

Sole Director's Proposal for Dividend Distribution

Overview

Fondul Proprietatea S.A. ("Fondul Proprietatea" or the "Fund") reported an audited accounting loss of RON 102,978,968 in the financial statements for the year ended 31 December 2020, 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").

Although due to this situation there are no distributable profits according to the Fund's 2020 statutory annual financial statements, the Fund's Sole Director remains committed to ensure an annual cash distribution to the Fund's shareholders.

On the agenda of 28 April 2021 Ordinary General Shareholders' Meeting, the Fund's Sole Director proposes the coverage of the entire accounting loss of RON 102,978,968 from 2016 unallocated profit.

Considering the above and the provisions of the Romanian Companies' Law no. 31/1990 ("Law 31/1990") stipulating that the dividends may only be distributed from profits determined according to the legislation in force, the Fund's Sole Director proposes, subject to shareholders' approval, a special dividend from prior years' unallocated profits.

Sole's Director Proposal for Special Dividend Distribution

Based on the Fund's Annual Cash Distribution Policy (published on the Fund's website), the Fund's Sole Director intention is to recommend to shareholders for their approval a cash distribution of at least RON 0.05 per share, 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 resources.

If the Fund's Sole Director proposals for 2020 accounting loss coverage included on the agenda of 28 April 2021 Ordinary General Shareholders' Meeting is approved by the shareholders, the Fund's unallocated retained earnings will amount to RON 7,064,680,119. More details are presented in the table below.

Retained earnings components	Audited balance as at 31 Dec 2020	Amounts proposed for allocation, subject for 28 April 2021 OGSM approval	Remaining unallocated balances
2016 unallocated profit	269,399,398	(102,978,968) ¹	166,420,430
2017 unallocated profit	318,162,571	-	318,162,571
Retained earnings resulted from transition to IFRS 9 starting with 1 January 2018	4,248,175,069 ²	-	4,248,175,069
2018 unallocated profit	12,536,187	-	12,536,187
2019 unallocated profit	2,319,385,862	-	2,319,385,862
Loss for the year ended 31 December 2020	(102,978,968)	102,978,968 ¹	-
Total retained earnings	7,064,680,119		7,064,680,119

¹ subject to Fund's shareholders approval under point 4 of the agenda of 28 April 2021 Ordinary General Shareholders' Meeting

² 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.

Taken into consideration:

- the distributable amounts and the need to maintain additional reserves to cover the losses from the future buy-backs cancellation (as further described below),
- the other on-going Discount Control Mechanism measures (e.g. buy-backs),
- the estimated available cash,

the Fund's Sole Director proposal is a dividend distribution of RON 0.072 per share, in line also with the Annual Cash Distribution Policy. This is conditional to the approval of the proposal to cover the accounting loss on the agenda of 28 April 2021 Ordinary General Shareholders' Meeting.

The proposed dividend will be distributed from 2016 and 2017 unallocated profits as follows:

Proposed gross dividend per share (RON)	(1)	0.0720
Number of shares in issue		7,210,158,254
Less unpaid shares		(363,812,350)
Less treasury shares in balance as at 31 Dec 2020		(797,961,287)
Number of shares entitled to receive dividends¹	(2)	<u>6,048,384,617</u>
Total proposed dividend (RON), out of which:	(3)=(1)*(2)	<u>435,483,692</u>
- Distributed from 2016 unallocated profit		166,420,430
- Distributed from 2017 unallocated profit		269,063,262

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 2020 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 2020). Any difference arising in the total distribution amount will remain available to the Fund under the retained earnings caption.

Franklin Templeton International Services S.à r.L, in its capacity of alternative investment fund manager of FONDUL PROPRIETATEA S.A.

Johan Meyer

Permanent Representative

¹ Computed as at 31 December 2020 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.