



## FRANKLIN TEMPLETON INVESTMENTS

### FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED UNITED KINGDOM Bucharest Branch

Premium Point Building  
78-80 Buzesti, 8<sup>th</sup> 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, please contact:

Bucharest: Elena Birjovanu, +40 21 2009640, [elena.birjovanu@franklintempleton.com](mailto:elena.birjovanu@franklintempleton.com)

Bucharest: Ana Maria Gardiner, Golin, +40 731 384 549, [agardiner@golin.com](mailto:agardiner@golin.com)

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### FONDUL PROPRIETATEA REQUESTS THE REVOCATION OF FOUR MEMBERS OF HIDROELECTRICA'S SUPERVISORY BOARD

Bucharest – Fondul Proprietatea ("the Fund") has requested the convocation of Hidroelectrica's ordinary shareholders' meeting in order to ask shareholders to replace four members of the Supervisory Board ("Board"). The four members are: Ioana Andreea Lambru (President of the Supervisory Board), Laurentiu Dan Tudor (Member), Horia Marian Gambuteanu (Member) and Andreea Negru Ciobanu (Member).

The Fund's request is based on the grounds that the respective Board members did not oppose an arbitrary proposal for the replacement of Petronel Chiriac, member of the Directorate, with Adrian Constantin Volintiru, the proposal being made without running a proper transparent selection procedure first. The Fund believes that disregarding the achievements of the current Directorate members so far and the need for a thorough analysis of the professional abilities and expertise required for this specific position, the four Board members have effectively breached the principles of Hidroelectrica's Code of Ethics and the principles of the Corporate Governance Code.

The four Board members were appointed, on a four-month interim mandate, on 19<sup>th</sup> April 2017.

Among the rules and principles that the above mentioned Board members have broken are:

- There has been no evaluation report on the activity of the Directorate member to be revoked, Petronel Chiriac, and no analysis to justify such a decision;
- One of the Board members, Andreea Negru Ciobanu, proposed a new Directorate member simply by bringing in front of the Supervisory Board a CV of the candidate (Adrian Constantin Volintiru), in spite of the need for a transparent appointment procedure;
- The four Board members deliberately ignored and breached Hidroelectrica's Code of Ethics which stipulates that: "the recruitment/promotion of the personnel must be made in a transparent manner, taking into consideration the necessary professional experience and integrity";

- The proposed revoking of Directorate member did not take into consideration the outstanding financial results of the company – a Q1 2017 pre-tax profit which is 38% higher than in the same period of 2016, a year of record profits in the company's history;
- Replacing, for only a four-month mandate, experienced Directorate members, with proven track records in the company and in the power generation sector, with other random candidates with no professional history within Hidroelectrica and no expertise in the hydro energy sector – as long as the company has outstanding results – is an unprofessional, irrational and completely unacceptable practice.

In order to overcome this management crisis at **Hidroelectrica, the most profitable Romanian company and the largest power generator in the country**, Fondul Proprietatea has asked for an ordinary shareholders meeting to take place to discuss and approve the following measures:

- The revocation of the four Board members, including the President;
- Making new appointments to the vacated Board positions, in accordance with Law 111/2016, based on the good findings of the previous selection process.

**Commenting on the current situation at Hidroelectrica, considered by some the most valuable Romanian company, Greg Konieczny, CEO and Portfolio Manager of Fondul Proprietatea, states:**

- “Appointing new members of the Directorate for a four-month mandate, with no experience whatsoever in the company and in executive positions in the electricity generation sector, by replacing highly qualified professionals is jeopardizing Hidroelectrica's excellent results and goes against the company's and the shareholders' interests. Deficient management was one of the main causes that led Hidroelectrica to insolvency before 2012, when appointments at Board and executive management level were made according to political connections and with great disregard for professional experience or for transparent and competitive selection processes.
- It is important to note that the Judicial Administrator has implemented, during the insolvency procedure, proper and clear rules for hiring management and has conducted a transparent and competitive selection process for more than 60 management positions within the company (Phoenix Project). I am extremely disappointed to see that Hidroelectrica's Board totally disregards, within less than a year from the company's exit from insolvency, the proper principles and rules the Judicial Administrator implemented.
- The inability to carry out long-term development plans during a period of successive interim mandates attributed to inexperienced professionals at the Board level has indefinitely delayed the perspective of an IPO at Hidroelectrica.
- Unless our proposals are quickly taken into consideration and implemented, the company's latest record profitability and operational performance are at risk at being reversed.”

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Launched in December 2005, 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 officially took over 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 has been trading on the Bucharest Stock Exchange since 25 January 2011 and has been listed on the Specialist Fund Market of the London Stock Exchange by means of global depositary receipts ("GDRs") on 29 April 2015.



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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.Â 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.

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 180 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 \$744 billion in assets under management as of May 31, 2017. For more information, please visit [www.franklintempleton.co.uk](http://www.franklintempleton.co.uk)

Franklin Templeton Investment Management Limited UK Bucharest Branch office 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. For more information on Fondul Proprietatea SA, please visit [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro).

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