

Memo regarding the share capital decrease for cash distribution to shareholders

The Fund Manager of Fondul Proprietatea ("the Fund") submits for the shareholders' approval, in line with the annual cash distribution policy, the proposal to decrease the share capital of the Fund by reducing the par value of the shares by RON 0.05 per share and to distribute this amount to the shareholders registered in the shareholders' register of the Fund as at the record date.

According to Article 207 (2) of the Romanian Companies' Law no. 31/1990, the shareholders can approve distributions of capital by approving the decrease of the share capital by reducing the nominal value of the shares. Such reduction can be performed only after the shareholders' resolution regarding the decrease has been published in the Official Gazette for at least two months. Also, the decrease must be endorsed by the Financial Supervisory Authority in accordance with Article 14 (1) (c) of the Romanian National Securities Commission's Regulation no. 4/2010.

In light of the above, the Fund Manager proposes to the shareholders the approval of the decrease of the subscribed share capital of Fondul Proprietatea S.A. from RON 5,742,226,025.22 to RON 5,238,521,987.92 through the reduction of the par value of the shares of Fondul Proprietatea S.A. from RON 0.57 to RON 0.52 per share. The decrease is motivated by the optimization of the share capital of Fondul Proprietatea S.A., involving the return to the shareholders of a part of their contributions, proportionally with their participation to the paid-up share capital of Fondul Proprietatea S.A..

After the decrease, the subscribed share capital of Fondul Proprietatea S.A. shall have a value of RON 5,238,521,987.92 being divided in 10,074,080,746 ordinary shares, each having a par value of RON 0.52.

The approval of the amendment of Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea S.A. as follows. *"(1) The subscribed share capital of Fondul Proprietatea is in amount of RON 5,238,521,987.92, divided in 10,074,080,746 ordinary, nominative shares, having a nominal value of RON 0.52 each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by Depozitarul Central SA"*.

The approval of the amendment of Article 9 paragraph (2) of the Constitutive Act of Fondul Proprietatea S.A. as follows. *"(2) The nominal value of a share is RON 0.52"*.

The decrease of the share capital herein is performed based on Article 207 paragraph (2) letter (b) of Law no. 31/1990 and will be effective after the following conditions are met ("**Conditions**"):

- (i) this resolution is published in the Official Gazette of Romania, Part IV for at least two months;
- (ii) Financial Supervisory Authority endorses the amendment of Article 7 paragraph (1) and Article 9 paragraph (2) of the Constitutive Act of Fondul Proprietatea SA as approved by shareholders during this meeting, where required by applicable law or regulation;
- (iii) the share capital decrease approved by the shareholders on 31 October 2016 is effective;
- (iv) the shareholders' resolution for approving this share capital decrease is registered with the Trade Registry.

The approval of the payment to the shareholders registered as such at the Registration Date of this EGM (i.e. 12 June 2017) of RON 0.05/share, proportionally with their participation to the paid-up share capital of Fondul Proprietatea S.A..

The payment shall start on the Payment Date of this EGM (i.e. 30 June 2017) provided that the Conditions are met¹.

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

Oana Valentina Truta
Permanent representative

¹ *The tax treatment of cash distributions resulting from a share capital decrease is uncertain under Romanian tax law. Based on our current understanding of Romanian tax law, we believe there are good arguments to assume that the cash distribution is not subject to Romanian withholding tax. There is however a risk that the Romanian tax authorities take a different view on the tax treatment of the cash distribution.*