

**Sole Director's Proposal for Profit Allocation
for the Financial Year ended 31 December 2016**

PROFIT ALLOCATION PROPOSAL

Fondul Proprietatea S.A. ("Fondul Proprietatea" or "the Fund") reported an audited net profit of RON 446,969,856 in the financial statements of for the year ended 31 December 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and applying the Financial Supervisory Authority ("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 ("Norm 39/2015").

In accordance with the requirements of the Companies' Law ("Law 31/1990"), the Fund is obliged to transfer at least 5% of the profit to the legal reserves until those reserves reach a value equivalent to 20% of the share capital of the Fund.

	RON
Result for the year 2016 – net profit	446,969,856
Less mandatory transfer to legal reserves	<u>(22,348,493)</u>
Unallocated profits	424,621,363

Following the transfer of RON 22,348,493 from the 2016 profit, the legal reserve amounts to RON 266,084,000 (being 2.9% of the share capital of the Fund as at 31 December 2016).

According to the article 29 of the Romanian Accounting Law (Law 82/1991) and to article 23 (1) from Norm 39/2015, the annual financial statements must be published together with the proposal to allocate the profit or cover the losses.

Considering the above, the Fund's Sole Director proposes to shareholders that the unallocated profit of RON 424,621,363 remains available to the Fund under unallocated retained earnings.

The proposal is motivated by the following reasons:

1. Two cash distributions are already announced for 2017, subject to the regulatory approvals. According to the annual cash distribution policy, the Fund's Sole Director has recommended and the shareholders already approved two returns of capital, one in March 2017 and one in June 2017, of RON 0.05 per share each, via the decrease of the share capital through the reduction of the nominal value of the Fund's shares.

2. The retained accounting losses as stated in 2015 financial statements in amount of RON 2,473,157,472 will be covered according to the 31 October 2016 General Shareholder's Meeting resolution, respectively from other reserves (RON 156,118,900) and from registered share capital (RON 2,317,038,572), through the decrease of the subscribed share capital of the Fund from RON 8,562,968,634.10 to RON 6,245,930,062.52 by reducing the par value of the shares from RON 0.85 to RON 0.62. The subscribed share capital decrease will be effective after the following conditions are met:

- (i) the shareholders resolution is published in the Official Gazette of Romania, Part IV for at least two months – the shareholder resolution was published in Official Gazette no. 4027 / 16.11.2016 and the two months deadline expired on 16 January 2017;
- (ii) FSA endorses the amendment of article 7 paragraph (1) and article 9 paragraph (2) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during 31 October 2016 General Shareholder's Meeting – the Fund filed the request with FSA in January and the FSA response on the endorsement request was issued and communicated to the Fund on 22 March 2017;
- (iii) the share capital decrease approved by the shareholders on 11 October 2016 is effective – the effective date for this share capital decrease is 18 January 2017;
- (iv) the shareholders' resolution for approving the share capital decrease is registered with the Trade Registry – this process is still in progress given the fact that it can be performed only after FSA issues the endorsement mentioned at point (ii).

As of 22 March 2017, these cumulative conditions are not yet fulfilled and the above share capital decrease is still in progress.

Johan Meyer
Permanent Representative

Franklin Templeton International Services S.à r.l. acting as Sole Director and Alternative Investment Fund Manager of Fondul Proprietatea S.A.