

***Memo regarding the eleventh buy-back programme***

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<sup>1</sup> 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<sup>1</sup> shall not be applicable with respect to the buy-backs programs targeting the share capital decrease.

Taking into consideration the legal provisions in force, the Fund Manager would like to propose to the shareholders the approval of the authorization to buy-back shares of Fondul Proprietatea S.A., global depositary receipts or depositary interests corresponding to shares of Fondul Proprietatea S.A., via trading on the regular market on which the shares, the global depositary receipts or the depositary interests corresponding to the shares of Fondul Proprietatea S.A. are listed or public tender offers, in compliance with the applicable law, for a maximum number of 800,000,000 treasury shares (being in the form of shares and/or shares equivalent as described above), starting with 1 January 2020 until 31 December 2020. The buy-back shall be performed at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share. In case of acquisitions of global depositary receipts or depositary interests corresponding to shares of Fondul Proprietatea S.A., the calculation of shares in relation to the aforementioned thresholds shall be based on the number of Fondul Proprietatea S.A. shares underlying such instruments and their minimum and maximum acquisition price in the currency equivalent (at the relevant official exchange rate published by the National Bank of Romania valid for the date on which the instruments are purchased) shall be within the price limits applicable to the share buy-backs above-mentioned, and shall be calculated based on the number of shares represented by each global depositary receipt or depositary interest. The transaction can only have as object fully paid shares, global depositary receipts or depositary interests corresponding to the shares. The said buy-back programme is aimed at the share capital decrease of Fondul Proprietatea S.A. in accordance with Article 207 paragraph (1) letter (c) of Companies' Law no. 31/1990. This buy-back programme implementation will be subject to the availability of the necessary financing sources.

The said buy-back programme, if approved by the shareholders, will be carried out by the Sole Administrator and/or its Investment Manager, namely Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch, to whom portfolio management and the performance of administration services in relation to Fondul Proprietatea SA have been delegated to.

From an accounting perspective, the Fund 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), as per Article 75 of FSA's Norm no. 39/2015.

Treasury shares are recorded at acquisition cost, including brokerage fees and other transaction costs directly related to their acquisition.

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. Although a negative equity element may arise upon cancellation of the shares acquired in the buyback programme (due to the difference between acquisition costs and par value<sup>1</sup>), this does not generate an additional shareholder's equity decrease. Any impact of the buy-back programme cancellation on the negative equity reserve (if any) will be presented in the quarterly, semi-annual and annual Fund's Administrator reports and financial statements. The coverage of the audited balance of the negative reserve will be subject to GSM approval at a later stage.

Norm 39/2015 mentions that the negative balance arising on the cancellation of equity instruments may be covered from retained earnings and other equity elements, in accordance with the decision of the General Shareholders' Meeting.

The Investment Manager is monitoring this topic and will analyse if an allocation between equity elements is needed to cover the negative balance of the treasury shares cancellation reserve, based on the relevant audited financial statements.

An estimation of buy-back programme cost is presented in the budget for 2020 while the detailed actual cost will be disclosed in the quarterly, semi-annual and annual Fund's Administrator reports and financial statements.

The table below presents the estimated total purchase price (including acquisition cost and other costs directly related to the transactions) for the eleventh buy-back programme, based on the assumptions used for the Fund's 2020 Budget preparation. Based on the same assumptions, the table also presents the estimated negative reserve that will arise on cancellation of the shares acquired during this programme (to be booked on completion of all regulatory steps).

<i>All amounts in RON</i>			
<b>Period (trade dates)</b>	<i>Notes</i>		1 Jan – 31 Dec 2020
Estimated number of shares repurchased	(1)	A	301,200,000
<b>Estimated acquisition cost at trade price (excluding transaction costs)</b>	(2)		<b>328,308,000</b>
<b>Estimated costs directly related to transactions, out of which:</b>			<b>3,707,010</b>
• <i>Fees (brokerage, regulatory, etc)</i>	(3)		423,930
• <i>Distribution fees paid to the Sole Director in relation with the buybacks</i>			3,283,080
<b>Estimated buy-back cost impacting the equity of the Fund (trade price plus directly related transaction cost)</b>		B	<b>332,015,010</b>
Correspondent Nominal Value (estimated NV = RON 0.52/ share) (RON)		C=A*NV	156,624,000
<b>Estimated negative reserve to be booked on cancelation</b>		<b>D=C-B</b>	<b>(175,391,010)</b>

Notes/ assumptions:

- (1) The estimated number of shares repurchased is based only on the assumption for daily buybacks. The average daily buybacks are assumed to be 1,200,000 shares, GDRs or a combination of the two.
- (2) The estimated acquisition cost at trade price is based on a price assumption of RON 1.09 per share.
- (3) The estimated fees do not include any costs due to professional advisers, tender offers or other fees that may arise in connection with the buyback program as these cannot be reliably estimated.

The total estimated costs regarding the eleventh buy-back programme may amount up to RON 882 million (RON 872 million acquisition price and RON 10 million costs directly related to the transactions) in case the maximum number of 800 million shares are repurchased within the programme.

<sup>1</sup> Although we cannot anticipate the evolution of the Fund's shares market price, it is to be noted that during the last months the market price (and thus also the acquisition costs) of the shares repurchased during the current/previous buy-back programme were higher than their par value.

The eleventh buy-back programme will be entirely financed from the Fund's own sources. No amounts will be used from the credit facility for financing this buy-back programme.

Please note that the amounts corresponding to the period 1 January – 31 December 2020 were estimated based on the above assumptions and 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 2021 for the cancellation of the shares repurchased during the 11th buy-back programme.

In accordance with the Fund's policy, the above negative reserve will be recorded in the accounting only upon completion of all legal and regulatory requirements related to the cancellation of shares acquired during the 11th 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.

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

**Johan Meyer**  
**Permanent representative**