

# Fondul Proprietatea General Shareholders Meeting

25 April 2017



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The Fund's headquarters are located at 78-80 Buzesti Street, 7th Floor, Bucharest, 1st District, 011017, Romania. Fund's Fiscal Identification Code is 18253260 and Trade Registry registration number is J40/21901/2005. The subscribed share capital is RON 5,742,226,025.22 and paid up share capital is RON 5,534,852,985.72.

This presentation herein is issued by Franklin Templeton Investment Management Limited, the Investment Manager of Fondul Proprietatea, which is authorized and regulated in the UK by the Financial Conduct Authority, registered therein under the number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission, acting through its Romanian branch having its registered office at 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania.

# Fund Information



# The Fund – Key Facts

Fund Details <sup>1</sup>	RON			USD <sup>2</sup>		
	31 January 2017	31 March 2017	Change %	31 January 2017	31 March 2017	Change %
NAV	11.61 bn	10.69 bn	(7.92)%	2.76 bn	2.51 bn	(9.06)%
NAV/Share	1.2082	1.1943	(1.15)%	0.2872	0.2803	(2.40)%
Price/Share	0.8870	0.8880	0.11%	0.2108	0.2084	(1.14)%
Price/GDR	44.39	44.75	0.81%	10.55	10.50	(0.47)%
Market Capitalisation <sup>3</sup> as at 24 April 2017	8.01 bn			1.92 bn <sup>3</sup>		
Discount/Share as at 24 April 2017	24.73%					
Discount/GDR as at 24 April 2017	24.23%					
Number of Paid Shares less Treasury Shares <sup>4</sup>	8,919,960,095					

## Investment Objective

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

Source: FP 31 January 2017, and FP 31 March 2017 Factsheets.

1. Based on local regulator methodology.

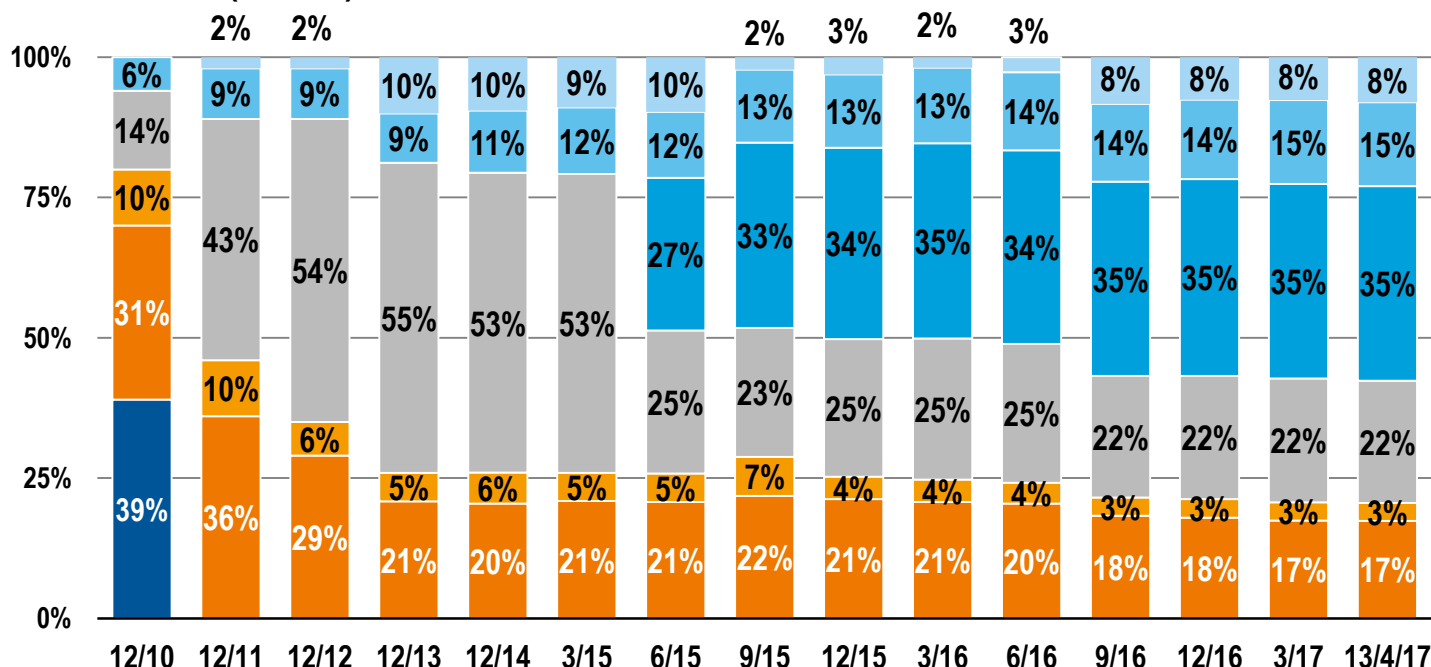
2. Computed using the NBR EUR/RON FX rates as at the end of the month.

3. Using shares related to the paid-up subscribed share capital, and excluding Treasury and the equivalent number of shares corresponding to the GDRs bought back until 21 April 2017.

4. Treasury shares and the equivalent number of shares corresponding to the GDRs bought back until 21 April 2017.

# Shareholders Structure

Evolution (% Held)



- Treasury Shares
- Romanian Institutionals
- The Bank of New York Mellon (depository bank for Global Depository Receipts)
- Foreign Institutionals
- Foreign Individuals
- Romanian Individuals
- Ministry of Public Finance

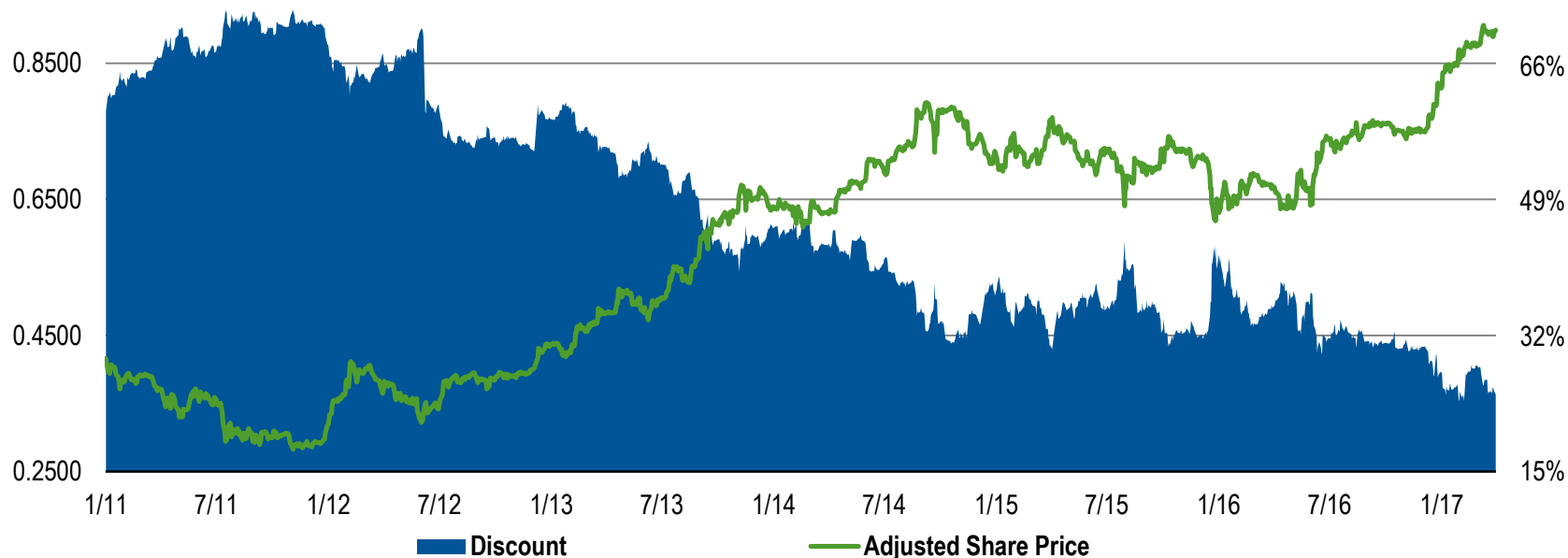
Largest Shareholders<sup>1</sup>

Elliott Associates	21.06%
City of London Investment Mgmt.	5.04%
NN Group	5.02%
Total Number of Shareholders <sup>2</sup>	6,899

1. Based on the total voting rights. Source: Ownership disclosures submitted by Elliott Associates on 21 October 2015, City of London Investment Management Company Ltd. on 5 April 2016, and NN Group on 27 March 2017.

2. Shareholders structure as at 13 April 2017, based on paid share capital starting 31 July 2011. Source: Central Depository.

## FP Share Price<sup>1</sup> (RON) and Discount (%)



	BVB	LSE
Discount <sup>2</sup>	24.73%	24.23%
Average Daily Turnover (USD)	2.38 mn <sup>3</sup>	1.68 mn <sup>4</sup>

1. Source: BVB, for the period 25 January 2011 –24 April 2017.

2. As at 24 April 2017. Note: The discount is calculated based on the latest published NAV available for the day of the calculation.

3. Source: BVB, for the period 3 January – 24 April 2017.

4. Source: LSE, for the period 3 January – 24 April 2017.



# NAV, Share Price and GDR Performance

## Cumulative Performance

	2011	2012	2013	2014	2015	2016	Q1 2017	Since Performance Inception <sup>1</sup>
NAV (RON)	(0.47)%	8.91%	13.29%	1.39%	(0.60)%	7.33%	4.88%	39.33%
Ordinary Share Price (RON)	(30.32)%	38.30%	61.34%	14.53%	(4.06)%	4.90%	18.07%	111.60%
GDR (USD)	N/A	N/A	N/A	N/A	N/A	1.15%	17.97%	9.17%

## Average Annual Discount

2011	2012	2013	2014	2015	2016	YTD <sup>2</sup>	Current Share Price Discount <sup>3</sup>	Current GDR Price Discount <sup>3</sup>
55.67%	50.09%	40.74%	30.87%	29.12%	32.08%	26.54%	24.73%	24.23%

Source: BVB, LSE, Bloomberg, FP NAV reports.

Note: The discount is calculated based on the latest published NAV available for the day of the calculation.

The Performance Inception date for the NAV is 31 December 2010, for the Share Price is 25 January 2011, and for the GDRs is 29 April 2015.

1. As at 31 March 2017.

2. For the period: 3 January – 24 April 2017.

3. As at 24 April 2017.

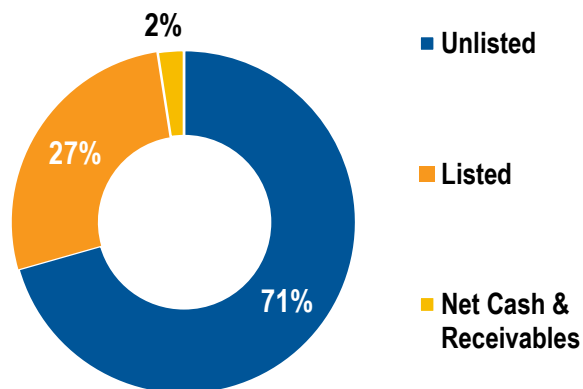


# Portfolio

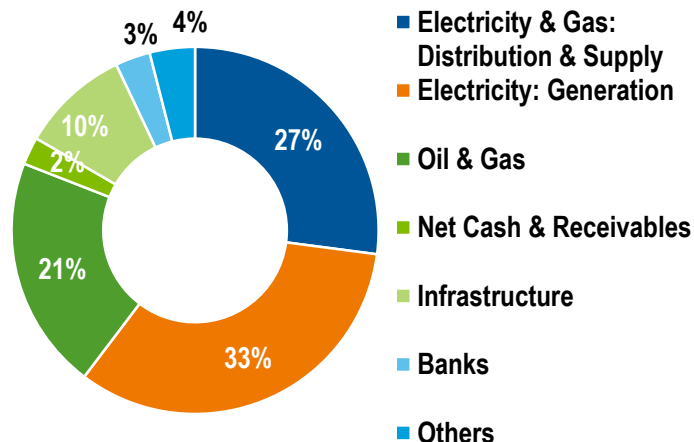


# Portfolio Structure

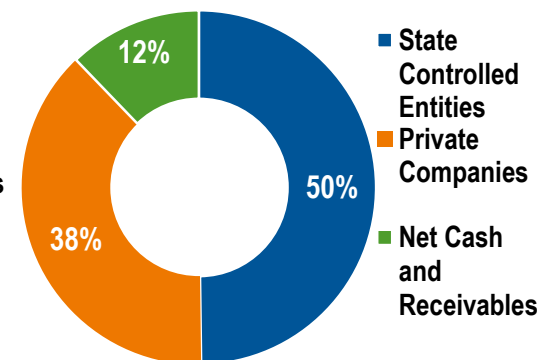
Listed vs Unlisted  
as at 31 March 2017 (% NAV)<sup>1</sup>



By Sector  
as at 31 March 2017 (% NAV)<sup>1</sup>



By Controlling Ownership  
as at 30 December 2016<sup>2</sup>



- As at 31 March 2017, the portfolio included stakes in 44 companies (12 listed and 32 unlisted)
- Net cash and receivables position as at 31 March 2017 was USD 61.4 mn

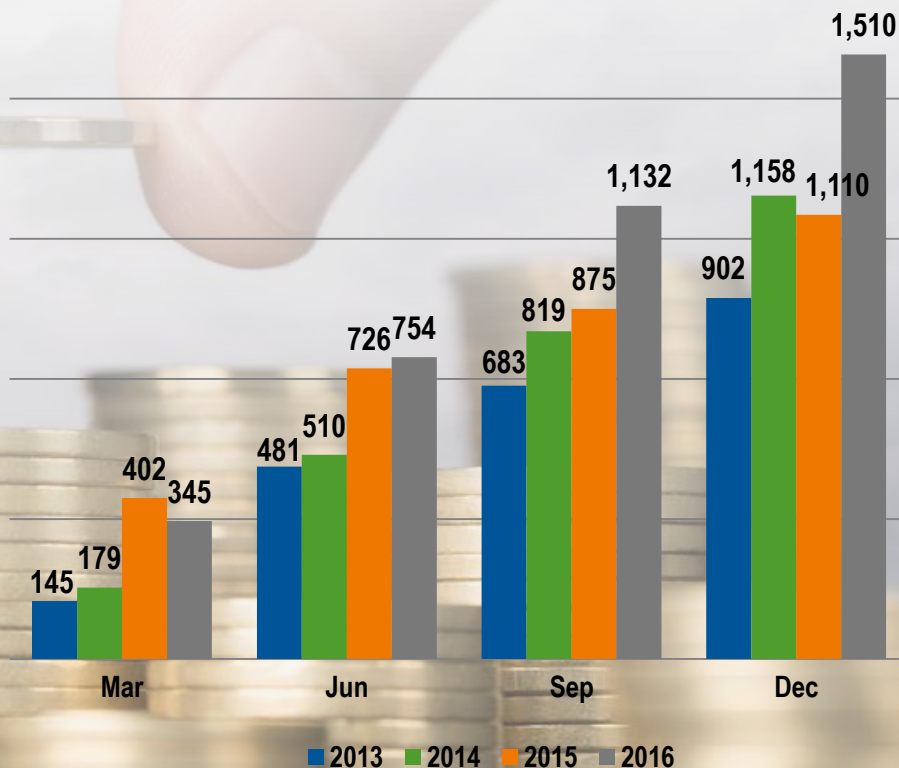
1. Source: FP 31 March 2017 Factsheet.

2. FP 30 December 2016 Detailed Statement of Investments.

# Hidroelectrica – Update

- **Corporate Governance:** Following the exit from insolvency in June 2016, the company is run by an interim Supervisory Board of 7 members, and an interim Directorate of 3 members. Selection of the Supervisory Board based on Law 111/2016 was finalized last year with 84 candidates applying for the positions. However, the Government appointed during the 19 April GSM an interim board with a mandate for four months.
- **Litigations:** All litigations related to insolvency have been irrevocably ruled in favor of Hidroelectrica.
- **Financials:** Revenues increased by 4% in 2016 compared with the previous year, and net profit of the company increased by 41% (RON 1,268 mn vs. RON 900 mn).
- **Cash Level:** RON 1.7 bn at the end of 2016.
- **Profit Drivers:**
  - lower quantities delivered on the regulated market at lower prices
  - extension of fixed assets life (to comply with market standards) resulting in lower depreciation
  - increased revenues from different product mix
  - Increase of 9% in the quantity of electricity sold (18.4 TWh in 2016 vs. 16.9 TWh in 2015)
- **Listing:** preparation is ongoing, led by Morgan Stanley and Raiffeisen.

Pre-tax cumulated profit (RON mn)



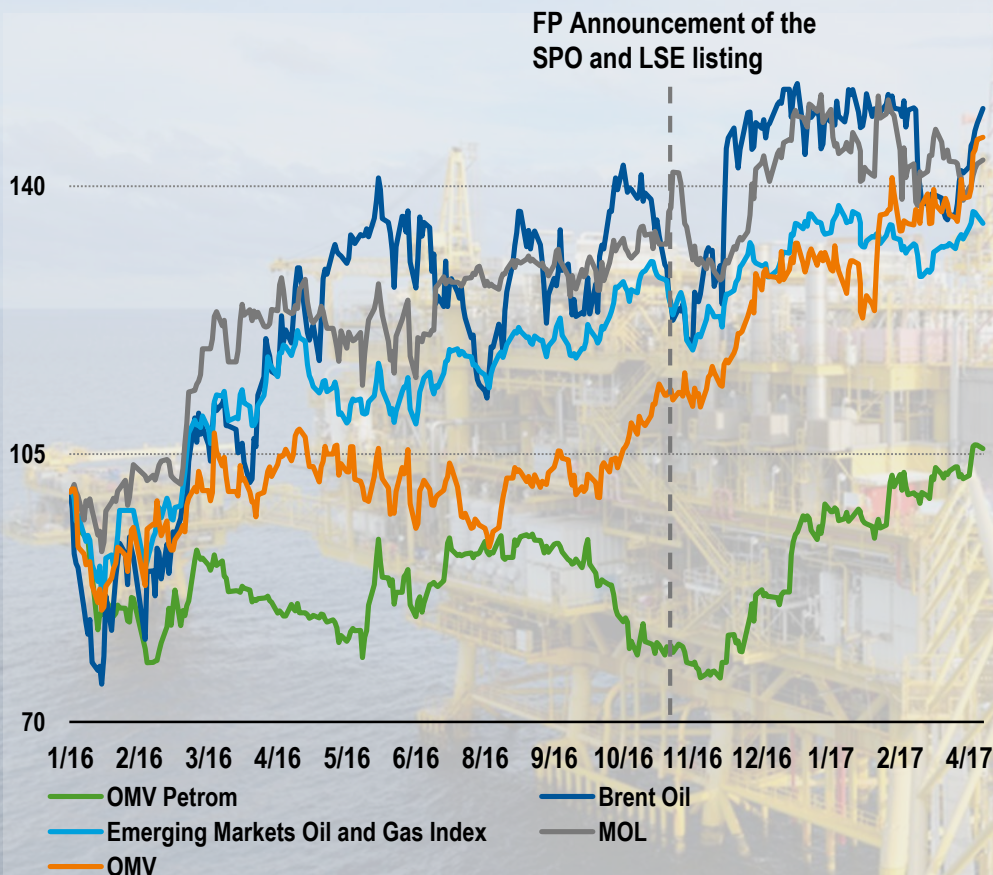
Source: Hidroelectrica 2009 – 2015 Annual reports and financial statements, Hidroelectrica monthly press releases, and reports.

Note: For 2016, the figures presented are preliminary, and do not take into considered any possible adverse effect resulting from potential provisions.



# OMV Petrom – Update

**OMV Petrom - Share Price Performance % in USD<sup>1</sup>**



**OMV Petrom - Average Daily Trading Value (USD)<sup>2</sup>**

3 MO prior SPO	0.18 mn
3 MO after SPO	1.05 mn

**MSCI EM Status – Size and Liquidity Requirements<sup>3</sup>**

Number of Companies required to meet the Standard Criteria	3
Company Size – Total Market Cap	USD 1.26 billion
Company Free Float	USD 0.63 billion
Liquidity – Annualized Traded Value Ratio	15%

**OMV Petrom – Meets MSCI Size Requirements<sup>4</sup>**

Total Market Cap	USD 4.40 billion
Free Float	USD 0.88 billion
Estimated Annualized Traded Value	37%

1. Source: Bloomberg, as at 10 April 2017.

2. Bloomberg

3. MSCI.

4. Source: BVB, as at 21 April 2017.

# C.N. Aeroporturi Bucuresti – Update

Financial Performance <sup>1</sup>	2011	2012	2013	2014	2015	2016 Preliminary	% y/y
Operating revenues (mn RON)	501.5	555.5	582.6	672.1	755.6	885.7	17%
Operating profit (mn RON)	88.5	80.9	94.0	124.4	213.5	277.3	30%
Net Income (mn RON)	52.6	53.1	72.0	98.8	178.8	229.7	28%
Number of passengers (mn)	7.45	7.54	7.67	8.32	9.28	10.99	18%

- **Passenger Traffic:** increased by 21.5% in the first 2 months of 2017 compared to the same period from 2016, reaching 1.66 million passengers. The number of aircraft movements increased 8.3% to 18,069 while the cargo traffic increased 4.5% to 5,010 tons.
- **Board and Management:** Professional General Manager appointed in 2013 and suspended in 2014 won all litigations brought against him and is back in his position since 1 November 2016. Also 3 of the formerly dismissed Board members are back, selection process as per Corporate Governance legislation was initiated for the other positions, which are currently held by interim members.
- **IPO:** We have resumed discussions with the new Government on this topic, it is not amongst its priorities from the Governing Program.

1. Source: CN Aeroporturi Bucuresti annual financial statements and annual reports, 2016 preliminary financial statements.

Note: For 2016, the figures are preliminary. Final figures may differ.

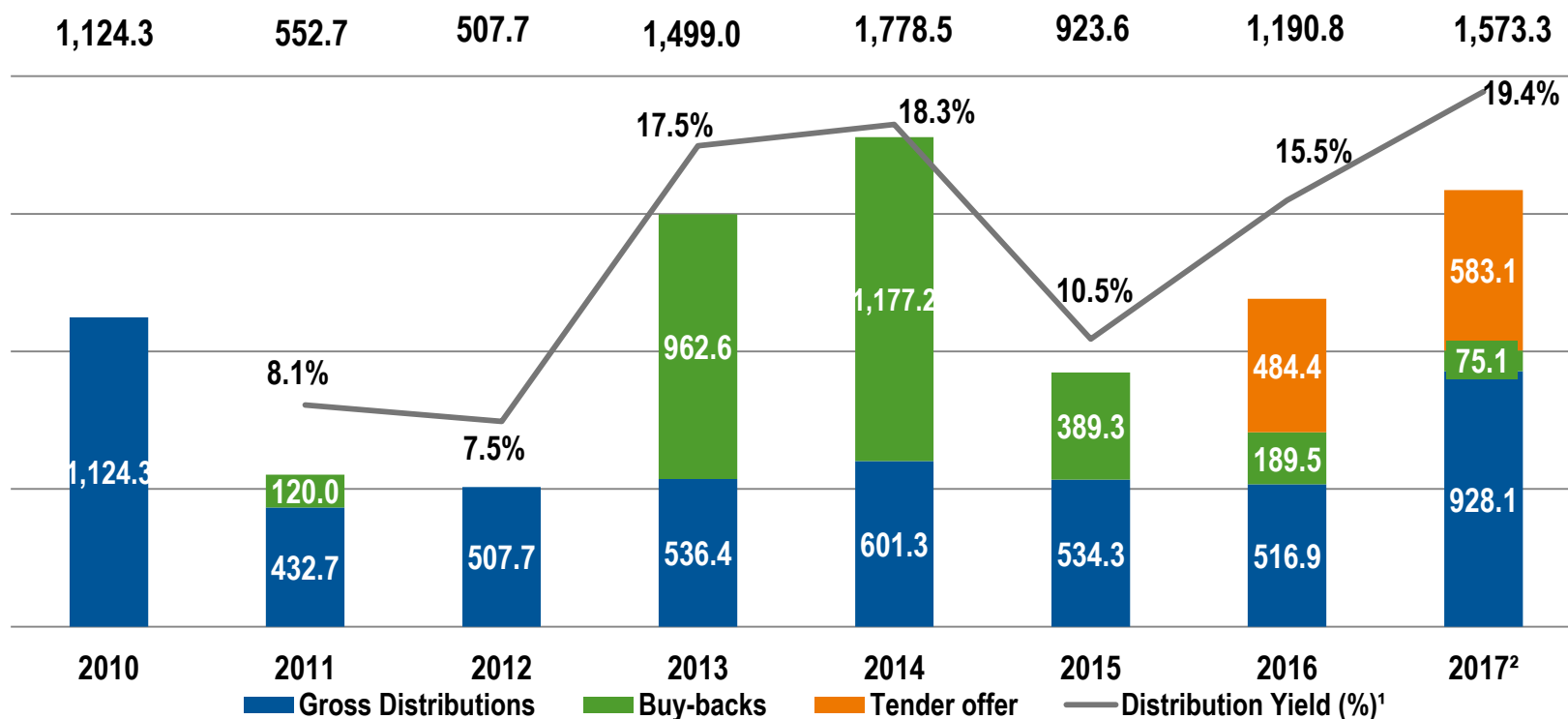
# Corporate Actions





# Distributions to Shareholders

## Annual Distributions to Shareholders (mn RON)



- The total distributions through buy-backs and cash would amount to RON 9.16 bn / USD 2.56 bn<sup>2</sup>

Note: Values exclude related acquisition fees. USD values based on the NBR average USD/RON FX for each year. For 2017, average USD/RON FX as at 24 April.

1. Based on the total annual distributions through buy-backs and cash, based on the average closing share price on BVB for the respective year and the average number of paid shares, excluding Treasury shares. For 2017, average closing share price as at 24 April.

2. For buy-backs, the values are as at 21 April 2017, i.e. include the Tender Offer within the seventh buy-back programme. The gross distributions figure is based on: the March 2017 distribution, the cash distribution approved by the Fund's shareholders during the February 2017 GSM, and the total number of shares as at 31 March 2017. The 2017 annual distribution approved during the February EGM payable starting 30 June 2017 is subject to regulatory approvals.



# 2017 Cash Distributions

## Cash Distributions to Shareholders (RON)

	Status	Payment Date	Ex-Date	Cash Distribution Per Share
Special Distribution – Return of Capital	Paid	27 March 2017	6 March 2017	RON 0.05
Annual Distribution	Approved by shareholders on 28 February 2017	30 June 2017 <sup>1</sup>	9 June 2017	RON 0.05
<b>Total</b>				<b>RON 0.10</b>

1. If all legal requirements are fulfilled.

# Cash Distributions to Shareholders

## Cash Distributions to Shareholders (RON)

	Financial Year	Paid In	Gross Cash Distribution Per Share	Net Cash Distribution Per Share <sup>1</sup>	% Change Year on Year
Dividend	2008-2009 (aggregate)	2010	0.08160	0.06854	-
Dividend	2010	2011	0.03141	0.02638	-
Dividend	2011	2012	0.03854	0.03237	+22.71%
Dividend	2012	2013	0.04089	0.03435	+6.12%
Return of Capital	-	2014	0.05000	0.05000	+45.56%
Return of Capital	-	2015	0.05000	0.05000	-
Return of Capital	-	2016	0.05000	0.05000	-
Special Distribution	-	2017	0.05000	0.05000	-
Return of Capital <sup>2</sup>	-	To be paid in 2017	0.05000	0.05000	-
<b>Total</b>			<b>0.44244</b>	<b>0.41164</b>	

Source: Investment Manager.

1. Note: Values resulted after applying the 16% Romanian Dividend Withholding Tax to the Gross Distribution per Share value. In case the shareholder provided a fiscal residence certificate from a jurisdiction where the tax on dividends was lower than 16%, the lower withholding rate was applied. Tax exemption is applied for certain categories of shareholders according to the fiscal legislation in force. The tax treatment of cash distributions resulting from a share capital decrease is uncertain under Romanian tax law. Based on our current understanding of Romanian tax law, we believe there are good arguments to assume that the cash distribution is not subject to Romanian withholding tax. There is however a risk that the Romanian tax authorities take a different view on the tax treatment of the cash distribution.

2. If all legal requirements are fulfilled.

# 2017 Return of Capital

- The 2017 Annual Return of Capital of RON 0.05 per share was approved by the Fund's shareholders on 28 February 2017
- If all legal requirements are fulfilled, the payment will be made to the Fund's shareholders registered as such at the **Registration Date (12 June 2017)**, proportionally with their participation to the paid-up share capital of Fondul Proprietatea SA.
- The payment will start on the **Payment Date: 30 June 2017**

Source: Fund Manager.

# Buy – Back Programs

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
Sixth	Sep 2015 – Sep 2016	Finalized	891.8 mn/8.13%	0.8208	Wood & Co., Goldman Sachs Int.	Finalized
Seventh	Started on 29 Sep 2016	79.9% Completed	1,007.4 mn/ 10.00%	0.8965 <sup>1</sup>	Wood & Co., Goldman Sachs Int.	Partial cancellation on the agenda of 3 May 2017 EGM
Eight	-	Approved on 11 Oct 2016. Expected start date: May 2017	Up to 10% of the issued shares during the buy-back execution period	-	Selection ongoing	-

1. As at 21 April 2017. Estimated value based on the 804,787,592 shares repurchased (522,484,992 ordinary shares and 282,302,600 equivalent shares of the GDRs repurchased).

# Latest Research Analyst Reports

Broker	Report	Report Date	Report Type	Target Price / Share
Renaissance Capital	Downgrading on lack of progress in HE IPO	March 2017	Update	RON 0.9800
Concorde Securities Ltd.	Take care when the tide ends	February 2017	Update	RON 0.9000
Concorde Securities Ltd.	Take care when the tide ends	February 2017	Update	RON 0.9000
WOOD & Company	Re-energised	February 2017	Update	RON 1.1100
Renaissance Capital	New Romanian government approved, IPOs next?	January 2017	Update	RON 0.9800
Jefferies International Ltd.	Realisations and distributions gather pace	December 2016	Update	N/A
Intercapital Invest	FP, the main driver are the listings	November 2016	Update	RON 0.9106
Renaissance Capital	Get ready for the second stage	October 2016	Re-initiation	RON 0.9300
Ieba Trust	Company Update	March 2016	Update	RON 0.9500
InterCapital Securities Ltd.	Proxy for Romania	March 2016	Initiation	RON 0.9900
BRD - GSG	All about corporate actions	March 2016	Initiation	RON 0.9580
Ipopema Securities	A safer Romanian boat	February 2016	Update	RON 0.9000

Note: Fondul Proprietatea accepts no responsibility for the content or accuracy of these reports.  
Source: A copy of these reports is available on the Fondul Proprietatea website.

# Annual GSM Agenda



- Board of Nominees' presentation of its annual report.
- The approval of the Annual Activity Report of the Sole Director of Fondul Proprietatea S.A. for the financial year 2016
- The approval of the net profit allocation registered for the financial year 2016
- The approval of:
  - 22 May 2017 as the Ex – Date
  - 23 May 2017 as the Registration Date
- The empowerment, with authority to be substituted, of Grzegorz Maciej Konieczny to sign the shareholders' resolutions, as well as any other documents in connection therewith.



# Appendix



# Statement of Financial Position

RON million (audited)	31 December 2016	31 December 2015
Cash and current accounts	5.8	0.6
Deposits with banks	305.3	197.8
Treasury bills	781.4	20.0
Government bonds	328.6	59.0
Equity investments	9,992.2	11,800.7
Other assets	20.8	29.6
<b>Total assets</b>	<b>11,434.1</b>	<b>12,107.7</b>
Payables	27.1	18.8
Other liabilities	21.0	35.9
<b>Total liabilities</b>	<b>48.1</b>	<b>54.6</b>
Total equity	11,386.0	12,053.1
<b>Total liabilities and equity</b>	<b>11,434.1</b>	<b>12,107.7</b>

Source: FP 2016 Annual Results report.

# Statement of Comprehensive Income

<b>RON million (audited)</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Net gain on disposal of equity investments classified as available for sale	926.0	344.8
Gross dividend income	353.1	569.3
Reversal of impairment losses on receivables, net	17.9	17.6
Interest income	7.9	3.9
Net unrealised loss from equity investments at fair value through profit or loss	(377.8)	(1,244.0)
Net realised gain from equity investments at fair value through profit or loss	-	3.2
Net realised loss from disposal of non-current assets held for sale	(127.5)	-
Impairment losses on equity investments classified as available for sale	(122.4)	(90.5)
Other (expenses) / income, net <sup>1</sup>	(0.5)	1.8
<b>Net operating income/ (loss)</b>	<b>676.7</b>	<b>(393.9)</b>
Investment management and administration fees	(70.6)	(68.3)
Other operating expenses	(61.5)	(56.8)
Operating expenses	132.1	125.1
Finance costs	(0.3)	(2.5)
<b>Profit/ (Loss) before income tax</b>	<b>544.3</b>	<b>(521.5)</b>
Income tax (expense) / benefit	97.3	43.6
<b>Profit/ (Loss) for the year</b>	<b>447.0</b>	<b>(565.1)</b>
Other comprehensive income	100.7	212.4
<b>Total comprehensive income for the year</b>	<b>547.7</b>	<b>(352.7)</b>

Source: FP 2016 Annual Results report.

1. Other items of income/ (expense), net included mainly the net loss from revaluation of government securities through profit or loss, net foreign exchange gain / (loss) and other operating income/ (expenses).

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