

Date: 15 October 2012

To: **Mr. Daniel Chitoiu, Minister of Economy, Commerce and Business Environment**
Mr. Alexandru Alexe, Head of the Office of State Participations and Privatizations in the Industry, Ministry of Economy, Commerce and Business Environment

Re: General Meeting of Shareholders of SC PEEH Hidroelectrica - 31 October 2012

Dear Sirs,

We are writing to you in our capacity of sole administrator of SC Fondul Proprietatea SA, significant shareholder of SC PEEH Hidroelectrica SA ("Hidroelectrica") to express our concern and disappointment towards recent request of the majority shareholder to postpone the discussion of certain points included on the agenda of the next General Meeting of Shareholders of Hidroelectrica. This action will lead to further delays in the implementation of the Government's Emergency Ordinance 109/2011 regarding corporate governance in the public enterprises at Hidroelectrica, which is already lagging behind.

On 10 October 2012, we acknowledged the request of the Ministry of Economy, Commerce and Business Environment, through the Office of State Participations and Privatizations in the Industry, **to introduce a distinct item on the agenda at the General Meeting of Shareholders of Hidroelectrica convened for 31 October 2012 „the postponement of the discussion of points number 1, 2, 3, 4, 5, and 12 from the agenda”**.

The introduction of points number 1, 2, 3, 4, 5, and 12 on the General Meeting of Shareholders agenda was requested by Fondul Proprietatea and they relate to:

- (a) the appointment of the new Supervisory Board with a mandate commencing at the end of the insolvency process;
- (b) the approval of the remuneration for the President and for members of the Supervisory Board;
- (c) the approval of supplementary remunerations for the members of the Supervisory Board that are active in the Consultative Committees;
- (d) the approval of the insured amount for professional liability insurance;
- (e) the approval of the administration contract, as well as mandating a representative of the shareholders to sign the administration contract.

We strongly advise against delaying the appointment of a new Supervisory Board of Hidroelectrica which would have negative consequences:

- It would send a negative signal to all the creditors of the company, as well as to all Romanian or foreign investors interested in Romania caused by the numerous delays in the appointment of new administrators and general managers in the companies under the Ministry of Economy, Commerce and Business Environment;
- It could have a negative impact on the company because, at the end of the insolvency process, there is a strong risk that the lack of administrative bodies that can properly

manage the company would lead to the company being managed on the same principles that led to the insolvency in the first place; and

- It would send a very public message that the Ministry of Economy, Commerce and Business Environment does not respect the commitments made by the Romanian State towards the international financial institutions (IMF, World Bank and the European Union).

Moreover, we believe that the introduction of a distinct item on the agenda that postpones the discussion of the points which were requested by a minority shareholder can be interpreted as an abuse of majority shareholder position and is, at the same time, a serious violation of the corporate governance principles. The fact that the majority shareholder submits for approval as a distinct item on the agenda the delay of the discussion of the points the minority shareholder requested means that we may end up in a situation where the requested points are never discussed in any meeting since the majority shareholder can decide anytime to postpone the discussion.

Franklin Templeton is and will always be one of the greatest supporters of the implementation of competitive and transparent selection procedures for the appointment of the Board of Administration/ Supervisory Board members and the general managers in the state-owned companies because we consider them of paramount importance for the development and efficiency of these companies.

We believe that any delay as regards to these decisions has a negative impact on the companies and on their shareholders. Therefore, we publicly urge you to name at the General Shareholders Meeting that will be held on 31 October 2012 the new administrators/members of the Supervisory Board for Hidroelectrica, whose mandate will be in effect once the company exits from insolvency.

Respectfully,

Grzegorz Konieczny

**Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch,
As sole administrator of S.C. FONDUL PROPRIETATEA S.A**