

**THE RECOMMENDATION OF BOARD OF NOMINEES REGARDING THE  
MANAGEMENT OF FONDUL PROPRIETATEA BEGINNING WITH 30 SEPTEMBER  
2014**

***Introduction***

According to the Constitutive Act in force Franklin Templeton Investment Management Ltd. UK – Bucharest Branch (“FTIML”/”Fund Manager”) has a mandate of four years as Fund Manager and Sole Director of Fondul Proprietatea (“FP”/”Fund”). This mandate expires on September 30th 2014.

During the GSM of November 22<sup>nd</sup> the Fund’s shareholders will determine the general framework of actions regarding the terms of the future management of the Fund.

Having regard to the necessity of timely implementation of steps that will address the issue of Fund management following the expiration of the present mandate, the Board of Nominees (the “Board”) recommends that shareholders carefully consider all relevant issues and provide the Board with their views on any issues that they consider should be addressed in a new Investment Management Agreement.

***Board of Nominees’ recommendation***

Based on its duties and obligations as governed by the Constitutive Act and the Mandate Agreement executed by each of the Nominees, the Board of Nominees recommends to approve in principle the mandate of Franklin Templeton to act as sole administrator and fund manager of S.C. Fondul Proprietatea S.A. starting from 30<sup>th</sup> September 2014.

In case that the shareholders will follow the Board of Nominees’ recommendation, the Board of Nominees will consider all proposals of shareholders when negotiating a new Investment Management Agreement or the renewal of the existing, as the case may be. The outcome of this to be presented by the Board to the shareholders in the next General Meeting of Shareholders.

***Key Considerations of the Board of Nominees in making the recommendation:***

***1) Returns to Shareholders***

The share price total return (price return and income) between 25 January 2011(initial trading date) and 30 September 2013 was 41.8%. This compares to 6.3% and 5.5% year-on-year nominal Romanian GDP growth in 2011 and 2012 respectively<sup>1</sup> (expressly referred to as a return expectation benchmark in the Investment Policy Statement as approved by the Shareholders)

During the period 25 January 2011(initial trading date) and 30 September 2013, the Fund also outperformed the following indices: MSCI Romania, BET Index and BET XT Index.

The discount level over the same period has remained at a high level, averaging 56% in 2011 and 49% in 2012. The Board notes, however, that, partly as a result of recently undertaken corporate actions, the discount has narrowed to below 35% as at Sep 30, 2013. We expect that discount control mechanisms will continue to be relevant and applied by the Fund Manager going forward.

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<sup>1</sup> Source: Central Bank Monthly Statistics Bulletin.

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2) Governance

The Board believes that the Fund Manager has to date adhered in all material aspects to its mandate, as set out in the relevant documentation.

The Board notes the promotion by the Fund Manager of high standards in the areas of corporate transparency and information disclosure and believes that this has benefited both the shareholders of FP and the development of equity capital markets in Romania.

The Fund Manager's level of activity and commitment in the area of legal actions/litigation has also contributed to the promotion and protection of shareholders' interests.

3) Commitment and Resources

The Board has been pleased to see and interact with a dedicated and dynamic investment team, operating with the support of the global resources of FT. The Board expects that there will be continuity in the composition of the key personnel in the investment management team.

4) Building relationships

The Board has supported the Fund Manager's consistent efforts to establish and maintain open communication with the government and the regulators in a challenging business environment.

5) Active Investment Management

The Fund Manager has demonstrated to the Board its commitment to hands-on involvement with the investee companies. This has included board representation, promotion of strong corporate governance and direct interventions with company executive management and relevant government agencies.

6) Diversification of shareholder base and attraction of portfolio investment into Romania

The Board notes the increase in the shareholding of institutional investors in the Fund from 21% (Feb 2011) to 67% (June 2013). This has contributed to liquidity in the shares of the Fund, to the benefit of all shareholders and has been beneficial for the attraction of portfolio investment into Romanian companies.

**Mr. Sorin Mihai MÎNDRUȚESCU –**  
**Chairman**

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**Mr. Julian Rupert Francis HEALY –**  
**Member**

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**Mark Henry GITENSTEIN - Member**

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**Mr. Steven Cornelis van GRONINGEN**  
**– Member**

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**Mr. Piotr RYMASZEWSKI – Member**

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