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Memo regarding the cancellation of the
outstanding treasury shares acquired during the eighth buy-back programme

a) Description of the programme and of the partial cancellation performed so far

Through the Resolution no. 8 of 11 October 2016 the shareholders approved the eighth buy-back programme whereby the Fund Manager was authorized to buy-back shares of Fondul Proprietatea S.A. ("**Fondul Proprietatea**"/the "**Fund**"), global depositary receipts or depositary interests corresponding to shares of the Fund, via trading on the regular market on which the shares, the global depositary receipts or the depositary interests corresponding to the shares of the Fund are listed or via 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 10% of the issued share capital at the relevant time. The eighth buy-back programme started on 30 May 2017 and ended on 10 November 2017.

During 30 May 2017 – 10 November 2017, the Fund acquired **141,869,861** treasury shares and equivalent global depositary receipts ("**GDRs**") corresponding to the Fund's shares. The shares and GDRs were acquired via daily trading on the regular market (Bucharest Stock Exchange in case of ordinary shares and London Stock Exchange in case of GDRs). The total value of the eighth buy-back programme was RON 122,348,193.26 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 0.8591 per share, respectively USD 10.8805 per GDR.

A partial cancellation of **67,659,673** treasury shares and equivalent repurchased and settled between 30 May 2017 and 14 August 2017 (last trade date on 10 August 2017) within the eighth buy-back programme was approved through EGM Resolution no. 4/26 September 2017; the said share capital decrease became effective on 29 June 2018.

b) Cancellation of the remaining treasury shares acquired during the eighth buy-back programme

The Fund Manager would like to propose to shareholders the cancellation of the remaining balance of **74,210,188** treasury shares from the eighth buy-back programme, repurchased and settled between 11 August 2017 and 14 November 2017 (last trade date on 10 November 2017). The remaining balance represents the difference between (i) the total number of 141,869,861 shares and equivalent acquired during the eighth buy-back programme and (ii) the 67,659,673 treasury shares and equivalent cancelled as per EGM Resolution no. 4/26 September 2017.

Having in mind the scope for which the buy-back programme above-mentioned 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 as follows.

The approval of the decrease of the subscribed share capital of Fondul Proprietatea S.A. from RON 4,771,610,196.08 to RON 4,733,020,898.32 pursuant to the cancellation of 74,210,188 own shares acquired by Fondul Proprietatea S.A. during the eighth buy-back programme.

After the share capital decrease, the subscribed share capital of Fondul Proprietatea S.A. shall have a value of RON 4,733,020,898.32 being divided in 9,101,963,266 shares, each having a nominal value of RON 0.52 per share.

The first paragraph of Article 7 of the Constitutive Act of Fondul Proprietatea S.A. after the share capital decrease will be changed as follows.

"(1) The subscribed share capital of Fondul Proprietatea is in the amount of RON 4,733,020,898.32, divided in 9,101,963,266 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 subscribed share capital decrease will take place on the basis of Article 207 paragraph 1 letter (c) of Law no. 31/1990 and will be effective after all the following conditions are met:

(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) of the Constitutive Act of Fondul Proprietatea S.A. as approved by shareholders during this meeting, where required by applicable law or regulation;

(iii) the shareholders' resolution for approving this share capital decrease is registered with the Trade Registry.

Currently, the ninth buy-back programme is ongoing (approved by EGM Resolution no. 5 of 26 October 2017 which was published in the Official Gazette no. 4303, Part IV on 10 November 2017) and the treasury shares acquired under this programme will be cancelled at a later stage, subject to the shareholders' approval.

c) Impact of the eighth buy-back programme on the Fund's equity and identification of sources for covering negative reserves

Overview of the applicable accounting policy

Fondul Proprietatea 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). Treasury shares are recorded at acquisition cost, including brokerage 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.

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Impact of the eighth programme on the discount and on the Fund's equity

The total purchase price (including acquisition cost and other costs directly related to the transactions) for the eighth buy-back programme, as well as an analysis of the market capitalization of the Fund and the discount at the beginning and the end of the 8th buy-back programme are presented in the table below.

All amounts in RON	8th buy-back programme
Period (trade dates)	30 May 2017 – 10 Nov 2017
Total acquisition cost at trade price (excluding transaction costs)	122,347,450
Total costs directly related to transactions, out of which:	1,764,941
• *Brokerage fees*	*24,469*
• *Financial Supervisory Authority fees*	*53,099*
• *Stock Exchanges' fees (Bucharest Stock Exchange and London Stock Exchange)*	*34,301*
• *Central Depositary fees*	*7,289*
• *Other professional fees*	*4,471*
• *Distribution fees paid to the Sole Director in relation with the buy-backs performed*	*1,641,312*
Total buy-back cost impacting the equity of the Fund (trade price plus directly related transaction cost)	124,112,391
Market capitalization at the beginning of the 8th buy-back programme*	8,105,870,714
% from market capitalization of total 8th buy-back cost	1.53%
Share price discount at the beginning of the 8th buy-back programme (i.e. one day before the first trade date of the buy-back**)**	24.50%
Share price discount at the end of the 8th buy-back programme (last trade date**)**	29.62%

**Number of Fund's paid shares excluding treasury shares multiplied by the closing price published by Bucharest Stock Exchange*

Please see section d) for additional details on the impact of the eighth buy-back programme on discount.

Negative reserve arising on the cancellation of the treasury shares repurchased during the eighth buy-back programme

Upon completion of all legal and regulatory requirements, the treasury shares are cancelled and netted off against the share capital and other reserves.

At the cancellation date, only a reallocation between the equity accounts is booked, without any impact on profit or loss or an additional total shareholders' equity decrease (as compared to the acquisition impact). A negative reserve (equity element) arises upon cancellation of the shares acquired in a buy-back programme, if the acquisition value (trade price and related costs) is higher than the nominal value. However, as mentioned before, this does not generate an additional shareholder's equity decrease.

The accounting treatment applicable for the recording and cancellation of treasury shares is based on the provisions of the Financial Supervisory Authority Norm 39/ 2015, article 75.

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The table below shows the negative reserve arising on the cancellation of treasury shares repurchased during the eighth buy-back programme:

		8th buy-back programme
Number of shares repurchased	*(1)*	141,869,861
Total acquisition costs (including brokerage fees and other transaction costs) (RON)	*(2)*	124,112,391
Less the impact of the Fund's share Nominal Value decrease (RON)[1]	*(3)*	(498,291)
Accounting value of the treasury shares (RON)	*(4)=(2)+(3)*	123,614,100
Correspondent Nominal Value at the cancellation date (NV = RON 0.52/ share) (RON)	*(5)=(1)*NV*	73,772,328
Negative equity reserve arising on the cancellation of shares acquired during the 8th buy-back (RON), out of which:	***(6)=(5)-(4)***	**(49,841,772)**
- recorded on 29 June 2018 when 67,659,673 treasury shares were cancelled according to EGM Resolution no. 4/26 September 2017		(24,396,485)
- to be recorded upon the cancellation of the remaining balance of 74,210,188 treasury share, subject to the successful completion of all legal and regulatory steps		(25,445,287)

[1] *For shares in balance at the date of Fund's share nominal value decrease (respectively 9,965,829 shares in balance as at 16 June 2017)*

The table below shows the movement of the negative reserve:

	RON
Balance as at 31 December 2017 (audited)	**256,073,589**
Coverage of negative balance according to GSM decision no 7 / 26 April 2018	(256,073,589)
Negative equity reserve arising on the cancellation of the remaining balance of shares acquired during 7th buyback programme (recorded on 29 June 2018) according to EGM Resolution no. 4/26 September 2017	31,068,596
Negative equity reserve arising on the partial cancellation of the shares acquired during 8th buyback programme (recorded on 29 June 2018) according to EGM Resolution no. 4/26 September 2017	24,396,485
Balance of the negative equity reserve at the calling date for 4 September 2018 GSM *(i.e. 19 July 2018)*	**55,465,081**

The negative reserve in amount of 25,445,287 RON (please see table above) corresponding to the treasury shares subject to the cancellation proposal, will be recorded only after all legal and regulatory steps are completed.

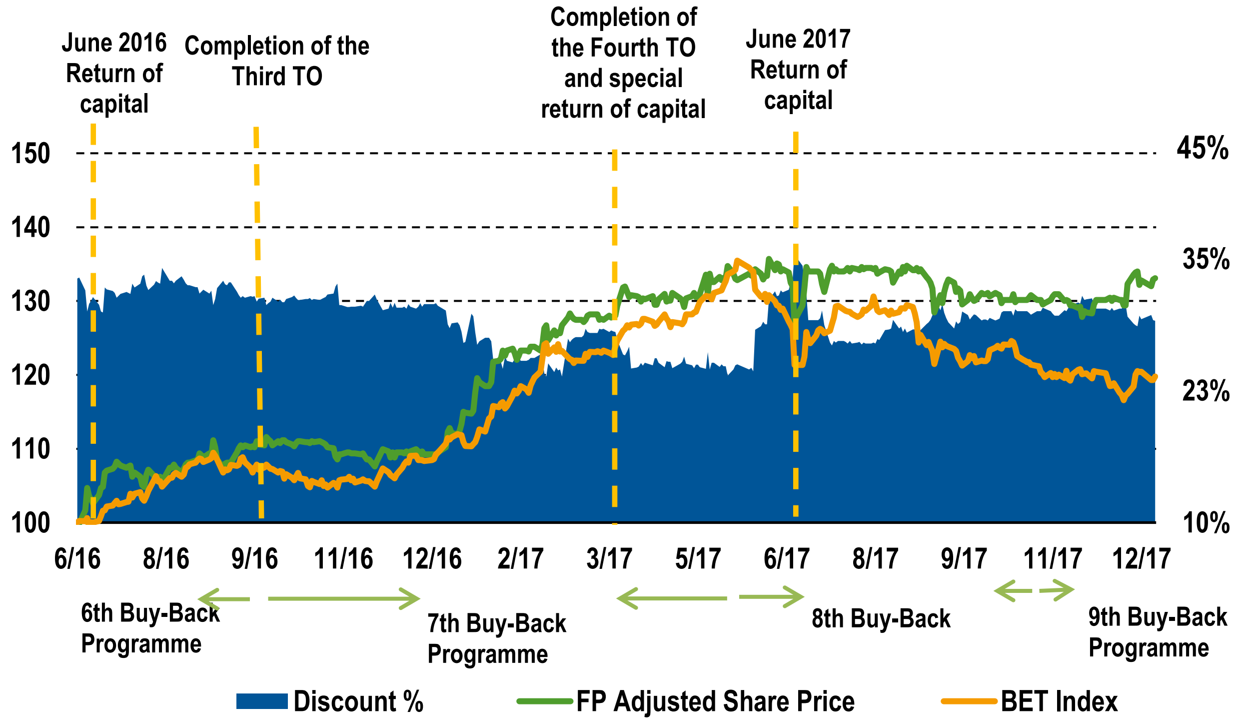
The coverage of the negative reserve balance reflected in the audited financial statements for the financial year ended 31 December 2018 will be subject to shareholders' approval during the 2019 annual GSM.

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 30 June 2018, the

Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings and share capital.

d) Impact of the eighth buy-back programme on discount

The chart below presents the evolution of the discount and the trading price by reference to the buy-back programmes and returns of capital implemented:



As it can be noticed from the chart, the Fund's discount to NAV widened slightly during the 8th buyback program compared to the 7th buyback due to unfavourable market conditions and significantly higher market volatility. However, the average discount to NAV was only 1.3% higher during the execution period of the 8th program at 29.3% compared to an average discount of 28.0% during the 7th buyback program. From June 2016 to December 2017 the BET Index registered an overall increase of 22.1%. However, as it can be noticed, volatility in the local market driven by the uncertainty around the Pillar II pension funds in June 2017 had a substantial negative impact on the companies listed on the Bucharest Stock Exchange, with the BET Index declining by 10.8% from June 2017 to December 2017. The movement in June 2017 led to a significant widening of the discount to over 35% and had a negative impact on the Fund's average trading discount given the shorter execution period of the 8th buyback.

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

Johan Meyer
Permanent representative