

To: Bucharest Stock Exchange
Financial Supervisory Authority
London Stock Exchange

Current report according to Article 234 para. (1) letter k) of the Financial Supervisory Authority Regulation no. 5/2018 on issuers of financial instruments and market operations, as well as the provisions of Article 99 letter q)¹ of the Code of the Bucharest Stock Exchange, Title II, Issuers and Financial Instruments.

Important events to be reported:

Annual Cash Distribution Policy

Franklin Templeton International Services S.À R.L., in its capacity of alternative investment fund manager of Fondul Proprietatea S.A. (**“the Fund”**), hereby, would like to present the updated Annual Cash Distribution Policy that will be implemented in the interest of the shareholders of the Fund.

Thus, the Fund Manager remains committed to returning cash to shareholders 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) and has amended the Fund’s Annual Cash Distribution Policy, as enclosed in the Annex to this report.

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

Report date:
11 August 2021

Name of the issuing entity:
Fondul Proprietatea S.A.

Registered office:
78-80 Buzesti Street
7th floor, district 1,
Bucharest, 011017

Phone/fax number:
Tel.: + 40 21 200 9600
Fax: + 40 21 200 9631

Email:
office@fondulproprietatea.ro

Internet:
www.fondulproprietatea.ro

Sole Registration Code with the Trade Register Office:
18253260

Order number in the Trade Register:
J40/21901/2005

Subscribed share capital:
RON 3,749,282,292.08

Paid-up share capital:
RON 3,560,099,870.08

Number of shares in issue:
7,210,158,254

Number of paid shares:
6,846,345,904

Regulated market on which the issued securities are traded:
Shares on Bucharest Stock Exchange

GDRs on London Stock Exchange

ANNUAL CASH DISTRIBUTION POLICY

1. Scope

In order to comply with the requirements of Bucharest Stock Exchange Code of Corporate Governance and in accordance with the Investment Policy Statement (“IPS”), Fondul Proprietatea SA (the “Fund”) decided to adopt this Annual Cash Distribution Policy (“ACDP”).

The scope of this Policy is to set a series of guidelines and principles on the cash distributions made by the Fund.

2. General principles

In accordance with the IPS, the Alternative Investment Fund Manager (the “Fund Manager”) may propose cash distributions for shareholders’ approvals. The level of such cash distributions is proposed by the Fund Manager by applying this ACDP and in correlation with the other on-going Discount Control Mechanism measures (e.g. buy-backs).

The Fund Manager 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 Fund Manager 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.

ACDP does not limit additional cash distributions and share buy-backs that can be recommended by the Fund Manager separately, subject to available financing sources, regulatory and corporate approvals and depending on the discount level, in accordance with the IPS and the Discount Control Mechanism.

The Fund Manager will include in its periodical reports (annual report, quarterly reports and semi-annual report) as well in the announcement (‘current report’) for completing a certain material transaction the use of proceeds from such transaction.

3. Cash distributions

Under current Romanian legislation and the Constitutive Act, each fully paid share gives its owner the right to receive cash distributions (in the form of dividends or other types of cash distributions, such as return of capital). Unpaid shares and treasury shares will not be entitled to receive cash distributions.

Cash distributions are paid to the shareholders on a pro rata basis, proportionately to their participation in the paid share capital of the Fund.

a. Dividend distributions

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 Fund Manager and proposed for shareholders' approval as sum of the following elements:

- i. the Fund's annual dividend income from portfolio companies, except special cash distributions,
- ii. plus 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.

For the purpose of this policy, the special cash distributions are the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements.

The Fund Manager may propose the dividend level up to the amount computed as above, by considering the on-going measures imposed by Discount Control Mechanism and the available cash.

Any dividend distribution will be based on audited financial statements and will be submitted to shareholders approval generally during the Annual GSM. The Fund Manager does not intent to propose interim dividends.

The dividends computed in accordance with the principles above can be distributed from the annual profits and/ or from other equity elements (e.g. retained earnings) by observing the applicable legal requirements.

b. Return of capital

In case of a return of capital, the distributable amount is subject to the restrictions under Romanian legislation and regulations in force and to available funding and will be based on the Fund Manager's best estimate according to the latest available financial statements at the time of proposing the respective distribution for the shareholders' approval.

According to Article 29 of the Romanian Law no. 243/2019 on alternative investment funds, amending and supplementing certain normative acts the return of capital can be done as mentioned below:

- ✓ With the purpose to decrease its share capital, the Fund may perform, only once during the financial year, share capital returns *pro rata* with the contributions made by the investors, subject to the approval of the extraordinary general meeting of shareholders, in accordance with the Romanian legal provisions in force.
- ✓ By way of exception from the provisions above, with the purpose to decrease its share capital, the Fund can perform additional share capital returns *pro rata* with the shares held by the investors, if the following conditions are cumulatively met:
 - a) the share capital return is approved by the Fund shareholders meeting held according to the provisions of Romanian legislation in force;
 - b) the share capital return to shareholders is made exclusively from the own sources of the Fund;
 - c) the Fund has recorded profit in the last 3 financial years, according to its annual financial statements audited according to the law.
- ✓ The Fund may repurchase its own shares with the purpose to decrease its share capital if the following conditions are cumulatively met:
 - a) the buy-back programme is approved by the Fund shareholders meeting held according to the provisions of Romanian legislation in force;

- b) the payment of the shares thus purchased will be made exclusively from the own sources of the Fund.

4. Payment of Cash Distributions

The cash distributions will be proposed by the Fund Manager and paid in compliance with the General Shareholders Meeting Resolutions under the terms and conditions provided by Romanian law. The Fund publishes information on the payment of dividends and other cash distributions to shareholders on the Fund's website (www.fondulproprietatea.ro) in compliance with the effective laws.

5. Review of the Annual Cash Distribution Policy

The ACDP may be revised by the Fund Manager after the consultation with the Board of Nominees, on an annual basis, in compliance with the applicable law and regulations or in case of new regulations or mandatory legal provisions regarding the scope of the policy. The current policy is published on the Fund's website (www.fondulproprietatea.ro) and any update to the policy shall be disseminated to the market and uploaded on the website.