FONDUL PROPRIETATEA

To: Fondul Proprietatea S.A. Ordinary General Shareholders' Meeting

2017 BUDGET FOR FONDUL PROPRIETATEA S.A.

Items (RON)	2017 Budget	2016 Budget	Variance (%)
I. INCOME FROM CURRENT ACTIVITY	**333,600,492**	**567,477,342**	**-41%**
Budgeted income	***333,600,492***	***567,477,342***	***-41%***
Dividend income	333,600,492	567,477,342	-41%
Interest income	-	-	-
II. EXPENSES FROM CURRENT ACTIVITY	**106,903,852**	**113,433,457**	**-6%**
Budgeted expenses	***106,903,852***	***113,433,457***	***-6%***
Third party service providers' expenses	87,692,763	91,517,283	-4%
Commissions and fees (including FSA fees)	11,036,492	12,188,747	-9%
Investors relations expenses	2,237,168	2,304,860	-3%
Board of Nominees & special administrator remunerations	1,200,000	1,218,000	-1%
Public relations expenses	1,027,164	1,543,774	-33%
Bank fees and distribution to shareholders fees (including Depositary fees)	955,505	1,953,737	-51%
Amortisation expenses	644,660	558,978	15%
Insurance expenses	334,905	330,525	1%
Social security contributions	252,000	255,960	-2%
Rent expenses	78,113	68,560	14%
Expenses with utilities	24,370	25,684	-5%
Other expenses	1,420,712	1,467,349	-3%
III. GROSS PROFIT	**226,696,640**	**454,043,885**	**-50%**
IV. Income tax expense	-	-	-
V. NET PROFIT	**226,696,640**	**454,043,885**	**-50%**
VI. INVESTMENTS	**493,196**	**431,354**	**14%**
Intangible assets	493,196	431,354	14%

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

The 2017 Budget of Income, Expenses and Capital Expenditure of Fondul Proprietatea S.A. ("the Fund" or "Fondul Proprietatea") was prepared in August 2016, based on the International Financial Reporting Standards as endorsed by European Union ("IFRS"), which are the official accounting regulations for the Fund starting with 31 December 2015 annual financials.

This budget was approved by the Board of Nominees of the Fund on September 2016.

The 2017 Budget was prepared using actual financial information available for the period up to 31 July 2016. They are based on the assumptions presented below.

PRINCIPAL ASSUMPTIONS FOR 2017 BUDGET

The main investment management assumptions:

Please note that the following assumptions used in the preparation of the 2017 Budget are not necessarily the intended future course of actions in the management of Fondul Proprietatea.

- **Acquisitions and disposals of equity investments**
  - For simplicity purposes, the 2017 Budget was prepared without taking into consideration the financial impact of potential changes in the portfolio during 2017 (i.e. acquisitions, disposals, participation in share capital increases of portfolio companies).

  Franklin Templeton International Services S.à r.l. ("Fund Manager" or "FTIS") is actively managing Fondul Proprietatea according to the Management Agreement ("MA") and with the Investment Policy Statement in place. FTIS delegates the role of investment manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch ("Investment Manager").

  However, the planning and execution of acquisitions and disposals of equity investments requires careful and timing preparation, taking into account the developments within the financial markets and extraneous circumstances. The high volatility of the Romanian market and the unpredictability of political and macroeconomic developments make it impossible to foresee with reliable certainty when or if certain the transactions will occur within the period extending 17 months forward from the date of preparation of the 2017 Budget.

  Nevertheless, given that the Fund Manager is pursuing an active investment strategy, opportunities over the year may arise to acquire or dispose of some investments. The execution of such transactions is likely to incur certain external third party costs and, in case of disposals, would generate gains or losses on disposal.

  It is our view that budget revisions with each transaction related to acquisition or disposal of assets are impractical, inefficient and can negatively affect a potential transaction. Additionally, such transactions may be price sensitive and confidential. Given the highly competitive and dynamic nature of financial markets, any disclosure of planned transactions within the Fund's portfolio may have a negative impact on the performance of the Fund and on the potential returns to its shareholders.

  Consequently, we propose to shareholders to grant the Fund Manager and Investment Manager the power to incur on behalf of the Fund expenses related to the execution of acquisitions and disposals of equity investments and participation in share capital increases of portfolio companies, even if this will result in exceeding the total 2017 Budget of expenses. These expenses can include intermediary fees of brokers or investment banks, market authorities' fees, lawyers, public notaries, other advisors costs, as well as other expenses.

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

- **Buy-back programmes**
  - For simplicity purposes, the 2017 Budget was prepared without taking into consideration the financial impact of potential execution of new buy-back programmes in 2017

During the 27 April 2015 GSM the shareholders approved the *sixth buy-back programme* for a maximum number of 891,770,055 shares or the equivalent number of global depositary receipts corresponding to the shares of Fondul Proprietatea, valid until 15 November 2016. The buy-back shall be performed at a price between RON 0.2 per share and RON 2 per share. The buy-back transactions can only be applied to fully paid shares and the repurchased shares will be cancelled. The implementation of this buy-back programme is subject to the availability of the necessary cash.

The execution of the sixth buy-back programme started on 9 September 2015 and it is estimated to be completed in the third quarter of 2016.

On 29 October 2015 the shareholders approved the *seventh buy-back programme* that refers to the acquisition of a maximum number of shares computed so that all the outstanding treasury shares (acquired during this programme and/ or previous ones) will not exceed 10% of the issued share capital at the relevant time, starting with the date when the share capital decrease regarding the cancellation of the shares repurchased within the fifth buy-back programme is effective, valid until 26 May 2017. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The transactions can only be applied to fully paid shares, global depositary receipts or depositary interests corresponding to the shares of the Fund, which will be cancelled. The implementation of this buy-back programme will be subject to the availability of the necessary cash.

The execution of the seventh buy-back programme is estimated to start in the third quarter of 2016 and to be completed in May 2017.

The 2017 budget includes assumptions for the *eight buy-back programme* included on the Ordinary General Shareholders Meeting agenda on 11 October 2016. The point in the agenda refers to the authorization to buy-back shares, global depositary receipts or depositary interests corresponding to shares of Fondul Proprietatea via trading on the regular market on which the shares, the global depositary receipts or the depositary interests are listed. The maximum number of shares will be computed so that all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 10% of the issued share capital at the relevant time. The buy-back shall be performed at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share and will be valid for a maximum period of 18 months. The transaction can only have as object fully paid shares, global depositary receipts or depositary interests corresponding to the shares. This buy-back programme implementation will be subject to the availability of the necessary cash.

Eight buy-back programme is expected to start in the third quarter of 2017.

Any new buy-back of the Fund’s shares and their subsequent cancellation occurring in 2017 may have an impact on Fund’s expenses, such as distribution fees, depositary trade settlement fees, other related fees and costs and profit tax expenses (if applicable).

Due to the fact that it is impossible to estimate reasonably these types of expenses in a period extending 17 months forward from the date of the preparation of 2017 Budget, and it is impractical to continually update the 2017 Budget, we propose to shareholders to grant the Fund Manager and Investment Manager the power to incur any expenses related to any buy-back programmes approved by shareholders, even if this will result in exceeding the total expenses approved in the 2017 Budget.

The 2017 Budget was prepared based on the following additional assumptions:

- Partial cancellation of shares bought back in the sixth buy-back programme (share capital decrease), approved in April 2016 GSM (potential tax impact in October 2016, but no tax payable due to large loss carried forward from FY15 under IFRS). The estimated date of cancelation approval is expected to be 15 October 2016;

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

- Remaining shares acquired during the sixth buy-back programme are expected to be cancelled in the first quarter of 2017;

- **Other investment assumptions**

  The 2017 Budget has been prepared based on the following assumptions:

  - Dividend income in 2017 was assumed to be similar to 2016 dividend income (the actual dividend income for the 7 months ended 31 July 2016 was used);
  - The portfolio structure will remain constant from 31 July 2016 through 2017;
  - For 2017 budget purpose, any potential negative cash position resulting from the budget assumptions is estimated to be covered from other non-budgeted sources (i.e. no drawings from credit facility).

- **Borrowings**

  For simplicity purposes, the 2017 Budget was prepared without taking into consideration the financial impact of potential bank loans/ credit facilities that the Fund may contract in 2017 for purposes other than investments.

  Any bank loan/ credit facility contracted by the Fund would have an impact on Fund's expenses, such as interest expenses, commitment fees or other related fees and expenses.

  Due to the fact that it is impossible to estimate reasonably these types of expenses in a period extending 17 months forward from the date of preparation of the 2017 Budget, and it is impractical to continually update the 2017 Budget, we propose to shareholders to grant the Fund Manager and Investment Manager the power to incur any expenses related to bank loans/ credit facilities contracted by the Fund with Board of Nominees approval, even if this will result in exceeding the total expenses approved in the 2017 Budget.

- **Other assumptions:**

  - **Distributions to shareholders**

  According with the Fund's Annual Cash Distribution Policy, the Fund Manager remains committed to returning cash to shareholders on an annual basis according with the Investment Policy Statement (subject to the applicable laws and necessary approvals).

  For the 2017 budget, distributions to Fund's shareholders in the form of a return of capital are assumed to take place. The share capital of the Fund is expected to be decreased by RON 0.05 per share for each return of capital to shareholders.

  Based on our current understanding of Romanian tax laws, no Romanian withholding tax will apply on the return of capital distribution. Due to the uncertainty of Romanian tax law, we cannot guarantee that the tax treatment will not change in the future.

  - **Receipt of dividends**

  The collection of dividends from portfolio companies during 2017 is expected to follow the previous year average collection pattern.

  - **Fund Manager's investment management and administration fees**

  For estimating the *Base fees* payable to the Fund Manager the fee rate used was 60 basis points per year and the average price of the Fund's shares during 2016 (until 31 July 2016) has been used as an estimate for the average Fund's share price during 2017 (*average share price used in 2016 budget was RON 0.8569 per share, and the average share price used in 2017 budget is RON 0.7463 per share*).

  For estimating the *Distribution fees* for non-dividend distributions made by the Fund to shareholders in 2017 (buy-backs, return of capital), the following fee rates have been used:

  - 200 basis points of the value of distributions up to and including 31 March 2017;

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

- 150 basis points of the value of distributions from 1 April 2017 up to and including 30 September 2017; and
- 100 basis points of the value of distributions from 1 October 2017 up to and including 1 April 2018.

If the Fund's actual average share price during 2017 exceeds the price used for the 2017 Budget or if additional distributions take place during 2017, the Fund Manager's fees will be higher than budgeted. Due to the fact that it is difficult, if not impossible, to estimate reasonably these expenses, and it is impractical to continually update the 2017 Budget, we propose that shareholders grant the Fund Manager and Investment Manager the power to exceed the expenses budgeted for investment management and administration fees, even if this will result in exceeding the total expenses approved in the 2017 Budget.

- **FSA and Depositary bank fees**

For estimating the monthly FSA regulator's fee (0.0936% per year, i.e. 0.0078% per month, based on Net Asset Value "NAV") and the depositary bank fee for certifying monthly NAV calculations, the average NAV during 2016 (until 31 July 2016) has been used as an estimate for the average NAV during 2017.

For estimating the depositary bank custody fee, the Fund's portfolio structure as at 31 July 2016 has been used as the basis for the Fund's structure during 2017.

If the Fund's actual average NAV, value of assets under custody and/ or trades in 2017 exceed the ones assumed for the 2017 Budget, these commissions and fees will be greater than budgeted.

Due to the fact that it is difficult, if not impossible, to estimate reasonably this type of expenses, and it is impractical to continually update the 2017 Budget, we propose that shareholders grant the Fund Manager and Investment Manager the power to exceed the expenses budgeted for other commissions and fees (FSA fees and Depositary bank fees), to the extent that these arise from the Fund's actual average NAV, value of assets under custody and/ or trades in Fund's portfolio or additional buy-backs in 2017 being higher than those assumed in the 2017 Budget, even if this will result in exceeding the total expenses approved in the 2017 Budget.

- **Foreign exchange rate**

The average RON/Euro exchange rate used in the preparation of the 2017 Budget is 4.4654 RON/Euro, being the National Bank of Romania official exchange rate as at 31 July 2016.

- **Taxation**

All taxes, contribution rates, and computation methodologies are based on the laws in force as at 31 July 2016. This Budget was prepared based on a profit tax rate of 16% and a VAT rate assumption of 19%, according with the Fiscal Code in force for year 2017 (expenses include Romanian VAT where applicable). The activities of the Fund are VAT exempt and therefore VAT on expenses is not recoverable.

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

DETAILED ANALYSIS OF BUDGETED INCOME, EXPENSES AND CAPITAL EXPENDITURES

1. Income from Current Activity

Dividend income. The income from current activity in the 2017 Budget is represented by dividend income.

In the 2017 Budget, the dividend income has been estimated based on 2016 actual net dividends (the actual dividend income for the period January to July 2016 has been used). The 41% decrease of dividend income as compared to the 2016 Budget is mainly due to the lower level of dividends approved for distribution by the Fund's portfolio companies in 2016 compared to 2015.

Interest income. Interest income was assumed to be nil in 2017, based on the assumptions used in the preparation of 2016 Budget.

Foreign exchange gains or losses. Foreign exchange gains or losses were not forecasted, as future exchange rates cannot be reasonably assessed.

Changes in fair value of financial instruments. Changes in fair value of financial instruments were not forecasted, as future stock prices cannot be reasonably assessed.

2. Expenses from Current Activity

In preparing the 2017 Budget expenses chargeable to the Fund, the Fund Manager has analysed the provisions of the MA, which set out the expenses chargeable to the Fund and has considered the rules and best practices followed by Franklin Templeton and other global fund management firms for funds generally.

The expenses chargeable to Fondul Proprietatea that are not explicitly specified in the MA, but are reasonably allocated to the Fund, being exclusively for the benefit of the Fund and its shareholders and/or for protecting their interests, are, according to the MA, only chargeable following the approval of the Board of Nominees.

Overall expenses from current activity are budgeted to decrease by 6% in 2017 as compared to the 2016 Budget, mainly due to the decrease of the third party service providers' expenses. Also, the 2017 budget expenses are impacted by the lower VAT rate used in 2017 budget compared with 2016 budget (19% vs. 24%).

Third party service providers' expenses (decrease by 4% as compared to the 2016 Budget). This category of expenses is the main component of expenses in the Fund's 2017 Budget, representing approximately 82% of the total budgeted expenses from current activity.

Items (RON)	2017 Budget	2016 Budget	Variance (%)
Third party service providers' expenses:	**87,692,763**	**91,517,283**	**-4%**
Investment management and administration fees	68,155,575	71,359,366	-4%
Legal and litigation assistance (including stamp duty expenses for litigations)	10,608,273	10,521,334	1%
Portfolio holdings valuation	2,019,254	2,142,155	-6%
GSM organisation	1.071,000	744,000	44%

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

Items (RON)	2017 Budget	2016 Budget	Variance (%)
Tax compliance and tax advisory	523,412	539,911	-3%
Software maintenance and support fees	478,179	442,300	8%
External audit	453,450	540,071	-16%
Trade Register and Official Gazette expenses	261,800	272,800	-4%
Internal audit	187,425	195,300	-4%
Other third party service expenses	3,934,395	4,760,046	-17%

This category of expenses includes various subcategories, as follows:

- *Investment management and administration fees (decrease by 4% as compared to the 2016 Budget)*. This is the main expense of the Fund, representing approximately 64% of the total budgeted expenses from current activity and was estimated according to the provisions of the MA concluded between the Fund and the Fund Manager currently in force:
  - Base fees payable to the Fund Manager (0.6% per year);
  - Distribution fees for distributions made by the Fund to shareholders (non-dividend distributions, such as buy-backs and returns of capital):
    a) 200 basis points of the total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs and returns of share capital) made available up to and including 31 March 2017;
    b) 150 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs and returns of share capital) made available from 1 April 2017 up to and including 30 September 2017; and
    c) 100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs and returns of share capital) made available from 1 October 2017 up to and including 1 April 2018.

  The decrease of these fees as compared to the 2016 Budget is mainly due to the decrease of the Fund's share price, upon which these fees are based.

- *Legal and litigation assistance expenses (including stamp duties for litigations).* These expenses, representing 10% of the total budgeted expenses from current activity, include legal services provided by external legal advisors, as well as legal representation expenses for litigations and stamp taxes payable for litigation actions (in which the Fund is involved to defend its interests).
- *Portfolio valuation expenses*. These expenses, representing 2% of the total budgeted expenses, are related to the valuation of certain unlisted equity investments of the Fund performed by external valuers, for IFRS reporting and NAV reporting purposes.
- *General Shareholders Meetings ("GSM") expenses*. This category includes expenses for the organisation of General Shareholder Meetings, such as hiring a venue, advertisement, copying documents, fees for registration of share capital changes and other organisational costs. These expenses increased by 44% due to an increased number of GSM estimated that will take place in 2017.
- *Tax compliance and tax advisory expenses*. The budgeted amount includes tax compliance services relating to tax return filings and tax advisory services for specific, one-off or complex tax issues.
- *Software maintenance and support fees.* Maintenance and support fees in the 2017 Budget relate to the Fund's accounting and reporting software, and to the support to be provided by the software developer in case of system audits.
- *Trade Register and Official Gazette* expenses are related to the fees charged by these institutions.

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

- *Other third party service expenses (decrease by 17% as compared to the 2016 Budget):* In the 2017 Budget, the decrease was due to the decrease in portfolio related expenses, mainly due to a decrease in advisory and consultancy services. Other expenses included in this category are brokerage services; expenses related to professional typesetter and printer for the annual report; notices required by legislation to be published in newspapers; liability insurance for Board members recommended by the Fund; other portfolio related expenses; payroll services; translation; review of related parties transactions by the external auditor required by legislation (if applicable); voting by correspondence.

Commissions and fees (decrease by 9% as compared to the 2016 Budget). This category represents 10% of the Fund's budgeted expenses from current activity and includes mainly FSA monthly fees estimated based on NAV. Out of the total amount budgeted in this category, RON 10.8 million represents the total annual estimated FSA fee (0.0936% of NAV per annum). The decrease as compared to the 2016 budgeted amount is mainly due to the decrease in actual total average NAV in 2017 (RON 11,523,724,748) compared to that used for 2016 Budget (RON 12,767,687,360).

Investor relations expenses. Investor relations expenses, representing approximately 2% of the 2017 estimated expenses from current activity, are budgeted almost at the same level as in 2016. Budgeted investor relations expenses include mainly estimated costs related to mailing and printing for shareholder communication and promotional activities, road-shows for promoting the Fund in the key financial centres in Europe, United States, and Asia, organisation of quarterly earnings announcement events, investor days in Bucharest, New York, and London, special events to promote the Fund, marketing and promotional materials, website hosting, maintenance and enhancements expenses.

Board of Nominees remuneration. For the 2017 Budget, these expenses include gross remuneration for the Board of Nominees members.

Public relations expenses. Public relations expenses, representing approximately 1% of the 2017 estimated expenses from current activity. Budgeted expenses include mainly estimated costs related to PR agencies, media coverage monitoring services, press conferences, other press events and private or public events on topics relevant to Fondul Proprietatea, advisor's costs, and workshops for journalists' costs.

Bank fees and distributions to shareholders fees. This category consists of all bank charges, including the depositary bank's fees and all fees related to distributions to shareholders.

Amortisation expenses. Amortisation costs in the 2017 Budget are related to the Fund's accounting and reporting software.

Insurance expenses. This category includes expenses related to the mandatory liability insurance for the members of the Board of Nominees.

Social security contributions. This category covers the social security, health fund and other contributions payable by the Fund. These were estimated according to the regulations in force, in respect of the remuneration of the Board of Nominees.

Rent and utility expenses. These represent the expenses for renting the Fund's office space and related costs.

Income tax expense. Income tax expense mainly comprises the current tax expense and the deferred tax expense.

In 2017 Budget the current tax expense is estimated to be nil as budgeted tax-deductible expenses are higher than budgeted taxable revenues for profit tax purposes. This is based on the assumption that the majority of portfolio holdings qualifies for the participation exemption and will therefore generate tax-exempt revenues. Should actual taxable revenues exceed budgeted, or actual tax-deductible expenses be lower than budgeted, to the extent that taxable profits will arise (after the utilisation of the fiscal loss carried forward from FY15), a profit tax liability of 16% will be incurred.

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

Deferred tax expense is estimated to be nil due to the fact that deferred tax income/ expense cannot be reliably estimated.

3. Capital Expenditure Budget

The 2017 Capital expenditure budget includes the allowance for any additional changes needed for the Fund's accounting and reporting software in 2017.

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

Special Note

Among the expense categories reclassifications/ reallocations may take place during the year with the condition that the total of these expenses (excluding non-budgeted expenses such as: net change in fair value of financial instruments, foreign exchange losses, losses on disposal of equity investments, expenses with provisions and impairment adjustments, expenses with disposal of financial assets) will meet the overall budgetary limits approved by the General Shareholders Meeting, with the below exceptions.

As presented above, in the section „PRINCIPAL ASSUMPTIONS FOR 2017 BUDGET", due to the fact that it is difficult, if not impossible, to estimate reasonably certain types of expenses, and it is impractical to continually update the 2017 Budget, we propose that shareholders grant the Fund Manager the power to:

- ***exceed the expenses budgeted for investment management and administration fees;***
- ***exceed the expenses budgeted for commissions and fees (FSA fees and Depositary bank fees), to the extent arising from the Fund's actual average NAV, the value of assets under custody and/ or volume of portfolio and buy-backs trades in 2017 being higher than the ones assumed in the 2017 Budget;***
- ***incur on behalf of the Fund all expenses necessary (e.g. intermediary fees of brokers or investment banks, market authorities' fees, lawyers, public notaries, other advisors costs, as well as other related expenses, commissions or fees) related to the execution of acquisitions and disposals of equity investments or participation in share capital increases of portfolio companies;***
- ***incur on behalf of the Fund all expenses related to the buy-back of the Fund's shares or the equivalent global depositary receipts corresponding to shares of the Fund and their subsequent cancellation (after the approval by shareholders), under any buy-back programme approved by shareholders;***
- ***incur on behalf of the Fund any expenses related to bank loans/ credit facilities contracted by the Fund, with Board of Nominees approval;***
- ***incur on behalf of the Fund any expenses related to the potential change of the fund manager and sole administrator of the Fund (expense incurred by the Board of Nominees);***
- ***incur on behalf of the Fund any expenses resulting from the implementation of any regulation applicable to the Fund.***

even if this will result in exceeding the total expenses approved in the 2017 Budget.

On a quarterly basis, the Board of Nominees will monitor the progress of the actual expenses against the budget.

Details on such expenses incurred will be provided on a retrospective basis, as part of the Fund's periodical reporting and in the annual report of the Fund Manager.

FONDUL PROPRIETATEA S.A., an alternative investment fund • Headquarters at: 78-80 Buzesti Street, 7th floor, Bucharest 1st district, postal code 011017, Romania. • Fiscal Identification Code (CIF): 18253260, registered with the Trade Registry under no: J40/21901/2005 • Register on Data Protection Notification Register under number 18668 • Subscribed share capital RON 9,320,973,180.85, Paid-up Share Capital: RON 9,011,732,683.35 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro