

Forecast policy

Scope

In order to comply with the provisions of Bucharest Stock Exchange Code of Corporate Governance, Fondul Proprietatea SA (the “Fund”) adopted 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 it 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 Sole Director 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 Sole Director 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 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:

- **Corporate governance risk**
Poorly managed companies in the Fund's portfolio can negatively affect the Fund's performance due to missing professional skills and missing experience in the industry the company operates in.
- **Credit and Counterparty risk**

There is a risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations; it arises principally from cash and deposits with banks, treasury bills, government bonds and other receivables.

- **Dilution risk**
Share capital changes in state owned companies where the Fund holds a minority position can result in a reduced valuation, legal action, and loss for the Fund.
- **Legal and regulatory risk**
The existence, operation and the initial set-up of the Fund are regulated by local and European regulations. Such regulations may be subject to change or subject of some local interpretations and may directly affect the Fund and its shareholders. This risk is sustained by the legislative history of the past years that reveals a series of laws which have also changed the Fund's portfolio composition and/or limited portfolio management's ability to pursue desired investments.
- **Liquidity risk**
The Fund might not be able to meet its financial obligations as they fall due. The Fund's equity investments include unlisted instruments issued by companies domiciled in Romania, which are not traded on a regulated market and generally may be considered illiquid. As a result, the Fund may not be able to sell certain investments within the time constraints imposed by its own liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of a particular issuer.
- **Market risk**
Changes in market prices and rates, such as security prices, changes in interest rates or foreign exchange rates will affect the Fund's income or the value of its holdings
- **Operational and cyber risk**
The Fund might incur direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology, and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Failure or breach of information technology systems and security may entail risk of financial loss, disruption to operations or damage to the reputation of the Fund. Operational risks arise from all the Fund's operations.
- **People Risk**
The ability of the Fund to achieve its objectives is dependent upon the expertise of the Investment Manager and its ability to attract and retain suitable staff
- **Sector concentration risk**
Large portfolio exposure to a specific industry sector or group of companies expose the Fund to concentration risk and can cause overall Fund performance to be negatively affected by the performance of a specific sector.
- **Security price risk and valuation risk**

Fluctuations in the value of a security instrument as a result of changes in market prices, whether caused by factors specific to the issuer or factors affecting all instruments traded in the market, can negatively affect the Fund's income or value of its holdings. Securities without a readily available market price, such as the Fund's unlisted holdings, are exposed to uncertainties coming from the valuation of the securities prices, from factors such as the choice of valuation model, parameter uncertainty and timeliness of parameter estimates.

- **Share price discount to NAV risk**
Shares of the Fund are traded on the Bucharest and London stock exchanges. Market participants expectations may cause the shares of the Fund to trade at a premium or discount to the NAV per share of the Fund. Investor returns may be positively or negatively affected by such market factors.

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 / 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.