

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

2023 BUDGET FOR FONDUL PROPRIETATEA S.A.

The 2023 Budget of Income, Expenses and Capital Expenditure of Fondul Proprietatea S.A. ("the Fund" or "Fondul Proprietatea") was prepared in September 2022, based on the International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

On 28 January 2022 the Fund's registration process as an alternative investment fund with the FSA was finalised. Starting with this date, the Fund published on the website the [Simplified Prospectus](#) and the [Rules of the Fund](#). Also, additional rules and regulations on expenses started to be applicable to the Fund.

The 2023 Budget presentation was aligned with the new regulatory framework and the Fund's documents, while the 2022 Budget presentation was adjusted for comparison purposes.

The 2023 Budget was prepared using actual information available for the period up to 31 July 2022 and by considering the assumptions presented below.

This budget was approved by the Fund's Board of Nominees on 20 September 2022.

According to the main assumptions of the 2023 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** were not forecasted, as future exchange rates cannot be reasonably estimated.
- **Changes in fair value of financial instruments** were not forecasted, as future stock prices cannot be reasonably estimated.
- **Changes in portfolio** and related effects on the income and expenses of the Fund were not forecasted, as acquisitions, disposals, participation in share capital increases of portfolio companies cannot be reasonably estimated.

Hidroelectrica SA and Salrom SA listing

The 2023 Budget includes an estimate for the costs related to Hidroelectrica SA and Salrom SA listing and does not include any assumptions for the subsequent distributions of cash resulted from the listings. The outcome of the two listings is highly dependent of future actions and circumstances that are not under the control of the Fund. Therefore, no reliable estimate of the two listings size and price can be made at the date of preparing the 2023 Budget. For more details regarding the estimated costs please see the following section, *point 1.1 Investment management related assumptions*.

According to the accounting policy, the distribution fees related to buy-backs and other related costs, such as, brokerage fees and regulatory fees are recognised in other comprehensive income (presented on a separate line).

The *actual net result* of the Fund for 2023 is estimated to be a profit of RON 263.0 million, a decrease of 16% compared with 2022 Budget, generated mainly by the increase of *Expenses related to transactions with portfolio holding*, following the estimated costs related to Hidroelectrica SA and Salrom SA listings.

1. GENERAL ASSUMPTIONS FOR THE 2023 BUDGET

1.1. Investment management related assumptions

Please note that the following assumptions used in the preparation of the 2023 Budget are not necessarily the intended future course of actions of the management of Fondul Proprietatea.

Acquisitions and disposals of equity investments

The 2023 Budget includes an estimate for the costs related to Hidroelectrica SA and Salrom SA listings and does not include any assumptions for the subsequent distributions of cash resulted from the listings.

The estimated expenses are based on a series of assumptions according with the current status of both listings at the date of the 2023 Budget, but the outcome of the two listings is highly dependent of future actions and circumstances that are not under the control of the Fund.

Therefore, no reliable estimate of the two listings size and price can be made at the date of preparing the 2023 Budget.

The 2023 Budget was prepared without taking into consideration the financial impact of **any** potential changes in the portfolio (i.e. acquisitions, disposals, participation in share capital increases of portfolio companies) during the period August 2022 - December 2023.

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.

The planning and execution of acquisitions and disposals of equity investments (including IPO's) 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 2023 Budget.

Nevertheless, given that the Fund Manager is pursuing an active investment strategy, over the year opportunities 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 acquisitions or disposals 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 the power to incur on behalf of the Fund expenses related to the execution of IPO's, acquisitions and disposals of equity investments and participation in share capital increases of portfolio companies, even if this will result in exceeding the total 2023 Budget. These expenses can include 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.

Other investment assumptions

The 2023 Budget has been prepared based on the following assumptions:

- The 2023 annual dividend income was discussed and agreed with the investment management team and the conclusion was that the best approach is to budget based on the portfolio companies' budgets for 2022, if available, and considering a certain dividend pay-out ratio, or at a similar level of dividends as in 2022, and by taking into account actual disposals (for the 7 months ended 31 July 2022);
- No special dividends were estimated (dividends distributed from other sources than the annual profit of portfolio companies);
- The collection of dividends from the portfolio companies during 2023 is expected to generally follow the previous year's collection pattern;
- The portfolio structure will remain constant from 31 July 2022 through 2023;
- All available cash will be invested in short term money market instruments at an average interest rate of 5% (based on the bank estimations for year 2023);
- Valuation of portfolio holdings will remain constant based on the Net Asset Value ("NAV") as at 31 July 2022.

1.2. Buy-back programmes

The 2023 Budget was prepared taking into consideration that there will be one buy-back programme ongoing during the year.

The 2023 Budget includes the assumption that the thirteen buy-back programme will be closed at the end of 2022, and a new buy-back programme will be approved in the same day as this budget paper (the fourteenth buy-back programme). The cancelation of shares acquired during the thirteen buy-back programme is expected to be on the agenda of the annual general meeting of shareholders and to be effective during 2023.

The 2023 Budget also includes the assumption that the fourteen buy-back programmes will be approved by shareholders and will be implemented starting with 1 January 2023 and ending on 31 December 2023. This buy-back programme implementation will be subject to the availability of the necessary own financing resources.

Any buy-back programme of the Fund's shares and their subsequent cancellation may have an impact on the Fund's expenses and equity, 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 2023 Budget, and it is impractical to continually update the 2023 Budget, we propose to shareholders to grant the Fund 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 2023 Budget. This includes the impact of any potential Tender offer that may be organised during the period.

1.3. Borrowings

For simplicity purposes, the 2023 Budget was prepared without taking into consideration the financial impact of potential bank loans/ credit facility utilisations that the Fund may contract in the period August 2022 – December 2023 for purposes other than investments.

Any bank loan/ credit facility commitment and utilisation by the Fund would have an impact on the Fund's expenses, such as interest expenses, 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 2023 Budget, and it is impractical to continually update the 2023 Budget, we propose to shareholders to grant the Fund Manager the power to incur any expenses related to bank loans/ credit facilities contracted by the Fund, even if this will result in exceeding the total expenses approved in the 2023 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 applicable laws and necessary approvals).

For the 2023 Budget, one distribution to the Fund's shareholders is assumed to take place at a minimum amount of RON 0.05 per share in accordance with the Annual Cash Distribution Policy published on the Fund's website at www.fondulproprietea.ro. No other distributions are estimated for 2023 budget, as all are depending on the IPO result during 2023, and any other distributions will be done according with the Investment Policy Statement and Annual Cash Distribution Policy.

1.5. Fund Manager's fees

During the GSM on 29 September 2021, shareholders approved the renewal of the mandate of Franklin Templeton International Services S.à r.l. as the Sole Director of Fondul Proprietatea, also acting as the alternative investment fund manager of Fondul Proprietatea, for a duration of two years starting 1 April 2022.

During the 15 December 2021 GSM the shareholders approved the related Management Agreement with a duration of 2 years (1 April 2022 – 31 March 2024), having the following key commercial terms:

| | |
|---|--|
| Base Fee per year | <ul style="list-style-type: none"> 0.45% |
| Consideration for the Base Fee | <ul style="list-style-type: none"> Weighted average market capitalisation of the Fund |
| Distribution Fee for all distributions | <ul style="list-style-type: none"> 2.50% applied to the value of the distributions during 1 April 2022 – 31 March 2023 and 1.75% applied to the value of the distributions during 1 April 2023 – 31 March 2024 |
| Consideration for the Distribution Fee | <ul style="list-style-type: none"> Share buy-backs and GDR buy-backs Public tender buy-backs Return of share capital and dividends |
| Duration | <ul style="list-style-type: none"> 2 years |

The Management Agreement can be consulted on the website: www.fondulproprietea.ro, in the *Fund Management / Management Agreement* section.

The 2023 Budget was prepared under the assumptions that no changes to the Management Agreement (relevant for the 2023 Budget) will occur up to December 2023.

Considering the aspects mentioned above, for estimating the *Base fee* payable to the Fund Manager, the fee rate used was 45 basis points per year according with the fee structure starting with 1 April 2022 and the Fund's closing share price as at 31 July 2022 was used as an estimate for the Fund's average share price during 2023.

For estimating the *Distribution fee* related to distributions made by the Fund to shareholders in 2023 (repurchases of Fund shares, repurchases of Fund GDRs and/or Depositary Interests, dividends and returns of share capital), the fee rates were:

- 2.50% of the total distributions made available during 1 January 2023 – 31 March 2023 and
- 1.75% of the total distributions made available during 1 April 2023 – 31 December 2023.

If the Fund's actual average share price during 2023 exceeds the price used for the 2023 Budget or if additional distributions take place during 2023, 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 2023 Budget, we propose that shareholders grant the Fund 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 2023 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 average NAV during 2022 (until 31 July 2022) has been used as an estimate for the average NAV during 2023.

For estimating the depositary bank custody fee, the Fund's portfolio structure as at 31 July 2022 (except for the effect of disposals already settled) has been used as the basis for the Fund's structure during 2023.

If the Fund's actual NAV, value of assets under custody and/ or trades in the Fund's portfolio in 2023 exceed the ones assumed for the 2023 Budget, these commissions and fees will be higher 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 2023 Budget, we propose that shareholders grant the Fund 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 NAV, value of assets under custody and/ or trades in Fund's portfolio or additional buy-backs in 2023 being higher than those assumed in the 2023 Budget, even if this will result in exceeding the total expenses approved in the 2023 Budget.

• Foreign exchange rate

The average EUR/RON exchange rate used in the preparation of the 2023 Budget is RON 4.9351 per 1 EUR, being the National Bank of Romania official exchange rate as at 29 July 2022.

• Taxation

This budget was prepared based on a profit tax rate of 16%, dividend withholding tax rate of 8% and a VAT rate of 19%, in accordance with the Fiscal Code in force as at 31 July 2022 (or to come into force during 2023) and under the assumption that these tax rates will be in force for the year 2023.

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.

- **Expenses recharged by the Fund manager**

In preparing the 2023 Budget expenses chargeable to the Fund, the Fund Manager has analysed the provisions of the MA, Fund Rules and Prospectus. The expenses chargeable to Fondul Proprietatea are reasonably allocated to the Fund, being exclusively for the benefit of the Fund and its shareholders and/ or for protecting their interests. All recharged expenses are subject to the approval of the Board of Nominees.

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

A detailed analysis of the 2023 budgeted items by comparison with the 2022 Budget (restated for comparison purposes) is presented below:

| <i>All amounts in RON</i> | Budget 2023 | Budget 2022 (restated) | 2023 Budget vs. 2022 Budget Amount | % |
|--|--------------------|------------------------|------------------------------------|-----------------|
| I. BUDGETED INCOME FROM CURRENT ACTIVITY | 663,623,839 | 404,764,616 | 258,859,223 | 64% |
| Net dividend income | 658,128,682 | 400,538,173 | 257,590,509 | 64% |
| Interest income | 3,594,651 | 1,234,856 | 2,359,795 | >100% |
| BNY Mellon ¹ income | 1,900,506 | 2,991,587 | (1,091,081) | -36% |
| II. BUDGETED EXPENSES FROM CURRENT ACTIVITY | 400,627,378 | 92,963,701 | 307,663,677 | >100% |
| Expenses related to transactions with portfolio holdings | 306,891,257 | 1,233,206 | 305,658,051 | >100% |
| Investment management and administration fees | 55,000,606 | 57,479,391 | (2,478,785) | -4% |
| Commissions and fees (including FSA ² fees) | 14,518,786 | 10,124,244 | 4,394,542 | 43% |
| Legal and litigation assistance (including stamp duty expenses for litigations) | 8,134,445 | 8,135,730 | (1,285) | 0% |
| Audit, portfolio holdings valuation and other professional services | 4,248,930 | 3,409,092 | 839,838 | 25% |
| Board of Nominees and related expenses | 3,970,723 | 3,520,978 | 449,745 | 13% |
| Investor relations and Public relations expenses | 3,924,698 | 3,896,465 | 28,233 | 1% |
| Expenses related to contracts with external service providers | 1,202,770 | 2,346,669 | (1,143,899) | -49% |
| GSM organisation / correspondence with the shareholders / registrar services and services related to distributions to shareholders | 879,433 | 843,128 | 36,305 | 4% |
| Expenses related to taxes and fees owed to the Stock Exchange Authorities | 513,664 | 472,907 | 40,757 | 9% |
| Bank fees and distribution to shareholders fees (including depositary fees) | 476,647 | 676,718 | (200,071) | -30% |
| Other expenses | 865,419 | 825,173 | 40,246 | 5% |
| III. GROSS PROFIT | 262,996,461 | 311,800,915 | (48,812,436) | -16% |
| Income tax | | - | - | - |
| IV. NET PROFIT | 262,996,461 | 311,800,915 | (48,812,436) | -16% |
| Other comprehensive income | | | | |
| Distribution fee and other costs related to buy-backs recognised in other comprehensive income | 8,233,176 | 10,856,188 | (2,623,012) | -24% |
| V. CAPITAL EXPENDITURE | 555,762 | 542,341 | 13,421 | 2% |
| Intangible assets | 555,762 | 542,341 | 13,421 | 2% |

¹ The Bank of New York Mellon – the depositary bank in relation to the global depositary receipts (“GDR”) facility

² Romanian Financial Supervisory Authority

2.1. Income from current activity

Net dividend income

The main component of income from current activity in the 2023 Budget is dividend income (representing 99% of the total budgeted income). The 2023 dividend income is estimated based on the portfolio companies' budgets for 2022, if available, and/ or considering a certain dividend pay-out ratio, or the level of dividends as in 2022. The actual disposals for the 7 months ended 31 July 2022 were considered (i.e. no subsequent disposals were assumed) while any special dividends were excluded.

The main factors for the 64% increase in dividend income as compared to the 2022 Budget are detailed in the table below.

| Portfolio company | Budget 2023 Net dividends | Budget 2022 Net dividends | Variance | Reason for variance |
|---|------------------------------|------------------------------------|----------|---|
| <i>All amounts in RON</i> | | | | |
| Hidroelectrica SA | 564,601,016 | 256,552,599 | 120% | Similar level of dividends as approved in 2022. In 2022 the dividend increased due to higher 2021 profit compared with the estimates. The 2022 budget assumption was a similar dividend level as approved in 2021. |
| OMV Petrom SA | 60,458,464 | 88,753,939 | -32% | Similar level of dividend per share as approved in 2022: RON 0.0341 per share, considering an increase of 5% according with OMV Petrom dividend policy. The decrease of total amount was due to the partial disposal of the holding in OMV Petrom in January 2022 (assumption not included in 2022 Budget). |
| Societatea Nationala a Sariei SA | 32,459,069 | 10,943,668 | 197% | Increase in dividends in the 2023 Budget due to the increase of the 2022 budgeted profit approved by the company's shareholders. |
| ENGIE Romania SA | - | 17,941,285 | -100% | No dividends budgeted for 2022 |
| E-Distributie Muntenia SA | - | 11,518,078 | -100% | No dividends budgeted for 2022 |
| ENEL Energie Muntenia SA | - | 4,800,019 | -100% | No dividends budgeted for 2022 |
| CN Administratia Porturilor Maritime SA | - | 3,924,999 | -100% | No dividends budgeted for 2022 |
| E-Distributie Banat SA | - | 3,693,510 | -100% | No dividends budgeted for 2022 |
| Enel Energie SA | - | 1,800,000 | -100% | No dividends budgeted for 2022 |
| Other | 610,133 | 610,076 | | |
| TOTAL | 658,128,682 | 400,538,173 | | |

Interest income

This represents the second component of income in the 2023 Budget and was calculated based on the estimated available cash which will be invested in short term money market instruments. The increase in the budgeted amounts is mainly driven by the increase in the applicable interest rates. Please see the general assumptions section for the interest rate used in the 2023 Budget preparation.

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, distributions, investment and buy-backs activity and trends in the money markets during 2023.

BNY Mellon income

This represents the third component of income in the 2023 Budget (less than 1% of the estimated total income for the year 2023).

This income represents the amount that will be reimbursed by The Bank of New York Mellon from the fees collected from GDR holders related to the 2022 distribution. The estimated amount is based on the shares held by The Bank of New York Mellon as at Record Date from June 2022 dividend distribution (a lower number of shares as compared with the estimated amount from 2022 Budget).

2.2. Expenses from current activity

In addition to the presentation changes driven by the regulatory framework, the overall expenses from current activity increased mainly due to the listing Budget. The rest of the expenses are generally estimated in line with 2022 budget assumptions and the main categories are further detailed below.

a) Expenses related to transactions with portfolio holdings

This category representing 77% of the total budgeted expenses comprises expenses related to intermediaries and advisors including related to the financial advisory services in connection with the trading, issue, purchase, sale or transfer of listed and unlisted securities or financial instruments from the Fund's portfolio, and fees and commissions due to relevant market operators. This caption also includes various advisors' expenses in connection with portfolio companies' activities.

The 2023 Budget includes under this caption an estimated budget of RON 305.7 million related to the listing of portfolio companies. The estimated budget was prepared based on a series of assumptions available at the budget date and the actual expenses may differ significantly based on the final outcome of the transactions.

The Fund manager will include information on the actual level of expenses in the periodical reports. We propose to shareholders to grant the Fund Manager the power to incur on behalf of the Fund expenses related to the execution of IPO's and disposals of equity investments, even if this will result in exceeding the total 2023 Budget. These expenses can include intermediary fees of brokers or investment banks, market authorities' fees, lawyers, public notaries, other advisors' costs / services providers, as well as other related expenses, commissions or fees.

b) Investment management and administration fees

This expense represents approximately 14% of the total budgeted expenses from current activity.

The table below presents additional details regarding the investment management and administration fees and the applicable accounting policy:

| | Budget 2023 | Budget 2022 | 2023 Budget vs. 2022 Budget | |
|--|-------------------|-------------------|--------------------------------|-------------|
| <i>All amounts in RON</i> | | | Amount | % |
| Recognised in profit or loss | 55,000,606 | 57,479,391 | (2,478,785) | -4% |
| Base fee | 50,074,378 | 50,355,151 | -280,773 | -1% |
| Distribution fee for cash distributions to shareholders | 4,926,228 | 7,124,240 | (2,198,012) | -31% |
| Recognised in other comprehensive income | 7,865,038 | 10,410,877 | (2,545,839) | -24% |
| Distribution fee for buy-back programmes | 7,865,038 | 10,410,877 | (2,545,839) | -24% |
| Total investment management and administration fees | 62,865,644 | 67,890,268 | -5,024,624 | -7% |

The **base fee** estimation for 2023 budget is almost at the same level compared with 2022 budget. Compared with 2022 budget the 2023 budget use a higher estimated Fund's share price, upon which these fees are based: the average share price used in the 2023 Budget is RON 1.9820 per share, while the average share price used in the 2022 Budget is RON 1.8200 per share, although the positive effect of the higher share price was offset by the lower applicable rate, in accordance with the Management Agreement in force.

The **distribution fee for cash distributions to shareholders** decreased in the 2023 Budget following the lower number of estimated shares at the record date, and due to the decreased rate applied to the value of the distributions according with the Management Agreement in force. For the purpose of the 2023 Budget a rate of 1.75% was applied to the annual distribution budgeted in accordance with the Annual Cash Distribution Policy (for 2022 Budget the rate was 2.5%).

The **distribution fee for buy-back programmes** payable to the Fund Manager decreased in the 2023 Budget compared with the 2022 Budget mainly due to the lower level of daily buybacks (the average daily buybacks used in the 2023 Budget is 0.82 million shares compared to 1.1 million in the 2022 Budget) and due to the decreased rate applied to the value of the distributions according with the management agreement in force (please see section *Fund Manager's fees*), net off by the increase in the estimated Fund's share price, upon which these fees are based (the average share price used in the 2023 Budget is RON 1.9820 per share compared to RON 1.8200 per share in the 2022 Budget).

c) Commissions and fees (including FSA fees)

This category represents 4% of the Fund's budgeted expenses from current activity and includes mainly FSA monthly fees (98% from the total Commissions and fees) estimated based on NAV (0.0936% of NAV per year). The 43% increase in FSA fees as compared to the 2022 Budget is mainly due to the increase in NAV during 2023 (RON 15,190,775,159) compared to the one used for the 2022 Budget (RON 10,775,046,958).

This caption also includes Central Depositary fees, notary fees and other regulatory fees.

d) Legal and litigation assistance expenses (including stamp duty expenses for litigations).

These expenses, representing 2% 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/ takes part to defend its interests as well as government relations strategy costs.

e) Board of Nominees and related expenses

| | Budget 2023 | Budget 2022 | 2023 Budget vs. 2022 Budget Amount | % |
|--|------------------|------------------|--|------------|
| <i>All amounts in RON</i> | | | | |
| Board of Nominees remuneration | 1,703,566 | 1,447,380 | 256,186 | 18% |
| Insurance expenses | 597,147 | 542,828 | 54,319 | 10% |
| Other expenses BoN (including transportation and accommodation for taking part in Board meetings and GSMs) | 939,644 | 939,586 | 58 | 0% |
| Advisory fees expenses | 730,366 | 591,184 | 139,182 | 24% |
| Board of Nominees and related expenses | 3,970,723 | 3,520,978 | 449,745 | 13% |

The Board of Nominees and related expenses represent 1% of the total budgeted expenses from current activity.

Board of Nominees remuneration expenses for the 2023 Budget represent the gross remuneration for the Board of Nominees members which includes the social security, health fund and other contributions payable by the Fund in the name of the Board of Nominees' members.

The estimated cost includes the increase in remuneration according with the Board proposal to shareholders. Additional details regarding the proposed remuneration increase are included in the corresponding GSM documentation. The contributions and the income tax in respect of the remuneration of the Board of Nominees were estimated according to the regulations in force.

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

Other expenses related to Board of Nominees include expenses regarding the transportation and accommodation for taking part in Board meetings and GSMs (including for FT employees) and payroll services for BoN. Advisory fee expense for the BoN may include various agreements with professional advisors that the BoN can appoint for the interest of the Fund.

f) Audit, portfolio holdings valuation and other professional services.

| | Budget 2023 | Budget 2022 | 2023 Budget vs. 2022 Budget Amount | % |
|--|------------------|------------------|--|------------|
| <i>All amounts in RON</i> | | | | |
| Portfolio holdings valuation | 2,908,153 | 2,255,691 | 652,462 | 29% |
| External audit | 712,246 | 542,169 | 170,077 | 31% |
| Internal audit | 105,854 | 91,523 | 14,331 | 16% |
| Other professional services | 522,677 | 519,709 | 2,968 | 1% |
| Audit, portfolio holdings valuation and other professional services | 4,248,930 | 3,409,092 | 839,838 | 25% |

These expenses, representing 1% of the total budgeted expenses, include mainly expenses related to the audit and valuation of certain unlisted equity investments of the Fund performed with the assistance of external valuers, for IFRS reporting and NAV reporting purposes. The external audit budgeted amounts for 2023 also include the additional fees for EY to be approved by shareholders in accordance with the supporting GSM documentation.

Other professional services mainly include the costs of various reports issued by professional service providers for regulatory purposes (e.g treasury shares cancelation, related parties transactions) or on various reporting and regulatory topics relevant for Fondul.

g) Investor relations (IR) and Public relations expenses (PR)

| | Budget 2023 | Budget 2022 | 2023 Budget vs. 2022 Budget Amount | % |
|---|------------------|------------------|--|-----------|
| <i>All amounts in RON</i> | | | | |
| Investor relations expenses | 2,551,057 | 2,376,100 | 174,957 | 7% |
| Public relations expenses | 1,373,641 | 1,520,365 | (146,724) | -10% |
| Investor relations and Public relations expenses | 3,924,698 | 3,896,465 | 28,233 | 1% |

These expenses represent approximately 1% of the 2023 estimated expenses from current activity. The budgeted expenses regarding these categories include expenses in the interest of protecting and promoting the image of the Fund and its securities.

IR expenses are required for any listed company and cover the broad costs to effectively communicate with the Fund's existing investors, as well as attracting new investors to the equity story of the Fund. The IR efforts have been one of the cornerstones in the Discount Control Mechanism, being very effective in maintaining a high investor interest in the Fund despite many significant negative political developments and challenging regulations.

IR expenses include mainly road-shows costs (e.g. travel, accommodation, event organisation, partnerships), investor's days costs, quarterly events costs, other special events, website and technology expenses.

The Fund's **PR activities** are designed to increase the visibility of Fondul Proprietatea in the media and inform the public about its business objectives, including implementation of better corporate governance in portfolio companies, listings of portfolio companies and development of the stock exchange. Throughout the communication efforts, the media was exposed to various irregularities in portfolio companies, generating media pressure, which in turn determines the main shareholder, the Romanian State to act differently. Communication activities support unlocking the real potential of portfolio companies, thus being in the interest of the Fund's shareholders. Also, presenting the Fund in the international media as an attractive investment opportunity in Romania contributes to educating the international public about the Fund and potentially attracting new investors to the Fund.

PR expenses include mainly PR agency costs, press conferences, seminars, round tables, private or public events, media monitoring services, international PR events and services for promoting Fondul Proprietatea.

h) Expenses related to contracts with external service providers.

The main component of this category is **Tax compliance and tax advisory expenses** which represent 48% from the total expenses related to contracts with external service providers. It includes tax compliance services relating to tax return filings and tax advisory services for specific, one-off or complex tax issues.

Other expenses include in this category are expenses with utilities and rent expenses, software maintenance / support fees and amortisation expenses, in the interest of the Fund.

i) General Shareholders Meetings organisation expenses/ correspondence with shareholders/ registrar services and distribution related services.

The main component of this category is related to GSM organisation (represent 82% from the total category), such as hiring a venue, advertisement, copying documents, fees for registration of share capital changes and other organisational costs.

j) Expenses related to taxes and fees owed to the Stock Exchange Authorities

The main component of this category is related to London Stock Exchange fees (represents 71% from the total category) which include the annual fee for maintaining the Fund's GDRs and the costs of publication of current reports on LSE.

k) Bank fees and distribution to shareholders fees (including depositary fees).

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

No finance related costs (interest or fees) were estimated for 2023 Budget preparation.

l) Other expenses

| | Budget 2023 | Budget 2022 | 2023 Budget vs. 2022 Budget Amount | % |
|---|----------------|----------------|--|-----------|
| <i>All amounts in RON</i> | | | | |
| Trade Register and Official Gazette expenses | 287,980 | 261,800 | 26,180 | 10% |
| Other third-party service providers' expenses | 577,439 | 563,373 | 14,066 | 2% |
| Other expenses | 865,419 | 825,173 | 40,246 | 5% |

The Other expenses include professional services related to ongoing reporting and disclosure obligations according to legislation in force (Trade Register and Official Gazette), broker fees to act as UK corporate broker – retainer fee, professional typesetter and printer expenses for the annual report, publications in newspapers required by legislation (reports and availability of reports, tender announcements).

m) Income tax expense.

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

In the 2023 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, 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 Net dividend income category (i.e. net basis presentation).

3. CAPITAL EXPENDITURE BUDGET

The 2023 Capital expenditure budget mainly includes the allowance for any changes needed for the Fund's software systems in 2023 and for any 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 ASSUMPTIONS FOR THE 2023 BUDGET”, due to the fact that it is difficult, if not impossible, to estimate reasonably certain types of expenses, and it is impractical to continually update the 2023 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 2023 being higher than the ones assumed in the 2023 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 (including listing projects) 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 2023 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.