

Forecast policy

Scope

In order to comply with the provisions of Bucharest Stock Exchange Code of Corporate Governance, Fondul Proprietatea SA (the “Fund”) decided to adopt a forecast policy that is published on the Fund’s website. The scope of this policy is to establish the Fund’s principles regarding forecasts and estimates of the future results.

General principles

The Fund prepares annual budgets only and does not provide any financial forecast other than the mandatory annual budgets approved by the Fund’s shareholders. If not legally required, no forecast or estimate is made public in addition to these annual budgets, except for the cases where either the Fund’s Sole Director or the regulatory bodies consider that additional forecasts and estimates should be presented in the Fund’s Sole Director periodical reports or other public presentations (e.g. General Shareholders Meetings materials).

Budgeting principles

The budget of the Fund is prepared annually, in RON, it is pre-approved by the Board of Nominees and subsequently is approved by the shareholders of the Fund during the General Shareholders Meeting (“GSM”).

The budget is made public in accordance with the applicable corporate governance rules, as material for the GSM that approves the budget. The draft budget (revenues and expenses) is published on the Fund’s website, as part of the documents related to the GSM where the budget is submitted for approval. The Fund’s shareholders may address questions in writing or verbally during GSM, regarding the items on the GSM agenda and, implicitly, on the budgeted amounts.

There are certain categories of income and expenses (such as foreign exchange gains and losses and changes in fair value of financial instruments) which may not be reasonably estimated and are not included in the budget (non-budgeted items). The Fund’s budget contains the following main categories of information for the financial year for which the budget is prepared:

- The budgeted revenues and expenses
- The budgeted capital expenditure

The budget of the Fund is prepared based on the following principles:

- The assumptions used for the budget preparation are proposed by the Fund’s Sole Director and these are intended to be part of any publication of the budget at a level of detail sufficient to provide a general understanding of the main drivers impacting the budget, without disclosing detailed commercial and strategic information which might be sensitive and affect the position of the Fund on the market.
- In addition to its own professional and business judgment, the Fund’s Sole Director intends to prepare the budget assumptions based on information from

internal sources and analysis. Historical financial and operational data is used for the estimates and adjusted accordingly in order to reflect the anticipated amounts deemed to have an impact on the budget.

- Fund's budget is prepared based on simplifying assumptions regarding acquisitions and disposals of portfolio holdings and buyback programmes.
- The information included in the budget is intended to be aligned with the official accounting regulations expected to be applicable to the Fund in the financial year the budget refers to.
- Budget estimates are based on the tax framework applicable for the year concerned, using the information available at the date when the budget is prepared;
- The annual budget is prepared on a base case scenario, reflecting the management view, but no unusual or unanticipated changes to the regulatory, market and tax framework may be captured within the budget.

The Fund's management monitors the performance and execution of the budget for the current year on a quarterly basis. The Board of Nominees is also monitoring the progress of the actual expenses against the budget on a quarterly basis.

The GSM approval of the budget usually includes the possibility to perform reclassifications/reallocations among the expense categories during the year with the condition that the total of these expenses (excluding non-budgeted expenses) will meet the overall budgetary limits approved by the GSM. The shareholders may also grant the Fund's management the power to exceed certain categories of expenses or incur additional expenses on behalf of the Fund even if this will result in exceeding the total expenses approved in the Budget. The list of such expenses is intended to be included in each annual budget prepared by the Fund.

If during the year certain events or circumstances occur so that it is expected that the budget limit will be exceeded and this does not fall under the approved exemptions, a revised budget is prepared. Any revised budget must be pre-approved by the Board of Nominees and it is subject to shareholders' approval during the GSM.

Risks and Uncertainties

The main risks and uncertainties that might affect the activity of the Fund and its liquidity are:

- The Fund's investments are concentrated in a limited number of industry sectors and many holdings are minority stakes in unlisted companies, which makes these investments highly illiquid. Also, portfolio investment liquidity risk arises due to the fact that many of the Fund's portfolio companies are not listed or, if listed, have not developed yet a liquid market, which means that they may be difficult to sell if the case;
- Risks related to oil, gas and electricity sectors – the Fund's performance is highly correlated to the performance of the companies within the Fund's portfolio, and their respective industries and markets. The Fund has a significant exposure to companies in the oil, gas and electricity sectors and as such the Fund's performance and liquidity will be correlated to the performance of those industries, including to the fluctuations in oil and natural gas prices. In relation to electricity, risks also arise from the fact that the regulatory body (ANRE) may delay or refuse the approval of electricity tariffs or due to the fact that the tariffs approved by ANRE may not be sufficient to cover the investment costs;

- Risks related to the performance of poorly managed State-owned companies in the Fund's portfolio - the Fund owns significant holdings in companies that are controlled by the Romanian State; past experience indicates that the management of these companies, often replaced after government changes, is politically appointed as opposed to being named on the basis of professional skills, and it is often the case that their experience in the industry in which the company operates is severely limited, if not non-existent, and the economic performance of the company has generally suffered as a result;
- There are certain risks associated with an investment in developing markets, including Romania, which may be greater than risks inherent in more developed markets;
- Risks relating to global events. Equity markets may be exposed to temporary higher levels of volatility triggered by uncertainty surrounding political events either locally or globally. Such events may in particular affect the oil and energy sectors, which represent an important part of the Fund's portfolio. Both political uncertainty and fluctuation in commodity prices, particularly in the energy sector, can have an impact on the Romanian economy and consequently on the Fund's portfolio companies. Also, the widespread nature of the COVID-19 outbreak and the measures taken to contain the spread continue to have a significant impact on global economic activity and this is likely to reverberate for the next period. Governments across the world, Romania included, are taking numerous actions to support their economies, from extended unemployment benefits to packages targeting small businesses, hospitals and healthcare centres, which will lead to increased budgetary constraints in the short term.
- The Romanian judicial system and Romanian legislation continue to develop and some developments which surprised foreign investors increased their concern around political risk and legal uncertainty and reduced their appetite to risk their capital in Romania;
- Frequent changes in tax legislation which increases uncertainty and perceived risk among potential investors;
- New regulatory framework for the distribution companies operating in the energy sector (electricity & gas) affecting significantly the activity and the profitability of distribution companies;
- Risk of delays and omissions in the implementation of the corporate governance legislation for state owned companies (Government Emergency Ordinance 109/2011);
- Risk derived from the performance of the Bucharest Stock Exchange;
- In the event any of the banks with which the Fund holds its deposit enters into insolvency, the amounts held in such deposits become unsecured claims in the insolvency proceedings, which will compete with the claims of the other creditors in a limited pool of assets;
- In the event the custodian of the Fund enters into insolvency, the cash held on behalf of the Fund would face the same risks as the cash kept in banks;
- Possible difficulties in implementing the Fund's strategy in certain portfolio companies. Currently, the Fund does not have a control position in most of its portfolio companies. Consequently, strategies developed by the Fund for improving the management of such companies or linked to a possible listing thereof may prove to be difficult to implement and require the cooperation and support of the majority shareholders of those companies;

- Risks from the fact that the Fund may record fluctuations in its net asset value;
- Risks related to insolvency, liquidation, dissolution, reorganization or bankruptcy of the companies in the Fund's portfolio;
- Risks deriving from government intervention in the investment strategy of state-owned companies in which the Fund holds relevant holdings (e.g. energy companies);
- Corruption and money laundering could affect the activity of the companies in the Fund's portfolio, with a potential significant negative effect on the Fund's financial results;
- Risk derived from the non-completion of post-accession conditions imposed by the EU, based on the Cooperation and Verification Mechanism designed to help Romania face its difficulties in its post-accession process.

Cautionary Statement

By their nature, explicit one-year forecasts in the form of annual budgets are not a guarantee of future performance and involve risk and uncertainty. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including but not limited to operational, economic and financial market conditions; political stability and economic growth; changes in laws and governmental regulations; natural disasters; wars and acts of terrorism, cyber-attacks or sabotage. The factors set out above are important factors, which although not exhaustive, may cause actual results to differ materially from those expressed or implied by the annual budget statements.

Review of the Forecast Policy

The Forecast Policy may be revised and/ or updated as many times as necessary, in compliance with the applicable legal regulations or in case of new regulations or mandatory legal provisions regarding the scope of the policy. The current forecast policy is published on the Fund's website (www.fondulproprietatea.ro), and any updates to the policy shall be uploaded on the website as soon as they are approved.