Memo regarding the termination of the ninth buy-back programme

Legal base:

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 103[1] 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 103[1] shall not be applicable with respect to the buy-backs programs targeting the share capital decrease.

Presentation of the ninth buy-back programme

On 26 October 2017 the shareholders of Fondul Proprietatea S.A. (the 'Fund') approved the ninth buy-back programme 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, at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share. The ninth buy-back-programme is aimed at the share capital decrease. The ninth buy-back programme started on 14 November 2017 being valid until 10 May 2019.

Until 31 July 2018, the Fund bought back a total number of 1,395,629,295 own shares within the ninth buy-back programme (out of which 799,936,395 ordinary shares and 595,692,900 ordinary shares corresponding to GDRs), representing 15%[1] of the total issued shares as at 31 July 2018, for a total acquisition value of RON 1,328,647,467, including transaction costs directly related to the buy-back transactions.

[1] Considering article 104 paragraph (1) letter a) of Companies' Law no. 31/1990 the limit of 10% of the subscribed registered capital is not applicable because the ninth buy-back-programme is aimed at the share capital decrease.

Tender Offer within the ninth buy-back programme

On 15 December 2017 the Fund submitted to the FSA an application for endorsement of a tender offer to accelerate the ninth buy-back programme, for up to 1,200,000,000 shares, in the form of both shares and GDRs.

The daily execution of the ninth buy-back programme, with respect to the shares on the BVB and GDRs on the LSE was suspended starting with 11 December 2017.

On 10 January 2018, the FSA approved the Fund's application for the tender offer. The subscription period was from 18 January until 23 February 2018, and the purchase price was RON 0.9350 per share and the USD equivalent of RON 46.75 per GDR.

On 23 February 2018, the Investment Manager announced the results of the tender offer: total subscriptions of 4,853,201,369 shares representing 404% of the Offer (2,640,228,469 in the form of shares and 2,212,972,900 shares in the form of GDRs, namely 44,259,458 GDRs). Under this tender offer, the Fund repurchased 1,200,000,000 shares (652,821,500 in the form of shares and 547,178,500 shares in the form of GDRs, namely 10,943,570 GDRs) at a purchase price of RON 0.9350 per share and the USD equivalent of RON 46.75 per GDR, computed in accordance with the terms and conditions of the offer documentation.

WOOD & Company Financial Services a.s. has been engaged as intermediary in relation to the purchase of shares. Jefferies International Limited and WOOD & Company Financial Services a.s. have been engaged as dealer managers and The Bank of New York Mellon has been appointed as tender agent in relation to the purchase of the GDRs. The daily execution of the ninth buy-back programme restarted on 7 March 2018.

Impact of buy-back programmes on the Fund's equity

The Fund recognizes 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, distribution 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/ or other reserves. 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.
A negative equity element arises upon cancelation of the shares acquired in a buy-back programme, where the acquisition price is higher than the nominal value, but this does not generate an additional

shareholder's equity decrease. The details on the accounting treatment to be applied for the registration and cancellation of treasury shares can be found in the FSA Norm 39/ 2015, article 75.

Article 75 from Norm 39/2015 mentions that the negative balance arising on 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. As at 31 July 2018, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings and share capital.

The table below shows the estimated total purchase price (including acquisition cost and other costs directly related to the buy-back transactions) for the ninth buy-back programme, as well as the estimated negative reserve arising on the cancellation of treasury shares repurchased during the ninth buy-back programme:

9th buy-back programme		**Period 14 Nov 2017 - 31 July 2018 (actual figures)**	**Period 1 Aug 2018 - 31 Dec 2018 (estimated figures*)**	**Total**
Number of shares repurchased	(1)	1,395,629,295	126,000,000	1,521,629,295
Total acquisition costs (including brokerage fees and other transaction costs) (RON)	**(2)**	**1,328,647,467**	**115,425,531**	**1,444,072,998**
Correspondent Nominal Value ("NV") at the cancelation date (assuming that the nominal value at the cancellation date will be RON 0.52 per share) (RON)	(3) = (1) * NV	725,727,233	65,520,000	791,247,233
Negative equity reserve arising on the cancellation of shares acquired during the 9th buy-back programme (RON)	**(4) = (3)-(2)**	**(602,920,234)**	**(49,905,531)**	**(652,825,765)**

* *For the estimation of the buy-back transactions performed during the period 1 August – 31 December 2018 (the envisaged last trade date for the 9th buy-back programme), the following assumptions were used:*

- *a general assumption that the ninth buy-back programme will be ongoing on daily basis*
- *average daily buy-backs will be 1,200,000 shares, GDRs or a combination of the two*
- *the average acquisition price excluding brokerage, market and regulatory fees was considered to be the average acquisition share price since the beginning of the 9th buy-back programme until 31 July 2018, respectively RON 0.9149 per share*
- *the estimated total acquisition costs include the trade price, brokerage fee, market and regulatory fees and the distribution fee paid to the Sole Director in relation with the buy-backs performed.*

Please note that the amounts corresponding to the period 1 August – 31 December 2018 were estimated based on the above assumptions, but the actual figures may differ significantly. The actual figures and actual impact on the Fund's equity will be presented to shareholders at the shareholders' meeting to be held during 2019 for the cancellation of the shares repurchased during the 9th buy-back programme.

In accordance with the Fund's policy, the above estimated negative reserve of RON 652,825,765 will be recorded in the accounting only upon completion of all legal and regulatory requirements related to the cancellation of shares acquired during the 9th buy-back programme. The coverage of this reserve will be subject to shareholders' approval during the annual GSM based on the negative reserve balance reflected in the audited financial statements for the financial year when the respective negative reserve was booked in the accounting.

Proposed changes in process for implementing buy-back programmes for future:

During the last period of time we observed that there are several delays in implementing share capital decrease processes caused by external factors that are not in our control. For having an easier process, we propose to change the approach for the future and to avoid having partial cancelations of treasury shares acquired through buy-back programmes.

As a result, we called the extraordinary general meeting of shareholders for 4 September 2018 and we proposed to shareholders to approve only the cancellation of the remaining balance of shares from eighth buy-back programme respectively 74,210,188 treasury shares (with this cancellation, the implementation of eighth buy-back programme is fully completed).

The process for the cancellation of the treasury shares acquired during the ninth buy-back programme will be completed after the share capital decrease process pursuant to the cancellation of 74,210,188 treasury shares above-mentioned is completed (without cumulating shares from two buy-back programmes in the same share capital decrease process).

In order to continue having uninterrupted buy-backs, we propose the following process:

(1) October - November each year (T): a general meeting of shareholders ('GSM') will be held to approve the buy-back programme for the next calendar year (T+1) and the shareholders will have access to all the details about the on-going programme (corresponding to year T).
(2) January – December (T+1): implementation of the buy-back programme (i.e. acquisition of own shares/ GDR's)
(3) March - April (T+2): a GSM will be held to approve the cancellation of the shares acquired during the prior year programme (i.e. repurchased during January – December T + 1).

The proposed termination of the ninth buy-back falls under the above-mentioned process, as the second point of the EGM of 14 November 2018 refers to a new buy-back program for the period 1 January 2019 – 31 December 2019.

Conclusion:

Taking into consideration the legal provisions in force and arguments presented above, the Fund Manager would like to propose to the shareholders the approval of the early termination of the buy-back programme approved by the resolution of the extraordinary shareholders' meeting of Fondul Proprietatea S.A. no. 5 of 26 October 2017, respectively starting with 31 December 2018. The share capital decrease for cancelling the shares acquired during this buy-back programme will be subject to Fondul Proprietatea S.A. shareholders' approval during 2019.

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

Johan Meyer
Permanent representative