



Fondul Proprietatea – Share Capital Update Conference Call

2 February 2022

Historical situation (I)

The Fund was created by the Romanian Government in 2005 as a vehicle to compensate those individuals whose assets had been abusively confiscated by the Communist regime and could not be given back in-kind

- To establish the Fund, the Romanian State passed a special law – **Law no. 247/2005**, which expressly stated that the share capital was to be considered fully paid for registration purposes at a value described as the “Initial Value”. The Romanian State contributed to the share capital of the Fund mainly with shares in various companies, private as well as State Owned Enterprises (SOEs).
- After the registration of the Fund, a valuation was required for the shares received by the Fund. As the valuation report determined that the actual value of the received shares was lower than the Initial Value, then the difference was considered unpaid share capital and the State had the obligation to pay the respective difference.
- A specific mechanism was set under **Law no. 247/2005**, whereby any in-kind share capital increase performed by any SOE where the Fund was a shareholder, the Fund was to receive shares considered as State’s contribution to the Fund’s unpaid share capital (“**Payment Mechanism**”). Thus, a set-off mechanism was in place for the payment of the State’s outstanding participation in the Fund (the Romanian State represented by the Ministry of Finance).
- Until 2014, several such settlements occurred, based on which the Romanian State gradually paid part of its obligation to contribute to the share capital of the Fund.
- The outstanding balance of the unpaid share capital of the Fund varied during the period 2007 – 2014 as follows:
 - it was decreased by the contributions made by the Romanian State using the Payment Mechanism or other cash contributions; but also
 - increased when certain shares from the portfolio companies initially transferred by the Romanian State to the Fund were lost in various litigations regarding the property right over the respective shares.

Historical situation (II)

- In January 2015, the Parliament enacted **Law no. 10/2015** whereby the Payment Mechanism was repealed.
- By Law no. 10/2015, the article related to the proper scaling of the FP's share capital depending on the process of awarding damages was also repealed; thus, the set-off structure described above is no longer possible, and the Romanian State does not longer have this possibility to pay its outstanding contributions in-kind using the set-off structure to FP's share capital, which at the date of 31 December 2021, had a value of RON 189,182,422 (363,812,350 shares each with a par value of RON 0.52).
- The changes brought by Law no. 10/2015 also clarified that any payment made by the Romanian State to the Fund, in cash or in kind, will be deemed as effected for extinguishing the payment obligation for the shares subscribed and unpaid, without any distinction or apportionment between the sources or the amounts.
- Also, Law no. 10/2015 does not include any specific time frame in which the Romanian State must pay its obligation, and it has no references to the Companies' Law no. 31/1990.

There were two procedures that could be performed to equalize the value of the subscribed and paid share capital:

The Romanian State represented by the Ministry of Finance performs a contribution in cash for the payment of the unpaid share capital

- On the date the Fund receives the amount representing the unpaid share capital, the FP's Sole Director issues a decision ascertaining that the value of the subscribed share capital is equal with the value of the paid one. This Sole Director's decision is then registered with the Trade Registry and based on this registration, a new securities registration certificate is requested from ASF whereby the newly paid shares are included within the total securities tradable on BVB – currently, these shares are blocked from trading. To this scope, the certificate issued by the ASF is registered with the shares' registry kept by Depozitarul Central SA. After this date, the Romanian State can take any investment decision, according to legislation in force.

The Romanian State decides not to pay the value of the unpaid shares

- The Romanian State decides not to pay the value of the unpaid shares and it communicates in written its decision, and the Fund Manager may request shareholders' approval for the share capital decrease, based on Article 207 para. (2) letter a) of Companies' Law no. 31/1990, by waiving the Romanian State of its obligation to pay the outstanding contributions.

The situation of the unpaid shares was presented in each periodical report published by the Fund and in the audited financial statements.

Historical situation (III)

The table below presents information with respect to the main events during 1 January 2011 – 1 February 2022 that led to changes to the amount of the issued share capital of the Fund

Date	Reason	Structure of the share capital after event			
		Issued share capital (RON)	Paid share capital (RON)	Issued shares (Shares)	Paid shares (Shares)
1 Jan 2011	Opening balance	13,778,392,208.00	13,778,392,208.00	13,778,392,208	13,778,392,208
23 Aug 2011	Payment by Romanian state for unpaid shares in amount of RON 9,730,381.00 (at nominal value of RON 1 / share and market value of RON 0.4606 / share)	13,778,392,208.00	13,766,686,344.00	13,778,392,208	13,766,686,344
23 Dec 2011	Payment by Romanian state for unpaid shares in amount of RON 1,704,560.00 (at nominal value of RON 1 / share and market value of RON 0.4253 / share)	13,778,392,208.00	13,407,569,096.00	13,778,392,208	13,407,569,096
2 Feb 2012	Payment by Romanian state for unpaid shares in amount of RON 4,985,760.00 (at nominal value of RON 1 / share and market value of RON 0.5175 / share)	13,778,392,208.00	13,412,554,856.00	13,778,392,208	13,412,554,856
23 Apr 2012	Payment by Romanian state for unpaid shares in amount of RON 225,310.00 (at nominal value of RON 1 / share and market value of RON 0.5435 / share)	13,778,392,208.00	13,412,780,166.00	13,778,392,208	13,412,780,166
1 Feb 2013	Payment by Romanian state for unpaid shares in amount of RON 23,500.00 (at nominal value of RON 1 / share and market value of RON 0.5990 / share)	13,778,392,208.00	13,412,803,666.00	13,778,392,208	13,412,803,666
8 May 2013	Payment by Romanian state for unpaid shares in amount of RON 133,840.00 (at nominal value of RON 1 / share and market value of RON 0.6625 / share)	13,778,392,208.00	13,412,937,506.00	13,778,392,208	13,412,937,506
18 Jun 2013	Payment by Romanian state for unpaid shares in amount of RON 200,080.00 (at nominal value of RON 1 / share and market value of RON 0.6495 / share)	13,778,392,208.00	13,413,137,586.00	13,778,392,208	13,413,137,586
24 Feb 2014	The cancelation of shares acquired during the first buy-back programme	13,538,087,407.00	13,172,832,785.00	13,538,087,407	13,172,832,785

Historical situation (IV)

Date	Reason	Structure of the share capital after event			
		Issued share capital (RON)	Paid share capital (RON)	Issued shares (Shares)	Paid shares (Shares)
4 Apr 2014	Payment by Romanian state for unpaid shares in amount of RON 999,990.00 (at nominal value of RON 1 / share and market value of RON 0.8185 / share)	13,778,392,208.00	13,173,101,825.00	13,778,392,208	13,173,101,825
7 Apr 2014	Payment by Romanian state for unpaid shares in amount of RON 269,040.00 (at nominal value of RON 1 / share and market value of RON 0.8200 / share)	13,778,392,208.00	13,174,101,815.00	13,778,392,208	13,174,101,815
25 Jun 2014	The decrease for annual cash distributions to shareholders	12,861,183,036.65	12,515,396,724.25	13,538,087,407	13,174,101,815
16 Sep 2014	Payment by Romanian state for unpaid shares in amount of RON 163,239.45 (at nominal value of RON 0.95 / share and market value of RON 0.9100 / share)	12,861,183,036.65	12,515,559,963.70	13,538,087,407	13,174,273,646
26 Sep 2014	The cancelation of the shares acquired during the second buy-back programme	11,815,279,886.85	11,469,656,813.90	12,437,136,723	12,073,322,962
27 Oct 2014	Payment by Romanian state for unpaid shares in amount of RON 1,340.00 (at nominal value of RON 0.95 / share and market value of RON 0.9365 / share)	11,815,279,886.85	11,469,658,154.35	12,437,136,723	12,073,324,373
27 Jan 2015	The cancelation of the shares acquired during the third buy-back programme	11,575,064,733.65	11,229,443,001.15	12,184,278,667	11,820,466,317
31 May 2015	The decrease for annual cash distributions to shareholders	10,965,850,800.30	10,638,419,685.30	12,184,278,667	11,820,466,317
12 Aug 2015	The cancelation of the shares acquired during the fourth buy-back programme	10,074,080,745.90	9,746,649,630.90	11,193,423,051	10,829,610,701
14 Mar 2016	The cancelation of the shares acquired during the fifth buy-back programme	9,869,265,720.90	9,541,834,605.90	10,965,850,801	10,602,038,451
9 Jun 2016	The decrease for annual cash distributions to shareholders	9,320,973,180.85	9,011,732,683.35	10,965,850,801	10,602,038,451
26 Oct 2016	The partial cancelation of the shares acquired during the sixth buy-back programme	9,168,314,116.70	8,859,073,619.20	10,786,251,902	10,422,439,552

Historical situation (V)

Date	Reason	Structure of the share capital after event			
		Issued share capital (RON)	Paid share capital (RON)	Issued shares (Shares)	Paid shares (Shares)
18 Jan 2017	The partial cancelation of the shares acquired during the sixth buy-back programme	8,562,968,634.10	8,253,728,136.60	10,074,080,746	9,710,268,396
24 Mar 2017	The decrease for covering accounting loss and for an extraordinary cash distribution to shareholders	5,742,226,025.22	5,534,852,985.72	10,074,080,746	9,710,268,396
16 Jun 2017	The decrease for annual cash distributions to shareholders	5,238,521,987.92	5,049,339,565.92	10,074,080,746	9,710,268,396
29 Nov 2017	The partial cancelation of the shares acquired during the seventh buy-back programme	4,854,034,784.56	4,664,852,362.56	9,334,682,278	8,970,869,928
29 Jun 2018	The partial cancelation of the shares acquired during the seventh and eighth buy-back programmes	4,771,610,196.08	4,582,427,774.08	9,176,173,454	8,812,361,104
28 Dec 2018	The partial cancelation of the shares acquired during the eighth buy-back programme	4,733,020,898.32	4,543,838,476.32	9,101,963,266	8,738,150,916
15 Oct 2019	The cancelation of the shares acquired during the ninth buy-back programme	3,959,264,762.44	3,770,082,340.44	7,613,970,697	7,250,158,347
30 Sep 2020	The cancelation of the shares acquired during the tenth buy-back programme	3,749,282,292.08	3,560,099,870.08	7,210,158,254	6,846,345,904
25 Oct 2021	The cancelation of the shares acquired during the eleventh buy-back programme	3,334,342,422.84	3,145,160,000.84	6,412,196,967	6,048,384,617
1 Feb 2022	Romanian state pays RON 189,182,422 (at nominal value of RON 0.52 and market value of RON 2.0650 / share)	3,334,342,422.84	3,334,342,422.84	6,412,196,967	6,412,196,967

Impact

Shareholder Type ¹	% of total voting rights before Romanian State payment	% of total voting rights after Romanian State payment
Romanian institutional shareholders	40.58	38.20
Romanian private individuals	21.84	20.56
The Bank of New York Mellon (depository bank for GDRs) <i>out of which Fondul Proprietatea held 11,783 GDRs (589,150 shares equivalent)</i>	18.20	17.14
Foreign institutional shareholders	15.76	14.84
Foreign private individuals	3.51	3.30
Ministry of Public Finance	0.11	5.96
Treasury Shares	0	0
Total number of voting rights	5,854,708,694	6,218,521,044

- Based on the 31 December 2021 shareholder structure, the Romanian State would own 5.96% of the voting rights.
- Based on the 31 December 2021 NAV and taking into account the cash payment for the unpaid shares of RON 189,182,442, the impact on total NAV would be positive, an increase of RON 189,182,442 or 1.4%, and negative on the NAV per share, of approximately 4.5% .

Note: according to legislation and regulation in force, the subscribed unpaid shares and the treasury shares are excluded from the number of shares used in NAV/share calculation.

1. Based on Fondul Proprietatea 31 December 2021 shareholder structure report.

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February 2022

Disclaimer (II)

In addition, the list of investor rights can be found in the Constitutive Act, available on the Fund's website, in the Corporate Governance section, here: <https://www.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance>.

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The Fund's headquarters are located at 76-80 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 and paid-up share capital is RON 3,334,342,422.84.

Starting with 1 April 2016, in view of complying with the AIFMD, implemented in the Romanian legislation through Law no. 74/2015 on managers of alternative investment funds and Regulation no. 10/2015 on alternative investment fund management, Fondul Proprietatea SA, qualifying as an alternative investment fund, is managed by Franklin Templeton Investment Services S.À R.L. ("FTIS a société à responsabilité limitée qualifying as an alternative investment fund manager under article 5 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8a, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg register of commerce and companies under number B36.979, registered with the Romanian Financial Supervisory Authority under number PJM07.1AFIASMDLUX0037/10 March 2016.

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