

Memo on additional external audit fees for the financial year ended 31 December 2023

Overview

According to Fondul Proprietatea S.A. (“**Fondul Proprietatea**” or the “**Fund**”) Constitutive Act, Article 12, paragraph (2), sub-paragraph f): *‘The ordinary general meeting of the shareholders has the following competencies, duties and functions:[...] to approve the remuneration policy applicable to the members of the Board of Nominees and to the Alternative Investment Fund Manager, that includes the level of remuneration of the members of the Board of Nominees and of the Alternative Investment Fund Manager, and to set the level of the remuneration of the financial auditor for financial audit services.’*

The purpose of this memo is to present the additional external audit fees requested by the Fund’s financial auditor Ernst & Young Assurance Services SRL, which are submitted for shareholders’ approval at point 7 on the agenda of 30 April 2024 Ordinary General Meeting of Shareholders.

Details regarding the additional audit work on specific topics

During 2023 a series of significant events occurred that lead to additional work for the financial auditor of the Fund, which was not included in the audit fees previously approved by the shareholders:

1. Extensive audit procedures related to the Hidroelectrica SA Initial Public Offering (“IPO”)

Hidroelectrica SA IPO was the largest and most complex transaction for the Fund during the financial year 2023, with multiple stakeholders involved (banks, consultants, lawyers, authorities).

Given its impact to the financial statements of the Fund, the financial auditor had to perform extensive audit procedures to gain a reasonable assurance that the transaction is accurately reflected in the financial statements for the year ended 31 December 2023, in all material aspects.

2. Involvement of specialists for the CN Aeroporturi Bucuresti litigation assessment

Due to the significance of the unlisted equity instruments, the uncertainties involved and related complexity of estimation techniques, the financial auditor considers the valuation of fair value Level 3 equity instruments a key audit matter. CN Aeroporturi Bucuresti is the largest holding in the Fund’s portfolio, representing 37.4% of the Fund’s Net Asset Value at 31 December 2023.

As detailed in the 2023 Annual Sole Director’s Report, Fondul Proprietatea initiated various legal actions in order to block the CN Aeroporturi Bucuresti share capital increase approved through Resolution no. 15/26 October 2021 of the Extraordinary General Shareholders Meeting of CN Aeroporturi Bucuresti.

The legal actions between the Fund and CN Aeroporturi Bucuresti involved multiple hearings/postponements in a short period of time, that overlapped with the planned 2023 year-end closing. Given the significant impact the litigation could have had on the financial statements of the Fund, the financial auditor involved their specialised legal team extensively to ensure the financial statements accurately reflect the judgements made, impact and related disclosures.

Additional audit fees

For the additional work described above the financial auditor proposed an additional fee of **EUR 27,000 (before VAT)**.

The Sole Director has discussed the estimates extensively with the financial auditor of the Fund and considers that the request is in line with the additional effort invested by the financial auditor. Also, the services and the associated additional fees have been presented and discussed with the Audit and Valuation Committee of Fondul and approved during the meeting held on 25 March 2024.

The additional fees estimated by the financial auditor have not been included in the proposed Budget for 2024, subject to shareholders' approval during 26 March 2024 shareholders meeting. As a result, the additional audit fees of **EUR 27,000 (before VAT)** are submitted for shareholders' approval during 30 April 2024 Ordinary General Meeting of Shareholders together with the **approval of the corresponding change of the 2024 Budget** of Fondul Proprietatea.