

***Memo regarding the cancellation of the
treasury shares acquired during the fourteenth buy-back program***

Description of the programme

Through the Resolution no. 2 / 15 November 2022 the Extraordinary General Meeting of Shareholders approved the fourteenth buy-back programme whereby the Sole Director was authorized to repurchase shares of Fondul Proprietatea S.A. ("Fondul Proprietatea"/ the "Fund"), global depositary receipts ("GDRs") or depositary interests corresponding to shares of the Fund, via trading on the regular market on which the shares, the GDRs or the depositary interests corresponding to the shares of the Fund are listed or bought through public tender offers, in compliance with the applicable law, for a maximum number of 3,500,000,000 treasury shares. The fourteenth buy-back programme approved by the shareholders as mentioned above was performed during 2023.

During the 14th buy-back programme the Fund acquired 2,112,378,889 shares (in the form of shares and 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 two public tender offers completed in March 2023 and December 2023.

The total value of the fourteenth buy-back programme excluding brokerage fees and other acquisition related costs was RON 1,816,723,950 and the average price for the cumulated value of shares and GDRs acquired was RON 0.8600 per share.

Cancellation of the treasury shares acquired during the fourteenth buy-back programme

Having in mind the scope for which the above-mentioned buy-back programme was approved, namely a share capital decrease, the Sole Director proposes to shareholders the cancellation of the 2,112,378,889 treasury shares repurchased in 2023 through the fourteenth buy-back programme.

As a result of the cancellation, the subscribed and paid-up share capital of Fondul Proprietatea would decrease from RON 2,947,779,186.56 to RON 1,849,342,164.28.

Once the share capital decrease is finalized, the subscribed and paid-up share capital of Fondul Proprietatea shall have a value of RON 1,849,342,164.28 being divided in 3,556,427,239 shares, each having a nominal value of RON 0.52 per share.

The share capital decrease will be effective after all the legal and regulatory conditions as mentioned in the convening notice are met.

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

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.

The total purchase price (including acquisition cost and other costs directly related to the transactions) for the fourteenth buy-back programme, as well as an analysis of the market capitalisation of the Fund and the discount at the beginning and the end of the fourteenth buy-back programme are presented in the table below.

<i>All amounts in RON</i>	14th buy-back programme
Period	1 Jan 2023 – 31 Dec 2023
Total acquisition cost at trade price (excluding transaction costs)	1,816,723,950
Total costs directly related to transactions, out of which:	56,469,330
• <i>Distribution fees paid to the Sole Director in relation with the buybacks performed</i>	35,695,074
• <i>Financial Supervisory Authority fees</i>	15,620,638
• <i>Stock Exchanges' fees (Bucharest Stock Exchange and London Stock Exchange)</i>	2,842,050
• <i>Brokerage fees</i>	930,664
• <i>The Bank of New York Mellon fees</i>	855,064
• <i>Legal advisory</i>	376,229
• <i>Central Depository fees</i>	130,153
• <i>Other professional fees</i>	19,457
Total buy-back cost impacting the equity of the Fund (trade price plus directly related transaction cost)	1,873,193,280
Market capitalization at the beginning of the 14th buy-back programme¹	11,564,364,501
% from market capitalisation of total 14th buy-back cost	16.2%
Share price discount² at the beginning of the 14th buy-back programme (first trade date of the buy-back)	-18.8%
Share price discount² at the end of the 14th buy-back programme (last trade date of the buy-back)	-24.4%

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

²Share Price discount to Net Asset Value (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 fourteenth buy-back programme was entirely financed from the Fund's own sources. Please see below additional details on the impact of the fourteenth buy-back program on discount.

Negative reserve arising on the cancellation of the treasury shares repurchased in the fourteenth buy-back program

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, Annex 1, Article 75.

The table below shows the negative reserve estimated to arise upon the cancelation of the treasury shares repurchased during the fourteenth buy-back programme:

14th buy-back programme		
Number of shares repurchased and subject to cancellation	(1)	2,112,378,889
Total acquisition costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled (RON)	(2)	1,873,193,280
Correspondent Nominal Value (“NV”) as at 31 December 2023 (NV = RON 0.52/ share) (RON)	(3)=(1)*NV	1,098,437,022
Negative reserve estimated to be booked on cancelation based on the amounts recorded in the financial statements for the year ended 31 December 2023 (RON)	(4)=(3)-(2)	(774,756,258)

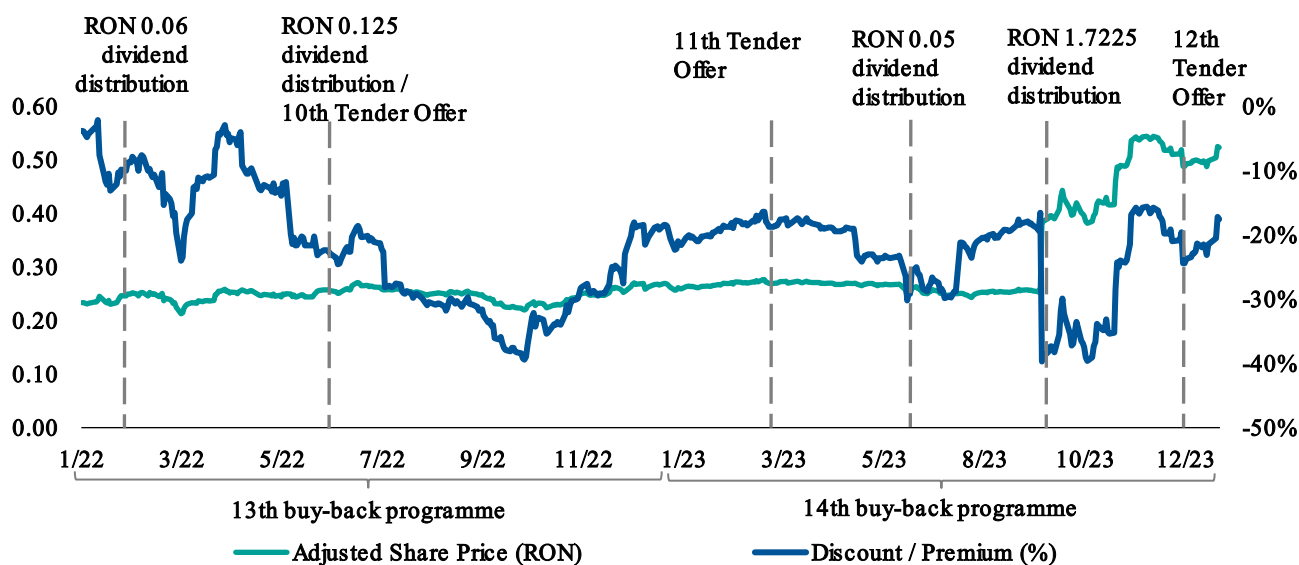
The estimated negative reserve in amount of RON 774,756,258 (please see table above) corresponding to the treasury shares subject to the cancellation proposal, will be recorded only after all legal and regulatory steps related to the cancellation are completed (e.g. Financial Supervisory Authority authorisation, 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 of Annex 1 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.

The coverage of the negative reserve balance recorded in the audited financial statements for the financial year ended 31 December 2023 in total amount of RON 908,845,064 (resulted from the cancellation of shares acquired during the 13th buy-back programme) is subject to shareholders’ approval during 30 April 2024 annual shareholders meeting.

Impact of the fourteenth buy-back program on discount

The chart below presents the evolution of discount/ premium and trading price by reference to buy-back programmes implemented:



Source: Bloomberg for Adjusted Share Price (price adjusted with cash distributions), Sole Director calculations for Discount / Premium
 Note: The (discount) / premium is calculated in accordance with the IPS i.e. the (discount) / premium between the FP shares closing price on the BVB - REGS for each trading day and the latest published NAV per share at the date of calculation. However, the discount to NAV for the trading days 7-14 September 2023 was calculated based on the 31 August 2023 NAV (published on 15 September 2023), in order to eliminate the mismatch between the NAV and FP BVB market price that was adjusted on 7 September 2023 (the Ex-date of 29 September 2023 dividend distribution).

As the chart above underlines, the Fund's share price discount to NAV during the 14th buy-back programme decreased from 18.8%¹ at the start of the programme to 17.5%¹ at 29 December 2023, while the average discount for the year was 22.8%¹.

The table below summarizes the impact of the buy-back programmes on the Fund's NAV per share:

All amounts in RON		12 th buy-back programme	13 th buy-back programme	14 th buy-back programme
Number of treasury shares bought back	(1)	194,371,754	549,019,085	2,112,378,889
Total acquisition cost at trade price (excluding transaction costs)	(2)	328,053,515	1,157,219,004	1,816,723,950
Average number of Fund's paid shares excluding treasury shares during the buy-back program	(3)	5,928,372,266	5,887,527,368	5,274,248,142
NAV / share at the beginning of the buy-back programme	(4)	1.6974	2.2624	2.5701
NAV / share at the end of the buy-back programme	(5)	2.2624	2.5701	0.6608
Average NAV/share during the period	(6)	1.9153	2.5672	1.8168
Buy-back value at average NAV/ share	(7)=(1)*(6)	372,280,220	1,409,441,795	3,837,786,215
Total discount at which the buy-back program was executed (trade price) to average NAV	(8)=(2)-(7)	(44,226,705)	(252,222,791)	(2,021,062,265)
Accretion from buy-back program on NAV per share	(9)=(8)÷(3)	+ 0.0075	+0.0428	+0.3832
Accretion from buy-back program on NAV (%)	(10)=(9)÷(6)	+0.39%	+1.67%	+21.1%

Franklin Templeton International Services S.à r.l. acting in the capacity of Sole Director and Alternative Investment Fund Manager of Fondul Proprietatea SA

Johan Meyer
Permanent Representative

¹ The (discount) / premium is calculated in accordance with the IPS i.e. the (discount) / premium between the FP shares closing price on the BVB - REGS for each trading day and the latest published NAV per share at the date of calculation. However, the discount to NAV for the trading days 7-14 September 2023 was calculated based on the 31 August 2023 NAV (published on 15 September 2023), in order to eliminate the mismatch between the NAV and FP BVB market price that was adjusted on 7 September 2023 (the Ex-date of 29 September 2023 dividend distribution).