

Sole Director's Proposal for Accounting Loss coverage

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**").

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 loss coverage proposal

The main contributor to the accounting loss was the negative change in fair values of the Fund's holdings which includes the negative impact of the COVID-19 pandemic on economic activity and global financial markets. The net loss from equity investments at fair value through profit or loss was partially offset by the gross dividend income from portfolio companies recorded during the year.

According to the article 19, paragraph (4) of the Law 82/1991 "*The retained accounting loss shall be covered from the profit of the financial year and the retained earnings, from reserves, capital premiums and share capital, according to the decision of the general shareholders' meeting.*"

Also, according to the article 88 of the Norm 39/2015 "*Retained accounting loss is covered from the profit of the current year and the retained earnings, from reserves, capital premiums and share capital, according to the decision of the general shareholders' meeting, in accordance with the legislation in force. In the absence of any specific legal provisions, the order of the sources to be used for the coverage of the accounting loss is approved by the general shareholders' meeting and respectively by the board of directors*".

As at 31 December 2020, the Fund's retained earnings includes:

Retained earnings components	Audited balance as at 31 December 2020
2016 unallocated profit	269,399,398
2017 unallocated profit	318,162,571
Retained earnings resulted from transition to IFRS 9 starting with 1 January 2018	4,248,175,069
2018 unallocated profit	12,536,187
2019 unallocated profit	2,319,385,862
Loss for the year ended 31 December 2020	(102,978,968)
Total retained earnings	7,064,680,119

Considering the legal provisions mentioned above and the retained earnings structure, the Fund's Sole Director proposal, subject to shareholders' approval, is to cover the accounting loss of RON 102,978,968 from 2016 unallocated profit.

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