

H1 2023 Results Conference Call

31 August 2023

Marius Dan, Deputy CEO, Corporate Strategy:

Good afternoon and welcome everyone to our conference call to discuss the H1 2023 results and the July 2023 NAV developments. Daniel Naftali, Deputy Portfolio Manager, Catalin Cadaru, Financial Reporting Manager and I are pleased to host today's call.

The H1 2023 Semi-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 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 July, the Fund's NAV was RON 12.76 billion / USD 2.85 billion and the NAV / share reached RON 2.3784 / USD 0.5320.

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 **18.26%** for the shares and **19.55%** for the GDRs.

On **slide 3** we present the Fund's shareholders structure as at 31 July 2023 with no major changes since our last results conference call in May 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 H1 2023 was (4.5)%, the total return for the local shares was (2.3)%, while the total return for the GDRs was (0.8)%.

For the first seven months of 2023, the NAV total return was (5.7)%, the total return for the local shares was (3.7)%, while the total return for the GDRs was (0.8)%.

On **slide 5** we show the contributors to the Fund's NAV performance for the second quarter.

During the second quarter of 2023, **slide 5**, the NAV per share decreased by 6.7% mainly as a result of the fair value decrease registered for Hidroelectrica SA, as the valuation was updated to the average IPO subscription price (RON 1.58 billion decrease). The NAV decrease was also determined by the fact that the shareholders of the Fund approved gross dividends in amount of RON 269.8 million during the period. The Fund also booked in Q2 total gross dividend receivables from portfolio companies in amount of RON 962.5 million.

As you can see, the main contributors in the second quarter of 2023, were Bucharest Airport, Salrom, Engie, E-Distributie Muntenia SA and Constanta Ports.

The bottom performers for the quarter were Hidroelectrica, Alro and Romaero.

On **slide 6** we show the contributors to the Fund's NAV performance for the first semester.

During the first semester of 2023 the NAV per share decreased by 6.2%.

As you can see, the main contributors in the first semester of 2023, were Bucharest Airport, Salrom, Engie, E-Distributie Muntenia SA and Constanta Ports.

The bottom performers for the quarter were Hidroelectrica and Romaero.

The Fund will continue to closely monitor the evolution of financial markets and that of the specific industries the unlisted holdings operate in and if necessary, an update of the multiples' analysis will be prepared, and the valuation of unlisted holdings will be updated accordingly.

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

Daniel Naftali, Deputy Portfolio Manager:

On **slide 8**, we show the portfolio structure as at the end of July: 20.9% in unlisted companies, 1.2% in listed equities, and 77.9% in Net cash and receivables. Net cash and receivables position as at 31 July was USD 2,223.6mn.

On **slide 9** we present the main portfolio companies as at 31 July 2023, representing 20.8% of the Fund's NAV.

On **slide 10**, 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 11**, the EUR 1.9bn 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 2023YTD.

On **slide 12** we present the H1 2023 figures for Bucharest Airports.

On the financial side:

- Operating revenues increased 22% compared to H1 2022, to RON 519.5 mn;
- Operating result reached RON 247.9 mn from RON 160 mn in H1 2022;
- Net income was RON 209.4mn, up 52% compared to the previous year.

Traffic increased to 6.8 million passengers in H1 2023, almost in line with pre-Covid levels and 25% higher year-over-year. This was the key driver for the significant increase in profitability, which was up by 52% year-over-year.

On **slide 13** we show the H1 2023 figures for Constanta Ports.

On the financial side:

- Operating revenues increased by 13% y.o.y. to RON 294 mn;
- Operating profit was RON 118mn, up from RON 107mn in H1 2022;
- Net profit was RON 109 mn, up 12% compared to the previous year.

Traffic reached 40.8 million tons in H1 2023, up by 9% year-over-year, driven by cereals and oily seeds linked to Ukraine. Overall, traffic of goods related to Ukraine increased by almost 4 times year-over-year, to 10.2 million tons. The higher traffic was the key contributor to the increase in operating profitability.

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

Regarding Salrom's H1 2023 results, on **slide 14**:

- Operating revenues increased by 21% y.o.y. to RON 237 mn;
- Operating profit was RON 57.5 mn from RON 42 mn in H1 2022;
- Net income was RON 56.5 mn, up 58% compared to the previous year.

On the corporate governance front, in January 2023, shareholders approved the re-launch of the selection process for Board Members based on GEO no. 109/2011, with the selection procedure being conducted at the level of the Ministry of Economy. Currently all Board members have interim mandates.

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 in the context of the protracted process for the appointment of the company's directors under the corporate governance rules applicable to state owned entities.

On **slide 15** we present some updates on Enel.

The Fund and the Greek company Public Power Corporation S.A. have concluded on 19 April 2023 an agreement for the sale of all the equity stakes held by the Fund in E-Distributie Muntenia S.A., Enel Energie Muntenia S.A., E-Distributie Dobrogea S.A., E-Distributie Banat S.A., and ENEL Energie S.A. (the "SPA"), in exchange for a total consideration of RON 650.0 million. The completion of the sale under the SPA is subject, among others, to the closing of the transaction between Enel and PPC. The transaction is expected to close in Q3 2023.

On **slide 16** we show key financials for the Fund's largest holdings, including the 2022 figures, approved by shareholders.

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

Marius Dan, Deputy CEO, Corporate Strategy:

Thank you, Daniel.

On **slide 18**, we outline the Fund's distributions since we started managing the Fund.

The 2023 amounts are estimations we've made based on the buybacks executed so far, the finalized Tender offer, the dividend distributions approved by the shareholders during the April Annual GSM and the August OGSM and the number of paid shares excluding treasury shares as at 25 August. Please note that daily execution of the 14th buyback programme started on 3 January is currently ongoing.

Total distributions made since 2010, including the current estimations for 2023, reached **RON 27.4 bn** i.e., **USD 6.7 bn**.

On **slide 19**, we outline the latest updates on the Fund's buy-back programmes. The 14th buy-back programme started on 3 January 2023. During the annual GSM held on 21 April, the Fund's shareholders approved the cancellation of shares bought back last year, and the process is currently ongoing.

On the next slide, **slide 20**, we show the main details of the Tender offer that was previously mentioned:

- the size of the offer is of 225 mn shares in the form of shares and / or GDRs;
- the purchase price is of RON 2.19 per share and the USD equivalent of RON 109.50 per GDR;
- the subscription period started on 10 February and ended on 13 March;
- the allocation method is pro-rata;
- and the consortium handling the offer is composed of: Swiss Capital as Intermediary; Swiss Capital and Auerbach Grayson as Deal managers, and The Bank of New York Mellon as GDR Tender agent.

On **slide 21** we include details on the Fund's annual net dividends and dividend payout ratios for the largest portfolio companies as at the end of July, 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, **slide 22**, we show a summary of the total dividend income received from the portfolio companies in the last 10 years. Total dividends (regular and special) to be received this year amount so far, to RON **955.8** mn.

On **slide 23**, we include the 2023 Financial Calendar for Fondul Proprietatea.

On the following slide, **slide 24**, we present the main points of the **25 September 2023** GSM Agenda.

On the OGM agenda, the main topics are:

- The approval of the renewal of the mandate of FTIS as sole director of Fondul Proprietatea that acts also as the alternative investment fund manager of Fondul Proprietatea, for a duration of four (4) years starting with 1 April 2024 and until 31 March 2028, inclusive (the "New Mandate").
- The approval of the appointment of a new sole director of Fondul Proprietatea that will act as alternative investment fund manager for a mandate of four (4) years starting with 1 April 2024 and until 31 March 2028, inclusive, according to legal provisions in force, subject to point 1 of the OGM agenda not being approved by the OGM.
- The appointment for a period of three (3) years of two members in the Board of Nominees of Fondul Proprietatea following the expiration of two mandates.

On the EGM agenda, the main topic is:

- The approval of the amendment of Article 19 paragraph (3) of the Constitutive Act of Fondul Proprietatea, subject to the approval by the OGM of any of point 1 or point 2 as set out in the OGM agenda, which shall be read as follows:

“(3) The mandate of the AIFM is of 4 years. The AIFM will call an Ordinary General Meeting of Shareholders to be held at least 6 months before the expiry of the mandate of the AIFM and will ensure that the agenda of the ordinary general shareholders meeting will include points granting the options to (i) approve the renewal of the AIFM’s mandate and (ii) appoint a new AIFM in accordance with the legal provisions in force, with the shareholders being granted the opportunity to propose candidates for such position; the agenda will also include provisions for the authorization of the negotiation and execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorization and legal completion of such appointment.”

The Fund’s **Financial results** for the period are presented on **slides 26 and 27**, and I would like to invite Catalin Cadaru, Head of Financial Reporting to comment.

Catalin Cadaru, Head of Financial Reporting:

Thank you, Marius.

Slide 26, Statement of Financial Position

The net decrease in equity investments of RON 11,524.8 million during H1 2023 was mainly related to the reclassification of Hidroelectrica SA (RON 9.28 billion) and Enel holdings (RON 588.8 million) as non-current assets held for sale as well as to the fair value decrease of Hidroelectrica SA before the reclassification date (RON 1.87 billion).

As of 30 June 2023, the holding in Hidroelectrica SA was valued at expected IPO proceeds before the reclassification to non-current assets held for sale.

Slide 27, Statement of Comprehensive Income

The Fund ended the six months period with an unaudited loss of RON 680 million.

The net unrealised loss from equity investments at fair value through profit or loss in H1 2023 was mainly generated by the changes in fair value of the unlisted portfolio. The decrease in fair value was mainly generated by the valuation decrease of the holding in Hidroelectrica SA (RON 1.87 billion), whereas the following companies recorded an increase in fair value: CN Aeroporturi Bucuresti SA (RON 115.1 million), Engie Romania SA (RON 49.6 million), CN Administratia Porturilor Maritime SA (RON 30.2 million) and Societatea Nationala a Sarii SA (RON 23.5 million).

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).

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.