

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

**a) Description of the programme**

Through the Resolution no. 5 / 13 November 2020 the Extraordinary General Meeting of Shareholders approved the twelfth 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 twelfth buy-back programme started on 1 January 2021 and ended on 31 December 2021.

During the 12<sup>th</sup> buy-back programme the Fund acquired 194,371,754 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). The total value of the twelfth buy-back programme excluding brokerage fees and other acquisition related costs was RON 328,053,515 and the weighted average price for the cumulated value of shares and GDRs acquired was RON 1.6878 per share.

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

The Fund Manager would like to propose to shareholders the cancellation of the 194,371,754 treasury shares repurchased through the twelfth 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 and paid-up share capital of Fondul Proprietatea as follows:

- The approval of the decrease of the subscribed and paid-up share capital of Fondul Proprietatea from RON 3,334,342,422.84 to RON 3,233,269,110.76 pursuant to the cancellation of 194,371,754 own shares acquired by Fondul Proprietatea during the twelfth buy-back programme.

After the share capital decrease, the subscribed and paid-up share capital of Fondul Proprietatea shall have a value of RON 3,233,269,110.76 being divided in 6,217,825,213 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 after the share capital decrease will be changed as follows:

*“(1) The subscribed and paid-up share capital of Fondul Proprietatea is in the amount of RON 3,233,269,110.76, divided in 6,217,825,213 ordinary, nominative shares, having a nominal value of RON 0.52 each”.*

The subscribed and paid-up 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:

- the shareholders’ resolution is published in the Official Gazette of Romania, Part IV for at least two months;
- Financial Supervisory Authority endorses the amendment of Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea 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 twelfth 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 twelfth 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 twelfth 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 twelfth buy-back programme are presented in the table below.

<i>All amounts in RON</i>	<b>12<sup>th</sup> buy-back programme</b>
<b>Period</b>	1 Jan 2021 – 31 Dec 2021
<b>Total acquisition cost at trade price (excluding transaction costs)</b>	<b>328,053,515</b>
<b>Total costs directly related to transactions, out of which:</b>	<b>3,596,490</b>
• <i>Brokerage fees</i>	65,694
• <i>Financial Supervisory Authority fees</i>	148,232
• <i>Stock Exchanges' fees (Bucharest Stock Exchange and London Stock Exchange)</i>	90,094
• <i>Central Depository fees</i>	21,000
• <i>Legal advisory</i>	-
• <i>Other professional fees</i>	4,961
• <i>Distribution fees paid to the Sole Director in relation with the buy-backs performed</i>	3,266,509
<b>Total buy-back cost impacting the equity of the Fund (trade price plus directly related transaction cost)</b>	<b>331,650,005</b>
<b>Market capitalization at the beginning of the 12th buy-back programme<sup>1</sup></b>	<b>8,739,915,772</b>
<b>% from market capitalization of total 12th buy-back cost</b>	<b>3.79%</b>
<b>Share price discount<sup>2</sup> at the beginning of the 12th buy-back programme (first trade date of the buy-back)</b>	<b>10.02%</b>
<b>Share price discount<sup>2</sup> at the end of the 12th buy-back programme (last trade date of the buy-back)</b>	<b>3.83%</b>

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

<sup>2</sup>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

The twelfth 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 twelfth buy-back programme on discount.

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

	<b>12<sup>th</sup> buy-back programme</b>	
Number of shares repurchased and subject to cancellation	(1)	194,371,754
Total acquisition costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled (RON)	(2)	331,650,005
Correspondent Nominal Value ("NV") as at 31 December 2021 (NV = RON 0.52/ share) (RON)	(3)=(1)*NV	101,073,312
<b>Negative reserve estimated to be booked on cancellation based on the amounts recorded in the financial statements for the year ended 31 December 2021 (RON)</b>	<b>(4)=(3)-(2)</b>	<b>(230,576,693)</b>

The estimated negative reserve in amount of RON 230,576,693 (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.

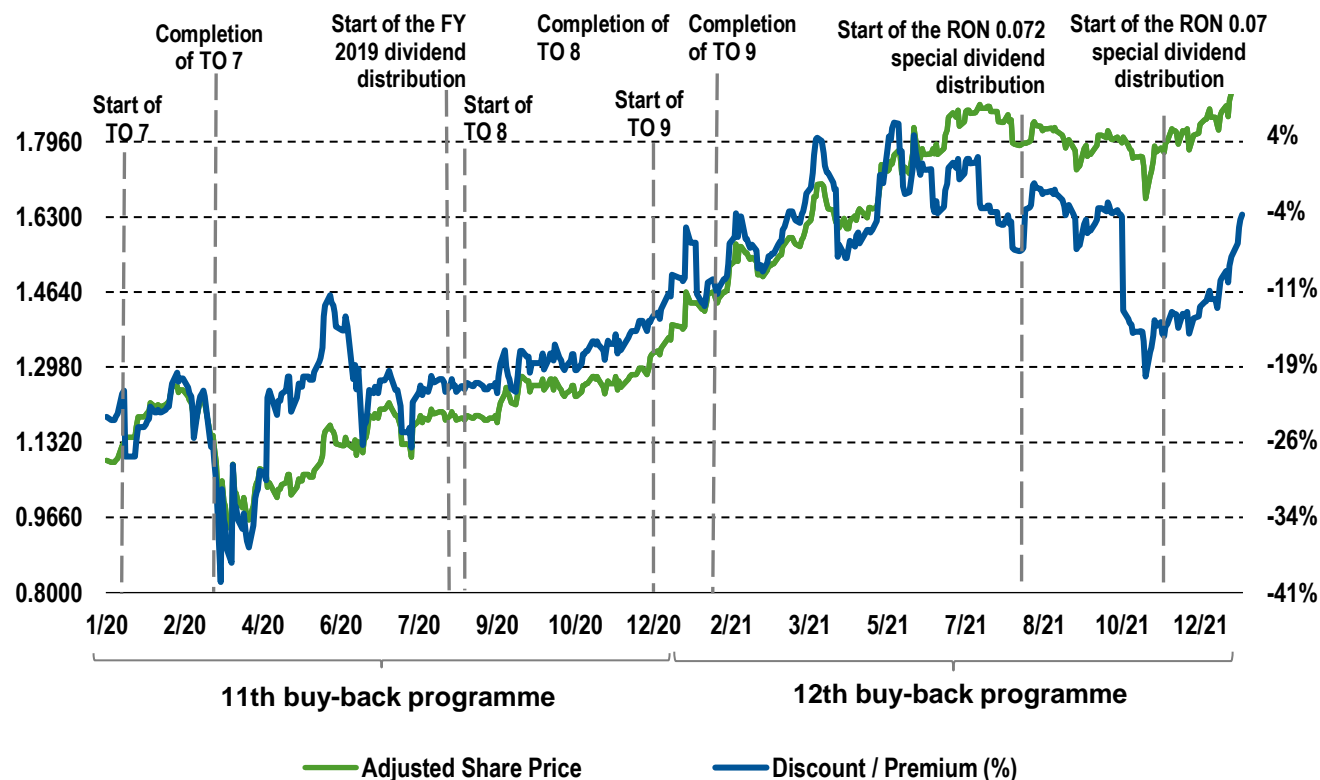
Article 75 from Norm 39/2015 mentions that the negative balance arising on the cancellation of equity instruments may be covered from the retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting.

As at 31 December 2021, 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 2021 (resulted from the cancellation of shares acquired during the 11<sup>th</sup> buy-back programme) is subject to shareholders' approval during 20 April 2022 annual shareholders meeting – please see point 6 of the agenda of 20 April 2022 Ordinary General Shareholders' Meeting and the related supporting documentation.

e) Impact of the twelfth 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/ Premium

Note: The discount /Premium 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 12<sup>th</sup> buy-back programme decreased significantly. The discount to NAV at the start of the programme was 10.02%<sup>1</sup> and it contracted down to 3.83%<sup>1</sup> by 31 December 2021, while the average discount for the year was 5.69%. The evolution was supported by the execution of the daily buybacks, as well as by the 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 discount to NAV is value accretive for the Fund's shareholders.

<sup>1</sup> Share Price discount/ premium to NAV is calculated in accordance with the Investment Policy Statement i.e. the discount/ premium 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:

<b>All amounts in RON</b>		<b>10<sup>th</sup> buy-back programme</b>	<b>11<sup>th</sup> buy-back programme</b>	<b>12<sup>th</sup> buy-back programme</b>
Number of treasury shares bought back	(1)	403,812,443	797,961,287	194,371,754
Total acquisition cost at trade price (excluding transaction costs)	(2)	439,032,611	1,065,008,457	328,053,515
Average number of Fund's paid shares excluding treasury shares during the buy-back program	(3)	7,024,825,823	6,490,650,678	5,928,372,266
NAV / share at the beginning of the buy-back programme	(4)	1.4095	1.7339	1.6974
NAV / share at the end of the buy-back programme	(5)	1.7339	1.6974	2.2624
Average NAV/share during the period	(6)	1.5040	1.5983	1.9153
Buy-back value at average NAV/ share	(7)=(1)*(6)	607,343,233	1,275,381,525	372,280,220
Total discount at which the buy-back program was executed (trade price) to average NAV	(8)=(2)-(7)	-168,310,622	-210,373,068	-44,226,705
Accretion from buy-back program on NAV per share	(9)=(8)÷(3)	+ 0.0240	+ 0.0324	+ 0.0075
Accretion from buy-back program on NAV (%)	(10)=(9)÷(6)	+1.59%	+2.03%	+0.39%

**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**