

NOTE

Regarding 2016 share capital decrease for cash distribution purposes

Re: The share capital decrease of Fondul Proprietatea SA for the optimisation of the share capital of Fondul Proprietatea, involving the return to the shareholders of a part of their contributions, proportionally with the share capital decrease

Description

The Fund Manager of Fondul Proprietatea SA ("**the Fund**") submits for shareholders' approval a decrease of share capital by reducing the par value of shares, the resulting funds being returned to the shareholders registered in the shareholders' register of the Fund as at the record date of this event.

The proposed reduction of the par value of the shares is RON 0.05 per share. The return of capital is in line with our annual cash distribution policy.

Legal grounds

According to the Romanian Companies' Law (Law 31/1990, with subsequent amendments – "RCL") the shareholders can approve distributions of capital by approving the decrease of the share capital by reducing the nominal value of the shares.

The legal grounds for this operation are based on:

- Article 207 para. (2) of RCL: "(2) When the decrease of the share capital is not motivated by losses incurred, it may yet be done by: [...] b) returning to the shareholders of a share of their contributions, in proportion to the decrease of the share capital equally calculated for each share."
- Article 208 para (1) of RCL: "(1) The decrease of the share capital can only be performed after a two months' period passing from the day of the publication of the decision in the Official Gazette of Romania, Part IV."
- Article 113 of RCL: "The extraordinary general meeting shall gather whenever a decision is necessary to be made for: [...] g) decrease of the share capital".

Assumptions:

- The registration of the shareholders' resolution with the Trade Register is not blocked by a litigant party;
- The Financial Supervisory Authority endorses the share capital decrease without comments;
- The share capital decrease approved in October 2015 for cancelling the shares acquired during the fifth buy-back programme will have taken place before this resolution is implemented;

This herein proposed share reduction and thus distributable amount is RON 0.05 per share. Subject to available cash and depending on the discount level, in accordance with the principles of the Investment Policy Statement, the Fund's annual cash distribution policy does not limit additional cash returns that can be recommended by the Fund Manager.

In accordance with the said annual cash distribution policy, the Fund Manager estimates the equivalent cash distributable amount would be RON 0.042/share as described further below.

2016 Annual Cash Distribution Policy Assessment

Estimated net profit* 2015 (RON thousands)	779,569
Less estimated net capital gains on financial instruments (RON thousands)	(337,898)
Less mandatory transfer to legal reserves (excluding the impact of the net capital gain) (RON thousands)	(22,084)
Estimated distributable profits (RON thousands)	419,587
Total number of shares in issue	11,193,423,051
Less Unpaid shares	(363,812,350)
Less Treasury shares – fifth buy-back	(227,572,250)
Less Treasury shares – sixth buy-back (estimated)	(640,224,958)
Estimated number of shares entitled to receive distributions of profits	9,961,813,493

Estimated equivalent gross cash distribution per share (RON)	0.042
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*According to Romanian Accounting Regulations (CNVM Regulation no 4/2011)

Thus, although the gross estimated cash distribution equivalent would be RON 0.042/share, the Fund Manager recommends that the 2016 cash distribution continues in line with the previous distributions, namely at a reduction and thus distributable amount of RON 0.05/per share, considering its strong beneficial impact to the shareholders and the expected beneficial tax treatment applicable to such distribution.

Considering that this approach would be consistent with the Fund's annual cash distribution policy, which, as said, does not limit additional cash returns, the Fund Manager would like to propose for the shareholders' approval the following.

The Fund Manager's proposal for shareholders' approval

The approval of the decrease of the subscribed share capital of Fondul Proprietatea SA from RON 9,869,265,720.90 to RON 9,320,973,180.85 through the reduction of the par value of the shares of Fondul Proprietatea SA from RON 0.90 to RON 0.85. The decrease is motivated by the optimisation of the share capital of Fondul Proprietatea SA, involving the return to shareholders of a part of their contributions, proportionally with their participation to the paid-up share capital of Fondul Proprietatea SA.

After the decrease, the subscribed share capital of Fondul Proprietatea SA shall have a value of RON 9,320,973,180.85 being divided by 10,965,850,801 ordinary shares, each having a par value of RON 0.85.

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

- (i) this resolution is published in the Official Gazette of Romania, Part IV for at least two months;
- (ii) the Financial Supervisory Authority (**FSA**) 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 shareholders on 29 October 2015 is effective;
- (iv) the shareholders' resolution for approving this share capital decrease is registered with the Trade Registry.

The approval of the amendment to Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea SA as follows:

“(1) The subscribed share capital of Fondul Proprietatea is in the amount of RON 9,320,973,180.85, divided by 10,965,850,801 ordinary, nominative shares, having a nominal value of RON 0.85 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 SA as follows:

“(2) The nominal value of a share is RON 0.85”.

The approval of the payment to shareholders registered as such at the Registration Date (i.e. 6 June 2016) of this EGM of RON 0.05 per share, proportionally with their participation to the paid-up share capital of Fondul Proprietatea SA. The payment shall start on the Payment Date of this EGM (i.e. 27 June 2016) provided that the Conditions are met.

Updated information: On 28 December 2015, the FSA published the Norms no. 39/2015 approving the IFRS as statutory accounting basis (official accounting regulations) starting with the annual financial statements for the year ended 31 December 2015, although, during 2015 Romanian accounting regulations (CNVM Regulation no 4/2011) were the official accounting regulations. Under IFRS, Fondul Proprietatea incurred an accounting loss. The main factor behind the accounting loss in 2015 was the unrealised negative net change in fair value related to equity investments classified at fair value through profit or loss, principally concerning OMV Petrom, as a result of the negative evolution of the share price of this company in 2015.

Although because of this situation there will be no distributable profits according to Fund's 2015 statutory annual financial statements (prepared under IFRS), the Fund Manager remains committed to ensuring annual cash distributions to the Fund's shareholders, supporting the above-mentioned cash distribution.

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