

# Q3 2023 Results Conference Call

15 November 2023

## Marius Dan, Deputy CEO, Corporate Strategy:

Good afternoon and welcome everyone to our conference call to discuss the Q3 2023 results and the October 2023 NAV developments. Johan Meyer, CEO Romania, Portfolio Manager, Catalin Cadaru, Financial Reporting Manager and I are pleased to host today's call.

The Q3 2023 Quarterly 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 October, the Fund's NAV was RON 3.38 billion / USD 0.72 billion and the NAV / share reached RON 0.6457 / USD 0.1386.

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 **15.93%** for the shares and **18.78%** for the GDRs.

On **slide 3** we present the Fund's shareholders structure as at 31 October 2023 with no major changes since our last results conference call in August 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 for the 9M period was (5.0)%, the total return for the local shares was 16.5%, while the total return for the GDRs was 2.7%.

For the first ten months of 2023, the NAV total return was (4.6)%, the total return for the local shares was 35.9% while the total return for the GDRs was 23.0%.

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

During the third quarter of 2023, the NAV per share decreased by 73.3% mainly as a result of the approval of the special gross dividend of RON 1.7225 per share and subsequent payment to shareholders. The majority of Hidroelectrica IPO related costs were booked and paid during the third quarter as well.

As you can see, the main contributors in the third quarter of 2023, were IOR SA and CN Administratia Porturilor Dunarii Fluviale SA.

The bottom performers for the quarter were Alro and Romaero.

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

During the first nine months of 2023, the NAV per share decreased by 75.0%. Besides the significant decrease generated by the Hidroelectrica IPO proceeds disbursal, the NAV decreased also due to the annual dividend disbursement of RON 0.05/ share approved on 21 April 2023 and also due to the tender offer organised in March by which a total of 225 million shares and share equivalent in the form of GDRs were bought.

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

The bottom performers for the first nine months were Alro, Romaero and Hidroelectrica.

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 Johan to give an update on the **Fund's Portfolio**

### **Johan Meyer, CEO Romania, Portfolio Manager:**

On **slide 8**, we show the portfolio structure as at the end of October: 59.5% in unlisted companies, 4.6% in listed equities, and 35.9% in Net cash and receivables. Net cash and receivables position as at 31 October was USD 259.9 mn.

On **slide 9** we present the main portfolio companies as at 31 October 2023, representing 60.6% 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 updates for Bucharest Airports.

Traffic has recovered to pre-Covid levels in 9M 2023 and surged by 18% year-over-year, reaching 11.1 million passengers. This was the main positive driver for the improved operating profitability, which was up by 32% year-over-year to RON 420 million.

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 13** we show the updates for Constanta Ports.

Traffic reached 65.9 million tons in 9M 2023, up by 15.5% year-over-year, on the back of cereals and oily seeds linked to Ukraine. Overall, traffic of merchandise in relation with Ukraine increased 2.6 times year-over-year, to 17.4 million tons. Higher traffic drove a 9% year-over-year improvement in operating profitability, to RON 180 million.

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

Regarding Salrom, on **slide 14**:

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.

On 26 October 2023, the sale of the Fund's entire holding in Enel Group was finalised. The transaction was concluded following the closing of an agreement between Enel S.p.A. and the Greek company Public Power Corporation SA for the sale of all the equity stakes held by the Enel Group in Romania.

Following the Transaction, the Fund no longer holds any shares in the Enel Group in Romania.

The Fund received gross proceeds of RON 650,000,000 following the completion of the transaction, that will be used in accordance with the DCM techniques set out in the IPS.

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, Johan.

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 and the ongoing Tender offers, 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 31 October. Please note that daily execution of the 14th buyback programme started on 3 January is currently suspended due to the ongoing Tender offer process.

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

On **slide 19**, we outline the latest updates on the Fund's buy-back programmes. The 14<sup>th</sup> 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. The process was finalized on 12 October and starting with this date, the new value of the Fund's subscribed and paid-up share capital is RON 2,947,779,186.56 shares, being divided into 5,668,806,128 shares, each having a nominal value of RON 0.52 per share.

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 1.67 bn shares in the form of shares and / or GDRs;
- the purchase price is of RON 0.6319 per share and the USD equivalent of RON 31.5950 per GDR;
- the subscription period started on 31 October and will end on 5 December;
- 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 October, 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 slides we present the main resolutions of the **25 September 2023** GSM.

On **slides 22 and 23**, regarding the OGM, the main resolutions are:

- 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.
- The approval of the renewal of the mandate of Franklin Templeton as sole director of Fondul Proprietatea that acts also as the alternative investment fund manager of Fondul Proprietatea, for a period of 1 year, starting on 1 April 2024 and ending on 31 March 2025.
- The approval to launch a transparent and competitive selection procedure for the appointment of a new sole director based on investment expertise and experience for a mandate not exceeding 4 years from 1 April 2024.
- The amendment of the conditions of evaluation and remuneration of the Fund Manager in line with the new objectives and in accordance with international best practices.

On **slide 24**, regarding the EGM, the main resolution is:

- The approval of the amendment of Article 19 paragraph (3) of the Constitutive Act of Fondul Proprietatea, which shall be read as follows:

"(3) The mandate of the AIFM shall not exceed 2 years, with the possibility of re-election. The AIFM will call an Ordinary General Meeting of Shareholders to be held at least 6 months before the expiry of the mandate of 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, (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."

On **slide 25**, 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.

### Slide 27, Statement of Financial Position

As previously discussed, the main event during the quarter was the completion of Hidroelectrica IPO that led to a significant decrease of the equity portfolio, including the holdings classified as non-current assets held for sale.

The remaining balance of non-current assets held for sale caption includes the 5 Enel group holdings for which the transaction was completed during October.

The shareholders of Fondul approved a special dividend during the GSM held on 18 August and the payment started on 29 September. The significant increase in the cash and current account position is due to the dividends not yet collected by the shareholders at the end of the reporting period. These amounts sit in the distribution accounts opened with the fund's custodian and can be collected by shareholders for a period of 3 years. The corresponding liability is included in the Payables caption in the statement of financial position.

The other liabilities position mainly includes the special dividend related WHT liability that Fondul will be paying during Q4. The corresponding cash was invested in short term instruments (deposits and government bonds).

### Slide 28, Statement of Comprehensive Income

The net loss for the 9-month period ended 30 September 2023 was RON 968.9 million compared with the net profit of RON 3,510.2 million recorded for the same period in 2022.

The loss was mainly determined by the realized fair value loss related to Hidroelectrica SA as the initial public offering price was lower compared the valuation booked for 31 December 2022 (RON 1.87 billion fair value loss during the period).

The proceeds collected by Fondul from the IPO were invested in short term instruments for the period up to the special dividend payment. These instruments generated a significant increase in the interest income caption for the period.

The increase of the administration fees relates to the distribution fee for the special dividend for which the payment started on 29 September.

The operating expenses include the Hidroelectrica IPO related costs in amount of approx. RON 243 million (bank fees, legal counsel, and other advisors) – these costs were incurred and paid during the quarter.

### Slide 29, an update on the minimum corporate tax

Starting with the fiscal year 2024, Law no 296 / 2023 introduced a minimum tax on turnover (set at 1%) on companies whose turnover exceeds EUR 50 million in the previous year of calculation. According to the regulation, in case the regular profit tax is determined at a lower level than the minimum turnover tax, companies are required to pay profit tax at the level of the minimum turnover tax.

Entities that exclusively carry out activities involving distribution, supply and transport of electricity and natural gas are exempt from this tax regime. At the same time, entities operating in the oil and natural gas sectors, which in the previous year registered a turnover of over EUR 50 million will pay a

turnover tax in addition to the profit tax, at a rate of 0.5% of their turnover. Furthermore, credit institutions, irrespective of their turnover, will be subject to an additional tax on turnover calculated by applying a rate of 2% (in 2024 and 2025), and 1% (from 2026).

If the turnover exceeds the EUR 50 million threshold in 2023, the Fund will be subject to the provisions of the minimum corporate tax starting 1 January 2024. In this case, if the Fund's corporate tax position, calculated based on the general rules of the Fiscal Code, will be lower than 1% of the turnover or if it will show a tax loss, the Fund will need to pay the minimum corporate tax amounting to 1% of the turnover.

**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.