

Sole Director's Proposal for 2022 Profit Allocation

Supporting material for points 4.1 and 4.2 on the 21 April 2023 Ordinary General Shareholders' Meeting

Overview

Fondul Proprietatea S.A. (“**Fondul Proprietatea**” or the “**Fund**”) reported an audited net profit of RON 2,769,448,871 in the financial statements for the year ended 31 December 2022, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (“**IFRS**”) and applying the Financial Supervisory Authority’s (“**FSA**”) Norm no. 39/28 December 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector, as subsequently amended (“**Norm 39/2015**”).

According to Article 28 (7) of the Romanian Accounting Law (“**Law 82/1991**”) and to Article 23 (1) of Annex 1 from Norm 39/2015, the annual financial statements must be published together with the proposal to allocate the profit or cover the losses.

Allocation to other reserves

Under point 2 of the agenda of 21 April 2023 Extraordinary General Shareholders' Meeting, the Fund's Sole Director proposes the cancellation of the 549,019,085 treasury shares repurchased through the thirteenth buy-back programme. The estimated negative reserve that would arise when the cancellation of these shares would be recorded amounts to RON 908,845,064¹. For prudential reasons, the Sole Director recommends that RON 908,845,064 from 2022 net audited accounting profit to be allocated to other reserves in order to be available for covering the negative reserves.

The actual coverage of this negative reserve using the said amount of RON 908,845,064 will be subject to shareholders' approval during the shareholders' meeting after the completion of all cancellation steps.

The Sole Director's allocation to other reserves proposal above is subject to shareholders' approval on point 4.1 on the 21 April 2023 Ordinary General Shareholders' Meeting.

Annual Cash Distribution Policy (“ACDP”) and net accounting profit allocation

The ACDP mainly provides for the following principles:

“In accordance with the Investment Policy Statement, the Sole Director may propose cash distributions for shareholders' approvals. The level of such cash distributions is proposed by the Sole Director by applying the Fund's Annual Cash Distribution Policy (published on the Fund's website) in correlation with the other on-going Discount Control Mechanism measures (e.g. buy-backs).

The Sole Director intends to recommend to shareholders for their approval a cash distribution of at least RON 0.05 per share in cash, on an annual basis, subject to applicable law and necessary approvals, to any restrictions under Romanian legal or tax regulations and subject to available financing sources.

Under exceptional market conditions or circumstances (e.g. events that may significantly impact the discount), the Sole Director may propose a change of the mix of cash distribution and share buy-backs to allocate more of the distributable cash towards share buy-backs, if it considers this to be in the best interest of the Fund's shareholders to enhance shareholder value.

In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian legal or tax regulations and subject to available financing sources, in case of dividend distributions (where permitted by applicable law), the distributable amount is calculated by the Sole Director as the sum of (i) the Fund's annual dividend income from portfolio companies, except special cash distributions, (ii) plus

¹ For further details see the memo regarding the share capital decrease published on the Fund's website as supporting documentation for the annual General Shareholders Meeting held on 21 April 2023: www.fondulproprietatea.ro/Investor-Relations/GSM-information/GSM-documentation.

interest on cash balances, (iii) less operating and financing expenses and taxation and (iv) less compulsory allocations to reserves according to the regulations in force.”

By applying the principles above-mentioned to the audited net profit for 2022, the calculation of the distributable amount would be as follows:

Audited Statement of Comprehensive Income for the Year ended 31 Dec 2022	Reported amounts, out of which: (RON)	Distributable amounts (RON)	Distributable amounts under exceptional conditions (RON)
Gross dividend income, <i>out of which:</i>	934,898,400	659,098,161	275,800,239
- <i>annual dividend distributions from portfolio companies</i>	659,098,161	659,098,161	
- <i>special dividends received from portfolio companies</i>	275,800,239		275,800,239
Net gain from equity investments at fair value through profit or loss	1,843,756,081		1,843,756,081
Interest income	25,065,131	25,065,131	
Other income, net	3,721,768		3,721,768
Net gain from other financial instruments at fair value through profit or loss	250,186,726		250,186,726
Net realized loss from non-current assets held for sale	(156,975,000)		(156,975,000)
Net foreign exchange gain	752,624	752,624	
Net operating income	2,901,405,730	684,915,916	2,216,489,814
Operating expenses	(125,241,401)	(125,241,401)	
Finance costs	(37,250)	(37,250)	
Profit before income tax	2,776,127,079	559,637,265	2,216,489,814
Withholding tax on the dividend income	(6,678,208)	(6,678,208)	
Net audited profit for 2022	2,769,448,871	552,959,057	2,216,489,814

The Sole Director may propose the dividend level up to the amount computed as above.

Considering the ACDP provisions, the available cash balance, and the ongoing Discount Control Mechanism measures (approval of the public buy-back tender offer on 2 February 2023), **the Fund Manager proposes to shareholders for their approval a cash distribution of RON 0.05 per share.**

The table below details the calculation of the gross dividend amount:

Number of issued paid shares as at 31 Dec 2022		6,217,825,213
Less treasury shares in balance as at 31 Dec 2022		(549,019,085)
Number of shares entitled to receive dividends²	(1)	5,668,806,128
Proposed gross dividend per share (RON)	(2)	0.05
Total Proposed dividend (RON)	(3)=(1)*(2)	283,440,306

The total dividend amount payable to shareholders (respectively the approved gross dividend per share multiplied by the number of shares entitled to receive dividends) if the dividend proposal is approved by the general shareholders meeting may be different compared to the amount stated above due to the fact that between 31 December 2022 and the record date of the distribution, additional treasury shares will be acquired by the Fund under the current buy-back programme (including in the public tender offer approved on 2 February 2023). These treasury shares are not entitled to cash distribution and consequently will be deducted from the number of shares included in the distribution calculation above (i.e. the balance as at 31 December 2022). Any difference arising in the total distribution amount will remain available to the Fund under the retained earnings caption.

² Computed as the number of the fully paid shares less treasury shares as at 31 December 2022

The Sole Director's dividend proposal above is subject to shareholders' approval on point 4.2 on the 21 April 2023 Ordinary General Shareholders' Meeting

Sole Director's proposal for profit allocation - summary

Considering all the above, the Fund Manager's proposal for the allocation of the 2022 audited profit in amount of RON 2,769,448,871 is the following:

- RON 283,440,306 to dividends.
- RON 908,845,064 to other reserves (to be used to cover the negative reserves estimated to arise from cancellation of shares acquired during the 13th buy-back programme);
- RON 1,577,163,501 unallocated profit that remains available to the Fund's shareholders.

The Sole Director intends to use any cash inflows related to portfolio events occurring during 2023 to further implement the Discount Control Mechanism techniques set out in the Fund's Investment Policy Statement such as by funding the buyback programme, as approved by the Fund's shareholders and/or by proposing the payment of a potential dividend or potential dividends to the Fund's shareholders (subject to market conditions and any restrictions under Romanian legal or tax regulations and to required shareholders' approval).

The above-mentioned Discount Control Mechanism techniques will be separate from any distributions resulted from the ongoing listing projects.

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