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## **Fondul Proprietatea files for an extraordinary appeal on Romgaz donation case**

Bucharest, 13 October 2011 - Franklin Templeton Investment Management Limited UK Bucharest Branch, in its capacity of Sole Director and Fund Manager of S.C. Fondul Proprietatea S.A. ("the Fund"), announced that it has filed for an extraordinary appeal with the Alba Iulia Court of Appeal. This is against the Court's decision of 1 June 2011 in the case regarding the Romgaz donation to the state budget. The first hearing of the extraordinary appeal is scheduled to take place on 26 October 2011.

This recent legal action to request the Alba Iulia Court of Appeal to annul the Romgaz General Shareholder's Meeting decision of 30 November 2010, which approved a donation of Ron 400 million to the Romanian State, demonstrates Fondul Proprietatea's commitment to ensure that minority shareholder rights are upheld in this particular case.

Greg Konieczny, Fund Manager of Fondul Proprietatea, commented: "Shareholders have certain rights, such as the right to part of the profits in the form of dividends. All companies have a fundamental duty to treat all their shareholders fairly and non-preferentially. Protecting shareholders rights is the essence of corporate governance, and proper management of a company. We firmly believe that in this particular case, Fondul Proprietatea, as a minority shareholder, has been unfairly treated and we would like to reassure our shareholders that we are committed to defending their interests. We will continue to make all necessary legal efforts to retrieving this money for the company."

Dr. Mark Mobius, executive chairman Templeton Emerging Markets Group, added, "We have been investing in emerging markets for over 30 years, and improving the standards of corporate governance in an emerging market doesn't happen overnight. It takes time, commitment and dedication, not only on the part of the fund manager but from key stakeholders such as the government, regulators, shareholders, the local capital market and legal system. For foreign investors looking at Romania, one of the obvious risks when making an investment decision is whether a company will be honestly managed and, more importantly, managed in the interests

of ALL shareholders, particularly the minority shareholders. Foreign investors should be able to invest in Romanian companies with confidence and without fear of loss due to bad corporate governance practices. In that sense, Romania needs to take a long hard look at this issue and decide how important it is to attract foreign investment in the country, and what measures or improvements it should make in order to give external investors further confidence in the way its companies are run. Romania cannot afford to fall behind, as it has a lot of competition from other emerging countries that are truly committed to attracting foreign investments.”

For more information about both Fondul Proprietatea’s and the Court’s arguments in this case, please consult the attached annex.

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Launched in December 2005, Fondul Proprietatea 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 was awarded the Euro 3.63 billion<sup>1</sup> Fondul Proprietatea mandate in July 2009 after being selected from among seven global asset managers. Franklin Templeton officially took over as investment manager and sole administrator of the Fund on 29 September 2010.

Franklin Templeton established an office in Bucharest in May 2010, with a team of 25 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, Fiduciary Trust, Darby and Bissett investment teams. The San Mateo, CA-based company has more than 60 years of investment experience and over USD 716 billion in assets under management as of 31 August 2011. For more information, please visit [www.franklintempleton.co.uk](http://www.franklintempleton.co.uk).

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<sup>1</sup> Source: Franklin Templeton Investments, 31 August 2011, NAV reporting based on CNVM regulations.

## ANNEX

Please see below a summary of the main legal arguments presented by Fondul Proprietatea, as well as a summary of the comments of the Alba Iulia Court of Appeal, which rejected Fondul's request for the annulment of the Romgaz General Shareholders Meeting decision which approved the RON 400 million donation to the Romanian State.

<b>Summary of Fondul Proprietatea' s arguments</b>	<b>Summary of Alba Iulia Court of Appeal's comments</b>
<ul style="list-style-type: none"> <li>The objective of companies is to have a lucrative activity that results in profit and not to give donations. The donation denies shareholders their right to the profits of the company. These are strong economic arguments demonstrating not only that the donation does not bring any benefits to the company or its shareholders, but it creates medium to long term prejudices.</li> </ul>	<ul style="list-style-type: none"> <li>The court mentioned that there were no legal interdictions for Romgaz to make donations according to its statutory acts and furthermore the Government Ordinance 18/2010 regarding the state budget adjustment gave the company the right to make such donations to the state budget.</li> </ul>
<ul style="list-style-type: none"> <li>The donation will have an impact on the value of Romgaz. Moreover, given the forthcoming IPO of Romgaz, the price and the interest for the company's shares could be negatively affected to the detriment of all shareholders, including the Ministry of Economy.</li> </ul>	<ul style="list-style-type: none"> <li>The court did not address this argument in their motivation. Previously the Sibiu Court, which heard the case in first instance, did not consider that Romgaz had a market value since it is not listed and therefore the court said that the company's value cannot be affected.</li> </ul>
<ul style="list-style-type: none"> <li>The result of this donation represents in effect a nationalization of the profits since the donation to the Romanian State has been made from the profits of Romgaz from previous years, which had not been distributed to shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>The court noted that the donation was made from the company's equity accumulated in previous years and not from Romgaz earnings of 2010 and concluded that, since the profit of the company for 2010 was unaffected, then the potential dividends receivable by the Fund are not affected.</li> </ul>
<ul style="list-style-type: none"> <li>The Romanian state obtained the lion's share of the profits following the donation decision, which is in breach of</li> </ul>	<ul style="list-style-type: none"> <li>The court stated that the Government Ordinance 18/2010 gave companies the option to make such donations and</li> </ul>

<p>Constitutional property rights.</p>	
<ul style="list-style-type: none"> <li>• Making donations from the company's profits goes against the objective of the company for efficient exploration, production and storage of natural gas; moreover, when this donation is to the benefit of the majority shareholder, then this constitutes an abuse according to the principles established by the Romanian Company's Law.</li> </ul>	<ul style="list-style-type: none"> <li>• The court's view was that the donation can be justified as being made for public utility purposes since Romgaz undertakes activities in the national public interest. The donation decision cannot be considered abusive because its enforcement is not to the company's advantage.</li> </ul>
<ul style="list-style-type: none"> <li>• The representatives of the Ministry of Economy should have abstained from voting since they were in a clear situation of conflict of interest.</li> </ul>	<ul style="list-style-type: none"> <li>• The court said that it did not recognize any conflict of interest when the majority shareholder of Romgaz, the Ministry of Economy, voted for the approval of the donation at the General Shareholder's Meeting of Romgaz of 30 November 2010.</li> </ul>
<ul style="list-style-type: none"> <li>• The powers of attorney for the Ministry of Economy's representatives were issued on 29 November 2010, therefore only one day before the General Shareholders Meeting and thus did not comply with the mandatory 48 hours term for filing such powers of attorney, as required by law.</li> </ul>	<ul style="list-style-type: none"> <li>• The court decided that the Ministry of Economy's representatives were not bound to submit any evidence demonstrating that their powers of attorney were issued at least 48 hours before the date of the General Shareholders Meeting.</li> </ul>
<ul style="list-style-type: none"> <li>• The legal provisions regarding the convening notice for the General Shareholders Meeting were breached, given that the convening notice did not include the proposed amount for the donation, i.e. RON 400 million. This amount has only been announced during the General Shareholders Meeting itself.</li> </ul>	<ul style="list-style-type: none"> <li>• The court was of the view that the amount of the donation was the exclusive prerogative of the General Shareholders Meeting and that the failure to explicitly mention the donation amount in the convening notice cannot be considered a breach, since the upper ceiling for donations was mentioned by the Government Ordinance 18/2010.</li> </ul>