

# Fondul Proprietatea Annual General Shareholders Meeting

28 April 2014



FRANKLIN TEMPLETON  
INVESTMENTS

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This presentation has been prepared by the management of the Fund whose headquarters are at 78-80 Buzesti Str, 7th Floor, Bucharest District 1, 011017, Romania. The Fund’s Fiscal Identification Code (CIF) is 18253260 and Trade Registry registration no is J40/21901/2005. The subscribed share capital is RON 13,538,087,407 and paid share capital is RON 13,174,101,815.

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# Fund Information

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# The Fund – Key Facts

## Fund Details as at 31 March 2014

Base Currency	RON
Fund Launch Date	28 December 2005
Franklin Templeton Appointment Date	29 September 2010
Listing Date	25 January 2011

## Values<sup>1</sup>

	RON	EUR <sup>2</sup>
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NAV	14.25 bn	3.20 bn
NAV/Share	1.1813	0.2651
Price/Share <sup>3</sup>	0.8100	0.1815
Discount <sup>3</sup>	31.43%	31.43%
Number of Shares in Issue	13,538,087,407	
Number of Paid Shares	13,172,832,785	
Number of Paid Shares less Treasury Shares <sup>7</sup>	12,065,741,501	

## Investment Objective

Capital appreciation via investments mainly in Romanian equities and equity-linked securities.

1. As at 31 March 2014, based on local regulator methodology.

2. Computed using the NBR EUR/RON FX rate as at 31 March 2014.

3. As at 24 April 2014.

4. Distribution for 2008 and 2009.

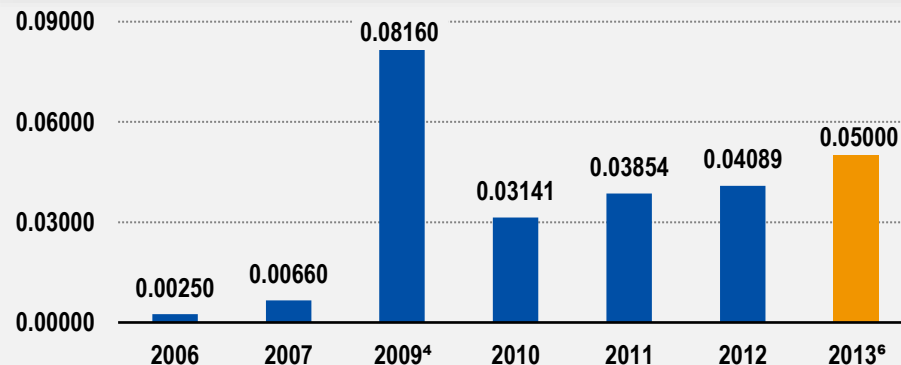
5. Source: Bucharest Stock Exchange, until 24 April 2014.

6. Return of capital recommended by the Fund Manager and approved by shareholders during the Extraordinary General Shareholders Meeting on 3 February 2014.

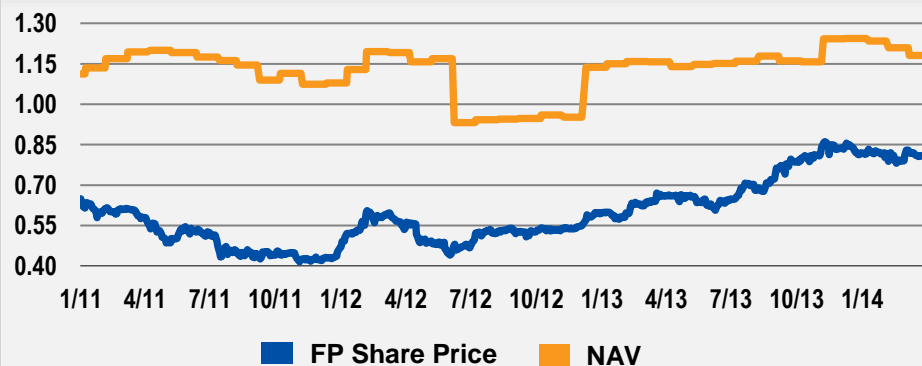
7. As at 31 March 2014.

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## Distributions per Share (RON)



## FP Share Price<sup>5</sup> and NAV



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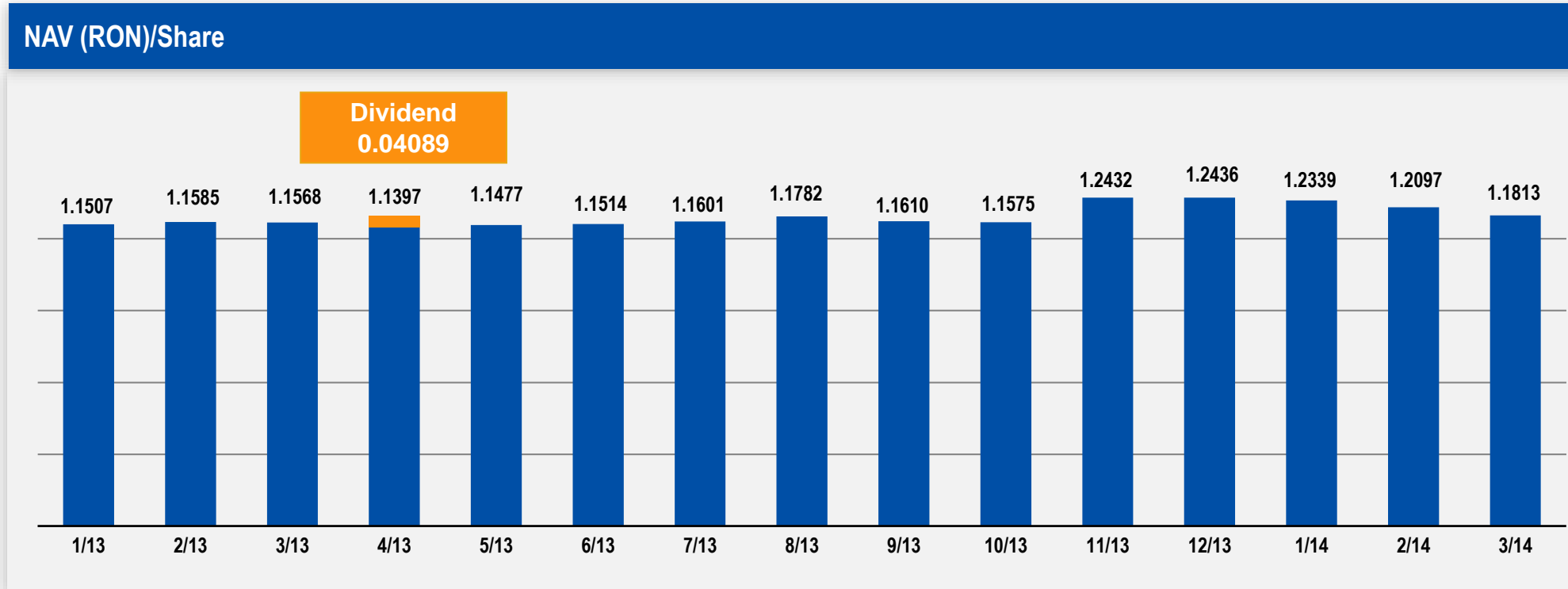
## FTIML – Key Milestones 2013



- March 2013 :** Start of the second buy-back programme for 1.1 billion shares  
Spring Analyst and Investor Days
- May 2013 :** Placement of OMV Petrom shares
- June 2013 :** RON 536.4 million dividend distribution for 2012 (gross amount)
- October 2013 :** Tender offer launched for 600 million shares  
Romania Investor Day in London
- November 2013 :** Extension of the mandate of FTI as Fund Manager of Fondul Proprietatea  
Approval for the third buy-back programme
- December 2013 :** Finalization of the 2nd buy-back program  
Placement of Transgaz shares

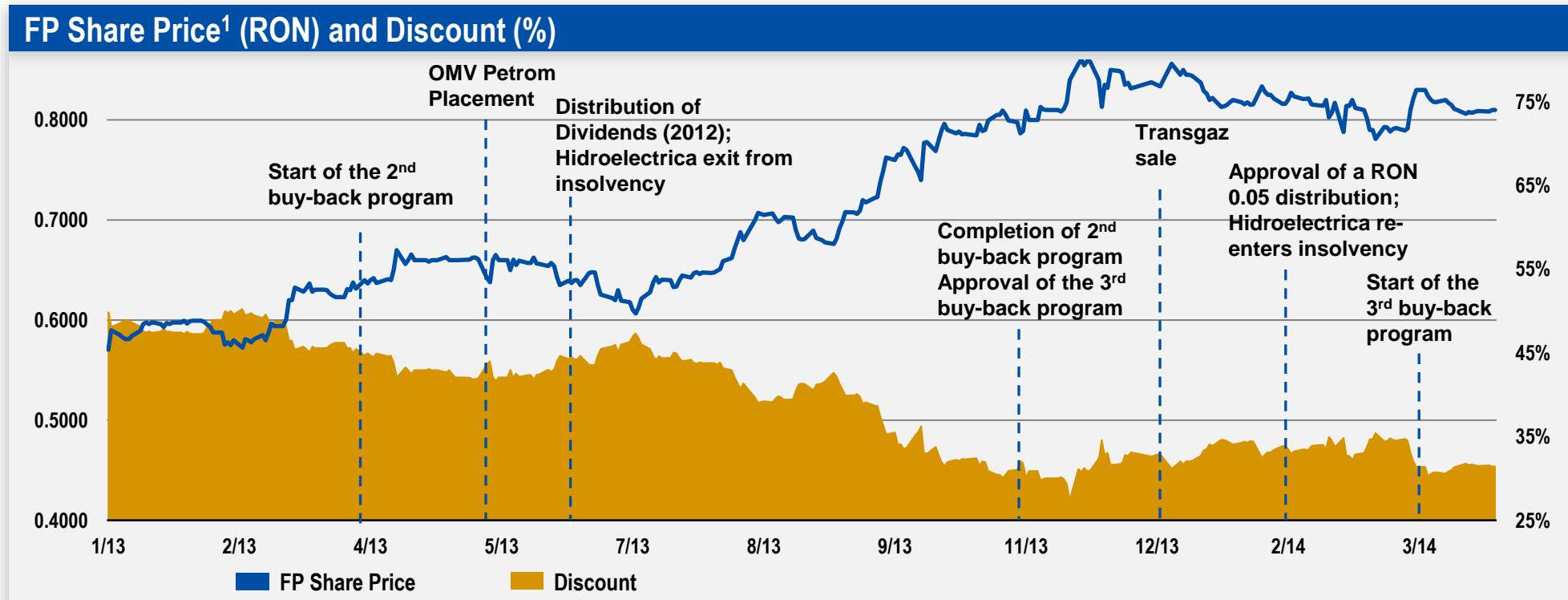
# Net Asset Value

Cumulative Performance 2013	13.29%
Cumulative Performance First Quarter 2014	-5.01%



- In February 2014, Hidroelectrica re-entered the insolvency procedure and the Fund's stake has been valued based on an independent valuation report.

# FP Share Price Performance



Share Price <sup>2</sup>	0.8100
Discount to NAV <sup>3</sup>	31.4%
Average Discount in 2013	41.30%
Average Discount in 2012	49.83%
Average Discount in 2011	55.67%

Cumulative Performance Q1 2014	-0.42%
Cumulative Performance 2013	61.34%
Cumulative Performance Since Listing (including dividends)	54.82%

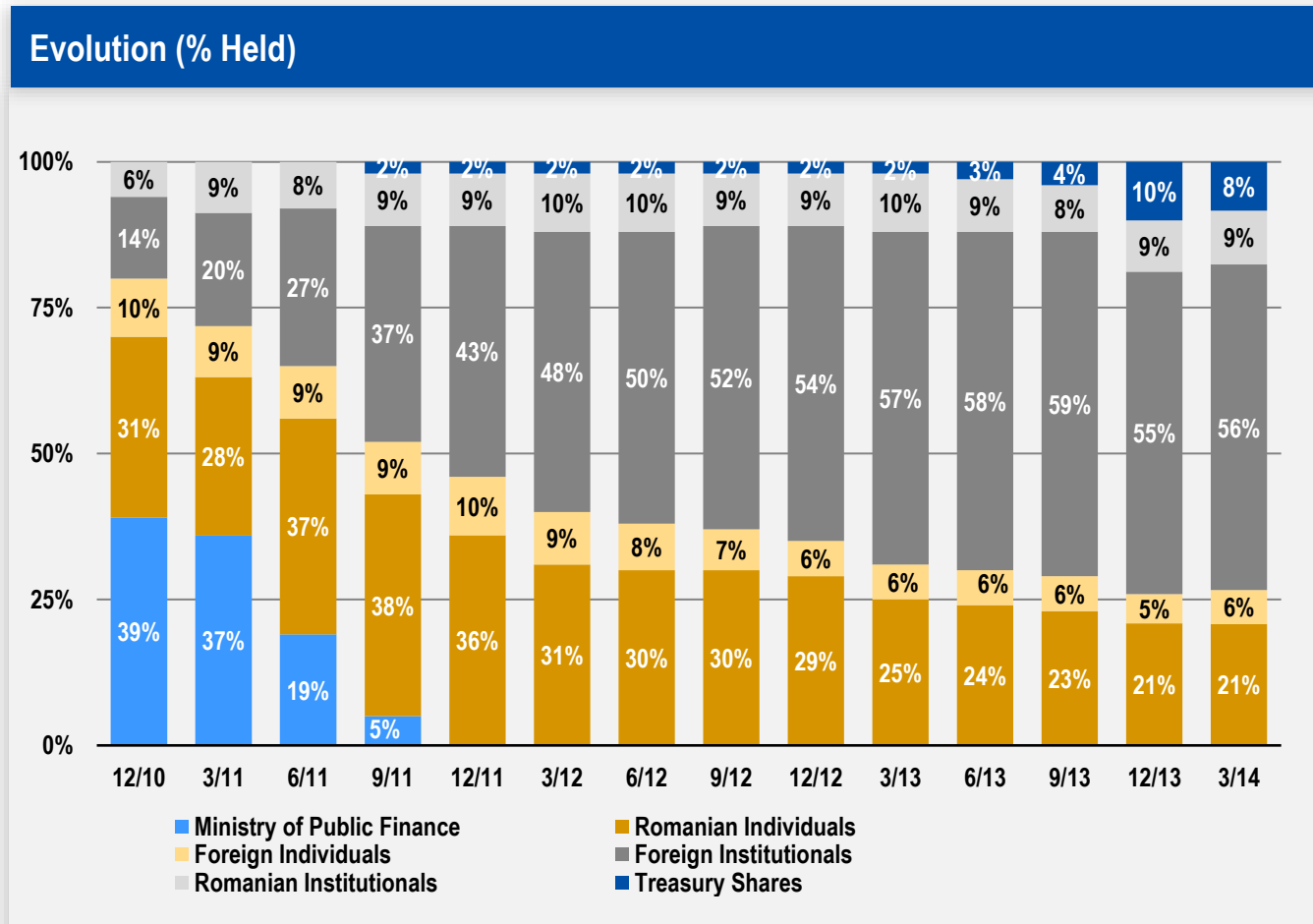
1. Source: BVB, for the period 3 January 2013 – 24 April 2014.  
 2. As at 24 April 2014.  
 3. Source: As at 24 April 2014, based on the 31 March 2014 NAV report.

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# Shareholders Structure<sup>1</sup>



### Largest Shareholders<sup>2</sup>

Elliott Associates	15.22%
Morgan Stanley <sup>3</sup>	5.24%
Total Number of Shareholders <sup>1</sup>	8,346

### Investor Relations Activities 2013

Number of Investor Meetings	379
Number of Conference Calls	83
Investor Conferences	10

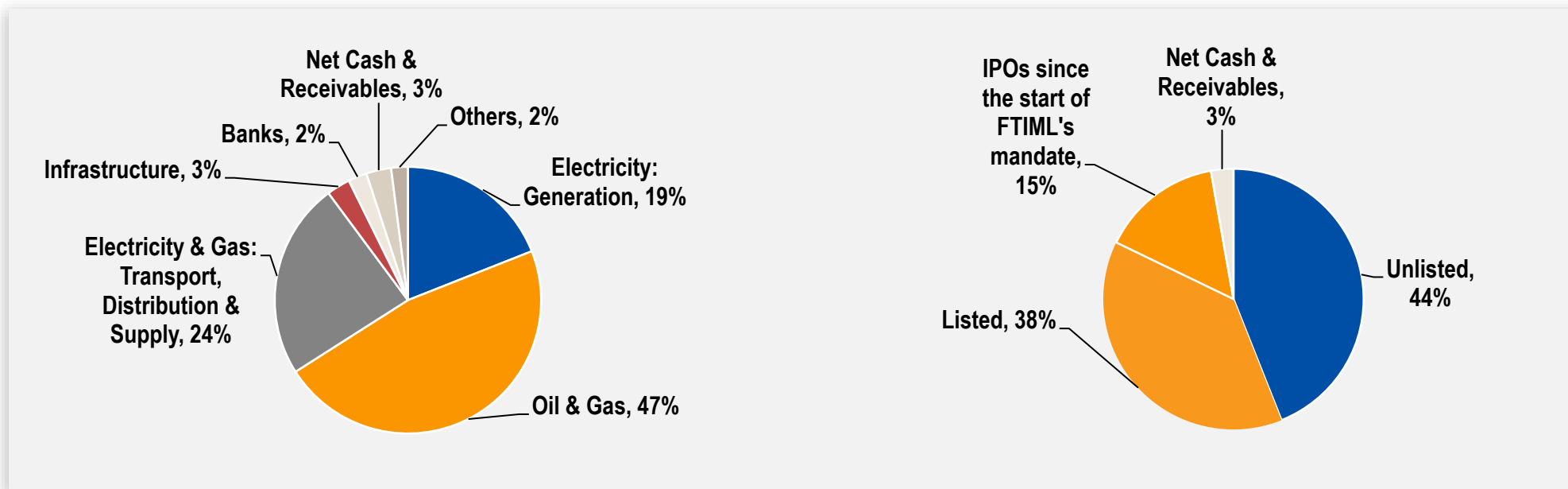
1. Shareholders structure as at 31 March 2014, based on paid share capital starting 31 July 2011. Source: Central Depository.

2. Based on the paid share capital as at 31 March 2014. Source: Ownership disclosures submitted by shareholders.

3. Based on the aggregate ownership disclosure of holdings sent by Morgan Stanley Corporation in September 2013.

# Portfolio Performance

# Portfolio Structure – 31 March 2014



- As at 31 March 2014, the portfolio included stakes in 58 companies (20 listed and 38 unlisted)
- In September 2013, the Fund announced that it is considering strategic options relating to the potential sale of a part of its holding in Conpet SA, not exceeding 10% of all outstanding shares in the company
- In March 2014, the Fund announced that it is reviewing strategic options to potentially reduce its stake in OMV Petrom to below a 15% holding, subject to appropriate market conditions and required approvals
- In March 2014, the Fund disposed of the entire holdings in Raiffeisen Bank and Erste Bank.

## Largest Holdings by NAV

No.	Portfolio Company	Status	Majority Shareholder	% Stake <sup>1</sup>	NAV as at 31 March 2014 (EUR mn)	% in NAV as at 31 March 2014
1	OMV Petrom SA	Listed	OMV	19.0%	1,031.1	32.2
2	Hidroelectrica SA	Insolvency	Romanian State	19.9%	472.5	14.8
3	Romgaz SA	Listed	Romanian State	15.0%	428.0	13.4
4	ENEL Distributie Banat	Unlisted	Enel Group	24.1%	128.7	4.0
5	ENEL Distributie Muntenia	Unlisted	Enel Group	12.0%	106.2	3.3
6	GDF Suez Energy Romania	Unlisted	GDF Suez	12.0%	90.8	2.8
7	ENEL Distributie Dobrogea	Unlisted	Enel Group	24.1%	85.1	2.7
8	E.ON Moldova Distributie SA	Unlisted	E.ON Group	22.0%	77.5	2.4
9	CE Oltenia SA	IPO 2014	Romanian State	21.5%	72.2	2.3
10	Electrica Distributie Muntenia Nord SA	Unlisted	Electrica Group	22.0%	66.5	2.1
<b>Top 10 Portfolio Holdings</b>					<b>2,558.6</b>	<b>80.0</b>
<b>NAV</b>					<b>3,199.2</b>	<b>100.0</b>
<b>NAV Per Share (EUR)</b>					<b>0.2651</b>	

Note: Values in EUR calculated using the EUR/RON FX rate as at 31 March 2014.

Source: Report prepared by the Fund Manager as at 31 March 2014.

1. Based on the 31 December 2013 Detailed Statement of Investments.

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# SPO & IPO Transactions

## Completed Transactions

Company	Transaction	Seller	Offering Stake	Market Value (EUR mn)	Investment Consortium Selected	Comments
Transelectrica	SPO	Romanian State	15.0%	37.6 <sup>1</sup>	BCR, Swiss Capital, Intercapital Invest	Completed in March 2012
Transgaz	SPO	Romanian State	15.0%	72.0 <sup>2</sup>	Raiffeisen, Wood & Company, BT Securities	Completed in April 2013
OMV Petrom	ABB	FP	5.6%	56.9	Wood & Co., Raiffeisen C&I	Completed in May 2013
Nuclearelectrica	IPO	New Shares	10.0%	63.2 <sup>4</sup>	Swiss Capital, BT Securities	Completed in September 2013
Romgaz	IPO	Romanian State	15.0%	382.8 <sup>3</sup>	Goldman Sachs, Erste-BCR, Raiffeisen	Completed in November 2013
Transgaz	ABB	FP	15.0%	67.8	Citigroup Global Markets, Raiffeisen C&I, Wood & Co	Completed in December 2013

Company	NAV before IPO (EUR mn)	Market Value 1 <sup>st</sup> day of trading on the BSE (EUR mn) <sup>7</sup>	Market Value as at 11 April 2014 (EUR mn)
Nuclearelectrica	146.1 <sup>5</sup>	71.2	57.9
Romgaz	301.9 <sup>6</sup>	447.5	435.1

- Source: Based on final price of RON 14.9 for institutional tranche and RON 15.7 for the retail tranche and NBR EUR/RON FX rate as at 29<sup>th</sup> March 2012.
- Source: Based on final price of RON 179 for institutional and large retail tranche and RON 170 for the small retail tranche and NBR EUR/RON FX rate as at 17 April 2013.
- Source: Based on the final price of RON 30 for institutional tranche and RON 28.5 for the small retail tranche that subscribed in the first 5 days and RON 29.1 for the rest of the small retail tranche and NBR EUR/RON FX rate as at 1 November 2013. the final price for the GDRs listed on the London Stock Exchange is USD 9.25.
- Source: Based on the price of RON 11.2 for institutional and large retail tranche and RON 10.304 for the small retail tranche that subscribed in the first 3 days and RON 10.864 for the rest of the small retail tranche and NBR EUR/RON FX rate as at 20 September 2013.
- Source: The NAV report prepared by the Fund Manager as at 31 August 2013.
- Source: The NAV report prepared by the Fund Manager as at 30 October 2013.
- For Nuclearelectrica – 4 November 2013; for Romgaz - 12 November 2013.

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# Government SPO & IPO Calendar for FP's Holdings

## Future IPOs and Privatizations

Company	Official Timeline <sup>1</sup>	FP Expectations	Offering Stake	Market Value (EUR mn)	Seller	Investment Consortium Selected
Hidroelectrica	IPO – June 2014	Delayed by the insolvency proceedings	15.0%	355.4 <sup>2</sup>	New Shares	Morgan Stanley, Raiffeisen
CE Oltenia	IPO – June 2014	IPO H2 2014	12.0/15.3%	40.2/51.3 <sup>2</sup>	New Shares	BRD Groupe Societe Generale, Swiss Capital <sup>3</sup>
Posta Romana	Privatization (Capital Increase)	H2 2014	>50.0%	—	New Shares	KPMG, Tuca, Zbarcea and Associates
Electrica SA <sup>5</sup>	IPO – May 2014	June 2014	51.0%	N/A	New Shares	Citi, Raiffeisen, Swiss Capital, BRD, Societe Generale

- **Other candidates from the Fund's portfolio for IPOs:**
  - **Administratia Porturilor Maritime (Constanta Port)**
  - **Aeroporturi Bucuresti (Bucharest Airports)**
  - **Salrom**
- **Long-term objective is to increase the Fund's exposure to listed companies to 100%**

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

2. Source: The NAV report prepared by the Fund Manager as at 28 February 2014.

3. Offer submitted in April 2013.

4. Source: Based on the 31 December 2013 Detailed Statement of Investment and EUR/RON FX rate as at 31 December 2013.

5. FP is not a shareholder of the company but is a shareholder of the subsidiaries of Electrica.

# Active Management – Actions to Protect and Increase Value of Underlying Holdings

## General Actions

- Partnerships with the IMF/World Bank/EU Commission to highlight benefits of important themes for the Fund (e.g.: listings, secondary offerings, gas and electricity liberalization, corporate governance)
- Engagement in discussions with all relevant stakeholders to push for proper implementation of new corporate governance legislation. As a result, most companies in our portfolio have now appointed new Boards of Directors and General Managers based on OUG 109/2011 regarding corporate governance
- Supported the introduction of a fair taxation system on additional revenues from gas price liberalization
- Constant dialogue with the Government and Authorities to ensure representation of the Fund on the Boards of portfolio companies, advising on necessary changes to the privatization framework, or highlighting the importance of a fair taxation of the electricity and gas market
- Participation to public consultations regarding new legislation relevant for companies in the portfolio
- Actively involved in the privatization committees for SOEs in the Fund's portfolio. As a result, several companies have introduced profit center/cost center based monitoring of results
- Continuous dialogue with all decision makers in the Government regarding strategic decisions needed in portfolio companies
- Encouraged the companies to put pressure on ANRE for not respecting its own regulations. As a result, ANRE started recognizing production costs, increased tariffs and reduced quantities to be supplied on the regulated market
- We proposed and shareholders approved a new variable remuneration scheme for the management of listed SOEs which is linked to the share price evolution of the company's stock on the stock exchange (e.g. Transelectrica)

# Active Management – Actions to Protect and Increase Value of Underlying Holdings

## Board Specific Actions

- Initiated a number of legal cases against Board members and management of portfolio companies as well as the Romanian Government decisions with a negative impact on the value of underlying holdings
- Legal actions to protect and enhance value – e.g. energy champions, Romgaz donation, Hidroelectrica bilateral contracts, CE Oltenia giving in-payment
- Active involvement in portfolio companies through Board representation
- Actively supported the introduction of expense reduction plans for the SOEs
- Worked closely with the Judicial Administrator of Hidroelectrica to ensure a transparent and efficient reorganization process to significantly improve the company's cash-flows
- Encouraged Romgaz to fully eliminate the practice of offering discounts to certain customers and to improve size and profitability of imported gas trading activity
- Encouraged the Government to re-evaluate merits of Carbon Capture and Storage (CCS) project and subsequently cancelled the project, estimated at EUR 800 mn, with a significant portion of investments coming from Romgaz, Transgaz and CE Oltenia – supported by legal actions
- Managed to persuade SOEs to resist commercial offers from Arcelor Mittal to sell electricity on OPCOM at prices significantly lower than the market prices



## Active Management – Board Members (1/2)

	Holdings	% Stake <sup>1</sup>	% in Total NAV <sup>1</sup>	No. of Board Members <sup>2</sup>	No. of Directors Recommended by FP <sup>2</sup>
1	OMV Petrom SA	19	33.7	9	1
2	Hidroelectrica SA	20	14.9	7	1
3	Romgaz SA	15	13.2	7	2
4	Enel Distributie Banat SA	24	3.8	7	1
5	Enel Distributie Dobrogea SA	24	2.5	7	1
6	Complexul Energetic Oltenia SA	22	2.1	7	1
7	Electrica Distributie Muntenia Nord SA	22	2.0	5	1
8	Nuclearelectrica SA	10	2.0	7	1
9	CN Aeroporturi Bucuresti SA	20	1.9	7	1
10	Electrica Distributie Transilvania Nord SA	22	1.4	5	1
11	Electrica Distributie Transilvania Sud SA	22	1.3	5	1
12	Transelectrica	13	1.0	7	1
13	Conpet SA	30	0.8	7	2
14	SN a Sarii Salrom SA	49	0.7	5	2
15	Posta Romana SA	25	0.4	7	1
16	CN Administratia Porturilor Maritime SA	20	0.4	7	1
17	Enel Energie SA	12	0.4	7	1
18	Zirom SA	100	0.3	3	3
19	Primcom SA	75	0.2	3	2
20	Romaero SA	21	0.1	7	1
21	CN Administratia Canalelelor Navigabile SA	20	0.1	7	1
22	Alcom SA	72	0.0	3	2

1. Based on 31 December 2013 Detailed Statement of Investments.

2. As at 15 April 2014.

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## Active Management – Board Members (2/2)

Holdings	% Stake <sup>1</sup>	% in Total NAV <sup>1</sup>	No. of Board Members <sup>2</sup>	No. of Directors Recommended by FP <sup>2</sup>
23 Oil Terminal SA	8	0.0	7	1
24 Aeroportul International Timisoara – Traian Vuia SA	20	0.0	7	1
25 Aeroportul International M Kogalniceanu – Constanta SA	20	0.0	7	1
26 Plafar SA	49	0.0	5	2
27 Comsig SA	70	0.0	3	3
28 Palace SA	15	0.0	7	1
29 Transilvania Com	40	0.0	3	1
30 Electrica Furnizare SA	22	0.0	5	1
31 Severnav SA	39	0.0	5	2
32 CN Administratia Porturilor Dunarii Fluviale SA	20	0.0	7	1
<b>Total</b>		<b>83.2</b>	<b>192</b>	<b>43</b>

- FTIML investment team attended 93 General Shareholders Meetings and 41 Board meetings in Q1 2014.

1. Based on 31 December 2013 Detailed Statement of Investments.

2. As at 15 April 2014.

# State Owned Companies – Key Financials

Company	EBITDA (RON mn)			Net Profit (RON mn)		
	2011	2012	2013 <sup>5</sup>	2011	2012	2013 <sup>5</sup>
Hidroelectrica SA	873.6 <sup>3</sup>	707.3 <sup>3</sup>	NA	6.5	(508.0)	NA
Romgaz SA	1,884.8	2,126.6	2,181.0	1,031.8	1,244.1	995.6
Complexul Energetic Oltenia SA <sup>1</sup>	57.8	409.8 <sup>4</sup>	NA	179.8	191.2	NA
Nuclearelectrica SA	531.7	549.1	854.4	95.0	34.5	417.4
Electrica Distributie Muntenia Nord SA	141.8	165.6	NA	67.4	87.2	NA
CN Aeroporturi Bucuresti SA	186.5	205.0	NA	52.6	53.1	NA
Electrica Distributie Transilvania Sud SA	111.2	156.4	211.9	19.6	45.8	69.4
Electrica Distributie Transilvania Nord SA	120.3	161.6	205.5	29.1	53.1	63.7
Transelectrica SA	501.9	420.7	613.0	135.5	47.9	206.4
Societatea Nationala a Sarii – Salrom	19.2	41.1	62.3 <sup>8</sup>	1.4	20.8	38.7 <sup>8</sup>
Conpet	89.1	86.1	99.6 <sup>6</sup>	28.6	30.8	31.3
Posta Romana	(102.9)	0.5	NA	(182.9)	(52.1)	NA
CN Administratia Porturilor Maritime	82.7	80.8	NA	42.2	35.6	NA
Romaero	16.2	(32.3)	NA	0.4	(46.7)	NA
CN Administratia Canalelor Navigabile	8.8	13.2	NA	2.6	4.8	NA
Oil Terminal SA	17.5	15.3	NA	0.5	0.5	NA
A.I. Timisoara – Traian Vuia	19.9	13.8	NA	8.7	4.2	NA
Plafar <sup>2</sup>	0.2	(0.9)	NA	0.1	(1.0)	NA
A.I. M. Kogalniceanu – Constanta	2.7	1.9	NA	(0.1)	(1.4)	NA
CN Administratia Porturilor Dunarii Fluviale	7.0	5.3	NA	4.0	2.5	NA
CN Administratia Porturilor Dunarii Maritime	1.4	1.9	2.2 <sup>7</sup>	1.0	1.2	1.4
Electrica Furnizare	91.7	108.2	NA	84.5	90.5	NA
<b>TOTAL</b>	<b>4,663.1</b>	<b>5,237.0</b>	<b>NA</b>	<b>1,608.3</b>	<b>1,338.6</b>	<b>NA</b>
<b>WEIGHTED TOTAL</b>	<b>2,842.1</b>	<b>2,980.6</b>	<b>NA</b>	<b>2,263.8</b>	<b>2,242.7</b>	<b>NA</b>

Note: EBITDA = Operational result + Depreciation.

Source: Companies' Annual results report, 2013 Budget reports, Judicial Administrator's reports.

1. Company registered in May 2012, created through merger of CE Craiova SA, CE Rovinari SA, CE Turceni SA and SNLO.

2. The company was in insolvency procedure until September 2013.

3. Source: Based on the company's calculations.

4. Preliminary figures for the period 31 May – 31 December 2012.

5. Financial statements proposed for shareholders' approval (the GSMs will take place on April–May 2014).

6. EBITDA = Operational result + Depreciation + Expenses with the revaluation of fixed assets.

7. EBITDA = Operational result - Other income + Depreciation.

8. Preliminary results to be approved by the board and by the shareholders

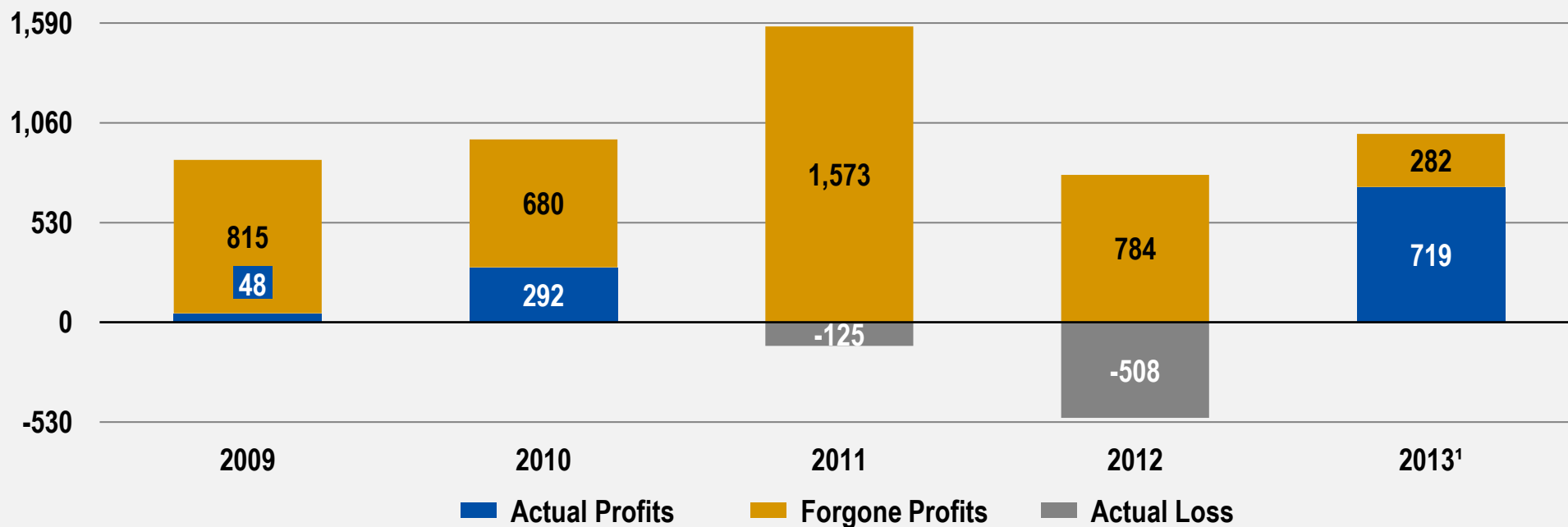
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# Example of a Turnaround - Hidroelectrica

Net Income vs. Foregone Profits (RON mn)<sup>1</sup>



Source: Company 's Financial Statements.

1. 2014 Preliminary Annual Results.

Note: The company's 2013 price on the OPCOM PCCB market + bilateral contracts = 195.9 RON.

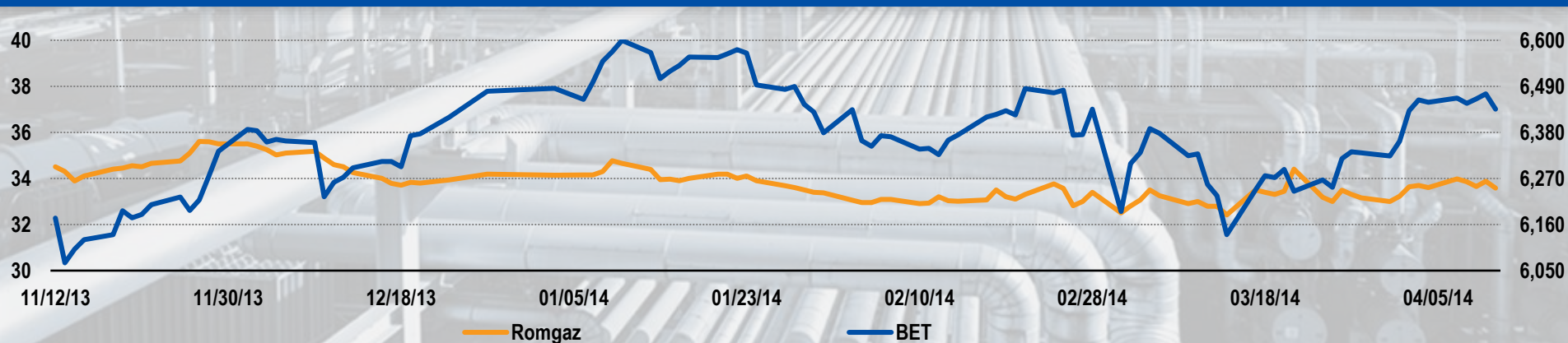
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## Performance Drivers - Romgaz

mn RON	2010	2011	2012	2013 <sup>2</sup>
Operating revenues	4,124	4,552	4,358	4,846
Operating profit	996	1,265	1,432	1,399
Net income	651	1,032	1,119	996

Company	NAV before IPO (EUR mn) <sup>3</sup>	Market Value 1 <sup>st</sup> day of trading on the BSE (EUR mn) <sup>4</sup>	Market Value as at 11 April 2014 (EUR mn)
Romgaz	301.9	447.5	435.1

### Romgaz Price Evolution vs. the BET Index (RON)<sup>1</sup>



Source: Company reports.

1. Bucharest Stock Exchange, as at 11 April 2014.

2. Individual IFRS Statements pending shareholders' approval on the 28 April 2014 GSM.

3. Source: The NAV report prepared by the Fund Manager as at 30 October 2013

4. 12 November 2013.

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# Aligning Shareholder Interests - Transelectrica

mn RON	2010	2011	2012	2013 <sup>1</sup>
Net profit	104.0	135.5	47.9	206.4
FP Net dividend	1.2	10.9	4.0	22.1

## Transelectrica Share Price (RON)<sup>1</sup>



1. Based on the companies' financial statements and dividends proposed for shareholders' approval (GSMs scheduled for 29 April 2014).

2. Source: Bucharest Stock Exchange as at 14 April 2014.

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## Lack of Restructuring – CE Oltenia

Financial Information			
RON mn	2011 <sup>1</sup>	2012 <sup>2</sup>	2013 <sup>3</sup>
Operating Revenues	4,026.4	3,347.1	4,278.2
Operating Profit	347.9	44.5	Loss
Net Profit	179.8	118.3	Loss
Employees	NA <sup>4</sup>	18,761	18,850

Portfolio Company	30 November 2012 Value (RON mn)	30 November 2013 Value (RON mn)	31 March 2014 Value (RON mn)
CE Oltenia SA	1,075.07	880.00	321.64

1. Source: 2011 IFRS pro-forma financial statements .

2. Based on statutory financial statements for the period 1 June – 31 December 2012.

3. Based on the preliminary results the net loss is estimated to be around RON 131mn.

4. The company was registered in May 2012, and created through the merger of CE Craiova SA, CE Rovinari SA, CE Turceni SA and SNLO.

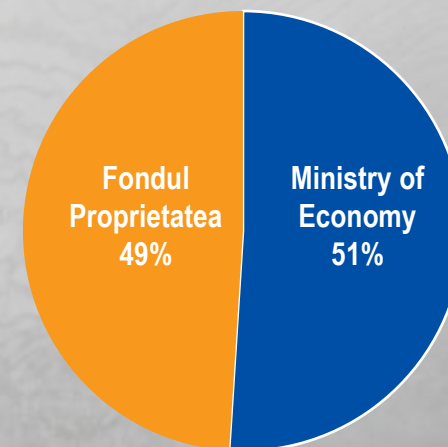
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# IPO candidate – Salrom

## Financial Information

RON mn	2010	2011	2012	2013 <sup>1</sup>
Operating Revenues	276.2	282.7	303.5	327.2
Operating Profit	12.2	5.2	25.3	48.2
Net Profit	5.9	1.3	20.7	42.6
FP Net dividend	0.7	0.1	9.3	17.6
EV / EBITDA	4.6	7.5	4.0	2.5
P / E	36.8	167.2	10.5	5.0

## Shareholder structure



1. Based on the preliminary 2013 financial statements.



# Dividend Income – Top 20 Portfolio Companies

Top 20 Holdings <sup>1</sup>	DIVIDEND PAYOUT %			FP NET DIVIDEND			
	2013 <sup>12</sup>	2012	2011	2014	2013 <sup>8</sup>	2012	2011
1 OMV Petrom SA <sup>2</sup>	36	40	47	331.4	319.0	353.1	201.6
2 Hidroelectrica SA	NA	—	—	NA	—	—	52.5
3 Romgaz SA	99	85	91	148.5	158.9	140.6	106.0
4 ENEL Distributie Banat SA	—	—	—	—	—	—	20.2
5 ENEL Distributie Muntenia SA	—	—	—	—	—	—	—
6 GDF Suez Energy Romania	60	50	—	33.6	22.8	—	9.6
7 ENEL Distributie Dobrogea SA	—	—	—	—	—	—	13.5
8 E.ON Moldova Distributie SA	NA	—	—	NA	—	—	—
9 Complexul Energetic Oltenia SA <sup>3</sup>	NA	N/A	N/A	NA	10.3	N/A	N/A
10 Nuclearelectrica SA	82	83	—	31.6	2.3	—	—
11 Electrica Distributie Muntenia Nord SA	NA	84	12	NA	16.2	1.8	—
12 CN Aeroporturi Bucuresti SA	NA	85	89	NA	9.1	9.4	9.9
13 BRD Groupe Societe Generale <sup>2</sup>	—	—	25	—	—	3.6	2.1
14 Electrica Distributie Transilvania Nord SA	85	—	—	11.67	—	—	—
15 Electrica Distributie Transilvania Sud SA	85	—	—	12.15	—	—	—
16 E.ON Gaz Distributie SA	NA	— <sup>9</sup>	— <sup>9</sup>	NA	29.9	—	—
17 Transelectrica SA <sup>2</sup>	80	86	89	22.05	4.0	10.9	1.2
18 Conpet SA	94	92	90	9.3	8.4	6.6	7.0
19 Banca Transilvania SA <sup>2</sup>	—	—	—	—	—	—	—
20 SN a Sarii Salrom SA	NA	92	90	NA	9.3	0.1	0.8
<b>TOTAL (RON mn)</b>					<b>590.2</b>	<b>526.1</b>	<b>424.4</b>
<b>Total Dividends from Listed Companies (RON mn)</b>					<b>373.9</b>	<b>450.1</b>	<b>304.0</b>
<b>Total Dividends from Unlisted Companies (RON mn)</b>					<b>275.8<sup>11</sup></b>	<b>168.9</b>	<b>215.1</b>
<b>Total Dividend Income (RON mn)</b>					<b>649.7</b>	<b>619.0</b>	<b>519.1</b>
<b>Dividend per Share (RON)</b>						<b>0.04089</b>	<b>0.03854</b>
<b>Share Price (RON)</b>						<b>0.6600<sup>4</sup></b>	<b>0.5550<sup>5</sup></b>
<b>Dividend Yield</b>						<b>6.20%</b>	<b>6.94%</b>

Note: Calculation based on the companies' 2011 and 2012 statutory financial statements.

1. Based on the 31 December 2013 Detailed Statement of Investments.

2. IFRS consolidated financial statements.

3. Created through the merger of CE Craiova SA, CE Rovinari SA, CE Turceni SA and SNLO; Combined IFRS financial statements of CE Craiova SA, CE Rovinari SA, CE Turceni SA and SNLO; Dividends distributed to FP by merged companies: 2012 (CE Rovinari RON 6.5mn, CE Craiova RON 0.03mn), 2011 (CE Rovinari RON 0.02mn, CE Craiova RON 0.01mn).

4. Share price as at 15 May 2013.

5. Share price as at 9 May 2012.

6. IFRS financial statements.

7. RAS financial statements.

8. Dividends announced until 31 December 2013.

9. Part of retained profits from 2011 and 2012.

10. The company did not distribute cash dividends, but bonus shares

11. Includes dividends from Romgaz and Nuclearelectrica, which were unlisted at that time.

12. Calculation based on the companies' financial statements proposed for shareholders' approval (the GSMs will take place on April – May 2014).

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# New Tax on Existing Special Infrastructure Assets (1/2)

According to Government Emergency Ordinance 102/2013, the Romanian Government has introduced a new tax on existing special infrastructure assets, which will apply to most of the companies in the Fund's portfolio.

Tax Level

# 1.5%

of the value of existing special infrastructure assets

**Taxable Base:** Value of the special infrastructure assets included in the companies' assets according to the previous year's financial statements, excluding the assets that are already taxed

Applicable Period

01

Starting

Jan 2014

Payment of the Tax

Semi-annually – until

25

May 2014

and

25

Sep 2014

Examples of special infrastructure assets to which the tax is applicable:

- Hydro, nuclear, and thermo power plants
- Oil, gas, and salt pipelines
- Electricity transportation infrastructure
- Runways and platforms
- Telecom assets
- Agriculture infrastructure
- Port and waterway infrastructure, etc

Government's initial estimation  
of the tax revenue

# RON 488 mn<sup>1</sup>

1. Government Ordinance no. 102/2013

## New Tax on Existing Special Infrastructure Assets (2/2)

### Estimated impact on selected portfolio companies

Company	2012 Net Profit (RON mn)	Estimated Tax (RON mn)	% of Net Profit
OMV Petrom	3,946	265 – 330 <sup>1</sup>	7 – 8%
Nuclearelectrica	34	100	294%
Hidroelectrica	(508)	168	N/A
Romgaz	1,244	90 <sup>2</sup>	7%
Electrica Distributie Transilvania Nord	53	15	28%
Electrica Distributie Muntenia Nord	87	15	17%
Electrica Distributie Transilvania Sud	46	17	37%
CE Oltenia	118	31	26%

- In total, the private and state owned companies from the Fund's portfolio are estimated to contribute more than RON 900 mn to the State Budget
- The impact of the tax on the Fund's share of the profit from the portfolio companies is of RON 157 mn or 7.4% (proportionally with the Fund's stake in the companies)

Note: Fund Manager estimations.

1. As stated by the company's CFO at Fondul Proprietatea Investor Days in November 2013.

2. As estimated by the company for the assets held on 30.09.2013.

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# Future Developments

# Return of Capital – RON 0.05/Share Cash Distribution

## Status

- The actual payment shall start 30 days after the date on which the decrease of the share capital is effective, namely after two main legal conditions are met:
  - ✓ Expiry of a two months term after the publication of the shareholders' resolution in the Official Gazette. Please note that the EGM Resolution no. 2/2014, approving the distribution, was published on 15 April 2014 in the Official Gazette no. 2216, meaning that the said legal condition should be met on 15 June 2014
  - ✓ Endorsement from the Financial Supervisory Authority of the share capital decrease – although FSA can rule on this only after the expiry of the two months term mentioned above, the Fund Manager has already submitted the required documentation in order to facilitate the timely issuance of a decision from the FSA after the expiry of the said term, hopefully within a few days after 15 June 2014
- Based on the assumptions mentioned above, we estimate that the payment of the cash distribution is likely to start shortly after 15 July 2014

## Buy-Back Programs (1/2)

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
First	May–Sep 2011	Finalized	240.3 mn / 1.74%	0.4994	Wood & Co.	Effective as of February 2014
Second	Apr-Dec 2013	Finalized	1.1 bn / 7.99%	0.8743	Wood & Co., BCR	Awaiting shareholders' approval – on the agenda of the Annual Shareholder Meeting on 28 April 2014
Third	March 2014	Ongoing	253 mn / 1.89%	0.8171 <sup>1</sup>	Raiffeisen Capital & Investment	-

1. Since the start of the buy-back program on 27 March 2014 until 18 April 2014.

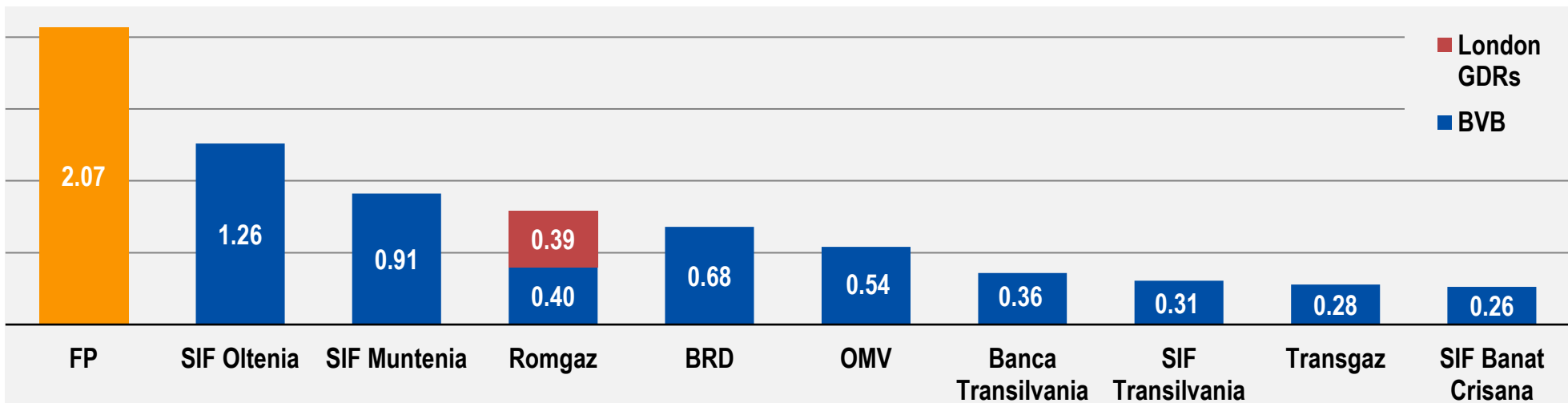
## Buy-Back Programs (2/2)

### Fourth Buy-Back Program

- The Fund Manager has submitted for shareholders' approval in the Annual Shareholders Meeting on 28 April 2014, the authorization for a buy-back programme to repurchase 990,855,616 shares equivalent to 7.32% of the Fund's issued share capital.
- The fourth buy-back programme will start after the completion of the third buy-back programme approved on 22 November 2013 and the cancellation of the shares repurchased in the second buy-back programme
- The execution of the programme is authorized for a maximum period of 18 months as of the date when the shareholders' resolution is published in the Official Gazette of Romania
- The buy-back programme shall be performed at a price between RON 0.2 and RON 2.0 per share
- The shares repurchased in the fourth buy-back program will be cancelled

# Buy-Back Program – Average Daily Trading

Average Daily Turnover in March 2014 (EUR mn)



## Third Buy-Back Program

ADTV (March 2014)	11.5 mn shares / EUR 2.1 mn
25% of ADTV	2.9 mn shares / EUR 0.5 mn
Total cash & cash equivalents as at 31 March 2014 <sup>1</sup>	RON 434.6 mn / EUR 97.6 mn
Number of shares to be repurchased	252,858,056
Number of shares repurchased as at 11 April 2014	27,284,100
Average price for the shares repurchased as at 11 April 2014	0.8200

Source: Bloomberg, BVB, computed using the NBR EUR/RON FX as at 31 March 2014.

1. Using the simplifying assumption that all available cash & cash equivalents as at 31 March 2014 can be used for buy-backs, so ignoring other possible cash outflows and inflows.

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# Secondary Listing – Executive Summary

## Context



- Following a detailed analysis and given very supportive feedback for the secondary listing of the Fund from current and potential international institutional investors that the Fund Manager has met during road-shows to U.S., Canada, U.K., and other European countries, the Fund Manager recommends to the Fund's shareholders to approve the secondary listing of the Fund on the Specialist Fund Market of the London Stock Exchange

## Main Objectives



- Access a broader pool of capital not currently active in Romania
- Increasing the Fund's (and implicitly Romania's) visibility internationally
- Increasing the research coverage of the Fund from international brokers
- Creating additional value for the Fund's shareholders through a potential valuation uplift as a result of attracting additional demand for the Fund's shares

## Legal / Regulatory Market Constraints

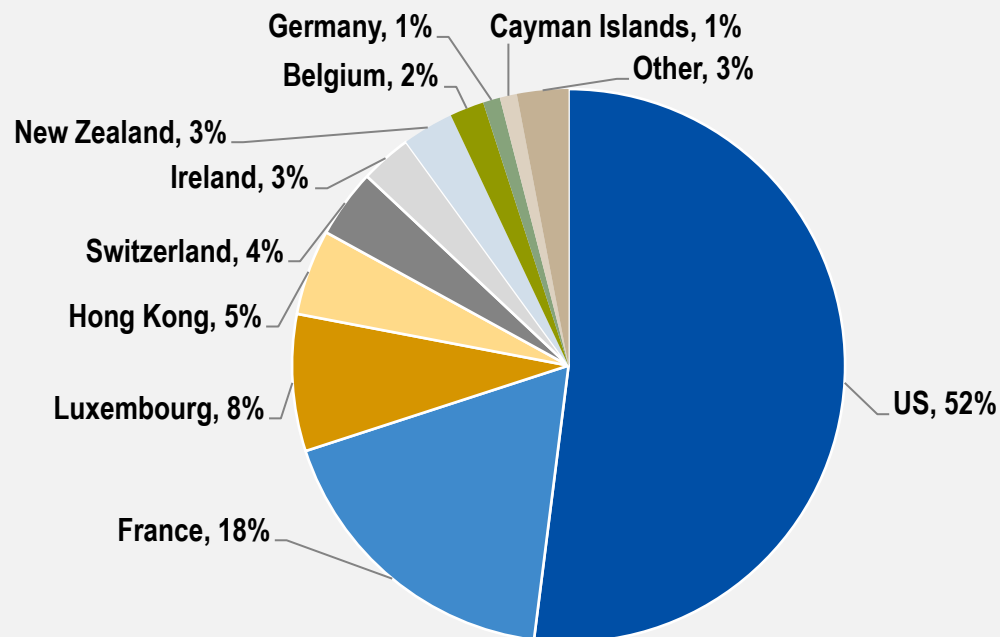


- Current regulations (FSA resolution 44/30.09.2013) restrict the issuance of GDRs to IPOs

## Benefits for the Fund: Access to a Broader Investor Base

- There are a large number of local institutional investors in London active in investing in closed-end funds, with dedicated assets under management of approx. USD 100 billion

### LSE: \$18bn held by international investors in Top 20 Funds



Source: Bloomberg, Morningstar

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## Benefits for the Fund and the Romanian Market

- Given its size, the Fund will be the second largest fund by Net Asset Value and the fourth largest by market capitalization out of the 422 funds listed on the whole LSE

Fund	Market Cap (USD bn) as at 10 April 2014	Net Asset Value (USD bn) as at 9 April 2014
Alliance Trust PLC	4.26	4.74
<ul style="list-style-type: none"> <li>Investment in a wide range of asset classes throughout the world</li> </ul>		
Scottish Mortgage Investment Trust	4.20	4.36
<ul style="list-style-type: none"> <li>Total return fund actively managed</li> </ul>		
Foreign & Colonial Investment Trust PLC GBP	3.54	3.96
<ul style="list-style-type: none"> <li>Investing primarily in an international portfolio of listed equities</li> </ul>		
<b>FONDUL PROPRIETATEA</b>	<b>3.43</b>	<b>4.55<sup>1</sup></b>
Rit Capital Partners PLC	3.43	3.63
<ul style="list-style-type: none"> <li>An investment trust chaired by Lord Rothschild</li> </ul>		
Templeton Emerging Markets	2.97	3.28
<ul style="list-style-type: none"> <li>Investment focus in emerging markets</li> </ul>		

Source: Bloomberg.  
1. NAV as at 28 February 2014

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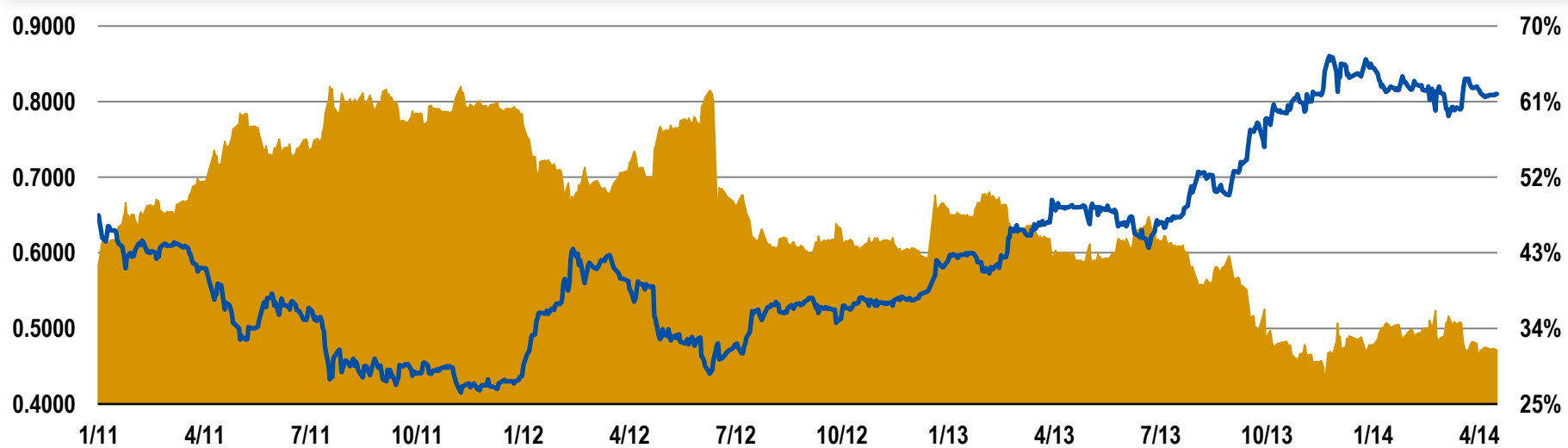
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# Benefits for the Fund: Potential Valuation Uplift

- Overall, the top 10 largest funds currently listed in London trade at an average discount of 1.2%
- Given the relevant peer group of funds trading in London and the wide investor base with a deep understanding of funds as well as international companies, the incremental demand which could arise from this listing could continue / accelerate the narrowing of the discount to NAV

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



Source: Bloomberg.

1. Source: BVB, as at 24 April 2014.

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## Secondary Listing on the LSE – Plan



Fungible trading between London and Bucharest is expected to be achieved via the use of Depositary Interests (“DIs”) in the UK. In this regard, a UK-based registrar and depository would bridge the London and Bucharest markets by holding Shares through a local (Bucharest based) custodian via Clearstream (clearing and settlement entity connected to the Central Depository in Bucharest) and issuing DIs in London



Alternatively, the listing can be achieved via the use of Global Depositary Receipts (“GDRs”), but the current local regulations in Romania limit the issuance of GDRs to IPOs and in order for the Fund to be able to issue such GDRs, either the regulation should change or the local FSA should issue a waiver for the Fund to be able to issue the GDRs



New local and foreign investors will be attracted via liquidity sourced by the Consortium from 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 shares will be issued by the Fund

# Secondary Listing on the LSE – Institutions

**Consortium Member**



**BRD**  
GROUPE SOCIETE GENERALE

Romanian Advisor

**Consortium Member**

**Jefferies**

Sole UK Financial Adviser

**Consortium Member**

**SWISS CAPITAL**

Romanian Advisor

**Auditor**



**FONDUL**  
**PROPRIETATEA**

**Local PR Agency**



GolinHarris

**Legal Advisor**




**FRANKLIN TEMPLETON**  
**INVESTMENTS**

**International PR Agency**

TBC

# GSM Agenda

# EGM Agenda

EGM Section 1: The approval of the EGM agenda

Fund Manager recommendation to vote: FOR

EGM Section 2: The amendment of the Constitutive Act as follows:

2.1. The amendment of Article 19, paragraph 1 of the Constitutive Act of Fondul Proprietatea SA as follows: "Fondul Proprietatea is managed by FTIML UK Bucharest Branch, which holds the position of sole director, as well as of asset management company referred to throughout this document as the Fund Manager."

2.2. The introduction after paragraph 4 of Article 34 of the Constitutive Act of a new paragraph having the following content: "(5) Fondul Proprietatea will not engage in any "raising of capital" activities, within the sense of Article 4 (1) (a) (i) of EU Directive 2011/61 as detailed by European Securities and Markets Authority's related guidelines and interpretations".

Fund Manager recommendation to vote: FOR

EGM Section 3: The approval of the secondary listing of Fondul Proprietatea SA on the London Stock Exchange, as follows:

3.1. The approval of all arrangements to allow the admission to trading of Fondul Proprietatea SA's shares via direct or indirect ownership (such as through depositary receipts, depositary interests or other indirect ownership form) (the "Securities") on the London Stock Exchange

3.2. The approval of the empowerment of the Sole Administrator of the Company:

- (i) to take all necessary actions in order to complete such listing, including to choose the type of listing, the section of the London Stock Exchange where the Securities will be listed, the execution of the intermediation and any other agreements, appointing a depositary bank and the execution of a depositary agreement, if the case, appointing any advisers (other than the consortium mentioned below) and subcontractors if necessary and drafting and executing all listing related documentation;
- (ii) to represent Fondul Proprietatea SA with full power and authority in front of any third party and authorities in relation with secondary listing activities;
- (iii) to seek all necessary regulatory approvals thereof;
- (iv) to carry out any promotional campaign;



## EGM Agenda

(v) to perform any other action or formality which may be necessary or desirable to ensure the full effectiveness of the actions specified in this point; such authorization of the Sole Administrator is valid until 31 December 2014

3.3. The appointment of the consortium composed of Jefferies International Limited as sole UK financial adviser, BRD Societe Generale as Romanian advisor and Swiss Capital as Romanian advisor, that will work with the Sole Administrator mainly with respect to the admission to trading of Fondul Proprietatea SA's Securities, via direct or indirect ownership, on the London Stock Exchange

3.4. The approval of the secondary listing budget

Fund Manager recommendation to vote: FOR

EGM Section 4: The approval of the decrease of the subscribed share capital of Fondul Proprietatea SA as follows:

The decrease of the subscribed registered share capital of Fondul Proprietatea SA from RON 12,861,183,036.65 to RON 11,815,279,886.85, pursuant to the cancellation of 1,100,950,684 own shares acquired by the Company. After the share capital decrease the subscribed share capital of the Company will be RON 11,815,279,886.85 being divided into 12,437,136,723 shares, with a nominal value of RON 0.95 / share. The subscribed share capital decrease will take place on the basis of Article 207 paragraph 1 letter c) of Law 31/1990. The subscribed share capital decrease will be effective after the following three conditions are met:

- The share capital decrease for the return of capital as approved by shareholders on 3 February 2014 is effective;
- This resolution is published in the Official Gazette, Part IV for at least two months;
- FSA endorses the changing of first paragraph of Article 7 of the Constitutive Act, as modified based on this decision, where required by applicable law or regulation

Fund Manager recommendation to vote: FOR

EGM Section 5: The approval of the amendment of the Investment Policy Statement

Fund Manager recommendation to vote: FOR

# EGM Agenda

**EGM Section 6:** The approval of the authorization of the Sole Administrator to buy-back shares of Fondul Proprietatea S.A., for a maximum number of (i) 990,855,616 shares or (ii) 10% of the issued share capital at the relevant time, whichever is the lesser, starting with the date when the buy-back programme approved through the Extraordinary GSM Resolution no. 15/22 November 2013 is completed (or otherwise cancelled by the shareholders), for a maximum period of 18 months as of the date when the shareholders' resolution is published in the Official Gazette of Romania, Part IV. The buy-back shall be performed at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share. The transaction can only have as object fully paid shares. The buy-back programme is aimed at the share capital decrease. The shareholders' decision regarding the share capital decrease and the change of the Constitutive Act will be approved by the shareholders, with the observance of the provisions of the Constitutive Act, being agreed that the shareholders may approve one or more share capital decreases as the shares are being bought back and the shareholders are convened by the Sole Administrator. This buy-back programme implementation will be subject to the availability of the necessary cash.

**Fund Manager recommendation to vote: FOR**

**EGM Section 7:** The ratification and the approval of all resolutions taken by the extraordinary GSMs and all of the legal acts (including decisions and contracts) concluded between 6 September 2010 and 27 April 2014 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Company under an unitary system.

**Fund Manager recommendation to vote: FOR**

**EGM Section 8:** The approval of 15 May 2014 as the registration date.

**Fund Manager recommendation to vote: FOR**

**EGM Section 9:** The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY, as legal representative of FTIML UK Bucharest Branch, to sign the shareholders' resolutions and the amended and restated form of the Constitutive Act, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolution, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

**Fund Manager recommendation to vote: FOR**

# OGM Agenda

OGM Section 1: The approval of the OGM agenda.

Fund Manager recommendation to vote: FOR

OGM Section 2: The approval of the execution of the IMA between FTIML UK Bucharest Branch and Fondul Proprietatea SA as negotiated between the Board of Nominees and FTIML UK Bucharest Branch and the empowerment of the Chairman of the Board of Nominees to execute it on behalf of Fondul Proprietatea SA. This point of the agenda is effective subject to the endorsement without comments by FSA of the EGM Resolution no. 17/22 November 2013 by the date of this meeting. If the shareholders of Fondul Proprietatea SA will vote in favour of this point on the agenda and the FSA's endorsement of EGM Resolution no. 17/22 November 2013 is received without comments by the date of this meeting, the IMA mentioned above is effective after it is endorsed by FSA, where required by applicable law or regulation.

Fund Manager recommendation to vote: FOR

OGM Section 3: The approval of the renewal / extension of the current mandate of FTIML UK Bucharest Branch as Sole Administrator and Fund Manager of Fondul Proprietatea SA for a duration of 2 years starting with 30 September 2014. The list containing data regarding FTIML UK Bucharest Branch (including name, headquarters, professional qualification, the evidence that it is registered with the Trade Register, the evidence that it is registered in the Public Register of the FSA) is published on the internet webpage of the Company and is available at the registered office and may be consulted and completed by shareholders in accordance with the law. This point of the agenda is effective subject to the endorsement without comments by FSA of the EGM Resolution no. 17/22 November 2013 by the date of this meeting. If the shareholders of Fondul Proprietatea SA will vote in favour of the said renewal / extension and the endorsement of EGM Resolution no. 17/22 November 2013 is received without comments by the date of this meeting, the renewal / extension is effective after it is endorsed by FSA, where required by applicable law or regulation.

Fund Manager recommendation to vote: FOR

# OGM Agenda

**OGM Section 4:** The approval of the Annual Activity Report of the Sole Administrator of Fondul Proprietatea SA for the financial year 2013, including the financial statements for the year ended on 31 December 2013 prepared in accordance with the Romanian Accounting Regulations, the approval of the report of auditor and the discharge of FTIML UK Bucharest Branch for any liability for the administration during 2013.

**Fund Manager recommendation to vote:** FOR

At this point, it will be presented the annual report of Board of Nominees.

**OGM Section 5:** The approval of the net profit allocation for the financial year 2013.

**Fund Manager recommendation to vote:** FOR

**OGM Section 6:** The approval of the amended budget for 2014 for Fondul Proprietatea SA (Addendum no. 1 to the 2014 Budget of Fondul Proprietatea S.A.).

**Fund Manager recommendation to vote:** FOR

**OGM Section 7:** The approval of the addendum to the audit contract with Deloitte Audit SRL for other services related to the secondary listing described under point 3 of the EGM agenda.

**Fund Manager recommendation to vote:** FOR

**OGM Section 8:** The ratification and the approval of all OGM decisions and all of the legal acts (including decisions and contracts) concluded, adopted or issued on behalf of Fondul Proprietatea S.A. by FTIML UK, Bucharest Branch between 6 September 2010 and 27 April 2014. The ratification and the appointment of FTIML UK Bucharest Branch as Sole Administrator of Fondul Proprietatea SA and as Fund Manager pursuant to Law no. 297/2004 regarding the capital market and according to the IMA signed on 25 February 2010 and the ratification and the approval of the IMA signed on 25 February 2010 including all amendments thereto.

**Fund Manager recommendation to vote:** FOR

# OGM Agenda

OGM Section 9: The approval of 15 May 2014 as the registration date.

Fund Manager recommendation to vote: FOR

OGM Section 10: The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY, as legal representative of FTIML UK Bucharest Branch, to sign the shareholders' resolutions, as well as any other documents in connection therewith.

Fund Manager recommendation to vote: FOR

# Income Statement

RON million	2011 Audited	2012 Audited	2013 Audited
<b>Revenues from current activity, out of which:</b>	<b>617.9</b>	<b>871.8</b>	<b>1,311.2</b>
Revenues from financial assets	519.1	619.0	649.7
Interest income	41.1	34.9	36.2
Reversal of impairment adjustments & provisions	30.5	5.7	48.3
Revenues from disposal of financial assets	13.4	208.1	573.1
Revenues from foreign exchange differences	1.6	0.1	0.3
Other income from current activity <sup>1</sup>	12.2	4.0	3.6
<b>Expenses from current activity, out of which:</b>	<b>72.3</b>	<b>304.8</b>	<b>629.0</b>
Expenses from disposal of financial assets	4.6	195.1	528.7
Expenses from foreign exchange differences	0.9	0.3	0.2
Depreciation, provisions, losses from receivables and sundry debtors	11.7	49.7	13.0
Commissions and fees	17.2	16.2	26.3
Other expenses from current activity	37.9	43.5	60.8
<b>Gross profit</b>	<b>545.6</b>	<b>567.0</b>	<b>682.2</b>
Income tax expense	1.8	-	-
<b>Net profit</b>	<b>543.8</b>	<b>567.0</b>	<b>682.2</b>

Source: Prepared by the Fund Manager.

1. Other expenses from current activity include bank charges, material and utilities expenses, salary costs, third party expenses as well as duties and other taxes.

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# Balance Sheet

RON million	31 December 2011 Audited	31 December 2012 Audited	31 December 2013 Audited
Intangible assets	-	0.3	0.8
Financial assets	10,627.9	11,097.8	10,490.6
<b>Non-current assets – Total</b>	<b>10,627.9</b>	<b>11,098.1</b>	<b>10,491.4</b>
<b>Current assets – Total</b>	<b>549.2</b>	<b>776.5</b>	<b>454.1</b>
Prepaid expenses	-	0.1	-
Payables within one year	42.2	21.1	31.2
<b>Total assets less current liabilities</b>	<b>11,134.9</b>	<b>11,853.6</b>	<b>10,914.3</b>
Provisions	14.2	16.8	29.3
<b>Shareholders' equity</b>	<b>11,120.7</b>	<b>11,836.8</b>	<b>10,885.0</b>

Source: Prepared by the Fund Manager.

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## New Investment Management Agreement – Key terms

**On 22 November 2013, the GSM approved the extension of the mandate with the current Fund Manager and recommended the following terms to be included in a new IMA**

- The mandate of the Fund Manager is of 2 years, starting with 30 September 2014
- The total fee payable to Franklin Templeton shall include a base fee linked to the market capitalisation of the Company and an additional variable fee linked to the amount of exceptional distributions to shareholders in the relevant period (including, for example, by way of share buybacks, public tender buybacks, reductions of the share capital with the return to shareholders of a part of their contributions, but excluding regular dividend distributions)

**Following the negotiations with the Fund's Board of Nominees, the key terms of the new IMA are as follows:**

- Duration of the mandate: 2 years, starting with 30 September 2014
- Fees: Base Fee of 0.60% on the average quarterly market cap of the Fund and Distribution Fee of 2.00% of total non-dividend distributions until 31 October 2015 and 1.00% of total non-dividend distributions starting with 1 November 2015
- The Fund Manager will call a GSM each year in October to review the performance of the Fund Manager and shareholders will have the right to vote on the continuation of the mandate of the Fund Manager
- The full IMA is available on the Fund's website



# New Investment Policy Statement – Key terms

## Performance Objectives

### Discount objective

- The discount between the closing price for each trading day of the shares issued by the Fund and the latest reported NAV per share should be equal to or lower than 15% in at least two thirds of the trading days during the reporting period

### NAV objective

- The Fund Manager should achieve a level of Adjusted NAV per share higher than the reported NAV as at 30 September 2013.
- The adjusted NAV for a given date will be calculated as the sum of:
  - the reported NAV as at the end of the reporting period;
  - any returns to shareholders, following reductions of the share capital (return of nominal) implemented after 30 September 2013
  - any Distribution Fee 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

## Achieving the performance objectives

- Buy-back programs via share repurchases on the regular market on which the Fund's shares are listed and / or public tender offers
- Reduction of the nominal value of shares, accompanied by cash distribution to shareholders
- Increasing investor demand for the Fund's shares

Source: New Investment Policy Statement – subject to shareholders' approval during the Annual General Shareholders Meeting conveyed for 28 April 2014.

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# Annex 1

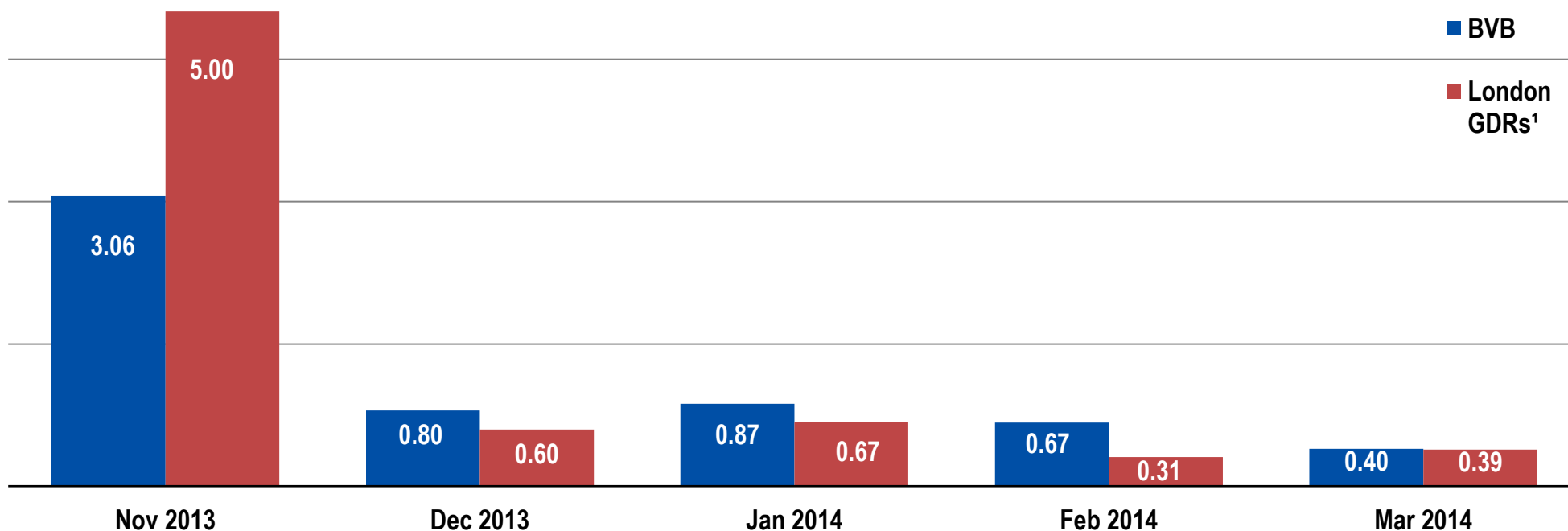
## Benefits for the Bucharest Stock Exchange (1/2)

- The Bucharest Stock Exchange will remain the primary listing venue for the Fund
- The Fund's shareholders register will remain with the Romanian Central Depository
- All largest companies in Central Europe, including Poland, Hungary, and Czech Republic made their first IPOs on two or three stock exchanges at their early development stage and benefited from higher investor interest and gradually much higher liquidity on the domestic market
- The Fund's listing on the LSE would broaden even more the base of investors looking at Romania, following the successful listing of Romgaz on the LSE
- The higher research coverage following the secondary listing should enhance the profile of the Fund and its portfolio companies and also contribute to increase the trading liquidity of the Fund
- Further migration of liquidity to the home market can be expected over time, as new foreign institutional investors gain comfort and understanding of Romania
- The Fund's listing in London will play a major role in increasing investor awareness and understanding of the other portfolio companies scheduled to IPO in 2014

## Benefits for the Bucharest Stock Exchange (2/2)

- The IPO of Romgaz in Bucharest and London highlights the additional benefits of a London listing alongside Bucharest
- The example of Romgaz underlines that liquidity tends to migrate to the home market (10-15% of the GDRs have been converted to shares, increasing the trading liquidity on the BSE)
- In case of Romgaz, daily liquidity has been higher on the BSE since the second month of trading following the IPO

Average Daily Turnover since Listing (EUR mn)



Source: Bloomberg, BVB.

1. Excluding OTC trades.

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*Fondul Proprietatea  
Franklin Templeton Investment Management UK Bucharest Branch  
Premium Point  
Buzesti Street 78-80, 7th-8th floor  
1st District  
011017 Bucharest  
Romania*



FRANKLIN TEMPLETON  
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