

# 2023 Preliminary Annual Results Conference Call

29 February 2024

## Marius Dan, Deputy CEO, Corporate Strategy:

Good afternoon and welcome everyone to our conference call to discuss the 2023 Preliminary Annual results and the January 2024 NAV developments. Johan Meyer, CEO Romania, Portfolio Manager, Catalin Cadaru, Financial Reporting Manager and I are pleased to host today's call.

The 2023 Preliminary Annual Results report can be found on the Fund's website, in the Financial results section and the presentation that we will be discussing is available on our website at [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) in the "Investor Relations Calls" section.

After the presentation, we will have a 30-minute Q&A session.

As a reminder, this conference call is being recorded and the recording will be available on the Fund's website after the call.

That being the agenda, I would like to start with **slide 2** of the presentation where we highlight the key facts about the Fund. At the end of January, the Fund's NAV was RON 2.35 billion / USD 0.51 billion and the NAV / share reached RON 0.6601 / USD 0.1436.

On the right-hand side, you can see the evolution of the Fund's adjusted share price and discount / premium since the Fund's listing in January 2011. As at yesterday's close, the Fund was trading at a discount of **23.34%** for the shares and **21.31%** for the GDRs.

On **slide 3** we present the Fund's shareholders structure as at 31 January 2024 with no major changes since our last results conference call in November 2023.

On **slide 4** we show a summary of the NAV, share price and GDR performances since 2011, and the evolution of the Fund's average annual discount on BVB and LSE.

The NAV total return in 2023 was (2.4)%, the total return for the local shares was 45.0%, while the total return for the GDRs was 34.9%.

For the first month of 2024, the NAV total return was (0.1)%, the total return for the local shares was 1.0% while the total return for the GDRs was (2.6)%.

In the next section, I now turn to Johan to give an update on the **Fund's Portfolio**

## Johan Meyer, CEO Romania, Portfolio Manager:

On **slide 6**, we show the portfolio structure as at the end of January: 89.4% in unlisted companies, 5.2% in listed equities, and 5.4% in Net cash and receivables. Net cash and receivables position as at 31 January was USD 27.5 mn.

On **slide 7** we present the main portfolio companies as at 31 January 2024, representing 88.0% of the Fund's NAV.

On **slide 8**, we show the main outcomes of Hidroelectrica's IPO, transaction details, key highlights and timeline.

Following the the IPO and the exercise of the full over-allotment option, the Fund sold its entire 19.94% stake in Hidroelectrica. Backed by strong local and international long-only demand the book was multiple times oversubscribed throughout the price range, allowing to price the deal at the upper half of the range at RON 104 / share.

As outlined on **slide 9**, the EUR 1.9 bn IPO is the largest IPO in Romania ever, the 3rd largest IPO in history on a CEE Exchange, as well as the largest IPO in Europe in 2023.

On **slide 10** we present the 2023 preliminary figures for Bucharest Airports.

On the financial side:

- Operating revenues increased 20% compared to 2022, to RON 1.2 bn;
- Operating result reached RON 477.1 mn from RON 344.7 mn in 2022;

Net income has reached record high levels for FY 2023 of RON 404 million, an increase of 33% year-over-year. The main driver for the improved profitability was the higher passenger traffic, which recovered to pre-Covid levels, reaching 14.7 million passengers, up 17% year-over-year.

Regarding the litigation: The decision in the appeal against the share capital increase is expected on 29 February 2024.

On the corporate governance front, all Board members have interim mandates. The selection process has started, and it is expected to be finalised in the coming months.

On **slide 11** we show the 2023 preliminary figures for Constanta Ports.

On the financial side:

- Operating revenues increased by 14% y.o.y. to RON 548.7 mn;
- Operating profit was RON 135.6 mn, up from RON 131.5 mn in 2022;
- Net income was RON 125.9 mn, up 10% compared to the previous year.

Traffic reached 92.5 million tons in 2023, an increase of 22.4% year-over-year, driven by traffic of Ukrainian merchandise, which doubled year-over-year, to approximately 25 million tons. Higher traffic drove an improvement in operating profitability, which the management currently estimates at RON 136 million.

On the corporate governance front, all Board members have interim mandates. The selection process for full mandates has not yet started.

Regarding Salrom's 2023 preliminary results, on **slide 12**:

- Operating revenues increased by 7% y.o.y. to RON 529.7 mn;
- Operating profit was RON 135.0 mn, up from RON 134.4 mn in 2022;
- Net income was RON 128.1 mn, up 6% compared to the previous year.

On the corporate governance front, following finalization of the selection procedure for Board Members based on GEO no. 109/2011 by the Ministry of Economy, shareholders appointed during the GSM that took place on 23rd of February 2024 Board members for a period of 4 years. Fondul Proprietatea appointed 2 out of 5 members.

Regarding the company's IPO, the Fund continues to engage with the majority shareholder and the company in relation to preparations for a potential IPO.

Moving to the **Corporate Actions section**, I would like to invite Marius to comment.

### **Marius Dan, Deputy CEO, Corporate Strategy:**

Thank you, Johan.

On **slide 14**, we outline the Fund's distributions since we started managing the Fund.

The 2023 amounts are based on the buybacks executed, the finalized Tender offers, the dividend distributions approved by the shareholders during the April Annual GSM and the August OGM and the number of paid shares excluding treasury shares as at 31 December.

Total distributions made since 2010, including the amounts for 2023, reached **RON 28.5 bn i.e., USD 6.9 bn**.

On **slide 15**, we outline the latest updates on the Fund's buy-back programmes. The 15th buy-back was approved by shareholders during the 13 February 2024 EGM and may start after the publication of the EGM Resolution in the Official Gazette and will end on 31 December 2024, while the cancellation of shares bought back last year will be put on the agenda of the April 2024 Annual GSM for shareholders' approval.

On **slide 16** we include details on the Fund's annual net dividends and dividend payout ratios for the largest portfolio companies as at the end of January, based on the figures approved **by the shareholders**. Total amount for top holdings is approximately RON 93.2 mn for the dividends declared in 2022.

On the following slide, **17**, we present the main resolutions of the **13 February 2024 EGM**.

- The approval of the authorization to buy-back shares of Fondul Proprietatea, global depositary receipts corresponding to shares of Fondul Proprietatea, via trading on the regular market on which the shares, the global depositary receipts corresponding to the shares of Fondul Proprietatea are listed or public tender offers, in compliance with the applicable law, for a maximum number of 1,000,000,000 shares (being in the form of shares and/or shares equivalent as described above), during the 2024 financial year, starting with the date when the resolution related to this approval is published in the Official Gazette of Romania, Part IV and until 31 December 2024. The buy-back shall be performed at a price that cannot be lower than RON 0.2 / share or higher than RON 1 / share.
- The approval of the sale by Fondul Proprietatea of its shareholding in the share capital of Engie Romania S.A.

**Item 3** on the 13 February 2024 EGM agenda **was not approved**. Please recall that Item 3 on the EGM agenda refers to:

- The approval of the sale by Fondul Proprietatea throughout the 2024 financial year ending 31 December 2024 of any of the holdings in the portfolio companies of Fondul Proprietatea as such are set out below, which either individually or cumulatively exceed 20% of the total value of Fondul Proprietatea's non-current assets, less receivables.
  - ✓ The Fund Manager is authorised to fulfil any legal acts or actions useful and / or appropriate with respect to the sale in any manner decided by the Fund Manager (including by way of public offering or by way of one or more private transactions) of all or part of the holdings held by Fondul Proprietatea in the following companies: CN Aeroporturi Bucuresti SA, CN Administratia Porturilor Maritime SA, Societatea Nationala a Sarii SA, Alro SA.
  - ✓ The value of the transaction contemplated herein individually or cumulatively (if the case) performed within the 2024 financial year ending 31 December 2024, will not exceed 40% of Fondul Proprietatea's financial assets in the form of shares (traded on a regulated market or not admitted to trading) as reflected in the net asset value report of Fondul Proprietatea as at 31 December 2023.

On **slides 18 and 19**, regarding the 26 March 2024 OGM agenda, the main points are:

- The approval of the terms of, along with the execution of, the Management Agreement (in the form set out in the supporting documentation) between Fondul Proprietatea and Franklin Templeton International Services S.à r.l. for a duration of one (1) year starting 1 April 2024 and until 31 March 2025.
- The approval of the Remuneration Policy of Fondul Proprietatea in force starting 1 April 2024, as described in the supporting documentation, to reflect the provisions of the Management Agreement, subject to point 1 on the OGM agenda being approved.
- The approval of 2024 budget of Fondul Proprietatea, in accordance with the supporting materials.
- The appointment for a period of 3 years of two members in the Board of Nominees of Fondul Proprietatea following the expiration of two mandates.
- **Alternative to item 1 of the OGM Convening Notice** – The approval of the terms of, along with the execution of, the Management Agreement between Fondul Proprietatea and Franklin Templeton International Services S.à r.l. for a period of one (1) year starting 1 April 2024 and until 31 March 2025 in the form set out in the supporting documentation relating to OGM agenda item 1, with a change in the base fee rate such that the base fee is 1.35%, **subject to item 1 of the OGM agenda not being approved by the OGM.**

*(Item added on the agenda at the request of the shareholder Ministry of Finance)*

- **Alternative to item 2 of the OGM Convening Notice** – The approval of the Remuneration Policy of Fondul Proprietatea in force starting 1 April 2024, to reflect the provisions of the Management Agreement, in the form provided in the supporting documentation related to item 2 on the OGM agenda with a change in the base commission rate so that the base commission is 1.35 %, **subject to item 2 of the OGM agenda not being approved by the OGM.**

*(Item added on the agenda at the request of the shareholder Ministry of Finance)*

- The approval of the Strategy of the Fund applicable to the mandate period 1 April 2024 to 31 March 2025 so that it includes the preservation of the current portfolio managed by Franklin Templeton International Services S.à r.l.

*(Item added on the agenda at the request of the shareholder Ministry of Finance)*

On **slide 20**, we include the Financial Calendar for Fondul Proprietatea.

The Fund's **Financial results** for the period are presented on the next **slides**, and I would like to invite Catalin Cadaru, Head of Financial Reporting to comment.

### **Catalin Cadaru, Head of Financial Reporting:**

Thank you, Marius.

In these preliminary unaudited financial results of the Fund for the financial year ended 31 December 2023, the Fund's holding in CN Aeroporturi Bucuresti SA was valued using the same assumptions and valuation methodology as in the previous valuation reports prepared during 2023.

The final audited IFRS financial statements of the Fund for the financial year ended 31 December 2023 will be published by the Fund by the end of March 2024, as part of the documentation of the Fund's Annual GSM to be held on 30 April 2024.

### **Slide 22, Preliminary Unaudited Statement of Financial Position**

The most important events during 2023 were related to the Hidroelectrica SA IPO (RON 9.28 billion), disposal of the entire stake in Enel companies (RON 650 million) and the net dividends received from portfolio companies (RON 955.8 million). The cash generated by these liquidity events were distributed to shareholders as net dividends paid (RON 8.23 billion) and through the acquisition of treasury shares within the 14th buyback programme, including the tender offers settled in March 2023 and December 2023 (RON 1.83 billion in total).

### **Slide 23, Preliminary Unaudited Statement of Comprehensive Income**

The loss from equity investments at fair value through profit or loss during 2023 was mainly generated by the valuation of the holding in Hidroelectrica SA at expected IPO proceeds before the reclassification to non-current assets held for sale (impact RON 1.87 billion).

Gross dividend income was mainly generated by the amounts recorded from Hidroelectrica SA (RON 867.4 million), Societatea Nationala a Sarii SA (RON 56.0 million) and CN Aeroporturi Bucuresti SA (RON 31.5 million).

The significant increase in interest income during 2023 was recorded following the placement of Hidroelectrica SA IPO proceeds in various short term money market instruments for the period between the IPO settlement date (10 July 2023) and the related dividend distribution Payment date (29 September 2023). These instruments included bank deposits, treasury bills and government bonds.

**Marius:** Thank you Catalin. At this point, I would like to open it up for your questions.

Thank you again everyone for your time today. For any additional questions, please do not hesitate to contact me.