

To: **Bucharest Stock Exchange**
Financial Supervisory Authority

Current report according to Article 99 of the Code of the Bucharest Stock Exchange Market Operator, Title II, Issuers and Financial Instruments

Important events to be reported:

The Board of Nominees of Fondul Proprietatea Recommendation related to the 28 April 2014 Shareholders' Meetings

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch ("FTIML / the Fund Manager"), in its capacity as sole administrator and fund manager of Fondul Proprietatea SA ("the Fund") would like to inform shareholders that the Fund's Board of Nominees ("the Board") has issued its Recommendation regarding the new Investment Management Agreement, which is a subject on the agenda of the Fund's Shareholders' General Meetings scheduled for 28 April 2014.

For the shareholders' ease of reference, the Board has requested that the Board's Recommendation be issued in a separate current report - please find it enclosed as an Annex hereto.

The Fund Manager would like to remind shareholders that the agenda of the 28 April 2014 meetings, along with all the supporting materials, can be accessed on the Fund's webpage at: <http://www.fondulproprietatea.ro/investor-relations/gsm-information/gsm-documentation>.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch, acting as Sole Administrator on behalf of FONDUL PROPRIETATEA S.A.

Oana Valentina TRUȚA

Legal Representative

Report date:

26 March 2014

Name of the issuing entity:

Fondul Proprietatea S.A. (the "Fund")

Registered office:

78-80 Buzesti St.,
7th floor, district 1,
Bucharest, postal code 011017

Phone/fax number:

Tel.: + 40 21 200 9600

Fax: + 40 21 200 9631

Sole Registration Code with the Trade Register Office:

18253260

Order number in the Trade Register:

J40/21901/2005

Subscribed share capital:

RON 13,538,087,407

Paid share capital:

RON 13,172,832,785

Regulated market on which the issued securities are traded:

Bucharest Stock Exchange

**The Recommendation of the Board of Nominees
on the new Investment Management Agreement**

In accordance with its mandate from shareholders under the 22 November 2013 GSM resolutions, the Board of Nominees (“BoN”) has drawn up and negotiated with Franklin Templeton the new Investment Management Agreement (“IMA”), which, if approved by shareholders, will come into force on 30 September 2014 and have a duration of two years.

The new IMA introduces and establishes a procedure for a regular evaluation of the Fund Manager’s performance through a formal review each year of performance during the given reporting period against the Investment Objective and two Performance Objectives, which are set out in the revised Investment Policy Statement. The BoN will each year present to shareholders its report on its conclusions from this review.

The BoN has given considerable thought to the issue of fees for the Fund Manager of FP. The BoN believes that there are few useful available direct comparisons for a single country fund of the size of FP, but has undertaken detailed analysis of annual management charges and total expenses ratios at other similar closed-end funds. The BoN has been conscious of the general climate regarding fee levels in the broad investment management industry. In recommending an increase in the Base Fee, the BoN has reflected carefully on the difficult legal and regulatory environment in which FP operates, as well as on the time, necessary resources and dedication required of the Fund Manager as regards implementing better governance at investee companies and protecting the interests of FP and its shareholders through legal action, when appropriate. In particular, the BoN does not underestimate the time and effort required to achieve sustainable corporate governance improvements at investee companies, including as regards reporting, transparency and the installation of professional independent and properly incentivised executive management; this work by the Fund Manager is essential for preparing state-owned and other companies for privatisation and stock market listings, which are significant factors in maximising returns for FP’s shareholders.

The BoN has set the new Base Fee at 60 basis points and it considers this level to be both commercial and commensurate with the demands of the Fund Manager’s mandate.

The BoN has also carefully weighed up the appropriate level of Distribution Fees; the fees proposed by the BoN in the IMA reflect the challenge and timetable facing the Fund Manager in executing further Discount Control Mechanisms in order to achieve the Discount Objective, while responsibly managing the investment portfolio and liquidity.

The BoN strongly recommends the new Investment Management Agreement to shareholders.

The Board of Nominees of Fondul Proprietatea SA