

Regulatory Announcement

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TIDM RC2
Headline Option to increase stake in Policolor SA
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RC2 enters into option agreement to increase its stake in Policolor S.A.

Reconstruction Capital II Limited ("RC2") is pleased to announce that it has signed a put and call option agreement (the "Option") which, if exercised, will increase its stake in Policolor S.A. ("Policolor" or the "Company"), the leading producer of coatings in Romania and Bulgaria. RC2 already owns a 9.2% shareholding in Policolor.

Quoted on the Bucharest Stock Exchange, with a market capitalisation of €68m (based on the closing share price on 12th June 2008), and based in Bucharest, Policolor had non-consolidated sales of €47m and incurred a net loss of €3m in 2007. It operates in Bulgaria through its 64.2% owned subsidiary Orgachim AD, a producer of coatings and specialty chemicals. Orgachim had sales of €64.5m and a net profit of €3.5m in 2007 and is listed on the Bulgarian Stock Exchange.

The Option, which was entered into between RC2 and the Romanian Investment Fund ("RIF") on the one hand, and the Romanian American Enterprise Fund ("RAEF") on the other, will, if exercised, allow RC2 to purchase a shareholding of 25.1% in Policolor for €20.9m, or €1.1648 per share.

It is intended that by exercising the Option, RC2 and RIF shall buy RAEF's 33.2% shareholding in Policolor for a total consideration of € 27.6m, bringing the two funds' stakes in the business to 92.5%. Under Romanian securities rules, following the exercise of the Option, the two funds will have different possibilities to squeeze out the remaining shareholders and de-list the company. Following this operation, it is intended that RC2 will have a 40% shareholding in Policolor and RIF a 60% shareholding.

Ion Florescu, a director of RC2 and Policolor's chairman since 2002, commented "By consolidating the ownership structure in the Company, both RC2 and RIF will have the opportunity to work together closely in order to accelerate and finalize the de-listing of Policolor as well as the re-organization of the entire group in preparation for an exit".

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