

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

2019 BUDGET FOR FONDUL PROPRIETATEA S.A.

The 2019 Budget of Income, Expenses and Capital Expenditure of Fondul Proprietatea S.A. ("the Fund" or "Fondul Proprietatea") was prepared in August 2018, based on the International Financial Reporting Standards as endorsed by European Union ("IFRS").

The 2019 Budget was prepared using actual financial information available for the period up to 31 July 2018. It is based on the assumptions presented below.

This budget was approved by the Board of Nominees of the Fund on 5 September 2018.

According with the main assumption of 2019 budget, there are certain categories of income and expenses which cannot be budgeted. **The main unbudgeted categories** are the following:

- **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.

Also, please note that certain presentation adjustments have been applied to the budget for comparability purposes, mainly related to the accounting policy changes for distribution fee.

The table below presents a detailed analysis of the 2019 budgeted items by comparison with the 2018 budget:

Items (RON)	2019 Budget	2018 Budget	Variance RON	Variance (%)
I. BUDGETED INCOME FROM CURRENT ACTIVITY	551,866,938	444,617,146	107,249,792	24%
Net dividend income	547,803,200	426,426,528	121,376,672	28%
BNY Melon income	3,696,915	-	3,696,915	100%
Interest income	366,823	-	366,823	100%
Revenue from reversal of impairment adjustments and provisions	-	18,190,618	(18,190,618)	-100%
II. BUDGETED EXPENSES FROM CURRENT ACTIVITY	81,843,437	91,346,249	(9,502,812)	-10%
Third party service providers' expenses	63,166,922	72,583,986	(9,417,064)	-13%
Commissions and fees (including FSA fees)	9,823,633	10,292,246	(468,613)	-5%
Investors relations expenses	2,275,280	2,284,415	(9,135)	0%
Public relations expenses	1,534,660	1,511,946	22,714	2%
Board of Nominees remunerations ¹	1,447,380	1,200,000	247,380	21%
Social security contributions	-	252,000	(252,000)	-100%
Bank fees and distribution to shareholders fees (including Depositary fees)	671,147	860,831	(189,684)	-22%
Finance costs	640,000	-	640,000	100%
Amortisation expenses	420,402	517,809	(97,407)	-19%
Insurance expenses	347,123	341,985	5,138	2%
Rent expenses	74,202	73,121	1,081	1%

¹ The remunerations mentioned in the 2019 budget include the taxation and all related contributions that were transferred from the employer to the employee starting with 1 January 2018..

Items (RON)	2019 Budget	2018 Budget	Variance RON	Variance (%)
Expenses with utilities	25,960	24,224	1,736	7%
Other expenses	1,416,728	1,403,686	13,042	1%
III. GROSS PROFIT	470,023,501	353,270,897	116,752,604	33%
Buy-back related presentation adjustments	3,041,904	-	3,041,904	
IV. ADJUSTED GROSS PROFIT	473,065,405	353,270,897	119,794,508	34%
IV. Income tax expense	-	-	-	-
V. NET PROFIT	473,065,405	353,270,897	119,794,508	34%
VI. INVESTMENTS	514,359	498,105	16,254	3%
Intangible assets	514,359	498,105	16,254	3%

1. MAIN ASSUMPTIONS FOR 2019 BUDGET

1.1. Investment management related assumptions:

Please note that the following assumptions used in the preparation of the 2019 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 2019 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 the period August 2018 to December 2019.

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 capital 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 2019 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 2019 Budget of expenses. These expenses can include intermediary fees for brokers or investment banks, market authorities’ fees, lawyers, public notaries, other advisors costs, as well as other expenses.

Other investment assumptions

The 2019 Budget has been prepared based on the following assumptions:

- dividend income in 2019 was budgeted assuming similar level of dividends as in 2018, taking into account actual disposals in 2018 (the actual dividend income for the 7 months ended 31 July 2018 was used);
- The collection of dividends from portfolio companies during 2019 is expected to generally follow the previous year collection pattern;
- the portfolio structure will remain constant from 31 July 2018 through 2019;

- all cash available will be invested in money market instruments and the average interest rate during 2019 will be 1% (based on the average interest rates of Fund's bank deposits and Government securities for the period January to July 2018);
- Valuation of unlisted portfolio holdings will remain constant based on the NAV as at 31 July 2018.

1.2. Buy-back programmes

For simplicity purposes, the 2019 Budget was prepared taking into consideration that there will always be a buy-back programme ongoing during the period September 2018 – December 2019 and that no other buy-back will take place in 2019 (except for the ones already approved or subject to shareholders approval), so no other expense related to such transactions will be included in the 2019 Budget.

The 2019 budget includes the assumption that the ninth buy-back programme will be closed at the end of the year 2018, and a new buy-back programme will be approved by the shareholders. The cancellation of shares acquired during the ninth buy-back programme is expected to be on agenda of annual general meeting of shareholders and to be effective during 2019.

The 2019 Budget includes also the assumption regarding the tenth buy-back programme which is subject to shareholders approval on 14 November 2018 and will refer to the acquisition of a 750,000,000 shares starting with 1 January 2019 and which will be closed at the end of year 2019. This buy-back programme implementation will be subject to the availability of the necessary financing sources.

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

Based on the current assumptions used in budget preparation the estimated costs (broker fees, regulatory fees, distribution fees and other related costs) regarding the tenth buy-back programme amount to RON 7.6 million.

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 2019 Budget, and it is impractical to continually update the 2019 Budget, we propose to shareholders to grant the Fund Manager and Investment Manager the power to incur any costs related to any buy-back programmes approved by shareholders, even if this will result in exceeding the total expenses approved in the 2019 Budget. This includes the impact of any potential Tender offer that maybe organised during the period.

1.3. Borrowings

For simplicity purposes, the 2019 Budget was prepared without taking into consideration the financial impact of bank loans/ credit facilities that the Fund contracted in the period 2018 - 2019 for purposes other than investments.

Any bank loan/ credit facility utilisation by the Fund would have an impact on Fund's expenses, such as interest expenses, or other related fees and expenses. According with the current loan agreement extended on 29 June 2018 for a two years period, a commitment fee is payable by the Fund.

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 2019 Budget, and it is impractical to continually update the 2019 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 2019 Budget.

1.4. 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 2019 budget, one distribution to Fund's shareholders in the form of dividend or return of capital is assumed to take place with a minimum amount of RON 0.05 per share.

In case of share capital decrease, the tax treatment of cash distributions 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.

1.5. 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 2018 (until 31 July 2018) has been used as an estimate for the average Fund's share price during 2019. For estimating the *Distribution fee* relating to distributions made by the Fund to shareholders in 2019 (repurchases of Fund shares, repurchases of Fund GDRs and/or Depositary Interests, dividends and returns of share capital), a fee of the 100 basis points of the value of distributions was used.

If the Fund's actual average share price during 2019 exceeds the price used for the 2019 Budget or if additional distributions take place during 2019, 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 2019 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 2019 Budget.

1.6. Other assumptions:

- **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 2018 has been used as an estimate for the average NAV during 2019.

For estimating the depositary bank custody fee, the Fund's portfolio structure as at 31 July 2018 has been used as the basis for the Fund's structure during 2019.

If the Fund's actual NAV, value of assets under custody and/ or trades in 2019 exceed the ones assumed for the 2019 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 2019 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 2019 being higher than those assumed in the 2019 Budget, even if this will result in exceeding the total expenses approved in the 2019 Budget.

- **Foreign exchange rate**

The average RON/Euro exchange rate used in the preparation of the 2019 Budget is 4.6283 RON/Euro, being the National Bank of Romania official exchange rate as at 31 July 2018.

- **Taxation**

All taxes, contribution rates, and computation methodologies are based on the laws in force as at 31 July 2018. 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 2018 and under the assumption that these tax rates will be also in force for the year 2019. 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.

DETAILED ANALYSIS OF BUDGETED INCOME, EXPENSES AND CAPITAL EXPENDITURES

1.1. Income from Current Activity

Net dividend income. The main component of income from current activity in the 2019 Budget is dividend income (represent 99% of total budgeted income).

In the 2019 Budget, the increase of dividend income as compared to the 2018 Budget (by 28%) is mainly due to the higher level of dividends approved for distribution by the Fund's portfolio companies in 2018 compared to 2017:

Portfolio company	2019 Budget net dividend	2018 Budget net dividend	Variance	Reason for variance
Hidroelectrica SA	226,245,815	134,644,264	91,601,552	Increase of dividends in 2018 due to the increase of 2017 profit and due to the Government decision to pay out a minimum of 90% of the 2017 profits.
OMV Petrom SA	107,607,413	91,827,805	15,779,608	Increase of dividends in 2018 due to the increase of 2017 profit
CN Aeroporturi Bucuresti SA	61,193,113	19,187,202	42,005,911	Increase of dividends in 2018 due to the increase of 2017 profit and due to the Government decision to pay out a minimum of 90% of the 2017 profits.
Alro SA	39,010,085	6,863,554	32,146,532	Increase of dividends in 2018 due to the increase of 2017 profit
BRD Groupe Societe Generale SA	34,499,006	17,589,557	17,589,557	Increase of dividends in 2018 due to the increase of 2017 profit
Electrica Group	-	85,889,100	-85,889,100	Companies sold in November 2017
Other	79,247,767	70,425,047	8,822,721	The category "Other" includes other portfolio companies where the actual 2017 profits were higher than the budget estimate.
TOTAL	547,803,200	426,426,528	121,376,672	

BNY Melon income. This represents the second major component of income in the 2019 Budget (approximately 1% of the estimated total income for the year 2019).

This income represents the amount that will be reimbursed by The Bank of New York Mellon from the fees collected from GDR holders for 2018 distribution.

Interest income. This represents the third component of income in the 2019 Budget and was estimated based on the average balance of money market instruments held by the Fund.

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, investment and buybacks activity and trends in the money markets during 2019.

Impairment reversal revenue. In 2019 budget, the revenue from reversal of impairment adjustments and provisions was not estimated as the Fund may distribute dividends during 2019 (similar with 2018).

1.2. Expenses from Current Activity

Overall expenses from current activity are budgeted to decrease by 10% in 2019 as compared to the 2018 Budget, mainly due to the decrease of the third party service providers' expenses.

Third party service providers' expenses (decrease by 13% as compared to the 2018 Budget). This category of expenses is the main component of expenses in the Fund's 2019 Budget, representing approximately 77% of the total budgeted expenses from current activity.

The table below presents the main categories:

Items (RON)	Note	2019 Budget	2018 Budget	Variance RON	Variance (%)
Third party service providers' expenses:		63,166,922	72,583,986	(9,417,064)	-13%
Administration fees	a	45,533,969	53,430,629	(7,896,660)	-15%
Legal and litigation assistance (including stamp duty expenses for litigations)	b	8,970,567	10,172,466	(1,201,899)	-12%
Portfolio holdings valuation	c	1,833,270	1,627,849	205,421	13%
GSM organisation	d	1,071,000	1,071,000	-	0%
Tax compliance and tax advisory	e	641,644	534,476	107,168	20%
Software maintenance and support fees	f	440,702	426,777	13,925	3%
External audit		524,888	503,096	21,792	4%
Trade Register and Official Gazette expenses	g	261,800	261,800	-	0%
Internal audit		187,425	187,425	-	0%
Other third party service expenses	h	3,701,657	4,368,468	(666,811)	-15%

The main changes compared to 2018 Budget for each sub-category are explained below:

- a) *Administration fees (decrease by 15% as compared to the 2018 Budget)*. This is the main expense of the Fund, representing approximately 56% of the total budgeted expenses from current activity:
- Base fees payable to the Fund Manager (0.6% per year) which decreased in 2019 budget compared with 2018 budget due to:
 - Decrease of the Fund's capitalisation as a result of the buy-back performed during 2018 and estimated to be performed in the period 1 August 2018 – 31 December 2019;
 - Net off by the increase in the estimated Fund's share price, upon which these fees are based: the average share price used in 2019 budget preparation was RON 0.9229 per share, while the average share price used in 2018 budget is RON 0.7463 per share;
 - Distribution fee (for distributions made by the Fund to shareholders) is 100 basis points of total distributions made available up to 31 December 2019.

The decrease of the distribution fee is due to the estimated lower level of buy-backs for 2019 compared with 2018 budget end the decrease of the applicable rate in accordance with the management agreement in force starting with 1 April 2018.

The table below presents additional details about the distribution fees and the applicable accounting policy:

Items (RON)	2019 Budget	2018 Budget	Variance RON	Variance (%)
Administration fee:	45,533,969	53,430,629	(7,896,660)	-15%
Recognised in profit and loss	42,753,893	53,430,629	(10,676,736)	-20%
Base fee	39,209,906	43,368,631	(4,158,725)	-10%
Distribution fee for Buy-back programmes	-	5,836,750	(5,836,750)	-100%
Distribution fee for return of capital / dividends	3,543,987	4,225,248	(681,261)	-16%
Recognised in Other comprehensive income	2,780,076	-	2,780,076	100%
Distribution fee for Buy-back programmes	2,780,076	-	2,780,076	100%

Please note that starting with financial year ended 31 December 2017, the distribution fee related to buy-backs is recognised directly in equity together with the value of the underlying shares.

- b) 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).
- c) 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 with the assistance of external valuers, for IFRS reporting and NAV reporting purposes.
- d) 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.
- e) 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.
- f) Software maintenance and support fees. Maintenance and support fees in the 2019 Budget relate to the Fund’s accounting and reporting software and Fund’s website, and to the support to be provided by the software developer in case of system audits.
- g) Trade Register and Official Gazette expenses are related to the fees charged by these institutions, for various actions/ publications required by the law.
- h) Other third party service expenses (decrease by 15% as compared to the 2018 Budget): In the 2019 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. The decrease in the 2019 budget was generated by lower professional services fees, due diligence services expenses and expenses related to third party advise / consultancy.

Commissions and fees (decrease by 5% as compared to the 2018 Budget). This category represents 12% 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 2019 budgeted amount is mainly due to the decrease in NAV in 2019 (RON 9,888,597,477) compared to the one used for 2018 Budget (RON 10,718,672,424).

Investor relations expenses. Investor relations expenses, represent approximately 3% of the 2019 estimated expenses from current activity. 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.

The 2019 Budget was estimated slightly lower as compared to the 2018 Budget and it takes into account any additional potential costs stemming from new regulations, such as MIFID II.

Board of Nominees remuneration. For the 2019 Budget, these expenses include gross remuneration for the Board of Nominees members and the social security, health fund and other contributions payable by the Fund in the name of the Board of Nominees’ members. The contributions and the income tax were estimated according to the regulations in force, in respect of the remuneration of the Board of Nominees (45% of the remuneration).

The higher BON gross remuneration is due to the changes in the fiscal legislation starting with 1 January 2018 and in line with the GSM decision from February 2018 and includes the taxation and all related contributions. The net remuneration of the members of the Board has not been increased.

Starting with 1 January 2018, the main amendments with the impact on the remuneration paid by Fondul Proprietatea to the Board of Nominees members are presented in the table below:

TAXATION IN DECEMBER 2017	Calculation RON/month	TAXATION STARTING WITH 1 JANUARY 2018	Calculation RON/month
Gross Remuneration	RON 20,000	Gross Remuneration	RON 24,123
Social security contributions rates due by the members of the BON:		Social security contributions rates due by the members of the BON:	
▪ 10.50% - pension fund contribution	RON 2,100	▪ 25% - pension fund contribution	RON 6,031
▪ 5.50% - health fund contribution	RON 1,100	▪ 10% - health fund contribution	RON 2,412
Income tax rate - due by the BON member - 16%	RON 2,688	Income tax rate - due by the BON member - 10%	RON 1,568
Net remuneration	RON 14,112	Net remuneration	RON 14,112
Social security contributions rates due by the Fund:		Social security contributions rates due by the Fund:	
▪ 15.80% - pension fund contribution for normal working conditions	RON 3,160	▪ No contribution to be paid by the Fund	RON -
▪ 5.20% - health fund contribution	RON 1,040		
Total social security contributions paid to State Budget (for both BON member & the Fund)			
37.00%	RON 7,400	35.00%	RON 8,443

To summarize, starting with 1 January 2018, the total social charges (35%) and the income tax (10%) are borne by the members of the BoN in Fondul's case. As a reminder, the table below summarizes the gross and net for members of the Board remuneration by comparing the latest two GSM approvals (RON):

Description	October 2015 GSM	February 2018 GSM	Difference
Gross remuneration	20,000	24,123	+4,123
Net remuneration	14,811	14,112	-699

Public relations expenses. Public relations expenses, representing approximately 2% of the 2019 estimated expenses from current activity, are budgeted to a similar level as in 2018. 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 2019 Budget are related to the Fund's accounting and reporting software (both existing and planned developments) and Fund's website.

Insurance expenses. This category includes expenses related to the mandatory liability insurance for the members 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, the deferred tax expense and the withholding tax.

In 2019 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.

The estimated withholding tax generated by the dividends from portfolio companies for which Fondul Proprietatea holds below 10% is included in the line Net dividend income.

In preparing the 2019 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.

3. Capital Expenditure Budget

The 2019 Capital expenditure budget mainly includes the allowance for any additional changes needed for the Fund's additional software developments in 2019 and for any additional changes and developments for the Fund's website (hosting, maintenance, new enhancements, and data feed for GDR prices and BVB share price).

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 2019 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 2019 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 2019 being higher than the ones assumed in the 2019 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 2019 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.