

Sole Director’s Proposal for the coverage of the negative reserves incurred during the financial year ended 31 December 2024

Overview and accounting treatment

Fondul Proprietatea SA (“the Fund”) recognises the treasury shares (i.e. repurchases of own shares and/ or GDRs) at trade date as a deduction to shareholders’ equity (in an equity reserve account). Treasury shares are recorded at acquisition cost, including brokerage fees and other transaction costs directly related to their acquisition. The GDRs bought back by the Fund are accounted for exactly as the own ordinary shares repurchased, as a deduction to shareholders’ equity. This is the result of the application of substance over form principle, due to the fact that buy-back via GDRs is only a technical/ legal form of the transaction, the substance of the transaction being that the Fund buys back its own shares (in view of reducing the share capital by cancelling all treasury shares in the form of shares or GDRs equivalent), giving the same rights to both the holders of the Fund’s ordinary shares and to the holders of the Fund’s GDRs, to take part in the buy-back programmes carried out by the Fund.

Upon completion of all legal and regulatory requirements (i.e. registration of the share capital decrease with the Trade Registry being the last one, also marking the moment when the cancellation becomes effective), the treasury shares are cancelled and netted off against the share capital and other reserves.

A negative reserve (equity element) arises upon cancellation of the shares acquired in a buy-back programme if the acquisition value (trade price and related costs) is higher than the nominal value. However, this does not generate an additional shareholder’s equity decrease - at the cancellation date, only a reallocation between the equity accounts is booked, without any impact on profit or loss or an additional total shareholders’ equity decrease (as compared to the acquisition impact).

The accounting treatment applicable for the recording and cancellation of treasury shares is based on the provisions of the FSA Norm 39/ 2015, Annex 1, Article 75.

Negative reserves incurred during 2024

The table below shows the changes in negative reserves recorded during 2024:

	<i>Amounts in RON</i>
Opening balance of the negative reserves as at 1 January 2024 (audited)	(908,845,064)
Coverage of negative reserves according with OGM Resolution no. 6/ 30 Apr 2024	908,845,064
Negative reserves arising on the cancellation of 14 th buy-back programme shares (recorded on 30 Aug 2024) according to EGM Resolution no. 3/ 30 Apr 2024	(774,756,258)
Closing balance of the negative reserves at 31 December 2024 (audited)	(774,756,258)

The table below shows additional details on the calculation of the negative reserves booked during 2024:

<i>All amounts in RON</i>	14th buy-back programme
Period	1 Jan 2023 – 31 Dec 2023
Number of shares cancelled during 2024 (1)	2,112,378,889
Total acquisition cost at trade price (excluding transaction costs) (2)	1,816,723,950
Total costs directly related to transactions, out of which: (3)	56,469,330
<ul style="list-style-type: none"> • <i>Distribution fees paid to the Sole Director in relation with the buybacks performed</i> 	35,695,074
<ul style="list-style-type: none"> • <i>Financial Supervisory Authority fees</i> 	15,620,638
<ul style="list-style-type: none"> • <i>Stock Exchanges’ fees (Bucharest Stock Exchange and London Stock Exchange)</i> 	2,842,050
<ul style="list-style-type: none"> • <i>Brokerage fees</i> 	930,664

<i>All amounts in RON</i>		14th buy-back programme
• <i>The Bank of New York Mellon fees</i>		855,064
• <i>Legal advisory</i>		376,229
• <i>Central Depository fees</i>		130,153
• <i>Other professional fees</i>		19,457
Total buy-back cost impacting the equity of the Fund (trade price plus directly related transaction cost)	(4)=(2)+(3)	1,873,193,280
Correspondent Nominal Value (“NV”) at the cancelation date (NV = RON 0.52 per share)	(5)=(1)*NV	1,098,437,022
Negative equity reserves arising on the cancellation of shares	(6)=(5)-(4)	(774,756,258)

Article 75 of Annex 1 from the Financial Supervisory Authority Norm 39/ 2015 mentions that the negative balance arising out of the cancellation of equity instruments may be covered from the retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting.

Sole’s Director Proposal for covering the negative reserve

Although there is not an explicit legal or regulatory requirement to cover the negative balance arising out of the cancellation of equity instruments, it is to be noted that the FSA Norm 39/2015 specifically details how to present it in the financial statements and, further on, the sources that may be used for covering it, in accordance with the resolution of the general meeting of shareholders.

From this perspective, by applying a prudential regulatory approach, the Sole Director believes there are reasonable arguments supporting the idea that these reserves should be covered and thus proposes to shareholders the coverage of the negative equity reserves of **RON 774,756,257.81**, in balance as at 31 December 2024 (as stated in the notes to the annual audited IFRS financial statements and detailed in the table above) as follows:

- **RON 85,338,460.39** from 2024 profit, according to item 6.1 on the agenda of 29/30 April 2025 Ordinary General Shareholders’ Meeting
- **RON 689,417,797.42** from various net elements of retained earnings, as detailed below:
 - 1) RON 276,785,390.14 - retained earnings transferred back from decrease of legal reserve
 - 2) RON 15,431,008.56 - retained earnings related to uncollected dividends for which the statute of limitation has been declared
 - 3) RON 408,487,083.13 - retained earnings from 2022 unallocated profit
 - 4) RON (11,285,684.41) - corporate income tax recognised directly in equity, arising from points (1) and (2) above

The Sole Director’s Proposal for the coverage of the negative reserves incurred during the financial year ended 31 December 2024 is subject to shareholders’ approval on item 5 and item 6.1 on the agenda of the 29/30 April 2025 OGM.

Franklin Templeton International Services S.à r.l. acting in the capacity of Sole Director and Alternative Investment Fund Manager of Fondul Proprietatea SA

Johan Meyer
Permanent Representative