

The Board of Nominees **REVIEW REPORT**

Pursuant to the Investment Management Agreement ('IMA') in force, the Fund Manager is obligated to submit to the Board of Nominees (BoN) a report on its performance (Performance Report) for the period between 30 September 2014 and 1 July 2015 (Reporting Period). In particular, the Performance Report should include:

- a) the report on the fulfilment of the Discount Objective as defined in the Investment Policy Statement (IPS);
- b) report on the fulfilment of the NAV Objective, as defined in the IPS;
- c) a summary of the regulatory issues affecting the performance during the Reporting Period;
- d) a summary of market conditions affecting the performance during the Reporting Period;
- e) 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 submitted the Performance Report to the BoN on 12 August 2015.

In accordance with its obligations under clause 9.5 of the IMA in force, the BoN has reviewed the Performance Report and is submitting this Review Report for the information of shareholders at the GSM on 29 October 2015. 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 GSM on 29 October 2015 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 carefully and professionally prepared and contains all material relevant information.

2) EVALUATION OF THE FUND MANAGER'S PERFORMANCE

(i) *The Discount Objective*

As per the Performance Report, the discount range achieved by Fondul Proprietatea SA during the Reporting Period was 20.81% - 32.92%, whereas the stated IPS-defined Discount Objective of Fondul Proprietatea SA was to attain a discount level of no greater than 15% during no less than 2/3 of the trading days of the Reporting Period. The average discount for this period reached 26.22% and never fell below 20.81%. Thus, the Discount Objective has not been met.

During the Reporting Period, the Fund Manager undertook multiple actions aimed at increasing demand for Fondul Proprietatea SA's shares, with the aim of reducing the discount level. These are itemised and described on pages 10-16 of the Performance Report.

The BoN views positively the commitment and activities of the Fund Manager directed at increasing the attractiveness of the Fondul Proprietatea SA's shares, noting, however, the

need to apply more rigorous discount control mechanisms in the future and further stimulate demand for the Fondul Proprietatea SA's shares. The BoN also recognises that the challenging regulatory environment and often unpredictable actions of the Romanian authorities have been contributing factors to the Fund Manager's failure to achieve the Discount Objective.

(ii) The NAV Objective

As per the Performance Report, the Adjusted NAV per share (as defined in the IPS) as at 30 June 2015 was 11.56% higher than the NAV per share as at 30 September 2013. This is equivalent to an annualised return on the initial NAV of 6.6% p.a. The annualized rate of return for the Fondul Proprietatea SA's share price during the period was 10.09%. During this period the unadjusted NAV per share (i.e. ignoring total cash distributions) increased by 2.1%.

This means that the stated IPS-defined NAV Objective of ensuring that the Adjusted NAV/share at the end of the Reporting Period was higher than the 30 September 2013 NAV/share has been fulfilled.

In the Performance Report, the Fund Manager has described factors contributing to the NAV evolution during the Reporting Period and actions undertaken to protect the value of underlying investments (slides 20-38).

The BoN continues to support strongly the 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 further recognises that, at times, the regulatory environment, as well as the Romanian State's corporate governance practices, have been very challenging for the Fund Manager as it seeks to protect and enhance the value of shareholdings held by Fondul Proprietatea SA and other non-government stakeholders. Whenever appropriate and possible, members of the BoN have actively and vigorously supported the Fund Manager's actions through meetings and interaction with government officials and through communication with government institutions.

In the coming years, the BoN will encourage the Fund Manager to increase its pro-active involvement in the protection of the value of the Fondul Proprietatea SA's underlying investments through the intensification of legal and corporate actions, whenever sound corporate governance so requires.

3. REGULATORY AND MARKET FACTORS AND OTHER MATTERS

The Performance Report provides summary descriptions of the other factors (regulatory, market and other) which have had an impact on the performance of the Fund Manager in seeking to fulfil the two Objectives set out in the IPS.

The BoN views positively the Fund Manager's commitment to and engagement in maintaining broad communication channels with government institutions and non-government market participants and, whenever possible, the BoN offers and provides its support and assistance in these matters. The BoN recognises that the Fund Manager's activism on this front extends beyond the standard services and efforts of a fund manager and administrator.

4. 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 Period in respect of the two above Objectives and as regards relevant regulatory and market factors and other issues.

The BoN notes and emphasizes that, in accordance with the IMA and IPS in force, the Fund Manager's performance is being evaluated in the Reporting Period against the two above Objectives and not against other possible benchmarks such as, for example, Romanian or global stock market indices.

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

Board of Nominees:

Mr. Sorin-Mihai MÎNDRUȚESCU - Chairman

Mr. Steven Cornelis van GRONINGEN - Member

Mr. Julian Rupert Francis HEALY- Member

Mr. Piotr RYMASZEWSKI- Member

Mr. Mark Henry GITENSTEIN- Member

