

To: Fondul Proprietatea SA Ordinary General Shareholders' Meeting

2024 BUDGET FOR FONDUL PROPRIETATEA SA

1. GENERAL CONSIDERATIONS ON 2024 BUDGET

The 2024 Budget of Income, Expenses and Capital Expenditure of Fondul Proprietatea SA (“the Fund” or “Fondul Proprietatea”) was prepared in January 2024, based on the International Financial Reporting Standards as endorsed by the European Union (“IFRS”).

The income and expenditure captions presented in 2024 Budget may differ from the ones included in the Fund’s IFRS financial statements, due to the different presentation purpose.

The current 2024 Budget paper was prepared using a new presentation of budgeted income and expense items, which differs from the 2023 Budget presentation. For comparability, the 2023 Budget captions have been re-mapped to the new categories.

On 28 January 2022 the Fund’s registration process as an alternative investment fund with the Financial Supervisory Authority (“FSA”) was finalised. Starting with this date, the Fund published on the website the [Simplified Prospectus](#) and the [Rules of the Fund](#), which, among others, contain additional rules and regulations on expenses applicable to the Fund. The 2024 Budget observes all the relevant regulatory requirements and the Fund’s documents.

Franklin Templeton International Services S.à r.l. (“Fund Manager” or “FTIS”) is actively managing Fondul Proprietatea according to the Management Agreement in force between 1 April 2022 – 31 March 2024, and with the Investment Policy Statement in place. During 25 September 2023 General Shareholders Meeting (“GSM”), the shareholders approved the extension of FTIS mandate for one year (i.e. 1 April 2024 – 31 March 2025).

The Fund’s 2024 Budget was prepared based on the assumption that during 2024 the Fund would be managed and operated under similar terms compared to the mandate expiring on 31 March 2024, as reflected in the draft Management Agreement for the period 1 April 2024 – 31 March 2025, which is subject to shareholders approval during the same GSM as the 2024 Budget of the Fund.

The 2024 Budget was prepared based on actual information available up to 31 December 2023 and using the assumptions presented in the current budget paper.

Please note that the assumptions used in the preparation of the 2024 Budget are not necessarily the intended future course of action of Fondul Proprietatea management.

In estimating the 2024 budgeted expenses chargeable to the Fund, the Fund Manager has analysed the provisions of the Management Agreement (in force and the proposed one), 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. In addition, all expenses incurred by FTIS for the Fund’s benefit and subsequently recharged to the Fund are subject to Board of Nominees approval.

According to the main assumptions of 2024 Budget, certain categories of income and expenses cannot be budgeted as their evolution cannot be reasonably estimated. The main **unbudgeted categories** are:

- Foreign exchange gains or losses;
- Special dividends from portfolio companies;
- Changes in fair value of financial instruments;
- Changes in portfolio and related effects on the income and expenses of the Fund.

According to the Fund's accounting policy, the **costs related to buy-backs** (including distribution fees and other related costs, such as, brokerage fees and regulatory fees) are recognised in other comprehensive income. These are presented in a separate section of the Fund's 2024 Budget.

The **foreign exchange rates** for EUR, USD and GBP used in the preparation of 2024 Budget are the official exchange rates published by the National Bank of Romania as at 29 December 2023.

This budget was approved by the Fund's Board of Nominees on 5 February 2024.

2. OVERVIEW OF THE BUDGETED INCOME, EXPENSES AND CAPITAL EXPENDITURE

The **budgeted net result** for 2024 is estimated to be a profit of RON 28.3 million, a decrease of 89% vs. 2023 Budget, generated mainly by the decrease in *Net dividend income* following the disposal of the entire Fund's stake in Hidroelectrica SA during 2023. A detailed analysis of the 2024 budgeted items by comparison with the 2023 Budget is presented in the following sections.

<i>All amounts in RON</i>	Budget 2024	Budget 2023 (Re-mapped)	Variance 2024 Budget vs. 2023 Budget	
	RON	RON	RON	%
I. BUDGETED INCOME FROM OPERATING ACTIVITY	105,004,570	663,623,839	(558,619,269)	-84%
Net dividend income	94,189,166	658,128,682	(563,939,516)	-86%
Interest income	10,815,404	3,594,651	7,220,753	>100%
Other income (e.g. BNY Mellon income ¹)	-	1,900,506	(1,900,506)	-100%
II. BUDGETED EXPENSES FROM OPERATING ACTIVITY	52,801,975	94,910,675	(42,108,700)	-44%
Administration fees recognised in profit or loss	29,992,685	55,000,606	(25,007,921)	-45%
Board of Nominees related expenses	6,481,763	3,970,723	2,511,040	63%
Taxes, fees, and commissions	4,094,816	15,699,152	(11,604,336)	-74%
Legal and litigation assistance	3,425,921	7,786,595	(4,360,674)	-56%
Valuation and other portfolio related expenses	2,487,716	4,103,262	(1,615,546)	-39%
Audit and other regulatory reporting expenses	2,202,596	2,083,478	119,118	6%
Investor relations expenses	1,218,407	2,635,057	(1,416,650)	-54%
Public relations expenses	992,628	1,373,641	(381,013)	-28%
GSM organisation and other shareholder related expenses	833,614	761,355	72,259	9%
Other expenses	1,071,830	1,496,806	(424,976)	-28%
III. GROSS BUDGETED OPERATING PROFIT	52,202,595	568,713,164	(516,510,569)	-91%
Expenses related to listing of portfolio holdings	8,246,807	305,716,703	(297,469,896)	-97%
III. GROSS BUDGETED PROFIT	43,955,788	262,996,461	(219,040,673)	-83%
Income tax expense	15,618,089	-	15,618,089	100%
IV. NET BUDGETED PROFIT	28,337,699	262,996,461	(234,658,762)	-89%
BUY-BACK PROGRAMME COSTS - REGONISED IN EQUITY	16,596,841	8,233,176	8,363,665	>100%
Distribution fees recognised in equity for buy-back programmes	8,846,600	7,865,038	981,562	12%
Other costs related to buy-back programmes	7,750,241	368,138	7,382,103	>100%
CAPITAL EXPENDITURE	153,914	555,762	(401,848)	-72%
Capital expenditure	153,914	555,762	(401,848)	-72%

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

3. Budgeted income from operating activity

3.1. Net dividend income

The main component of income from operating activity in the 2024 Budget is the net dividend income (90% of the total budgeted income). The 2024 annual dividend income was discussed and agreed with the investment management team and the conclusion was that the best approach is to budget it based on the actual dividends approved and collected from the portfolio companies during 2023, also taking into account actual disposals until 31 December 2023. No special dividends were estimated (dividends distributed from other sources than the annual profit of portfolio companies).

The total net dividend income for 2024 was estimated at RON 94.2 million, and the most important amounts are related to the dividends from Societatea Nationala a Sarii SA, CN Aeroporturi Bucuresti SA and CN Administratia Porturilor Maritime SA.

The main factor for the 86% decrease in dividend income compared to 2023 Budget is represented by the disposal of Fund's entire stake in Hidroelectrica SA in 2023, resulting in no dividends to be collected from this company in 2024.

3.2. Interest income

This represents the second component of income in 2024 Budget and was calculated based on the estimated cash available to be invested in short term money market instruments and an average interest rate of 5%.

The increase in budgeted amounts is mainly driven by the increase in the estimated interest-bearing cash balances in 2024 Budget compared to 2023 Budget. On 22 December 2023 the Fund, as seller, and GDF International SA, as purchaser, entered into an agreement for the sale of the entire shareholding in Engie Romania SA in exchange for a total consideration of RON 432.6 million. The completion of the sale under the agreement is subject to the Fund's shareholders' approval during 13 February 2024 GSM. The Fund's 2024 Budget is prepared based on the assumption that the transaction would be completed by the end of February 2024.

It is important to note that these estimates may differ substantially from actual values depending on the changes in the portfolio asset allocation, distributions, investment and buy-back activities and money market trends during 2024.

3.3. BNY Mellon income

This represents the third component of budgeted income, estimated to be nil in 2024. This is due to the fact that the total number of GDRs outstanding at 31 December 2023 is below the minimum threshold above which the Fund is entitled to be reimbursed by The Bank of New York Mellon with part of the fees collected from GDR holders.

4. Budgeted expenses from operating activity

The estimated expenses from operating activity decreased in 2024 Budget compared to 2023 Budget mainly as a result of the reduction in the Fund’s market capitalisation, following: (1) the completion of Hidroelectrica SA IPO and the distribution to shareholders of the related proceeds of RON 9.2 billion and (2) the completion of the 14th buy-back programme in which the Fund bought back 2.1 billion own shares for a total amount of RON 1.84 billion.

Generally, the expenses in 2024 Budget are estimated to be lower than 2023 Budget, in line with the contractual provisions currently in force, based on the assumptions corresponding to the new size of the Fund and assuming the Fund will be managed under the provisions of the IMA subject to shareholders’ approval.

The main expense categories are further detailed below.

4.1. Administration fees

During 15 December 2021 GSM, the shareholders approved the Management Agreement in force at the date of preparing this memo for the period 1 April 2022 – 31 March 2024 (“*Current Management Agreement*”), which can be consulted on the Fund’s website, in section [Fund Management/ Management Agreement](#).

During 25 September 2023 GSM the shareholders approved the renewal of FTIS mandate as Sole Director and AIFM of Fondul Proprietatea SA for a duration of 1 year (1 April 2024 - 31 March 2025). The related draft Management Agreement for the period 1 April 2024 – 31 March 2025 (“*New Management Agreement*”) is subject to shareholders approval during the same GSM as this budget paper and it can be consulted on the Fund’s website, in the section [Investor Relations/ GSM Information](#).

The table below presents the key commercial terms of both the Current Management Agreement and New Management Agreement:

Key commercial terms	Current Management Agreement (1 Apr 2022 – 31 Mar 2024)	New Management Agreement (1 Apr 2024 – 31 Mar 2025)
Base Fee per year	<ul style="list-style-type: none"> • 0.45% 	<ul style="list-style-type: none"> • 2.0%
Consideration for the Base Fee	<ul style="list-style-type: none"> • Weighted average market capitalisation of the Fund 	<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 distributions value during 1 Apr 2022 – 31 Mar 2023 • 1.75% applied to distributions value during 1 Apr 2023 – 31 Mar 2024 	<ul style="list-style-type: none"> • 1.75% applied to distributions value during 1 Apr 2024 – 31 Mar 2025
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 	<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 	<ul style="list-style-type: none"> • 1 year (up to 31 March 2025)

The 2024 Budget was prepared under the assumption that the Fund’s shareholders would approve the New Management Agreement during the same GSM as this budget paper.

Also, it is assumed that no changes to the New Management Agreement relevant for the 2024 Budget will occur up to 31 December 2024.

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

<i>All amounts in RON</i>	Budget 2024	Budget 2023 (Re-mapped)	Variance 2024 Budget vs. 2023 Budget	
	RON	RON	RON	%
Administration fees recognised in profit or loss	29,992,685	55,000,606	(25,007,921)	-45%
Base fee	29,992,685	50,074,378	(20,081,693)	-40%
Distribution fee for cash distributions to shareholders	-	4,926,228	(4,926,228)	-100%
Administration fees recognised in other comprehensive income	8,846,600	7,865,038	981,562	12%
Distribution fee for buy-back programmes	8,846,600	7,865,038	981,562	12%
Total administration fees	38,839,285	62,865,644	(24,026,359)	-38%

The **Base fee** payable to the Fund Manager during 2024 was estimated using the Fund's BVB share closing price as at 29 December 2023 and (1) a base fee rate of 45 basis points per year for the first quarter of 2024/ (2) a base fee rate of 200 basis points per year for the second, third and last quarters of 2024.

The base fee estimated in 2024 Budget is 45% lower compared to 2023 Budget, mainly because of the significant decrease in the Fund's market capitalisation during 2023, which was partially offset by the increase in the base fee rate detailed above, applicable during 1 April 2024 – 31 December 2024.

The **Distribution fee** for distributions to shareholders to be made by the Fund in 2024 was estimated based on a distribution fee rate of 1.75%.

During 2023, the Fund's Annual Cash Distribution Policy was amended, eliminating the minimum annual distribution of RON 0.05 per share. There are no cash distributions to shareholders estimated in the 2024 Budget. As a result, the **Distribution fee for cash distributions** to shareholders was estimated to nil in 2024 Budget. Any cash distributions during the year will be performed according with the Investment Policy Statement and Annual Cash Distribution Policy of the Fund and will be subject to applicable law and necessary approvals, to any restrictions under Romanian legal or tax regulations and subject to available financing sources.

For more details regarding the budgeted **Distribution fee for buy-back programmes**, please see section *Buy-Back Programme Costs*.

If the Fund's actual share price during 2024 exceeds the price used in the 2024 Budget or if dividend distribution or addition distributions as buybacks take place during 2024, the Fund Manager's fees will be higher than budgeted.

Because it is difficult, if not impossible, to estimate reasonably these expenses, and it is impractical to continually update the 2024 Budget, we propose that shareholders grant the Fund Manager the power to exceed the expenses budgeted for administration fees, even if this will result in exceeding the total expenses approved in the 2024 Budget.

4.2. Board of Nominees related expenses

The Board of Nominees related expenses represent 12% of the total budgeted expenses from operating activity and the table below includes details regarding the most important expense sub-categories.

<i>All amounts in RON</i>	Budget 2024	Budget 2023 (Re-mapped)	Variance 2024 Budget vs. 2023 Budget	
	RON	RON	RON	%
Advisory services	3,629,262	669,375	2,959,887	>100%
Board of Nominees remuneration	1,703,556	1,703,566	(10)	0%
Insurance expenses	597,147	597,147	-	-
Travel expenses for taking part in Board meetings and GSMs	432,250	939,644	(507,394)	-54%
Other expenses	119,547	60,991	58,556	96%
Board of Nominees related expenses	6,481,763	3,970,723	2,511,040	63%

The significant increase in budgeted expenses with **advisory services** in 2024 is mainly due to the estimated costs with professional services for the organisation of the selection process of the Fund's fund manager starting with 1 April 2025, as approved by the shareholders during the 25 September 2023 GSM.

Board of Nominees remuneration expenses for the 2024 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 according to the regulations in force. The estimates were prepared based on the provisions of the mandate agreements currently in force and assuming a full five-person board with no vacancies throughout the year.

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

Other expenses include the cost with the IT platform used for exchanging board documentation and payroll services for Board of Nominees.

4.3. Taxes, fees and commissions

This category represents 8% of the Fund's budgeted expenses from operating activity and the table below includes details regarding the most important expense sub-categories.

<i>All amounts in RON</i>	Budget 2024	Budget 2023 (Re-mapped)	Variance 2024 Budget vs. 2023 Budget	
	RON	RON	RON	%
FSA fees	2,749,662	14,218,566	(11,468,904)	-81%
Corporate brokerage services related to LSE listing	434,488	443,594	(9,106)	-2%
LSE listing fees	467,076	365,291	101,785	28%
Central Depository and Paying Agent fees for distributions to shareholders	140,922	64,126	76,796	>100%
BVB annual listing fee	80,582	64,373	16,209	25%
Other taxes and fees	222,086	543,202	(321,116)	-59%
Taxes, fees and commissions	4,094,816	15,699,152	(11,604,336)	-74%

The monthly **FSA fees** (0.0936% per year or 0.0078% per month) were estimated based on NAV at 31 December 2023. The significant decrease in 2024 budgeted amount relates to the Fund's total NAV reduction following Hidroelectrica SA IPO in 2023 and subsequent distributions to shareholders.

The **corporate brokerage services related to LSE listing** include the broker retainer fee to act as UK corporate broker for the Fund and the budget is based on the agreements in place.

LSE listing fees include the annual fee for maintaining the Fund's GDRs and the publication costs with the current reports on LSE, and these were estimated based on the list of fees published by LSE during January 2024.

Other taxes and fees include depositary bank fees for custody services and certifying monthly NAV calculation, bank charges, Central Depository annual fee for maintaining the Fund's shares, and other fees and their decrease is generally in line with the new size of the Fund.

If the Fund's actual NAV, value of assets under custody and/ or trades in the Fund's portfolio during 2024 exceed the values used in 2024 Budget, these commissions and 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 2024 Budget, we propose that shareholders grant the Fund Manager the power to exceed the expenses budgeted for FSA fees and Depositary bank fees, to the extent that the overruns arise from the Fund's actual NAV, value of assets under custody, trades in Fund's portfolio or buy-backs in 2024 being higher than those assumed in the 2024 Budget, even if this will result in exceeding the total expenses approved in the 2024 Budget.

4.4. Legal and litigation assistance

These expenses, representing 6% of the total budgeted expenses from operating 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.

4.5. Valuation and other portfolio related expenses

These expenses, representing 5% of the total budgeted expenses from operating activity include mainly the cost with the external valuation service providers that assist the Fund in the valuation of certain portfolio holdings, for IFRS reporting and NAV reporting purposes. The 2024 budgeted valuation expenses were estimated based on the contractual provisions currently in force and considering the internal procedures regarding the periodic valuation updates. The Fund Manager will continue to closely monitor the evolution of financial markets and that of the specific industries the portfolio holdings operate in, and for each NAV reporting date will assess if an updated valuation is required.

The caption also includes expenses related to advisory services from professional firms on various topics, in connection with portfolio companies.

4.6. Audit and other regulatory reporting expenses

These expenses represent 4% of the total budgeted expenses from operating activity and generally have been estimated based on the contractual provisions currently in force/ similar engagements in the past. The caption mainly includes the external statutory audit fees for EY, the internal audit fees for Mazars, regulatory and reporting engagements requested from the auditor (e.g. treasury shares cancellation report, related party transactions report), technical and regulatory assistance from professional service providers, tax assistance and tax compliance services, as well as other services related to ongoing reporting and disclosure obligations of the Fund.

4.7. Investor relations expenses

These expenses represent approximately 2% of the 2024 budgeted expenses from operating activity and include expenses incurred for protecting and promoting the image of the Fund and its securities.

IR expenses are necessary 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.

4.8. PR expenses

These expenses represent approximately 2% of the 2024 budgeted expenses from operating activity and are intended 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 capital market.

Throughout the communication efforts, the media is 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, services related to media trips for promoting Fondul Proprietatea.

4.9. GSM organisation and other shareholder related expenses

The main component of this category is related to GSM organisation costs, such as hiring a venue, advertisement, copying documents, and other organisational costs. In addition, this category includes costs with shareholders' correspondence, mailing and printing.

4.10. Other expenses

The Other expenses caption includes government relation strategy costs, expenses with rent and utilities, software maintenance fees and amortisation expenses, archiving costs and translation expenses. The budgeted amounts have generally been estimated based on the contractual provisions currently in force.

4.11. Income tax expense and other tax considerations

The 2024 budget was prepared based on a profit tax rate of 16%, dividend withholding tax rate of 8%, a VAT rate of 19%, and a minimum corporate tax of 1% on adjusted turnover, in accordance with the fiscal requirements in force at 31 December 2023 and under the assumption that these tax rates will be in force throughout 2024.

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.

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

In the 2024 Budget the current tax expense is mainly related to (1) the interest income from placing available cash in money market instruments (2) the potential changes in fair value and potential transactions with

holdings in which the Fund owns below 10% of the company and/ or the holding period is less than 1 year and (3) other taxable elements that may arise during the regular operations of the Fund.

The 2024 Budget is prepared based on the assumption that the Fund will not be subject to the minimum corporate tax in 2024.

Deferred tax expenses were not budgeted.

Generally, the estimated withholding tax generated by the dividends from portfolio companies in which Fondul Proprietatea holds below 10% or the holding period is less than 1 year is included in the Net dividend income caption (i.e. net basis presentation).

Due to the fact that it is impossible to estimate reasonably the income tax expense, the withholding tax on dividends, the minimum corporate tax and other income taxes that might be imposed to the Fund in a period extending 12 months forward from the date of 2024 Budget preparation, and it is impractical to continually update the 2024 Budget, we propose shareholders to grant the Fund Manager the power to incur any expenses related to income tax expense, withholding tax on dividends, minimum corporate tax and other income taxes, even if this will result in exceeding the total expenses approved in the 2024 Budget.

4.12. Borrowings

2024 Budget was prepared assuming no financial impact from bank loans/ credit facilities in 2024.

Any bank loan/ credit facility commitment and utilisation by the Fund would have an impact on the Fund's expenses (interest expenses and/ 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 12 months forward from the date of 2024 Budget preparation, and it is impractical to continually update the 2024 Budget, we propose 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 2024 Budget.

5. EXPENSES RELATED TO PORTFOLIO HOLDINGS

On 22 December 2023 the Fund, as seller, and GDF International SA, as purchaser, entered into an agreement for the sale of the entire shareholding in **Engie Romania SA** in exchange for a total consideration of RON 432.6 million. The completion of the sale under the agreement is subject to the Fund's shareholders' approval during 13 February 2024 GSM.

Also, during the same GSM, a generic mandate is requested from the Fund's shareholders for disposals up to 40% of the Fund's equity portfolio. If the mandate is approved, the Fund Manager would be able to engage in negotiations with interested parties and potentially dispose of holdings in the portfolio up to the limit of 40% of Fondul's financial assets in the form of shares as reflected in the net asset value report published for 31 December 2023. The list of companies for which the Fund Manager may engage in discussions for potential transactions includes CN Aeroporturi Bucuresti SA, CN Administratia Porturilor Maritime SA, Societatea Nationala a Sarii SA and Alro SA. Except for the listing of Societatea Nationala a Sarii SA detailed below, no specific transaction is envisaged or expected at the date of this memo.

The 2024 Budget includes an estimate for the costs related to **Societatea Nationala a Sarii SA listing** of RON 8.2 million, comprising the investment bank fees, legal counsel fees, commissions and fees due to FSA and relevant market operators, expenses related to marketing activities and other consultancy expenses and assumes the successful completion of the transaction.

The 2024 Budget does not include any assumptions for the subsequent distributions of cash resulted from the listing. The estimated expenses are based on a series of assumptions according to the current status of the project at the date of the 2024 Budget, but the outcome of the listing is highly dependent of future actions and circumstances that are not under the Fund's control. Therefore, no reliable estimate of the listing size and price can be made at the date of preparing the 2024 Budget.

Except for the disposal of Engie Romania SA and Societatea Nationala a Sarii SA listing, the 2024 Budget was prepared without taking consideration any other financial impact from potential changes in the portfolio during 2024 (i.e. acquisitions, disposals, participation in share capital increases of portfolio companies).

The planning and execution of acquisitions and disposals of equity investments (including IPO's) require careful and timely 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 12 months forward from the date of preparation of the 2024 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 generate 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 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 2024 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.

6. BUY-BACK PROGRAMME COSTS

According to the Fund's accounting policy, the buy-back programme costs are recognised in other comprehensive income (equity) and these mainly include distribution fees and other buy-back related costs, such as, brokerage fees and regulatory fees.

The fourteenth buy-back programme was finalised in December 2023 and the cancellation of the related shares is expected to be included on the agenda of the 2024 Annual GSM and to be effective during 2024.

The 2024 Budget was prepared on the assumption that a new buy-back programme will be approved during 13 February 2024 GSM (the **fifteenth buy-back programme**). This buy-back programme will be implemented during the financial year ending 31 December 2024, subject to the availability of the necessary funding and will be entirely financed from the Fund's own sources, assuming such sources are or will become available.

The total buy-back programme costs were estimated based on the assumption that the shares can be bought back through daily buybacks, one or more tender offers or a combination of them. However, the actual levels

of the cost (acquisition cost and directly related costs) may be significantly different as they are influenced by the price and timing of each transaction (daily buy back and/ or tender offer, if any).

The actual cost results and impact on the Fund's equity will be presented to shareholders at the general shareholders' meeting to be held during 2025 for the cancellation of the shares repurchased during the 2024 buy-back programme, assuming any shares would be repurchased.

The **distribution fee for buy-back programmes recognised in equity** increased 12% in 2024 Budget to RON 8.8 million, mainly because of the higher number of own shares estimated to be repurchased during 2024 compared to the estimates used in 2023 Budget.

The **other costs related to buy-back programmes** of RON 7.8 million in 2024 Budget mainly include regulatory fees, brokerage fees, GDR conversion fees, tender agent fees, legal costs and other costs directly related to the acquisition of own shares and GDRs.

Due to the fact that it is impossible to estimate reasonably these types of expenses in a period extending 12 months forward from the date of preparation of the 2024 Budget, and it is impractical to continually update the 2024 Budget, we propose 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 2024 Budget. This includes the impact of any potential Tender offer that may be organised during the period.

7. CAPITAL EXPENDITURE BUDGET

The 2024 Capital expenditure budget mainly includes the allowance for changes in the Fund's software systems in 2024 and for changes/ developments to the Fund's website (hosting, maintenance, new enhancements, 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, except for the exceptions below.

As mentioned above, 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 2024 Budget, we propose that shareholders grant the Fund Manager the power to:

- *exceed the expenses budgeted for administration fees;*
- *exceed the expenses budgeted for commissions and fees due to FSA and Depositary Bank, to the extent that the overrun arises from the Fund's actual NAV, the value of assets under custody and/ or portfolio value and buy-back trades in 2024 being higher than the ones assumed in the 2024 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 selection process for appointing the Fund Manager and Sole Administrator of the Fund starting 1 April 2025 (expense incurred by the Board of Nominees);*
- *incur on behalf of the Fund any expenses related to income tax expense, withholding tax on dividends, minimum corporate tax and other income taxes;*
- *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 2024 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.