load prices.



Consumption (average hourly values)



Day Ahead Market Prices (RON/MWh)

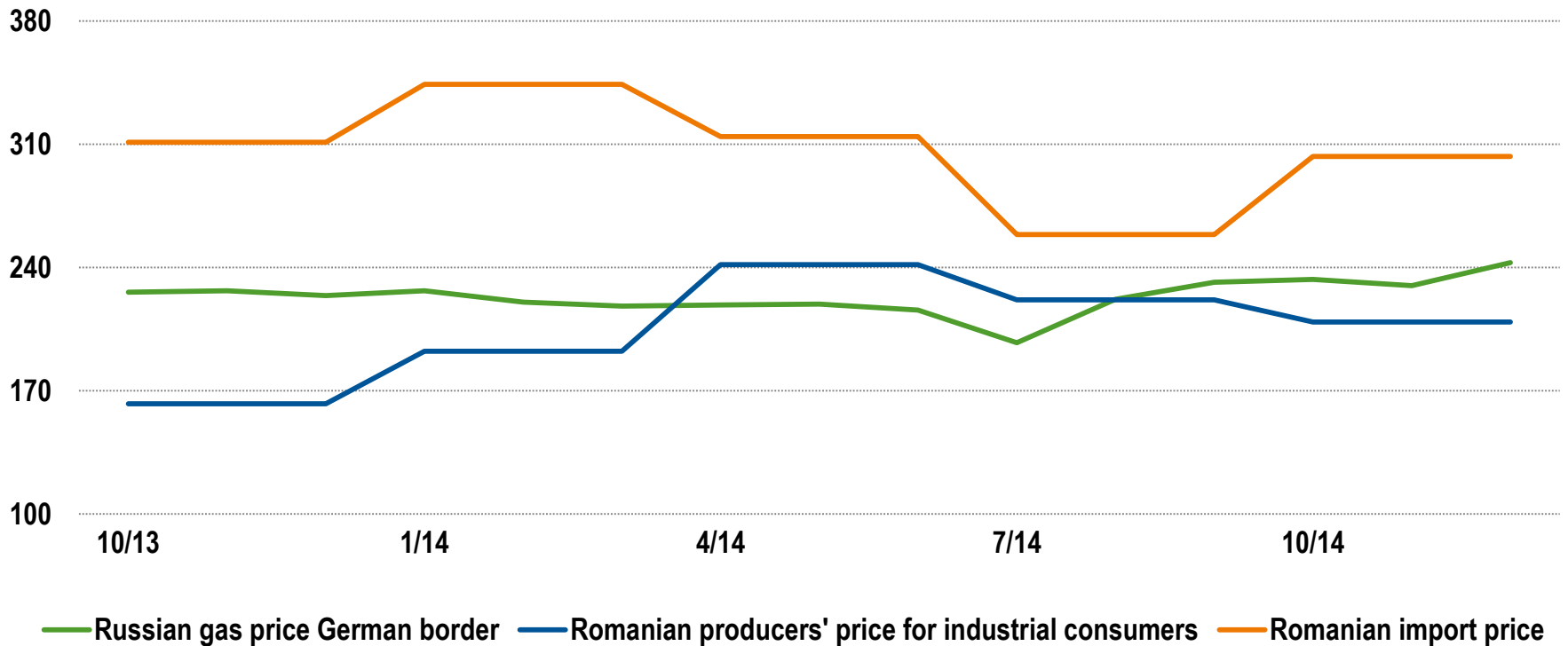


Source: Hidroelectrica.



Gas Prices

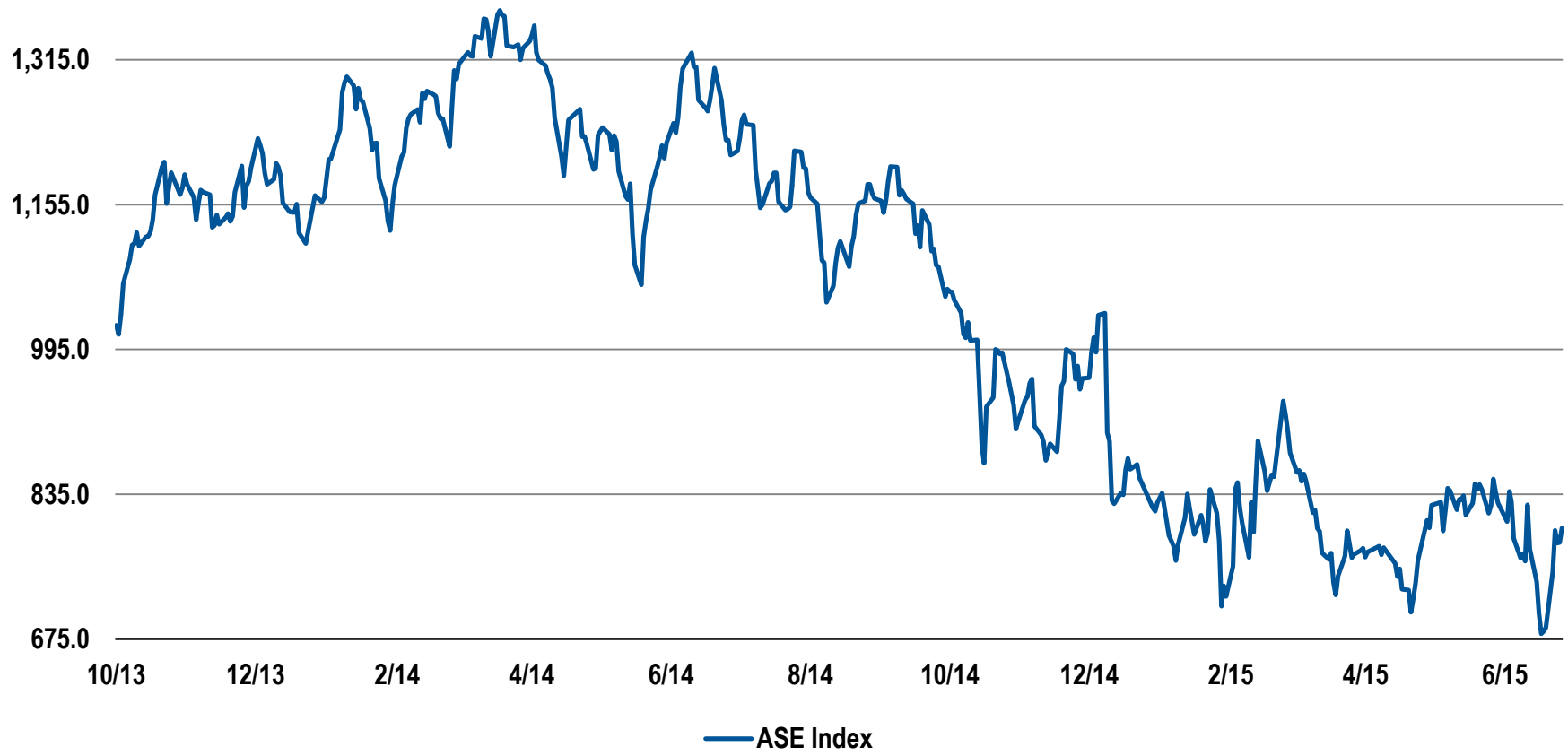
Gas prices (EUR/cm)



Source: Wood & Co, Bloomberg for the period 1 October 2013 – 30 June 2015.

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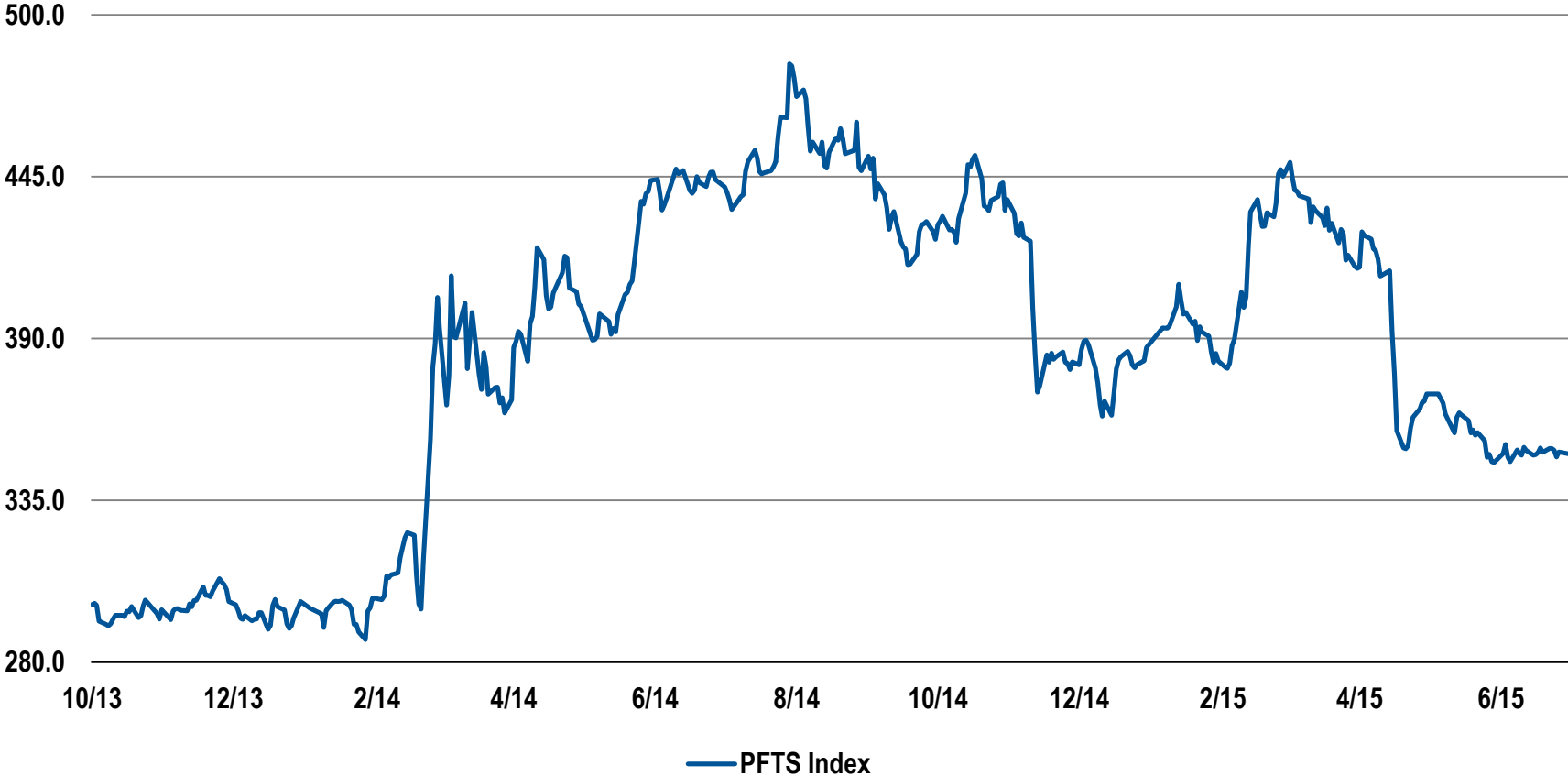
Greece – Athens Stock Exchange Composite



Source: Bloomberg, for the period 1 October 2013 – 30 June 2015.



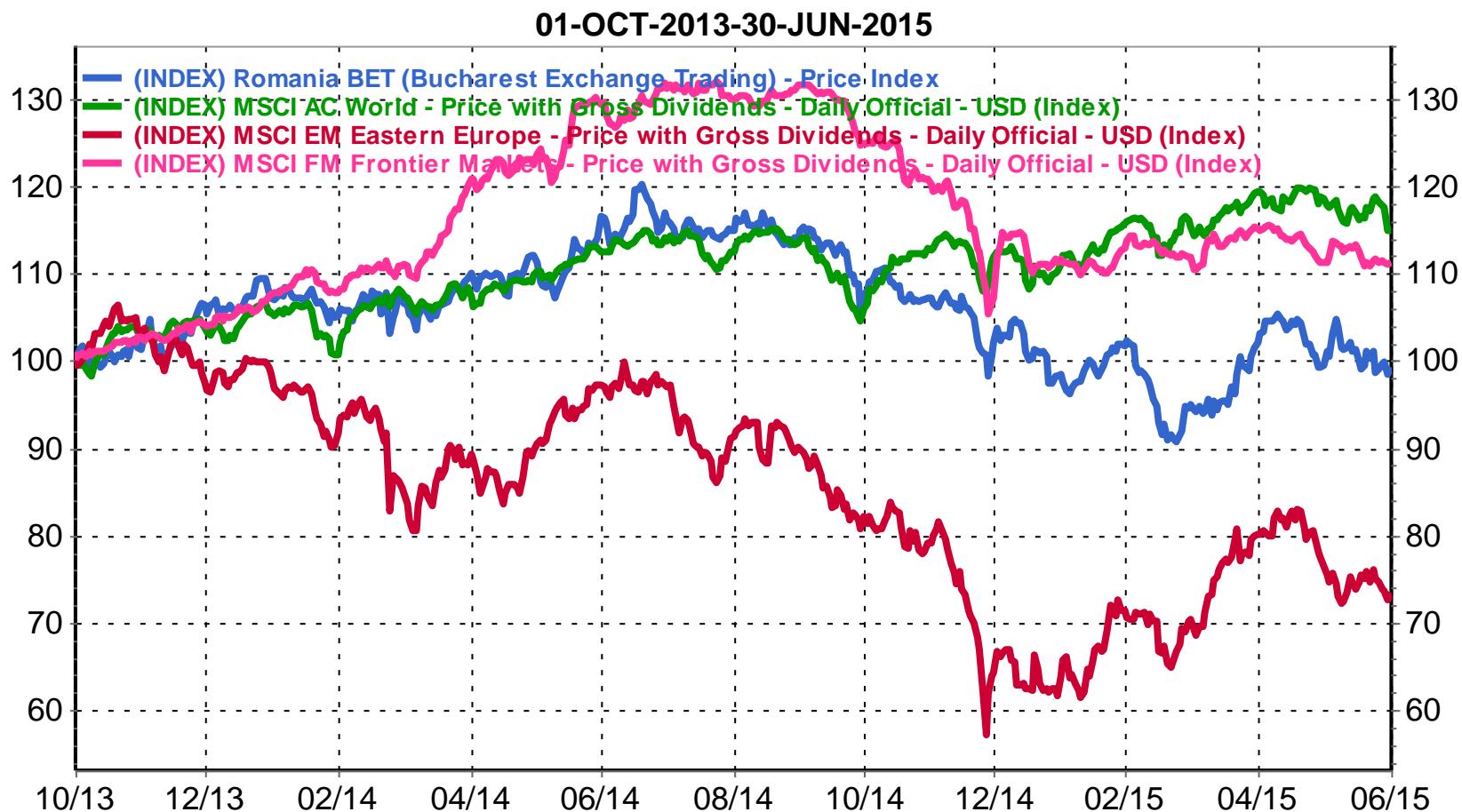
Ukraine – PFTS Index



Source: Bloomberg, for the period 1 October 2013 – 30 June 2015.



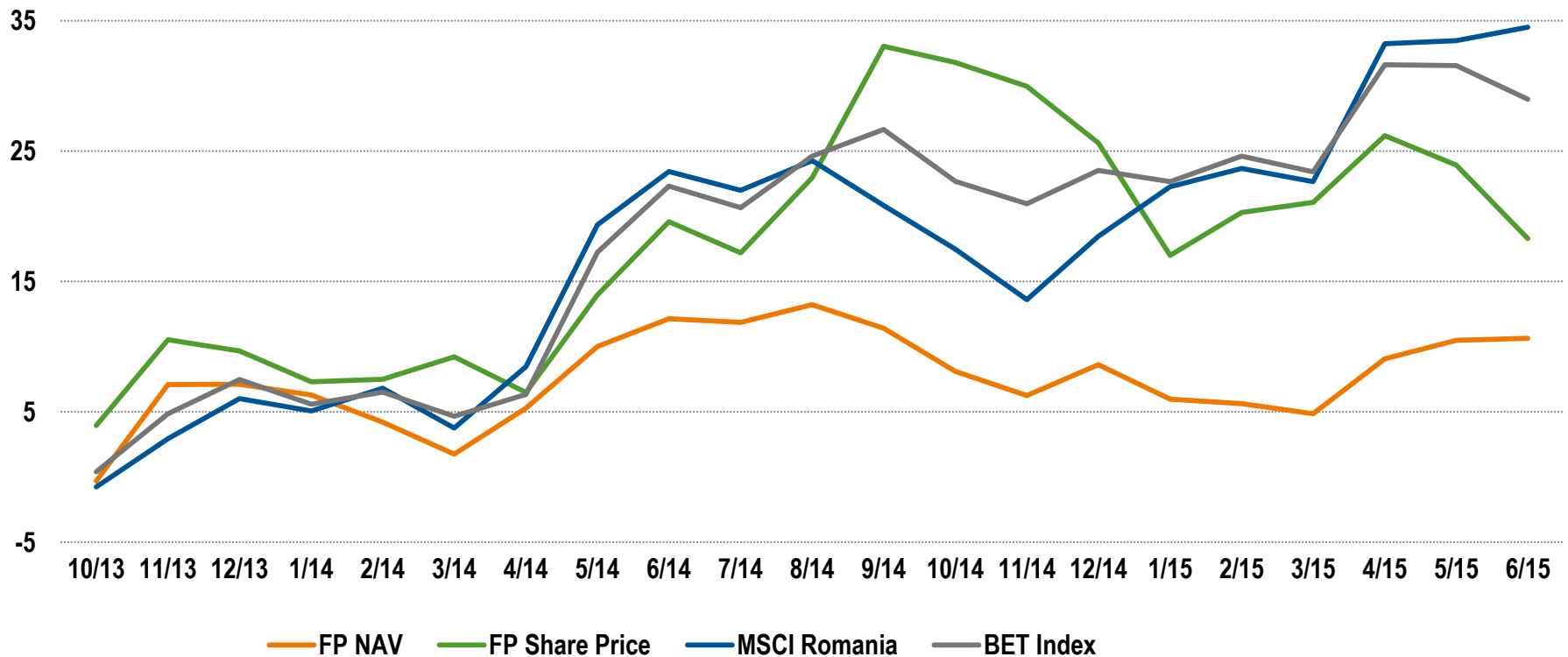
Romania vs. MSCI Eastern Europe vs. Frontier Markets vs. World



Source: MSCI.

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FP Share Price and NAV Performance vs. MSCI Romania vs. BET Index

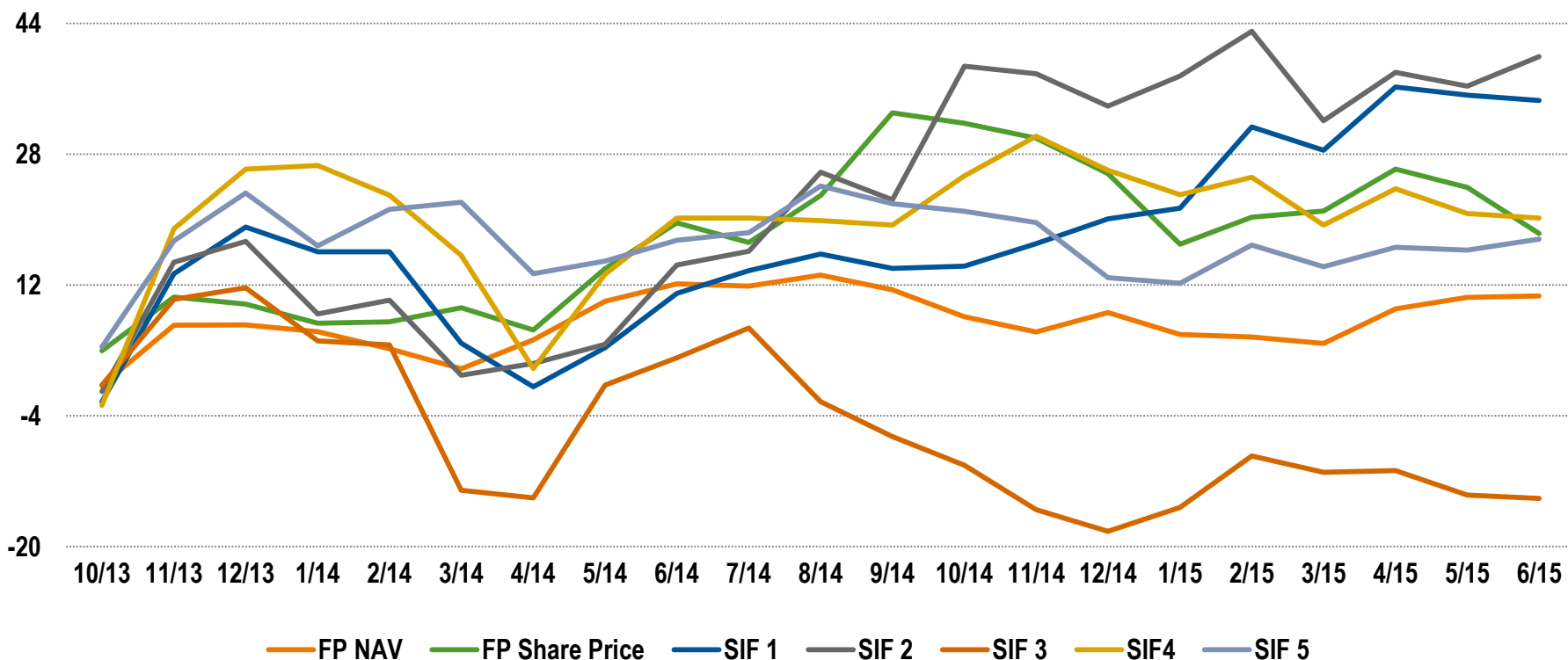


Source: FactSet, Fund Manager

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FP Share Price and NAV Performance vs. SIFs



Source: FactSet, Fund Manager

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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



Delay of the Fund's listing on the London Stock Exchange

- The Fund's listing in London was initially approved by shareholders in April 2014
- The Fund Manager has worked to achieve the listing on the LSE in early December 2014 through Depositary Interests (DIs)
- The listing on the LSE through DIs required from the Financial Supervisory Authority a change in existing regulations or a new regulation to allow secondary listings through DIs
- Although the draft regulation was published for public consultation by the FSA in November 2014, it did not meet the required FSA Board majority to be approved
- The Fund's listing on the LSE was completed 5 months later, through Global Depositary Receipts (GDRs)

Hidroelectrica's Insolvency

- The Initial Public Offering of Hidroelectrica was scheduled for H2 2014
- The company re-entered the insolvency process in February 2014, which caused the delay in the IPO process
- The company is expected to exit insolvency in early 2016, and the IPO can take place afterwards

Delay in IPOs of other SOEs

- The Fund Manager has worked closely with the Government to support further listings of SOEs in which the Fund is a minority shareholder
- The prime candidates for an IPO discussed with the Government were: Bucharest Airports, Constanta Port, and Salrom
- The Government announced only on 29 April 2015 its intention to bring the 3 companies to the market

Failed negotiations with Electrica

- The negotiations with Electrica S.A. to sell the Fund's stake in the 4 subsidiaries have failed, as announced in early April 2015
- The Fund has withdrawn its offer made to Electrica
- The Fund is now waiting for the negotiations to formally re-open

Change in ENEL strategy

- ENEL has announced in March 2015 that it will no longer sell its operations in Romania
- The potential sale of the ENEL assets to a strategic investor could have created a liquidity event for the Fund, as it has tag along rights in the case of Enel Distributie Muntenia and Enel Energie Muntenia

Delays in the Government's SPO & IPO Calendar **FONDUL** PROPRIETATEA

Future IPOs and Privatizations

Company	Official Timeline ¹	FP Expectations	Offering Size %	Offering Size Value (EUR mn)	FP Stake Value (EUR mn)	Seller	Investment Consortium Selected
Hidroelectrica	IPO – June 2014	2016	15.0	421.2 ²	490.6 ²	New Shares	Morgan Stanley, Raiffeisen
CE Oltenia	IPO – Nov 2015	?	12.0/15.3	15.3/20.1 ³	24.6 ³	New Shares	BRD Groupe Societe Generale, Swiss Capital
Posta Romana	Privatization (Share Capital Increase)	Q3 2015	>50.0	>38.0 ³	12.7 ³	New Shares	KPMG, Tuca, Zbarcea and Associates

Other candidates from the Fund's portfolio for IPOs

Company	FP Stake	FP Stake Value (EUR mn)	Market Cap
Administratia Porturilor Maritime (Constanta Port)	20.0% ³	30.1 ³	150.3 ³
Aeroporturi Bucuresti (Bucharest Airports)	20.0% ²	74.3 ²	371.4 ²
Salrom	49.0% ³	32.4 ³	66.1 ³

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

2. Source: Monthly Factsheet prepared by the Fund Manager as at 30 June 2015.

3. Source: Detailed Statement of Investments as at 31 March 2015.

Update on the Unlisted Power and Gas Distribution Companies

Company	FP Stake	NAV EUR mn	% NAV
Enel Distributie Banat (EDB)	24%	145.2	5.1%
Enel Distributie Muntenia (EDM)	12%	105.6	3.7%
Enel Distributie Dobrogea (EDD)	24%	90.0	3.2%
Enel Energie Muntenia (EEM)	12%	14.8	0.5%
Enel Energie (EE)	12%	16.9	0.6%
Total Enel		372.5	13.1%
Electrica Distributie Muntenia Nord	22%	53.4	1.9%
Electrica Distributie Transilvania Sud	22%	46.8	1.6%
Electrica Distributie Transilvania Nord	22%	45.7	1.6%
Electrica Furnizare	22%	28.7	1.0%
Total Electrica		174.6	6.1%
E.ON Distributie Romania	18%	100.1	3.5%
E.ON Energie Romania	13%	30.4	1.1%
Total E.ON		130.5	4.6%
GDF Suez Energy Romania	12%	104.6	3.7%
TOTAL		782.2	27.5%

Notes: Values in EUR calculated using the EUR/RON FX rate as at 31 March 2015.
Source: Detailed Statement of Investments as at 31 March 2015.

Background

- The total value of the holdings is EUR 782.2 mn, or 27.5% of the NAV per the Fund's 31 March 2015 Detailed Statement of Investments.

Status

- E.ON:** Following the GSM decisions adopted in November 2014, as of 31 December 2014, the gas distributor E.ON Gaz Distributie merged through absorption with the electricity distributor E.ON Moldova Distributie (absorbed company) and subsequently changed its name in E.ON Distributie SA. The Fund's stake in the merged entity is 18.3%. The controlling shareholder's stake in E.ON Distributie Romania is 61.8%. The Fund has requested the amendment of the convening notices of the annual GSMs of E.ON Distributie Romania and E.ON Energie Romania called at the end of May 2015, for shareholders to approve the initiation of court actions against their board members and managers of these companies in order to recover damages caused to the companies by approving, concluding and performing business strategy consultancy agreements with their majority shareholder E.ON Romania SRL (estimated cumulated value of RON 34,4mil in 2014).
- Enel:** In March 2015, Enel announced that the company has put on hold the sale of its operations in Romania.
- Electrica:** Negotiations have failed. The Fund has withdrawn its offer made to Electrica to sell the four subsidiaries. FP is waiting for an official re-start of the negotiations.
- GDF Suez Energy Romania:** According to media, GDF Suez Energy Romania has won in court a litigation against ANRE for recovering EUR 66 mn representing unrecognized revenues dating from 2008-2011. According to the regulator, a large amount was already recovered by the company from the industrial consumers by the end of 2014 and the rest will be recovered from households by the end of 2018. ANRE has the possibility to appeal the court's decision.



Other Events: 1 October 2013 – 30 June 2015

Events affecting the Governing Coalition

- The Social – Liberal coalition broke in February 2014, which resulted in changes of several ministers
- The Hungarian Party exited the Government in December 2014, which again resulted in changes of several ministers

National Anti-corruption Agency investigations involving acting or former ministers

- Former Minister of Transports Dan Sova for acts of corruption (13 August 2014).
- 9 former Government Ministers accused of committing illegal acts (26 September 2014)
- Request to the Parliament to approve the arrest of former Minister of Transports Dan Sova on three counts of being an accomplice to abuse of public office (March 16 2015)
- Request to the Parliament to detain former Minister of Finances Darius Valcov for traffic of influence in 2009, while he was Mayor of Slatina (March 24 2015)
- Prime Minister Victor Ponta placed under criminal investigation in the Dan Sova case (June 5 2015)

FSA Investigations

- Anti-corruption prosecutors began in January 2014 a criminal investigation against Tudor Daniel, former FSA vice-president, for abuse in service against public interests.
- At the end of February 2014, Dan Radu Rusanu, President of the FSA was detained for the and DNA started criminal proceedings. In March 5, 2014, Dan Radu Rusanu resigned from his position. On 1 April, 2014 Misu Negritoiu was appointed the new head of the ASF.



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