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FONDUL PROPRIETATEA PRESS STATEMENT

RISK OF CORRUPTION INCREASES DUE TO CONFLICT OF INTEREST BY HIDROELECTRICA'S SUPERVISORY BOARD MEMBERS

Bucharest, 26 July 2017 - Fondul Proprietatea expresses its indignation and surprise regarding the [amendments proposed by the Ministry of Energy to the current mandate contracts](#) for Hidroelectrica's Supervisory Board members. The proposed mandate contracts clearly increase the risk of potential corrupt and abusive practices, given that it eliminates or significantly reduces several key obligations of the Board members that were part of the previous mandate's contracts.

Under the newly proposed contracts, Board members are no longer held accountable for non-competition obligations, conflict of interest, refraining for requesting various services or preserving the confidentiality of information obtained as member of Hidroelectrica's Supervisory Board. **This, in the Fund's view, highly increases the risk for corruption in Romania's best energy company, which would affect its present and future performance.**

"The new mandate contracts set a highly dangerous precedent by allowing Board members to retain Board or management positions in other energy companies. This situation could unlock Pandora's box and raises serious concerns about the Board members' willingness and responsibility to act in the best interest of the company and not use their Board position at Hidroelectrica to serve their own personal interests" said Greg Konieczny, CEO and Portfolio Manager of Fondul Proprietatea.

Commenting on the implications of mandate contracts changes, Johan Meyer, Co-CEO and Co-Portfolio Manager of Fondul Proprietatea, added: "We understand that the Ministry of Energy's amendments seem specifically designed to encourage a proposed Board member to accept his mandate, which he initially refused due to a conflict of interest, since he had a similar Board position in another energy company. Also, scrapping non-competition obligations removes another flagrant case of conflict of interest. Essentially it leads to condoning another Board member's position as deputy general manager of an energy company, which is a direct competitor of Hidroelectrica. **You cannot serve two or several competing interests / masters at the same time.**"

"These utmost grave actions are likely to negatively affect the interests of Hidroelectrica and its shareholders, by leaving the door to potential corrupt practices wide open and the emergence of new <<smart guys>> that would drain Hidroelectrica's resources" concluded Greg Konieczny.

- ENDS -

Note to editors:

The mandate contracts proposed by the Ministry of Energy can be consulted [here](#).

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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. 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 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. Fondul Proprietatea's Fiscal Identification Code (CIF) is 18253260 and Trade Registry registration no is J40/21901/2005. The subscribed share capital is RON 11,575,064,733.65 and paid up share capital is RON 11,229,443,001.15. For more information on Fondul Proprietatea, please visit <http://www.fondulproprietatea.ro>.

2. About Franklin Templeton Investments

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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.

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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.

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