Resolution no. […] / 26 October 2017
of the Shareholders' Ordinary General Meeting of
FONDUL PROPRIETATEA S.A.

Headquarters: 78-80 Buzesti Street, 7th floor, 1st district, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 26 October 2017, 14:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. ("**the Fund**") have met during the Shareholders' Ordinary General Meeting ("**OGM**") of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. […], in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée qualifying as an alternative investment fund manager under article 5 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8a, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg register of commerce and companies under number B36.979, registered with the Romanian Financial Supervisory Authority under number PJM07.1AFIASMDLUX0037/10 March 2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on […] […] 2017, in the Official Gazette of Romania, Part IV, number […] of […] […] 2017 and in "[…]" newspaper no. […] of […] […] 2017;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 24/2017 on issuers of financial instruments and market operations (Issuers' Law);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

Following debates, the Fund's shareholders decide as follows:

I. The approval of 2018 budget of Fondul Proprietatea S.A., in accordance with the supporting materials and as described in the annex herein.

   This item is adopted with […] votes representing […]% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: […] votes "for" and […] votes "against". There were also registered: […] abstains, […] votes „not given" and […] votes were annulled.

II. In accordance with Article 129^2 of Regulation no. 1/2006, the approval of 22 November 2017 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f^1) of Regulation no. 1/2006, and 23 November 2017 as the Registration Date, computed in accordance with the provisions of Article 86 paragraph (1) of Issuers' Law.

As they are not applicable to this OGM, the shareholders do not decide on the date of the guaranteed participation, as defined by Article 2 letter f^1) of Regulation no. 6/2009, and on the Payment Date, as defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with [...] votes representing [...]% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: [...] votes "for" and [...] votes "against". There were also registered: [...] abstains, [...] votes „not given" and [...] votes were annulled.

III. The empowerment, with authority to be substituted, of Johan Meyer to sign the shareholders' resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolution, including formalities for publication and registration thereof with the Trade Registry or with any other public institution.

This item is adopted with [...] votes representing [...]% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: [...] votes "for" and [...] votes "against". There were also registered: [...] abstains, [...] votes „not given" and [...] votes were annulled.

This decision is drafted and signed on behalf of the shareholders by:

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[...]
Chairman

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[...]
Meeting secretary

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[...]
Technical secretary

Annex – *The 2018 budget of Fondul Proprietatea S.A. as presented in the supporting materials and during the shareholders' ordinary general meeting of Fondul Proprietatea S.A. of 26 October 2017*

2018 BUDGET FOR FONDUL PROPRIETATEA S.A.

Items (RON)	2018 Budget	2017 Budget	Variance (%)
I. INCOME FROM CURRENT ACTIVITY	**444,617,146**	**333,600,492**	**33%**
Budgeted income	***444,617,146***	***333,600,492***	***33%***
Dividend income	426,426,528	333,600,492	28%
Revenue from reversal of impairment adjustments and provisions	18,190,618	-	100%
II. EXPENSES FROM CURRENT ACTIVITY	**91,346,249**	**106,903,852**	**-15%**
Budgeted expenses	***91,346,249***	***106,903,852***	***-15%***
Third party service providers' expenses	72,583,986	87,692,763	-17%
Commissions and fees (including FSA fees)	10,292,246	11,036,492	-7%
Investors relations expenses	2,284,415	2,237,168	2%
Public relations expenses	1,511,946	1,027,164	47%
Board of Nominees remunerations	1,200,000	1,200,000	0%
Bank fees and distribution to shareholders fees (including Depositary fees)	860,831	955,505	-10%
Amortisation expenses	517,809	644,660	-20%
Insurance expenses	341,985	334,905	2%
Social security contributions	252,000	252,000	0%
Rent expenses	73,121	78,113	-6%
Expenses with utilities	24,224	24,370	-1%
Other expenses	1,403,686	1,420,712	-1%
III. GROSS PROFIT	**353,270,897**	**226,696,640**	**56%**
IV. Income tax expense	-	-	
V. NET PROFIT	**353,270,897**	**226,696,640**	**56%**
VI. INVESTMENTS	**498,105**	**493,196**	**1%**
Intangible assets	498,105	493,196	1%

The 2018 Budget of Income, Expenses and Capital Expenditure of Fondul Proprietatea S.A. ("the Fund" or "Fondul Proprietatea") was prepared in August 2017, based on the International Financial Reporting Standards as endorsed by European Union ("IFRS").

The 2018 Budget was prepared using actual financial information available for the period up to 31 July 2017. They are based on the assumptions presented below.

This budget was approved by the Board of Nominees of the Fund on 5 September 2017.

1. MAIN ASSUMPTIONS FOR 2018 BUDGET

1.1. Investment management related assumptions:

Please note that the following assumptions used in the preparation of the 2018 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 2018 Budget was prepared without taking into consideration the financial impact of potential changes in the portfolio (i.e. acquisitions, disposals, share capital increase contributions) during 2018.

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").

The current MA ends on 31 March 2018 and the shareholders of the Fund will vote on the key commercial points of the new MA during 26 September 2017 GSM. The key commercial points, subject to shareholders vote, contain substantially the same investment management principles as the current mandate for period 1 October 2017 – 31 March 2018.

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 transactions will occur within the period extending 17 months forward from the date of preparation of the 2018 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 2018 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.

1.2. Buy-back programmes

For simplicity purposes, the 2018 Budget was prepared taking into consideration that there will always be a buy-back programme ongoing during 2018.

The eighth buy-back programme

On 11 October 2016 the Fund's shareholders approved the eighth 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) do not exceed 10% of the issued share capital at the relevant time, with effect from the date when the share capital decrease regarding the cancellation of the shares repurchased within the sixth buy-back programme is effective, for a maximum period of 18 months as of the date when this shareholders' resolution is published in the Official Gazette of Romania, Part IV. The buy-backs shall be performed at a price between RON 0.2 per share and RON 2 per share. The transactions can only be applied to fully paid shares or GDRs corresponding to the shares of the Fund, which will be cancelled. The implementation of this buy-back programme is subject to the availability of the necessary cash.

The execution of the eight buy-back programme started on 30 May 2017 and it is estimated to be completed on 19 April 2018.

The ninth buy-back programme

The 2018 budget include the assumption regarding the ninth buy-back programme which is subject to shareholders approval on 26 October 2017 and will refer to the acquisition of a maximum number of shares (via trading on the regular market on which the shares, the global depositary receipts or the depositary interests corresponding to the shares of the Fund are listed or public tender offers) computed so that all the outstanding treasury shares will not exceed 20% of the issued share capital at the relevant time, starting with the publication of this resolution in the Official Gazette of Romania, Part IV, for a maximum period of 18 months as of the date when this shareholders' resolution is published in the Official Gazette of Romania, Part IV. The buy-back shall be performed at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share. The transaction can only have as object fully paid shares, global depositary receipts or depositary interests corresponding to the shares. The buy-back programme is aimed at the share capital decrease. This buy-back programme implementation will be subject to the availability of the necessary cash.

Any buy-back of the Fund's shares and their subsequent cancellation may have an impact on Fund's expenses, such as FTIS fees for distributions, 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 preparation of the 2018 Budget, and it is impractical to continually update the 2018 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 2018 Budget.

The 2018 Budget was prepared based on the following additional assumptions related to the treasury shares:

- Partial cancellation of shares bought back in the seventh buy-back programme: 739,398,468 shares (share capital decrease), approved in 3 May 2017 GSM. The estimated date of cancelation approval is expected to be in the second half of 2017;
- Partial cancellation of the remaining shares bought back in the seventh buy-back programme and partial cancellation of shares bought back in the eight buy-back programme (share capital decrease), cancelation expected to be implemented in January 2018.

1.3. Other investment assumptions

The 2018 Budget has been prepared based on the following assumptions:

- dividend income in 2018[1] was budgeted as follows:
  - specifically assessed by the Fund
  - for listed companies a similar level of dividends as in 2017 was assumed
  - for unlisted companies, based on the 2017 budgeted profit of each company in the portfolio and by taking into consideration the 2016 pay-out ratio
- the portfolio structure will remain constant through 2018;

1.4. Borrowings

For simplicity purposes, the 2018 Budget was prepared without taking into consideration the financial impact of potential bank loans/ credit facilities that the Fund may use in 2018 for purposes other than investments.

[1] *taking into account actual disposals in 2017 and excluding special dividends approved in 2017*

Any bank loan/ credit facility used 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 2018 Budget, and it is impractical to continually update the 2018 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 and used by the Fund with Board of Nominees approval, even if this will result in exceeding the total expenses approved in the 2018 Budget.

For 2018 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).

1.5. 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 2018 budget, one distribution to Fund's shareholders in the form of a return of capital is assumed to take place. The share capital of the Fund is expected to be decreased by RON 0.05 per share.

The tax treatment of cash distributions resulting from a share capital decrease is uncertain under Romanian tax law. Based on our current understanding of Romanian tax law, we believe there are good arguments to assume that the cash distribution is not subject to Romanian withholding tax. There is however a risk that the Romanian tax authorities take a different view on the tax treatment of the cash distribution.

1.6. Fund Manager's 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 2017 (until 31 July 2017) has been used as an estimate for the average Fund's share price during 2018. For estimating the *Distribution f*ee relating to either dividend or non-dividend distributions made by the Fund to shareholders in 2018 (including buy-backs of shares and/or Global Depositary Receipts ("GDRs") and/or depositary interests executed, through daily acquisitions or public tenders, returns of capital), a fee of the 100 basis points of the value of distributions was used from 1 October 2017 up to 31 December 2018. The assumptions for the Fund Manager's fee are based on the key commercial points as presented at point 1.1.

If the Fund's actual average share price during 2018 exceeds the price used for the 2018 Budget or if additional distributions take place during 2018, 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 2018 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 2018 Budget.

1.7. Other assumptions:

- **Collection of dividends**

  The collection of dividends from portfolio companies during 2018 is expected to generally follow the previous year collection pattern.

- **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 NAV) and the depositary bank fee for certifying monthly NAV calculations, the NAV as at 31 July 2017 has been used as an estimate for the average NAV during 2018.

  For estimating the depositary bank custody fee, the Fund's portfolio structure as at 31 July 2017 has been used as the basis for the Fund's structure during 2018.

  If the Fund's actual NAV, value of assets under custody and/ or trades in 2018 exceed the ones assumed for the 2018 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 2018 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 2018 being higher than those assumed in the 2018 Budget, even if this will result in exceeding the total expenses approved in the 2018 Budget.

- **Foreign exchange rate**

The average RON/Euro exchange rate used in the preparation of the 2018 Budget is 4.5598 RON/Euro, being the National Bank of Romania official exchange rate as at 31 July 2017.

- **Taxation**

All taxes, contribution rates, and computation methodologies are based on the laws in force as at 31 July 2017. This Budget was prepared based on a profit tax rate of 16%, dividend rate of 5% and a VAT rate of 19%, with accordance to the Fiscal Code in force as at 31 July 2017 and under the assumption that these tax rates will be also in force for the year 2018.

Generally, expenses incurred by the Fund are subject to Romanian VAT, unless a VAT exemption may be applied. As the activity of the Fund is VAT exempt, the amount of VAT paid 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 5,238,521,987.92, Paid-up Share Capital: RON 5,049,339,565.92 • Tel.: + 40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro; Internet: www.fondulproprietatea.ro

2. DETAILED ANALYSIS OF BUDGETED INCOME, EXPENSES AND CAPITAL EXPENDITURES

2.1. Income from Current Activity

Dividend income. The main component of income from current activity in the 2018 Budget is dividend income.

In the 2018 Budget, the increase of dividend income as compared to the 2017 Budget (by 28%) is mainly due to the higher level of dividends approved for distribution by the Fund's portfolio companies in 2017 compared to 2016 (mainly related to higher dividends from OMV Petrom and Hidroelectrica).

Revenue from reversal of impairment adjustments and provisions represents an impairment release related to the receivable for unpaid shares of the Ministry of Public Finance, following the assumption regarding the reduction of the nominal value of the Fund's shares.

The main unbudgeted categories are the following:

- ***Interest income***. Interest income was assumed to be nil for 2018 Budget purposes.
- ***Foreign exchange gains or losses***. Foreign exchange gains or losses were not forecasted, as future exchange rates cannot be reasonably estimated.
- ***Changes in fair value of financial instruments***. Changes in fair value of financial instruments were not forecasted, as future stock prices cannot be reasonably estimated.
- ***Net gain on disposal*** – not budgeted according to the information included in section 1.1.

2.2. Expenses from Current Activity

Overall expenses from current activity are budgeted to decrease by 15% in 2018 as compared to the 2017 Budget, mainly due to the decrease of the third party service providers' expenses.

Third party service providers' expenses (decrease by 17% as compared to the 2017 Budget). This category of expenses is the main component of expenses in the Fund's 2018 Budget, representing approximately 79% of the total budgeted expenses from current activity.

The table below presents the main categories:

Items (RON)	2018 Budget	2017 Budget	Variance (%)
Third party service providers' expenses:	**72,583,986**	**87,692,763**	**-17%**
Investment management and administration fees	53,430,629	68,155,575	-22%
Legal and litigation assistance (including stamp duty expenses for litigations)	10,172,466	10,608,273	-4%
Portfolio holdings valuation	1,627,849	2,019,254	-19%
GSM organisation	1,071,000	1.071,000	0%
Tax compliance and tax advisory	534,476	523,412	2%
Software maintenance and support fees	426,777	478,179	-11%
External audit	503,096	453,450	1%
Trade Register and Official Gazette expenses	261,800	261,800	0%
Internal audit	187,425	187,425	0%
Other third party service expenses	4,368,468	3,934,395	11%
Total Expense Ratio	0.85%	0.89%	

The main changes compared to 2017 Budget for each sub-category are explained below:

- *Investment management and administration fees (*decrease by 22% as compared to the 2017 Budget). This is the main expense of the Fund, representing approximately 58% of the total budgeted expenses from current activity and was estimated according to the key commercial points subject to shareholders' approval:

- Base fees payable to the Fund Manager (0.6% per year). *The average share price used in 2017 budget preparation was RON 0.7463 per share, while the average share price used in 2018 budget is RON 0.8812 per share;*
- Distribution fee (for distributions made by the Fund to shareholders such as buy-backs and returns of capital) is 100 basis points of total distributions made available up to 31 December 2018.

The decrease of the distribution fee is mainly due to the decrease of this fee from 200 basis points to 100 basis points during 2017 and due to the provisions of the key commercial terms.

- *Legal and litigation assistance expenses (including stamp duties for litigations).* These expenses, representing 11% 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.
- *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 2018 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, for various actions/ publications required by the law.
- *Other third party service expenses* (increase by 11% as compared to the 2017 Budget): In the 2018 Budget, the 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; other portfolio related expenses; payroll services; translation; professional services to be provided by Big4 companies and voting by correspondence.

Commissions and fees (decrease by 7% as compared to the 2017 Budget). This category represents 11% of the Fund's budgeted expenses from current activity and includes mainly FSA monthly fees estimated based on NAV (0.0936% of NAV per annum). The decrease as compared to the 2017 budgeted amount is mainly due to the decrease in NAV in 2018 (RON 10,718,672,424) compared to the one used for 2017 Budget (RON 11,523,724,748).

Investor relations expenses. Investor relations expenses, representing approximately 3% of the 2018 estimated expenses from current activity, are budgeted to a similar level as in 2017. 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 and certain website related expenses.

Board of Nominees remuneration. For the 2018 Budget, these expenses include gross remuneration for the Board of Nominees members.

Public relations expenses. Public relations expenses, representing approximately 2% of the 2018 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. The increase as compared to the 2017 budgeted amount is mainly due the increase of the monthly fee for PR Agency (Romania) retainer fee and due to the increase of Media Partnerships and PR project-based activities for promoting Fondul Proprietatea in 2018.

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 2018 Budget are related to the Fund's accounting and reporting software (both existing and planned developments).

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 2018 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 revenues will arise from dividends received from portfolio companies, which are tax exempt. 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.

Deferred tax expenses were not budgeted.

In the preparation of 2018 budget no implications of IFRS 9 (applicable starting with 1 January 2018) were included as these are under analysis at the date of preparation of 2018 budget.

In preparing the 2018 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.

Total Expense Ratio was calculated based on the assumptions included in the budget, by dividing the Fund's expenses from current activity to the NAV at the date at which the Budget was prepared, i.e. 29 July 2016 for the 2017 Budget, respectively 31 July 2017 for the 2018 Budget. For the purpose of this calculation, the expenses did not include amortisation expenses, income tax expenses or other expenses not budgeted (foreign exchange losses, cost of equity investments disposed of, adjustments for impairment, interest expenses, fair value adjustments).

3. Capital Expenditure Budget

The 2018 Capital expenditure budget mainly includes the allowance for any additional changes needed for the Fund's additional software developments in 2018.

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 „MAIN 2018 BUDGET ASSUMPTIONS", 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 2018 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 2018 being higher than the ones assumed in the 2018 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 2018 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.