

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

a) Description of the programme

Through the Resolution no. 5 / 15 November 2019 the Extraordinary General Meeting of Shareholders approved the eleventh 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 800,000,000 treasury shares. The eleventh buy-back programme started on 1 January 2020 and ended on 31 December 2020.

During the 11th buy-back programme the Fund acquired 797,961,287 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 3 (three) public tender offers completed throughout 2020. The total value of the eleventh buy-back programme excluding brokerage fees and other acquisition related costs is RON 1,065,008,457 and the weighted average price for the cumulated value of shares and GDRs acquired was RON 1.3347 per share.

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

The Fund Manager would like to propose to shareholders the cancellation of the 797,961,287 treasury shares repurchased through the eleventh 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 3,749,282,292.08 to RON 3,334,342,422.84 pursuant to the cancellation of 797,961,287 own shares acquired by Fondul Proprietatea S.A. during the eleventh buy-back programme.

After the share capital decrease, the subscribed share capital of Fondul Proprietatea S.A. shall have a value of RON 3,334,342,422.84 being divided in 6,412,196,967 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 3,334,342,422.84, divided in 6,412,196,967 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) the shareholders’ 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 the Extraordinary General Meeting of Shareholders, 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 eleventh 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 eleventh 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 eleventh 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 eleventh buy-back programme are presented in the table below.

<i>All amounts in RON</i>	11th buy-back programme
Period	1 Jan 2020 – 31 Dec 2020
Total acquisition cost at trade price (excluding transaction costs)	1,065,008,457
Total costs directly related to transactions, out of which:	21,873,350
• <i>Brokerage fees</i>	1,127,761
• <i>Financial Supervisory Authority fees</i>	8,261,096
• <i>Stock Exchanges' fees (Bucharest Stock Exchange and London Stock Exchange)</i>	1,200,151
• <i>Central Depository fees</i>	62,548
• <i>Legal advisory</i>	523,338
• <i>Other professional fees</i>	24,156
• <i>Distribution fees paid to the Sole Director in relation with the buy-backs performed</i>	10,674,300
Total buy-back cost impacting the equity of the Fund (trade price plus directly related transaction cost)	1,086,881,807
Market capitalization at the beginning of the 11th buy-back programme¹	8,215,615,085
% from market capitalization of total 11th buy-back cost	13.23%
Share price discount² at the beginning of the 11th buy-back programme (first trade date of the buy-back)	23.69%
Share price discount² at the end of the 11th buy-back programme (last trade date of the buy-back)	9.71%

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 in accordance with the Investment Policy Statement i.e. the discount between the FP share closing price on the BVB - REGS for each trading day and the latest published NAV per share at the date of calculation

The eleventh 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.

The difference between the actual total buy-back cost (i.e. RON 1,086,881,807) included in the table above and the buy-back carrying amount presented in the audited financial statements for the year ended 31 December 2020 (i.e. RON 1,086,443,209) is due to the difference between the actual invoiced amounts as per invoices received by the Fund in 2021 and the related accrued costs booked in the Fund's accounting as at 31 December 2020.

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

d) Negative reserve arising on the cancellation of the treasury shares repurchased during the eleventh 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 eleventh buy-back programme:

	11th buy-back programme	
Number of shares repurchased and subject to cancellation	(1)	797,961,287
Total acquisition costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled (RON)	(2)	1,086,881,807
Correspondent Nominal Value ("NV") as at 31 December 2020 (NV = RON 0.52/ share) (RON)	(3)=(1)*NV	414,939,869
Negative reserve estimated to be booked on cancellation based on the amounts recorded in the financial statements for the year ended 31 December 2020 (RON)	(4)=(3)-(2)	(671,941,938)

The estimated negative reserve in amount of RON 671,941,938 (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.

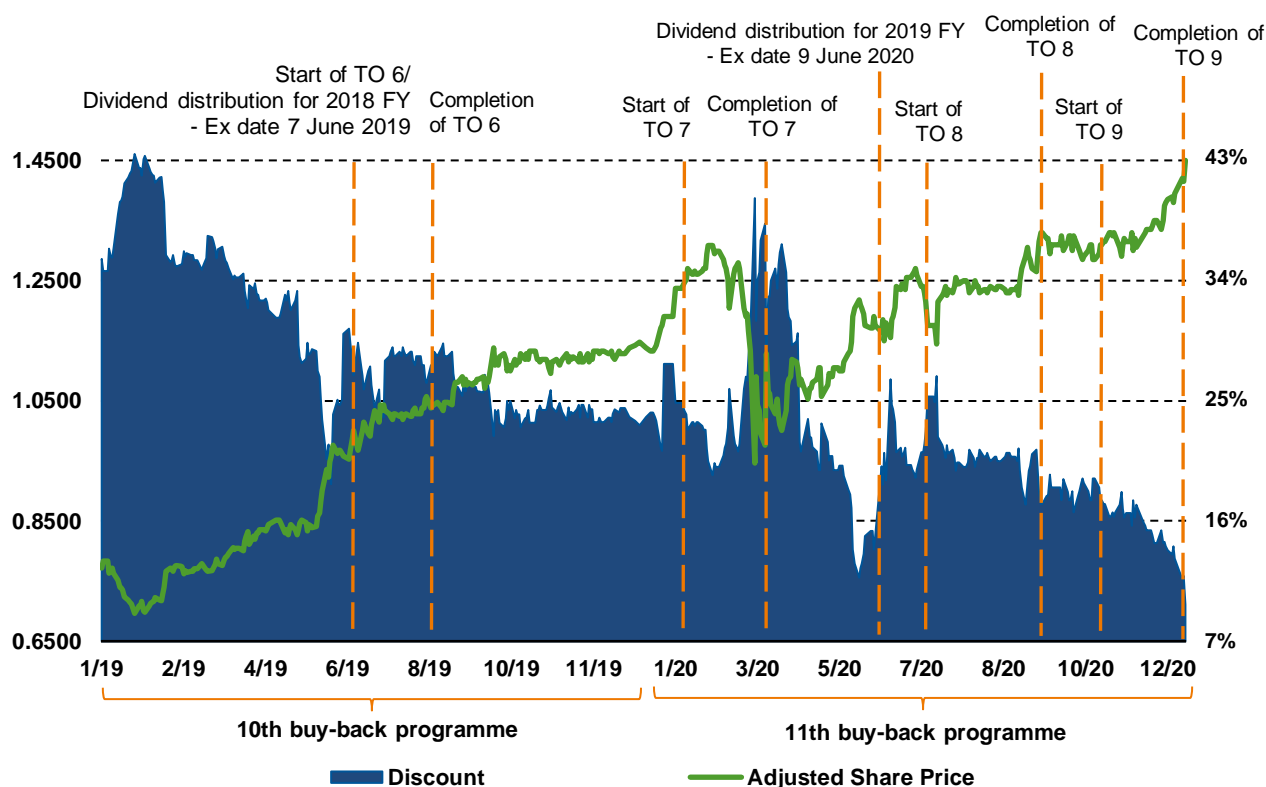
Article 75 from Norm 39/2015 mentions that the negative balance arising on the cancellation of equity instruments may be covered from the retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting.

As at 31 December 2020, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings and other reserves.

The coverage of the negative reserve balance recorded in the audited financial statements for the financial year ended 31 December 2020 (resulted from the cancellation of shares acquired during the 10th buy-back programme) is subject to shareholders' approval during 28 April 2021 annual shareholders meeting.

e) Impact of the eleventh 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:



Source: Bloomberg for Adjusted Share Price, Fondul Proprietatea for Discount

Note: The discount is calculated in accordance with the Investment Policy Statement i.e. the discount between the FP share closing price on the BVB - REGS for each trading day and the latest published NAV per share at the date of calculation

As the chart above underlines, the Fund's discount to NAV during the 11th buy-back programme decreased significantly during the duration of the programme. The discount to NAV at the start of the programme was 23.69%¹ and it contracted down to 9.71%¹ by 31 December 2020, while the average discount for the year was 21.06%. The evolution was supported by the execution of the daily buybacks and the completion of the 3 tender offers throughout 2020, as well as overall improved demand for Romanian equities in the second half of the year. The evolution is very encouraging and the Fund Manager is committed to continuing buying back shares given that the discount to NAV is value accretive for the Fund's shareholders.

¹ Share Price discount to NAV is calculated in accordance with the Investment Policy Statement i.e. the discount between the FP share closing price on the BVB - REGS for each trading day 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		9th buy-back programme	10th buy-back programme	11th buy-back programme
Number of treasury shares bought back	(1)	1,487,992,569	403,812,443	797,961,287
Total acquisition cost at trade price (excluding transaction costs)	(2)	1,386,721,945	439,032,611	1,065,008,457
Average number of Fund's paid shares excluding treasury shares during the buy-back program	(3)	7,616,076,553	7,024,825,823	6,490,650,678
NAV / share at the beginning of the buy-back programme	(4)	1.2117	1.4095	1.7339
NAV / share at the end of the buy-back programme	(5)	1.4095	1.7339	1.6974
Average NAV/share during the period	(6)	1.3224	1.5040	1.5983
Buy-back value at average NAV/ share	(7)=(1)*(6)	1,967,701,533	607,343,233	1,275,381,525
Total discount at which the buy-back program was executed (trade price) to average NAV	(8)=(2)-(7)	-580,979,588	-168,310,622	-210,373,068
Accretion from buy-back program on NAV per share	(9)=(8)÷(3)	+0.0763	+ 0.0240	+ 0.0324
Accretion from buy-back program on NAV (%)	(10)=(9)÷(6)	+5.77%	+1.59%	+2.03%

Franklin Templeton International Services S.à r.L, in its capacity of alternative investment fund manager of FONDUL PROPRIETATEA S.A.

Johan Meyer
Permanent Representative