FONDUL PROPRIETATEA

Resolution no. 7 / 26 April 2018
of the Shareholders' Ordinary General Meeting of
FONDUL PROPRIETATEA S.A.

Headquarters: 78-80 Buzesti Street, 7th floor, 1st district, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 26 April 2018, 15:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. ("**the Fund**") have met during the Shareholders' Ordinary General Meeting ("**OGM**") of the Fund, at its first summoning, at "JW Marriott" Hotel, "Constanta" Room, 90 Calea 13 Septembrie Street, 5th District, Postal Code 050726, Bucharest, Romania, the OGM being opened by its Chairman, namely Mr. Johan Meyer, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., 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, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on 14 February 2018, in the Official Gazette of Romania, Part IV, number 680 of 16 February 2018 and in "Adevărul" newspaper no. 341 of 16 February 2018;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 24/2017 on issuers of financial instruments and market operations (Issuers' Law);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

Following debates, the Fund's shareholders decide as follows:

I. The approval to cover the negative reserves incurred in 2017 financial year derived from the cancelation of treasury shares, in accordance with the supporting materials, and as described in the annex herein.

   This item is adopted with 3,178,824,804 votes representing 99.91% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 3,178,824,804 votes "for" and 2,826,583 votes "against". There were also registered: 1,835,389 abstains.

II. In accordance with Article 129^2 of Regulation no. 1/2006, the approval of:

(i) 8 June 2018 as the *Ex – Date*, computed in accordance with the provisions of Article 2 paragraph (2) letter f^1) of Regulation no. 1/2006;

(ii) 11 June 2018 as the Registration Date, computed in accordance with the provisions of Article 86 paragraph (1) of Issuers' Law;

(iii) 29 June 2018 as the Payment Date, as it is defined by Article 2 letter g) of Regulation no. 6/2009.

As it is not applicable to this OGM, the shareholders do not decide on the date of the guaranteed participation, as defined by Article 2 letter f^1) of Regulation no. 6/2009.

This item is adopted with 3,177,029,306 votes representing 99.90% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 3,177,029,306 votes "for" and 2,924,927 votes "against". There were also registered: 3,532,581 votes „not given".

III. The empowerment, with authority to be substituted, of Johan Meyer 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 Registry or with any other public institution.

This item is adopted with 3,181,521,087 votes representing 99.97% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 3,181,521,087 votes "for" and 825,599 votes "against". There were also registered: 1,140,090 abstains and 38 votes „not given".

This decision is drafted and signed on behalf of the shareholders by:

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Johan Meyer
Chairman

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Andrei Negulescu
Meeting secretary

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Valeriu Ioniță
Technical secretary

Annex – *The proposal to cover the negative reserves incurred in 2017 financial year derived from the cancelation of treasury shares, as described in the supporting materials and in the Shareholders' Ordinary General Meeting of Fondul Proprietatea S.A. of 26 April 2018*

Sole Director's Proposal for the Coverage of the Negative Reserve balance incurred during 2017 Financial Year

Overview and accounting treatment

Fondul Proprietatea SA ("the Fund") recognises the treasury shares (repurchases of own shares and/ or GDRs) at trade date as a deduction to shareholders' equity (in an equity reserve account). Treasury shares are recorded at acquisition cost, including brokerage fees and other transaction costs directly related to their acquisition. The GDRs bought back by the Fund are accounted for exactly as the own ordinary shares repurchased, as a deduction to shareholders' equity. This is the result of the application of substance over form principle, due to the fact that buy-back via GDRs is only a technical/ legal form of the transaction, the substance of the transaction being that the Fund buys back its own shares, giving the same rights to both the holders of the Fund's ordinary shares and to the holders of the Fund's GDRs, to take part in the buy-back programmes carried out by the Fund.

Upon completion of all legal and regulatory requirements, the treasury shares are cancelled and netted off against the share capital and other reserves. At the cancellation date, only a reallocation between the equity accounts is booked, without any impact on profit or loss or an additional total shareholders' equity decrease (as compared to the acquisition impact). A negative reserve (equity element) arises upon cancelation of the shares acquired in a buy-back programme, if the acquisition value (trade price and related costs) is higher than the nominal value. However, as mentioned before, this does not generate an additional shareholder's equity decrease.

The accounting treatment applicable for the recording and cancellation of treasury shares is based on the provisions of the Financial Supervisory Authority Norm 39/ 2015, article 75.

Negative reserve arising during 2017

During 2017, the nominal value decreased below the acquisition price starting on 24 March 2017 when the share capital decrease according to 31 October 2016 GSM was registered at Trade Registry. All subsequent acquisitions in the buy-back programmes (respectively 7th, 8th and 9th buyback programmes) were made at an acquisition price higher than the nominal value. On 29 November 2017, a number of 739,398,468 treasury shares (out of a total number of 830,247,619 acquired by the Fund during the 7th buy-back programme) were cancelled, in accordance with the GSM decision dated 3 May 2017. No cancellation of treasury shares acquired during the 8th and 9th buyback programmes was effective before 31 December 2017, as the required legal and regulatory steps were not yet completed.

The table below shows the negative reserve arising on the cancelation of treasury shares from 29 November 2017:

		Buy-back program 7
Number of shares cancelled during 2017	*(1)*	*739,398,468*
Total acquisition costs (including brokerage fees and other transaction costs) (RON)	*(2)*	*682,500,639*
Less the impact of the Fund's share Nominal Value decrease during 2017 (RON)[1]	*(3)*	*(41,939,847)*
Accounting value of the cancelled treasury shares as at 29 Nov 2017 (the cancellation date) (RON)	*(4) = (2)+(3)*	*640,560,792*
Correspondent Nominal Value at the cancellation date (NV = RON 0.52/ share) (RON)	*(5) = (1)*NV*	*384,487,203*
Negative equity reserve arising on the partial cancellation of shares acquired during the 7th buy-back (RON)	***(6) = (5)-(4)***	***(256,073,589)***

[1] *For shares cancelled and in balance at the date of Fund's share nominal value decrease in 2017: 1) 99,398,468 shares at 24 March 2017 and 2) 739,398,468 shares at 16 June 2017.*

Article 75 from Norm 39/2015 mentions that the negative balance arising out of the cancellation of equity instruments may be covered from the retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting.

Sole's Director Proposal for covering the negative reserve

Although there is not an explicit legal or regulatory requirement to cover the negative balance arising out of the cancellation of equity instruments, it is to be noted that Norm 39/2015 specifically details how to present it in the financial statements and, further on, the sources that may be used for covering it, in accordance with the resolution of the general meeting of shareholders. From this perspective, and by applying a prudentially regulatory approach, the Sole Director believes there are reasonable arguments supporting the idea that these reserves should be covered and thus proposes to shareholders the coverage of these reserves as follows.

The Other reserves caption of the Fund as at 31 December 2017 include:

- *Legal Reserves – RON 330,578,802;*
- *Reserves related to gains on cancellation of treasury shares – RON 177,865,119. These gains resulted from the cancellation of treasury shares acquired in the previous buy-back programmes when the acquisition price was lower than the related nominal value.*
- *Distributions (return of capital) for which the statute of limitation occurred – RON 2,583,847.*

In addition, the retained earnings of the Fund includes the 2016 unallocated profit amounting to RON 424,621,363 (that remained available to the Fund according to GSM decision) and dividends for which the statute of limitation occurred in amount of RON 1,313,027.

Considering the above, the Fund's Sole Director proposes to shareholders that the negative reserves in amount of RON 256,073,589 (as stated in the notes to the annual audited statutory IFRS financial statements and detailed in the table above) resulted from the partial cancellation of the shares acquired during the 7th buy-back programme to be covered using:

- *RON 177,865,119 from reserves related to the gain on cancellation of treasury shares*
- *RON 2,583,847 from reserves related to distributions for which the statute of limitation occurred*
- *RON 1,313,027 from retained earnings related to dividends for which the statute of limitation occurred*
- *RON 74,311,596 from 2016 unallocated profit remained under unallocated retained earnings.*