ACTIVITY PLAN AND BUDGET FOR 2024

Economic environment

According to the European Commission's winter economic forecasts, GDP growth slowed to 1.8% in 2023. High inflation and weak growth in private credit limited domestic demand in 2023, while external demand was weak. Strong growth in gross fixed capital formation, driven by EU-funded investments in public infrastructure, offset slowing private consumption and declining inventories, while the negative contribution of net exports to growth diminished.

Real GDP is estimated to grow by 2.9% in 2024 - slightly below autumn expectations. Although an acceleration in private consumption is anticipated, investments will remain the main driver of GDP growth this year. Monetary policy is likely to remain tight in 2024 and only gradually relax as inflationary pressures ease. According to forecasts, this easing of monetary and financial conditions, coupled with stronger external demand, is expected to lead to real GDP growth of 3.2% in 2025.

IAPC (harmonized) inflation fell to 7% in December of last year, bringing overall inflation to 9.7% in 2023, down from 12% in 2022. The decline in inflation can be attributed to a decrease in private credit amid tight monetary conditions, as well as falling energy prices and certain food categories. Except for a brief pause at the beginning of 2024 due to indirect tax increases, prices are expected to continue to decline. The average annual IAPC inflation rate is estimated at 5.8% in 2024, followed by a slowdown to 3.6% in 2025. However, risks are skewed towards a delayed deflationary process if wages and pensions continue to rise at an accelerated pace.

The main macroeconomic vulnerability in 2023 was the perpetuation of twin deficits: the fiscal deficit recorded last year was of RON 89.9bn, representing 5.68% of GDP, and public debt that exceeded 50% of GDP.

The allocation of Romania's modified National Recovery and Resilience Plan (PNRR as Romanian acronym is of EUR 28.5bn (EUR 14.9bn in loans, EUR 13.6bn in grants), structured around six pillars. Of these, the greatest emphasis is placed on the green transition, with an allocation of 44.1% of funds, and on the digital transition, with an allocation of 21.8% of funds.

The deficit is forecast to decline to 5.3% of GDP in 2024, due to the implementation of a fiscal consolidation package worth around 1.2% of GDP.

General government debt is expected to rise from 47.2% of GDP in 2022 to 50.5% in 2025, reflecting still-high deficits and slower nominal GDP growth in the coming years. A possibly lower GDP growth and increasing pressures on public wages could lead to larger government deficits.

In 2023, the National Bank of Romania kept the monetary policy rate at 7.00% and the lending and deposit facility rates at 8.00% and 6.00%, respectively.

Romania’s economic growth potential remains high, but requires a more predictable fiscal and legislative framework, as well as an emphasis on developing the country's infrastructure. However, there are uncertainties regarding the recently adopted fiscal package, which has somewhat affected business confidence. VAT increases for some products and services and higher fuel excise duties could threaten inflation targets for 2024.

Lion Capital’s objectives for the year 2024

The long-term investment strategy of Lion Capital S.A. aims to maximize portfolio performance, with the goal of increasing the value of assets under management and investment income.

The fund's objective is to efficiently manage a diversified portfolio of quality assets capable of providing a steady flow of income, preserving and growing medium to long-term capital, with the aim of increasing shareholder value and achieving higher returns on invested capital.

Strategic allocations across asset classes and within each class, as well as occasional rebalancing, are based on evaluations of existing holdings and investment opportunities in the current market and economic context.

Lion Capital S.A. has under management a diversified portfolio composed of the following main categories of financial instruments: stocks, bonds, and fund units. We implement an exit strategy tailored to the specifics of each investment, defined based on long-term investment strategy and objectives, as well as exit transaction conditions (triggers).

The individual approach for each holding aims to ultimately achieve an aggregate return composed of both dividend income and capital gain.

We aim to maintain exposure to companies and/or financial instruments that benefit from an inflationary environment.

Main lines of action in 2024

- *Calibration of the portfolio on financial assets / instruments that benefit from an inflationary context*

Lion Capital aims to maintain exposure on companies and/or financial instruments that benefit from an inflationary environment. Additionally, will be considered opportunities that may arise during periods of capital market volatility.

The *real estate* sector continues to be of interest, seen as both a diversification instrument and a means of preserving/growing capital exposed to this sector. Although the real estate market has not corrected, the number of transactions in the residential segment has significantly decreased since the second half of 2023, and this trend is likely to continue in the short term. However, non-residential real estate investments can provide an alternative for value preservation in the medium term and achieve high returns in the long term, with a reasonable level of risk, especially in the major cities of the country.

- *Portfolio restructuring by liquidating minority interests that do not fit the Company's investment strategy*

In 2024, the Fund will continue its efforts to divest from underperforming companies or those that do not align with its investment strategy to enhance the quality of the portfolio under management. Additionally, exits will continue from holdings with exhausted growth potential.

Exiting these companies will create sources for reinvestment in assets with higher returns while maintaining the chosen risk profile of the portfolio and providing sustainable long-term profitability, ultimately benefiting to increasing shareholders value.

- *Consolidation of strategic interest portfolio*

Through its active involvement policy in the management of majority holdings, the Fund aims to develop the businesses and performances of these companies. Lion Capital's representatives on the boards of these companies promote and support professional management teams and negotiate competitive performance criteria.

These holdings undergo continuous and rigorous analysis and monitoring by the Fund's analysts, focusing on financial results, prospects, opportunities, and potential risks. This is aimed at supporting the implementation of measures to streamline operations and introduce good corporate governance practices and modern management techniques.

Continuous monitoring is also provided for companies in which the Fund holds a minority stake. Their activities, financial results, decisions, and strategies of majority shareholders are closely monitored to gain a comprehensive understanding of perspectives, benefits, or potential implications affecting minority shareholders. If necessary, their rights are defended in accordance with legal and statutory provisions.

• *Maintaining a diversified portfolio of assets under management*

Portfolio diversification, both across asset classes and within them, aims to ensure an optimal balance between risks and expected profits, within the regulated prudential conditions.

The goal is to maintain a diversified portfolio while complying with the investment policy and medium/long-term objectives declared by Lion Capital as an AIFM (Alternative Investment Fund Manager). Investments in financial instruments with lower exposure in the current structure, apart from equities (shares), may include fixed-income instruments, fund units, or other financial instruments permitted by applicable regulations.

Portfolio management and development will be conducted in correlation with the Fund's overall risk profile and under rigorous risk management.

The Board aims not to substantially utilize leverage in the management of the financial instrument portfolio throughout 2024, to align with the assumed medium-risk profile.

• *Implementing SFRD, ESG criteria*

The Company's strategy on the integration of sustainability risk into the investment decision-making process focuses on sustainable development objectives, with financial instruments of issuers for which there is exposure or intended investment being subjected to sustainability testing based on ESG criteria.

Awareness and application of ESG (environmental, social, governance) criteria in investments and business become essential in the context of risks posed by climate change. Adopting and implementing ESG criteria in investments and businesses can help minimize these risks and improve long-term performance.

At present, the Company does not consider the potential negative effects of investment decisions on sustainability factors, and analyses the sustainability risk of issuers regarding the criteria applied to determine whether an economic activity qualifies as sustainable and substantially contributes to one or more sustainability objectives.

The Fund will analyse and review internal policies regarding the integration of sustainability risks into investment decision-making processes, if the case.

Additionally, it will continue evaluating the stock portfolio based on ESG criteria, depending on available ESG scores and non-financial reports of issuers.

Furthermore, there will be continued the qualitative assessment of sustainability risk at the organizational level, based on the analysis of the impact of asset management activities on the environment, and improvement of measures for managing social aspects, diversity, and sustainable governance.

Through its actions, Lion Capital will promote professionalism, excellence, innovation, responsibility, teamwork, diversity, and commitment. In the implementation of social responsibility policies, Lion Capital makes every effort to ensure continuous respect for fundamental human rights, encouraging and continuously developing best practices in this field.

Good corporate governance and transparency in relations with investors, the general public, the media, and the business environment are constants in Lion Capital's leadership efforts. It is believed that through improved activity and sustainable financial performance in the medium and long term, both shareholder and investor trust in the Fund's management initiatives, as well as the company's attractiveness in the capital market, are gained.

• *Proactive risk management*

The risk management objectives for 2024 aim to proactively manage risks under the following aspects:

- identifying potential risk-generating events in the activities associated with Lion Capital's portfolio management and its secondary risks to increase the level of response to identified events beyond the Company's control.
- proactive management through constant monitoring of risk systems and processes.
- periodic reviews of risks to update the current risk profile and identify new risks affecting the company.
- regular testing and remediation of vulnerabilities to eliminate the respective threat.
- implementation of specific legal regulations in the field of activity (both local and European directives and regulations) and adapting work procedures to new regulations regarding AIFM/AIF activities.

Income and Expenses Budget for the year 2024

To substantiate the Income and Expenses Budget for the year 2024, the following hypotheses were considered:

- *achieving the income, expenses, as well as the net result as of December 31, 2023*.
- *the inflation rate* forecasted by the National Bank of Romania (BNR) for the year 2024 (Q4) of 4.7%, with an uncertainty interval of ±2%.
- *the estimated average level of interest rates* for bank deposits in RON and EUR.
- *estimated gross dividend income* to be collected from portfolio companies.
- *volume of interest income* determined based on the current level of monetary placements, influenced by cash inflow/outflow proposals for 2024 and the estimated interest rate for 2024 for each category of monetary placements (bank deposits, bonds, loans granted).
- *influences of MTM on assets at fair value through profit and loss* were not estimated.
- *proposed expenses on salaries, allowances, related contributions, and similar expenses*, based on the wage bill for January 2024, possible increases during the year, a reward fund for employees, and a reward fund for achieving objectives/profits.
- *financial investments* to be made based on opportunities and market trends.
- *share buyback*, which will generate cash outflows.
- *endowments* - mainly consisting of computing equipment, office supplies, software, licenses, etc.

BUDGET PROPOSAL FOR THE YEAR 2024

No.	Specifications	Proposals 2024 (RON)
I	**Income**	
	Dividend income	130,800,000
	Interest income	8,129,559
II	**Gain / (Loss) on investments**	
	Gain/(Loss) from valuation of financial instruments	-
III	**Expenses**	
	Commissions expenses	6,543,351
	Other operating expenses	32,001,947
IV	**Profit before tax**	**100,384,261**
V	Tax on gross due dividend	7,300,000
VI	**Net profit for the year**	**93,084,261**

Income estimated to be achieved in 2024 include:

- **Dividend income** that represents the gross value of dividends estimated to be collected during 2024 from portfolio companies, according to the most likely distribution scenarios at the time of budget drafting. The dividend income estimation was based on publicly available information regarding profit allocation by listed companies in the portfolio and assessment based on preliminary results and the dividend policy of unlisted companies. An increase in the volume of this income is estimated vs. the previous year, as a result of banks distributing a larger volume of dividends, these taking into account favourable forecasts in 2024.

- **Interest income** is related to monetary placements (bank deposits, bonds, and loans granted), held in RON and EUR, estimated based on the average volume of placements expected to be invested during the year 2024 in these types of assets. Within this income, the interest component related to a share sale contract has also been included.

Estimated gain / (loss) on investments - no amounts were estimated for this item for 2024.

Total expenses estimated for 2024 include:

- **Commission expenses** include commissions payable to ASF on market net asset, Depozitarul Central for keeping the records of shareholders, depository bank, to Bucharest Stock Exchange, and financial investment services companies (brokerage firms).
- **Other operating expenses** include:
  - **Expenses with personnel, administrators, and executives (directors)**, representing salaries, allowances, bonuses, social contributions, etc. Here were included the expenses with the stock option plan programs, ongoing or to be approved by the general meeting of shareholders in 2024.
  - **Additional expenses** comprise costs of services, travel, maintenance costs, utilities, supplies, depreciation, etc.
  - **Other expenses** mainly include expenses for organizing the general meetings of shareholders, investor relations activities, promotional activities and publication of materials, expenses of protocol.

Gross profit estimated for the year 2024 is in the amount of RON 100.4mn.

Tax on due gross dividend (to be collected) - is estimated in the amount of RON 7.3mn and includes tax on income form gross dividends estimated to be achieved in 2024, budgeted.

The net result proposed to be achieved in 2024 is in the amount of RON 93.1mn.

NOTE: The Income and Expenses Budget was prepared based on the management's best estimates given the information available at the time of preparation, weighted with a prudent approach of the main risks affecting the outlook for 2024.

The developments in the regional geopolitical condition and the global economic outlook, along with their social and economic impacts and consequences for Romania, cannot be reliably anticipated, leading to the inability to forecast, in a reasonable manner, possible variations in the financial performance of the Fund throughout the 2024 financial year.