



MEMO

Date: 2 March 2012

To: All Fondul Proprietatea Shareholders

From: The Fund Manager and Sole Administrator of Fondul Proprietatea

Subject: Update on the Secondary Listing of SC Fondul Proprietatea SA on Warsaw Stock Exchange

Background

On 8 February 2012, Georgia Palade van Dusen, Philippe Palade, Grantelast Limited and POAH One Acquisition Holdings IV Limited, as shareholders of the Fund owning together more than 5%, asked Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch (the „Fund Manager”) to call a General Shareholders’ Meeting of SC Fondul Proprietatea SA (“Fund”) for the following reasons:

- a) to approve in principle the secondary listing of SC Fondul Proprietatea SA on the Warsaw Stock Exchange (“WSE”);
- b) to approve an instruction to the Fund Manager to present a specific plan to shareholders by not later than May 31, 2012 setting forth all formalities necessary for listing on the Warsaw Stock Exchange
- c) to schedule a shareholders meeting to vote on all such necessary matters not later than June 30, 2012.

Recent Actions

Following our initial recommendation in July 2011 in support of a secondary listing on the WSE, combined with an offering of up to 10% of the existing shares of the Fund, the Fund Manager has met with numerous investment banks interested in advising on the transaction, with the market regulators in Romania and Poland, and with the central depositories in both Bucharest and Warsaw. Given our stated desire to combine the secondary listing with an offering of up to 10 percent of the Fund's existing shares, we have been considering various methods to accumulate the shares for offering, including acquiring shares by tender offer, by buyback, or by other means. The merits of each method have been discussed with the investment banks and the regulators in Romania and Poland.

Challenges

Whilst these discussions have proved to be very productive, we continue to face two main areas of complications which must be surmounted for the successful completion of a secondary listing on the WSE:

1. The feasibility of the accumulation of shares is complicated by some aspects of Romanian law and regulation. The possibility of issuing new shares is restricted in two areas: (i) the difference between market price and share par value, and legal restrictions on adjusting share par value, (ii) legal restrictions on issuing new shares when the share capital is not entirely paid, due to outstanding contributions from the State. The ability of the Fund to acquire existing shares for the offering is restricted by uncertainties in the interpretation of certain Romanian rules on buyback practice on which we have been seeking supportive clarifications from CNVM. Any exercise deemed a buyback programme is restricted to the “Other reserves” as per latest approved annual financial statements of the Fund.
2. A second complication is the willingness of the Romanian Central Depository to invest in establishing a link with the Polish Depository, which would make the Fund’s shares fully fungible



between the two markets, and then obtaining the necessary approvals. The Polish Depositary has confirmed that it is very willing to invest on its side, but the Romanian Depositary has not yet committed to taking any steps towards this goal. If the Romanian Central Depositary makes a commitment, the CNVM and BVB would need to approve the final arrangement.

The Fund Manager continues to believe firmly that the secondary listing would be a major step forward in the development of the Fund, and in the best long-term interest of all shareholders, as well as a major milestone in the development of the Romanian capital market, enhancing its visibility on a regional scale. It would build a gateway to an important exchange in this region and the attention that the Fund would draw from analysts and institutional investors there would be reflected onto the Fund's portfolio companies and other Romanian issuers, which in the longer term should improve the prospects of the current holdings and investment opportunities of the Fund.

Next Steps

Accordingly, the Fund Manager is moving forward with the selection process of the investment bank, in order to identify further solutions toward executing a secondary listing of the Fund on the WSE.

In light of the considerations above, if the proposal of secondary listing of the Fund on the WSE is approved by the Fund's shareholders at the GSM on 4 April 2012, the Fund Manager will present to shareholders in May 2012 its opinion regarding the secondary listing on the WSE and the proposed structure of the transaction. The Fund Manager will also schedule a shareholders meeting in June 2012 that will include the proposal of the secondary listing. We must note that a resolution of some of the issues highlighted above are not within our control as they are dependent on third parties and may not be resolved by 31 May 2012. That said, we will do everything within our control and make our best efforts to achieve this outcome.

The Fund Manager & Sole Administrator