

## Sole Director's Proposal for Profit Allocation

### Overview

Fondul Proprietatea S.A. (“**Fondul Proprietatea**” or the “**Fund**”) reported an audited net profit of RON 935,091,985 in the financial statements for the year ended 31 December 2018, 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, in each case for that year, but not less than RON 0.05 per share.

By applying the principles above-mentioned to the net profit for 2018, the calculation of the distributable amount would be as follows:

<b>Audited Statement of Comprehensive Income for the Year ended 31 Dec 2018</b>	<b>Reported amounts (RON)</b>	<b>Distributable amount (RON)</b>	<b>Non-Distributable amount (RON)</b>
Gross dividend income	776,233,923	776,233,923	
Net gain from equity investments at fair value through profit or loss	229,752,209		229,752,209
Interest income	9,759,337	9,759,337	
Other income, net	3,548,807		3,548,807
Reversal of impairment losses on receivables, net	181,374		181,374
Net foreign exchange loss	(594,477)	(594,477)	
<b>Net operating income</b>	<b>1,018,881,173</b>	<b>785,398,783</b>	<b>233,482,390</b>
Operating expenses	(73,294,555)	(73,294,555)	
Finance costs	(330,667)	(330,667)	
<b>Profit before income tax</b>	<b>945,255,951</b>	<b>711,773,561</b>	<b>233,482,390</b>
Income tax	(10,163,966)	(10,163,966)	
<b>Profit for 2018</b>	<b>935,091,985</b>	<b>701,609,595</b>	<b>233,482,390</b>

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 2018, an amount of RON 46,754,599, representing 5% of the 2018 profit (profit before current profit tax of RON 935,091,985), was transferred to the legal reserve.

Following the transfer of RON 46,754,599 from the 2018 profit, the legal reserve amounts RON 377,333,401, being 7.97% of the subscribed share capital of the Fund as at 31 December 2018 and 8.30% of the paid share capital of the Fund as at 31 December 2018.

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

Distributable profit (RON)	701,609,595
Less mandatory transfer to legal reserves (RON)	(46,754,599)
<b>Proposed dividend (RON)</b>	<b>654,854,996</b>
Number of shares in issue	9,101,963,266
Less unpaid shares	(363,812,350)
Less treasury shares in balance at 31 Dec 2018	(1,487,992,569)
<b>Number of shares entitled to receive dividends<sup>1</sup></b>	<b>7,250,158,347</b>
<b>Proposed gross dividend per share (RON)</b>	<b>0.0903</b>

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 2018 and the record date of the distribution, additional treasury shares will be acquired by the Fund under the current buy-back programme. 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 2018). Any difference arising in the total distribution amount will remain available to the Fund under the retained earnings caption.

Under point 2 of the agenda of April 2019 Extraordinary General Shareholders' Meeting, the Fund's Sole Director proposes the cancellation of the 1,487,992,569 treasury shares repurchased through the ninth buy-back programme. The negative reserve that will arise when the cancellation of these shares will be recorded amounts to RON 640,744,712<sup>2</sup>. For prudential reasons, the Fund's Sole Director recommends the allocation to other reserves of this amount, to be available for covering the negative reserves, as follows:

- RON 233,482,390 representing the non-distributable amount from 2018 audited profit (see the calculation in the table above)
- RON 407,262,322 from 2017 profit remained under unallocated retained earnings (part of the non-distributable component)

The actual coverage of this negative reserve using the said amount of RON 640,744,712 transferred to other reserves will be subject to shareholders' approval during the annual shareholders' meeting subsequent to the completion of all cancellation steps.

#### ***Sole's Director Proposal for profit allocation - summary***

Considering all the above, the Sole Director's proposal for the allocation of the 2018 audited profit in amount of RON 935,091,985 is the following:

- RON 46,754,599 to legal reserves (mandatory transfer)
- RON 654,854,996 to dividends
- RON 233,482,390 to other reserves (to be used to cover the negative reserves that will arise from cancellation of shares acquired during the 9th buy-back programme)

Also, the Fund's Sole Director proposes that RON 407,262,322 from 2017 profit remained under unallocated retained earnings to be allocated to other reserves to be used to cover the negative reserves that will arise from cancellation of shares acquired during the 9th buy-back programme.

<sup>1</sup> Computed as at 31 December 2018 as the number of the fully paid shares less treasury shares; unpaid shares along with treasury shares do not constitute dividend entitlement as per Article 67 (2) and Article 105 (1) of Law 31/1990.

<sup>2</sup> 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 4 April 2019: [www.fondulproprietatea.ro/Investor-Relations/GSM-information/GSM-documentation](http://www.fondulproprietatea.ro/Investor-Relations/GSM-information/GSM-documentation).

If the Fund's Sole Director proposals for the profit allocation included on the agenda of April 2019 Extraordinary General Shareholders' Meeting are approved by the shareholders, the remaining Fund's unallocated retained earnings will amount RON 4,835,737,038. More details are presented in the table below and the most significant amount of unallocated retained earnings is represented by the net unrealized fair value changes from portfolio holdings.

<b>Retained earnings components</b>	<b>Audited balance as at 31 Dec 2018</b>	<b>Amounts proposed for allocation, subject for April 2019 GSM approval</b>	<b>Remaining unallocated balances</b>
2016 unallocated profit	350,309,767	80,910,369 <sup>1</sup>	269,399,398
2017 unallocated profit	725,424,893	407,262,322 <sup>2</sup>	318,162,571
Retained earnings resulted from transition to IFRS 9 starting with 1 January 2018	4,248,175,069 <sup>3</sup>	-	4,248,175,069
Profit for the year ended 31 December 2018	935,091,985	935,091,985 <sup>2</sup>	-
<b>Total retained earnings</b>	<b>6,259,001,714</b>	<b>1,423,264,676</b>	<b>4,835,737,038</b>

<sup>1</sup> For further details on allocation proposal see the memo regarding the coverage of the negative reserves incurred during the financial year ended 31 December 2018, published on the Fund's website as supporting documentation for the annual General Shareholders Meeting held on 4 April 2019: [www.fondulproprietea.ro/ Investor-Relations/GSM-information/GSM-documentation](http://www.fondulproprietea.ro/Investor-Relations/GSM-information/GSM-documentation)

<sup>2</sup> See above the summary of the Sole Director's proposal for the profit allocation

<sup>3</sup> As result of the adoption of IFRS 9, as at 1 January 2018, the fair value reserve on available for sale financial assets net of the related deferred tax in total amount of RON 4,248,175,069 was transferred to retained earnings. For further details on this accounting policy change, see the Fund's statutory financial statements for the year ended 31 December 2018.