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## **FONDUL PROPRIETATEA AND INVESTORS CONCERNED BY RECENT CHANGES TO THE ENERGY DISTRIBUTION TARIFFS METHODOLOGY**

Bucharest, 27 November 2014 - Franklin Templeton Investment Management Limited UK Bucharest Branch, in its capacity of Sole Director and Fund Manager of Fondul Proprietatea S.A. ("the Fund"), as well as Newtyn Management LLC, ING Pension Funds and Evermore Global Advisors, LLC are concerned by the recent changes approved by the Romanian National Energy Regulatory Authority ("ANRE") to the methodology for setting the Regulated Rate of Return ("ROR"), as well as the recent ANRE proposed reduction of the Regulated Rate of Return<sup>1</sup> for the electricity distributors from 8.52% to 7.45%. If the proposed reduction of the Regulated Rate of Return is approved, the electricity distributors will see their future profitability diminished by approximately 12.5%.

These changes particularly affect several companies from the Fund's portfolio such as: Electrica Distributie Muntenia Nord, Electrica Distributie Transilvania Sud, Electrica Distributie Transilvania Nord, EON Moldova Distributie, ENEL Distributie Banat, ENEL Distributie Dobrogea and ENEL Distributie Muntenia.

Fondul Proprietatea is particularly concerned that constant changes to the regulatory framework render the business environment unstable and unpredictable, thus preventing companies from committing to investment programmes because the rate of return on the capital required becomes uncertain. Moreover, such unexpected legal, fiscal, and commercial changes will drive away investors who will no longer be interested in supplying capital in such an unpredictable regulatory environment.

These proposed changes come less than four months after the listing of Electrica by the Romanian State on the Bucharest Stock Exchange and London Stock Exchange and follows the

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<sup>1</sup> Regulated Rate of Return is expressed in percentages and it is the rate of profitability recognized by ANRE for the electricity. The profitability of the electricity distributors is calculated by multiplying the regulated rate of return (currently 8.52%) with the regulated asset base of each distributor. (ANRE Order 72/2013)

introduction of the infrastructure tax shortly after the IPOs of Nuclearelectrica and Romgaz. Such negative changes could jeopardize the success of any future listings and privatisations plans of Romanian state-owned companies on the Bucharest Stock Exchange.

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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 and its investment objective is the maximization of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.

Franklin Templeton established an office in Bucharest in May 2010, with a team of 30 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 Resources, Inc. [NYSE:BEN] is a [global investment management](#) organization operating as Franklin Templeton Investments. Franklin Templeton Investments provides global and domestic investment management to retail, institutional and sovereign wealth clients in over 150 countries. Through specialized teams, the Company has expertise across all asset classes—including equity, fixed income, alternative and custom 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 35 countries, the California-based company has more than 65 years of investment experience and over \$898 billion in assets under management as of October 31, 2014. For more information, please visit [www.franklintempleton.co.uk](http://www.franklintempleton.co.uk).

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