

MEMO FOR PRESENTING POINT 3 ON THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING ON 28 APRIL 2014

Secondary Listing of Fondul Proprietatea on the London Stock Exchange

Purpose

The purpose of this paper is to inform the Fund's shareholders about the plan proposed by the Fund Manager to execute the secondary listing of the Fund on the Specialist Fund Market ("SFM") of the London Stock Exchange ("LSE") by the end of 2014.

Plan for the Secondary Listing on the LSE

Given that the feedback from international institutional investors that the Fund Manager has met during road-shows to the United States of America, Canada, the United Kingdom and other European countries has remained very supportive of the secondary listing of the Fund, in order to attract additional demand for the Fund's shares, and the potential benefits such as broadening the foreign institutional investor base not currently active in Romania, increased visibility of the Fund, increased research coverage and potential valuation uplift, the Fund Manager will be working with a view to complete the process as soon as possible, within the timeframe indicated above.

Following a selection process finalized in December 2013, the Fund Manager has selected the consortium of investment banks (the "Consortium") which will assist the Fund on the secondary listing on the SFM of the LSE: Jefferies International Limited ("Jefferies") as the sole UK financial adviser in connection with introduction and admission to trading of the Fund's shares (the "Shares") together with BRD Societe Generale and Swiss Capital as the local advisors, and Clifford Chance Badea as the legal advisor for the Fund.

Fungible trading between London and Bucharest is expected to be achieved via the use of Depositary Interests ("DIs") in the United Kingdom. In this regard, a UK-based registrar and depository would bridge the London and Bucharest markets by holding Shares through a local (Bucharest-based) custodian via Clearstream (clearing and settlement entity connected to the Central Depository in Bucharest) and issuing DIs in London. Alternatively, the listing can be achieved via the use of Global Depositary Receipts ("GDRs"), but the current local regulations in Romania limit the issuance of GDRs to IPOs and in order for the Fund to be able to issue such GDRs, either the regulation should change or the local FSA should issue a waiver for the Fund to be able to issue the GDRs.

New local and foreign investors will be attracted via separate placements of shares facilitated by existing shareholders through accelerated placements and/or individual trades on the regular (open) market either at the same time or subsequent to the listing in London.

Rationale for the Secondary Listing on the LSE

Following a detailed analysis of the advantages of the secondary listing of the Fund on the SFM of the LSE, the Fund Manager considers that this would be in the best long-term interests of the Fund and its shareholders for the following reasons:

- The LSE has a long track record of supporting and developing emerging equity markets, and offers a dedicated and substantial pool of institutions with more than USD 100 billion under management focused on investing in closed-end funds and investment trusts;
- Given the global investor reach and neutral positioning, a listing on the LSE is fully complementary to the Fund's existing listing on the Bucharest Stock Exchange;
- The LSE offers the ideal platform to promote the Fund and Romania to a global investor base with an in-depth understanding of international markets and the CEE region, with more than 150 companies from CEE/CIS/Russia listed in London and a strong pipeline of CEE companies seeking to raise capital on the LSE;
- The listing on the LSE reinforces the strategic tie-ups between LSE and BSE and underlines the LSE's commitment to Romania;
- The listing on the LSE should broaden the foreign institutional investor base not currently active in Romania, which should benefit the Fund as well as other Romanian companies including FP's portfolio companies. Furthermore, the listing on the LSE will broaden the dissemination of data in relation to the Fund and its portfolio companies to a wider circle of financial news and information providers;
- Given that the Fund will be one of the largest closed-end funds listed in London, it will be very visible to a global investor audience;
- The Fund should benefit from the positive momentum created by the successful listing of Romgaz and the potential listing of other Romanian companies on the LSE in the near future;
- The Fund should benefit from significantly increased research coverage from brokers, who in turn will promote Romania among international clients who will gain a better understanding of the Fund's unlisted portfolio companies, especially ahead of their IPOs – there are 2,508 analysts following international companies on the LSE and on average of more than 14 analysts covering each company;

- The Fund's listing on the LSE should generate additional interest for the portfolio companies listed on the Bucharest Stock Exchange, which in turn should add to the daily market liquidity and as a result generate more income and trading fees for local brokers, the BVB and the FSA;
- The incremental demand generated by the Fund's LSE listing should contribute to the narrowing of the discount to NAV at which the Shares currently trade;
- The listing on the LSE can be achieved simply with no requirement to change the structure, investment policy or corporate governance of the Fund to make it eligible for a London listing.

Consortium Composition and Scope of Work

The Consortium to assist the Fund on the secondary listing process on the SFM of the LSE and to execute the transaction includes:

- Jefferies International Limited as sole UK financial adviser
- BRD Societe Generale – as Romanian Advisor
- Swiss Capital – as Romanian Advisor.

The Consortium's main duties will include:

- Project management;
- Assist the Fund, as appropriate and in conjunction with its other professional advisers, with the preparation of a Prospectus Directive compliant summary document or prospectus, as applicable (the "Listing Document") and any other necessary documentation to be issued by the Fund in connection with the Transaction;
- Assist the Fund in obtaining permission to list, and admit to trading, the securities or GDRs (the "Securities"), and communicate with, and file all necessary documents supporting the listing application and application for admission to trading with, the LSE and the relevant regulatory authorities, and seek the approval by the Financial Conduct Authority (the "FCA") or the Romanian Financial Supervisory Authority of the Listing Document;
- Organize meetings designed to introduce potential institutional and other investors to the Fund and assist the Fund in the drafting of any road-show presentations;
- Assist, as appropriate and in conjunction with the Fund's other professional advisers, in structuring the Transaction and liaise with the depositary bank of the GDRs, if applicable;
- Liaise with any external publicity advisers appointed by the Fund in relation to any necessary publicity arrangements;

- Together with the Fund's other service providers, co-ordinate the arrangements to be adopted by the Fund to facilitate the settlement of trades in the Fund's Securities on the LSE;
- The Romanian advisors will assist the Fund in obtaining the permissions, consents and support of the various Romanian capital market authorities, institutions and stakeholders necessary to successfully conclude the listing in London;
- Advise the Fund in relation to the opportunities and responsibilities arising from its London listing and on investor relations and other strategic matters relating to being listed in London.

Proposal for shareholders

The Fund Manager wants to propose shareholders to vote for the approval of the secondary listing of Fondul Proprietatea on the LSE in the Annual General Shareholders' Meeting on 28 April 2014 , as follows:

- The approval of all arrangements to allow the admission to trading of Fondul Proprietatea's shares via direct or indirect ownership (such as through depositary receipts, depositary interests or other indirect ownership form) (the "Securities") on the London Stock Exchange;
- The approval of the empowerment of the Sole Director of the Fund (i) to take all necessary actions in order to complete such listing, including to choose the type of listing, the section of the London Stock Exchange where the Securities will be listed, the execution of the intermediation and any other agreements, appointing a depositary bank and the execution of a depositary agreement, if the case, appointing any advisers (other than the consortium mentioned above) and subcontractors if necessary and drafting and executing all listing related documentation; (ii) to represent Fondul Proprietatea with full power and authority in front of any third party and authorities in relation with secondary listing activities; (iii) to seek all necessary regulatory approvals thereof; (iv) to carry out any promotional campaign; and (v) to perform any other action or formality which may be necessary or desirable to ensure the full effectiveness of the actions specified in this point; such authorization of the Sole Administrator is valid until 31 December 2014;
- The appointment of the consortium composed of Jefferies International Limited as sole UK financial adviser, BRD Societe Generale and Swiss Capital as Romanian advisors, that will work with the Sole Director mainly with respect to the admission to trading of Fondul Proprietatea's Securities, via direct or indirect ownership, on the London Stock Exchange;
- The approval of the secondary listing budget.

Consortium's Fee

The total estimated expenses (including fees payable to the Consortium, legal fees, road-show costs, PR expenses, commissions, fees, and other expenses) will be presented in the documentation for the convening of the Annual General Shareholders Meeting on 28 April 2014.

We note that the analysis in this paper is in accordance with our understanding of the current applicable laws and regulations and the relevant authorities' interpretation thereof, which can change over time.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch, acting as Sole Administrator on behalf of FONDUL PROPRIETATEA S.A.

Oana Valentina Truța

Legal Representative