FONDUL PROPRIETATEA

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

2013 BUDGET FOR FONDUL PROPRIETATEA S.A.

Items (Lei)	**2013 Budget**	**2012 Budget**	**Variance (%)**
I. INCOME FROM CURRENT ACTIVITY	**660,296,492**	**529,530,294**	**25%**
Dividend income	618,171,289	509,465,353	21%
Interest income	42,125,203	20,064,941	110%
II. EXPENSES FROM CURRENT ACTIVITY	**76,031,018**	**67,837,205**	**12%**
Expenses with utilities	27,136	26,391	3%
Rent expenses	108,627	104,935	4%
Insurance expenses	312,165	300,000	4%
Investor relations expenses	1,926,504	1,764,074	9%
PR expenses	464,501	429,375	8%
Bank charges and similar expenses (including Depositary fees and dividend distribution fees)	1,851,433	1,903,595	-3%
Commissions and fees (including CNVM and Central Depositary fees)	14,664,446	16,183,381	-9%
Salaries and similar expenses	540,000	603,134	-10%
Social security contributions	141,216	158,894	-11%
Amortisation and depreciation costs	317,838	151,270	110%
Third party services providers' expenses	44,835,055	46,212,156	-3%
Other expenses	80,000	-	100%
Secondary listing expenses	10,762,097	-	100%
III. GROSS PROFIT	**584,265,474**	**461,693,089**	**27%**
IV. Profit tax expenses	13,780,865	19,140,216	-28%
V. NET PROFIT	**570,484,609**	**442,552,873**	**29%**
VI. INVESTMENTS	**918,032**	**680,715**	**35%**
Intangible assets	561,272	680,715	-18%
Tangible assets	356,760	-	100%

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The 2013 Budget of Income, Expenses and Capital Expenditures of Fondul Proprietatea S.A. ("the Fund" or "Fondul Proprietatea") was prepared in September 2012, under Romanian Accounting Regulations. The Budget was prepared using actual financial information available for the period up to 31 August 2012. The Budget is based on the assumptions presented below.

The 2013 Budget includes the expenses related to the listing of the Fund on Warsaw Stock Exchange ("WSE"), as per the Secondary Listing Budget approved by Fund's shareholders on 27 June 2012.

This budget was approved by the Board of Nominees of the Fund on 11 October 2012.

PRINCIPAL 2013 BUDGET ASSUMPTIONS

The main investment management assumptions:

Please note that the following assumptions used in the preparation of the 2013 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 2013 Budget has been prepared without taking into consideration the financial impact of potential changes in the portfolio (acquisition, disposals, participations in share capital increases of portfolio companies) during 2013 or in the period September to December 2012.

  Franklin Templeton Investment Management Ltd United Kingdom, Bucharest Branch ("the Fund Manager" or "FTIML") is actively managing Fondul Proprietatea according to the Investment Management Agreement ("IMA") and an investment strategy is in place. However, the planning and execution of acquisitions and disposals of equity investments requires careful preparation and timing, taking into account developments within financial markets and extraneous circumstances. The high volatility of the Romanian market and unpredictability of political and macroeconomic developments made it impossible to predict with reliable certainty when or if certain transactions will occur during 2013, in the period extending 16 months forward from the date of preparation of the 2013 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 and the execution of such transactions is likely to incur some form of external third party costs and, in case of disposals, will 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 potential returns to its shareholders.

  Consequently, we propose to shareholders to grant the Fund Manager the power to incur on behalf of the Fund expenses related to the execution of acquisitions and disposals of equity investments, even if this will result in exceeding the total 2013 budget of expenses. These expenses can include intermediary fees of brokers or investment banks, lawyers, public notaries, other advisors costs, as well as other expenses.

- **Buyback programmes**
  - For simplicity purposes, the 2013 Budget has been prepared without taking into consideration the financial impact of potential execution of a buyback programme.

  On 25 April 2012 shareholders approved a second buy-back programme. Subject to availability of cash, the Fund Manager is authorised to repurchase up to 1,100,950,684 shares within the next 18

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months within the price range of Lei 0.2 per share to Lei 1.5 per share, such shares to be cancelled upon completion of the buy-back programme, following shareholders' approval.

The buyback of the Fund's shares and their subsequent cancellation will have an impact on the following Fund expenses, if any buybacks occur in 2013:

- FTIML fees: 1.5% of the price of the shares repurchased during 2013;
- Depositary trade settlement fees: 0.0085% of the price of the shares repurchased;
- 16% profit tax on the gain on cancellation of buybacks, calculated as the nominal value (of 1 Leu) of the shares bought back less their acquisition value. Profit tax on the gain on cancellation of buybacks is only recorded and paid after the decrease of the share capital following cancellation of the buybacks.

Due to the fact that it is impossible to estimate reasonably these types of expenses in a period extending 16 months forward from the date of preparation of the 2013 Budget, and it is impractical to continually update the 2013 Budget, we propose to shareholders to grant the Fund Manager the power to incur the expenses related to the above-mentioned buyback programme even if this will result in exceeding the total expenses approved in the 2013 Budget.

- Own shares bought back in the 2011 buyback programme are expected to be cancelled in the first quarter of 2013;

- **Other investment assumptions**

The 2013 Budget has been prepared on the following assumptions:

- dividend income in 2013 will be similar to 2012 dividend income (the actual dividend income for the 8 months ended 31 August 2012 has been used);
- the distribution of assets will remain constant from 31 August 2012 through 2013;
- all cash available will be invested in money market instruments and the average interest rate during 2013 will be 5.5% (based on the weighted average interest rates of Fund's money market instruments for the period January to August 2012).

- **Secondary listing assumptions**

The 2013 Budget has been prepared using the assumption that most of the expenses related to the secondary listing of the Fund on WSE will be incurred in 2013.

The Secondary listing budget, approved by shareholders on 27 June 2012, was prepared based on the information then available and using the assumptions stated in the Secondary listing budget paper presented in the same GSM.

Given that it is impractical to update the Secondary listing budget if there are some additional expenses which arise during the course of the listing process, the Fund Manager requests shareholders permission to exceed, if needed, this budget by a maximum of 10% for expenses relating to the listing.

- **Other assumptions:**

- **Dividend pay-out**

The dividend pay-out ratio is expected to be 100% of the distributable revenue profits for the financial year 2012, computed according to the Fund's dividend policy as stated in the 2010 listing prospectus

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(“*distributable revenue profits will be calculated as dividend income from investments and interest earned on cash deposits, less expenses and taxation*”), after accounting for the compulsory transfer to legal reserve (5% of gross profit). 2012 dividends are expected to be distributed from June 2013, as follows: 25% in June, 70% in July, 2% in August and remaining 3% in September);

- **Receipt of dividends**

  The collection of dividends from portfolio companies during 2013 is expected to be: 83% in June, 10% in July, 5% in August, 2% in November.

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

  For estimating the investment management and administration fees payable to the Fund Manager (0.479% per year), the average price of the Fund’s shares during 2012 (until 31 August 2012) has been used as an estimate for the average Fund’s share price during 2013.

  At the GSM on 4 April 2012, shareholders approved a Second Addendum to the Investment Management Agreement (“IMA”), referring to an additional management fee payable by the Fund to the Fund Manager if excess distributions were made by the Fund to shareholders. According to this addendum, in case of excess distributions, the Fund Manager is entitled to receive an additional fee of 1.5% of the excess distribution (if distributions take place in 2012 and 2013) and 1% (after 2013, until the termination of the IMA). No such additional fees (whether by way of purchases of own shares for the purpose of cancellation, special dividends or other distributions) have been included in the 2013 Budget. At the date of preparation of the 2013 Budget, this addendum was not yet endorsed by CNVM.

  If the Fund’s actual average share price during 2013 exceeds the price assumed for the 2013 Budget, or if excess distributions take place during 2013, FTIML’s fees will be greater 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 2013 Budget, we propose that shareholders grant the Fund Manager the power to exceed the expenses budgeted for investment management and administration fees, to the extent that these arise from:

  - the Fund’s actual average share price in 2013 being higher than the one assumed for the 2013 Budget;
  - excess distributions being made to shareholders in 2013, resulting in increased fees accruing in accordance with the Second Addendum to the Investment Management Agreement approved by shareholders on 4 April 2012;

  even if this will result in exceeding the total expenses approved in the 2013 Budget.

- **CNVM and Depositary bank fees**

  For estimating the monthly CNVM regulator’s fee (0.1% per year, based on NAV) and the depositary bank fee for certifying monthly NAV calculations, the average NAV during 2012 (until 31 August 2012) has been used as an estimate for the average NAV during 2013;

  For estimating the depositary bank custody fee, the Fund’s distribution of assets as at 31 August 2012 has been used as the basis for the Fund’s structure during 2013;

  If the Fund’s actual average NAV over 2013 and / or the value of assets under custody exceed the ones assumed for the 2013 Budget and there are any trades, 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 2013 Budget, we propose that shareholders grant the Fund Manager the power to exceed the expenses budgeted for other commissions and fees (CNVM fees and Depositary bank fees), to the extent that these arise from the Fund’s actual average NAV and / or the value of assets under custody in 2013 being higher than those assumed in the 2013 Budget, even if this will result in exceeding the total expenses approved in the 2013 Budget.

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- **Foreign exchange rate**

  The average Leu/Euro exchange rate used in the preparation of the 2013 Budget was 4.4595 Lei/Euro, being the National Bank of Romania official exchange rate as at 31 August 2012.

- **Taxation**

  All taxes and contribution rates and computation methodologies are based on laws in force as at 31 August 2012. Expenses include Romanian VAT of 24% where applicable. The activities of the Fund are exempt and therefore VAT on expenses is not recoverable.

- **Accounting Policy for Financial Instruments**

  During 2013, all financial instruments will be accounted for at cost less impairment adjustments in the financial statements prepared in accordance with Romanian Accounting Regulations in force as at 31 August 2012.

DETAILED ANALYSIS OF BUDGETED INCOME, EXPENSES AND CAPITAL EXPENDITURES

1. Income from Current Activity

Dividend income (increase of 21% as compared to the 2012 Budget). The most significant component of income from current activity in the 2013 Budget is dividend income (approximately 94% of the total budgeted income).

In the 2013 Budget, the dividend income has been estimated on the assumption that 2013 dividends will be similar to 2012 actual dividends (the actual dividend income for the period January to August 2012 has been used).

The 2013 dividend income budget is much higher than the 2012 Budget as portfolio companies distributed higher dividends in 2012 than in 2011. The 2012 budget had been prepared on the basis of actual dividend income up to August 2011.

Interest income (increase of 110% as compared to the 2012 Budget). This represents the second major component of income in the 2013 Budget (approximately 6% of the estimated total income for the year 2013).

The increase in interest income in the 2013 Budget as compared to the 2012 Budget is due to the increase in the average balance of money market instruments (which arose due to higher dividends from portfolio companies and proceeds from the disposal of certain equity holdings in 2012) and to higher interest rates in the assumptions in the 2013 Budget.

The interest income was estimated based on the following assumptions:

- Forecast cash flows for 2013: The main cash flows, besides those related to cash expenses and capital expenditure, are cash outflows related to dividends distributed to the shareholders and cash inflows from the collection of portfolio dividends.
- All cash available will be invested in money market instruments.
- The average annual interest rate for money market instruments used for the preparation of 2013 Budget is 5.5% (based on the weighted average interest rates of Fund's money market instruments for the period January to August 2012).

It is important to note that these estimates may differ substantially from actual values depending on the changes in the asset allocation of the portfolio, buybacks activity during 2013, and trends in the money markets.

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Foreign exchange gains or losses. Foreign exchange gains or losses cannot be forecast, as future exchange rates cannot be reasonably assessed.

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2. Expenses from Current Activity

In preparing the 2013 Budget expenses chargeable to the Fund, the Fund Manager analysed the provisions of the IMA, which set out the expenses chargeable to the Fund and had regard to the rules and best practice 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 Investment Management Agreement, 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 Investment Management Agreement only chargeable following the approval of the Board of Nominees.

Expenses from current activity overall are budgeted to increase by 12% in 2013 as compared to the 2012 Budget, mainly due to the Secondary listing expenses of Lei 10.76 million included in the 2013 Budget.

Approximately 6 percentage points of the increase of budgeted expenses in nominal terms is explained by the devaluation of local currency.

Investor relations expenses (increase of 9% as compared to the 2012 Budget). Investor relations expenses, representing approximately 2.5% of the 2013 budgeted expenses from current activity, 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, North America and Asia, organisation of quarterly earnings announcement events, investor days, special events to promote the Fund, marketing and promotional materials, website hosting, maintenance and development expenses.

Investor relations expenses are higher as compared to the 2012 Budget principally due to planned enhanced institutional investor promotional activity in Romanian and abroad and to the increasing number of institutional investors.

PR expenses (increase of 8% as compared to the 2012 Budget). PR expenses, representing approximately 0.5% of the 2013 estimated expenses from current activity, include mainly estimated costs related to PR agency costs, media coverage monitoring, press conferences, other press events, and workshops for journalists. The increase was due to the suplimentation of services included in the media monitoring contract.

Rent and utility expenses. These represent the expenses for renting the Fund's office space and related costs. When the administration of the Fund was taken over by the Fund Manager in 2010, the office was relocated to Premium Point, with an estimated 2013 monthly rental charge of approximately Euro 1,640 (plus VAT), plus services and property management and utilities charges.

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

Bank charges and similar expenses (decrease by 3% as compared to the 2012 Budget). This category consists of all bank charges, including the depositary bank's fees and dividend distribution fees.

Commissions and fees (decrease by 9% as compared to the 2012 Budget). This category represents 19% of the Fund's budgeted expenses from current activity and includes mainly CNVM monthly fees estimated based on Net Assets Value ("NAV"). Out of the total amount budgeted in this category, Lei 14.52 million represents the total annual estimated CNVM fee, calculated as NAV/12 x 0.1% per month. The decrease as compared to the 2012 budgeted amount is due to the reduction in actual NAV in 2012 (used for the preparation of this budget) compared to that used for 2012 Budget, mainly because of the insolvency of Hidroelectrica.

Salaries and similar expenses (decrease of 10% as compared to the 2012 Budget). For the 2013 budget these expenses include only gross remuneration for the Board of Nominees members. In 2013 the Fund will have no employees.

Social security contributions (decrease of 11% as compared to the 2012 Budget). This category covers social security, health fund and other contributions payable by the employer. These were estimated according to the legal regulations in force, in respect of the remuneration of the Board of Nominees.

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Amortisation and depreciation costs. Amortisation and depreciation costs in the 2013 Budget relate to the new integrated software and its infrastructure due to be implemented in 2013.

Third party services expenses (decrease of 3% as compared to the 2012 Budget). This category of expenses is the main component of expenses in the Fund's 2013 Budget, representing approximately 59% of the total budgeted expenses from current activity.

Items (Lei)	2013 Budget	2012 Budget	Variance (%)
Third party services providers' expenses:	**44,835,055**	**46,212,156**	**-3%**
Investment management and administration fees	33,145,574	35,746,100	-7%
Legal and litigation assistance (including stamp duty expenses for litigations)	8,820,000	8,400,000	5%
GSM organisation	525,000	500,000	5%
External audit	435,636	392,720	11%
Internal audit	117,552	117,552	0%
Tax compliance and tax advisory	322,386	328,600	-2%
Portfolio evaluation	276,489	261,814	6%
Trade Register and Official Gazette expenses	220,000	105,000	110%
Software and infrastructure maintenance and support fees	374,778	136,143	175%
Ongoing secondary listing third party expenses	282,354	-	100%
Other third party services expenses	315,286	224,227	41%

This category of expenses includes various subcategories, as follows:

- *Investment management and administration fees (decrease of 7% as compared to the 2012 Budget)*. This is the main expense of the Fund, representing approximately 44% of the total budgeted expenses from current activity and was estimated according to the provisions of the Investment Management Agreement concluded between the Fund and the Fund Manager (0.479% per year). The small decrease of these fees compared to the 2012 Budget is mainly due to the fact that fees budgeted for 2013 were based on the average market capitalisation of the Fund which was lower in 2012 for the relevant period than in 2011.

- *Legal and litigation assistance expenses (including stamp duty) (increase of 5% as compared to the 2012 Budget)*. These expenses, representing 12% 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 (litigations in which the Fund is involved to defend its interests).

- *General Shareholders Meetings organization expenses (increase of 5% as compared to the 2012 Budget)*: This category includes expenses for the organisation of General Shareholder Meetings, such as hiring a venue, advertisement, copying documents, taxes for registration of share capital increases and other organisational costs.

- *Tax compliance and tax advisory expenses (decrease of 2% as compared to the 2012 Budget)*: This category has been estimated based on the assumption that the 2013 fees will be similar to the actual fees incurred in 2012. The budgeted amount includes taxation compliance services relating to tax return filings and taxation advice for specific, one-off, complex tax issues.

- *Portfolio valuation expenses*. These expenses are related to the valuation of certain unlisted equity investments of the Fund performed by external valuators, usually for IFRS impairment tests and NAV reporting purposes.
- *Trade Register and Official Gazette* expenses increase was mainly due to the 70% increase of the fees charged by these institutions.
- *Software and infrastructure maintenance and support fees:* Maintenance and support fees in the 2013 Budget relate to the new accounting and reporting system due to be implemented in 2013, and related infrastructure.
- *Ongoing secondary listing third party expenses*: This category includes the ongoing expenses which the Fund may incur following its listing on the Warsaw Stock Exchange. This estimate includes the expenses related to the review of the Fund's semi-annual IFRS financial statements by the external auditor, and the cost of translation of reports into Polish, and will be incurred if required by Polish market regulations or acknowledged best practice.
- *Other third party services expenses:* In the 2013 Budget, this category includes principally professional typesetter & printer expenses for the annual report; notices required by legislation to be published in newspapers; voting by correspondence; other portfolio related expenses; payroll services; translation expenses; review of related parties transactions by the external auditor required by legislation (if applicable).

Secondary listing expenses: On 27 June 2012, shareholders approved a budget for the Fund's secondary listing on the Warsaw Stock Exchange. The 2013 Budget includes this same budget, which is analysed as:

Expense category	Lei	%
Investment banking consortium fees and expenses	5,487,456	51.0%
Legal fees	2,229,983	20.7%
Road-show costs	272,614	2.5%
Public relations expenses	327,682	3.0%
Commissions and fees	204,461	2.0%
Other expenses	517,965	4.8%
Contingency for taxes	1,721,936	16.0%
Total secondary listing expenses	**10,762,097**	**100.0%**

- *Investment banking consortium fees and expenses.* The costs associated with investment banking services will be capped at EUR 1.075 million (net of any applicable taxes) and will include a flat fee, and a variable incentive fee component connected to the level of liquidity generated on the Warsaw Stock Exchange, as well as any sundry expenses to be reimbursed by the Fund. Any non-recoverable VAT and withholding taxes are also included in this expense category.
- *Legal fees* include counsel fees for both the investment banking consortium and the Fund.
- *Public relations expenses* mainly include estimated costs related to PR agencies, press conferences and other related events.
- *Road-show costs* include expenses related to organising road-shows promoting the secondary listing.
- *Commissions and fees* include fees payable to the Polish capital market authorities. They cover estimated maximum fees payable to the Warsaw Stock Exchange for: submission of an application for the admission to trading, admission to exchange trading, introduction to trading and also WSE annual maintenance fee.
- *Other expenses* mainly include estimated expenses for tax advisory services, data storage expenses, printing and distribution costs, and fees payable to the external auditor in respect of listing work.

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Profit tax expense. Budgeted deductible expenses for 2013 are higher than budgeted taxable income for profit tax purposes (dividend income from Romanian companies are non-taxable income for profit tax computation, as taxes on dividends are withheld by Romanian companies distributing the dividends). The budget for profit tax expense in 2013 includes an amount related to the gain arising on cancellation of own shares acquired in the 2011 buyback programme (which are expected to be cancelled in the first quarter of 2013), offset by the aforementioned budgeted taxable loss. Profit tax was provided for using the rate of 16% currently in force.

3. Capital Expenditure Budget

The Fund is currently replacing its old accounting software with a new integrated specialised software solution, which will be implemented in 2013. The 2012 Capital expenditure budget included an allowance for the new software: part of this amount has been transferred into the 2013 Budget as the implementation of the new software will be completed in 2013. The capital expenditure refers both to the new software and to its related infrastructure (hardware and associated software). Amortisation of software will begin when its implementation and testing are completed. Depreciation of the infrastructure will start when it is put into use.

Special Note

Among the expense categories reclassifications/ reallocations may take place during the year with Board of Nominees approval, with the condition that the total of these expenses (excluding non-budgeted expenses such as: foreign exchange losses, expenses with provisions and impairment adjustments) will meet the overall budgetary limits approved by the General Shareholders Meeting, with the below exceptions.

As presented above, in the „PRINCIPAL 2013 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 2013 Budget, we propose that shareholders grant the Fund Manager the power to:

- ***exceed the expenses budgeted for investment management and administration fees, to the extent arising from:***
  - ***the Fund's actual average share price in 2013 being higher than the one assumed for the 2013 Budget;***
  - ***excess distributions being made to shareholders in 2013, resulting in increased fees accruing in accordance with the Second Addendum to the Investment Management Agreement approved by shareholders on 4 April 2012;***
- ***exceed the expenses budgeted for other commissions and fees (CNVM fees and Depositary bank fees), to the extent arising from the Fund's actual average NAV and / or the value of assets under custody in 2013 being higher than the ones assumed in the 2013 Budget;***
- ***to incur on behalf of the Fund all expenses necessary (e.g. intermediary fees of brokers and investment banks, lawyers, public notaries, other advisors costs, as well as other expenses) related to the execution of acquisitions and disposals of equity investments;***
- ***incur on behalf of the Fund all expenses related to the buyback of the Fund's shares and their subsequent cancellation (after the approval by shareholders upon the completion of***

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the programme), under the buyback programme approved by shareholders in the 25 April 2012 GSM;

- ***to incur on behalf of the Fund, if necessary, other expenses than budgeted related to the approved secondary listing costs, exceeding the total secondary listing budget expenses presented in this paper by up to 10%.***
- ***to incur on behalf of the Fund any expenses resulting from the implementation of any new regulation applicable to the Fund.***

even if this will result in exceeding the total expenses approved in the 2013 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.

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