

Sole Director's Proposal for Profit Allocation for the Financial Year ended 31 December 2017

Overview

Fondul Proprietatea S.A. (“**Fondul Proprietatea**” or the “**Fund**”) reported an audited net profit of RON 1,289,896,039 in the financial statements for the year ended 31 December 2017, 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 (“**Norm 39/2015**”).

According to 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.

Accounting profit and distributable amount

Based on the Fund’s Annual Cash Distribution Policy (published on the Fund’s website), the distributable amounts are intended to be set at the level of 100% of the sum of (i) the Fund’s dividend income from portfolio companies, (ii) plus interest on cash balances, (iii) less expenses and taxation and (iv) less compulsory allocations to reserves according to the regulations in force.

By applying the principles above-mentioned to the net profit for 2017, the calculation of the distributable amount would be as follows:

Audited Statement of Comprehensive Income for the Year ended 31 Dec 2017	Reported amounts (RON)	Distributable amount (RON)	Non-Distributable amount (RON)
Gross dividend income	740,360,617	740,360,617	
Realised gain from disposal of non-current assets held for sale	330,594,143		330,594,143
Net gain from equity investments at fair value through profit or loss	221,324,058		221,324,058
Gain on disposal of equity investments classified as available for sale, net	38,527,851		38,527,851
Reversal of impairment losses on receivables, net	36,378,838		36,378,838
Interest income	11,919,865	11,919,865	
Net foreign exchange gain	570,507	570,507	
Impairment losses on equity investments classified as available for sale	(8,000,000)		(8,000,000)
Other income, net	376,178	376,178	
Net operating income	1,372,052,057	753,227,167	618,824,890
Operating expenses	(97,492,044)	(97,492,044)	
Finance costs	(152,997)	(152,997)	
Profit before income tax	1,274,407,016	655,582,126	618,824,890
Income tax	15,489,023		15,489,023
Profit for 2017	1,289,896,039	655,582,126	634,313,913

The distributable amounts computed in accordance with the Fund's Annual Cash Distribution Policy were also realised in cash during the financial year ended 31 December 2017.

In accordance with the requirements of the Companies' Law no. 31/1990 ("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. As at 31 December 2017, an amount of RON 64,494,802, representing 5% of the 2017 profit (profit before current profit tax of RON 1,289,896,039), was transferred to the legal reserve. Following the transfer of RON 64,494,802 from the 2017 profit, the legal reserve amounts RON 330,578,802, being 6.81% of the subscribed share capital of the Fund as at 31 December 2017.

Considering the above, the Fund's Sole Director proposes to shareholders the following dividend per share distribution:

Distributable profit (RON)	655,582,126
Less mandatory transfer to legal reserves (RON)	(64,494,802)
Proposed dividend (RON)	591,087,324
Number of shares in issue	9,334,682,278
Less unpaid shares	(363,812,350)
Less treasury shares in balance at 31 Dec 2017	(251,878,340)
Number of shares entitled to receive dividends¹	8,718,991,588
Proposed gross dividend per share (RON)	0.0678

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 GSM may be different compared to the amount stated above due to the fact that between 31 December 2017 and the record date of the distribution, additional treasury shares will be acquired by the Fund under the current buy-back programme². 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 2017). Any difference arising in the total distribution amount will remain available to the Fund under the retained earnings caption.

In light of the above, the Sole Director's proposal for the allocation of the 2017 audited profit is the following:

	RON
Audited net profit	1,289,896,039
Less mandatory transfer to legal reserves	(64,494,802)
Less proposed dividend	(591,087,324)
Remaining unallocated profit	<u>634,313,913</u>

¹ Computed as at 31 December 2017 as the number of the fully paid shares less treasury ones; unpaid shares along with treasury ones do not constitute dividend entitlement as per Article 67 (2) and Article 105 (1) of Law 31/1990.

² For exemplification purposes, please note that on 10 January 2018, the FSA approved the Fund's application for a tender offer for the acceleration of the ninth buy-back programme, with the subscription period 18 January 2018 - 23 February 2018 and under which, the Fund intends to repurchase up to 1,200,000,000 shares from its shareholders. The actual number of the shares (either in the form of shares and/or GDRs) to be acquired in the said tender will be deducted from the number of shares entitled to dividends, together with any shares which may be acquired afterwards during the current buy-back programme until the registration date of the dividend distribution.

The unallocated profit of RON 634,313,913 remains available to the Fund's shareholders under retained earnings. The destination of this amount can be decided by the shareholders in subsequent assemblies, including for the coverage of negative reserves that may arise from the cancellation of the treasury shares acquired during the Fund's buy-back programmes.