

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

a) Description of the programme

Through the Resolution no. 4 of 14 November 2018 the shareholders approved the tenth buy-back programme whereby the Sole Director 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 of 750,000,000 treasury shares. The tenth buy-back programme started on 1 January 2019 and ended on 31 December 2019.

During the 10th buy-back programme the Fund acquired **403,812,443** 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 completed in August 2019. The total value of the tenth buy-back programme excluding brokerage fees and other acquisition related costs is RON 439,032,611 and the weighted average price for the cumulated value of shares and GDRs acquired was RON 1.0872 per share.

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

The Fund Manager would like to propose to shareholders the cancellation of the 403,812,443 treasury shares repurchased through the tenth 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 3,959,264,762.44 to RON 3,749,282,292.08 pursuant to the cancellation of 403,812,443 own shares acquired by Fondul Proprietatea S.A. during the tenth buy-back programme.

After the share capital decrease, the subscribed share capital of Fondul Proprietatea S.A. shall have a value of RON 3,749,282,292.08 being divided in 7,210,158,254 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 3,749,282,292.08, divided in 7,210,158,254 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.

The resolution for approving the decrease of the share capital needs to be approved by the shareholders attending or being represented during the shareholders meeting, with a majority of at least two thirds of the shares having voting rights.

c) Total cost of the tenth 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 tenth 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 tenth 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 tenth buy-back programme are presented in the table below.

<i>All amounts in RON</i>	10th buy-back programme
Period	1 Jan 2019 – 31 Dec 2019
Total acquisition cost at trade price (excluding transaction costs)	439,032,611
Total costs directly related to transactions, out of which:	6,975,980
• <i>Brokerage fees</i>	87,810
• <i>Financial Supervisory Authority fees</i>	1,949,923
• <i>Stock Exchanges' fees (Bucharest Stock Exchange and London Stock Exchange)</i>	315,541
• <i>Central Depository fees</i>	28,377
• <i>Legal advisory</i>	175,182
• <i>Other professional fees</i>	16,938
• <i>Distribution fees paid to the Sole Director in relation with the buy-backs performed</i>	4,402,209
Total buy-back cost impacting the equity of the Fund (trade price plus directly related transaction cost)	446,008,591
Market capitalization at the beginning of the 10th buy-back programme¹	6,430,890,454
% from market capitalization of total 10th buy-back cost	6.94%
Share price discount² at the beginning of the 10th buy-back programme (first trade date of the buy-back)	35.46%
Share price discount² at the end of the 10th buy-back programme (last trade date of the buy-back)	23.05%

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 tenth buy-back programme was entirely financed from the Fund's own sources. No amounts were used from the credit facility to finance this buy-back programme.

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

d) Negative reserve arising on the cancellation of the treasury shares repurchased during the tenth 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 estimated to arise upon the cancellation of the treasury shares repurchased during the tenth buy-back programme:

		10th buy-back programme
Number of shares repurchased and subject to cancellation	(1)	403,812,443
Total acquisition costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled (RON)	(2)	446,008,591
Correspondent Nominal Value ("NV") as at 31 December 2019 (NV = RON 0.52/ share) (RON)	(3)=(1)*NV	209,982,470
Negative reserve estimated to be booked on cancellation based on the amounts recorded in the financial statements for the year ended 31 December 2019 (RON)	(4)=(3)-(2)	(236,026,121)

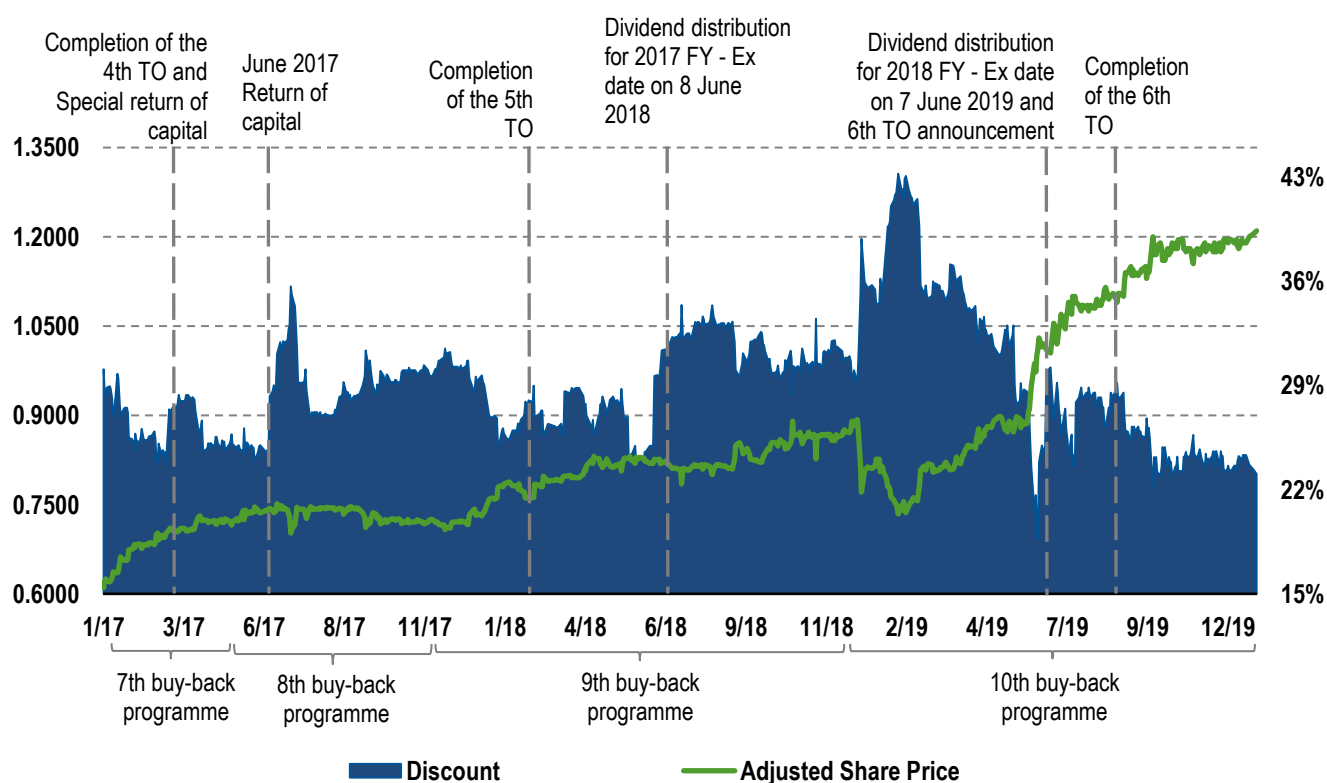
The estimated negative reserve in amount of RON 236,026,121 (please see table above) corresponding to the treasury shares subject to the cancellation proposal, will be recorded only after all legal and regulatory steps related to the cancellation are completed (e.g. Financial Supervisory Authority endorsement, 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 2019, 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 2019 profit allocation for the related proposed reserves published on the Fund's website as supporting documentation for the annual General Shareholders Meeting held on 28 April 2020: www.fondulproprietaea.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 2019 (resulted from the cancellation of shares acquired during the 9th buy-back programme) is subject to shareholders' approval during 28 April 2020 annual shareholders meeting – please see point 4 of the agenda of April 2020 Ordinary General Shareholders' Meeting and the related supporting documentation.

e) **Impact of the tenth 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 the chart above underlines, the Fund's discount to NAV during the 10th buy-back programme decreased significantly during the duration of the programme. The discount to NAV at the start of the programme was 35.46%¹ and it contracted down to 23.05%¹ by 31 December 2019, while the average discount for the year was 29.4%. The evolution was supported by the execution of the daily buybacks and the completion of the 6th tender offer, as well as overall improved demand for Romanian equities. The evolution is very encouraging and the Fund Manager is committed to continuing buying back shares given that the still wide discount to NAV is value creative for the Fund's shareholders.

¹ Share 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

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		8th buy-back programme	9th buy-back programme	10th buy-back programme
Number of treasury shares bought back	(1)	141,869,861	1,487,992,569	403,812,443
Total acquisition cost at trade price (excluding transaction costs)	(2)	122,347,450	1,386,721,945	439,032,611
Average number of Fund's paid shares excluding treasury shares during the buy-back program	(3)	8,818,597,886	7,616,076,553	7,024,825,823
NAV / share at the beginning of the buy-back programme	(4)	1.2793	1.2117	1.4095
NAV / share at the end of the buy-back programme	(5)	1.2117	1.4095	1.7339
Average NAV/share during the period	(6)	1.2199	1.3224	1.5040
Buy-back value at average NAV/ share	(7) = (1)*(6)	173,067,043	1,967,701,533	607,343,233
Total discount at which the buy-back program was executed (trade price) to average NAV	(8) = (2)-(7)	-50,719,593	-580,979,588	-168,310,622
Accretion from buy-back program on NAV per share	(9) = (8) ÷ (3)	+0.0058	+0.0763	+ 0.0240
Accretion from buy-back program on NAV (%)	(10) = (9) ÷ (6)	+0.47%	+5.77%	+1.59%

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

Johan Meyer
Permanent Representative