

The Board of Nominees
REVIEW REPORT

Pursuant to the Management Agreement (“**Management Agreement**”) in force, the Fund Manager (as defined below) is obliged to submit to the Board of Nominees (“**BoN**”) a report on its performance and of its Investment Manager (as defined below) (“**Performance Report**”).

The reporting period covered by the Performance Report was 1 January 2018 - 31 December 2018 (the “**Reporting Period**”). During this period, the Alternative Investment Fund Manager and Sole Director of Fondul Proprietatea S.A. (the “**Fund**”) was Franklin Templeton International Services S.à r.l. (the “**Fund Manager**”). The Fund Manager was assisted on the matters of portfolio management and administration services by Franklin Templeton Investment Management Ltd. UK (the “**Investment Manager**”).

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 its 14 February 2019 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 of the Fund at their annual meeting on 4 April 2019 (the “GSM”). 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 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 prepared with due care and contains all material relevant information.

2) EVALUATION OF THE FUND MANAGER’S PERFORMANCE

The Discount Objective

As set out in the Performance Report, the Discount range for the Fund during the Reporting Period was 23.85% – 38.88%. 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 29.54%.

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 the Fund's shares. These actions are described on pages 13 - 18 of the Performance Report and include the distribution of RON 1.87 billion to shareholders through dividend distributions and buy-backs (including a tender offer), as set out on pages 13 and 15 of the Performance Report. The BoN supports these efforts by the Fund Manager to address the Discount level and increase demand for the Fund's shares. The BoN believes in employing diverse instruments to create liquidity for making cash distributions (including proceeds from portfolio disposals and dividends received from investee companies and the prudent 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 recent fiscal and regulatory changes, as well as the absence of listings of state-owned enterprises on the Bucharest Stock Exchange, have been significant factors in the Fund Manager's failure to achieve the Discount Objective.

The NAV Objective

As set out in the Performance Report, the Adjusted NAV per share (as defined in the IPS) as at 31 December 2018 was RON 1.4833 and was higher than the NAV per share as at 30 June 2017, which was RON 1.1953.

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 NAV per share as at 30 June 2017 (i.e. the end of the previous reporting period) 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 appropriate shareholder activism implemented by the Fund Manager on behalf of the Fund at companies in which it has minority stakes, and which are controlled by the Romanian State or other dominant investors in order to ensure that the companies are managed for the best interest of the shareholders. The BoN fully agrees with the Fund Manager's robust and consistent approach to corporate governance and its commitment to trying to ensure the recruitment of independent and qualified professional management teams and competent boards of directors at portfolio companies.

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, as 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 Fund Manager conducts an on-going detailed analysis of the potential impact of the various sovereign risk factors. 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 Period.

The BON notes the Fund Manager's comments, on pages 37 and 46 of the Performance Report,

on the impact of the Emergency Government Ordinance 114 (OUG 114) of 21 December 2018. There was an immediate negative reaction in the markets to OUG 114 which materially affected the Fund's share price and Discount at the very end of the Reporting Period. The BoN notes that there remains considerable uncertainty about the ultimate impact of OUG 114. At the time of writing, the BoN believes that there will be a material negative impact, at least in the short-term, on the carrying value of certain of the Fund's unlisted investments, including that of its largest investment, Hidroelectrica and that this will be reflected shortly in the Fund's NAV.

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 Period 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 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 meetings and interaction with the Fund Manager, 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.

The Board of Nominees

14 February 2019