

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

Current report according to Article 99 (s) of the Code of the Bucharest Stock Exchange, Title II, Issuers and Financial Instruments.

Events to be reported:

Supporting materials related to the 23 September 2014 Shareholders' Meetings

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch ("**the Fund Manager**"), in its capacity as Sole Administrator and Fund Manager of Fondul Proprietatea SA ("**the Fund**"), would like to remind shareholders that the Fund Manager has summoned both an extraordinary and ordinary meeting of the Fund's shareholders for 23 September 2014, at "Athenee Palace Hilton" Hotel, „*Le Diplomate*" Room, 1-3 Episcopiei Street, District 1, Bucharest, starting at 10:00 AM, Romanian time.

The agenda of the meetings, the convening notice, the procedure, the forms for power of attorneys and for correspondence vote are available for shareholders' reference on the Fund's web page [here](#). The supporting documentation will be available at the same link from 22 August 2014.

Considering the number of points on the agenda of the meetings and the specific rationale of some of them, please find in the Annex attached a table setting out the Fund Manager's voting recommendation for each point.

The Fund Manager's voting recommendations contained in the Annex are not binding in any way and should not be deemed under any circumstances as a supporting documentation/argument for substantiating one's vote, shareholders being free to decide on the manner they vote for each item on the agenda. The Fund Manager will implement and will comply with all the decisions taken by the shareholders, irrespective of its recommendations herein, subject to compliance with law and regulation.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch, in its capacity of Sole Administrator of FONDUL PROPRIETATEA S.A.

Grzegorz Maciej KONIECZNY
Legal Representative

Report date:

20 August 2014

Name of the issuing entity:

Fondul Proprietatea S.A.

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 12,861,183,036.65

Paid share capital:

RON 12,515,396,724.25

Regulated market on which the issued securities are traded:

Bucharest Stock Exchange

Point of the agenda	Agenda	Fund Manager's Voting Recommendation
EGM 1	The approval of the EGM agenda.	FOR
EGM 2	The approval of the amendment of the Constitutive Act as follows.	
	<p>2.1. The approval of the amendment of Article 9 paragraph 2 of the Constitutive Act of Fondul Proprietatea S.A. as imposed by the Financial Supervision Authority ("FSA") through Decision no. 75/25.06.2014, as follows. <i>"(2) The nominal value of one share shall be of RON 0.95."</i></p>	FOR
	<p>2.2. The approval of the amendment of Article 12, paragraph 2 letter d)¹, as imposed by the FSA through Decision no. 3/17.04.2014. The Fund Manager notes that the proposal is not needed, the form in force of this article being identical to the proposal of amendment. Please find below the text imposed to be submitted for approval by FSA. <i>"d) to appoint the Fund Manager, on the basis of the outcome of the selection made subsequent to a tender for appointing the Fund Manager, and to cancel its appointment".</i></p>	AGAINST: the text proposed by FSA is identical with the one in force; also, the text proposed at point 2.3 of the agenda refers to the same clause of the Constitutive Act and it refers to a tender process which may not always be the case, especially if the legislation regarding the Fund is clarified in the future.
	<p>2.3. The approval of the amendment of Article 12, paragraph 2 letter d)², as follows: <i>"d) to appoint the Fund Manager in accordance with the law and to cancel its appointment"</i>. If the shareholders of Fondul Proprietatea SA vote in favour for the amendment of the Constitutive Act, the amendment of the Constitutive Act is effective after it is endorsed by FSA, where required by applicable law or regulation.</p>	FOR
	<p>2.4. The approval of the amendment of Article 12, paragraph 2 letter f) of the Constitutive Act of Fondul Proprietatea SA as follows: <i>"f) to set the level of the remuneration of the members of the Board of Nominees, the Fund Manager and of the financial auditor for financial audit services for the ongoing fiscal year"</i>. If the shareholders of Fondul Proprietatea SA vote in favour for the amendment of the Constitutive Act, the amendment of the Constitutive Act is effective after it is endorsed by FSA, where required by applicable law or</p>	FOR

¹ Points 2.2 and 2.3 of the agenda have the same subject – change of the Article 12, paragraph 2 letter d).

² Points 2.2 and 2.3 of the agenda have the same subject – change of the Article 12, paragraph 2 letter d).

regulation.

2.5. The approval of the amendment of Article 13, paragraph 9 of the Constitutive Act of Fondul Proprietatea SA as follows: *“(9) The notice for the first general meeting of the shareholders may provide also the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting cannot take place if the quorum is not being met”*. If the shareholders of Fondul Proprietatea SA vote in favour for the amendment of the Constitutive Act, the amendment of the Constitutive Act is effective after it is endorsed by FSA, where required by applicable law or regulation. **FOR**

2.6. The approval of the amendment of Article 34 paragraph 5³ of the Constitutive Act of Fondul Proprietatea S.A. as imposed by the FSA through Decision no. 75/25.06.2014, as follows. *“(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, save for the situation provided by Article 10 para. (2) of Law no. 247/2005, with further amendments and supplements.”* **AGAINST: the text proposed at point 2.7 of the agenda refers to the same clause of the Constitutive Act and it makes the same observation but the text in point 2.7 clarifies that the situation provided by Article 10 para (2) of Law no. 247/2005 would be imposed on the Fund (as opposed to a normal, voluntary operation) and this clarification reinforces the original purpose of this clause.**

2.7. The approval of the amendment of Article 34 paragraph 5⁴ of the Constitutive Act of Fondul Proprietatea S.A. as follows. *“(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, save for the situation where such would be imposed under Article 10 para. (2) of Law no. 247/2005, with further amendments and supplements.”* If the shareholders of Fondul Proprietatea SA vote in favour for the amendment of the Constitutive Act, the amendment of the Constitutive Act is effective after it is endorsed by FSA, where required by applicable law or regulation. **FOR**

EGM 3 The approval of the decrease of the subscribed share capital of Fondul Proprietatea SA as follows. **FOR**
The decrease of the subscribed registered share capital of Fondul Proprietatea SA from RON 11,815,279,886.85 to RON 11,575,064,733.65, pursuant to the cancellation of 252,858,056 own

³ Points 2.6 and 2.7 of the agenda have the same subject – change of the Article 34, paragraph 5.

⁴ Points 2.6 and 2.7 of the agenda have the same subject – change of the Article 34, paragraph 5.

shares acquired by the Company. After the share capital decrease the subscribed share capital of the Company will be RON 11,575,064,733.65 being divided into 12,184,278,667 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 no. 31/1990. The first paragraph of the Article 7 of the Constitutive Act after the share capital decrease will be changed as follows.

“(1) The subscribed share capital of Fondul Proprietatea is in amount of RON 11,575,064,733.65, divided in 12,184,278,667 ordinary, nominative shares, having a nominal value of RON 0.95 each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by Depozitarul Central SA.”

The subscribed share capital decrease will be effective after the following three conditions are met: (i) the share capital decrease approved by shareholders on 28 April 2014 is effective, (ii) this resolution is published in the Official Gazette, Part IV for at least two months, and (iii) 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.

- EGM 4** The ratification and the approval of all resolutions taken by the EGM and of all legal acts (including decisions and contracts) concluded, adopted and issued in the name of Fondul Proprietatea SA through Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, between 6 September 2010 and 22 September 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. **FOR**
- EGM 5** The approval of 15 October 2014 as the registration date, in accordance with the provisions of Article 238 para. (1) of Law no. 297/2004. **FOR**
- EGM 6** The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY, as legal representative of Franklin Templeton Investment Management Limited United Kingdom 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' resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution. **FOR**

OGM 1 The approval of the OGM agenda.

FOR

OGM 2 The approval of some amendments of the Investment Management Agreement signed between Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and Fondul Proprietatea SA on 25 February 2010 as imposed by FSA's Decision no. 70/19 June 2014, as follows.

The approval of the amendment of Article 9 paragraph (1) (as imposed by FSA's Decision no. 70/19 June 2014), as follows: *"The Fund Manager's remuneration for its services under this Management Agreement is established according to the requirements in the Regulation for Organizing the International Tender, the Tender Book and the final offer formulated following the negotiations and the annexes to this present Contract, endorsed by CNVM"*.

The approval of the amendment of Article 9.2 letter r) (as imposed by FSA's Decision no. 70/19 June 2014), as follows: *"expenses related to the additional valuation of unlisted portfolio holdings by independent valuers, performed at the specific request of the shareholders, with the prior approval of the BoN, other than the ones falling under the obligation of the Fund Manager as portfolio manager of the UCITS in accordance with the legal provisions"*.

The empowerment of the Sole Administrator to update the Investment Management Agreement signed on 25 February 2010 if this point is to be voted in favour by the shareholders during this meeting, as Addendum no. 4 of the Investment Management Agreement signed on 25 February 2010, and the empowerment of the Chairman of the Board of Nominees to sign the Addendum no. 4.

AGAINST: *this point on the agenda originates from proposed amendments from the FSA; since the current Investment Management Agreement expires on 30 September 2014 and the new Addendum no. 4 would be in force for at most only a few days (if approved), the Fund Manager believes that there is no perceptible benefit for the Fund from this resolution which justifies the time and cost of filing it.*

OGM 3 The approval of the renewal of the mandate of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch with its headquarters in Bucharest, 78-80 Buzesti St., 7th and 8th floors, 1st District, registered with the Trade Register under no. J40/8587/2009, with Fiscal Registration Code RO 25851096, registered with the Public Register of CNVM under no. PJM05SSAM/400001 as a branch of an Investment Management Company from a Member State of the European Union, 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 Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch (including name, headquarters, professional qualification, the evidence that it is registered with the Trade Register, the evidence

FOR

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 added to by shareholders in accordance with the law.

- OGM 4** The approval of the Addendum no. 1 to the Investment Management Agreement no. 45 signed between Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and Fondul Proprietatea SA on 29 April 2014 (“Investment Management Agreement”), reflecting the changes imposed by Decision no. 111/4 August 2014 issued by FSA and enclosed as Annex no. 1 to this convening notice. If the shareholders vote in favour of this point, the Chairman of the Board of Nominees is empowered to sign the Addendum no. 1 to the Investment Management Agreement with the Sole Administrator on behalf of Fondul Proprietatea SA. **FOR**
- OGM 5** The approval of the Addendum no. 2 to the Investment Management Agreement, substantially in the form mentioned in the Annex no. 2 of this notice and the empowerment of the Chairman of the Board of Nominees to sign the said Addendum no. 2 with the Sole Administrator on behalf of Fondul Proprietatea SA. The Addendum no. 2 shall be effective from the latest of the following dates: (i) the date of the endorsement by the FSA of such; and (ii) 15 October 2014. The Fund Manager notes that these amendments would reinstate the same terms as were in the Investment Management Agreement approved by shareholders and signed by the Chairman of the Board of Nominees and the Fund Manager on 29 April 2014, but not approved by the FSA. The one exception to this principle is the addition of a clarification in the wording of the Annex to the Investment Management Agreement, regarding the Distribution Fee, which has been specified in order to reflect the original agreement that these fees should apply from 30 September 2014 (even if these amendments are approved by FSA and take effect at a later date). **FOR**
- OGM 6** The approval of the execution of the Addendum no. 2 to the audit contract concluded between Fondul Proprietatea SA and Deloitte Audit S.R.L in accordance with OGM Resolution no. 13/22 November 2013 **FOR**
- OGM 7** The ratification and the approval of all OGM decisions and of all legal acts (including decisions and contracts) concluded, adopted or issued on behalf of Fondul Proprietatea S.A. by Franklin Templeton Investment Management Limited **FOR**

United Kingdom, Bucharest Branch, as well as of any management/administration measures adopted and/or implemented by it, approved or concluded between 6 September 2010 and 22 September 2014. The ratification of the appointment of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch as Sole Administrator of Fondul Proprietatea SA and as Fund Manager pursuant to Law no. 297/2004 and according to the Investment Management Agreement signed on 25 February 2010 and the Investment Management Agreement signed on 29 April 2014 and the ratification and the approval of the Investment Management Agreement signed on 25 February 2010 including all amendments thereto and the Investment Management Agreement signed on 29 April 2014.

OGM 8 The approval of 15 October 2014 as the registration date, in accordance with the provisions of Article 238 para. (1) of Law no. 297/2004. **FOR**

OGM 9 The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY, as legal representative of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, to sign the shareholders' resolutions, 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. **FOR**