

## 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 904,097,085.75 in the financial statements for the year ended 31 December 2023, 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 28(7) of the Romanian Accounting Law (“**Law 82/1991**”) and to Annex 1 - 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 value of the Fund’s holdings mainly generated by the valuation of the holding in Hidroelectrica SA at expected proceeds from the Initial Public Offering. 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 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*”.

Considering the legal provisions mentioned above and the retained earnings and reserves structure, the Fund’s Sole Director proposal, subject to shareholders’ approval, is to cover the accounting loss of RON 904,097,085.75 as follows:

<b>Equity elements used to cover the accounting loss of 2023 financial year</b>	<b>Amount (RON)</b>
Other reserves related to uncollected returns of capital	151,945.60
Retained earnings related to uncollected dividends from 2017	1,834,472.99
Retained earnings related to uncollected dividends from 2018	11,143,979.98
Retained earnings related to 2022 unallocated profit	870,752,025.61
Retained earnings related to reduction of legal reserve in 2022	20,214,661.57
<b>Total</b>	<b>904,097,085.75</b>

**Franklin Templeton International Services S.à r.L, in its capacity of Sole Director and Alternative Investment Fund Manager of FONDUL PROPRIETATEA S.A.**

**Johan Meyer**

**Permanent Representative**