

FOR IMMEDIATE DISTRIBUTION: 23 June 2020

**FP URGES THE MINISTRY OF ECONOMY, ENERGY, AND BUSINESS ENVIRONMENT AS  
MAJORITY SHAREHOLDER OF HIDROELECTRICA  
TO ANALYSE THE RISKS OF ACQUIRING CEZ ASSETS**

Bucharest, 23 June 2020 – Fondul Proprietatea (hereinafter “The Fund”) urges the Ministry of Economy, Energy, and Business Environment, as majority shareholder of Hidroelectrica, to thoroughly consider the risks of acquiring CEZ assets and reject the Company’s request to submit a binding offer. The Fund strongly believes that the acquisition of CEZ assets by Hidroelectrica would not create value for its shareholders and affect its listing process and potential valuation, which, in turn, would hinder Romania’s chances of being upgraded to MSCI Emerging Market status.

In our view, in its current structure, Hidroelectrica is optimally placed to overcome the current challenging environment. The Fund has previously expressed its concerns in relation to this potential acquisition and would like to stress the likely risks for Hidroelectrica and its shareholders:

- **Acquiring CEZ assets risks diluting the overall value of Hidroelectrica**, given that the electricity supply business and the renewables assets that are currently targeted generally have a reduced profit margin as compared to Hidroelectrica’s current hydro-power operations.
- The company **has no proven track record in managing these types of assets** and dealing with subsequent integration challenges. Hidroelectrica **would enter the retail market**, thus increasing costs and by taking over the administrative burden and financial risk of having individual clients. The energy retail market is generally more volatile and therefore riskier than the wholesale market, in which Hidroelectrica predominantly operates.
- **Hidroelectrica would also take onboard the specific risks to the new business sectors**. In case of renewables for example, Hidroelectrica would take over the regulatory risk related to green certificates. In our view, the discount proposed for accepting this risk is insufficient and may lead to an **overpriced transaction**, which would certainly be to Hidroelectrica’s detriment.
- **Hidroelectrica’s IPO would be obstructed and delayed**, due to the time and resources required for the integration process. **The company’s attractiveness for investors and its eventual valuation may be reduced** with the inclusion of the new business activities, in which it has no track record, and which could only generate limited returns.
- **The value of the potential transaction is not public** and shareholders cannot approve the submission of a binding offer without such an important information. Also, the final terms of the consortium contract for the submission of a binding offer that include the obligations of Hidroelectrica were not made available to shareholders.
- **Hidroelectrica would become indebted following this transaction**, borrowing funds to invest in lower performing sectors, thus limiting its potential to generate profits and reducing the value of dividends. Therefore, **the Romanian state would risk its revenues being slashed at a time when it needs higher financial resources**.
- **If Hidroelectrica acquires CEZ assets, the State’s involvement in the energy sector would increase, which is contrary to the principles of liberalization.**

Commenting on the proposed transaction, **Johan Meyer, CEO of Franklin Templeton Investments and Portfolio Manager of Fondul Proprietatea** said: *“Hidroelectrica is a highly valuable company and a unique asset not only in Romania, but also in the wider region, with significant profitability margins and a simple, sustainable business model that is focused on clean hydroelectric energy production. With its IPO in sight it, is not opportune for the company to pursue any significant acquisition which may complicate this process. By pursuing large acquisitions at this point in time, Hidroelectrica risks delaying its listing or achieving a significantly lower price, which would be value destructive for the Romanian Government as majority shareholder. It should not lose focus and rather prioritize delivering a successful listing which would be a hugely important landmark for the local capital market and the entire economy. If it goes ahead with this transaction, over the long-term, Hidroelectrica risks reversing the progress it has made in cost-efficiency and profitability since its days of deep financial struggles.”*

Johan Meyer further added: *“To be clear we have always supported and continue to support investments at Hidroelectrica that are beneficial for the company and are value-enhancing, such as refurbishments that extend the lifecycle of existing assets and increase efficiency. Unfortunately, in our assessment this proposed acquisition does not meet the hurdle of generating additional value for shareholders that outweigh the risks inherent in such a transaction.”*

In conclusion, **Fondul Proprietatea urges the Ministry of Economy, Energy, and Business Environment, as majority shareholder of Hidroelectrica, to take into account all these considerations and to refuse support of an investment which does not clearly contribute to the overall value of the company.** On the contrary, it risks depreciating Hidroelectrica’s value and may results in huge debt burdens.

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## Notes to Editors

### 1. About Fondul Proprietatea

Launched in December 2005, Fondul Proprietatea ("the Fund") was established to compensate Romanians whose properties were confiscated by the former communist government. Following an international tender announced in December 2008, Franklin Templeton Investments was officially appointed as investment manager and sole administrator of the Fund on 29 September 2010.

The Fund is an alternative investment fund and its investment objective is the maximization of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The Fund listed on the Bucharest Stock Exchange on 25 January 2011 and on the Specialist Fund Market of the London Stock Exchange by means of global depositary receipts ("GDRs") on 29 April 2015.

The headquarters of Fondul Proprietatea SA are at 78-80 Buzesti Street, 7th Floor, Bucharest District 1, 011017, Romania. For more information on Fondul Proprietatea, please visit <http://www.fondulproprietatea.ro>.

### 2. About Franklin Templeton Investments

Franklin Resources, Inc. [NYSE:BEN] is a global investment management organization operating together with its subsidiaries as Franklin Templeton. Franklin Templeton's goal is to deliver better outcomes by providing global and domestic investment management to retail, institutional and sovereign wealth clients in over 170 countries. Through specialized teams, the company has expertise across all asset classes, including equity, fixed income, alternatives and custom multi-asset solutions. The company's more than 600 investment professionals are supported by its integrated, worldwide team of risk management professionals and global trading desk network. With offices in over 30 countries, the California-based company has more than 70 years of investment experience. For more information, please visit [www.franklintempleton.co.uk](http://www.franklintempleton.co.uk).

Franklin Templeton established an office in Bucharest in May 2010, with a team of 32 employees, including 6 locally based investment professionals who are further supported by the over 40 portfolio managers and analysts of the wider Templeton Emerging Markets team.

Starting with 1 April 2016, in view of complying with the EU Directive 2011/61 on alternative investment fund managers, the Fund is managed by Franklin Templeton Investment Services S.À R.L. ("FTIS"), a société à responsabilité limitée qualifying as an alternative investment fund manager under Article 5 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered with the Romanian Financial Supervisory Authority ("FSA") under number PJM07.1AFIASMDLUX0037/10 March 2016.

This release herein is issued by Franklin Templeton Investment Management Limited ("FTIML"), registered with the FSA under no. PJM01SFIM/400005/14 September 2009, which is authorized and regulated in the UK by the Financial Conduct Authority, registered therein under the number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission. FTIML acts herein as a delegate of FTIS with respect to the portfolio management functions as well as administration services over the Fund.

The office of Franklin Templeton Investment Management Limited is located at Premium Point, 7-8th floors, 78-80 Buzesti, District 1, Bucharest, Romania. Tel: +40.200.96.00, Fax: +40.200.96.31/32.

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