

*Memo regarding the cancellation of the
treasury shares acquired during the ninth buy-back programme*

a) Description of the programme

Through the Resolution no. 5 of 26 October 2017 the shareholders approved the ninth buy-back programme whereby the Fund Manager was authorized to repurchase 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 20% of the issued share capital at the relevant time. The ninth buy-back programme started on 14 November 2017 and ended on 31 December 2018.

During the 9th buy-back programme the Fund acquired **1,487,992,569** 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) and through the public tender offer carried by the Fund in February 2018. The total value of the ninth buy-back programme is RON 1,386,721,945 (excluding brokerage fees and other acquisition related costs), and the weighted average price for the cumulated value of shares and GDRs acquired was RON 0.9319 per share.

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

The Fund Manager would like to propose to shareholders the cancellation of the 1,487,992,569 treasury shares repurchased through the ninth buy-back programme.

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 4,733,020,898.32 to RON 3,959,264,762.44 pursuant to the cancellation of 1,487,992,569 own shares acquired by Fondul Proprietatea S.A. during the ninth buy-back programme.

After the share capital decrease, the subscribed share capital of Fondul Proprietatea S.A. shall have a value of RON 3,959,264,762.44 being divided in 7,613,970,697 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 3,959,264,762.44, divided in 7,613,970,697 ordinary, nominative shares, having a nominal value of RON 0.52 each”.

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.

c) Total cost of the ninth buy-back programme and its impact on the Fund's equity

1. 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.

2. Total costs of the ninth buy-back programme and its impact on the Fund's equity

The total purchase price (including acquisition cost and other costs directly related to the transactions) for the ninth 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 9th buy-back programme are presented in the table below.

<i>All amounts in RON</i>	9th buy-back programme
Period (trade dates)	14 Nov 2017 – 31 Dec 2018
Total acquisition cost at trade price (excluding transaction costs)	1,386,721,945
Total costs directly related to transactions, out of which:	27,778,902
• <i>Brokerage fees</i>	616,156
• <i>Financial Supervisory Authority fees</i>	11,340,453
• <i>Stock Exchanges' fees (Bucharest Stock Exchange and London Stock Exchange)</i>	1,401,641
• <i>Central Depository fees</i>	68,947
• <i>Other professional fees</i>	596,258
• <i>Distribution fees paid to the Sole Director in relation with the buy-backs performed</i>	13,755,446
Total buy-back cost impacting the equity of the Fund (trade price plus directly related transaction cost)	1,414,500,848
Market capitalization at the beginning of the 9th buy-back programme¹	7,382,682,319
% from market capitalization of total 9th buy-back cost	19.16%

<i>All amounts in RON</i>	9th buy-back programme
Share price discount² at the beginning of the 9th buy-back programme (first trade date of the buy-back)	30.04%
Share price discount² at the end of the 9th buy-back programme (last trade date of the buy-back)	35.75%

¹Number of Fund's paid shares excluding treasury shares multiplied by the closing price published by Bucharest Stock Exchange

²Share Price discount to NAV is calculated as the discount between FP share closing price on BVB – REGS and the latest published NAV per share at the date of calculation

The ninth buy-back programme was entirely financed from the Fund's own sources. No amounts were used from the credit facility for financing this buy-back programme.

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

d) Negative reserve arising on the cancellation of the treasury shares repurchased during the ninth 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.

The table below shows the negative reserve that will arise upon the cancelation of the treasury shares repurchased during the ninth buy-back programme:

	9th buy-back programme
Number of shares repurchased and subject to cancellation	(1) 1,487,992,569
Total acquisition costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled (RON)	(2) 1,414,500,848
Correspondent Nominal Value as at 31 December 2018 (NV = RON 0.52/ share) (RON)	(3)=(1)*NV 773,756,136
Negative reserve to be booked on cancelation based on the amounts recorded in the financial statements for the year ended 31 December 2018 (RON)	(4)=(3)-(2) (640,744,712)

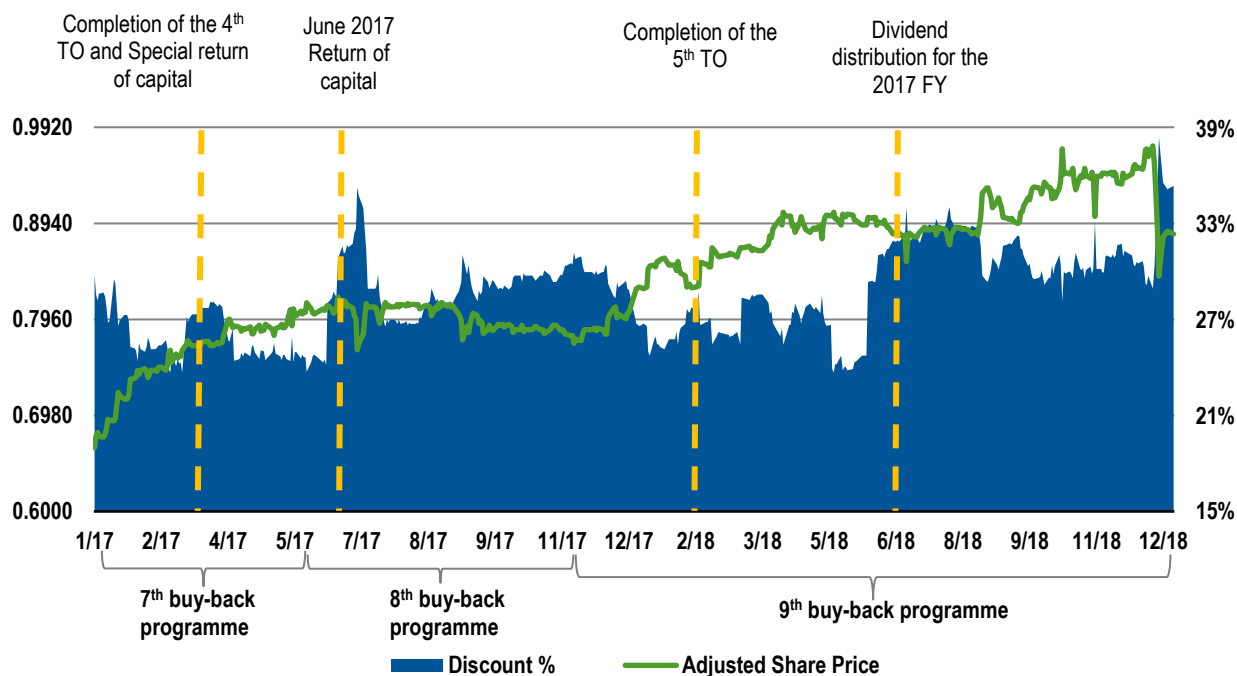
The negative reserve in amount of RON 640,744,712 (please see table above) corresponding to the treasury shares subject to the cancellation proposal, will be recorded only after all legal and regulatory steps related to the cancellation are completed (e.g. Financial Supervisory Authority endorsement, the registration to the Trade Registry). The coverage of this negative reserve will be subject to shareholders approval during the annual shareholders' meeting subsequent to the completion of all cancellation steps.

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 December 2018, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings and other reserves (please refer also to the supporting material for 2018 profit allocation for the related proposed reserves published on the Fund's website as supporting documentation for the annual General Shareholders Meeting held on 4 April 2019: www.fondulproprietea.ro/Investor-Relations/GSM-information/GSM-documentation).

The coverage of the negative reserve balance recorded in the audited financial statements for the financial year ended 31 December 2018 (resulted from the cancellation of the remaining balance of shares acquired during the 7th buy-back programme and from the cancellation of shares acquired during the 8th buy-back programme) is subject to shareholders' approval during the 2019 annual shareholders meeting – please see point 4 of the agenda of April 2019 Ordinary General Shareholders' Meeting and the related supporting documentation.

e) Impact of the ninth 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 implemented:



As it can be noticed from the chart, the Fund's discount to NAV during the 9th buy-back programme was more volatile compared to previous two buy-back programmes due to the heightened political noise, unfavourable market conditions and the Government Emergency Ordinance no. 114 adopted by the Romanian Government on 21 December 2018, impacting several underlying portfolio holdings. Although the average discount to NAV for the 9th buy-back programme of 29.6% was slightly higher compared to the average discount to NAV for the 8th buy-back programme of 29.3%, the Fund significantly outperformed the local market index BET despite the significant correction at the end of 2018 caused by the fiscal measures adopted by the Government. The BET Index declined by 13.4% from 17 December 2018 until the end of 2018, whereas the Fund's share price decreased by 9.2%.

However, the discount to NAV widened significantly on the back of the market volatility at the end of 2018. At the start of the buy-back programme on 14 November 2017, the discount was 30.04% and it had decreased to 29.2% by 17 December 2018, the day before the first draft of OUG 114/2018 was published on the webpage of Romanian Ministry of Public Finance. Also, as shown in the chart, it is important to underline the decrease of the Fund's discount to NAV during the tender offer execution period. From the date of the announcement of the tender offer on 15 December 2017 and until 23 February 2018, the discount contracted and averaged 27.14%. However, at the end of the buy-back programme, the discount had increased to 35.75% on the back of the measures announced in the OUG 114/2018, given its negative impact on the overall Bucharest Stock Exchange.

Overall, **the most important factors that have negatively impacted the discount** during the ninth buy-back programme were:

- Breach in implementation of Corporate Governance Legislation by Romanian State and the tentative to change the legislation in Parliament
- Delays in the IPO calendar of the State Owned Entities
- Changes of Romanian legislation without following a transparent process and without any predictability
- The approval of the Government Emergency Ordinance no. 114/2018 that generated increased market turmoil on the Bucharest Stock Exchange and has negatively impacted the Fund and some of the listed and unlisted companies in the portfolio due to its main provisions:
 - ✓ Introducing a 2% tax on turnover for companies in the electricity and gas sectors
 - ✓ Capping gas prices for households at RON 68 MW/h until February 2022 and for industrial consumers at a mix between RON 68 MW/h, import price and storage cost
 - ✓ Capping electricity prices for households at a price to be set by the regulator ("ANRE")
 - ✓ Asset tax on banks: a progressive tax rate linked to the 3-month and 6-month quarterly ROBOR average

*f) **Impact of the buy-back programmes on the Net Asset Value per share***

The table below summarise the impact of the buy-back programmes on the Fund's Net Asset Value ("NAV") per share:

All amounts in RON		7 th buy-back programme	8 th buy-back programme	9 th buy-back programme
Number of treasury shares bought back	(1)	830,247,619	141,869,861	1,487,992,569
Total acquisition cost at trade price (excluding transaction costs)	(2)	744,506,785	122,347,450	1,386,721,945
Average number of Fund's paid shares excluding treasury shares during the buy-back program	(3)	9,407,005,016	8,818,597,886	7,616,076,553
NAV / share at the beginning of the buy-back programme	(4)	1.1698	1.2793	1.2117
NAV / share at the end of the buy-back programme	(5)	1.2793	1.2117	1.4095
Average NAV/share during the period	(6)	1.1913	1.2199	1.3224

All amounts in RON		7th buy-back programme	8th buy-back programme	9th buy-back programme
Buy-back value at average NAV/ share	(7) = (1) * (6)	989,032,476	173,067,043	1,967,701,533
Total discount at which the buy- back program was executed (trade price) to average NAV	(8) = (2) - (7)	-244,525,691	-50,719,593	-580,979,588
Accretion from buy-back program on NAV per share	(9) = (8) ÷ (3)	+0.0260	+0.0058	+0.0763
Accretion from buy-back program on NAV (%)	(10) = (9) ÷ (6)	+2.18%	+0.47%	+5.77%