



**FRANKLIN TEMPLETON
INVESTMENTS**

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT
LIMITED UNITED KINGDOM Bucharest Branch
Premium Point Building
78-80 Buzesti, 8th floor
Bucharest 011017
Romania

Tel: +40 (0) 21 2009 600
Fax: +40 (0) 21 2009 631

FROM: Franklin Templeton Investments
www.franklintempleton.co.uk

For more information, contact:

Bucharest: Elena Birjovanu, +40 21 200 9640, ebirjovanu@frk.com

Bucharest: GolinHarris, +40 21 301 0051, MBotez@golinharris.com

FOR IMMEDIATE RELEASE: 22 January 2013

**FONDUL PROPRIETATEA CONCERNED BY SEVERE BREACHES
OF CORPORATE GOVERNANCE LEGISLATION AT CE OLTENIA**

Bucharest, 22 January 2013 - Franklin Templeton Investment Management Limited Bucharest Branch, in its capacity of Sole Director and Fund Manager of S.C. Fondul Proprietatea S.A. ("the Fund") believes the recent appointment of a new General Manager at Complexul Energetic Oltenia ("CE Oltenia") severely breaches the provisions of Emergency Government Ordinance 109/2011 ("OUG 109/2011") regarding the corporate governance of state-owned enterprises (SOEs). The new General Manager was appointed by a Board that was not authorised to appoint him in addition to using a flawed selection process whereby other shortlisted candidates were not given an interview for this position.

On 21 January 2013 the Supervisory Board of CE Oltenia appointed the then interim General Manager of the company, Mr. Laurențiu Ciurel, a former member of a political party, as General Manager, for a four-year mandate. This is a direct breach of the OUG 109/2011 regulatory requirements for the following reasons:

- The Supervisory Board that appointed Mr. Laurențiu Ciurel as General Manager has an interim mandate, explicitly limited until the appointment of a new supervisory Board based on the provisions of OUG 109/2011 that require an open, transparent and non-discriminatory selection process. Therefore this Board was not in the position to appoint Mr. Ciurel for a four year mandate as per article 63 para¹ of the above-mentioned Ordinance.
- For a large state-owned companies² such as CE Oltenia (SOEs with turnover over RON 1bn in 2010 and over 1,000 employees), the professional management should be first implemented through the selection and appointment of an independent Board, which can subsequently appoint the General Manager and other executives.
- The appointment of Mr. Laurențiu Ciurel as General Manager took place after the submission of a shortlist of candidates, both Romanian and foreigners by Kienbaum, the independent executive search company involved in the selection process. The list included Mr. Ciurel as well. Surprisingly, the Supervisory Board or the Nomination and Remuneration Committee formed at the Board level did not interview the other candidates included on the short-list and decided to appoint directly Mr. Ciurel.

The Fund Manager is yet again profoundly disappointed with the lack of transparency in the selection process and the opaque criteria upon which the final decision is made of appointing new professional managers and independent boards in state owned enterprises³. We strongly encourage the Government to address these matters urgently and observe the current legislation henceforth.

The Fund Manager is highly concerned that more than one year after the adoption of OUG 109/2011, corporate governance rules have not been implemented fully and correctly in any of the state-owned companies where Fondul Proprietatea is shareholder. The purpose of this legislation is to make sure that the new managers are qualified professionals, incentivized to improve the profitability and competitiveness of these companies, which will in turn reflect positively on improved revenues for the state budget and Romania's overall economic performance. If these breaches of corporate governance continue, we believe it will not only negatively impact the value of the companies in the Fund's portfolio, these actions will negatively impact the Romanian market as a whole.

#

Notes for editors

1. OUG 109/2011: Art. 63 (1) In case of SOEs, as mentioned by article 62, within 15 days after **the appointment of the new board, the procedure will be initiated for selecting the new managers**, in the case when they are not, in the same time, administrators, as according to the provisions of article 35. The deadlines mentioned by article 61, para (5), (7) and (8) shall apply for selecting the managers who are not, in the same time, members of the board.
2. OUG 109/2011: Art. 61 (1) As an exception from provisions of article 60, within 30 days after the current emergency ordinance enters into force, in the case of the SOEs in which the state is single shareholder or majority shareholder, with a turnover in 2010 of more than 1.000.000.000 lei and at least 1000 employees, the GSM will be convened, as complying with the provisions of Law 31/1990, as amended, supplemented and republished; the GSM shall decide on the immediate initiation of the procedure for selection of the members of the board of administration or, if appropriate, of the members of the supervisory board.
3. Please refer to our previous press releases on this topic: [Corporate governance breaches at EDMN & Aeroporturi Bucuresti](#), [Postponement of Hidroelectrica board appointment](#), [Open letter to the Ministry of Economy on Hidroelectrica](#) and [Concerns about inadequate implementation of corporate governance legislation](#).

About Fondul Proprietatea and the Fund Manager

Launched in December 2005, Fondul Proprietatea ("the Fund") was established to compensate Romanians whose properties were confiscated by the former communist government. An international tender was announced in December 2008, and Franklin Templeton Investments officially took over as investment manager and sole administrator of the Fund on 29 September 2010. The Fund is a closed-end investment company with the investment objective of long-term capital appreciation through via investment primarily in Romanian equity securities.

Franklin Templeton established an office in Bucharest in May 2010, with a team of 27 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.

Franklin Templeton Investment Management Limited is a subsidiary of Franklin Resources, Inc. [NYSE:BEN], a [global investment management](#) organization operating as Franklin Templeton Investments. Franklin Templeton Investments provides global and domestic investment management solutions managed by its Franklin, Templeton, Mutual Series, Darby and Bissett investment teams. The San Mateo, CA-based company has more than 65 years of investment experience and over \$ 781.8 billion in assets under management as of 31 December 2012. For more information, please visit www.franklintempleton.co.uk.

Franklin Templeton Investment Management Ltd.'s office in Bucharest is located at Premium Point, 8th floor, 78-80 Buzesti, District 1, Bucharest, Romania. Tel: +40.200.96.00, Fax: +40.200.96.31/32. For more information on Fondul Proprietatea, please visit <http://www.fondulproprietatea.ro>.

This press release is intended to be of general interest only, and does not constitute professional advice. Franklin Templeton Investments and its management groups have exercised professional care and diligence in the collection and processing of the information in this press release. Franklin Templeton Investments makes no representations or warranties with respect to the accuracy of this document. Franklin Templeton Investments shall not be liable to any user of this report or to any other person or entity for the inaccuracy of information contained in this press release or for any errors or omissions in its contents, regardless of the cause of such inaccuracy, error or omission. Any research and analysis contained in this document has been procured by Franklin Templeton Investments for its own purposes.

Issued by Franklin Templeton Investment Management Limited Bucharest Branch. FTIML Bucharest Branch is authorised and regulated in Romania by CNVM.
Copyright © 2012. Franklin Templeton Investments. All rights reserved.