

To: Fondul Proprietatea SA Ordinary General Shareholders' Meeting

2024 BUDGET FOR FONDUL PROPRIETATEA SA

1. Overview

The first version of 2024 Annual Budget of Fondul Proprietatea SA (“the Fund” or “Fondul Proprietatea”), that was approved by the Fund’s Board of Nominees (“BoN”) on 5 February 2024, was rejected by shareholders during the general shareholders meeting (“GSM”) held on 26 March 2024.

Franklin Templeton International Services S.à r.l. (“Fund Manager” or “FTIS”) prepared an updated version of 2024 Annual Budget of the Fund, which is presented in detail in the current document, and is subject to shareholders approval during 27 September 2024 GSM.

The main differences between the initial 2024 Annual Budget of the Fund rejected by shareholders during 26 March 2024 GSM and the updated version of 2024 Annual Budget of the Fund subject to shareholders approval during 27 September 2024 GSM (“2024 Budget (updated)”) are presented in detail in Annex 1 of this document. These are mainly related to:

- Incorporating relevant shareholders decisions, such as the reduction in the Base fee rate from 2.00% to 1.35%, the approval of the additional audit fees requested by the Fund’s financial auditor Ernst & Young Assurance Services SRL and the distribution fee to the Fund Manager for the dividend distribution of RON 0.06 per share with Payment date 7 June 2024;
- Incorporating actual results and estimates based on the information available up to the end of June 2024, such as net dividend income from portfolio companies, interest income, other income;
- Updating various expenses/ cost elements based on actual results and planned actions/ transactions such as: the increase in the advisory services budget for the organisation of the selection process of the fund manager, income tax expense and buy-back related costs;
- Updating market data with significant impact on the budget: NAV, FP BVB closing share price, etc.

2. General considerations on 2024 Budget (updated)

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

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

The current 2024 Budget (updated) 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 (updated) observes all the relevant regulatory requirements and the Fund’s documents.

FTIS is actively managing Fondul Proprietatea according to the Management Agreement currently in force between 1 April 2024 – 31 March 2025, and with the Investment Policy Statement in place. During 25 September 2023 GSM the shareholders also approved that the BoN should launch a transparent and competitive selection procedure for the appointment of a new Sole Director starting 1 April 2025, based on investment expertise and experience, in accordance with the legal provisions in force.

The Fund's 2024 Budget (updated) was prepared based on the assumption that during 2024 the Fund would be managed and operated under the terms reflected in the Management Agreement in force, for the period 1 April 2024 – 31 March 2025.

The 2024 Budget (updated) was prepared based on actual information available up to 30 June 2024 and using the assumptions presented in the current budget paper.

Please note that the assumptions used in the preparation of the 2024 Budget (updated) 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, 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 (updated), 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 (updated).

The **foreign exchange rates** for EUR, USD and GBP used in the preparation of 2024 Budget (updated) are the official exchange rates published by the National Bank of Romania at the relevant dates.

This budget was approved by the Fund's Board of Nominees on 8 August 2024.

3. Overview of the budgeted income, expenses and capital expenditure

The **budgeted net result** for 2024 is estimated to be a profit of RON 112.6 million, a decrease of 57% 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 (updated)	Budget 2023 (Re- mapped)	Variance 2024 Budget (updated) vs. 2023 Budget	
	RON	RON	RON	%
I. BUDGETED INCOME FROM OPERATING ACTIVITY	178,791,481	663,623,839	(484,832,358)	-73%
Net dividend income	145,848,913	658,128,682	(512,279,769)	-78%
Interest income	32,377,850	3,594,651	28,783,199	>100%
Other income (e.g. BNY Mellon income) ¹	564,718	1,900,506	(1,335,788)	-70%
II. BUDGETED EXPENSES FROM OPERATING ACTIVITY	45,980,984	94,910,675	(48,929,691)	-52%
Administration fees recognised in profit or loss	20,794,825	55,000,606	(34,205,781)	-62%
Legal and litigation assistance	5,142,671	7,786,595	(2,643,924)	-34%
Taxes, fees and commissions	3,978,746	15,699,152	(11,720,406)	-75%
Fund Manager Selection related expenses	3,788,655	-	3,788,655	+100%
Board of Nominees related expenses	3,481,763	3,970,723	(488,960)	-12%
Valuation and other portfolio related expenses	2,422,989	4,103,262	(1,680,273)	-41%
Audit and other regulatory reporting expenses	2,351,815	2,083,478	268,337	+13%
Investor relations expenses	1,218,407	2,635,057	(1,416,650)	-54%
Public relations expenses	895,668	1,373,641	(477,973)	-35%
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	132,810,497	568,713,164	(435,902,667)	-77%
Expenses related to listing of portfolio holdings	8,246,807	305,716,703	(297,469,896)	-97%
III. GROSS BUDGETED PROFIT	124,563,690	262,996,461	(138,432,771)	-53%
Income tax expense	11,966,629	-	11,966,629	+100%
IV. NET BUDGETED PROFIT	112,597,061	262,996,461	(150,399,400)	-57%
BUY-BACK PROGRAMME COSTS - REGONISED IN EQUITY	8,719,799	8,233,176	486,623	+6%
Distribution fees for buy-back programmes recognised in equity	4,722,963	7,865,038	(3,142,075)	-40%
Other costs related to buy-back programmes	3,996,836	368,138	3,628,698	>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 GDR facility

4. Budgeted income from operating activity

4.1. Net dividend income

The main component of income from operating activity in the 2024 Budget (updated) is the net dividend income (82% of the total budgeted income). The 2024 annual dividend income was estimated based on the actual dividends approved by the portfolio companies at the time of this budget paper preparation. No special dividends (i.e. dividends distributed from other sources than the annual profit of portfolio companies) were estimated.

The total net dividend income for 2024 was estimated at RON 145.8 million, and the most important amounts are related to the dividends from CN Aeroporturi Bucuresti SA (RON 80.4 million) and Societatea Nationala a Sarii SA (RON 63.7 million).

The main factor for the 78% 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.

4.2. Interest income

This represents the second component of income in 2024 Budget (updated), and it was calculated based on the actual results for the first six months of 2024 and the estimated cash available to be invested in short term money market instruments during the second half of the year 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 (updated) compared to 2023 Budget.

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.

4.3. BNY Mellon income

This represents the third component of budgeted income, estimated at RON 0.6 million in 2024, based on the actual annual income received in July 2024. The significant decrease compared to 2023 Budget is due to the fact that the total number of GDRs outstanding in 2024 was 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 for the dividend distributions performed during the period.

5. Budgeted expenses from operating activity

The estimated expenses from operating activity decreased in 2024 Budget (updated) 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 1.87 billion.

With the exception of the fund manager selection related costs, generally the expenses in 2024 Budget (updated) are estimated to be lower than 2023 Budget, in line with the contractual provisions currently in force and based on the assumptions corresponding to the new size of the Fund.

The main expense categories are further detailed below.

5.1. Administration fees

During 15 December 2021 GSM, the shareholders approved the Management Agreement for the period 1 April 2022 – 31 March 2024 (“*Previous Management Agreement*”), which can be consulted on the Fund's website in section [Investor Relations/ GSM Information](#).

During 26 March 2024 GSM the shareholders approved the Management Agreement currently in force, for the period 1 April 2024 – 31 March 2025 (“*Current Management Agreement*”), available on the Fund's website in the section [Fund Management/ Management Agreement](#).

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

Key commercial terms	Previous Management Agreement (1 Apr 2022 – 31 Mar 2024)	Current Management Agreement (1 Apr 2024 – 31 Mar 2025)
Base Fee per year	• 0.45%	• 1.35%
Consideration for the Base Fee	• Weighted average market capitalisation of the Fund	• Weighted average market capitalisation of the Fund
Distribution Fee for all distributions	• 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	• 1.75% applied to distributions value during 1 Apr 2024 – 31 Mar 2025
Consideration for the Distribution Fee	• Share buy-backs and GDR buy-backs • Public tender buy-backs • Return of share capital and dividends	• Share buy-backs and GDR buy-backs • Public tender buy-backs • Return of share capital and dividends
Duration	• 2 years	• 1 year (up to 31 March 2025)

The 2024 Budget (updated) was prepared under the assumption that no changes to the Current Management Agreement relevant for the budget will occur up to 31 December 2024.

The budgeted amounts for the base fee and the distribution fee include the level of the actual amounts incurred by the Fund during the first six months of 2024 and estimates for the rest of the year based on ongoing/ planned corporate actions for Fondul.

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

<i>All amounts in RON</i>	Budget 2024 (updated)	Budget 2023 (Re-mapped)	Variance 2024 Budget (updated) vs. 2023 Budget	
	RON	RON	RON	%
Administration fees recognised in profit or loss	20,794,825	55,000,606	(34,205,781)	-62%
Base fee	17,076,907	50,074,378	(32,997,471)	-66%
Distribution fee for cash distributions to shareholders	3,717,918	4,926,228	(1,208,310)	-25%
Administration fees recognised in other comprehensive income	4,722,963	7,865,038	(3,142,075)	-40%
Distribution fee for buy-back programmes	4,722,963	7,865,038	(3,142,075)	-40%
Total administration fees	25,517,788	62,865,644	(37,347,856)	-59%

The **Base fee** estimated in 2024 Budget (updated) is 66% lower compared to 2023 Budget, mainly due to the significant decrease in the Fund's market capitalisation, 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 in 2024 was estimated based on a distribution fee rate of 1.75%.

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 (updated) or if additional dividend distributions or additional distributions as buybacks take place during 2024, the Fund Manager's fees will be higher than budgeted.

Because it is difficult to reasonably estimate these expenses, and it is impractical to continually update the 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 (updated).

5.2. Legal and litigation assistance

<i>All amounts in RON</i>	Budget 2024 (updated)	Budget 2023 (Re-mapped)	Variance 2024 Budget (updated) vs. 2023 Budget	
	RON	RON	RON	%
Legal advisory and litigation assistance	3,425,921	7,786,595	(4,360,674)	-56%
Legal assistance related to the selection process	1,716,750	-	1,716,750	+100%
Legal and litigation assistance	5,142,671	7,786,595	(2,643,924)	-34%

These expenses, representing 11% of the total budgeted expenses from operating activity, include legal advisory services provided by external counsels, legal representation in litigations and stamp duties for the legal actions in which the Fund is involved/ takes part to defend its interests.

The legal assistance for the selection process is related to the shareholders decision during 25 September 2023 GSM and mainly includes advisors supporting Fondul in respect of the selection process coordinated by the BoN (while the budget to be used by the Board of Nominees in the selection process is included in the dedicated caption "Fund Manager Selection related expenses").

Depending on the actual expenses incurred in 2024, the remaining unused selection budget balance will be incorporated into 2025 legal budget, while the other legal expenses will be separately estimated on an annual basis during the regular budgeting process.

5.3. Taxes, fees and commissions

This category represents 9% 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	Variance	
	(updated)	(Re-mapped)	2024 Budget (updated)	vs. 2023 Budget
	RON	RON	RON	%
FSA fees	2,705,452	14,218,566	(11,513,114)	-81%
Corporate brokerage services related to LSE listing	434,488	443,594	(9,106)	-2%
LSE listing fees	383,613	365,291	18,322	+5%
Central Depository and Paying Agent fees for distributions to shareholders	140,922	64,126	76,796	>100%
BVB annual listing fee	80,875	64,373	16,502	+26%
Other taxes and fees	233,397	543,202	(309,805)	-57%
Taxes, fees and commissions	3,978,746	15,699,152	(11,720,406)	-75%

The monthly **FSA fees** (0.0936% per year or 0.0078% per month) were estimated based on NAV at 30 June 2024. 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 (budgeted based on the actual amounts incurred in 2024) and the publication costs with the current reports on LSE (estimated based on the list of fees published by LSE during January 2024).

Central Depository and Paying Agent fees for distributions to shareholders are higher in 2024 Budget (updated) compared to previous year's budget as a result of the higher amounts estimated to be collected by shareholders as a result of the dividend distributions approved during 2023 and 2024.

BVB annual listing fee includes include the annual fee for maintaining the Fund's shares and it was budgeted based on the actual amounts incurred in 2024.

Other taxes and fees include depository 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 (updated), these commissions and fees will be higher than budgeted.

Due to the fact that it is difficult to reasonably estimate these expenses, and it is impractical to continually update the budget, we propose that shareholders grant the Fund Manager the power to exceed the expenses budgeted for FSA fees and Depository 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 (updated), even if this will result in exceeding the total expenses approved in the 2024 Budget (updated).

5.4. Fund Manager Selection related expenses

The Fund Manager Selection related expenses of RON 3.8 million include the estimated amounts to be used by the Board of Nominees during 2024 and 2025 with professional services for the organisation of the selection process of the Fund's fund manager following the shareholders decision during 25 September 2023 GSM. These expenses might include, among others: financial advisory services, legal advisory services and other consultancy services.

The approval of the Fund Manager Selection related expenses to be used by the Board of Nominees is also separately included at point 6 on the Agenda of the 27 September 2024 Ordinary General Shareholders Meeting. Depending on the actual expenses incurred in 2024, the remaining unused budget balance representing Fund Manager Selection related expenses to be used by the Board of Nominees will be incorporated into the corresponding caption of Fondul 2025 Budget.

5.5. Board of Nominees related expenses

The Board of Nominees related expenses represent 8% 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 (updated) RON	Budget 2023 (Re-mapped) RON	Variance 2024 Budget (updated) vs. 2023 Budget RON	%
Board of Nominees remuneration	1,703,556	1,703,566	(10)	0%
Advisory services - other	629,262	669,375	(40,113)	-6%
Travel expenses for taking part in Board meetings and GSMs	432,250	939,644	(507,394)	-54%
Insurance expenses	243,564	597,147	(353,583)	-59%
Other expenses	473,131	60,991	412,140	>100%
Board of Nominees related expenses	3,481,763	3,970,723	(488,960)	-12%

Board of Nominees remuneration expenses for the 2024 Budget (updated) 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.

The caption **advisory services – other** includes the expenses with advisory services not related to the selection process and was estimated at a similar level with 2023 Budget.

Insurance expenses includes expenses related to the mandatory liability insurance for the Board of Nominees members and is based on the actual amounts incurred by the Fund in 2024.

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

5.6. 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.

5.7. Audit and other regulatory reporting expenses

These expenses represent 5% 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 (including the additional audit fees of EUR 27,000 before VAT approved by shareholders during 30 April 2024 GSM), 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.

5.8. Investor relations expenses

These expenses represent approximately 3% of the 2024 budgeted expenses from operating activity and include the costs 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.

5.9. 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.

5.10. 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.

5.11. 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.

5.12. Income tax expense and other tax considerations

The 2024 Budget (updated) 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 the date of budget preparation 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. Deferred tax expenses were not budgeted.

In the 2024 Budget (updated) the current tax expense is mainly related to the interest income from placing available cash in money market instruments and other taxable elements that may arise during the regular operations of the Fund. The 2024 Budget (updated) is prepared based on the assumption that the Fund is not subject to the minimum corporate tax in 2024.

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 difficult to reasonably estimate 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 months forward from the date of 2024 Budget (updated) preparation, and it is impractical to continually update the 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 (updated).

5.13. Borrowings

2024 Budget (updated) 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 not feasible to estimate reasonably this type of expenses at the date of 2024 Budget (updated) preparation, and it is impractical to continually update the 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 (updated).

6. Expenses related to portfolio holdings

The 2024 Budget (updated) 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 (updated) 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 (updated), 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 (updated).

Except for Societatea Nationala a Sarii SA listing, the 2024 Budget (updated) was prepared without taking into consideration any other financial impact from potential changes in the portfolio during 2024, subsequent to the date of preparation of this budget (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 months forward from the date of preparation of the 2024 Budget (updated).

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 IPOs, 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 (updated). 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.

7. 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 14th buy-back programme was finalised in December 2023. The cancellation of the related shares was approved during 30 April 2024 Annual GSM, and it is expected to be effective during 2024.

During 13 February 2024 GSM the shareholders approved the **15th buy-back programme for 2024**, for a total number of 1 billion shares in the form of ordinary shares and GDRs, at a price between RON 0.2 per share and RON 1.0 per share. This buy-back programme is implemented during the financial year ending 31 December 2024, subject to the availability of the necessary funding and will be exclusively financed from Fund's own sources.

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), but they also might be influenced by the regulatory requirements and necessary approvals.

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 within the 15th buy-back programme.

The **distribution fee for buy-back programmes recognised in equity** decreased 40% in 2024 Budget (updated) to RON 4.7 million compared to the estimates used in 2023 Budget, mainly as a result of the lower amounts available for distribution due to the reduced size of the Fund.

The **other costs related to buy-back programmes** of RON 4.0 million in 2024 Budget (updated) 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 not feasible to estimate this type of expenses at the date of preparation of the 2024 Budget (updated), and it is impractical to continually update 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 (updated). This includes the impact of any potential Tender offer that may be finalised during the period.

8. 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, apart from the exceptions below.

As mentioned above, due to the fact that it is not practical to estimate certain expenses, and it is impractical to continually update the 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 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 GDRs 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 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 (updated).

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.

Annex 1 2024 Budget (updated) of Fondul Proprietatea vs. 2024 Budget (rejected during 26 March 2024 GSM)

<i>All amounts in RON</i>	Budget 2024 (updated)	Budget 2024 (26 Mar 2024 GSM)	Variance 2024 Budget (updated) vs. 2024 Budget (26 Mar 2024 GSM)	Explanations
	RON	RON	RON	
I. BUDGETED INCOME FROM OPERATING ACTIVITY	178,791,481	105,004,570	73,786,910	
Net dividend income	145,848,913	94,189,166	51,659,746	Higher dividends approved by portfolio companies
Interest income	32,377,850	10,815,404	21,562,446	Higher interest-bearing cash balances
Other income (e.g. BNY Mellon income)	564,718	-	564,718	Income from BNY related to issue/ cancellation of GDRs
II. BUDGETED EXPENSES FROM OPERATING ACTIVITY	45,980,984	52,801,975	(6,820,992)	
Administration fees recognised in profit or loss	20,794,825	29,992,685	(9,197,859)	Net effect of decrease in base fee rate (RON - 12.9 million) and adding distribution fee for dividends (RON +3.7 million)
Legal and litigation assistance	5,142,671	3,425,921	1,716,750	Additional legal assistance services for the selection process
Taxes, fees and commissions	3,978,746	4,094,816	(116,070)	FSA fees decrease due to lower Jun 2024 NAV vs. Dec 2023 NAV
Fund Manager Selection related expenses	3,788,655	3,000,000	788,655	Additional advisory fees and related taxes to be used by BoN for the organisation of the selection process of the Fund's Fund Manager
Board of Nominees related expenses	3,481,763	3,481,763	-	
Valuation and other portfolio related expenses	2,422,989	2,487,716	(64,727)	Less valuation assistance required in H1 2024 vs. initial estimate
Audit and other regulatory reporting expenses	2,351,815	2,202,596	149,220	Additional audit fees for Ernst & Young of EUR 27,000 plus VAT
Investor relations expenses	1,218,407	1,218,407	-	
Public relations expenses	895,668	992,628	(96,960)	Difference due to amendment of existing contractual terms
GSM organisation and other shareholder related expenses	833,614	833,614	-	
Other expenses	1,071,830	1,071,830	-	
III. GROSS BUDGETED OPERATING PROFIT	132,810,497	52,202,595	80,607,902	
Expenses related to listing of portfolio holdings	8,246,807	8,246,807	-	
III. GROSS BUDGETED PROFIT	124,563,690	43,955,788	80,607,902	
Income tax expense	11,966,629	15,618,089	(3,651,460)	Updated estimation based on information available at 30 June 2024
IV. NET BUDGETED PROFIT	112,597,061	28,337,699	84,259,362	
BUY-BACK PROGRAMME COSTS - REGONISED IN EQUITY	8,719,799	16,596,841	(7,877,042)	
Distribution fees for buy-back programmes recognised in equity	4,722,963	8,846,600	(4,123,637)	Lower buy-back value as a result of lower funds available, following the approval of RON 0.06 dividend distribution with Payment date 7 June 2024 (not included in previous budget)
Other costs related to buy-back programmes	3,996,836	7,750,241	(3,753,405)	
CAPITAL EXPENDITURE	153,914	153,914	-	
Capital expenditure	153,914	153,914	-	