

NOTE

Regarding the decrease of the subscribed share capital of the Fund

The shareholders of Fondul Proprietatea SA approved through the Resolution no. 19 / 19 November 2014 of the Extraordinary Shareholders' General Meeting the initiation of a fifth buy-back programme ("EGM Resolution 19/19 November 2014").

The buy-back programme targeted the repurchase of a number of 227,572,250 shares at a price no lower than RON 0.2 / share or higher than RON 2 / share, all in view of a share capital reduction with the number of shares which were to be repurchased.

The buy-back programme was launched on 10 February 2015 and was performed with the observance of the said Shareholders' Resolution and the applicable legal framework:

According to Article 103¹ of Companies' Law 31/1990, republished, with subsequent amendments, the buy-back of shares can take place under the following conditions:

„a) the authorisation 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 authorisation 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 31/1990, republished, with subsequent amendments, the restrictions mentioned at Article 103¹ are not applied for the buy-back applied for a share capital decrease.

The Article 119 paragraph (2) of Capital Market Law 297/2004 sets that “*Closed-end investment companies may buy-back their own shares in accordance with the conditions laid down in Companies Law 31/1990 and in accordance with RNSC regulations*”.

The buy-back programme was implemented through daily acquisitions on the Bucharest Stock Exchange.

On 30 July 2015, the Fund Manager announced the completion of the fifth buy-back programme whereby the full number of shares approved through the EGM Resolution 19/19 November 2014 were acquired, namely 227,572,250 shares.

Having in mind the scope for which the buy-back programme was approved, namely a share capital decrease, the Fund Manager would like to propose to the shareholders the approval of the decrease of the subscribed share capital of Fondul Proprietatea SA with the value of the bought-back shares mentioned above, as follows.

The approval of the decrease of the subscribed share capital of Fondul Proprietatea SA from RON 10,074,080,745.90 to RON 9,869,265,720.90 pursuant to the cancellation of 227,572,250 own shares acquired by the Company during the fifth buy-back.

After the share capital decrease, the subscribed share capital of Fondul Proprietatea SA shall have a value of RON 9,869,265,720.90 being divided in 10,965,850,801 shares, each having a nominal value of RON 0.90 per share. The subscribed share capital decrease will take place on the basis of Article 207 paragraph 1 letter c) of Law 31/1990. The first paragraph of 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 9,869,265,720.90, divided in 10,965,850,801 ordinary, nominative shares, having a nominal value of RON 0.90 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 herein will be effective after the following two conditions are met: (i) this resolution is published in the Official Gazette, Part IV for at least two months, (ii) Financial Supervisory Authority (“FSA”) endorses the changing of first paragraph of Article 7 of the Constitutive Act, as modified based on this resolution, where required by applicable law or regulation and (iii) the shareholder resolution for approving this share capital decrease is registered with Trade Registry.

In light of the above, we submit for the shareholders’ approval the share capital decrease of Fondul Proprietatea SA above-mentioned, point included on the agenda of the 29 October 2015 Extraordinary Shareholders’ Meeting.

Presentation regarding the unpaid share capital (shares subscribed by the Romanian State, but without any payment)

Fondul Proprietatea (“FP” or “**the Fund**”) was set up by the Romanian Government in December 2005 to indemnify persons whose assets were abusively expropriated by the communist regime (especially in cases when restitution in kind would not be possible).

To establish the Fund, Romanian State contributed to its share capital mainly with shares in other Romanian State owned enterprise. The main law for setting up the Fund was Law no. 247/2005 (Title VII therein) (“**Law 247/2005**”) which expressly stated that the share capital was to be considered fully paid for registration purposes at a certain level described therein (“**Initial Value**”).

After the registration of the Fund, a valuation was to be made over the shares received by the Fund in other Romanian State owned enterprise; if the results of the valuation report ascertained that the actual value of the received shares was lower than the Initial Value, then the difference was to be considered unpaid share capital, with the State’s obligation to fill in the said gap. The valuation report made from this perspective stated expressly that, thus triggering State’s obligation to pay the difference.

A specific mechanism was set under Law 247/2005, whereby any time an in kind share capital increase was performed within a State owned enterprise where FP was also a shareholder, FP was to receive shares considered as State’s contribution to the FP’s unpaid share capital (“**Payment Mechanics**”). Thus, a set-off mechanics was in place for the payment of the State’s participations in FP.

In time, there have been several such cases whereby the State gradually continued to pay its contributions to the FP’s share capital under this manner.

In January 2015, the Parliament enacted Law no. 10 whereby the Payment Mechanics was repealed; as a consequence, the set-off structure above-mentioned is no longer possible, and the Romanian State does not longer have this possibility to pay its outstanding contributions to the share capital, which currently have a value of RON 327,431,115 (“**Outstanding Debt**”).

Based on the general provisions of Companies’ Law, the shareholders have to pay their contributions in a one year or two years term depending whether they have cash or in kind payments to made.

Based on these provisions, the deletion of the Payment Mechanics, and the date of entry into force of Law no. 10/2015, the reasonable conclusion is that the Romanian State would have to pay the Outstanding Debt in a term of one year as of the date Law 10/2015 entered into force, which would mean that the State would have to pay it on or before 15 January 2016.

The Fund Manager would like to preventively present to the shareholders during the 29 October 2015 GSM the situation created through enactment of Law no. 10/2015 and the main options to resolve the issue of the unpaid share capital if the State would not pay the Outstanding Debt in time. In summary, these options are:

- a) Forced execution of the Romanian State: issues triggered by the fact that a court decision would be necessary, stamp duties to be considered and also difficulties in actual enforce the court decision.
- b) Annulment of the shares corresponding to the Outstanding Debt, issuance of new shares in exchange to be sold for covering the value of the Outstanding Debt; if the proceeds are not sufficient, share capital reduction is necessary: issues are triggered here by the fact that new shares are to be sold publicly (e.g. prospectus required) which might trigger high costs for FP.
- c) Another option provided by Companies’ Law would be to directly reduce the value of the share capital with the value of the Outstanding Debt following a debt waiver; this is possible, requires the shareholders’ approval and would be the option triggering the lowest costs possible compared to the two other options above-mentioned.

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

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Legal representative