

*To: Fondul Proprietatea S.A. General Shareholders Meeting*

## SECONDARY LISTING BUDGET OF FONDUL PROPRIETATEA S.A.

The proposal for the listing of Fondul Proprietatea S.A. (“the Fund” or “Fondul Proprietatea”) on the London Stock Exchange (“LSE”) will be submitted for shareholders’ approval on 28 April 2014.

The Fund’s 2014 Budget did not include any expenses relating to the proposed secondary listing of the Fund on the LSE. Therefore, accompanying the proposal for the secondary listing, this document details the Fund’s secondary listing expenses budget (“SL Budget”), which is also submitted for shareholders’ approval.

The SL Budget was pre-approved by the Board of Nominees of the Fund in March 2014.

## SUMMARY OF SECONDARY LISTING BUDGET

<b>Expense category</b>	<b>RON</b>	<b>% in Total expenses</b>
Consortium fees and expenses	8,910,291	43.5%
Legal fees	4,822,169	23.5%
Roadshow costs	362,523	1.8%
Public relations expenses	911,996	4.4%
Commissions and fees	2,421,427	11.8%
Other expenses	3,066,445	15.0%
<b>TOTAL EXPENSES</b>	<b>20,494,851</b>	<b>100.0%</b>

## PRINCIPAL SL BUDGET ASSUMPTIONS

*The main secondary listing assumptions are as follows:*

- The SL Budget was prepared on the assumption that there will be a technical listing of the Fund on the Specialist Fund Market of the LSE (“SFM”), with fungible trading between London and Bucharest expected to be achieved via the use of Depositary Interests (DIs) or Global Depositary Receipts (GDRs).

There will be no liquidity event correlated to this listing and no offering of shares by the Fund. The listing documentation will consist of a Summary document or a Prospectus (for GDRs).

- The listing consortium selected (“Consortium”) is coordinated by Jefferies International Limited (“Jefferies”). The local advisors are BRD – Groupe Societe Generale and Swiss Capital.

The SL Budget has been prepared based on the final financial offer negotiated with the Consortium.

- In terms of timing of the listing, the assumption is that it is expected to take place in the third quarter of 2014.

*Other assumptions:*

- The average exchange rates used in the preparation of the SL Budget were 4.4978 Lei/EUR and 5.4671 Lei/GBP, being the National Bank of Romania's exchange rates as at 31 January 2014.
- The market capitalisation of the Fund for the preparation of the SL Budget was assumed to be GBP 2.1 billion.
- All taxes and contribution rates and computation methodologies are based on the laws in force as at 31 January 2014.
- Expenses include Romanian VAT of 24% and withholding tax, where applicable. The activities of the Fund are exempt and therefore VAT on expenses is not recoverable.
- Our calculations include certain assumptions on the applicability of taxes which are subject to interpretation of tax law. To be prudent, for some items where the interpretation is not entirely certain, we have included a contingency for the possible application of additional taxes.

The following section includes details on the budgeted expenses.

## **DETAILED ANALYSIS OF BUDGETED EXPENSES**

**Consortium fees and expenses** represent the most important component of the SL Budget. The costs associated with investment banking services will be capped at GBP 1,320 thousand equivalent (net of any applicable taxes) and will include a financial advisory fee for listing, expenses to be reimbursed by the Fund and a variable success fee component related to the listing of the Fund on the LSE. This Budget line also includes any related applicable VAT and withholding tax.

**Legal fees** include both the Fund's counsel fees and Consortium counsel fees relating to the secondary listing.

**Public relations expenses** include mainly estimated costs related to PR agencies, press conferences and other related events.

**Roadshow costs** include expenses related to organising roadshows supporting the secondary listing of the Fund on the LSE.

**Commissions and fees** include fees payable to the LSE and UK and Romanian capital market authorities. They cover estimated maximum fees payable to the LSE for admission to trading and also an annual LSE fee, the UK Listing Authority (Financial Conduct Authority) fee for reviewing the listing document and the Romanian Financial Supervisory Authority fee for reviewing the listing document.

**Other expenses** include mainly estimated expenses related to registrar services, printing and distribution costs, tax advisory services for the secondary listing and the auditors' additional expenses (for the issuance of a comfort letter for the listing document and for additional advisory and review requirements).

**This SL Budget has been prepared based on the information currently available and based on the assumptions as stated within this paper. As it is impractical to update the SL Budget every time changes in the assumptions used in the preparation of this budget occur, we propose that shareholders empower the Fund Manager to incur additional expenses on behalf of the Fund, if so required, but not exceeding more than 10% of the total secondary listing budget expenses presented in this paper.**

**Details on such expenses incurred will be provided on a retrospective basis, as part of the Fund's periodic reporting and in the annual report of the Fund Manager.**

**Among the expense categories reclassifications / reallocations may take place with the condition that the total of these expenses will meet the overall budgetary limits approved by the General Shareholders Meeting.**

If the secondary listing project will not be finalised by the end of 2014, the remaining secondary listing related expenses will be included in the Fund's 2015 Budget that will be submitted to shareholders' approval before the end of 2014.

**Grzegorz Maciej Konieczny**

**Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch, acting as sole director on behalf of S.C. FONDUL PROPRIETATEA S.A.**