

Memo regarding the amendment of the twelfth buy-back programme

According to Article 103¹ 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 103¹ shall not be applicable with respect to the buy-backs programs targeting the share capital decrease.

According to Article 30 and corroborated with Article 29 paragraph (1) from Law no. 243/2019 on alternative investment funds, amending and supplementing certain normative acts, in case of alternative investments funds organised as companies whose shares are admitted to trading on a trading venue or are traded on a stock exchange in a third country, the general meeting of shareholders for approving the buy-back programmes shall be conducted according to the provisions of Companies' Law no. 31/1990 and of Law no. 24/2017 regarding issuers.

On 13 November 2020 the Extraordinary General Meeting of Shareholders of Fondul Proprietatea SA (the “Fund”) approved *“The authorization to buy-back shares of Fondul Proprietatea, global depositary receipts or depositary interests corresponding to shares of Fondul Proprietatea, 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 are listed or public tender offers, in compliance with the applicable law, for a maximum number of 800,000,000 shares (being in the form of shares and/or shares equivalent as described above), starting with 1 January 2021 until 31 December 2021. 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, the calculation of number of shares in relation to the aforementioned thresholds shall be based on the number of Fondul Proprietatea 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 these shares. The said buy-back programme is aimed at the share capital decrease of Fondul Proprietatea in accordance with Article 207 paragraph (1) letter*

(c) of Companies' Law no. 31/1990. This buy-back programme implementation will be done exclusively from the own sources.”¹

The said buy-back programme, started to be implemented by the Sole Director.

As mentioned in the memo supporting the approval of the buyback programme, 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 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 value²), 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) is presented in the quarterly, semi-annual and annual Fund's Sole Director reports and financial statements. The coverage of the audited balance of the negative reserve will be subject to GSM approval at a later stage.

FSA 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 resolution of the General Shareholders' Meeting.

The Sole Director 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 was presented in the budget for 2021 and the detailed actual cost is disclosed in the quarterly, semi-annual and annual Fund's Sole Director reports and financial statements.

The market price for shares issued by the Fund and admitted to trading on Bucharest Stock Exchange increased during the last months – please find below the chart³:

¹ Resolution no. 5 / 13 November 2020 of the Shareholders' Extraordinary General Meeting of the Fund published in the Official Gazette of Romania, Part IV, number 4233 of 2 December 2020.

² 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 buyback programme were higher than their par value.

³ <https://www.tradingview.com/x/47FRMJ6T>



As the result, we propose a change of the maximum price limit approved by shareholders from RON 2 / share to RON 2.5 / share.

The table below presents the estimated total purchase price (including acquisition cost and other costs directly related to the transactions) for the twelfth buy-back programme, based on the new 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).

All amounts in RON

Period (trade dates)	<i>Notes</i>		1 Jan – 31 Dec 2021
Estimated number of shares repurchased	(1)	A	270,225,534
Estimated acquisition cost at trade price (excluding transaction costs)	(2)		469,536,333
Estimated costs directly related to transactions, out of which:			5,125,314
• Fees (brokerage, regulatory, etc)	(3)		441,745
• Distribution fees paid to the Sole Director in relation with the buybacks			4,683,569
Estimated buy-back cost impacting the equity of the Fund (trade price plus directly related transaction cost)		B	474,661,647
Correspondent Nominal Value (estimated NV = RON 0.52/ share) (RON)		C=A*NV	140,517,278
Estimated negative reserve to be booked on cancellation		D=C-B	(334,144,370)

Notes/ assumptions:

A. For 1 January – 31 July 2021:

- (1) The number of shares and GDRs repurchased during the period was 140,625,534.
- (2) The acquisition cost (including transaction costs and distribution fees) was RON 233,858,438.

B. For 1 August – 31 December 2021:

- (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. We used the same assumption as per initial estimation presented and approved by the shareholders during the Shareholders' Extraordinary General Meeting held on the 13th of November 2020.
- (2) The estimated acquisition cost at trade price is based on a price assumption of RON 1.8380 per share – Bucharest Stock Exchange price from the 30th of July 2021.
- (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 twelfth buy-back programme may amount up to RON 1,459 million (RON 1,443 million acquisition price and RON 16 million costs directly related to the transactions) in case the maximum number of 800 million shares are repurchased within the programme.

The twelfth buy-back programme is 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 in the table above, the amounts corresponding to the period 1 January 2021 to 31 July 2021 are the actual recorded figures whereas the amounts corresponding to the period 1 August – 31 December 2021 were estimated based on the above assumptions and the actual figures may differ significantly. The actual total figures and actual impact on the Fund's equity will be presented to shareholders at the shareholders' meeting to be held during 2022 for the cancellation of the shares repurchased during the 12th 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 12th buyback 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.

Considering the arguments above we propose shareholders to approve the amendment of the authorization to buy-back shares of Fondul Proprietatea, global depositary receipts or depositary interests corresponding to shares of Fondul Proprietatea that the shareholders granted to the Sole Director through Resolution no. 5 of 13 November 2020 of the Shareholders' Extraordinary General Meeting, and which is ongoing during 2021, as follows:

“The buy-back shall be performed at a price that cannot be lower than RON 0.2 / share or higher than RON 2.5 / share.”

All other aspects of the buy-back programme as approved by shareholders through Resolution no. 5 of 13 November 2020 of the Shareholders' Extraordinary General Meeting remain unchanged.

The amendment will only be effective after this resolution is published in the Official Gazette of Romania, Part IV.

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

Johan Meyer

Permanent representative