

Memo regarding the ninth buy-back programme (updated)

According to Article 31 of Romanian National Securities Commission's Regulation no. 4/2010 "After the admission to trading on a regulated market, the shares may be repurchased with the observance of the legal provisions applicable to repurchase operations by a company admitted to trading on a regulated market". According to Article 103¹ of Companies' Law no. 31/1990, the buy-back of shares can take place under the following conditions:

- „a) the authorization of the purchase of its own shares is given by the extraordinary general assembly of the shareholders that establishes the conditions to acquire the shares, mostly the maximum number of shares which is going to be purchased, the period for which the authorization is granted and which cannot exceed 18 months as from the date when the decision was published in the Official Gazette of Romania, Part IV, and in case of a purchase for a consideration, their minimum and maximum equivalent value;*
- b) the nominal value of the own shares purchased by the company, including those already existing in its portfolio, cannot exceed 10% of the subscribed registered capital;*
- c) the transaction can only have as object fully paid shares;*
- d) the payment of the shares thus purchased shall be done only out of the distributable profits or of the available reserves of the company, as registered in the last approved annual financial statement, except for the legal reserves”.*

According to Article 104 paragraph (1) letter a) of Companies' Law no. 31/1990, the restrictions mentioned at Article 103¹ shall not be applicable with respect to the buy-backs programs targeting the share capital decrease.

Taking into consideration the legal provisions in force, the Fund Manager would like to propose to the shareholders the approval of its authorization to buy-back shares of Fondul Proprietatea S.A., global depositary receipts or depositary interests corresponding to shares of Fondul Proprietatea S.A., via trading on the regular market on which the shares, the global depositary receipts or the depositary interests corresponding to the shares of Fondul Proprietatea S.A. are listed or public tender offers, in compliance with the applicable law, for a maximum number computed so that all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 20% of the issued share capital at the relevant time, starting with the publication of this resolution in the Official Gazette of Romania, Part IV, for a maximum period of 18 months as of the date when this 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. In case of acquisitions of global depositary receipts or depositary interests corresponding to shares of Fondul Proprietatea S.A., the calculation of shares in relation to the aforementioned thresholds shall be based on the number of Fondul Proprietatea S.A. shares underlying such instruments and their minimum and maximum acquisition price in the currency equivalent (at the relevant official exchange rate published by the National Bank of Romania valid for the date on which the instruments are purchased) shall be within the price limits applicable to the share buy-backs above-mentioned, and shall be calculated based on the number of shares represented by each global depositary receipt or depositary interest. The transaction can only have as object fully paid shares, global depositary receipts or depositary interests corresponding to the shares. The buy-back programme is aimed at the share capital decrease. The shareholders' resolution 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. The Resolution issued by the Extraordinary General Meeting of Shareholders no. 8/11 October 2016 terminates its effects when this resolution is published in the Official Gazette of Romania, Part IV.

The said buy-back programme, if approved by the shareholders, will be carried out by the Sole Administrator and/or its Investment Manager, namely Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch, to whom portfolio management and the performance of administration services in relation to Fondul Proprietatea SA have been delegated to.

It is to be noted that from an accounting perspective, 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), as per Article 75 of FSA's Norm no. 39/2015.

Treasury shares are recorded at acquisition cost, including brokerage fees and other transaction costs.

At the cancellation date, only a reallocation between the equity accounts is booked, without any impact on profit or loss or additional total shareholders' equity decrease. Although a negative equity element may arise upon cancellation of the shares acquired in the buyback programme (due to the difference between acquisition costs and par value¹), this does not generate an additional shareholder's equity decrease.

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

The Investment Manager is monitoring this topic and will analyse if an allocation between equity elements is needed to cover the negative balance of the treasury shares cancellation reserve, based on the relevant audited financial statements.

The total cost of the buy-back programme described herein will depend on three main factors. These factors are presented in the table below, together with the assumptions used to estimate the potential costs scenarios.

| Factor influencing the total cost | Assumption used to estimate the potential costs range |
|--|---|
| Acquisition price of the shares/ GDRs | The buy-back shall be performed at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share. |
| Transaction costs (e.g. broker fees, regulatory fees) and other costs (e.g. distribution fees) | Actual transaction costs ratio incurred for the seventh buy-back programme and key commercial terms approved by the shareholders on 26 September 2017. |
| Number of shares/ GDRs to be repurchased | The maximum number computed so that all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 20% of the issued share capital at the relevant time. The maximum number was computed based on actual data as at 30 September 2017 (issued shares and treasury shares balance) and assumes that the cancellations of shares already approved by the shareholders will be implemented. |

Considering the above, for the purpose of estimating the potential costs and impact on the shareholders' equity, three scenarios were defined based on the market prices for the last 52 weeks prior to 30 September 2017 ("Period"):

| Description | Period minimum price scenario | Period maximum price scenario | Period average price scenario |
|--|-------------------------------|-------------------------------|-------------------------------|
| Maximum number of shares to be repurchased | 1,803,893,774 | 1,803,893,774 | 1,803,893,774 |
| Acquisition price* | 0.7810 RON/ share | 0.9250 RON/ share | 0.8571 RON/share |
| Acquisition cost (RON) | 1,408,841,037 | 1,668,601,741 | 1,546,117,354 |
| Transaction costs (RON) | 14,351,208 | 16,997,270 | 15,749,578 |
| Other costs (RON) | 14,088,410 | 16,686,017 | 15,461,174 |

¹ Although we cannot anticipate the evolution of the Fund's shares market price, it is to be noted that during the last months the market price (and thus also the acquisition costs) of the shares repurchased during the current/previous buy-back programme were higher than their par value.

| | | | |
|---|----------------------|----------------------|----------------------|
| Total estimated potential impact (decrease) on the shareholder's equity (RON), out of which: | 1,437,280,655 | 1,702,285,028 | 1,577,328,106 |
| <i>Estimated impact on reserve (decrease) on 9th BB programme cancellation (RON)**</i> | <i>485,167,482</i> | <i>747,574,248</i> | <i>623,842,169</i> |
| <i>Estimated decrease of the issued share capital following the cancelation of maximum envisaged number of shares (RON)**</i> | <i>938,024,762</i> | <i>938,024,762</i> | <i>938,024,762</i> |

*Please note that the computations herein are not to be relied in any manner for future investment decisions purposes as they are based on historical figures, and past performance cannot be an indicator nor a guarantee of future share price evolution.

**The estimated impact assumes the par value remains constant at 0.52 RON/ share.

This buy-back programme's implementation will be subject to the availability of the necessary cash, which can be sourced either from own or borrowed amounts. For more details with respect to the discount control measures taken within the review period under the Management Agreement signed on 2 November 2015 between Fondul Proprietatea and Franklin Templeton International Services S.À R.L., please refer to the Performance Report available at http://www.fondulproprietatea.ro/sites/default/files/peformance_report_-_3rd_reporting_period_-_draft_for_gsm_final.pdf, as part of the 26 October 2017 ordinary shareholders' meeting supporting documentation.

Franklin Templeton International Services S.À R.L., acting as Sole Director on behalf of FONDUL PROPRIETATEA S.A.

Johan Meyer
Permanent representative