

# ANNUAL ADMINISTRATOR'S REPORT

for the financial year ended  
31 December 2012

Prepared in accordance with Law no  
297/2004, CNVM Regulation no 1/2006 and  
CNVM Regulation no 4/2011

(This is a translation from the official Romanian  
version)

**FONDUL**  
PROPRIETATEA



## S.C. Fondul Proprietatea S.A.



**FRANKLIN TEMPLETON**  
INVESTMENTS

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## Company Information

### The Company

- S.C. Fondul Proprietatea S.A. (“the Fund” or “Fondul Proprietatea”) was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company.
- The Fund is registered with the Bucharest Trade Registry, under the number J40/21901/2005 and has the sole registration code 18253260.
- The Fund’s Investment Objective is long-term capital appreciation via investment primarily in Romanian equities with strict adherence to the principles of value investing.
- The Sole Administrator of the Fund is Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Fund Manager”), effective since 29 September 2010.
- Since 25 January 2011 the Fund’s shares have been listed on the Bucharest Stock Exchange.

The following table shows a summary of the financial position of the Fund:

NAV and Share Price Developments	Note	Year end		
		31 December 2012	31 December 2011	31 December 2010
Total Shareholders’ Equity (RON million)	a	11,836.8	11,120.7	12,139.3
Total NAV as at 31 December (RON million)	b, d	14,979.2	14,465.4	15,328.2
NAV per Share as at 31 December (RON)	b, d	1.1371	1.0788	1.1124
NAV per Share change in year (%)		+5.4%	-3.0%	-
NAV per Share Total Return	c	+8.9%	-0.5%	-
Share Price as at 31 December (RON)		0.5495	0.4270	-
Share Price Low (RON) <sup>1</sup>		0.4270	0.4151	-
Share Price High (RON) <sup>1</sup>		0.6050	0.6495	-
Share Price change in year (%)		+28.7%	-34.3% <sup>2</sup>	-
Share Price Total Return	c	+38.3%	-30.2% <sup>2</sup>	-
Discount to NAV as at 31 December		51.7%	60.4%	-
Average Discount for the year		50.2%	55.7%	-
Total Shares Turnover (million RON)		3,218.8	5,122.9	-
Average Daily Turnover (million RON)		13.0	21.8	-

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch and BVB

### Notes:

- Prepared on the basis of Romanian Accounting Regulations
- Prepared on the basis of CNVM Regulations
- Calculated with dividend reinvested
- The difference in change (%) between total NAV and NAV per share is accounted for by the change in paid capital during 2012 and by the change in NAV per share computation methodology starting 31 December 2012 (Treasury shares acquired through buybacks are excluded from the number of shares used in the computation of NAV per share)

<sup>1</sup> Closing prices quoted by the BVB

<sup>2</sup> Closing price quoted by BVB on 25 January 2011 (first trading date): RON 0.6495 per share

Share Capital Information	31 December 2012	31 December 2011	31 December 2010
Issued Share Capital (RON)	13,778,392,208	13,778,392,208	13,778,392,208
Paid Share Capital (RON)	13,412,780,166	13,407,569,096	13,778,392,208
Number of Shares in Issue	13,778,392,208	13,778,392,208	13,778,392,208
Number of Paid Shares	13,412,780,166	13,407,569,096	13,778,392,208

Share Information	
Listing	Bucharest Stock Exchange
Since	25 January 2011
Bucharest Stock Exchange Symbol	FP
Bloomberg	FP RO
Reuters	FP.BX
ISIN	ROFPTAACNOR5
CNVM Register No	PJR09SIIR/400006/18.08.2010
CIVM Registration No	AC-3632-5/03.09.2012

### Shareholder Structure<sup>3</sup> (as at 31 December 2012)

Shareholder Categories	% of subscribed share capital	% of voting rights
Foreign institutional shareholders	52.20%	54.60%
Romanian private individuals	27.91%	29.19%
Romanian institutional shareholders	9.41%	9.85%
Foreign private individuals	6.06%	6.34%
Ministry of Public Finance <sup>4</sup>	0.02%	0.02%
Treasury shares <sup>5</sup>	1.75%	-
Unpaid shares <sup>6</sup>	2.65%	-

There were 9,363 shareholders on 31 December 2012.

### Contact Details

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<sup>3</sup> Source: Central Depository

<sup>4</sup> The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 2.67%, including the Unpaid shares

<sup>5</sup> 240,304,801 shares acquired by the Fund through buybacks

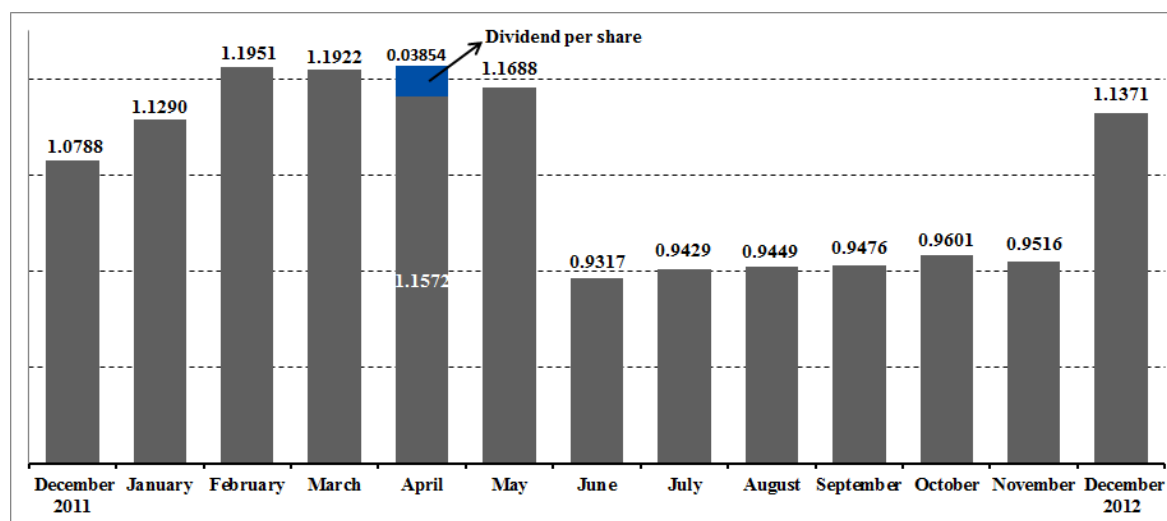
<sup>6</sup> Shares unpaid by Romanian State represented by Ministry of Public Finance

## Administrator's Letter to Shareholders

### Dear Shareholders,

Reflecting on 2012, it was a year of strong performance for Fondul Proprietatea and its shareholders in terms of Net Asset Value ("NAV"), despite various challenges along the way. In the second year of our mandate as Fund Manager and Sole Administrator of the Fund, we have continued to focus on protecting and increasing the value of the underlying holdings of the Fund through our active management approach and close supervision of the portfolio companies, with a constant focus on driving for the implementation of critical value-enhancing corporate strategies.

The total return on the NAV per share of the Fund was +8.9% in 2012. The Fund reported a total NAV of RON 14.98 billion and a NAV per share of RON 1.1371 as at 31 December 2012.



Source: FTIML

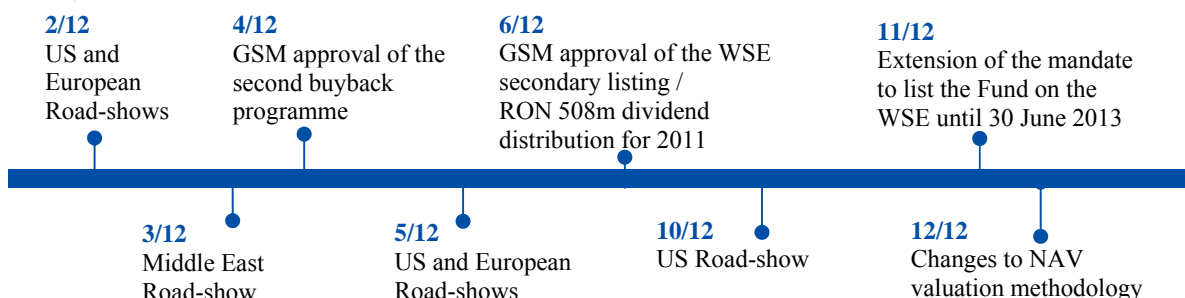
The overall upwards trend of the Fund's NAV performance in 2012, despite the insolvency of Hidroelectrica, was correlated with the overall conditions on the Bucharest Stock Exchange ("BVB"), which positively impacted the valuation of the listed holdings in the Fund's portfolio. In 2012, the Bucharest Stock Exchange generally performed better than the largest markets in Central Europe in local currency terms, as shown in the table below:

% change in 2012	in local currency	in EUR
ATX (Austria)	23.7%	23.7%
<b>BET-XT (Romania)</b>	<b>19.4%</b>	<b>16.4%</b>
WIG20 (Poland)	17.7%	29.2%
PX (Czech Republic)	12.4%	14.2%
BUX (Hungary)	6.0%	14.6%

We provide details on the portfolio management on a monthly basis via Factsheets and also in the Quarterly Reports. We encourage you to read the full details given in the section "Analysis of the Portfolio of the Fund".

The Fund's 2012 audited net profit was RON 567.0 million, an increase of RON 23.2 million compared to the net profit for 2011 of RON 543.8 million. As a result, we intend to recommend to shareholders a gross dividend of RON 0.04089 per share arising from 2012 profits, based on the dividend policy stated in the Fund's listing prospectus. Subject to shareholder approval, the distribution of dividends is expected to start in June 2013.

## Key Events and Activities in 2012



Some of the key objectives achieved in 2012 included:

- Continued efforts to promote the Fund and raise its visibility in the key financial centres in the USA, Europe, and the Middle East;
- Shareholder approval for key corporate actions:
  - second Buyback programme to repurchase 7.9% of the existing shares in the Fund;
  - secondary listing of the Fund on the Warsaw Stock Exchange to attract additional demand for the Fund's shares from investors not active on the Romanian market (e.g. Polish pension funds with AUM of USD 100 billion);
  - distribution of RON 508 million dividend for financial year 2011;
- Successfully changing the NAV valuation methodology to allow companies in insolvency and reorganisation to be valued based on an independent valuation rather than at nil and to exclude treasury shares from the number of shares used in NAV per share computation. These changes allowed us to overcome the existing limitations in the Romanian legislation in force, which would otherwise have restricted the Fund's ability to distribute dividends for financial year 2012.

## Two Year Anniversary of Listing on the Bucharest Stock Exchange

On 25 January 2011 the Fund was listed on the Bucharest Stock Exchange. Two years after the listing, the Fund remains the most actively traded company on the BVB:

- 6.16 billion shares were traded on the Bucharest Stock Exchange in 2012, equivalent to 46% of the Fund's paid share capital. In Q4 2012, 1.16 billion shares were traded on the BVB, compared to 1.84 billion in Q3, 1.36 billion in Q2 and 1.80 billion shares in Q1.
- The value of the trades with Fondul Proprietatea shares exceeded RON 3.2 billion (EUR 726 million) in 2012. The total trading value since the listing exceeds RON 8.34 billion (EUR 1.88 billion).
- In the second year of listing, the Fund continued to be the most liquid stock on the BVB, with an average daily trading volume of 55% of the total daily turnover on the BVB.
- The Fund continued to attract demand from foreign institutional investors: their ownership increased from 42% at the end of 2011 to over 54% by the end of 2012. Since the listing, the Fund has attracted over EUR 750 million investment from foreign institutional investors.

### Investor Relations Update

In 2012, the Fund Manager continued to raise the Fund's profile and visibility among a much broader international institutional investor base and to update the current shareholders on the latest developments of the Fund and its underlying holdings. Over the course of the year, we organised 10 road-shows in 19 financial centres in Europe, Middle East, and the USA to meet with potential investors as well as current shareholders. In addition to the road-shows, we presented the equity story of Fondul Proprietatea in individual meetings with investment analysts and portfolio managers during 10 global and regional emerging and frontier market conferences in the UK, USA, Austria, Poland, and the Czech Republic.

In addition, we organised in Bucharest over 30 individual meetings with foreign investors visiting Romania, as well as conference calls to present the Fund's annual, semi-annual, and quarterly results. Overall, in 2012, the Fund Manager held 240 individual and group meetings and 79 conference calls with institutional investors.

As part of our ongoing efforts to promote the Fund, we organised Analyst and Investor Days events in April and November 2012. Around 100 Romanian and foreign analysts and institutional investors participated in our events at which they met our team, as well as the management of the largest portfolio holdings, and had the opportunity to learn about the latest developments of the Fund and the portfolio companies, and also to visit a number of key assets: OMV Petrom's refinery and gas fired power-plant in Ploiesti; Hidroelectrica's Iron Gates power-plant on the Danube; CE Oltenia's power plant in Craiova; Nuclearelectrica's reactors in Cenavoda; and Salrom's salt mine in Slanic Prahova. The events featured presentations from the Fund Manager, the Government of Romania, the US Embassy, the International Monetary Fund, the National Bank of Romania, the Romanian Privatisation Agency, the National Securities Commission, the Bucharest Stock Exchange, as well as the following portfolio companies: OMV Petrom, Hidroelectrica, Romgaz, Nuclearelectrica, CE Oltenia, ENEL Distributie Muntenia, GDF Suez, Transgaz, E.ON Romania and Bucharest Airports. In addition to these two events, we held our second Romanian Institutional Investor Days in Bucharest in July, where we met the local pension and mutual funds, and in October our first Analyst Day, an event focused on the analysts covering Fondul Proprietatea.

We continued to strive to increase transparency and disclosure about the Fund's underlying holdings and to provide timely information about any material developments about the Fund. The Fund's website was redesigned in early 2012 to allow for quick access to all relevant information about the Fund and its portfolio to facilitate a deeper understanding of the intrinsic value of the Fund's management strategy and activity. For the latest investor reports, press releases, detailed financial statements, annual reports and auditors' reports for the largest companies, we invite you to visit our website at [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro). To promptly receive by e-mail the latest news about Fondul Proprietatea, you can register at the following address: <http://www.fondulproprietatea.ro/news-and-press-centre/email-subscription>.

Communication between the Fund Manager and investors remains a top priority as we aim to ensure that investors are informed about the latest developments and obtain their feedback as we continue to focus on maximising shareholder value.

### Secondary Listing Update

On 27 June 2012, the Fund's shareholders approved the details regarding the secondary listing of the Fund on the Warsaw Stock Exchange. As underlined in our previous reports, in order to achieve a successful secondary listing, the shares have to be fully fungible across the two markets, and this requires the establishment of a direct or indirect link between the depositary systems of the two markets. The establishment of the link between the two national depositories requires some changes to the National Securities Commission ("CNVM") regulations. Given the delayed publication of these proposed changes, in November 2012 the Fund's shareholders approved an extension of the deadline for the completion of the secondary listing until 30 June 2013.



In December 2012, CNVM published the drafts of the necessary amendments to the current regulation for public consultation, and following final approval of these changes, the Romanian and Polish National Securities Depositories will be able to establish a link to facilitate the Fund's listing in Warsaw.

It is important to note that timing of the establishment of the link is outside of the control of the Fund, however the Fund Manager and the Consortium (J.P. Morgan and UniCredit Group as co-managers and KBC Securities as co-advisor) are committed to working with all the stakeholders to ensure the successful completion of the secondary listing in Warsaw as soon as possible.

### **Share Cancellation and Buyback Programme**

The Fund's shareholders approved in the Annual Shareholder Meeting on 25 April 2012 the decrease of the share capital of the Fund through the cancellation of the 240.3 million shares repurchased by the Fund in 2011, during the first Buyback programme.

At the same shareholder meeting, shareholders approved a second Buyback programme and authorised the Fund Manager to repurchase up to 1.1 billion shares or 7.9% of the Fund's share capital within 18 months from the publication of the shareholders' resolution in the Official Gazette.

As at 31 December 2012, the registration of the two shareholder decisions regarding the cancellation of the repurchased shares and the commencement of the new Buyback programme were blocked by litigations started by a shareholder of the Fund, and the effects of these decisions are currently suspended. The cancellation of the repurchased shares will take effect 60 days from the date of publication of the Extraordinary General Meeting of Shareholders ("EGM") decision in the Official Gazette. However, following the amendments to the NAV calculation methodology published by CNVM in December 2012 which included the exclusion of treasury shares from the NAV per share calculation, the positive effect on the Fund's NAV per share (of RON 0.0204 per share) as a result of the first Buyback programme was reflected in the 31 December 2012 NAV.

The Fund Manager is ready to start the second Buyback programme as soon as the EGM decision is published in the Official Gazette. The Bucharest Court announced on 5 March 2013 that issued a decision in favour of the Fund and rejected the request of the minority shareholder, ordering the Trade Register to register the shareholder resolution and to publish it in Official Gazette.

### **Outlook for 2013**

Romania's economic prospects are particularly encouraging, as the country has seen steady improvements in the past few years. The country is now in a good position to outpace the EU in 2013, in terms of economic growth. Unfortunately the general mood about the economy among the public at large is still negative, despite the economic recovery, which started in 2011 and continued in 2012.

Numbers clearly show that the country's macroeconomic situation is very sound. Romania has low public debt to GDP (33.3%) compared to the Czech Republic (41.2%), Poland (56.3%) or Hungary (80.6%), and well below the EU average of 82.5%. The country also has large foreign reserves and has managed to keep the budget deficit and the current account deficit under control. The solid fundamentals are also reflected by the credit default swap (CDS) market, where, as of 21 January 2013, the Romanian spread was only 190 compared to 383 for Portugal, 276 for Hungary, 251 for Spain and 228 for Italy. Romania also has an edge over regional peers due to its relatively low taxation levels.

With these numbers in mind, we do expect to see a positive shift in the country's economy in the next 12 months. In the past two years, the economy was mainly driven by exports (although growth in this area slowed down in 2012 due to Eurozone problems) and industrial production. However, these drivers may no longer support the economy in 2013 and should be replaced by domestic retail consumption and investments.



We have already seen a recovery of retail consumption in 2012 from the very depressed levels that followed the austerity measures of 2009 and 2010. This recovery should be further supported by wage increases (including the recent ones in the public sector), as well as by the low unemployment (6.7% at the end of 2012), which should translate into an improving sentiment in the market.

In turn, investments should be fuelled by a higher absorption of EU infrastructure funding, as more and more public tenders for highways and railways construction are successfully completed in accordance with EU standards.

However, the path to a further progress is not risk-free. Romania's agreement with the IMF, the World Bank and the European Commission ends this year and the country must also return over EUR 5 billion to these financial institutions in 2013 alone. There are talks of a new standby agreement, which we believe would benefit Romania greatly, for three reasons:

- 1) such an agreement represents a safety net that would protect the country from any increase in international financial risks (which may otherwise drive budget financing costs up);
- 2) it will ensure that more necessary reforms are undertaken in key sectors, including energy and transportation; and
- 3) the IMF has proved itself as an agent for positive change and instils confidence among investors that reforms will be carried through.

The Government's commitment to implement reforms will be another crucial element in Romania's continued development. Privatisations and the implementation of corporate governance standards have stalled for a year (no major privatisations concluded, while very few companies appointed independent boards and professional managers) and the country cannot afford to miss another opportunity to record progress in this area. Bringing large state-owned companies to the market would also help to develop the local stock exchange, which is still too small for a country this size. Nevertheless, we are optimistic that plans in this area will be easier to implement in 2013.

From a political perspective, the strife connected to the election year affected the country and its economy in 2012, but now Romania has a government with a comfortable parliamentary majority behind it, which should enable them to focus on reforms. The one risk we see in this area is precisely this impressive parliamentary support, which could reduce the pressure on the Government to implement needed reforms.

Many still see a risk in the possibility of a breakup of the Eurozone. However, we don't see that happening this year or any time soon for that matter. On the contrary, we believe the worst is behind and the Eurozone countries are on the right path to resume growth.

Overall, we see Romania growing by more than 1% this year, while the RON should strengthen against the Euro. If Romania's solid fundamentals are coupled with the Government's willingness to implement reform, we believe it has the potential to become one of the leaders of economic growth within the European Union.

### **Maximizing Shareholder Value in 2013**

As we look to create more value for the Fund's shareholders, we will continue to focus on listings of the larger SOEs, implementing professional management to enhance the profitability of these assets to ensure growing dividend income for the Fund, and ensuring that companies in the Fund's portfolio are compliant with the new corporate governance code.

We will strive to overcome the challenges that have delayed implementation of key value-enhancing corporate actions, such as the share Buyback and the secondary listing on the WSE that should allow the Fund's NAV to be better reflected in the Fund's share price. We will also continue to promote the Fund and the Romanian capital market to current and prospective investors.

We are confident that our active, bottom-up investment process will allow us to deliver the best long-term results for our shareholders and we look forward to the opportunities ahead for Fondul Proprietatea.

### **General Shareholders Meeting**

Last but not least, we would like to take this opportunity to invite all shareholders to attend the Annual General Meeting of Shareholders to be held in Bucharest at the JW Marriott Grand Hotel in Bucharest (Constanta Ballroom) at 10.00am on Thursday, 25 April 2013 where you will have the opportunity to receive the latest updates about the Fund.



Grzegorz Maciej Konieczny  
Legal Representative and Portfolio Manager  
Franklin Templeton Investment Management Ltd.  
United Kingdom, Bucharest Branch



Dr. Mark Mobius  
Executive Chairman  
Templeton Emerging Markets Group

# Analysis of the Activity of the Fund

## General Information

### Main activities of Fondul Proprietatea

Fondul Proprietatea is a Romanian legal entity, incorporated as a joint stock closed-end investment company. The Fund is registered with the CNVM in the category “Other Organisations for Collective Investments – AOPC” and has been listed on the regulated market of the BVB since 25 January 2011.

The main activities of the Fund according to the National Statistics Classification of Economic Activities in Romania (“CAEN”) and the Fund’s own Constitutive Act are the business of operating mutual funds and other similar financial entities (CAEN reference 643) and the main activity is financial investments (CAEN reference 6430).

### Incorporation of the Fund

The Fund was incorporated by the Romanian State in 2005 as a joint stock company with the initial purpose of providing compensation to individuals whose real property assets were illegally confiscated by the Romanian State during the Communist regime, and which can no longer be returned to those individuals in kind.

The Fund’s original Constitutive Act was enacted by Government Decision no. 1481/2005 regarding the incorporation of S.C. Fondul Proprietatea S.A. (“Government Decision 1481”), which determined that the Fund would be an undertaking for collective investments organised as a closed-end investment company. However, the Fund was only officially registered by the National Securities Commission (“CNVM”) as a closed-end investment company in 2010 (by CNVM decision no. 34/18 August 2010).

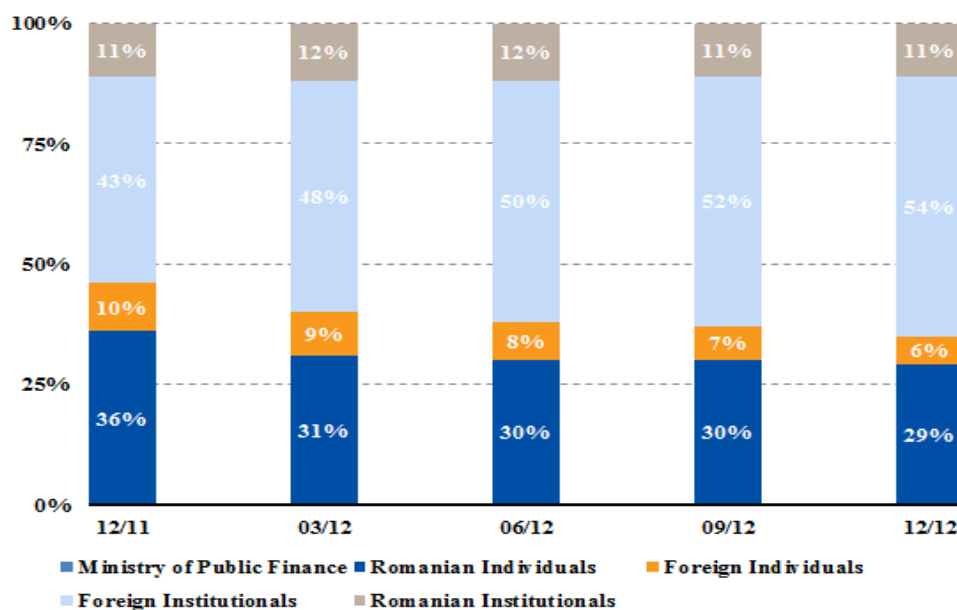
The initial sole shareholder of the Fund was the Romanian State. Since the Fund’s launch, these shares have been awarded by the National Authority for Property Restitution to individuals legally entitled to receive compensation from the Romanian State and who elected to convert their compensation entitlements into shares issued by the Fund. As a result, given that the compensation and conversion process is ongoing, the Romanian State’s participation in the share capital of the Fund is continually decreasing.

### Employees of the Fund

As at 31 December 2012 the Fund had no employees. Given that the Fund is administrated by the Fund Manager, it is not expected that the Fund will have any employees in the future.

### Share Capital

The evolution of the shareholder structure during the year is illustrated by the following chart:



The shareholder structure as at 31 December 2012 was as follows:

Shareholder Categories	% of subscribed share capital
Foreign institutional shareholders	52.20%
Romanian private individuals	27.91%
Romanian institutional shareholders	9.41%
Foreign private individuals	6.06%
Ministry of Public Finance <sup>7</sup>	0.02%
Treasury shares <sup>8</sup>	1.75%
Unpaid shares <sup>9</sup>	2.65%

### Changes Affecting the Capital of the Fund:

At the beginning of 2012, the subscribed capital of the Fund was RON 13,778,392,208, and the paid-up capital was RON 13,407,569,096.

During 2012, the Fund's paid-up share capital increased as follows:

- The Fund Manager issued Decision 3/2 February 2012, in which it acknowledged that the Romanian State had transferred 498,576 shares in Hidroelectrica with a nominal value of RON 4,985,760, as share capital contribution against the unpaid capital, according to GEO 81/2007; there was a share capital increase in Hidroelectrica SA equivalent to the value of land to which Hidroelectrica obtained title.
- The Fund Manager issued Decision 10/23 April 2012, in which it acknowledged that the Romanian State had transferred 22,531 shares in Hidroelectrica with a nominal value of RON 225,310, as share capital contribution against the unpaid capital, according to GEO 81/2007; there was a share capital increase in Hidroelectrica SA equivalent to the value of land to which Hidroelectrica obtained title.

As a result of these two decisions, the subscribed capital of the Fund remained unchanged at RON 13,778,392,208 and the paid-up capital increased to RON 13,412,780,166, as at 31 December 2012.

There is no ongoing litigation that could impact unpaid share capital.

### Governing Legislation

The Fund operates in accordance with the applicable provisions of the following laws:

- Law no. 31/ 1990 regarding companies, save to the extent varied by the more specific legislation relating to the Fund described below;
- Government Decision no. 1481/2005 regarding the incorporation of S.C. Fondul Proprietatea S.A.;
- Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with subsequent amendments;
- Government Emergency Ordinance no. 81/2007 for the acceleration of the compensation procedure related to the real estate abusively confiscated, with subsequent amendments;
- CNVM Regulation no. 4/2010 ("CNVM Regulation 4/2010") regarding the registration with the CNVM and operation S.C. Fondul Proprietatea S.A., as well as trading of shares issued, with subsequent amendments;
- CNVM Regulation no. 15/2004 ("CNVM Regulation 15/2004") regarding the authorization and operation of the investment management companies, of the undertakings for collective investments and of the depositaries;

<sup>7</sup> The percentage represent the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 2.67%, including the unpaid shares

<sup>8</sup> 240,304,801 shares acquired by the Fund through buy backs

<sup>9</sup> Shares unpaid by Romanian State represented by the Ministry of Public Finance

- (g) Law no. 297/2004 regarding the capital market, with subsequent amendments;
- (h) CNVM Regulation no. 1/2006 (“CNVM Regulation 1/2006”) regarding issuers and securities trading;
- (i) CNVM Regulation no. 6/2009 (“CNVM Regulation 6/2009”) on the exercise of certain rights of the shareholders in the general shareholders meetings of companies;
- (j) CNVM Disposal of Measures 17/2010, which amended CNVM Regulation 4/2010 on the calculation of NAV of Fondul Proprietatea.
- (k) CNVM Regulation no. 11/2012, which amended CNVM Regulation 4/2010.

### Branches

During 2012 the Fund had no branches.

### Subsidiaries

During 2012, the Fund controlled the following companies, which under Romanian applicable laws qualify as subsidiaries of the Fund, all of which are incorporated and operate in Romania. In the Fund Manager’s opinion, none of the subsidiaries referred to below qualify as a significant subsidiary.

Name	Ownership interest
Alcom SA	71.89%
Carom – Broker de Asigurare SA	70.00%
Comsig SA	69.94%
Primcom SA	75.48%
Romplumb SA*	33.26%
Telerom Proiect SA	68.63%
Zirom SA	100.00%

\*During 2012 the Fund’s holding in Romplumb SA decreased from 51.00% to 33.26% (under the control threshold), following the share capital increase of this company

### Corporate Reorganisation of the Fund and its Subsidiaries

On 31 January 2012 the merger of Primcom SA, Delfincom SA and Prestari Servicii SA was completed. This merger was approved in November 2011 by the General Shareholders Meetings of the three companies, with Primcom SA as absorbing company, and Delfincom SA and Prestari Servicii SA as absorbed companies. Following the merger, the Fund holds 75.48% in Primcom SA, while Delfincom SA and Prestari Servicii SA have been removed from the Trade Register.

### Analysis of the Portfolio of the Fund

#### Net Asset Valuation

The key performance indicator of the Fund is its Net Asset Value (“NAV”). The Fund is required to publish a monthly NAV per share in accordance with CNVM regulations no later than 15 calendar days after the reporting month end.

All NAV reports are published on the Fund’s website at [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro), together with share price and discount information.

#### NAV Methodology

CNVM Regulation no 4/2010 amended by the CNVM Regulation no 11/2012 allows the NAV calculation to be based on best international practice suitable for a closed-end listed fund.

Listed securities are valued at closing market prices, while illiquid or unlisted securities are valued using either shareholders’ equity value per latest annual financial statements, proportionally with the stake held, or according to international valuation standards which permit fair valuation.

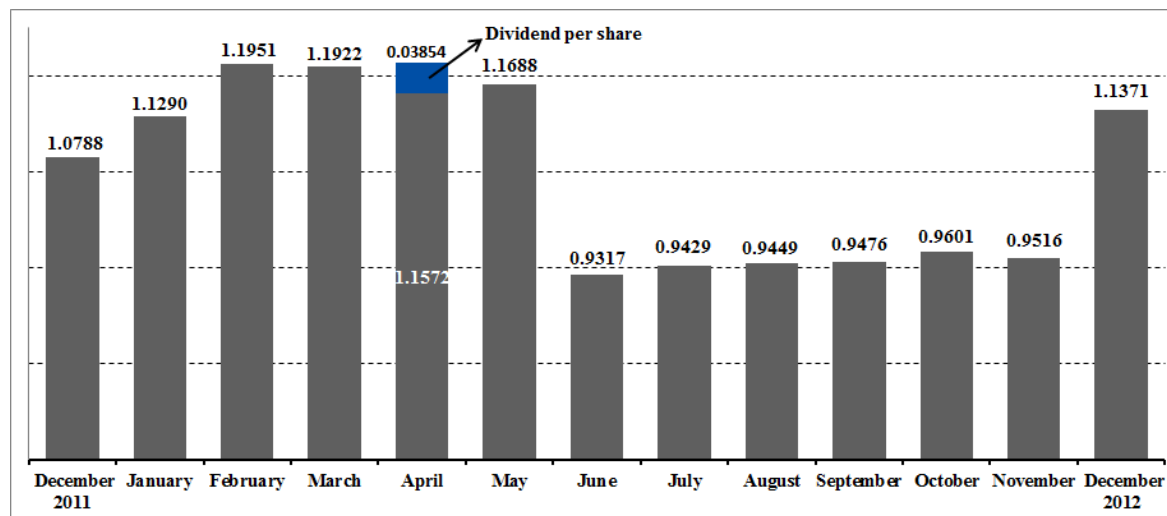
With effect from December 2012, the shares in companies going through an insolvency or reorganisation procedure are valued either at zero or at the value provided by an independent valuer, using valuation methods in accordance with international valuation standards which permit fair valuation (previously they were valued at zero, until the procedure is finalised).

The shares in companies under judicial liquidation procedure, or any other liquidation procedures, as well as in companies under temporary or final suspension of operation, are valued at zero until the procedure is finalised.

With effect from December 2012, treasury shares acquired through buybacks are excluded from the number of shares used in the NAV per share computation.

The following chart shows information on the monthly NAVs per share for the period 31 December 2011 to 31 December 2012:

#### NAV/share (RON/share)



Source: FTIML

The blue section within the 30 April 2012 NAV represents the value per share of the dividend distribution approved and recorded in April 2012, with a corresponding reduction in NAV.

After an overall increase in the first five months of 2012, which was mainly due to the positive share price trend of the Fund's listed holdings (principally of OMV Petrom), on 30 June 2012 the Fund's NAV had decreased by 13.6% compared with 31 December 2011. The significant decrease of the NAV in June was principally caused by Hidroelectrica's insolvency. According to CNVM Regulation no. 4/2010 (art.19, paragraph (4)) applicable to Fondul Proprietatea at that time, the shares of companies under insolvency, reorganisation or bankruptcy procedure had to be valued at zero, when calculating the NAV, until the end of the respective procedure.

On 20 June, the Bucharest Court admitted the request filed by Hidroelectrica for opening its insolvency procedure. Consequently, the Fund's holding in Hidroelectrica had to be temporary valued at zero, until the insolvency procedure was concluded. The negative impact on the Fund's NAV between May and June due to the revaluation of Hidroelectrica was RON 3,288.7 million or RON 0.2452 per share.

The NAV per share increased slightly from July until November. Between November and December the NAV per share increased by 19.5%. This was principally due to important changes in the CNVM regulations on NAV methodology, which became effective in December. CNVM Regulation no. 11/2012 amended CNVM Regulation no. 4/2010, by permitting investments in companies going through insolvency or reorganisation procedures to be valued either at zero or at a value assessed by an independent valuer. The Fund Manager commissioned an external valuation for the holding in Hidroelectrica, which determined a value of RON 2,001.0 million in the December NAV, as compared to a value of zero in the period June to November.

Six other unlisted holdings were also valued independently in December. The valuation of all seven holdings was performed by KPMG, in accordance with International Valuation Standards.

Name	Value in 31 Dec 2012 NAV (RON million)	Value in 30 Nov 2012 NAV (RON million)	Impact on Total NAV (RON million)	Impact on NAV/share* (RON)
Hidroelectrica SA	2,001.0	0.0	2,001.0	0.1492
Nuclearelectrica SA	648.0	497.6	150.4	0.0112
Complexul Energetic Oltenia SA	880.0	1,075.1	-195.1	-0.0145
E.ON Moldova Distributie SA	324.0	399.8	-75.8	-0.0056
CN Aeroporturi Bucuresti SA	272.0	322.4	-50.4	-0.0038
Zirom SA	36.3	52.8	-16.5	-0.0012
Posta Romana SA	80.8	96.4	-15.6	-0.0012
<b>TOTAL</b>	<b>4,242.1</b>	<b>2,444.1</b>	<b>1,798.0</b>	<b>0.1341</b>

\*Calculated based on the number of shares used in the NAV per share computation as at 30 November 2012.

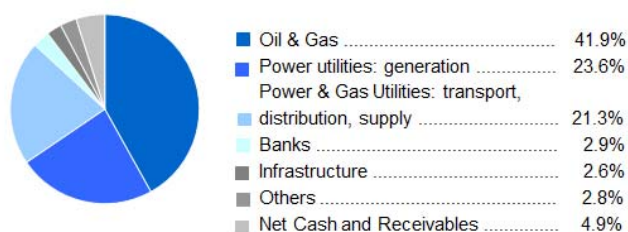
The change in regulation in December also permitted the exclusion of treasury shares acquired through buybacks from the number of shares used for the purpose of NAV per share computation. This had a positive impact of RON 0.0204 per share in December.

Finally, the Fund's December NAV was also positively influenced by the rise in OMV Petrom's share price from RON 0.3978 to RON 0.4281 per share during December. This uplifted the NAV by RON 345.2 million or of RON 0.0257 per share as compared to the November NAV.

### Investment Strategy and Portfolio Analysis

The Fund's investment objective is long-term capital appreciation, primarily through investments in Romanian equity and equity-linked securities. The equity exposure amounted to 95.1% of the Fund's NAV as at 31 December 2012. As at that date the portfolio included holdings in 69 companies (25 listed and 44 unlisted), a combination of privately held and state-controlled entities.

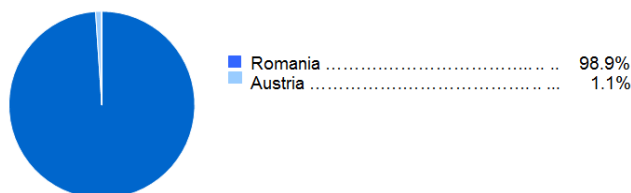
### Portfolio Structure - by Sector



- The portfolio remained heavily weighted in power, oil and gas sectors (approx. 86.8% of the NAV), through a number of listed and unlisted Romanian companies.
- Net cash and receivables includes bank deposits, current bank accounts, treasury bills, dividend receivables, as well as other current assets, net of all liabilities and provisions

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2012, based on NAV submitted to CNVM.

### Portfolio Structure - by Country



- Exposure to Austria includes holdings in Erste Bank and Raiffeisen Bank.

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2012, based on NAV submitted to CNVM.



### Portfolio Structure – Equity Investments - Listed Versus Unlisted



- The largest unlisted company is Hidroelectrica (24.7% of the total value of unlisted companies in the portfolio).
- The largest listed company is OMV Petrom (79.6% of total value of listed companies in the portfolio).

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2012, based on NAV submitted to CNVM.

### Top 20 Equity Investments

No	Name	Fund's Stake (%)	Value as at 31 December 2012 (RON million)	% of NAV
1	OMV Petrom SA	20.10%	4,876.5	32.6%
2	Hidroelectrica	19.94%	2,001.0	13.3%
3	Romgaz SA	14.99%	1,296.3	8.6%
4	Complexul Energetic Oltenia SA	21.53%	880.0	5.9%
5	Nuclearelectrica SA	9.72%	648.0	4.3%
6	ENEL Distributie Banat SA	24.12%	445.5	3.0%
7	Transgaz SA	14.98%	384.7	2.6%
8	ENEL Distributie Muntenia SA	12.00%	344.0	2.3%
9	GDF Suez Energy Romania	12.00%	339.6	2.3%
10	E.ON Moldova Distributie SA	22.00%	324.0	2.2%
11	ENEL Distributie Dobrogea SA	24.09%	301.4	2.0%
12	Electrica Distributie Muntenia Nord SA	21.99%	274.9	1.8%
13	CN Aeroporturi Bucuresti SA	20.00%	272.0	1.8%
14	BRD-Groupe Societe Generale	3.64%	205.9	1.4%
15	Electrica Distributie Transilvania Sud SA	21.99%	202.6	1.3%
16	Electrica Distributie Transilvania Nord SA	22.00%	189.0	1.3%
17	Alro SA	10.21%	145.8	1.0%
18	E.ON Gaz Distributie SA	11.99%	143.3	1.0%
19	Transelectrica SA	13.49%	125.6	0.8%
20	Raiffeisen Bank International AG	0.43%	118.9	0.8%
<b>Top 20 portfolio holdings</b>			<b>13,519.0</b>	<b>90.3%</b>
<b>Total financial assets (portfolio holdings)</b>			<b>14,240.2</b>	<b>95.1%</b>
<b>Net cash and receivables</b>			<b>739.0</b>	<b>4.9%</b>
<b>Total NAV</b>			<b>14,979.2</b>	<b>100.0%</b>

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 31 December 2012, based on NAV submitted to CNVM.

## Key Portfolio Developments in the Period

### Acquisitions and Disposals

During 2012, the Fund sold its entire holdings in Azomures SA as part of a takeover bid (at RON 2.22 per share) initiated by the main shareholder of this company, and in Comcereal Fundulea SA on the open market. The Fund made partial disposals in its holdings in Erste Group Bank AG and Raiffeisen Bank International AG.

In 2012, the Fund received 521,107 shares in Hidroelectrica SA accounted for as contributions in kind to the share capital of the Fund, whose nominal value (of 10 RON per share) was set off against the receivable related to the unpaid share capital of the Fund. These shares were received following the application of the provisions of the Title VII of the Law no. 247/2005 regarding the reform in property and justice, as well as certain adjacent measure, as amended ("Law 247/2005"). The source of the increases in share capital is the land for which the company obtained title.

In July 2012, Banca Transilvania completed the registration of a share capital increase (from incorporation of reserves and earnings) with the Central Depository. The 3,804,610 bonus shares consequently received by the Fund were added to its financial assets (previously, the value of these shares was included in the other current assets category in the Fund's NAV report).

In October 2012, the Fund received 1,281,988 bonus shares in CN Administratia Porturilor Maritime SA, as a result of a share capital increase through incorporation of reserves. In the same month the Fund participated in the cash share capital increase of GDF Suez SA, acquiring 253,984 shares at the nominal value of RON 10 per share.

### Mergers

During 2012, the following mergers between companies in the Fund's portfolio were registered with the Trade Register:

- On 31 January 2012 the merger of Primcom SA, Delfincom SA and Prestari Servicii SA was completed. This merger was approved in November 2011 by the General Shareholders Meetings of the three companies, with Primcom SA as absorbing company, and Delfincom SA and Prestări Servicii SA as absorbed companies. Following the merger, the Fund holds 75.48% in Primcom SA, while Delfincom SA and Prestari Servicii SA have been removed from the Trade Register.
- In May 2012, the merger of Complexul Energetic Turceni SA, Complexul Energetic Craiova SA, Complexul Energetic Rovinari SA and Societatea Nationala a Lignitului Oltenia SA to create the new Complexul Energetic Oltenia SA was completed. The merger was approved by the General Shareholders Meeting of these companies on 30 April 2012 and was recorded with the Trade Register in May 2012. Fondul Proprietatea holds 21.54% of the new company.

### Hidroelectrica's Insolvency

On 20 June 2012, the Bucharest Court admitted the request filed by Hidroelectrica SA for opening its insolvency procedure.

According to CNVM Regulation no. 4/2010 (art.19, paragraph (4)) applicable to Fondul Proprietatea at that time, the valuation of the shares of the companies under insolvency, reorganisation or liquidation procedure had to be reflected at zero value in NAV until the end of the respective procedure. With effect from December 2012, the shares in companies going through an insolvency or reorganization procedure can be valued either at zero or at the value provided by an independent valuer, using valuation methods in accordance with International Valuation Standards, which permit fair valuation.

### Plafar

In June 2012, the company was removed from the insolvency procedure initiated in 2009, at the request of the company's Board of Directors. This resolution was registered with the Trade Register on 26 September 2012.

### Energy Sector Regulatory Changes

On 19 July 2012, the Electricity and Gas Law (Law no. 123/2012) came into force. The main provisions of the law cover the functioning of the Romanian Energy Regulatory Authority; the ownership unbundling; the electricity price liberalisation (deadline for liberalisation for the non-household consumers is end December 2013 and deadline for liberalisation of household consumers is end December 2017); and the gas price liberalisation (deadline for liberalisation for the non-household consumers is end December 2014 and deadline for liberalisation of household consumers is end December 2018).

On 19 December 2012, the National Authority for Energy Regulation ("ANRE") approved order 51/19.12.2012 for setting the distribution tariffs for 2013. Starting 1 January 2013 ANRE increased by nearly the same percentage (c. 5.1%) the distribution tariffs for all private or state owned operators.

The new tariffs are valid for the year 2013, which is regarded by ANRE as a transition year between the 2<sup>nd</sup> regulatory period ending 2012 and the 3<sup>rd</sup> regulatory period of 5 year that will start in 2014.

The regulated rate of return considered for the year 2013 has been set at 8.52% in real terms, down from 10% during the 2<sup>nd</sup> regulatory period for the private operators and up from 7% during the 2<sup>nd</sup> regulatory period for the state owned operators.

### Implementation of Emergency Government Ordinance no. 109/2011 on Corporate Governance in State Owned Enterprises

None of the state owned companies in Fund's portfolio has yet fully implemented Emergency Government Ordinance 109/2011 (EGO 109/2011) regarding corporate governance in state owned enterprises, which includes provisions regarding the selection of independent boards and professional management.

### Update on the Largest Portfolio Companies

#### Alro

RON million	2010	2011	2012*	2012**
Turnover	1,812.2	2,241.4	2,136.8	2,300.6
Operating profit	289.4	368.4	n/a	288.8
Net profit/(loss)	159.8	228.3	238.4	(170.3)
Dividends	159.8	225.9	n/a	n/a

\*Budgeted figures 1 USD = 3.3411 RON

\*\*Based on preliminary IFRS financial statements

August: On 13 August, the company announced that it concluded the negotiations with Hidroelectrica for electricity purchases: Hidroelectrica will supply 3 TWh/year until 2018 and the formula for the electricity price will be based on a series of factors including the aluminium price on the London Stock Exchange and the OPCOM market.

#### BRD – Groupe Societe Generale

RON million	2010*	2011*	2012***
Operating income	3,585.0	3,268.0	2,912.2
Gross Operating Income	2,110.0	1,808.0	1,559.0
Net Risk Cost	883.0	1,253.0	1,937.9
Net profit / (loss)	1,009.0	498.0	(331.9)
Dividends**	125.0	116.3	n/a

\*Based on consolidated IFRS financial statements

\*\* Based on the financial statements prepared in accordance with Romanian Accounting Regulations

\*\*\* Based on unaudited unconsolidated IFRS financial statements

January: Since 2012 Romanian banks are only obliged to prepare financial statements according to International Financial Reporting Standards (IFRS). While BRD had already been publishing annual IFRS financial statements in addition to its statutory Romanian GAAP financial statements, prior to 2012, the quarterly and semi-annual financial statements had still been published only under local accounting regulations.

July: The bank announced Mr Philippe Lhotte, would be its new Administrator and CEO with effect from 1 September 2012, subject to the approval of the National Bank of Romania. Prior to his appointment at BRD, Mr Lhotte was the CEO and Chairman of SG Expressbank AD, the subsidiary of Societe Generale in Bulgaria. The announcement came after the bank had previously announced that Mr Alexandre Maymat would take up the position.

November: Mr Philippe Lhotte took over as the bank's new Administrator and CEO following the approval of the National Bank of Romania.

### CN Aeroporturi Bucuresti

RON million	2010	2011	2012*	H1 2011	H1 2012
Turnover	396.8	474.3	603.2	214.8	242.6
Operating profit	54.2	88.5	37.5	57.4	45.1
Net profit	42.5	52.6	27.2	47.8	30.3
Dividends	38.3	47.1	n/a	n/a	n/a

\* Budgeted figures

March: All commercial flights previously operated from Aurel Vlaicu Airport were moved to Henri Coanda Airport with effect from 25 March 2012. Aurel Vlaicu Airport will be refurbished for use as a 'city airport', accommodating mainly business, leisure and smaller aircraft.

June: Mr Cornel Constantin Poterasu became the new interim General Manager, replacing Mr Tudor Jidav, who was appointed General Manager of Henri Coanda International Airport, the larger of the two airports managed by the company. Mr Poterasu has previous experience in the construction sector and from several roles with the Auto Registration Authority, as well as serving in the Chamber of Deputies in the Romanian Parliament.

September: Mr Cristinel Smadu replaced Mr Poterasu as the General Manager of the company, following a decision of the company's Board of Directors.

November: The new extension of the departures terminal at Henri Coanda Airport was officially opened on 6 November. It has a total built area of 19,600 square meters and adds 52 new check-in desks, 400 square meters of retail space and 244 new parking spaces in the reconfigured parking area in front of the terminal. It will serve all domestic departures as well as selected international departures. The total investment for the new extension was EUR 53 million.

December: Mr Poterasu returned to the position of General Manager, following the appointment of the new Government and the new Minister of Transport and Infrastructure.

December: The Company announced that total passenger traffic in 2012 increased compared to 2011 by 1.33% to 7,547,465 passengers, while total aircraft movements reached 98,592.

### Complexul Energetic Oltenia

RON million	2010*	2011*	H1 2012**
Operating revenues	3,165.8	4,026.5	406.3
Operating profit	(25.0)	348.0	10.6
Net profit	(126.6)	179.9	24.5
Dividends	n/a ***	n/a ***	n/a

\* Based on combined IFRS financial statements of Complexul Energetic Craiova SA, Complexul Energetic Rovinari SA, Complexul Energetic Turceni SA and Societatea Nationala a Lignitului Oltenia

\*\* Based on statutory financial statements for the period 31 May – 30 June 2012

\*\*\* CE Oltenia was created in 2012, through the merger of CE Craiova, CE Rovinari, CE Turceni and SNLO: Dividends distributed by the merged companies to the Fund were: 2011 (CE Rovinari RON 6.5 million, CE Craiova RON 0.03 million), 2010 (CE Rovinari RON 0.02 million, CE Craiova RON 0.01 million),

CE Oltenia became the largest integrated coal fired power producer in Romania with an installed capacity of 3,570MW and a total coal (lignite) production capacity of 30 million tonnes/year. The company estimated a 30% market share in electricity generation in 2012.

The Ministry of Economy, Commerce and Business Environment has contracted Kienbaum International, a reputable recruitment company, for the selection process for the CEO and Supervisory Board members of CE Oltenia.

December: ANRE issued decisions for quantity and the selling price on the regulated market for CE Oltenia in 2013. The quantity to be sold on the regulated market is of 4TWh (representing approx. 25% of the estimated net production) at a regulated price of RON 190.3 /MWh (a 10.5% increase compared to 2012).

#### E.ON Gaz Distributie SA (“EGD”)

RON million	2010	2011	2012*
Turnover	794.2	800.5	745.0
Operating profit	195.8	264.8	116.0
Net profit	159.6	230.5	98.0
Dividends	-	-	n/a

\* Budgeted figures (turnover includes only distribution services)

As per Order no 22 /2012 issued by ANRE, gas distribution tariffs will remain unchanged until 1 July 2013, when the parameters of the 3<sup>rd</sup> regulatory period still to be approved by ANRE will become effective.

#### E.ON Moldova Distributie (“EMOD”)

RON million	2010	2011	2012*
Turnover	626.2	636.1	642.0
Operating profit	190.1	22.1	99.0
Net profit	165.4	7.2	73.0
Dividends	-	-	n/a

\* Budgeted figures (turnover includes only distribution services)

December: With effect from 1 January 2013 ANRE increased the low, medium and high voltage distribution tariffs of EMOD by nearly the same percentage (approximately 5.1%).

The new tariffs are valid for 2013, which is regarded by ANRE as a transitional year between the 2nd regulatory period ending in 2012 and the 3rd regulatory period of 5 year which will start in 2014.

The regulated rate of return considered for 2013 for EMOD has been 8.52% in real terms, down from 10% during the 2nd regulatory period.

December: Shareholders approved the transfer of activity (sale) of the non-core technical services and maintenance activities of both EMOD and EGD to a common Technical Services Operator owned by E.ON.

RON/Mwh	2011 <sup>10</sup>	1 July 2012 <sup>11</sup>	1 January 2013 <sup>12</sup>
<b>Distribution tariffs</b>			
High Voltage	21.0	21.0	22.07
Medium Voltage	42.0	42.0	44.17
Low Voltage	133.2	139.0	146.09

#### Electrica Distributie Muntenia Nord (“EDMN”)

RON million	2010	2011	2012*	H1 2011	H1 2012
Total revenues	659.1	712.8	735.5	349.9	353.6
Operating profit	27.1	72.4	32.4	43.9	38.5
Net profit	26.7	67.4	27.2	39.8	35.4
Dividends	-	8.2	n/a	n/a	n/a

\* Budgeted figures

March: The Government approved the listing of a 15% stake in the company on the BVB.

<sup>10</sup> ANRE order 44/23.12.2010

<sup>11</sup> ANRE order 24/25.06.2012

<sup>12</sup> ANRE order 51/19.12.2012

June: ANRE published Order no. 24/2012 for the approval of electricity distribution tariffs for 2012.

October: The General Shareholders Meeting mandated the Board of Directors to appoint Mr Darius Dumitru Mesca as General Manager. This mandate was not in compliance with the Companies Law and EGO 109/2011 provisions. Mr Darius Dumitru Mesca is a former State Secretary in the Ministry of Economy, Commerce and Business Environment and Advisor of the President of the Prahova County Council.

December: EDMN appointed three Board members who did not rank among top candidates in the ranking resulting from the candidates' assessment done by both the independent human resources consultant involved in the selection process and the Committee for Nomination and Remuneration of EDMN. Two of the new Board members are politically affiliated.

December: ANRE approved order 51/19.12.2012 for setting the distribution tariffs for 2013.

RON/Mwh	2011 <sup>13</sup>	1 July 2012 <sup>14</sup>	2013 <sup>15</sup>
<b>Distribution tariffs</b>			
High Voltage	15.3	18	18.92
Medium Voltage	38.49	42	44.14
Low Voltage	136.28	139	146.09

#### Electrica Distributie Transilvania Nord ("EDTN")

RON million	2010	2011	2012*	H1 2011	H1 2012
Total revenues	545.3	570.1	574.7	289.0	295.6
Operating profit	13.9	40.2	12.1	41.9	40.9
Net profit	8.5	29.1	9.2	35.6	32.4
Dividends	-	-	n/a	n/a	n/a

\* Budgeted figures

March: The Government approved the listing of a 15% stake in the company on the BVB.

June: ANRE published Order no. 24/2012 for the approval of electricity distribution tariffs for 2012.

December: ANRE approved order 51/19.12.2012 for setting the distribution tariffs for 2013.

RON/Mwh	2011 <sup>16</sup>	1 July 2012 <sup>17</sup>	2013 <sup>18</sup>
<b>Distribution tariffs</b>			
High Voltage	20.96	21	22.07
Medium Voltage	42	42	44.14
Low Voltage	88.64	101.42	106.59

#### Electrica Distributie Transilvania Sud ("EDTS")

RON million	2010	2011	2012*	H1 2011	H1 2012
Total revenues	593.0	638.8	651.4	321.9	317.9
Operating profit	21.5	27.8	18.7	11.6	18.4
Net profit	11.9	19.6	15.8	7.1	9.9
Dividends	-	-	n/a	n/a	n/a

\* Budgeted figures

March: The Government approved the listing of a 15% stake in the company on the BVB.

June: ANRE has published Order no. 24/2012 for the approval of electricity distribution tariffs for 2012.

<sup>13</sup> ANRE order 44/23.12.2010

<sup>14</sup> ANRE order 24/25.06.2012

<sup>15</sup> ANRE order 51/19.12.2012

<sup>16</sup> ANRE order 44/23.12.2010

<sup>17</sup> ANRE order 24/25.06.2012

<sup>18</sup> ANRE order 51/19.12.2012

June: Mr Rosca Ioan, the General Manager of the company, was appointed as General Manager of the parent company, Electrica SA. He was replaced as the head of EDTS by Mr Ion Dobre, who was formerly the company's Technical Director.

December: ANRE approved order 51/19.12.2012 for setting the distribution tariffs for 2013.

RON/Mwh	2011 <sup>19</sup>	1 July 2012 <sup>20</sup>	2013 <sup>21</sup>
<b>Distribution tariffs</b>			
High Voltage	21	21	22.07
Medium Voltage	38.53	41.98	44.12
Low Voltage	114.77	123.27	129.56

#### ENEL Distributie Banat ("EDB")

RON million	2010	2011	2012*	H1 2011	H1 2012
Turnover	556.0	585.8	589.2	289.9	292.5
Operating profit	159.7	238.3	175.9	125.1	85.7
Net profit	148.4	220.5	138.1	114.5	77.6
Dividends	83.6	-	n/a	n/a	n/a

\* Budgeted figures

#### ENEL Distributie Dobrogea ("EDD")

RON million	2010	2011	2012*	H1 2011	H1 2012
Turnover	408.0	459.0	449.1	220.4	225.4
Operating profit	107.2	126.4	107.8	65.1	45.0
Net profit	99.6	108.9	93.7	57.2	42.3
Dividends	56.2	-	n/a	n/a	n/a

\* Budgeted figures

#### ENEL Distributie Muntenia ("EDM")

RON million	2010	2011	2012*	H1 2011	H1 2012
Turnover	733.8	705.9	872.1	348.5	395.1
Operating profit	76.0	51.6	204.2	30.2	43.6
Net profit	105.1	50.5	150.6	27.6	91.1
Dividends	-	-	n/a	n/a	n/a

\* Budgeted figures

June: ANRE set higher distribution tariffs for all distribution companies controlled by ENEL. The increase in tariffs ranges from 7% in the case of EDB and 12% for EDD to over 17% for EDM for low voltage, effective on 1 July 2012.

December: ANRE adjusted upward by 5.1% the distribution tariffs for the 3 ENEL companies for 2013. At the same time, the regulated rate of the return for the year 2013 was set at 8.52%. It is expected that the new 5 years regulatory period will start in 2014.

December: The Romanian Government issued a decision to exercise the put option held by state owned Electrica in Enel Distributie Muntenia and Enel Energie Muntenia<sup>22</sup>. The option for a 13.6% stake in both these companies was valued at approximately EUR 521 million. The transaction is not yet finalised.

<sup>19</sup> ANRE order 44/23.12.2010

<sup>20</sup> ANRE order 24/25.06.2012

<sup>21</sup> ANRE order 51/19.12.2012

<sup>22</sup> Government decision no. 1163/2012 published on 7 December 2012 in the Official Gazette



RON/Mwh	2011 <sup>23</sup>			1 July 2012 <sup>24</sup>		
	EDM	EDB	EDD	EDM	EDB	EDD
High Voltage	8.92	21.00	21.00	10.49	21.00	21.00
Medium Voltage	26.44	42.00	42.00	31.11	42.00	42.00
Low Voltage	115.85	129.66	123.72	136.32	139.00	139.00

### GDF Suez Energy Romania

RON million	2010*	2011*	2012**	H1 2011***	H1 2012***
Turnover	3,593.0	3,862.4	3,937.0	2,275.8	2,538.2
Operating profit	322.0	298.6	428.0	4.3	122.2
Net profit	271.0	261.9	346.0	6.0	102.4
Dividends	80.0	-	n/a	n/a	n/a

\* Consolidated financial statements

\*\* Budgeted figures, consolidated financial statements

\*\*\* As per unaudited statutory financial statements

May: The shareholders of GDF Suez Energy Romania approved an increase in share capital by issuing an additional 2,116,536 shares with an issue price equal to the nominal value of 10 RON/share

September: Following ANRE's order<sup>25</sup> no. 31/2012, starting 15 September 2012 gas prices for industrial consumers have increased by approximately 10%, while gas prices paid by household customers have increased by around 5%. This is the first increase in gas prices for household customers since 2009.

October: The company successfully completed a RON 250 million bond offering for institutional investors. The bonds were listed on the BVB in November.

### Hidroelectrica

RON million	2010	2011	2012*	H1 2011	H1 2012
Turnover	3,273.7	3,020.6	2,928.0	1,640.0	1,262.9
Operating profit	502.7	161.2	100.0	60.5	(80.4)
Net profit	292.3	6.5	42.4	23.4	(202.1)
Dividends	263.1	-	n/a	n/a	n/a

\* Budgeted figures

According to the Letter of Intent no 12/290/ October 2012 signed by the Romanian Government with the International Monetary Fund ("IMF"), the IPO of Hidroelectrica will take place after the company exits insolvency through an issue of new shares of 10% of the Company. The Consortium formed by Citi, BRD-Societe Generale and Intercapital was selected as the intermediary of the listing.

March: The number of members of the Board of Directors was reduced from 7 to 5. The company initiated the selection of Board members in accordance with EGO 109/2011 on corporate governance in state-owned enterprises.

April: The European Commission announced the start of an in-depth inquiry into preferential electricity tariffs granted by Hidroelectrica, to various companies.

June: On 20 June 2012, the Bucharest Court admitted the request filed by Hidroelectrica SA to open its insolvency procedure. Euro Insol SPRL was appointed as the judicial administrator of the company until the first General Meeting of the Creditors.

June: On 26 June, Remus Vulpescu was appointed by the General Shareholders Meeting as the special administrator of the company.

June: The judicial administrator started the restructuring process of the company with a view to increase revenues and cut down costs.

<sup>23</sup> ANRE order 44/23.12.2010

<sup>24</sup> ANRE order 24/25.06.2012

<sup>25</sup> ANRE order no 31 issued on the 30 August 2012

August: The report on the causes that led to the insolvency of the company was published by the judicial administrator.

September: The General Creditors Meeting reconfirmed Euro Insol as the judicial administrator of the company and set its remuneration.

October: The Court of Appeal irrevocably ruled against the appeals filed by Alpiq Romindustries, Alpiq RomEnergie and Hidrosind against the decision of Bucharest Court that approved the request of the company to start the insolvency proceedings.

December: ANRE issued the decision according to which Hidroelectrica will sell the energy on the regulated market in 2013 at an average price of RON 125 /MWh for a quantity of 3.97 TWh (compared with a price of RON 72 /MWh in 2012 )

December: The Bucharest Court of Appeal ruled against the Romanian Government in the first stage in the case started by Hidrosind (Trade Unions) and decided to annul the Government Decision 38/2012 for approving the strategy of privatisation of the company. The decision can be appealed by the Romanian Government.

### Nuclearelectrica

RON million	2010	2011	2012*	H1 2011	H1 2012
Sales	1,540.3	1,588.4	1,793.1	754.1	772.3
Operating profit	155.9	162.6	221.2	44.2	58.8
Net profit	13.1	95.0	51.1	82.7	(33.7)
Dividends	-	-	n/a	n/a	n/a

\* Budgeted figures

On 29 December 2011, an Emergency Ordinance published in the Official Gazette stated that in future, the heavy water needed for reactors 3 and 4 would be purchased directly by the Romanian State and not by Nuclearelectrica. Consequently, starting from January 2012, Nuclearelectrica would no longer receive budget allocations to purchase heavy water for these nuclear reactors.

June: According to the Letter of Intent signed by the Romanian Government with the IMF in June 2012, the company will be listed on the BVB in 2012.

August: According to the latest letter of intent to the IMF, the Government will expedite the IPO of Nuclearelectrica, but will miss the agreed deadline of end 2012 by one quarter.

September: On 28 September, two broker consortia submitted bids to intermediate the IPO of Nuclearelectrica. The first consortium includes Wood & Company Financial Services SA and SSIF Intercapital Invest SA, and the second comprises SSIF Swiss Capital SA and SSIF BT Securities SA.

October: SSIF Swiss Capital SA and SSIF BT Securities SA were selected to complete the IPO of Nuclearelectrica in 2013.

December: ANRE issued decisions for the quantity and the selling price on the regulated market to be respected by Nuclearelectrica in 2013. The quantity to be sold on the regulated market is 5.3 TWh (vs. 7.5 TWh in 2012) at a regulated price of RON 141.9 /MWh (+15.7% vs. 2012).

### OMV Petrom

RON million	2010	2011	2012*	2012**
Sales	18,615.7	22,613.7	15,796.0	26,258.1
Operating profit	2,985.5	4,935.8	4,392.0	5,662.0
Net profit	2,189.7	3,758.6	3,612.0	3,946.1
Dividends	1,002.6	1,756.0	n/a	n/a

\* Budgeted figures

\*\* Based on unaudited consolidated IFRS financial statements

January: The company received confirmation from the Competition Council about the conclusion of the antitrust investigation, which resulted in a fine of RON 366.5 million for OMV Petrom and RON 137.3 million for OMV Petrom Marketing SRL, a wholly owned subsidiary of OMV Petrom.

The company's position is that the fines imposed are not justified and it has challenged the decision of the Competition Council in court.

February: The company confirmed a potentially significant gas discovery offshore Romania in the Black Sea. The Domino-1 well, operated in a 50/50 joint venture with Exxon Mobil, is the first deep water well offshore Romania, and is located 170 km offshore Romania in water approximately 930 meters deep and a total depth of 3,000 metres below sea level. The preliminary estimate for the accumulation was between 42 and 84 billion cubic meters.

March: OMV Bulgaria OOD, a 99.9% subsidiary of OMV Petrom, was notified regarding an alleged breach of antitrust regulations by the Bulgarian Commission for Protection of Competition. The investigation, which has not yet been finalised, concerns a number of companies on the Bulgarian fuels market.

May: Petrom announced results for the first quarter of 2012: compared to the same quarter of 2011, sales increased 21% to RON 22.61 billion, EBIT increased 65% to RON 4.93 billion and net income increased 72% to RON 3.76 billion. Net debt decreased 15% to RON 1.95 billion while capital expenditures decreased 1% to RON 4.8 billion.

June: The company published an update regarding its 2022 Strategy. Some of the highlights were the increased focus on exploration and production, with 80% of capital investments being focused on this area, compared to 64% during 2009-2011, the continued efforts to enhance the value of equity gas through the start of production of the Brazi gas fired power plant, potential development of a regional gas hub and continued focus on developing the Nabucco pipeline. For the refining and marketing division, the main areas of focus will be to modernise and improve efficiency at the Petrobrazi refinery, in the fuel storage network and to optimise the petrol station network.

June: OMV Petrom announced the sale of Petrom LPG, its gas bottling and distribution activities, to Crimbo Gas International. The decision is part of the company's strategy to optimise its refining and marketing portfolio. Gas cylinder and auto gas marketing activities will continue through the Petrom and OMV fuel distribution network. The company did not disclose the value of this transaction.

June: OMV Petrom announced the completion of the investment project aimed at upgrading the crude vacuum distillation unit at the Petrobrazi refinery, at a total cost of approximately EUR 100 million. Following this investment, the refinery is now able to produce the entire domestic crude production of OMV Petrom. At the same time, yields for middle distillates are expected to increase and energy consumption is expected to decrease.

July: The company announced a change in the Executive Board: Mr Cristian Secosan replaced Mr Hilmar Kroat-Reder and took over responsibility for the Gas and Power division. Prior to joining OMV Petrom, Mr Secosan was the General Manager of Siemens Romania. He also has previous experience in various management positions with multinationals active in Romania, such as ABB, Alstom and E.ON.

August: OMV Petrom announced results for the second quarter and the first half of 2012. The main highlights of the report for the first half of the year include an increase in sales of 19% to RON 12.2 billion, an increase in EBIT of 12% to RON 2.7 billion and an increase of 10% in net income to RON 2.7 billion, equivalent to a ROE of 19%, up from 18.6% for the same period of 2011.

November: The company announced that with effect from 1 January 2013, Mr Andreas Peter Matje will replace Mr Daniel Turnheim as the CFO of OMV Petrom, following Mr Turnheim's appointment as Vice President of Corporate Finance within OMV AG. Mr Matje has extensive experience with OMV AG, having occupied the position of Senior Vice President Controlling for 4 years prior to joining Petrom. He has a degree in Business Administration from University of Vienna and Global Executive MBA from Rotman Business School, University of Toronto.

November: The company announced results for the third quarter and the first 9 months of 2012. The main highlights of the report for the first 9 months included an increase of sales of 18% to RON 19.18 billion, an increase in EBIT of 6% to RON 3.99 billion and a slight decrease of 1% in net income to RON 2.89 billion. This is equivalent to a ROE of 17.8%, compared to 20% for the same period in 2011.

November: OMV Petrom inaugurated a new fuel terminal at Isalnita. This is the third greenfield fuel terminal finalised in the last three years, it has a total capacity of 11,000 cubic meters and cost of project was EUR 26 million.

December: The company announced that it will be conducting the largest 3D seismic program in the Black Sea in partnership with ExxonMobil, with data being collected on 6,000 square kilometres in the deep water sector of the Neptun Block. The company also announced the start of exploration works in the shallow water sector of the Neptun Block, where OMV Petrom is the sole owner of the exploration license.

December: OMV Petrom and Expert Petroleum announced a new partnership for production enhancement services for 13 small mature oil and gas fields in western Romania, with the aim to achieve a significant increase of cumulative production above the estimated natural decline.

#### **Raiffeisen Bank International**

EUR million	2010	2011	2012*
Net revenue	6,764.7	7,024.4	not available
Net interest income	3,577.9	3,667.1	3,472.0
Consolidated profit	1,087.4	967.6	725.0
Dividends	204.3	205.0	n/a

\* Unaudited consolidated preliminary results

#### **Romgaz**

RON million	2010	2011	2012*	H1 2011	H1 2012
Sales	3,574.2	4,211.1	4,247.2	1,996.2	2,197.2
Operating profit	905.6	1,264.5	1,065.9	607.9	681.0
Net profit	651.2	1,031.7	876.0	488.0	557.7
Dividends	720.1	938.0	n/a	n/a	n/a

\* Budgeted figures

January: A consortium formed by Goldman Sachs, Erste-BCR and Raiffeisen Capital & Investment was selected to manage the listing of a 15% stake in Romgaz on the BVB.

June: Mr Corin Emil Cindrea was appointed as the company's interim General Manager, pending implementation of EGO 109/2011. The change in leadership came shortly after the new Government lead by Mr Victor Ponta took office. Mr Cindrea was previously the Human Resources Manager of Romgaz.

June: Mr Gelu Stefan Diaconu and Mr Stefan Cosmeanu were appointed as interim Board Members, pending implementation of EGO 109/2011. They replaced Mr Paul Gheorghiu and Mr Marius Catalin Oprea, previously counsellors of the Minister of Economy in the Government lead by Mr Mihai Răzvan Ungureanu. Mr Diaconu had recently been appointed as Counsellor of the Minister of Economy while Mr Cosmeanu had been appointed Secretary of State in the Ministry of Economy after the new Government lead by Mr Victor Ponta took office.

August: Three new members were appointed to the company's Board of Directors, namely Mr Gelu Stefan Diaconu, Counsellor of the Minister of Economy, Commerce and Business Environment, Mr Stefan Cosmeanu, Secretary of State at the Ministry of Economy and Mr Emil Corin Cindrea, who was also appointed as the new General Manager of Romgaz. These appointments followed resignations of three previous members.

All appointments were done on an interim basis, until the implementation of provisions from EGO 109/2011, regarding the selection and appointment of new Board Members in State Owned companies.

September: Some highlights from the company's results for the first half of 2012 include an increase in sales of 7.1% to RON 2.36 billion an increase in EBIT of 12% to RON 681 million and an increase in net income of 14.3% to RON 557.75 million.

November: A shareholders meeting approved the addition of an environmental due diligence report to the Engagement Letter signed by the company with the consortium of investment banks preparing the listing on the Bucharest Stock Exchange. The same shareholders meeting approved Deloitte as the provider of the comfort letter needed for the listing documents.

November: Mrs Eufemia Musat was appointed as interim member of the Board, replacing Ioana Apan, who was previously the President of the Board. Mr Gelu Stefan Diaconu, Secretary of State in the Ministry of Economy, was appointed as the new President of the Board.

November: A new Energy Subsidiary was established, in preparation for the takeover of the Iernut gas fired power plant. The new subsidiary will be in charge of all activities related to the company's entry on the electricity production market.

December: A shareholders meeting approved the final version of the contract to be signed with DeGolyer and Macnaughton as provider of the Competent Person Report regarding the hydrocarbon reserves of Romgaz. This report will be part of the documentation required for the company's listing on the Bucharest Stock Exchange.

### Transelectrica

RON million	2010*	2011*	2012**	2012***
Turnover	2,545.7	3,113.1	2,623.0	2,711.9
Operating profit	79.6	159.5	84.5	81.7
Net profit	9.6	90.9	40.0	27.0
Dividends	8.5	80.6	n/a	n/a

\* Based on statutory financial statements

\*\* Budgeted figures

\*\*\* Based on unaudited unconsolidated IFRS financial statements

May: The board of directors acknowledged the resignation of Mr Horia Hahaianu and appointed as interim directors Mr Dumitru Pirvulescu and Mr Remus Dumitru Vulpescu until the implementation of the provisions of EGO 109/2011 regarding corporate governance in state owned companies.

May: The board of directors decided to remove Mr Octavian Lohan as general manager of the company and the responsibilities of the position were to be assumed by Mr Marius Mateescu until the provisions of EGO 109/2011 regarding corporate governance in state owned companies are implemented.

June: Mr Stefan Gheorghe was appointed as interim board director.

June: Mr Stefan Gheorghe resigned as board member. Mr Mircea Ciopraga was appointed as board member and as president of the board of directors until the implementation of the provisions of EGO 109/2011 concerning corporate governance in state owned companies.

July: On 5 July 2012, Transelectrica announced that Moody's Investors Service had downgraded the company's rating from Baa3 to Ba1. The downgrade of a company's share to 'speculative grade' is motivated at Moody's, amongst other reasons, by the reduced likelihood of a government's intervention when a company runs into problems, as recently seen with Hidroelectrica's insolvency.

July: The company signed an agreement with the Ministry of Economy, Commerce and Business Environment for a non-refundable financing deal worth RON 50 million for modernising the power grid.

July: Shareholders approved the change of management system, and adopted the dual system with a supervisory board and directorate. The new members of the supervisory board were appointed by shareholders in November.

October: On 24 October 2012, the board of directors of the company decided to dismiss the general manager and appoint a new individual in that position. The new general manager previously worked for McKinsey and had been a member of the board of directors of the company since 2010. The board gave no explanations for the dismissal of the former general manager.

December: The regulator approved a 12.7% increase in transmission tariff for 2013<sup>26</sup>. The regulated rate of return was set at 8.52% compared to the previous rate of 7.5% for the 2008-2012 period. The next 5 year regulatory period will start in 2014, and 2013 is considered a transition year.

<sup>26</sup> ANRE order no.52 published on the 27 December 2012 in the Official Gazette

**Transgaz**

RON million	2010	2011	2012*	2012**
Turnover	1,313.0	1,343.3	1,463.4	1,328.0
Operating profit	443.7	442.5	419.4	364.9
Net profit	376.4	379.5	355.1	281.0
Dividends	338.7	350.4	n/a	n/a

\* Budgeted figures

\*\* Based on unaudited unconsolidated IFRS financial statements

The Ministry of Economy, Trade and Business Environment will conduct a secondary Public Offering for a 15% stake. Raiffeisen Capital & Investment, Wood & Co and BT Securities were selected to intermediate the placement.

June: Standard and Poor's has placed the company's rating at BB+ on watch, with negative implications, the rating action reflecting the likelihood that S&P will downgrade the company in the near term.

June: Mr Ioan Rusu was appointed by the board of directors as general manager of the company replacing Mr Cosma Florin.

July: Mr Ioan Rusu was appointed to the company's board, effective until the implementation of the provisions of EGO 109/2011 on corporate governance in state owned companies.

October: The Government approved the structure of the secondary public offering for a 15% stake.

November: The Government announced it will not go forward with the SPO.

**Bankruptcies, Insolvencies and Dissolutions**

The following companies from Fund's portfolio are in insolvency, bankruptcy or dissolution:

- SC B A T Service SA (sole registration code 16086637) is a company under bankruptcy procedure starting with 26 May 2010 according to the Decision 666 issued by the Buzau Court related to file 4339/114/2009.
- SC FECNE SA (sole registration code 369432) is a company under bankruptcy procedure starting with 4 October 2010, according to the Decision 6001 issued by the Bucharest Court related to file 23328/3/2006.
- SC Simtex SA (sole registration code 324490) is a company under bankruptcy procedure starting with 1 September 2010, according to Decision 5213 issued by the Bucharest Court related to file 5768/3/2008.
- SC Carbid Fox SA (sole registration code 1247115) is a company under bankruptcy procedure starting with 2 April 2007, according to Decision 381 issued by the Mures Court related to file 1137/1371/2007.
- SC Gerovital Cosmetics SA (sole registration code 334493) is a company under bankruptcy procedure starting with 6 January 2010, according to Decision issued by the Bucharest Court related to file 22491/3/2007.
- World Trade Center Bucharest SA (sole registration code 364354) is a company under insolvency procedure starting with 8 June 2010, according to Decision issued by the Bucharest Court related to file 45619/3/2011.
- Romplumb (sole registration code 2206334) is a company under insolvency procedure starting with 9 February 2012, according to Decision issued by the Mararmures Court related to file 729/100/2012.
- Hidroelectrica (sole registration code 13267213) is a company under insolvency procedure starting with 20 June 2012, according to Decision issued by the Bucharest Court related to file 22456/3/2012.



The holdings in these companies are reflected at zero value in the NAV, except for Hidroelectrica which was valued in the 31 December 2012 NAV at a value provided by an independent valuer, KPMG.

According to CNVM Regulation no. 4/ 2010 (art. 19, paragraph (2)), the holding in Hidroelectrica was previously valued at zero because of the company's insolvency. With effect from December 2012, according to CNVM Regulation no. 11/2012 which amended CNVM Regulation no. 4/2010, holdings in companies under insolvency or reorganisation procedures can be valued either at zero or at the value provided by an independent valuer. Consequently, the valuation method for the holding in this company has been changed to a fair value as per an independent valuer's report.

## Financial Risk Management

Given the nature of its business, the Fund is exposed to various risks, which include: market risk, credit risk, liquidity risk, operational risk and the risks related to the economic environment. The management monitors the reduction of the potential adverse effect associated with these risk factors on the financial performance of the Fund.

With effect from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

### i) Market risk

The market risk includes foreign currency risk, interest rate risk and price risk.

#### *Foreign currency risk*

The Fund can make investments in financial instruments or perform transactions denominated in foreign currency. As a result, the Fund is exposed to the risk that fluctuations in exchange rates can have an adverse effect on the value of the net assets of the Fund denominated in foreign currency.

As at 31 December 2012, the main foreign currency exposure derived from the Fund's investment in shares with a carrying value of EUR 36.4 million (RON 161.2 million equivalent). Cash accounts and receivables denominated in foreign currency are not significant, only amounting to EUR 1,276 and EUR 181,518 respectively.

The Fund considers that its functional currency is the local currency (RON).

#### *Interest rate risk*

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and treasury bills) have generally short term maturity, deposits up to 3 months and treasury bills up to 12 months. As a result, the Fund has a limited exposure to variations in interest rates.

#### *Price risk*

Price risk is the risk that the value of the securities fluctuates as a result of changes occurring on the capital market, and it is determined by factors specific to an issuer, industry, country or region or that otherwise influence the capital market overall. This is the most significant source of risk and variability in the value of the Fund.

This risk has become more significant in recent years, especially since the latter half of 2008, given the large reductions in value of the stock exchange quotations for some of the securities in the Fund's portfolio. It has been necessary to book impairment adjustments in certain cases during recent years, and these negatively influenced shareholders' equity. During 2009, 2010 and the first part of 2011 impairment adjustments previously booked have been partially reversed due to market recoveries, but in the second part of 2011 significant impairment adjustments have been recorded for some of the listed equity investments of the Fund. Some of the impairment adjustments previously booked for listed holdings were reversed in 2012.



**ii) Credit risk**

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills and dividends receivable.

For treasury bills held, the credit risk is assessed as low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finance.

Cash held by the Fund that is not invested in portfolio companies or treasury bills may be invested in short term bank deposits. After the Fund's management was taken over by the Fund Manager, a formal policy regarding bank counterparty risks and limits was established. The Fund only establishes new deposits where the financial institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better).

The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

**iii) Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's equity investments include unlisted securities, which are not traded on a regulated market and generally may be considered illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The equity securities held by the Fund are listed on the Bucharest Stock Exchange or Vienna Stock Exchange. However, not all the shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

**iv) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative.

**v) Operating environment**

The ongoing global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence, prompted coordinated efforts by governments and central banks to adopt special measures through 2012. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

**vi) Risks arising from potential changes in the legislation governing the Fund**

The existence, operation and even the initial structure of the Fund's portfolio are regulated by primary legislation, as well as by secondary legislation such as government decisions and CNVM regulations. Hence, it may not be ruled out that the current legal framework be changed so as to directly affect the Fund, and therefore its shareholders.

This risk is sustained by the legislative history of the past few years that reveals a series of laws which have changed also the Fund's portfolio compositions. Such legal changes would have to be carried out in compliance with the constitutional principles regulating the guarantee of the private property. Notwithstanding to the general principle described above, the numerous instances where the relevant institutional structures have ruled on the unconstitutionality of certain laws, prove that the risk of legislative changes which may adversely affect the Fund and which may be passed in breach of the Constitution may not be ruled out.

**Key Financial Activity of the Fund****Fund Liquidity****Summary % net cash & cash equivalents in NAV**

RON million	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012
Current accounts	1.9	1.5	31.0	2.2	1.9
Bank deposits	296.4	268.6	895.7	509.2	317.3
Treasury bills	195.9	199.0	139.8	262.9	454.7
Total liabilities	(42.2)	(20.4)	(425.9)	(26.7)	(21.1)
<b>Net cash &amp; cash equivalents</b>	<b>452.0</b>	<b>448.7</b>	<b>640.6</b>	<b>747.6</b>	<b>752.8</b>
<b>Net Assets Value</b>	<b>14,465.4</b>	<b>15,991.7</b>	<b>12,497.4</b>	<b>12,710.7</b>	<b>14,979.2</b>
<b>% net cash &amp; cash equivalents in NAV</b>	<b>3.1%</b>	<b>2.8%</b>	<b>5.1%</b>	<b>5.9%</b>	<b>5.0%</b>

The table above shows the change in the net cash position as a percentage of the NAV.

The decrease of total liabilities over the second half of the year was mainly accounted for by the payment of the 2011 dividend and related taxes. In April the shareholders approved a distribution of a gross dividend of RON 507.7 million or RON 0.03854 per share, related to 2011 profits, payable to shareholders beginning with 29 June 2012.

The increase of the bank deposits and treasury bills during 2012 as compared to December 2011 was due to higher dividends from portfolio companies and to cash inflows related to the sale of portfolio holdings.

**Total Expense Ratio**

Total expense ratio of the Fund as at 31 December 2012 was 0.40% (2011: 0.38%). This figure represents the total expenses of the Fund divided by the period end NAV. For the purpose of this calculation, expenses do not include foreign exchange losses, cost of equity investments disposed, impairment adjustments, interest expenses or corporate income tax.

Please see the Financial Statement Analysis section for a detailed analysis of expenses.

**Income from Investments**

The main objective of the Fund is long term capital appreciation primarily through investments in Romanian equities, with strict adherence to the principles of value investing. At the end of 2012, the Fund's exposure to Romanian equities accounted for 94% of the NAV, while 1% of the NAV was invested in the Austrian banks, Erste and Raiffeisen. Therefore, the performance of the Fund was affected by the fluctuations of these markets.

The BET-XT Index, which reflects the performance of the top 25 most liquid stock listed on the Tier 1 of the BVB, increased by almost 20% over the course of 2012. The broader BET-C Index increased by over 6% in 2012. Overall, the Romanian market outperformed the largest Central European markets, notably Poland, Czech Republic and Hungary, where the main market indices increased by 17.7%, 12.4%, and 6.0% respectively.

#### BET-XT



#### BET-C



Source: BVB

The income arising from the main activities of the Fund was influenced by the performance of the portfolio companies and their decision on dividend distributions, as well as by money market performance.

Further information on the Fund's financial results can be found in the Financial Statements Analysis section.

## Capital Expenditure

In 2012, the Fund acquired the licences and started the implementation of the new integrated accounting and reporting software, which will be finalised in 2013.

## Litigations

As at 31 December 2012, the Fund was involved in numerous litigations, either as defendant or claimant. The main types of litigation vary, depending on the subject matter and on the court position of the Fund as defendant or claimant, as follows:

### (a) Fund as claimant:

- disputes against certain portfolio companies relating to the Fund's ownership right over shares issued by these companies and allocated to the Fund by law;
- disputes against the Romanian public authorities/institutions for recovery of certain securities/receivables attributed to the Fund by law;
- disputes against certain portfolio companies challenging certain corporate operations approved by these companies and requesting annulment of the shareholders' decision thereof;
- disputes against certain portfolio companies related to the payment of dividends and default interest on unpaid dividends;
- disputes against the boards of certain portfolio companies related to decisions issued by them which are in breach of fiduciary duties.

### (b) Fund as defendant:

- complaints lodged by the Fund's shareholders requesting the annulment/nullity of certain shareholders' decisions of the Fund;
- complaints lodged by certain persons for the recovery of real estate assets which have been abusively confiscated during the communist regime;
- complaints lodged by certain public authorities/institutions related to the recovery of certain assets/securities from the Fund's portfolio;
- complaints lodged by certain shareholders for the payment of dividends/default interest on the unpaid dividends;

The Fund discloses in the financial statements those litigations which may have significant effects on the Fund's financial position or profitability. The most important litigations were the following:

#### 1. During 2012 there has been a court litigation involving the Fund and Nuclearelectrica.

In this file the Fund sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer in the Nuclearelectrica's shareholders register of a total of 20,077,953 shares from the Ministry's portfolio to the Fund's portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the share capital increases that took place between 1 February 2006 and 13 November 2007. The litigation was solved at the first stage by the Bucharest Court with the Court ruling against the Fund. The Fund appealed the decision but the Bucharest Court of Appeal ruled against the Fund. The Fund filed at second appeal, asking the High Court of Cassation and Justice to issue the final and irrevocable decision. On 1 November 2012, the High Court of Cassation and Justice irrevocably ruled against the Fund and decided that the Fund has no right to receive additional shares issued by Nuclearelectrica.

On August 2011, for reasons of prudence, given that the decision issued by the first court in this case is enforceable, the Fund blocked a total of 340,796,918 shares, in the amount of RON 340,796,918 (computed based on the valuation report issued in October 2007 by an independent evaluator (Finevex S.R.L. Constanta)) for the shares presumed to be owned by the Fund in Nuclearelectrica. The Fund considered that in fact the Ministry of Public Finance has not contributed to the share capital of the Fund with this amount. As a result of the irrevocable decision issued by the High Court of Cassation and Justice, the Fund will propose to the shareholders measures in order to solve the issue of the unpaid share capital.

As at 31 December 2012 the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

2. Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meeting ("GSM") and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Stock Exchange news system.

In one of these cases, on 10 October 2012, the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund. This decision is now irrevocable. Based on legal opinions received, management notes that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new versions were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM and the 23 November 2012 GSM;
- new resolutions passed during the 25 April 2012 GSM and 23 November 2012 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority).

Therefore, FTIML as the Fund Manager of Fondul Proprietatea is liable to observe the current Constitutive Act and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and its management agreement.

Other contingencies of the Fund included:

1. The Fund shall receive the following amounts from the Romanian State:
  - the amount resulting from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom SA shares;
  - 20% of the amounts resulting from the privatization of Romtelecom SA;
  - 9.9% of the amounts resulting from the privatisation of C.E.C. SA;

These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian State once they are collected, with the approval of shareholders, according to the legislation in force.

2 The receivables from World Trade Center Bucharest SA:

Title II, Article 4 of GEO 81/2007 stipulates the transfer from the Authority for State Assets Recovery (“AVAS”) to the Fund of receivables from World Trade Center Bucharest SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

Until 31 December 2012, the Fund recovered from World Trade Center Bucharest SA: USD 510,131, EUR 148,701 and RON 8,724,888.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 26 June 2013. Given the uncertainties regarding their recoverability, the World Trade Center Bucharest SA receivables were recognised on receipt basis in the Fund’s financial statements.

## Market for Securities Issued by the Fund

### Trading of the Fund's Shares

As at 31 December 2010 shares issued by the Fund were not traded on any stock exchange. Pursuant to Law no. 142/2010, the Fund was required to apply for admission to trading on the regulated market of the BVB within 90 business days as of the date of registration with the CNVM as an undertaking for collective investment (closed-end investment company), which was on 18 August 2010. Since no public offering of the Fund's shares was made, the admission to trading on the regulated market of BVB was intended to be purely administrative in nature.

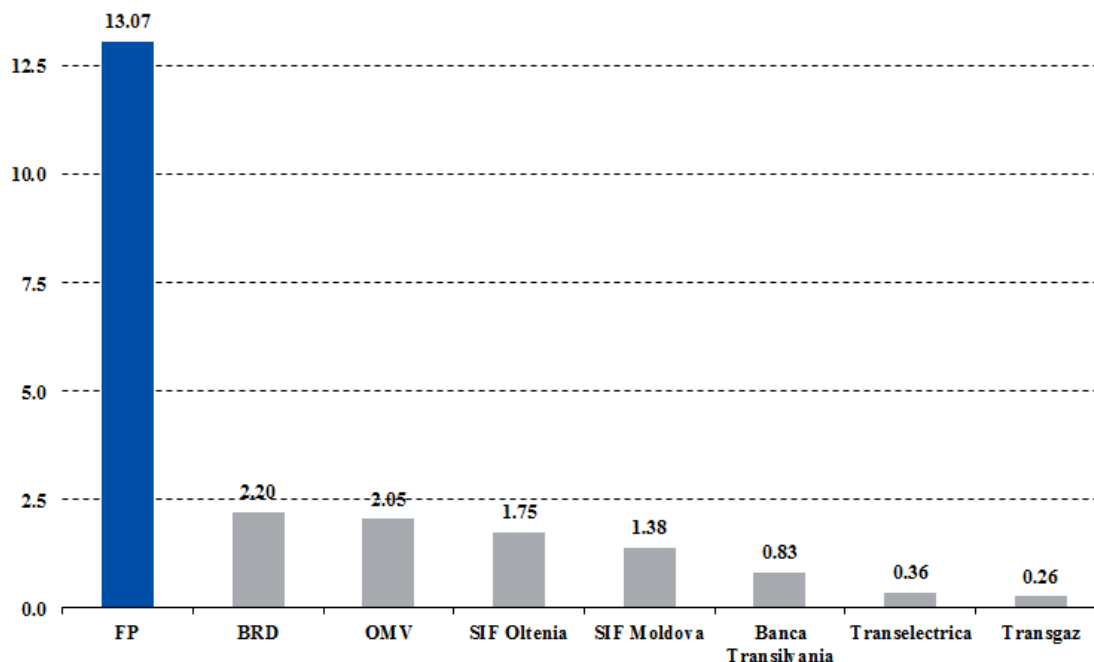
The Fund applied for admission to trading in December 2010 in the Tier I category of the BVB. The Fund's listing prospectus was approved by the CNVM on 16 December 2010.

The prospectus includes all material information about the Fund as required by the European Union and CNVM regulations, including profiles of all the companies in the Fund's portfolio. The information provided in the prospectus allows shareholders and potential investors to better assess the value of the Fund. A copy of the prospectus and its annexes are available at [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro).

Since 25 January 2011 the Fund has been listed in the Tier I category of the regulated market of the BVB under ISIN number ROFPTAACNOR5 and market symbol FP.

The records of shares and shareholders of the Fund are kept under the conditions of the applicable law by an independent registrar, SC Depozitarul Central SA ("Central Depository"), with the registered office at Bucuresti, 34-36 Carol I Avenue, floors 3, 8 and 9, 2<sup>nd</sup> district.

### Average Daily Turnover (RON million)



Source: BVB



## Share Price History of the Fund (RON/share)



Source: BVB

## Dividends

The Fund's dividend policy was defined in the December 2010 prospectus as follows: "In the absence of exceptional market conditions or circumstances, the Fund Manager intends to recommend to shareholders the distribution of 100% of distributable revenue profits each year, broadly defined as gross dividend income received from investments and interest earned on cash deposits, less expenses and taxation, subject to legal and taxation regulations". Current legislation requires the Fund to transfer 5% of its profits to legal reserves until that reserve reaches a value equivalent to 20% of the value of the issued share capital of the Fund.

## Dividend History

Key information on the Fund's dividend history is included in the table set out below:

Financial year	Gross dividend declared (RON)	Gross dividend per Share	Total number of shares *	Status of dividend payment (%)	Deadline for dividends collection by shareholders
2006	36,076,046	0.0025	14,240,540,675		30 June 2012 (Dividend collection right cancelled)
2007	89,997,678	0.0066	13,644,179,910		30 June 2012 (Dividend collection right cancelled)
2008-2009 (aggregate)	1,124,316,804	0.0816	13,778,392,208	> 99%	11 October 2013
2010	432,729,046	0.03141	13,776,792,208	> 99%	30 June 2014
2011	507,658,517	0.03854	13,172,250,055	> 99%	30 June 2015

\* Being the number of shares qualifying for the dividend, defined as the number of shares in issue, excluding any unpaid shares and any treasury shares acquired via buybacks (where applicable) at the registration date decided upon by the OGSM approving the dividend distribution

## 2012 Dividend Proposal

The Fund Manager intends to recommend to shareholders a gross dividend of RON 0.04089 per share arising from 2012 profits, based on the dividend policy stated in the Fund's prospectus. Subject to shareholders approval, the distribution of dividends is expected to start in June 2013.

### **Share Cancellation and Buyback Programme**

At the Annual Shareholder Meeting on 25 April 2012 the Fund's shareholders approved the decrease of the share capital of the Fund through the cancellation of the 240.3 million shares repurchased by the Fund in 2011, during the first buyback programme.

At the same shareholder meeting, shareholders also approved a second buyback programme and authorised the Fund Manager to repurchase up to 1.1 billion shares or 7.9% of the Fund's share capital within 18 months from the publication of the shareholders' resolution in the Official Gazette.

As at 31 December 2012, the registration of the two shareholder decisions regarding the cancellation of the repurchased shares and the new buyback programme was blocked by litigations started by a minority shareholder of the Fund, and the effects of these decisions are suspended. The cancellation of the repurchased shares will take effect 60 days from the date of publication of the Extraordinary General Meeting of Shareholders ("EGM") decision in the Official Gazette. However, following the amendments to the NAV calculation methodology published by CNVM in December 2012 among which treasury shares are excluded from the NAV per share calculation, the positive effect on the Fund's NAV per share as a result of the first buyback programme (RON 0.0204 per share) was reflected in the 31 December 2012 NAV report.

The Fund Manager is ready to start the second buyback programme immediately after the EGM decision is published in the Official Gazette. The Bucharest Court announced on 5 March 2013 that issued a decision in favour of the Fund and rejected the request of the minority shareholder, ordering the Trade Register to register the shareholder resolution and to publish it in Official Gazette.

### **Subsidiaries Owning Fund's Shares**

None of the subsidiaries of the Fund hold shares in the Fund, according to the information made available to the Fund.

### **Issued Debt**

The Fund had no bonds or other debt securities in issue during 2012.

## Corporate Governance of the Fund

The Fund has a clear and transparent corporate governance framework that was concluded in 2011. The framework sets out clearly, for public reference, the main aspects of the Fund's corporate governance structure, the respective functions of the Board of Nominees and the Fund's Sole Administrator, as well as their powers and responsibilities and is published on the website of the Fund. The Fund develops and updates its corporate governance framework, so that it can meet new demands and opportunities.

The Fund has a transparent decision making process, relying on clear rules, in order to enhance shareholder confidence. It also contributes to the protection of shareholders' rights, improving the overall performance of the Fund, offering better access to capital and risk mitigation.

The Fund lends great importance to the principles of good corporate governance and, coinciding with its listing at the start of 2011, has adhered to the Bucharest Stock Exchange Code of Corporate Governance.

In September 2010, a one-tier system of governance was implemented in the Fund, as a result of the implementation of the rules established by Government Ordinance 81/2007. Although the Fund is currently administrated under a one-tier system, the role of the Board of Nominees is similar to the role of a Supervisory Board, with a few exceptions.

Since adopting the one-tier system, the Fund is administrated by the Sole Administrator, who is also the Fund Manager. The Sole Administrator manages the daily operations of the Fund and, as Fund Manager, implements the investment strategy on behalf of the Fund. The Board of Nominees, elected by the shareholders, acts as a monitoring body and follows the activity of the Sole Administrator and Fund Manager, verifying the execution of the Investment Management Agreement.

The powers and duties of the above mentioned bodies are described in a number of official documents: the Constitutive Act of the Fund which is attached to this report in Annex 5 and is also available on the Fund's website; the Investment Management Agreement, signed between the Fund and Franklin Templeton Investment Management Limited United Kingdom; the Investment Policy Statement approved by shareholders in September 2009; and other internal regulations.

### **Commitment to Follow the Principle of Corporate Governance**

In accordance with best corporate governance practice, the Fund is managed in a climate of transparency, based on open discussions between the Sole Administrator and the Board of Nominees.

Both Sole Administrator and its employees and the members of the Board of Nominees have a duty of care and loyalty towards the Fund. Hence, the Sole Administrator and the Board of Nominees pass their resolutions as required for the welfare of the Fund, primarily in consideration of the interests of shareholders and investors.

### **General Shareholders Meeting**

Any General Shareholders Meeting ("GSM") shall be convened whenever necessary by the Sole Administrator, with the prior approval of the Board of Nominees, in accordance with the provisions of the law. The date of the meeting may not be less than 30 (thirty) calendar days after publishing the convening notice in the Official Gazette of Romania part IV. The convening notice shall be published in the Official Gazette of Romania, part IV, and in one of the widely distributed newspapers in Romania. In exceptional cases, when the Fund's interest requires it, the Board of Nominees may convene the General Shareholders Meeting. Any convening notice will be sent to the Bucharest Stock Exchange and the National Securities Commission in accordance with the capital markets regulations. Any convening notice will also be published on the Fund's website in the General Shareholders Meeting section, together with any explanatory document related to items included on the meeting agenda.

The annual financial statements are made available starting with the date of the convening notice of the Annual Ordinary General Shareholders Meeting convened to resolve upon them.

### **General Shareholders Meeting Organization**

The General Shareholders Meeting is usually chaired by one of the legal representatives of the Sole Administrator, who may designate another person to chair the assembly. The chairman of the Meeting designates two or more technical secretaries to verify the fulfilment of the formalities required by law for the carrying out of the Meeting and for the drafting of the minutes thereof.

The minutes, signed by the President and by the technical secretaries, shall ascertain the fulfilment of the formalities relating to the convening notice, the date and place of the Meeting, the agenda, the shareholders present, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the meeting.

The resolutions of the General Shareholders Meeting shall be drafted pursuant to the minutes and shall be signed by the person empowered by the shareholders to do this. In observance of the capital market regulations, the resolutions of the General Shareholders Meeting will be disseminated to the Bucharest Stock Exchange and the National Securities Commission within 24 hours after the event. The resolutions will also be made available on the Fund's website under the respective General Shareholders Meeting section.

### **General Shareholders Meeting Main Duties**

The main duties of the Ordinary General Shareholders Meeting are the following:

- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Fund Manager and financial auditor;
- b) to establish the allocation of the net profit and to establish the dividends;
- c) to appoint the members of the Board of Nominees and to cancel their appointment;
- d) to appoint the Fund Manager, on the basis of the outcome of the selection made subsequent to a tender for appointing the Fund Manager, and to cancel its appointment;
- e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
- f) to set the level of the remuneration of the members of the Board of Nominees, the Fund Manager and of the financial auditor for the ongoing fiscal year;
- g) to rule over the management of the Fund Manager and to evaluate Fund Manager performances and to discharge of Fund Manager from its management;
- h) to decide on the action in a court of law against the Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
- i) to approve the strategies and the development policies of Fondul Proprietatea;
- j) to establish the annual income and expenditure budget, and to approve the business programme for the following financial year;
- k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
- l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.

The Extraordinary General Shareholders Meeting is entitled to decide mainly upon:

- a) set-up or closing secondary units: branches, agencies, representative offices or other such units with no legal personality;

- b) share capital increase;
- c) share capital decrease or re-completion thereof by issuing new shares;
- d) conversion of shares from one category to another;
- e) conversion of a category of bonds to another category or to shares;
- f) issue new bonds;
- g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
- h) execution of any agreement / legal documents which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the assets whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- i) change of the management system of Fondul Proprietatea;
- j) limitation or cancellation of the preference right of the shareholders;
- k) approves the Investment Policy Statement;
- l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general shareholders meeting according to applicable law or to this Constitutive Act.

### **Board of Nominees**

The Board of Nominees consists of five members elected by the Ordinary General Shareholders Meeting in accordance with the provisions of the Constitutive Act in force.

The Board of Nominees has a sufficient number of members in order to have effective capacity to supervise, scrutinise and evaluate the activity of the Sole Administrator and the fair treatment of all the shareholders.

The composition of the Board of Nominees is balanced so as to enable it to take well-informed decisions. The decision-making process is a collective responsibility of the board, which remains fully liable for decisions taken within its field of competence.

An independent member is defined as one who does not maintain, nor has recently maintained, directly or indirectly, any business relationships with the Fund or persons linked to the Fund, or shareholders of the Fund, of such significance as to potentially influence them.

The Board of Nominees ensures that consultative committees (Nomination and Remuneration Committee and Audit Committee) are constituted to examine specific topics chosen by the Board and to report to the Board on the same. One independent Board of Nominees member sits on each such committee. The mandate of each member of the Board of Nominees imposes the same kind of restrictions around confidentiality of the Fund's information and the same kind of reporting and consent requirements on the individual's ability to personally trade in the Fund's shares as are in place for the Sole Administrator's staff.

The members of the Board of Nominees may be shareholders of the Fund.

The structure of the Board of Nominees as at 1 January 2012 was the following:

Name	Position
Mr Bogdan Alexandru Dragoi	Chairman
Mr Sorin-Mihai Mîndruțescu	Member
Mr Doru-Petru Dudas	Member
Mr Simion-Dorin Rusu	Member
Mr Cristian Bușu	Member

On 9 February 2012 Mr Bogdan Alexandru Drăgoi, the Chairman of the Board of Nominees, resigned from his position as member of Fund's Board of Nominees as a result of his appointment as a member of the Romanian Government, as the Minister of Public Finance.

Since 13 February 2012 the new Chairman of the Board of Nominees has been Mr Sorin-Mihai Mîndruțescu.

On 4 April 2012, the Ordinary General Shareholders Meeting ("OGM") approved to recall the mandate for two members of the Board of Nominees: Mr Doru-Petru Dudas and Mr Simion-Dorin Rusu and approved a 3 years mandate for the following members of the Board of Nominees: Mr Julian Rupert Francis Healy, Mr Steven van Groningen and Mr Piotr Rymaszewski.

The mandates of Mr Sorin-Mihai Mîndruțescu and Mr Cristian Bușu started on 29 September 2010 and run until 28 September 2013. The mandates of Mr Julian Rupert Francis Healy, Mr Steven van Groningen and Mr Piotr Rymaszewski started in 4 April 2012 and run until 3 April 2015.

The structure of the Board of Nominees as at 31 December 2012 was the following:

Name	Position
Mr Sorin-Mihai Mîndruțescu	Chairman
Mr Cristian Bușu	Member
Mr Julian Rupert Francis Healy	Member
Mr Steven Cornelis van Groningen	Member
Mr Piotr Rymaszewski	Member

Mr Sorin-Mihai Mîndruțescu is the Chairman of the Board of Nominees. Mr Mîndruțescu has extensive experience in corporate finance and in the banking industry. From 1994 until 2001 he held various senior positions in a number of large Romanian credit institutions. From 2009 until 2011 Mr Mîndruțescu was Chairman of the Board of Directors of the American Chamber of Commerce Romania (AmCham). Currently Mr Mîndruțescu is a managing director with Oracle Romania. Mr Mîndruțescu holds MBA qualifications from both The University of Edinburgh Management School and ENCP School of International Management in Paris. As at 31 December 2012 Mr Mîndruțescu held no shares issued by the Fund. Mr Mîndruțescu is an independent member.

Mr Cristian Bușu has experience in public administration as well as in financial investments. From 2005 until 2009 Mr Bușu acted as economic advisor to the Prime Minister of Romania. Prior to that Mr Bușu worked as a broker at Prudential Financial in New York. Mr Bușu holds an MBA degree from Hofstra University in New York. Prior to his appointment as member of the Board of Nominees, Mr Bușu was the Fund's Chief Financial Officer. Currently, Mr Bușu is manager at Marfin Bank S.A. (Romania), Bucharest Branch and is a lecturer at Bucharest Academy of Economics Studies. As at 31 December 2012, Mr Bușu held 1,349,668 shares issued by the Fund.

Mr Julian Rupert Francis Healy has extensive experience in finance, and is a Member of The Institute of Chartered Accountants in England and Wales. Mr Healy also acts as a non-executive director on a number of company boards of directors. As at 31 December 2012, Mr Healy held no shares issued by the Fund. Mr Healy is an independent member.

Mr Steven Cornelis van Groningen has extensive experience in banking area, and is the President and CEO of Raiffeisen Bank SA Romania. Mr van Groningen previously occupied senior management positions in ABN AMRO Bank (in Romania, Russia and Hungary). Mr van Groningen is President of Foreign Investors Council in Romania. As at 31 December 2012, Mr van Groningen held 500,000 shares issued by the Fund.

Mr Piotr Rymaszewski has extensive experience in finance, and is CEO and Fund Manager of Octava NFI S.A., a company listed on the Warsaw Stock Exchange. He is also acts as non-executive director on a number of boards of both listed and unlisted companies, representing institutional investors and private equity funds. As at 31 December 2012, Mr Rymaszewski held no shares issued by the Fund.

The main duties of the Board of Nominees include:

- (1) Following the information received from the Fund Manager with regard to the summoning of the ordinary and/or extraordinary general shareholders meeting requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general shareholders meeting;
- (2) Receiving from the Fund Manager the information in connection with the answers to the written requests submitted before the date of the general shareholders meeting, by the shareholders on topics regarding Fondul Proprietatea's activity;
- (3) Receiving from the Fund Manager the annual financial statements, the annual activity report presented by the Fund Manager and the financial auditors' report, before being made available to the shareholders and analysing them, being able to formulate an opinion to be presented to both the Fund Manager and the general meeting;
- (4) Receiving from the Fund Manager for analysis the annual report on the management and the business policy of Fondul Proprietatea and presenting an opinion to the Fund Manager and to the general shareholders meeting;
- (5) Receiving from the Fund Manager for analysis the yearly income and expenditure budget and business plan before to be submitted to approval of the general shareholders meeting and presenting an opinion to the Fund Manager and to the general shareholders meeting;
- (6) Receiving from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before being submitted to the approval of the General Shareholders Meeting and presenting an opinion to the Fund Manager and to the general shareholders meeting;
- (7) Receiving from the Fund Manager for analysis and approving the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Fund Manager according to legal provisions in force, capital market rules and regulations;
- (8) Receiving from the Fund Manager for analysis the proposal to the Ordinary General Shareholders Meeting for the conclusion of the financial audit agreement and presenting an opinion to the Fund Manager and to the general shareholders meeting;
- (9) Reviewing on a regular basis the investment policy of Fondul Proprietatea and presenting an opinion to the general shareholders meeting at any time it deems necessary, but in any case, at least once a year at the annual ordinary meeting;
- (10) Receiving the reports of the internal auditor and presenting an opinion on the reports to the Fund Manager and to the general shareholders meeting;
- (11) Monitoring and reporting to shareholders at least annually at the general shareholders meeting on the following, based on representations from the Fund Manager:
  - the list of all portfolio investments and percentage breakdown by each investment type;
  - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
  - the total profit of the portfolio and comparison of profit with the appropriate benchmark;
  - comparison of return on the portfolio with the portfolio objective;
  - the extent of compliance with the investment policy statement, any variations and actions taken to correct such variations;
  - the performance evaluation report.
- (12) Representing the General Shareholders Meeting in relation with the Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by the Constitutive Act as a direct communication between the General Meeting and the Fund Manager;



- (13) Verifying the report of the Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Fund Manager, and verifying if the operations carried on by the Fund Manager are in compliance with the applicable law, the Constitutive Act and/or with any relevant decision of the General Shareholders Meeting;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) from the Constitutive Act, calling any General Shareholders Meetings;
- (15) Participating in the General Shareholders Meetings and presenting at such meetings any reports required by the Constitutive Act, or with regard to any issue the Board deems relevant to shareholders;
- (16) Proposes to General Shareholders Meetings the approval or rejection of any contract or document which may create binding obligations to Fondul Proprietatea (including without limitation buying, selling, exchanging, pledging of assets of Fondul Proprietatea) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- (17) Recommending to shareholders at any General Shareholders Meeting the termination of the management contract when the Board of Nominees considers it is in the shareholders' interests.
- (18) Bringing to shareholders' attention at any General Shareholders Meeting any other issues the Board of Nominees considers relevant;
- (19) Following the proposal of Fund Manager, recommending to an Extraordinary General Shareholders Meeting the appointment of the public offer intermediary, as well as its remuneration, if it becomes necessary that such a company be appointed in relation to the admission to trading of Fondul Proprietatea;
- (20) Approving the delegation by the Fund Manager of certain activities. Such delegation will only be in force after the approval of CNVM, where required by the legislation in force;
- (21) Monitoring the Fund Manager's performance under the Investment Management Agreement.

The responsibilities of the members of the Board of Nominees, as well as the working procedures and the approach to conflicts of interest and own account dealings are governed by the Constitutive Act, relevant internal regulations and the Mandate Agreement signed by each of member.

During 2012, the Board of Nominees met 12 times (more details presented within the report of the Board of Nominees).

The Board of Nominees may assign specific issues to certain members, acting individually or part of special committees, and may also resort to experts to analyse certain issues. The task of the committees is to issue recommendations for the purpose of preparing resolutions to be passed by the Board of Nominees itself, without thereby preventing the entire Board of Nominees from dealing with matters assigned to the committees.

The Board of Nominees members are appointed by shareholders voting at an Ordinary General Meeting, based on a transparent appointment procedure. The remuneration of the Board of Nominees members is also established by shareholders at an Ordinary General Meeting.

### **Committees**

An Audit Committee composed of three Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of internal control and financial reporting. This committee reviews the annual financial statements and the proposal for profit distribution. In addition, the Audit Committee analyses the proposal for appointing the independent financial auditor, who is elected by shareholders at an Ordinary General Meeting.

The Committee also supervises the Fund's risk management strategy and its financial performance and assesses any issues brought to its attention by the internal auditor.

The Sole Administrator reports to the Audit Committee at least once a year on the audit plan and any material relevant matters.

The Audit Committee includes members that have the necessary expertise in the area of financial audit and accounting. As at 31 December 2012 the Audit Committee members were Mr Bușu, Mr Healy and Mr van Groningen.

A Nomination and Remuneration Committee composed of three Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of nomination and changes in remuneration.

As at 31 December 2012 the Nomination and Remuneration Committee members were Mr Bușu, Mr Mîndruțescu and Mr Rymaszewski.

### **The Sole Administrator**

The Sole Administrator is appointed and/or revoked by the Ordinary General Shareholders Meeting.

The Sole Administrator's current mandate started on 29 September 2010 and runs until 28 September 2014. The mandate of the Fund Manager is of 4 years and is renewed automatically, if there is no adverse decision of the General Shareholders Meeting, entitled to decide on the termination of the mandate even before its regular lifespan. The Fund Manager will call the Ordinary General Shareholders Meeting with at least 3 months before the termination of the Investment Management Agreement having on the agenda the extension of the mandate or the appointment of a new Fund Manager. The Fund Manager will organise the Ordinary General Shareholders Meeting before the termination of the Investment Management Agreement.

The Sole Administrator issues decisions regularly and whenever necessary for the daily operations of the Fund.

Currently, the Fund is managed by a Sole Administrator and the same legal entity acts as Fund Manager, responsible for investment decisions. This arrangement enables the Fund Manager to perform these functions in a complementary, effective and efficient manner.

The Sole Administrator is responsible for the Fund's executive management. It acts in the best interests of the Fund and protects the general interests of the shareholders.

FTIML Bucharest Branch, as Sole Administrator, is regulated by the CNVM. FTIML is authorised and regulated by the UK Financial Services Authority and is registered as a foreign investment adviser with the United States Securities and Exchange Commission. The Sole Administrator applies global best practices to meet its regulatory obligations and compliance with laws. These include: a Code of Ethics to which all employees are bound; a Conflicts of Interest Policy to evidence compliance by the Sole Administrator with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive of 2004; a Data Protection Policy to ensure that its business operations comply with the Data Protection Regulation; an Anti-Bribery Policy to ensure that employees of the Sole Administrator comply with the U.S. Foreign Corrupt Practices Act and applicable foreign bribery regulations of the local jurisdictions where FTIML operates; a Compliance Manual, which describes the compliance and regulatory requirements applicable to FTIML's business and the consequences of failure to comply; regular staff training on compliance and related matters; reinforcement of corporate values which focus on acting in the client's best interests and with integrity and confidentiality; reporting rules governing any proposed personal share dealing in the Fund shares by staff doing sensitive work relating to the Fund.

### **The Main Duties of the Sole Administrator**

As provided by the Constitutive Act, the Investment Management Agreement and Investment Policy Statement, the main duties of the Sole Administrator, performed under the control of the General Shareholders Meeting and the monitoring of the Board of Nominees, are:

- fulfils the necessary and useful operations to achieve the Fund's business objective, except for the operations reserved by the law for the general shareholders meeting, and has all the obligations attributed to it by the applicable law;
- establishes a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the convening notice of the general meeting, after obtaining the prior approval of the Board of Nominees and after adding to the agenda the matters requested by the Board of Nominees;
- upon the written request of any shareholder submitted before the date of the general shareholders meeting, gives responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the activity of Fondul Proprietatea;
- ensures that, if requested by any of the shareholders, a copy of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general shareholders meeting is published, makes available to the shareholders the financial statements of the Fund and the reports of the Fund Manager and of the Fund's financial auditors;
- prepares the annual financial statements, drafts the annual activity report, examines the financial auditors' report, presents them to the Board of Nominees before submitting such documents to the general shareholders meeting and makes proposals on the allocation of the profit to the general shareholders meeting, after obtaining the prior approval of the Board of Nominees;
- manages the relationship with the Central Depository with regard to its shareholders register functions;
- prepares an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general shareholders meeting;
- submits to the prior approval of the Board of Nominees and further, to the general shareholders meeting, of the annual income and expenditure budget and business plan;
- submits to the prior approval of the Board of Nominees and further, to the general shareholders meeting of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea;
- it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio;
- informs periodically the Board of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio;
- approves the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities, with the prior endorsement of the CNVM, where required by applicable legislation;
- based on the proposal of the Board of Nominees submits to the approval of the extraordinary general shareholders meeting any agreement / document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;

- enters into any agreement/document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea) whose value does not exceed, either individually or cumulated, during a financial year, 20% of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;
- submits to the ordinary general shareholders meeting approval the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, and approves the procedure of internal audit and the audit plan;
- decides the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- makes available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties;
- informs at once the Board of Nominees of any litigation or infringement of legislation regarding the Fund Manager, any operation which might be an infringement to the investment policy and about the plans/correction measures for approaching these matters;
- asks for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably;
- proposes to Board of Nominees the recommendation for the Extraordinary General Shareholders Meeting for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

The Sole Administrator coordinates the strategy of the Fund.

The Sole Administrator ensures that the provisions of the relevant European and Romanian capital markets legislation are complied with and implemented by the Fund, as earlier presented within this chapter. Likewise, the Sole Administrator ensures the implementation and operation of an accounting, risk management and internal controlling system which meets the requirements of the Fund.

The employees of the Sole Administrator and the persons closely related to them and to the Sole Administrator (the latter term as defined in the applicable capital markets regulations under the Romanian phrase of “*persoană aflată în relații apropiate cu persoane exercitând funcții de conducere*”) have the duty to report to the Sole Administrator and to the CNVM any and all trading/business performed for their own account with (i) shares or other securities issued by the Fund and admitted for trading on regulated markets; and/or (ii) derivative financial instruments relating to securities issued by the Fund and/or (iii) any other instruments relating thereto.

The Sole Administrator has the duty to disclose immediately to the Board of Nominees any material personal interests it may have in transactions of the Fund as well as all other conflicts of interest.

Sole Administrator conducts all business according to the principle that it must manage any conflicts of interest fairly between itself and its client (including the Fund) or between multiple clients. The Franklin Templeton group has group-wide policies for managing conflicts of interest and ensuring the ethical conduct of its entire staff which apply to the Sole Administrator. These policies were designed to evidence compliance with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive of 2004 and were also submitted to CNVM during the course of the Sole Administrator's licensing application.

All business transactions between the Fund and the Sole Administrator as well as persons or companies closely related to it must be in accordance with the normal industry standards and applicable corporate regulations.

In 2012, the Sole Administrator issued 68 resolutions on all matters requiring its approval in accordance with the Constitutive Act.

### **The Sole Administrator of the Fund from 29 September 2010**

In June 2009, the Fund nominated FTIML as winner of the international tender procedure organised by the Fund for the selection of the Fund's investment Manager and Sole Administrator.

In September 2009, the Fund's shareholders approved the investment policy and the financial offer proposed by FTIML. The Bucharest Branch of FTIML was established in September 2009 and is subject to the global policies, procedures and best practices already in place within the Franklin Templeton group, and FTIML specifically.

In February 2010, the Fund's Ordinary General Shareholders Meeting approved the final form of the Investment Management Agreement which was endorsed by CNVM Decision no. 254 dated 23 February 2010. The Investment Management Agreement was signed on 25 February 2010, its entry into force being dependent on the cumulative fulfilment of the following conditions: (i) the execution of the Investment Management Agreement, (ii) the publication of the general shareholders meeting resolution with the Official Gazette, (iii) the completion of the registration of the Bucharest Branch of FTIML and (iv) the conclusion between the Fund and the Fund Manager of the handover protocol regarding the portfolio.

By decision no. 613 dated 11 May 2010, CNVM authorised the Bucharest Branch of FTIML for the purpose of investment management of the Fund.

With effect from 29 September 2010, Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch took over as the Sole Administrator of the Fund for a period of 4 years.

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch did not have any agreement, understanding or family relationship with the shareholders responsible for appointing it to the position of Sole Administrator. On 31 December 2012 Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch held no shares issued by the Fund.

At the date of this report, Grzegorz Maciej Konieczny, Adrian Cighi and Oana Valentina Truța are the legal representatives of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, each of them having full management powers.

Grzegorz Konieczny, executive vice president/portfolio manager, joined the Franklin Templeton organization in 1995 and has over 15 years of experience in investment and portfolio management. He has research and portfolio management responsibilities in Central and Eastern Europe. Prior to joining Templeton, Mr Konieczny was director of Capital Market Transactions at Bank Gdanski SA, one of the largest financial institutions in Poland at the time. Mr Konieczny earned a master's degree in economics and foreign trade from the University of Gdansk (Poland). In 1994, he obtained an investment advisor license from the Polish Securities and Exchange Commission. As at 31 December 2012, Mr Konieczny held no shares issued by the Fund.

Adrian Cighi has experience in investment management and portfolio analysis. Mr Cighi has earned a bachelor's degree in Finance from the American International University in London and a master's degree in Accounting and Finance at London School of Economics and Political Science. He was employed as an analyst by major international investment banking and securities firms, such as Goldman Sachs (London) and Lehman Brothers (London). Locally, Mr Cighi has acted as an investment analyst and management counsellor to Rematinvest (Cluj) and BT Asset Management (Cluj). As at 31 December 2012, Mr Cighi held no shares issued by the Fund.

Oana Truța has experience in investment management and portfolio analysis. Ms Truța has earned a bachelor's degree in Finance and Insurance from the Babes Bolyai University in Cluj-Napoca and a master's degree in Quantitative Economics and Finance from the same university. Prior to joining Franklin Templeton Ms Truța has acted as an investment analyst at Interdealer Capital Invest. As at 31 December 2012, Ms Truța held no shares issued by the Fund.

**The Remuneration of the Sole Administrator and Fund Manager**

The fee due to the Fund Manager in accordance with the Investment Management Agreement shall be calculated and paid in RON by the Fund in compliance with the following provisions:

1. The fee shall be calculated based on a fixed fee, mentioned below, and applied to the notional amount according to the following formula:

The fee = the fixed fee multiplied by the notional amount, multiplied by the number of calendar days the payment is related to divided by 365.

Where:

- the fixed fee = the number of basis points per year;
- 1 basis point = 0.0001;
- 1 year = 365 days

The fixed fee per year is composed of:

- Fixed management fee of 37.9 (thirty seven point nine) basis points per year
- Additional administration fee of 10 (ten) basis points per year.

2. The notional amount is the following:

- a) prior to the Fund listing, the average of the monthly values of the Fund's net assets, calculated within the quarter for which the payment is made;
- b) in the period 25 January - 31 December 2011, the market value of the Fund which is defined as the market capitalization of the Fund (the number of issued shares multiplied by the average market price of the Fund's shares calculated for the last 90 days of trading session in a calendar year or the number of the trading sessions left before the end of the year, in case there are less than 90 days of trading session left from the listing until the end of the year);
- c) Beginning with 1 January 2012, the market value of the Fund which is defined as the market capitalization of the Fund (the number of issued shares multiplied by the average market price of the Fund shares calculated for the respective quarter).

3. The fee shall be paid as follows:

- a) prior to the Fund listing (25 January 2011), quarterly, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the quarter for which payment is made;
- b) in the period 25 January - 31 December 2011, annually, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the calendar year for which payment is made;
- c) beginning with 1 January 2012, the fee shall be paid to the Fund quarterly, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the quarter for which payment is made.

The invoices shall be submitted to the Depositary of the Fund.

The Fund Manager shall provide to the Board of Nominees quarterly and on an annual basis and upon request of the Board of Nominees (where appropriate) a detailed report regarding the fee collected under this Agreement, in the form required by the latter.

4. The payment shall be done by the Fund Manager only after the verification and certification by the Depositary of the correctness of the notional amount, as well as the procedures for computing the fee.



The payment shall be done within 30 business days since the receipt of the invoice.

### **The Fund's Shareholders**

The rights of the Fund's minority shareholders are adequately protected according to the relevant domestic legislation.

The Fund is committed to effectively and actively communicate with its shareholders and ensure that all shareholders have equal access to public information.

According to the provision of the Constitutive Act, each share issued by the Fund which is rightfully owned and paid up by a shareholder carries the following rights: (i) voting right at the shareholders' meetings, (ii) to elect and revoke the members of the Board of Nominees as well as to elect and revoke the Sole Administrator and (iii) right to participate in the distribution of profits.

At present, the Constitutive Act does not specify any further special conditions on such rights than those specified by the law.

The Romanian legislation imposes another restriction regarding unpaid shares and as a result, as long as the Romanian state has unpaid shares, it has no voting rights for those unpaid shares and has no right to receive dividends in relation to them.

With respect to the right to receive dividends, the Constitutive Act set out that the Fund's net profit shall be distributed based on the decision of the general shareholders meeting, each shareholder being entitled to receive dividends proportionally to the number of paid shares held in the Fund's share capital. Pursuant to the Companies' Law, the payment of dividends shall be carried out no later than 6 months from the approval of the annual financial statements for the previous year, under penalty of default interest payment.

Other than as presented above, no rights, preference or restrictions are attached to the shares. Pursuant to the Companies' Law, as a rule, the shares issued by a company entitle each holder to equal rights. Such rights mainly refer to the shareholders' involvement in the operations of a company and the resulting benefits and are regulated by the applicable laws. Shareholders must exercise their rights in good faith, without breaching the interest of other shareholders or that of the company.

The Fund is committed to encouraging shareholders to participate in shareholders general meetings, as well as the full exercise of their rights and to raise questions concerning items to be debated during such meetings. General shareholders meetings enable and encourage dialogue between the shareholders and the Fund and its representatives. The Fund encourages its shareholders to take part in meetings, and those who cannot attend are able to vote in absentia by sending the votes to the headquarter of the Fund, using the voting bulletin for the votes by correspondence made available by the Fund at the headquarters and/or on the Fund's website.

Furthermore, the Fund ensures that its shareholders have access to relevant material information, so as to allow them to fully exercise their rights. The Fund has a dedicated section on its website ([www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)) that can be easily identified and accessed. This information typically includes: the time and place of meetings; information on how to exercise voting rights including the proxy process with relevant forms; meeting agendas as well as detailed documents relating to specific agenda items.

The Fund Manager has established a dedicated investor relations team. This experienced team is responsible for handling relationships with both private and institutional investors locally and abroad.

In conclusion, in present the Fund observes the one paid share, one vote, and one dividend principle. There are no shares conferring the right to more than one vote or preference shares.

Shareholders holding at least 5% of the paid share capital may ask for calling of a General Shareholders Meeting. Such shareholders have also the right to add new items on the agenda of a General Shareholders Meeting, provided such proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals.



Proposals with respect to adding new items on the agenda of such General Shareholders Meeting can be submitted at the headquarters of the Fund, or by e-mail having attached an extended electronic signature, in compliance with the Law no. 455/2001 on digital signature.

Likewise, the shareholders holding at least 5% of the paid share capital are entitled to propose, revised versions of resolutions for the items listed on the agenda or proposed by other shareholders to be added on the agenda of such General Shareholders Meeting.

The shareholders may attend in person or may be represented in the General Shareholders Meetings either by their legal representatives or by representatives having a special proxy, based on the special proxy template made available by the Fund. Such proxy template may be obtained from the Fund's headquarters and/or can be found on the Fund's website, under the respective General Shareholders Meeting section item.

The shareholders of the Fund, regardless of the stake of the share capital held, may submit written questions with respect to the items on the agenda of the General Meetings of Shareholders. The shareholders may also send such questions by e-mail. The answers will be provided during the General Shareholders Meeting based on public information or non-public and non-material information.

Should the questions require elaborate answers, a Q&A (questions and answers) form will be made available on the Fund's website. The disclosure of commercially sensitive information that could result in a loss or competitive disadvantage for the Fund will be avoided when providing the answers, in order to protect the interest of our shareholders.

#### **Women's Advancement**

The Fund and the Sole Administrator supports gender diversity and promotion of women in management positions.

While there are currently no female members of the Board of Nominees, the Sole Administrator has women in its management.

Likewise, more than 50% of the members of the management of the Sole Administrator are women. The proportion of women in the structure of the Sole Administrator as a whole is about 63%.

#### **Bucharest Stock Exchange Code of Corporate Governance**

The Fund adheres to the Bucharest Stock Exchange Code of Corporate Governance. The details about the compliance with the principles and recommendations stipulated under the Bucharest Stock Exchange Code of Corporate Governance are presented in the "Comply or Explain" Statement, which is the Annex 8 to the 2012 Annual Report.

#### **Internal Control and Risk Management**

The Sole Administrator has issued internal regulations to ensure that timely and accurate disclosure is made on all material matters regarding the Fund, including the financial position, performance, ownership and governance of the Fund. In addition, strict internal rules, designed to protect the Fund's interests, have been established in the areas of financial reporting, internal control and risk management.

According to article 62 of the Law 297/2004 regarding capital market, with subsequent amendments, the Sole Administrator has established a compliance department specialised in the control of compliance by the firm and by its staff with the legislation in force regarding the capital market as well as with internal regulations. The registered Compliance Officer is part of the Franklin Templeton International Compliance Department and reports directly to the Compliance Manager – Advisory EMEA.

The compliance department is responsible for providing regulatory guidance, advice and compliance training to operational departments, assisting them in managing the reputational risk in relation to legal or regulatory requirements and codes of conduct and performing 2nd level compliance controls.

It covers the areas of conduct of business rules, personal conduct and anti-money laundering/financial crime.

The Sole Administrator has implemented a Risk Management Policy. The purpose of this policy is to establish an effective risk framework which meets regulatory requirements, and thereby enhances the Administrator's governance structure throughout the business.

The European Risk Committee is responsible for the oversight of all risk management processes, including those relating to Anti Money Laundering (AML), and is made up of senior management from the business areas and key risk and control functions. Meeting quarterly, it reviews risk reports and input from business management and maintains a detailed register of risk items and resolutions.

The Board of Directors of FTIML provides oversight by being aware of risk management practices and their deployment within the firm, staying apprised of significant risks and management responses. The Board of Directors of FTIML has assigned this responsibility to the Audit Committee of FTIML.

In addition, the Sole Administrator oversees the risk based on its Compliance Monitoring Policy. The risk assessment is a critical element of Compliance's oversight and monitoring program. The compliance monitoring programme is updated annually with findings reported to Senior Management on a monthly basis. At a minimum, high risk areas are monitored annually; medium risk areas are monitored on an 18 month cycle and low risk items on a 3 year cycle. The compliance monitoring programs will be updated to reflect the results of the final risk assessment for each fiscal year.

In respect of the portfolio monitoring activity, the FTIML has procedures and controls which are designed to ensure that all assets are managed prudently and in accordance with client mandates. In addition FTIML has a dedicated team of specialists who are responsible for the rigorous day-to-day monitoring of all client accounts, including Fondul Proprietatea, against the agreed investment guidelines and constraints.

The front office trade management system has embedded compliance functionality which enables investment restrictions, regulatory and internal requirements to be included within the system. All trade orders (with the exception of foreign exchange trades and certain debt and derivative security trades) are automatically checked against the relevant investment restrictions in our system prior to trading.

Post trade compliance checks are automatically run overnight for all portfolios against the investment restrictions included within our trade management system. Any exceptions are investigated and cleared by Global Investment Advisor Compliance ("GIAC"). Investment restrictions that cannot be automated are reviewed periodically. All active and passive breaches are reported to the relevant investment managers and operating departments. Corrective action is taken as necessary to address and resolve any issues. Trading errors are monitored by the Global Compliance department.

The Global Compliance department produces monthly reports which provide details on significant compliance matters and initiatives, updates on monitoring activities, and current complaints and breaches. These reports are circulated to the relevant senior management.

### **Conflicts of Interests and Related Parties Transactions**

FTIML adopted operating solutions suitable to facilitate the identification and adequate handling of any situations in which a member of the Board of Nominees or an employee of the Sole Administrator/Fund Manager has an actual or potential conflict of interest between the interest of the Fund and his/her own or on behalf of third parties. The Fund Manager will adopt operating solutions suitable for the adequate handling of any situations arising from related parties transactions.

### **Treatment of Corporate Information**

The members of the Board of Nominees and the Sole Administrator/Fund Manager shall keep confidential any documents and information acquired in the performance of their duties.

## Financial Statements Analysis

The audited financial statements for the year ended 31 December 2012 prepared in compliance with Romanian Accounting Regulations are included in full in Annex 1 to this Report.

This section provides a commentary on the principal elements of the Fund's financial position and results for the year ended 31 December 2012 and the two prior years.

### Balance Sheet

RON million	31 December 2010	31 December 2011	31 December 2012
	Audited	Audited	Audited
Intangible assets	-	-	0.3
Financial assets	10,890.5	10,627.9	11,097.8
<b>Non-current assets - total</b>	<b>10,890.5</b>	<b>10,627.9</b>	<b>11,098.1</b>
<b>Current assets - total</b>	<b>1,332.4</b>	<b>549.2</b>	<b>776.5</b>
Prepaid expenses	-	-	0.1
Payables within one year	69.3	42.2	21.1
<b>Total assets less current liabilities</b>	<b>12,153.6</b>	<b>11,134.9</b>	<b>11,853.6</b>
Provisions	14.4	14.2	16.8
<b>Shareholders' equity</b>	<b>12,139.2</b>	<b>11,120.7</b>	<b>11,836.8</b>

As at 31 December 2012, **intangible assets** included the value of licences for a new specialised accounting and reporting software. The Fund will start using the software in 2013, after its implementation is completed.

**Financial assets** include the Fund's listed and unlisted equity investments. According to Romanian Accounting Regulations, both listed and unlisted equity investments are valued at cost (or their initial value) less any adjustments for impairment.

For listed investments, the impairment adjustment is any adverse difference between cost and closing price (an impairment adjustment is booked if closing price is lower than cost). For unlisted or illiquid listed equity investments, the impairment test compares the cost to the Fund's share of shareholders' equity as per the portfolio companies' latest available financial statements or using values assessed by an independent valuer, and any adverse result is booked as impairment. In performing the impairment test the financial information from the most recent financial statements of the companies is corroborated with the most recent public available qualitative and quantitative information regarding the assets.

The value of financial assets decreased by RON 262.6 million in 2011 compared to 2010 mainly due to impairment adjustments recorded during the year for listed equity investments (principally for OMV Petrom) and for Nuclearelectrica holding (adjusted to take account of Nuclearelectrica's shareholders' equity contributions from the Romanian State in previous years, granted for the acquisition of heavy water, with the intent to increase the share capital of the company by those amounts, in favour of Romanian State). The decreased in financial assets was partially offset by the acquisitions of listed equity investments in Romania and Austria.

During 2012, the value of financial assets increased by RON 469.9 million, mainly due to the reversal of the impairment adjustments for listed equity investments during the year, principally for OMV Petrom (RON 1,573.1 million), offset by the impairment adjustment recorded for Hidroelectrică, of RON 1,105.5 million, calculated on the basis of an independent valuation.

The fall in **current assets** of RON 783.2 million in 2011 was mainly related to the decrease of cash balances due to the acquisition of listed equity investments, the funding of buybacks, and the payment of the 2010 dividend and related taxes. Current assets were positively influenced however by dividends distributed by portfolio companies during 2011.

In 2012, the rise in the value of current assets was mainly due to the increase in treasury bills from RON 195.9 million as at 31 December 2011 to RON 454.7 million as at 31 December 2012. This increase was principally due to the cash inflows from dividend receivables (RON 625.4 million) and from the full disposal of the holding in Azomures and partial disposals of the holdings in Raiffeisen Bank and Erste Group Bank AG (RON 207.7 million), net of the cash outflows from the payment of dividends and related taxes (RON 510.5 million).

The decrease in **payables** by RON 21.1 million in 2012 was mainly accounted for by the payment of the 2011 dividend and related taxes and by the decrease of the liability to FTIML for the investment management and administration fees following the switch from annual to quarterly payments of these fees since 1 January 2012.

### Income Statement

RON million	2010 Audited	2011 Audited	2012 Audited
<b>Revenues from current activity, out of which:</b>	<b>576.6</b>	<b>617.9</b>	<b>871.8</b>
Revenues from financial assets	179.0	519.1	619.0
Interest income	131.5	41.1	34.9
Reversal of impairment adjustments & provisions	217.4	30.5	5.7
Revenues from disposal of financial assets	-	13.4	208.1
Revenues from foreign exchange differences	47.7	1.6	0.1
Other income from current activity	1.0	12.2	4.0
<b>Expenses from current activity, out of which:</b>	<b>109.2</b>	<b>72.3</b>	<b>304.8</b>
Expenses from disposal of financial assets	-	4.6	195.1
Expenses from foreign exchange differences	56.9	0.9	0.3
Depreciation, provisions, losses from receivables and sundry debtors	0.2	11.7	49.7
Commissions and fees	6.0	17.2	16.2
Other expenses from current activity*	46.1	37.9	43.5
<b>Gross profit</b>	<b>467.4</b>	<b>545.6</b>	<b>567.0</b>
Income tax expense	11.2	1.8	-
<b>Net profit</b>	<b>456.2</b>	<b>543.8</b>	<b>567.0</b>

\* Other expenses from current activity include bank charges, material and utilities expenses, salary costs, third party expenses as well as duties and other taxes.

**Revenues from financial assets** represent dividend income earned from the Fund's portfolio companies. This income increased in 2012 compared to 2011, due to a higher level of dividend distributions from portfolio companies (mainly OMV Petrom RON 353.1 million, Romgaz RON 140.6 million and Transgaz RON 52.5 million).

During 2012, the company recognised the 2005 dividends due by two companies which are currently part of Enel Group (Enel Distributie Muntenia SA and Enel Energie Muntenia SA). The litigation against these companies for the recovery of these dividends (worth RON 0.8 million) and of related penalties for late payment was irrevocably found in favour of the Fund in September.

**Interest income** arose from deposits held with banks and from treasury bills. The lower level of income during the year 2012 and 2011 compared to 2010 is a reflection of the lower average level of interest yielding assets held, due to the payment of dividends (for 2008 and 2009 starting in October 2010, for 2010, starting in June 2011 and for 2011, starting with June 2012).

The large **reversal of impairment adjustments & provisions** in 2010 is mostly accounted for by the 2010 reversal of an impairment adjustment for RON 216.6 million in respect of equity investment in Hidroelectrica, which was originally booked in 2006 and 2007 through the Income Statement.

In 2012 this revenue category was mostly impacted by the reversal of impairment adjustments for receivables of RON 5.2 million, related to share capital unpaid by the Romanian State. During 2012, the Fund received 521,107 shares in Hidroelectrica (following its share capital increase with the value of land for which Hidroelectrica obtained title) whose nominal value (RON 10 per share) was set off against the receivable related to the unpaid share capital.

**Revenues from disposal of financial assets** (RON 208.1 million in 2012 and RON 13.4 million in 2011) represent the proceeds from the sales of portfolio company holdings, while the **expenses from disposal of financial assets** (RON 195.1 million in 2012 and RON 4.6 million 2011) represent the cost or carrying value that these investments were held at prior to disposal. The pre-tax net gain in 2012 was approximately RON 13.0 million, while in 2011 it amounted to RON 8.8 million. There were no such sales in 2010.

**Other income from current activity** includes penalties levied by the Fund for late payment of dividends and litigation expenses recovered. In 2012 they were related to the 2010 Hidroelectrica dividend, still partially outstanding and penalties levied by the Fund for late payment of the 2005 dividends due by the Enel Group companies mentioned previously, while in 2011 they mainly related to the 2005 Transgaz dividend receivable (RON 4.2 million) and to the 2005 Romgaz dividend receivable (RON 5.8 million).

The significant increase in 2012 of expenses for **depreciation, provisions, losses from receivables and sundry debtors** include the impairment adjustment related to Hidroelectrica's 2010 dividend still outstanding and related penalties levied by the Fund for late payment of dividends, amounting to RON 47.1 million in total. The impairment adjustment was recorded during June 2012 when the Bucharest Court admitted the request filed by Hidroelectrica SA for its insolvency.

Since 2010, **commissions and fees** mainly include CNVM's fee, calculated at 0.1% per year on the basis of the Fund's NAV, amounting to RON 14.1 million during 2012 (2011: RON 15.6 million, 2010: RON 5.4 million) and the Depositary bank's fees of RON 1.7 million (2011: RON 1.6 million, 2010: RON 0.6 million). During 2012, commissions and fees included also the brokerage fees related to the disposal of equity investments, for RON 0.4 million.

**Other expenses from current activity** can be analysed as follows:

RON million	2010 Audited	2011 Audited	2012 Audited
FTIML investment management and administration fees	18.3	32.1	34.3
Salaries and similar expenses	4.1	0.8	0.7
Stamp duties for litigations	5.3	0.1	0.1
Success fee due to Fund's advisor & related VAT	9.1	-	-
VAT for intra-EU services from previous years and related penalties for late payment	1.7	-	-
Other expenses	7.6	4.9	8.4
<b>Other expenses from current activity</b>	<b>46.1</b>	<b>37.9</b>	<b>43.5</b>

2010 had some exceptional expenses, notably the recording in July 2010 of the success fee payable to the Fund's advisor for the selection of the fund manager (RON 7.3 million) and related irrecoverable VAT (RON 1.8 million) as well as to higher stamp duties for litigations and salaries and similar expenses.

FTIML's investment management and administration agreement became effective on 29 September 2010, which explains the lower fee in 2010 compared to 2011 and 2012, when full year fees were payable to FTIML.

During 2012, the increase in other expenses by RON 3.5 million compared to 2011 was mainly accounted for by litigation assistance and other legal expenses and investor relations expenses.

During 2011, **income tax expense** was significantly lower than in 2010. It is important to note that the revenues from financial assets (dividend income) are recorded net of tax withheld at source (if applicable). Consequently these revenues are considered non-taxable in the computation of income tax expense. In 2012, the Fund recorded a fiscal loss, as taxable income was lower than deductible expenses, which accounts for the zero income tax expense.

### Analysis of 2012 Income Statement by Quarters

Although this report covers the year ended 31 December 2012, given that the Fund reports on a quarterly basis, the following split has been prepared to show the actual results per quarter in 2012.

RON million	Quarter 1 2012	Quarter 2 2012	Quarter 3 2012	Quarter 4 2012	Year end 31 December 2012 Audited
<b>Revenues from current activity, out of which:</b>	<b>13.4</b>	<b>834.4</b>	<b>13.5</b>	<b>10.5</b>	<b>871.8</b>
Revenues from financial assets	-	618.1	0.9	-	619.0
Interest income	7.0	7.0	10.5	10.4	34.9
Reversal of impairment adjustments & provisions	5.0	0.5	0.1	0.1	5.7
Revenues from disposal of financial assets	0.1	207.7	0.3	-	208.1
Revenues from foreign exchange differences	-	0.1	-	-	0.1
Other income from current activity	1.3	1.0	1.7	-	4.0
<b>Expenses from current activity, out of which:</b>	<b>14.9</b>	<b>258.6</b>	<b>12.8</b>	<b>18.5</b>	<b>304.8</b>
Expenses from disposal of financial assets	0.1	194.7	0.2	0.1	195.1
Expenses from foreign exchange differences	-	0.3	-	-	0.3
Depreciation, provisions, losses from receivables and sundry debtors	-	47.7	-	2.0	49.7
Commissions and fees	4.4	4.7	3.3	3.8	16.2
Other expenses from current activity *	10.4	11.2	9.3	12.6	43.5
<b>Gross profit / (Loss)</b>	<b>(1.5)</b>	<b>575.8</b>	<b>0.7</b>	<b>(8.0)</b>	<b>567.0</b>
Income tax expense	-	0.4	-	(0.4)	-
<b>Net profit / (Loss)</b>	<b>(1.5)</b>	<b>575.4</b>	<b>0.7</b>	<b>(7.6)</b>	<b>567.0</b>

\*Other expenses from current activity include bank charges, material and utilities expenses, salary costs, third party expenses as well as duties and other taxes.



## Statement of Cash Flows

RON million	2010 Audited	2011 Audited	2012 Audited
<b>Cash flows from operating activities</b>			
Payments to suppliers and similar payments	(8.1)	(36.6)	(61.5)
Payments to employees and similar payments	(6.3)	(0.9)	(0.7)
Payments of other taxes and commissions	(12.9)	(15.8)	(14.3)
Other receipts, net of other payments	0.1	0.1	-
Income tax paid	(15.4)	(1.1)	(0.1)
<b>Net cash used in operating activities</b>	<b>(42.6)</b>	<b>(54.3)</b>	<b>(76.6)</b>
<b>Cash flow from investments</b>			
Dividends received	175.0	497.4	625.4
Interests received	141.2	46.0	30.3
Payments for the acquisition of tangible and intangible assets	-	-	(0.3)
Proceeds from the sales of tangible assets	0.1	-	-
Payments for acquisitions of financial assets	(47.3)	(769.8)	(0.1)
Proceeds from the sales of financial assets	-	13.4	207.9
Other receipts related to financial assets	-	12.5	1.8
Net proceeds from / (payments for) treasury bills	(246.3)	52.8	(254.6)
Net collection of deposits with maturity of more than 3 months	930.2	378.5	-
Payments for increases in the share capital of the investments			(2.6)
<b>Net cash from investment activities</b>	<b>952.9</b>	<b>230.8</b>	<b>607.8</b>
<b>Cash flow from financing activities</b>			
Receipts from shareholders for share capital increase	43.0	-	-
Dividends paid, including related withholding tax	(1,093.3)	(452.0)	(510.5)
Payments for buybacks	-	(120.3)	-
<b>Net cash flow used in financing activities</b>	<b>(1,050.3)</b>	<b>(572.3)</b>	<b>(510.5)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(140.0)</b>	<b>(395.8)</b>	<b>20.7</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>842.6</b>	<b>693.5</b>	<b>297.4</b>
Foreign exchange differences related to transactions in foreign currency	(9.1)	(0.3)	(0.2)
<b>Cash and cash equivalents at the end of the year</b>	<b>693.5</b>	<b>297.4</b>	<b>317.9</b>

**Payments to suppliers and similar payments** 2012 increased from 2011 principally due to the switch from annual to quarterly payment of the investment management and administration fees with effect from 1 January 2012.

**Payments of other taxes and commissions** mainly comprise fees paid to CNVM (of RON 14.1 million in 2012, RON 15.6 million in 2011 and RON 3.6 million in 2010) following the Fund's registration with the regulator in August 2010. In 2010, this category also included stamp duty paid in relation to the litigation concerning the privatisation of BCR (RON 5.1 million).



**Dividends received** were significantly higher in 2012 compared to the previous years, mainly because the portfolio companies distributed relatively higher dividends in 2012 and the Fund collected all these dividends during the year.

**Acquisitions of financial assets** in 2010 and 2011 were related entirely to the purchases of listed equity investments in Romania and Austria, while in 2012 acquisitions were insignificant.

In 2012, the cash flow from investments was generated mainly by the **proceeds from the sales of financial assets** related to the disposal of Fund's entire holdings in Azomures SA and in Comcereal Fundulea SA, and part of its holdings in Erste Group Bank AG and Raiffeisen Bank International AG. In 2011, the most of the proceeds related to the disposal of the holdings in Laromet SA, Zamur SA and part of the holding in Oil Terminal SA.

**Dividends paid** in 2012 principally included the distributable profits for 2011 (RON 0.03854 per share), while dividends paid in 2011 related to 2010 profits (RON 0.03141 per share). 99% of these dividend distributions were paid by 31 December 2012.

In 2010, the significant amount of dividend paid represented the distributable profits of both 2008 and 2009. The Fund declared and began to distribute from October 2010 a gross dividend of RON 1,124.3 million or RON 0.0816 per share.

### Related Party Transactions

The transactions with the related parties have been performed in the normal course of business of the Fund.

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but during 2011 its holding fell below the control threshold (as at 31 December 2012: 2.67% of issued share capital, respectively 0.02% of paid in share capital).

#### (a) Subsidiaries

The Fund had the following subsidiaries, all incorporated in Romania:

Ownership interest	2011	2012
Alcom SA Timisoara	71.89%	71.89%
Carom – Broker de Asigurare SA Bucuresti	70.00%	70.00%
Comsig SA Sighisoara	69.94%	69.94%
Delfincom SA Bucuresti*	65.50%	-
Prestari Servicii SA Bucuresti*	70.55%	-
Primcom SA Bucuresti*	78.97%	75.48%
Romplumb SA Baia Mare**	51.00%	33.26%
Telerom Proiect SA Bucuresti	68.63%	68.63%
Zirom SA Giurgiu	100.00%	100.00%

\* In January 2012, the merger of Primcom SA, Delfincom SA and Prestari Servicii SA, with Primcom SA as absorbing company and Delfincom SA and Prestari Servicii SA as absorbed companies was completed.

\*\* During 2012 the Fund's holding in Romplumb SA decreased from 51.00% to 33.26%, following the share capital increase of this company

#### Dividend income

Company (RON million)	2011	2012
Primcom SA Bucuresti	14.3	-
Delfincom SA Bucuresti	5.6	-
<b>TOTAL</b>	<b>19.9</b>	<b>-</b>

**Dividends collected**

Company (RON million)	2011	2012
Primcom SA Bucuresti	14.3	-
Delfincom SA Bucuresti	5.6	-
Carom – Broker de Asigurare SA Bucuresti	0.2	-
<b>TOTAL</b>	<b>20.1</b>	-

**Other income**

Company (RON million)	2011	2012
Carom – Broker de Asigurare SA Bucuresti	0.1	-
<b>TOTAL</b>	<b>0.1</b>	-

**(b) Associates**

Ownership interest	2011	2012
OMV Petrom SA	20.1%	20.1%

In 2012 the Fund recorded and received from OMV Petrom SA a dividend of RON 353.1 million (2011: RON 201.6 million).

**(c) Fund Manager**

During 2012, the Fund recorded the following expenses payable to Franklin Templeton Investment Management UK, Bucharest Branch (the Fund Manager): investment management and administration fees RON 34.3 million (2011: RON 32.1 million), rent expenses RON 105.3 thousand (2011: RON 98.6 thousand) and related operating costs RON 28.2 thousand (2011: RON 25.4 thousand).

During 2012 the Fund recorded also an amount of RON 1.0 million, representing expenses incurred by the Fund Manager on its behalf (2011: RON 1.1 million). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominee approval.

As at 31 December 2012 the liability to Fund Manager related to above mentioned transactions was in amount of RON 9.1 million (1 January 2012: RON 27.4 million).

## Significant Post Balance Sheet Events

### Addendum no. 2 to the Investment Management Agreement

On 23 January 2013, CNVM announced the Fund that issued the Decision no. 48/22.01.2013 deciding not to endorse the Addendum 2 to the Investment Management Agreement (“IMA”) approved by shareholders on 4 April 2012.

On 4 April 2012, the Fund’s shareholders approved the amendment of the IMA concluded between FTIML and Fondul Proprietatea, establishing an additional fee equivalent to a fixed percentage of the value of the Excess Distribution as follows:

For Excess Distributions that are executed before 31 December 2012	1.5% of the Excess Distribution
For Excess Distributions that are executed in calendar year 2013	1.5% of the Excess Distribution
For Excess Distributions that are executed after calendar year 2013 and before termination of the IMA	1.0% of the Excess Distribution

According to CNVM Regulation 4/2010 any changes to the IMA must be endorsed by CNVM, and as a result the Fund asked for CNVM’s endorsement in April 2012. After 9 months, CNVM communicated their decision with the following statements:

- the structure of fees (fixed fee, performance fee) provided in the final offer document of FTIML submitted in the international tender for appointing the portfolio manager of the Fund should remain the same after the appointment;
- the fees provided in the Addendum 2 to the IMA were not set in accordance with the Regulation for organising the international tender for appointing the portfolio manager of the Fund;
- providing supplemental distribution through special dividend does not meet the objective proposed by FTIML in the international tender for appointing the portfolio manager of the Fund.

Given that the IMA and subsequent addendums are approved by the Fund’s shareholders and concluded between the Fund and the Fund Manager, the Fund Manager will carefully consider further steps that may be appropriate and will update investors of any further material developments.

### New Taxes in Energy Sector

Starting 1 February 2013, the Government imposes new taxes in the energy sector, applicable until end of 2014:

- Taxes for gas and electricity distributors and transmission/transport operators, charged per MWh, as follows (according to Government Ordinance no 5/22 January 2013):

Explanations	Tax value (RON /MWh)
Gas	Quantity transferred to distribution system
	Distributed quantity
	Quantity transferred only through transportation system
Energy	Quantity extracted from the transmission system
	Quantity distributed to final consumer
	Quantity extracted from the transmission system and delivered to the final consumer or exported

- Taxes imposed following the gas market liberalisation: companies performing both natural gas extraction and distribution in Romania, will be charged 60% of additional revenues less investments in upstream activity (up to 30% of additional revenues) and less royalties (according to Government Ordinance no 7/23 January 2013);
- Special tax of 0.5% for revenues from exploration of natural resources other than natural gas (according to Government Ordinance no 6/22 January 2013).

### Signatures:

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Administrator of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny

Legal Representative

14 March 2013

Prepared by

Mihaela Moleavin

Financial Reporting Manager

## Annex 1

### **S.C. FONDUL PROPRIETATEA S.A.**

#### **FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED**

**31 DECEMBER 2012**

prepared in Accordance with the National Securities Commission (“CNVM”) Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the National Securities Commission, approved by CNVM Order no. 13/2011 and with CNVM Instruction no. 1/2013 regarding the preparation and submission of annual financial statements, applicable to the entities authorised, regulated and monitored by the CNVM (“Romanian Accounting Regulations”)

(This is a translation from the official Romanian version)

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To the Sole Director, Board of Nominee and Shareholders of  
S.C. Fondul Proprietatea S.A.

## Independent Auditor's Report

### Report on the separate financial statements

- 1 We have audited the accompanying separate financial statements of S.C. Fondul Proprietatea S.A. ("the Fund"), which comprise the balance sheet as at 31 December 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

• Total shareholder's equity :	RON	11,836,768 thousand
• Net result for the year:	RON	566,989 thousand, profit

### *Management's responsibility for the separate financial statements*

- 2 Management of the Fund is responsible for the preparation and fair presentation of these separate financial statements in accordance with the Order of the President of the National Securities Commission ("CNVM") no.13/2011 for the approval of Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV ("EEC Directive IV"), applicable to the entities authorized, regulated and monitored by the CNVM, with the subsequent amendments and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

- 3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards issued by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.



- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

- 6 In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of S.C. Fondul Proprietatea S.A. as of December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with the Order of CNVM President no. 13/2011 for the approval of the Regulation no. 4/2011, with the subsequent amendments and as described in the accounting policies presented in the notes to the separate financial statements.

## *Emphasis of matter*

- 7 We draw attention to Note 6 (a) to the separate financial statements which states that consolidated financial statements of the Fund prepared in accordance with International Financial Reporting Standards, as adopted by European Union have not yet been published. Note 6 (a) to the separate financial statements presents when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively. Our opinion is not qualified in respect of this matter.
- 8 We draw attention to the fact that during 2012 a number of major economies around the world have experienced strong volatility in the capital markets and severe restrictions in the credit markets. As a consequence of the market turmoil in capital and credit markets both globally and in Romania, notwithstanding any potential economic stabilization measures that may be put into place by the State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the markets and demand for goods and services they produce. The potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets of the Fund may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of this report. As of December 31, 2012 the Fund has determined the impairment of financial assets for the unlisted companies based on valuation reports prepared at that date or based on participations held in the equity of these companies, shown in the latest available financial statements, which in most cases date back to 30 June 2012, the value of this impairment may differ had the financial statements as at 31 December 2012 been readily available. Our opinion is not qualified in respect of this matter.

- 9 As presented in Note 17 to the financial statements, we draw attention to the fact that as at December 31, 2012 the Fund has several unsettled litigations which are at different stages with the Romanian courts. The ultimate outcome and related impact of these cases cannot presently be determined with certainty. Our opinion is not qualified in respect of this matter.

## *Other Matters*

- 10 This report is made solely to the Fund's Sole Director, Board of Nominee and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director, Board of Nominee and shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Sole Director and shareholders as a body, for our audit work, for this report, or for the opinion we have formed.
- 11 The accompanying separate financial statements are not intended to present the financial position, results of operations and a complete set of notes to the separate financial statements of the Fund in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying separate financial statements are not designed for those who are not informed about Romanian legal and statutory requirements.

## **Report on conformity of the Administrators' Report with the Separate Financial Statements**

In accordance with the Order of the CNVM President no. 13/2011 for the approval of the Regulation no. 4/2011, with the subsequent amendments, Section 7, article 278, point 4, we have read the Administrators' Report. The said report is not part of the separate financial statements. In the Administrators' Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying separate financial statements.

Ahmed Hassan, Audit Partner

*For signature please refer  
to the original Romanian  
version.*

*Registered with the Chamber of Financial Auditors in Romania  
Under the certificate no. 1529/25.11.2003*

*On behalf of:*

**DELOITTE AUDIT S.R.L.**

*Registered with the Chamber of Financial Auditors in Romania  
under the certificate no. 25/25.06.2001*

Bucharest, Romania  
February 11, 2013

**S.C. FONDUL PROPRIETATEA S.A.**  
**BALANCE SHEET**  
**AS OF 31 DECEMBER 2012**  
**FORM CODE 10**

(all amounts are expressed in RON, unless otherwise specified)

The format of the Financial Statements as at 31 December 2012 for the entities authorised, regulated and monitored by the National Securities Commission (CNVM), for the closed-end funds (AOPC) set up under articles of association

**Type of financial statement:** SI

**County:** Bucharest

**Legal entity:** S.C. Fondul Proprietatea S.A.

**Address:** Bucharest, District 1,

78-80, Buzesti Street, 7<sup>th</sup> Floor

**Telephone:** 021/200 96 00, **Fax:** 021/200 96 31

**Trade Register no.:** J40/21901/2005

**Ownership type:** 22

**Main activity:**

(CAEN group): 643

**CAEN class:** 6430

**Sole Registration Code:** 18253260

		Balance	
	Row	Note	
A	B	1 January 2012	31 December 2012
		1	2
<b>A. NON-CURRENT ASSETS</b>			
<b>I. INTANGIBLE ASSETS</b>			
5. Advances and intangible assets in progress (acc. 233+234-2933)	05	-	323,413
<b>TOTAL: (rows. 01 to 05)</b>	06	-	<b>323,413</b>
<b>III. FINANCIAL ASSETS</b>			
1. Shares held in subsidiaries (acc. 261 - 2961)	12	59,670,661	65,404,757
3. Investments in associates (acc. 263 - 2963)	14	3,303,427,753	4,876,542,832
5. Other investments held as financial assets (acc. 262 + 264 + 265 + 266 - 2696 - 2962 - 2964)	16	7,264,779,666	6,155,793,871
<b>TOTAL: (rows 12 to 17)</b>	18	<b>10,627,878,080</b>	<b>11,097,741,460</b>
<b>NON-CURRENT ASSETS - TOTAL</b> (rows 06 + 11 + 18)	19	<b>10,627,878,080</b>	<b>11,098,064,873</b>
<b>B. CURRENT ASSETS</b>			
<b>II. RECEIVABLES</b>			
1. Trade receivables (acc. 2675 + 2676 + 2678 + 2679 - 2966 - 2969 + 4092 + 411 + 413 + 418 - 491)	24	1,476	394
4. Other receivables (acc. 425 + 4282 + 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 - 496 + 5187)	27	55,884,511	3,919,151
<b>TOTAL: (rows 24 to 28)</b>	29	<b>55,885,987</b>	<b>3,919,545</b>
<b>III. SHORT TERM INVESTMENTS</b>			
2. Other short term investments (acc. 5031 + 5032 + 505 + 5061 + 5062 + 5071 + 5072 + 5081 + 5082 + 5088 + 5089 - 593 - 595 - 596 - 597 - 598 + 5113 + 5114)	31	195,919,673	454,732,856
<b>TOTAL: (rows 30 to 31)</b>	32	<b>195,919,673</b>	<b>454,732,856</b>
<b>IV. CASH AND BANK ACCOUNTS</b> (acc. 5112 + 5121 + 5122 + 5123 + 5124 + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)	33	297,393,152	317,885,969
<b>CURRENT ASSETS - TOTAL</b> (rows 23 + 29 + 32 + 33)	34	<b>549,198,812</b>	<b>776,538,370</b>

The accompanying notes are an integral part of these financial statements.  
This is a translation from the official Romanian version.



A	Row	Note	Balance	
			1 January 2012	31 December 2012
	B		1	2
<b>C. PREPAID EXPENSES</b> (acc. 471)	35		28,412	27,199
<b>D. PAYABLES WITHIN ONE YEAR</b>				
3. Advance from customers (acc. 419)	38		50,000	160,000
4. Trade payables (acc. 401 + 404 + 408)	39		27,540,485	10,135,208
8. Other payables, including tax and social security payables (acc. 1623 + 1626 + 167 + 1687 + 2698 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481 + 4551 + 4558 + 456 + 457 + 4581 + 462 + 473 + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	43		14,616,288	10,768,970
<b>TOTAL: (rows 36 to 43)</b>	44	5	42,206,773	21,064,178
<b>E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES</b> (rows 34 + 35 - 44 - 60.2)	45		507,020,451	755,501,391
<b>F. TOTAL ASSETS LESS CURRENT LIABILITIES</b> (rows 19 + 45)	46		11,134,898,531	11,853,566,264
<b>H. PROVISIONS</b>				
2. Provisions for taxes (acc. 1516)	57		14,138,306	16,798,226
3. Other provisions (acc. 1511+1512+1513+1514+1518)	58		59,523	-
<b>TOTAL PROVISIONS</b> (rows 56 +57 + 58)	59	2	14,197,829	16,798,226
<b>J. SHARE CAPITAL AND RESERVES</b>				
<b>I. SHARE CAPITAL</b> (rows 62 to 63) out of which:	61	7	13,778,392,208	13,778,392,208
- subscribed unpaid share capital (acc. 1011)	62		370,823,112	365,612,042
- subscribed paid in capital (acc. 1012)	63		13,407,569,096	13,412,780,166
<b>IV. RESERVES</b> (rows 68-69+70+71+72+73+74)	67		(3,128,333,293)	(2,443,247,819)
1. Legal reserves (acc. 1061)	68		129,803,202	158,151,474
2. Reserves related to impairment adjustments of financial assets (acc.1062 - <i>debit balance</i> )	69		3,378,542,766	2,738,430,054
4. Reserves for financial assets received free of charge (acc.1065)	71		106,715	16,731,205
7. Other reserves (acc.1068)	74		120,299,556	120,299,556
<b>TREASURY SHARES</b> (acc.109 – <i>debit balance</i> )	75		120,268,583	120,268,583
<b>V. RETAINED EARNINGS</b> (acc. 117)				
Credit balance	78		74,364,048	83,251,853
<b>VI. RESULT FOR THE YEAR</b> (acc. 121)				
Credit balance	80		543,825,216	566,988,651
<b>Profit allocation</b> (acc. 129 – <i>debit balance</i> )	82	3	27,278,894	28,348,272
<b>TOTAL SHAREHOLDERS' EQUITY</b> (rows 61 + 64 + 65 - 66 + 67 -75+76-77+78 -79+80-81-82)	83		11,120,700,702	11,836,768,038

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny  
Legal Representative

Prepared by  
Mihaela Moleavin  
Financial Reporting Manager

The accompanying notes are an integral part of these financial statements.  
This is a translation from the official Romanian version.

**S.C. FONDUL PROPRIETATEA S.A.**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
**FORM CODE 20**

(all amounts are expressed in RON, unless otherwise specified)

A	Row	Note	Financial year end	
			31 December 2011	31 December 2012
	B		1	2
<b>A. REVENUES FROM CURRENT ACTIVITY –</b>				
<b>TOTAL (rows 02 to 11)</b>	<b>01</b>	<b>4</b>	<b>617,888,992</b>	<b>871,748,228</b>
1. Revenues from financial assets (acc. 761)	02	15	519,065,354	618,971,283
4. Revenues from disposal of financial assets (acc.758(part)+764)	05		13,375,649	208,134,752
6. Revenues from provisions, receivables previously written off and sundry debtors (acc.754+781+786)	07		30,514,774	5,639,063
7. Revenues from foreign exchange differences (acc.765)	08		1,616,566	130,402
8. Interest income (acc.766)	09		41,129,291	34,922,880
10. Other income from current activity (acc. 705+706+708+741+758(part)+767+768 +7815)	11		12,187,358	3,949,848
<b>B. EXPENSES FROM CURRENT ACTIVITY –</b>				
<b>TOTAL (rows 13 to 20)</b>	<b>12</b>	<b>4</b>	<b>72,311,111</b>	<b>304,782,791</b>
12. Expenses from disposal of financial assets (acc. 658(part) +664)	14		4,575,871	195,055,419
13. Expenses from foreign exchange differences (acc. 665)	15		915,724	348,131
14. Interest expense (acc. 666)	16		13	-
15. Commissions and fees (acc.622)	17		17,241,312	16,185,344
16. Expenses for bank services and similar expenses (acc.627)	18		57,490	64,296
17. Depreciation and amortisation, provisions, losses from receivables and sundry debtors (acc.654+681+686)	19		11,705,864	49,747,870
<b>18. Other expenses from current activity (rows 21+22+23+26+27)</b>	<b>20</b>		<b>37,814,837</b>	<b>43,381,731</b>
a. Materials expenses (acc.602+603+604)	21		332	-
<b>c. Salary expenses (rows 24+25), of which:</b>	<b>23</b>		<b>848,729</b>	<b>718,162</b>
c1. Salaries (acc.621+641+642 +644)	24	8	687,346	576,170
c2. Social security contributions (acc. 645)	25		161,383	141,992
d. Third party expenses (acc.611+612+613+614+623+624+625+626+628+ 658(part)+667 +668)	26		36,808,396	42,551,910
e. Other taxes, duties and similar expenses (acc. 635)	27		157,380	111,659
<b>C. CURRENT RESULT</b>				
- Profit (row 01 - 12)	28		545,577,881	566,965,437
<b>19. TOTAL REVENUE (rows 01+30)</b>	<b>34</b>		<b>617,888,992</b>	<b>871,748,228</b>
<b>20. TOTAL EXPENSES (rows 12+31)</b>	<b>35</b>		<b>72,311,111</b>	<b>304,782,791</b>
<b>G. GROSS PROFIT:</b>				
- Profit (row 34 - 35)	36		545,577,881	566,965,437
<b>21. INCOME TAX EXPENSE</b>				
- Income tax expense (acc.691)	38	10	1,752,665	(23,214)
<b>H. RESULT FOR THE YEAR</b>				
- Profit (row 36-38-39)	40		543,825,216	566,988,651

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny  
Legal Representative

The accompanying notes are an integral part of these financial statements.  
This is a translation from the official Romanian version.

Prepared by  
Mihaela Moleavin  
Financial Reporting Manager

**S.C. FONDUL PROPRIETATEA S.A.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
(all amounts are expressed in RON, unless otherwise specified)

	2011	2012
<b>Cash flows from operating activities</b>		
Payments to suppliers and similar payments	(36,562,383)	(61,518,841)
Payments to employees and similar payments, including related taxes and contributions	(894,909)	(686,412)
Payments related to other taxes and fees	(15,761,235)	(14,279,168)
Other receipts, net of other payments	63,718	(1,473)
Interest paid	(13)	-
Income tax paid	(1,109,707)	(121,794)
<b>Net cash flows used in operating activities</b>	<b>(54,264,529)</b>	<b>(76,607,688)</b>
<b>Cash flows from investment activities</b>		
Dividends received	497,369,612	625,371,215
Interest received	46,014,462	30,329,917
Payments for the acquisition of tangible and intangible assets	-	(323,413)
Payments for acquisition of financial assets	(769,842,368)	(62,217)
Cash contribution to share capital increases of portfolio companies	-	(2,539,840)
Proceeds from disposal of financial assets	13,425,649	207,870,803
Other receipts related to financial assets	12,488,059	1,756,213
Net proceeds from/(payments for) treasury bonds & bills	52,838,373	(254,624,873)
Net collection of deposits with original maturity greater than 3 months	378,486,499	-
<b>Net cash flows generated from investment activities</b>	<b>230,780,286</b>	<b>607,777,805</b>
<b>Cash flows from financing activities</b>		
Dividends paid, including related withholding tax	(452,037,883)	(510,476,930)
Payments for buybacks	(120,268,583)	-
<b>Net cash flows used in financing activities</b>	<b>(572,306,466)</b>	<b>(510,476,930)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(395,790,709)</b>	<b>20,693,187</b>
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>693,486,892</b>	<b>297,393,152</b>
Foreign exchange differences related to transactions in foreign currency	(303,031)	(200,370)
<b>Cash and cash equivalents as at the end of the year</b>	<b>297,393,152</b>	<b>317,885,969</b>

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

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Prepared by  
Mihaela Moleavin  
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**FONDUL PROPRIETATEA S.A.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

(all amounts are expressed in RON, unless otherwise specified)

Element of equity	Balance as at 1 January 2011	Increases		Decreases		Balance as at 31 December 2011
		Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital	13,778,392,208	11,434,941	11,434,941	382,258,053	382,258,053	13,407,569,096
Subscribed unpaid share capital	-	382,258,053	382,258,053	11,434,941	11,434,941	370,823,112
Legal reserves – <i>Credit balance</i>	102,524,308	27,278,894	27,278,894	-	-	129,803,202
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i>	(2,369,140,506)	(2,284,540,061)	-	(1,275,137,801)	-	(3,378,542,766)
Other reserves – <i>Credit Balance</i>	120,299,556	-	-	-	-	120,299,556
Reserves from shares received free of charge – <i>Credit balance</i>	106,715	-	-	-	-	106,715
Treasury shares – <i>Debit Balance</i>	-	(120,268,583)	-	-	-	(120,268,583)
Result from the adjustment of accounting errors – <i>Credit Balance</i>	74,136,468	-	-	-	-	74,136,468
Retained earnings representing profit not allocated – <i>Credit Balance</i>	142,177	432,814,449	432,814,450	432,729,046	-	227,580
Result for the year (profit) – <i>Credit Balance</i>	456,183,821	543,825,216	-	456,183,821	456,183,821	543,825,216
Allocation of profit – <i>Debit Balance</i>	(23,369,371)	(27,278,894)	(27,278,894)	(23,369,371)	(23,369,371)	(27,278,894)
<b>Total equity</b>	<b>12,139,275,376</b>	<b>(1,034,475,985)</b>	<b>826,507,444</b>	<b>(15,901,311)</b>	<b>826,507,444</b>	<b>11,120,700,702</b>

The decrease in *retained earnings representing profit not allocated - Credit Balance*, of RON 432,729,046 represents the 2011 dividend distribution relating to 2010 earnings. The gross dividend was RON 0.03141 per share.



Element of equity	Balance as at 1 January 2012	Increases		Decreases		Balance as at 31 December 2012
		Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital (see Note 7)	13,407,569,096	5,211,070	5,211,070	-	-	13,412,780,166
Subscribed unpaid share capital (see Note 7)	370,823,112	-	-	5,211,070	5,211,070	365,612,042
Legal reserves – <i>Credit Balance</i> (see Note 2)	129,803,202	28,348,272	28,348,272	-	-	158,151,474
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i> (see Note 1)	(3,378,542,766)	(1,774,904,998)	-	(2,415,017,710)	-	(2,738,430,054)
Other reserves – <i>Credit Balance</i>	120,299,556	-	-	-	-	120,299,556
Reserves from shares received free of charge – <i>Credit Balance</i>	106,715	16,624,490	-	-	-	16,731,205
Treasury shares – <i>Debit Balance</i>	(120,268,583)	-	-	-	-	(120,268,583)
Result from the adjustment of accounting errors – <i>Credit Balance</i>	74,136,468	-	-	-	-	74,136,468
Retained earnings representing profit not allocated – <i>Credit Balance</i> (see Note 2)	227,580	516,546,322	516,546,322	507,658,517	-	9,115,385
Result for the year (profit) – <i>Credit Balance</i>	543,825,216	566,988,651	-	543,825,216	543,825,216	566,988,651
Allocation of profit – <i>Debit Balance</i> (see Note 2)	(27,278,894)	(28,348,272)	(28,348,272)	(27,278,894)	(27,278,894)	(28,348,272)
<b>Total equity</b>	<b>11,120,700,702</b>	<b>(669,534,465)</b>	<b>521,757,392</b>	<b>(1,385,601,801)</b>	<b>521,757,392</b>	<b>11,836,768,038</b>

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch acting  
in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny  
Legal Representative

Prepared by  
Mihaela Moleavin  
Financial Reporting Manager

The accompanying notes are an integral part of these financial statements.  
This is a translation from the official Romanian version.

**S.C. FONDUL PROPRIETATEA S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
(all amounts are expressed in RON, unless otherwise specified)

**1. NON-CURRENT ASSETS****a) Intangible assets**

	Intangible Assets
<b>Gross value (acquisition cost/valuation)</b>	
<b>Balance as at 1 January 2012</b>	-
Acquisitions of intangible assets in progress (licences)	323,413
<b>Balance as at 31 December 2012</b>	<b>323,413</b>

As at 31 December 2012, intangible assets included the value of licences for a new specialised accounting and reporting software. The Fund will start using the software in 2013, after its implementation is completed.

**b) Financial assets**

The movements in the portfolio of investments held as financial assets are presented below:

	Financial Assets
<b>Gross value (acquisition cost/valuation)</b>	
<b>Balance as at 1 January 2012</b>	<b>14,014,664,175</b>
Acquisitions	62,217
Cash contribution to share capital increases of portfolio companies	2,539,840
Shares received as contributions in kind to share capital	5,211,070
Bonus shares received from portfolio companies – incorporation of reserves	16,624,490
Disposals	(195,055,419)
<b>Balance as at 31 December 2012</b>	<b>13,844,046,373</b>
<b>Adjustments for impairment of financial assets</b>	
<b>Balance as at 1 January 2012</b>	<b>(3,386,786,095)</b>
Adjustments for impairment during the period through reserves (acc.1062)	(1,774,904,998)
Reversal of adjustments for impairment during the period through reserves (acc.1062)	2,415,017,710
Reversal of adjustments for impairment during the period through income statement (acc. 7863)	368,470
<b>Balance as at 31 December 2012</b>	<b>(2,746,304,913)</b>
<b>Net book value as at 1 January 2012</b>	<b>10,627,878,080</b>
<b>Net book value as at 31 December 2012</b>	<b>11,097,741,460</b>

**1. NON-CURRENT ASSETS (continued)****Acquisitions and Disposals**

In 2012, the Fund participated in the cash share capital increase of GDF Suez Energy Romania.

The Fund received 521,107 shares in Hidroelectrica SA, accounted for as contributions in kind to the share capital of the Fund, whose nominal value (of 10 RON/share) was set off against the receivable related to the unpaid share capital of the Fund. These shares were received following the application of the provisions of the Title VII of the Law no. 247/2005 regarding the reform in property and justice, as well as certain adjacent measure, as amended ("Law 247/2005"). The source of the increases in share capital is the land for which the company obtained title deeds.

The Fund received in 2012 bonus shares in Banca Transilvania and CN Administratia Porturilor Maritime Constanța, as a result of share capital increases performed by these companies from incorporation of reserves.

In 2012, the Fund sold its entire holdings in Azomures SA (within a takeover bid initiated by the main shareholder of this company) and in Comcereal Fundulea SA (on the open market), and part of its holdings in Erste Group Bank AG and Raiffeisen Bank International AG.

**Mergers**

During 2012, the following mergers between companies in Fund's portfolio were registered with the Trade Register:

- On 31 January 2012 the merger of Primcom SA, Delfincom SA and Prestari Servicii SA was completed. This merger was approved in November 2011 by the General Shareholders Meetings of the three companies, with Primcom SA as absorbing company, and Delfincom SA and Prestări Servicii SA as absorbed companies. Following the merger, the Fund holds 75.48% in Primcom SA, while Delfincom SA and Prestari Servicii have been removed from the Trade Register.
- In May 2012, the merger of Complexul Energetic Turceni SA, Complexul Energetic Craiova SA, Complexul Energetic Rovinari SA and Societatea Nationala a Lignitului Oltenia SA to create the new Complexul Energetic Oltenia SA was completed. The merger was approved by the General Shareholders Meetings of these companies on 30 April 2012 and was recorded with the Trade Register in May 2012. Fondul Proprietatea holds 21.54% in the new company.

**1. NON-CURRENT ASSETS (continued)**

The movements in impairment adjustment for the financial assets during 2012 are presented below:

Name of the company	Balance as at 1 January 2012	Adjustments for impairment during the year	Reversal of adjustments for impairment to income statement	Reversal of adjustments for impairment during the year through reserves	Balance as at 31 December 2012
<b>Adjustments for impairment of shares held in subsidiaries</b>					
Romplumb SA	19,249,219	-	-	-	19,249,219
Telerom Proiect SA	236,083	236,083	-	236,083	236,083
Carom - Broker Asigurare SA	139,775	39,775	-	38,368	141,182
Others	5,735,503	2,757,871	-	8,493,374	-
<b>Total – adjustments for impairment of shares held in subsidiaries</b>	<b>25,360,580</b>	<b>3,033,729</b>	<b>-</b>	<b>8,767,825</b>	<b>19,626,484</b>
<b>Adjustments for impairment of investments in associates</b>					
OMV Petrom SA	2,410,769,508	454,506,094	-	2,027,621,173	837,654,429
<b>Total - adjustments for impairment of investments in associates</b>	<b>2,410,769,508</b>	<b>454,506,094</b>	<b>-</b>	<b>2,027,621,173</b>	<b>837,654,429</b>
<b>Adjustment for impairment in other investments held as financial assets</b>					
Hidroelectrica SA	-	1,105,503,426	-	-	1,105,503,426
Nuclearelectrica SA	464,034,240	8,130,123	-	131,367,445	340,796,918
Transelectrica SA	90,437,724	52,444,624	-	5,838,175	137,044,173
BRD - Group Societe Generale SA	54,257,983	88,856,096	-	22,848,710	120,265,369
Romaero SA	44,695,609	4,262,996	368,470	3,501,019	45,089,116
Raiffeisen Bank International AG	100,980,864	-	-	66,507,149	34,473,715
Alro SA	-	33,639,322	-	2,915,389	30,723,933
Uzina Mecanica Bucuresti SA	20,024,890	-	-	-	20,024,890
Erste Group Bank AG	120,508,433	-	-	100,487,551	20,020,882
Electrica Furnizare SA	17,819,672	-	-	-	17,819,672
Oil Terminal SA	4,198,170	2,510,042	-	1,525,712	5,182,500
Posta Romana SA	-	3,842,380	-	-	3,842,380
Others	33,698,422	18,176,166	-	43,637,562	8,237,026
<b>Total adjustments for impairment in other investments held as financial assets</b>	<b>950,656,007</b>	<b>1,317,365,175</b>	<b>368,470</b>	<b>378,628,712</b>	<b>1,889,024,000</b>
<b>TOTAL</b>	<b>3,386,786,095</b>	<b>1,774,904,998</b>	<b>368,470</b>	<b>2,415,017,710</b>	<b>2,746,304,913</b>

**Hidroelectrica's Insolvency**

On 20 June 2012, the Bucharest Court admitted the request filed by Hidroelectrica SA for entering into insolvency. As at 31 December 2012, the Fund recorded an impairment adjustment of RON 1,105,503,426 for the holding in Hidroelectrica, computed based on the value assessed by independent valuer (KPMG), using valuation methods in accordance with International Valuation Standards.

**1. NON-CURRENT ASSETS (continued)**

List of the financial assets as at 31 December 2012:

Name of the company	% of the share capital held as at 31 December 2012	Cost as at 31 December 2012	Adjustment for impairment as at 31 December 2012	Cost less impairment adjustment as at 31 December 2012
<b>Shares held in subsidiaries</b>				
Zirom SA	100.00%	36,030,702	-	36,030,702
Primcom SA	75.48%	27,749,567	-	27,749,567
Carom - Broker Asigurare SA	70.00%	1,161,986	141,182	1,020,804
Alcom SA	71.89%	471,052	-	471,052
Comsig SA	69.94%	132,632	-	132,632
Romplumb SA	33.26%	19,249,219	19,249,219	-
Telerom Proiect SA	68.63%	236,083	236,083	-
<b>Total - Shares held in subsidiaries</b>		<b>85,031,241</b>	<b>19,626,484</b>	<b>65,404,757</b>
<b>Investments in associates</b>				
OMV Petrom SA	20.10%	5,714,197,261	837,654,429	4,876,542,832
<b>Total - Investments in associates</b>		<b>5,714,197,261</b>	<b>837,654,429</b>	<b>4,876,542,832</b>

This is a translation from the official Romanian version.

**1. NON-CURRENT ASSETS (continued)**

Name of the company	% of the share capital held as at 31 December 2012	Cost as at 31 December 2012	Adjustment for impairment as at 31 December 2012	Cost less impairment adjustment as at 31 December 2012
<b>Other investments held as financial assets</b>				
Hidroelectrica SA	19.94%	3,106,503,426	1,105,503,426	2,001,000,000
Complexul Energetic Oltenia SA	21.53%	670,084,812	-	670,084,812
Nuclearelectrica SA	9.72%	967,926,936	340,796,918	627,130,018
Romgaz SA	14.99%	416,301,444	-	416,301,444
BRD - Group Societe Generale SA	3.64%	326,157,637	120,265,369	205,892,268
Transgaz SA	14.98%	177,353,514	-	177,353,514
Electrica Distributie Muntenia Nord SA	21.99%	165,221,141	-	165,221,141
Alro SA	10.21%	176,493,362	30,723,934	145,769,428
ENEL Distributie Banat SA	24.12%	141,578,929	-	141,578,929
CN Aeroporturi Bucuresti SA	20.00%	131,168,263	-	131,168,263
E.ON Moldova Distributie SA	22.00%	131,073,011	-	131,073,011
Electrica Distributie Transilvania Sud SA	21.99%	125,918,629	-	125,918,629
Transelectrica SA	13.49%	262,614,413	137,044,173	125,570,240
Raiffeisen Bank International AG	0.43%	153,379,278	34,473,715	118,905,563
ENEL Distributie Dobrogea SA	24.09%	114,760,053	-	114,760,053
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	-	113,299,904
Enel Distributie Muntenia SA	12.00%	107,277,263	-	107,277,263
Posta Romana SA	25.00%	84,664,380	3,842,380	80,822,000
Societatea Nationala a Sarii SA	48.99%	76,347,715	-	76,347,715
Conpet SA	29.70%	69,313,368	-	69,313,368
CN Administratia Porturilor Maritime SA	19.99%	65,441,294	-	65,441,294
GDF Suez Energy Romania SA	12.00%	62,522,462	-	62,522,462
Banca Transilvania	2.93%	59,855,952	-	59,855,952
E.ON Energie Romania SA	13.39%	45,765,358	-	45,765,358
Erste Group Bank AG	0.10%	62,263,612	20,020,882	42,242,730
E.ON Gaz Distributie SA	11.99%	37,470,244	-	37,470,244
ENEL Energie SA	12.00%	26,124,808	-	26,124,808
CN Administratia Canalelor Navigabile SA	20.00%	15,194,209	-	15,194,209
Severnav SA	39.10%	14,014,409	-	14,014,409
Romaero SA	20.99%	58,533,949	45,089,116	13,444,833
Oil Terminal SA	8.45%	13,057,145	5,182,501	7,874,644
Forsev SA	28.14%	3,780,366	-	3,780,366
Plafar SA	48.99%	3,160,329	-	3,160,329
Enel Energie Muntenia SA	12.00%	2,833,769	-	2,833,769
Aeroportul International Timisoara - Traian Vuia SA	20.00%	2,652,588	-	2,652,588
Palace SA	15.42%	1,860,419	-	1,860,419
Aeroportul International Mihail Kogalniceanu - Constanta SA	20.00%	1,490,898	-	1,490,898

This is a translation from the official Romanian version.

**1. NON-CURRENT ASSETS (continued)**

Name of the company	% of the share capital held as at 31 December 2012	Cost as at 31 December 2012	Adjustment for impairment as at 31 December 2012	Cost less impairment adjustment as at 31 December 2012
<b>Other investments held as financial assets (continued)</b>				
CN Administratia Porturilor Dunarii Maritime SA	20.00%	1,351,671	-	1,351,671
Comcereal Cluj SA	11.36%	913,756	-	913,756
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	-	675,810
Mecon SA	12.51%	484,544	-	484,544
IOR SA	2.81%	348,756	-	348,756
Electroconstructia Elco Cluj SA	7.61%	319,656	-	319,656
Celuloza si Otel SA	8.62%	230,675	-	230,675
Salubriserv SA	17.48%	207,601	-	207,601
Transilvania Com SA	39.99%	177,010	-	177,010
Commetex SA	15.99%	193,500	40,061	153,439
Mecanoenergetica SA	10.07%	256,275	119,465	136,810
Cetatea SA	20.43%	118,840	-	118,840
Turdapan SA	44.06%	240,000	134,376	105,624
Ciocarlia SA	1.68%	37,125	-	37,125
World Trade Hotel SA	19.90%	17,912	2,233	15,679
Bat Service SA	33.00%	656,686	656,686	-
Carbid Fox SA	7.96%	927,357	927,357	-
Electrica Furnizare SA	22.00%	17,819,672	17,819,672	-
Fecne SA	12.12%	-	-	-
Gerovital Cosmetics SA	9.76%	340,996	340,996	-
Petrotel - Lukoil SA	1.78%	2,787,316	2,787,316	-
Resib SA	2.87%	126,217	126,217	-
Simtex SA	30.00%	3,059,858	3,059,858	-
Uzina Mecanica Bucuresti SA	36.60%	20,024,890	20,024,890	-
World Trade Center Bucuresti SA	19.90%	42,459	42,459	-
<b>Total – other investments held as financial assets</b>		<b>8,044,817,871</b>	<b>1,889,024,000</b>	<b>6,155,793,871</b>
<b>TOTAL</b>		<b>13,844,046,373</b>	<b>2,746,304,913</b>	<b>11,097,741,460</b>

This is a translation from the official Romanian version.



## 2. PROVISIONS

Provisions	1 January 2012	Transfers		31 December 2012
		Increase	Reversal	
Provisions for taxes	14,138,306	2,659,920	-	16,798,226
Provisions for restructuring	59,523	-	59,523	-
<b>TOTAL</b>	<b>14,197,829</b>	<b>2,659,920</b>	<b>59,523</b>	<b>16,798,226</b>

*The provisions for taxes* are related to the reserves for bonus shares received in portfolio companies that increased their share capital through incorporation of reserves.

*The provisions for restructuring* were set up in anticipation of future changes to the management and administration of the Fund that came into effect in September 2010 on the appointment of Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch (the “Fund Manager”) as Fund Manager and Sole Administrator of the Fund. In 2012, the Fund paid the last compensation salaries for previous employees, upon the termination of their employment contracts.

## 3. PROFIT ALLOCATION

Destination	1 January 2012	31 December 2012
<b>Net profit to be allocated, of which:</b>	<b>543,825,216</b>	<b>566,988,651</b>
- Legal reserve	27,278,894	28,348,272
<b>Profit not allocated</b>	<b>516,546,322</b>	<b>538,640,379</b>

During 2012 the Fund distributed dividends related to earnings of the financial year 2011, totalling RON 507,658,517. The gross dividend amounted to RON 0.03854 per share.

Being an entity regulated by CNVM and governed by Capital Market Law (Law 297/2004, as subsequently amended), the calculation of net assets for the Fund was performed according to that law and CNVM regulations, permitting dividend distributions in 2012, 2011 and 2010.

The Fund computes and reports monthly to CNVM the net asset value according to CNVM Regulation no. 4/2010, amended, in December 2012 by CNVM Regulation no. 11/2012. The net asset value as at 31 December 2012 was RON 14,979,202,005.64.

The Fund has allocated 5% of its 2012 and 2011 profits to legal reserves. These amounted to RON 28,348,272 in 2012 and RON 27,278,894 in 2011.

Any further allocation of the profit for the financial year 2012, including any distribution of dividends, is subject to shareholders’ decision.

The Fund’s dividend policy is as follows: “In the absence of exceptional market conditions or circumstances, the Fund Manager intends to recommend to shareholders the distribution of 100% of distributable revenue profits each year, broadly defined as gross dividend income received from investments and interest earned on cash deposits, less expenses and taxation, subject to legal and taxation regulations”.

## 4. ANALYSIS OF THE OPERATING RESULT

Caption	2011	2012
Revenues from financial assets (acc.761)	519,065,354	618,971,283
Revenues from disposal of financial assets (acc.764)	13,375,649	208,134,752
Revenues from foreign exchange differences (acc.765)	1,616,566	130,402
Interest income (acc.766)	41,129,291	34,922,880
<b>Revenues from provisions and impairment adjustments reversals (acc.781 + acc.786), including:</b>	<b>30,514,774</b>	<b>5,639,063</b>
- from provisions for restructuring (acc.7812)	226,269	59,523
- from adjustments for impairment of dividend receivables (acc.7814)	28,323,677	-
- from adjustment for impairment of financial assets (acc.7863)	260,268	368,470
- from adjustments for impairment of receivables related to unpaid capital (acc.7864)	1,704,560	5,211,070
Other income from current activity (acc.706 + acc.708 + acc.758 + acc.767)	12,187,358	3,949,848
<b>REVENUES FROM CURRENT ACTIVITY</b>	<b>617,888,992</b>	<b>871,748,228</b>

*Revenues from financial assets* included dividends receivable from portfolio companies, net of withholding tax on dividends.

*Revenues from disposal of financial assets* represent the proceeds from the sales of portfolio company holdings.

*Interest income* arose from deposits held with banks and from treasury bills.

In 2012, *other income from current activity* principally includes penalties levied by the Fund for late payment of dividends (related to the 2010 Hidroelectrica dividend and to the 2005 dividends due by two companies which are currently part of the Enel Group, Enel Distributie Muntenia SA and Enel Energie Muntenia SA) for RON 2,523,789 in total and income resulting from the cancellation dividends unclaimed by shareholders, related to years 2006 and 2007, for RON 1,270,628 in total.

**4. ANALYSIS OF THE OPERATING RESULT (continued)**

<b>Caption</b>	<b>2011</b>	<b>2012</b>
Expenses from disposal of financial assets (acc.664)	(4,575,871)	(195,055,419)
Expenses from foreign exchange differences (acc.665)	(915,724)	(348,131)
Interest expense (acc.666)	(13)	-
Expenses with banking and similar charges (acc.627)	(57,490)	(64,296)
Commissions and fees (acc.622)	(17,241,312)	(16,185,344)
<b>Depreciation and amortisation, impairment adjustments and provisions expenses (acc.681+ acc.686), including:</b>	<b>(11,705,864)</b>	<b>(49,747,870)</b>
• provisions for risks and charges (acc.6812)	-	(2,659,919)
• impairment of dividend and related receivables (acc.6814)	-	(47,087,951)
• impairment of receivables related to unpaid capital (acc.6864)	(11,705,864)	-
<b>Other expenses from current activity, including:</b>	<b>(37,814,837)</b>	<b>(43,381,731)</b>
• materials (acc.602 + acc.603 + acc.604)	(332)	-
<b>• personnel, administrators and similar expenses, including:</b>	<b>(848,729)</b>	<b>(718,162)</b>
- salaries and incentives (acc.641+ acc.642)	(687,346)	(576,170)
- social security (acc.645)	(161,383)	(141,992)
<b>• external services, including:</b>	<b>(36,808,396)</b>	<b>(42,551,910)</b>
- third parties services (acc.628)	(35,306,977)	(41,308,241)
- marketing and public relations (acc.623)	(1,081,049)	(670,591)
- rents (acc.612)	(114,414)	(160,530)
- insurance premiums (acc.613)	(202,550)	(195,549)
- post and telecommunications (acc.626)	(65,190)	-
- other expense (acc.611+ acc.658)	(38,216)	(216,999)
• other taxes and similar expenses (acc.635)	(157,380)	(111,659)
<b>EXPENSES FROM CURRENT ACTIVITY</b>	<b>(72,311,111)</b>	<b>(304,782,791)</b>
<b>GROSS RESULT FROM CURRENT ACTIVITY</b>	<b>545,577,881</b>	<b>566,965,437</b>

*Expenses from disposal of financial assets* represent the cost or carrying value that the portfolio holdings sold were held at prior to their disposal.

In 2012, *commissions and fees* mainly comprised monthly fees payable to CNVM, at 0.1% per annum calculated based on NAV, amounting to RON 14,113,438 (2011: RON 15,594,192) and the depositary banks' fees of RON 1,675,454 (2011: RON 1,634,254).

*Impairment of dividend and related receivables* included the impairment adjustment related to Hidroelectrica's 2010 dividend still outstanding and related penalties levied by the Fund for late payment of dividends. The impairment adjustment was recorded in June 2012 when the Bucharest Court admitted the request filed by Hidroelectrica SA for its insolvency.

In 2012 *third parties services* included investment management and administration fees payable to the Fund Manager, of RON 34,325,088 (2011: 32,149,759).

## 5. STATEMENT OF RECEIVABLES AND PAYABLES

Receivables	31 December 2012	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Dividend receivables - net	799,994	799,994	-	-
Interest receivable	1,281,109	1,281,109	-	-
Profit tax receivable	436,920	436,920	-	-
Trade receivables	394	394	-	-
Other receivables	1,401,128	1,401,128	-	-
<b>TOTAL</b>	<b>3,919,545</b>	<b>3,919,545</b>	-	-

Receivables	1 January 2012	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Dividend receivables - net	52,479,298	52,479,298	-	-
Interest receivable	876,457	876,457	-	-
Profit tax receivable	291,912	291,912	-	-
Trade receivables	1,476	1,476	-	-
Other receivables	2,236,844	2,236,844	-	-
<b>TOTAL</b>	<b>55,885,987</b>	<b>55,885,987</b>	-	-

As at 1 January 2012, *dividend receivables - net* was mostly accounted for by the dividend receivable from Hidroelectrica, related to financial year 2010, for RON 52,478,624. During 2012, the Fund collected part of this receivable and recorded an impairment adjustment for the uncollected amount of RON 46,209,651. As at 31 December 2012, these mainly included the 2005 dividends due by two companies which are currently part of the Enel Group (Enel Distributie Muntenia SA and Enel Energie Muntenia SA) recorded after the related litigation was found in Fund's favour in September 2012.

*Interest receivable* included interest receivables on bank deposits.

As at 31 December 2012, *other receivables* included penalties for late payment of dividends payable by portfolio companies relating to financial year 2005 of RON 360,107 (1 January 2012: RON 470,404), and tax recoverable from the Austrian tax authorities relating to dividends distributed by Austrian portfolio companies, amounting to RON 803,888, equivalent of EUR 181,518 (1 January 2012: RON 1,727,358, equivalent of EUR 399,879).

**5. STATEMENT OF RECEIVABLES AND PAYABLES (continued)**

Payables	31 December 2012	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Trade payables	559,418	559,418	-	-
Accrued expenses	9,575,790	9,575,790	-	-
Dividends payable	9,481,720	9,481,720	-	-
Other taxes and fees payable	1,230,482	1,230,482	-	-
Payable to Board members	31,750	31,750	-	-
Taxes on salaries	25,018	25,018		
Payments received in advance	160,000	160,000	-	-
<b>TOTAL</b>	<b>21,064,178</b>	<b>21,064,178</b>	<b>-</b>	<b>-</b>

Payables	1 January 2012	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Trade payables	88,734	88,734	-	-
Accrued expenses	27,451,751	27,451,751		
Dividends payable	12,238,494	12,238,494	-	-
Other taxes and fees payable	2,352,776	2,352,776		
Taxes on salaries	25,018	25,018		
Payments received in advance	50,000	50,000	-	-
<b>TOTAL</b>	<b>42,206,773</b>	<b>42,206,773</b>	<b>-</b>	<b>-</b>

As at 31 December 2012, *accrued expenses* mainly included investment management and administration fees payable to the Fund Manager of RON 8,862,463 (1 January 2012: RON 27,179,316).

As at 31 December 2012, *dividends payable* included dividends payable to shareholders related to the financial year 2011 for RON 4,072,955 and dividends related to years 2008 to 2010 for RON 5,408,765. In April 2012, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, payable to shareholders with effect from 29 June 2012, which represented the distributable profits of the 2011 financial year.

## 6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

### a. Preparation and presentation of the financial statements

These financial statements are the responsibility of the management of the Fund and have been prepared in accordance with the National Securities Commission (“CNVM”) Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV (“EEC Directive IV”), applicable to the entities authorised, regulated and monitored by CNVM, approved by CNVM Order no. 13/2011 (“CNVM Order 13/2011”) and with CNVM Instructions no. 1/2013 regarding the preparation and submission of annual financial statements by the entities authorised, regulated and monitored by the CNVM.

The accounting regulations compliant with EEC Directive IV, approved by CNVM Order 13/2011 are applicable together with the Accounting Law no. 82/1991 (as revised).

The financial statements have been prepared on a historical cost basis. The CNVM Order 13/2011 regarding the approval of the “Accounting Regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the National Securities Commission” provides for the preparation of the financial statements at historical cost.

The Fund is required to prepare separate and consolidated financial statements in compliance with International Financial Reporting Standards as endorsed by European Union (“IFRS”). Fondul Proprietatea Group, comprising Fondul Proprietatea S.A. and its subsidiaries will prepare a set of consolidated financial statements, in accordance with IFRS, for the year ended 31 December 2012, and these will be published in accordance with the requirements of the legislation in force.

### b. Basis of preparation of the financial statements

These financial statements are prepared and expressed in RON and are rounded to the nearest unit. The financial statements have been prepared on the basis of the accounting records held by the Fund, in accordance with the Romanian accounting regulations applicable to the institutions regulated and monitored by CNVM.

These financial statements have not been prepared to reflect the financial position and the results of operations in accordance with IFRS.

The financial statements were prepared in compliance with the accrual basis of accounting. Thus, the effects of the transactions and of other events are recognised when they occur and are recorded in the accounts and reported in the financial statements of the related periods.

The general accounting principles applied are as follows:

- **Going concern principle** – assumes that the Fund will continue to operate normally in a predictable future without facing the impossibility of continuing as a going concern or without a significant reduction in its activity;
- **Consistency principle** - involves the application of the same rules regarding the valuation and recording in accounting of the transactions, ensuring the comparability in time of the financial information;
- **Prudence principle** – assumes all the impairment adjustments for assets, as well as all the liabilities and potential losses incurred in current or previous financial years are recorded;

## 6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

### b. Basis of preparation of the financial statements (continued)

- **Accrual principle** – assumes that all the income and expenses pertaining to the financial year are recorded, irrespective of the date of receipt or payment of these income and expenses;
- **Separate valuation of assets and liabilities** – assumes that assets and liabilities are valued separately;
- **Opening balances principle** – the opening balances of each financial year are identical with the closing balances of the previous financial year;
- **Non off-setting principle** – assumes that assets cannot be offset with liabilities, and income cannot be offset with expenses, except for the offsetting allowed by CNVM Order 13/2011;
- **Substance over form** – assumes that the information presented in the financial statements reflects the economic reality of the events and transactions and not only their legal form;
- **Materiality principle** – assumes that any element that has a significant value is presented distinctly in the financial statements.

### c. Use of estimates

The preparation of financial statements in accordance with CNVM Order 13/2011, with subsequent amendments, requires management to make estimates and assumptions that affect the reported value of assets and liabilities, disclosure of contingent assets and contingent liabilities at balance sheet date, and income and expenses reported to the respective financial year. Although the estimates and assumptions are made by management using the most reliable information available at balance sheet date, the actual results may differ from these estimates.

### d. Going concern

These separate financial statements were prepared based on the going concern principle, which assumes that the Fund will continue its activity in the foreseeable future. In order to evaluate the applicability of this assumption, the Fund's administrator analyses the forecasted future cash flows.

Based on this analysis, the administrator believes that the Fund will continue its activity in the foreseeable future, and, therefore, the applicability of the going concern principle is justified.

### e. Foreign currency transactions

#### (i) Functional and presentation currency

The functional and presentation currency of the financial statements is the local currency, RON.

#### (ii) Translation of the transactions in foreign currency

The Fund's foreign currency transactions are translated to RON at the official exchange rate published by the National Bank of Romania ("NBR") for the transaction date. The foreign currency balances are translated to RON at the exchange rates published by NBR for balance sheet date. Any gains or losses resulting from settlement of foreign currency transactions and from conversion of foreign currency monetary assets and liabilities are recognised in the Income Statement.

The exchange rates of the main foreign currencies as at the closing date of the financial year were the following:

	31 December 2011	31 December 2012
1 Dollar (USD)	RON 3.3393	RON 3.3575
1 Euro (EUR)	RON 4.3197	RON 4.4287

This is a translation from the official Romanian version.



## 6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

### f. Financial assets

#### (i) Classification

As at 31 December 2012 and 1 January 2012, the Fund classified as non-current financial assets all shares held in subsidiaries, investment in associates and other investments held as financial assets.

Subsidiaries are entities controlled by the Fund. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

Associates are those entities in which the Fund has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee. The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50% of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

All equity investments of the Fund as at 31 December 2012 and 1 January 2012 were classified as non-current financial assets, as the Fund's investment objective is long-term capital appreciation via investments in equities or equities-linked securities.

#### (ii) Recognition

The Fund recognises the financial assets as at the date when they have been transferred to the Fund and are recorded at acquisition cost, including brokerage fees (where applicable) or at the value determined based on the transfer documents.

In the case of listed companies, all securities purchases which involve a settlement in a certain period, determined according to the regulations in place or upon market agreement, are recognised at the date the transaction is recorded at the exchange where shares are traded (trade date).

In case of unlisted companies, the securities purchases are recognised at the date of registration at the Trade Register and securities disposals are accounted for at the date of the transfer of ownership.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The initial book value represents the value of the participating securities received by the Fund as contribution to the share capital and was calculated according to the specific laws for Fondul Proprietatea.

The cost (initial value) of financial assets which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005 regarding the reform in property and justice, as well as certain adjacent measure, with subsequent amendments ("Law 247/2005"), as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal to:
  - the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - the book value of the shareholders' equity at 31 December 2004, determined in accordance with statutory financial statements, multiplied by the Fund's holding percentage, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;

## 6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)

### f. Financial assets (continued)

- for the shares received in June 2007, the cost is equal to:
  - the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's holding percentage, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State (through the Fund and State authorities) and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost (initial value) is the nominal value of the shares received.

#### (iii) Measurement

Financial assets are initially recognised at acquisition cost.

Subsequent to the initial recognition, according to the provisions of CNVM Order 13/2011, with subsequent amendments, financial assets are carried in the balance sheet at historical cost, less accumulated adjustments for impairment.

As at balance sheet date, the carrying value (acquisition cost /initial value) plus additions) should be compared with the recoverable value. The negative differences shall be recorded as impairment adjustments in a shareholders' equity account (account 1062 – Reserves related to impairment adjustments of financial assets), while the positive differences shall not be recorded.

For financial assets, the recoverable value is determined as follows:

- For listed securities, with an adequate liquidity (traded in the last 30 days before year end), it is calculated based on the last available closing price in the year.
- For unlisted securities or for illiquid listed securities, it is estimated using shareholders' equity as per the most recently available financial statements of the issuers (e.g.: semi-annual or annual financial statements), proportionally with the stake held by the Fund, or using values assessed by an independent valuer.

In performing the above-mentioned impairment test, the financial information from the most recent financial statements of the companies is corroborated with the most recent public available qualitative and quantitative information regarding the assets.

The impairment adjustment can be reversed if a change in the conditions existing at the time of determining the recoverable value occurred. The reversal of an impairment adjustment can only be made such that the net value of the asset does not exceed its historical book value. The adjustments for impairment are reversed as follows:

- to income, if the adjustments were initially recognised through Income Statement;
- by changing the reserve account – 1062, if the adjustments were initially recognised directly in this account.

**6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)***(iv) Derecognition*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The derecognition of any financial asset disposed of is recognised on the date when ownership is transferred. Gains or losses arising from derecognition are calculated based on proceeds on disposal of financial assets and assets historical cost / initial value and are recorded in the Income Statement.

The Fund uses the weighted average cost method (WAC) to determine the cost / initial value of financial assets disposed of.

**g. Cash and cash equivalents and Other financial instruments**

Cash and cash equivalents are recorded in the balance sheet at cost. For the purposes of the Statement of Cash Flows, cash and cash equivalents include the petty cash, current accounts with banks and short term financial investments comprising bonds, placements in bank deposits with original maturity less than 3 months and securities purchased by REPO operations.

The inventory relief method used for the disposal of treasury bills and bonds is "first in first out" (FIFO).

**h. Provisions for risks and expenses**

The provisions are recognised when the Fund has a legal or implicit obligation resulted from past events, when in order to settle the obligation an outflow of resources embodying economic benefits is necessary and when a reliable estimate can be made with regard to the value of the obligation.

**i. Employees' benefits**

During the normal course of business, the Fund makes payments due to the state health, pensions and unemployment funds related to its employees in accordance with the regulations in force. All the employees are members of the pension plan of the Romanian State. Such costs are recognised in the Income Statement together with the recognition of the salaries.

The Fund does not operate any other pensions plan or post-retirement benefits plan and therefore has no obligations regarding pensions.

**j. Taxation**

The Fund records the current income tax liabilities based on the taxable income in the tax reporting, according to the relevant Romanian laws. The income tax rate for the year 2012 is 16% (2011: 16%).

**k. Income recognition***(i) Income from investments*

Dividend income paid by listed companies is recognised at the ex-dividend date. Dividend income distributed by unlisted companies is recorded on the date when such companies' General Shareholders Meetings approve dividends.

**6. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (continued)****k. Income recognition (continued)***(ii) Interest income*

Interest income is recognised according to the accrual principle, taking into consideration the interest due according to contractual clauses during the financial year, to the extent that it is certain that upon the due date the interest can be actually collected.

*(iii) Income from sale of securities*

Gains or losses from the disposal of the financial assets are recognised in the Income Statement at the date of derecognition of the financial assets.

**l. Bonus shares and Romanian state in kind contributions**

Bonus shares and the shares received from Romanian state as in kind contributions are recognised at nominal value.

According to the provisions of Law 247/2005 (title VII, article 9 paragraph (6)), with subsequent amendments, the nominal value of the shares received from Romanian state as in kind contributions was partially used to cover the share capital subscribed and still unpaid by the Romanian State.

The bonus shares from the incorporation of reserves of portfolio companies are recorded at nominal value as at the date of entering the portfolio of the respective shares. These shares are recorded in account 1065 - Reserves for securities received free of charge.

Bonus shares are recorded in accounting as financial asset at the date when they are recorded with the Central Depository (for listed shares) or Trade Register (for unlisted shares).

**m. Treasury shares**

The Fund recognises treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date) and are recorded at acquisition cost, including brokerage fees.

**n. Dividend payable**

Dividends declared by the Fund are recorded as dividend payable when the Fund's General Shareholders Meeting approves them, as the Fund is then legally obliged to pay them.

According to the provisions of the legislation in force, the Fund is allowed to cancel the rights of shareholders to collect any dividends which have remained unclaimed 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in the Income Statement.

**o. Value added tax**

The Fund is not a taxable legal entity for the purposes of the provisions of the Fiscal Code. As a result, value added tax is recognised as part of the expenses for the acquisition of services or as part of the acquisition value for the purchases of goods (inventories or fixed assets).

## 7. FINANCING SOURCES

### Shares

As at 31 December 2012, the share capital subscribed was RON 13,778,392,208 representing 13,778,392,208 shares with a nominal value of 1 RON/share, out of which 365,612,042 shares were unpaid.

The shareholding structure as at 31 December 2012 is the following:

No	Shareholder Type	% of subscribed share capital	% of paid-up share capital	% of voting rights
1	Foreign institutional shareholders	52.200%	53.623%	54.602%
2	Romanian private individuals	27.908%	28.669%	29.192%
3	Romanian institutional shareholders	9.414%	9.671%	9.847%
4	Foreign private individuals	6.059%	6.224%	6.337%
5	Ministry of Public Finance	2.675%	0.022%	0.022%
6	Treasury shares	1.744%	1.791%	0.000%
	<b>TOTAL</b>	<b>100.000%</b>	<b>100.000%</b>	<b>100.000%</b>

The total number of shareholders as at 31 December 2012 was 9,363.

The shares granted shareholders different voting rights, depending on the holder and the percentage held, as provided Law 247/2005, Article 12. At the Fund's General Shareholders Meeting that took place on 23 November 2011, shareholders approved the elimination of any restrictions on voting rights (1 paid share = 1 vote). This change was effective after the approval of the new Constitutive Act of the Fund by CNVM on 12 January 2012.

Unpaid share capital represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder, to the Fund that were recorded in previous years as paid capital (based on Law 247/2005, with subsequent amendments).

During 2012, the paid-up capital of the Fund increased by RON 5,211,070 to RON 13,412,780,166, while its subscribed capital remained unchanged at RON 13,778,392,208. The increase in the paid-up capital reflects a reduction in the unpaid share capital held by the Romanian state due to the receipt by the Fund of 521,107 shares in Hidroelectrica following a share increase by that company relating to the value of land for which Hidroelectrica obtained title deeds.

### Treasury Shares

The Fund's General Shareholders Meeting in September 2010 approved a buy-back programme of up to 10% of the Fund's share capital at prices ranging between 0.2 - 1.5 RON, which was valid until March 2012. The acquired shares can be cancelled and the share capital reduced following shareholders' approval. This first buy-back programme initiated in May 2011 was completed by 30 September 2011. During the programme, 240,304,801 shares equivalent to 1.744% of the Fund subscribed share capital were bought back for a total amount of RON 120,268,583.

On 25 April 2012, the General Shareholders Meeting approved the cancellation of the 240,304,801 shares repurchased by the Fund during this buy-back programme, but the registration of the shareholders' decision with Trade Register was blocked at the request of one shareholder.

The same General Shareholders Meeting approved a second buy-back programme: subject to availability of cash, the Fund Manager was authorized to repurchase a maximum number of 1.1 billion shares within the next 18 months (after the decision enter into force), within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buy-back programme. The publication of this decision in Official Gazette and, consequently, the beginning of the buy-back programme, were also postponed by one of the litigations opened by one shareholder.

## 8. INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND MANAGEMENT

	2011	2012
<b>Gross salaries:</b>		
Members of the Board of Nominee	535,500	523,507
Employees	151,846	52,663
<b>Gross salaries and incentives expense</b>	<b>687,346</b>	<b>576,170</b>

Note: the expenses representing the Fund's contribution to the social security budgets, health budgets, unemployment and social protection budgets are not included in the amounts above. All the amounts presented above are gross amounts and include the taxes and contributions owed by the employees and members of Board of Nominee, according to the laws in force.

On 29 September 2010 the administration and management of Fondul Proprietatea was taken over by Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch, which was appointed as Sole Director and according to the Investment Management Agreement also acts as Fund Manager of the Fund. The activity of the Fund Manager is supervised by the Board of Nominees, composed of 5 members appointed by the shareholders.

The amounts representing gross remuneration granted to the members of the Board of Nominee in 2012 and 2011 were granted for their capacity as members of this Board.

In 2012 and 2011, the gross salary cost for employees represented mostly compensation payments for contract termination during these years.

During 2012 the Fund had one employee which was in child care leave until 29 August 2012, after this date the labour contract being terminated with the agreement of both parties.

As at 31 December 2012 the Fund has no employees.

## 9. COMPUTATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

### 1. Liquidity ratios

	31 December 2011	31 December 2012
<b>a) Current liquidity ratio</b> (number of times)		
$\frac{\text{Current assets}}{\text{Current liabilities}} =$	13.01	36.87
<b>b) Quick liquidity ratio/acid test</b> (number of times)		
$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} =$	13.01	36.87
<b>c) Payment capacity ratio</b>		
$\frac{\text{Cash and bank accounts} + \text{Short term financial investments}}{\text{Current liabilities}} =$	11.69	36.68

### 2. Risk ratios

	31 December 2011	31 December 2012
<b>a) Gearing ratio</b>		
$\frac{\text{Borrowed capital}}{\text{Shareholders' equity}} =$	-	-
<b>b) Solvency ratio</b>		
$\frac{\text{Total assets}}{\text{Current liabilities}} =$	264.82	563.74

Gearing ratio is zero, as the Fund had no borrowings as at 31 December 2011 and 31 December 2012.

### 3. Activity ratios (management ratios)

	31 December 2011	31 December 2012
<b>c) Turnover of non-current assets</b> (number of times)		
$\frac{\text{Turnover}}{\text{Non-current assets}} =$	0.058	0.079
<b>d) Turnover of total assets</b> (number of times)		
$\frac{\text{Turnover}}{\text{Total assets}} =$	0.055	0.073

### 4. Profitability ratios

	31 December 2011	31 December 2012
<b>a) Profitability of capital employed (%)</b>		
Profit before interest and income tax /Capital employed*	4.91%	4.79%
<b>b) Return on Assets (%)</b>		
$\frac{\text{Net Profit}}{\text{Total assets}} =$	4.87%	4.77%
<b>c) Return on Equity (%)</b>		
$\frac{\text{Net Profit}}{\text{Shareholders' equity}} =$	4.89%	4.79%
<b>d) Dividend yield (%)</b>		
$\frac{\text{Dividend per share}}{\text{Share price**}} =$	0.07	0.07
<b>e) Dividend pay-out ratio</b>		
$\frac{\text{Dividend per share}}{\text{Profit per share}} =$	0.95	0.93

\* Capital employed includes Shareholders' equity

\*\* Closing price as at 31 December 2011 and 31 December 2012

This is a translation from the official Romanian version.



## 10. OTHER INFORMATION

### a) Information regarding the presentation of the Fund

The Fund is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law no. 247/2005, and registered in Bucharest on 28 December 2005. During the reporting period, the address of the Fund's registered office was 78 – 80, Buzești Street, 7th Floor, District 1, Bucharest.

When established, the Fund was an entity controlled by the Romanian state represented by the Ministry of Public Finance, the stake of the state decreasing below the control threshold, as the compensation process in accordance with Law 247/2005 continued.

The Fund undertakes its activities in accordance with Law 247/2005, regarding the securities market, as amended ("Law 297/2004"), and Law no. 31/1990 regarding companies, republished, with subsequent amendments ("Law 31/1990").

In accordance with its statute, the main activity of the Fund is performing financial investments (Code CAEN 6430 – mutual funds and other similar financial entities).

Fund's investment objective is long-term capital appreciation via investments mainly in Romanian equities or equities-linked securities.

The Fund was established to allow the payment through equivalent of compensations in respect of abusive expropriations undertaken by the Romanian State during the communist period, where properties could not be returned in kind.

The records of the shares and shareholders are kept by Depozitarul Central SA, according to the law.

In June 2009, Franklin Templeton Investment Management Ltd was selected to perform investment management and administration services for Fondul Proprietatea. The investment management agreement was signed in February 2010 and came into effect on 29 September 2010, when Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch became the Fund Manager and Sole Director of the Fund.

Since 25 January 2011 Fondul Proprietatea has been a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I (Shares) of the Securities Sector of the market, under ISIN number ROFPTAACNOR5 with the market symbol "FP".

### b) Information regarding the relationship of the Fund with subsidiaries, associates or with other companies in which strategic investments are held

The details regarding the related parties' transactions and the nature of the relationships with them are disclosed in Note 14.

**10. OTHER INFORMATION (continued)****c) Information regarding the current income tax**

	2011	2012
Gross profit	545,577,881	566,965,437
Tax deduction related to the allocation of profit to the legal reserve	(1,717,482)	-
Income from provisions and impairment adjustments - Non taxable	(30,514,774)	(5,639,063)
Income from dividends - Non taxable	(511,228,240)	(615,121,343)
Expenses with provisions and impairment adjustments - Non deductible	11,705,864	49,747,870
Other non-deductible expenses	575,716	783,022
<b>Taxable profit / (Fiscal loss) for the current year</b>	<b>14,398,965</b>	<b>(3,264,077)</b>
Tax losses carried forward	(867,946)	-
<b>Taxable profit / (Fiscal loss) taking into account tax losses carried forward from previous year</b>	<b>13,531,019</b>	<b>(3,264,077)</b>
Current income tax (16%)	2,164,963	-
Prior year income tax adjustment	-	(23,214)
Deductible foreign tax credit	(412,298)	-
<b>Income tax</b>	<b>1,752,665</b>	<b>(23,214)</b>
Income tax declared for the current year and paid	2,044,577	413,706
Income tax receivable	291,912	436,920

**d) Turnover**

Turnover includes total revenues from current activity, consisting mainly of dividend income and interest income, as well as Revenues from disposal of financial assets.

**e) Auditor's fees**

The financial auditor of Fondul Proprietatea for the year 2012 is Deloitte Audit SRL. The audit fee for the audit of the financial statements prepared in accordance with Romanian accounting regulations (CNVM Order 13/2011) of the year 2012 (statutory audit) is of RON 101,329 excluding VAT and is recorded in the period when the services are provided (partially in 2012 and partially in 2013).

## 11. PORTFOLIO COMPONENTS

Name of the company	% of the share capital held as at 31 December 2012	Cost as at 31 December 2012	Market value as at 31 December 2012
<b>Listed companies</b>			
Alcom SA	71.89%	471,052	2,677,470
Alro SA	10.21%	176,493,362	145,769,428
Banca Transilvania	2.93%	59,855,952	70,895,864
BRD - Group Societe Generale SA	3.64%	326,157,637	205,892,268
Comcereal Cluj SA	11.36%	913,756	1,097,534
Conpet SA	29.70%	69,313,368	92,958,315
Erste Group Bank AG	0.10%	62,263,612	42,242,729
Forsev SA	28.14%	3,780,366	6,309,952
IOR SA	2.81%	348,756	1,284,914
Mecanoenergetica SA	10.07%	256,275	136,810
Mecon SA	12.51%	484,544	78,070
Oil Terminal SA	8.45%	13,057,145	7,874,644
OMV Petrom SA	20.10%	5,714,197,261	4,876,542,833
Palace SA	15.42%	1,860,419	2,022,705
Primcom SA	75.48%	27,749,567	23,414,095
Raiffeisen Bank International AG	0.43%	153,379,278	118,905,477
Resib SA	2.87%	126,217	-
Romaero SA	20.99%	58,533,949	13,444,833
Romplumb SA	33.26%	19,249,219	-
Severnav SA	39.10%	14,014,409	350,939
Telerom Proiect SA	68.63%	236,083	53,572
Transelectrica SA	13.49%	262,614,413	125,570,240
Transgaz SA	14.98%	177,353,514	384,687,160
Transilvania Com SA	39.99%	177,010	1,582,780
Turdapan SA	44.06%	240,000	105,514
<b>Subtotal – Listed companies</b>		<b>7,143,127,164</b>	<b>6,123,898,146</b>
<b>Unlisted companies</b>			
Aeroportul International Mihail Kogalniceanu - Constanta SA	20.00%	1,490,898	4,958,976
Aeroportul International Timisoara - Traian Vuia SA	20.00%	2,652,588	6,355,563
BAT Service SA	33.00%	656,686	-
Carbid Fox SA	7.96%	927,357	-
Carom - Broker Asigurare SA	70.00%	1,161,986	1,060,579
Celuloza si Otel SA	8.62%	230,675	1,031,664
Cetatea SA	20.43%	118,840	406,717
Ciocarlia SA	1.68%	37,125	386,063
CN Administratia Canalelor Navigabile SA	20.00%	15,194,209	15,545,519
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	3,512,719
CN Administratia Porturilor Dunarii Maritime SA	20.00%	1,351,671	-
CN Administratia Porturilor Maritime SA	19.99%	65,441,294	67,431,854
CN Aeroporturi Bucuresti SA	20.00%	131,168,263	271,999,943
Commetex SA	15.99%	193,500	216,106
Complexul Energetic Oltenia SA	21.53%	670,084,812	879,999,320
Comsig SA	69.94%	132,632	1,746,072
E.ON Energie Romania SA	13.39%	45,765,358	68,439,293
E.ON Gaz Distributie SA	11.99%	37,470,244	143,298,950

This is a translation from the official Romanian version..

## 11. PORTFOLIO COMPONENTS (continued)

Name of the company	% of the share capital held as at 31 December 2012	Cost as at 31 December 2012	Market value as at 31 December 2012
E.ON Moldova Distributie SA	22.00%	131,073,011	323,999,941
Electrica Distributie Muntenia Nord SA	21.99%	165,221,141	274,917,361
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	188,996,659
Electrica Distributie Transilvania Sud SA	21.99%	125,918,629	202,614,681
Electrica Furnizare SA	22.00%	17,819,672	-
Electroconstructia Elco Cluj SA	7.61%	319,656	540,238
ENEL Distributie Banat SA	24.12%	141,578,929	445,453,922
ENEL Distributie Dobrogea SA	24.09%	114,760,053	301,442,031
ENEL Distributie Muntenia SA	12.00%	107,277,263	344,037,260
Enel Energie Muntenia SA	12.00%	2,833,769	37,185,260
ENEL Energie SA	12.00%	26,124,808	14,543,088
Fecne SA	12.12%	-	-
GDF Suez Energy Romania SA	12.00%	62,522,462	339,635,800
Gerovital Cosmetics SA	9.76%	340,996	-
Hidroelectrica SA	19.94%	3,106,503,426	2,000,999,130
Nuclearelectrica SA	9.72%	967,926,936	647,999,811
Petrotel - Lukoil SA	1.78%	2,787,316	-
Plafar SA	48.99%	3,160,329	5,211,599
Posta Romana SA	25.00%	84,664,380	80,821,596
Romgaz SA	14.99%	416,301,444	1,296,310,313
Salubriserv SA	17.48%	207,601	10,917,496
Simtex SA	30.00%	3,059,858	-
Societatea Nationala a Sarii SA	48.99%	76,347,715	97,955,139
Uzina Mecanica Bucuresti SA	36.60%	20,024,890	-
World Trade Center Bucuresti SA	19.90%	42,459	-
World Trade Hotel SA	19.90%	17,912	15,678
Zirom SA	100.00%	36,030,702	36,290,939
<b>Total Unlisted companies</b>		<b>6,700,919,209</b>	<b>8,116,277,280</b>
<b>Total</b>		<b>13,844,046,373</b>	<b>14,240,175,426</b>

The market values for the financial assets presented above are the values as per the 31 December 2012 NAV report. They are determined according to regulations currently applying to Fondul Proprietatea (CNVM Regulation no. 4/2010, amended by CNVM Regulation no. 11/2012), as follows:

- for listed shares traded in the last 30 days: last closing price in 2012;
- for unlisted shares or listed shares not traded in the last 30 days: either shareholders' equity value per latest financial statements (proportionally with the stake held) or by using valuation methods in accordance with International Valuation Standards (fair value principles);
- shares in companies going through an insolvency or reorganization procedure are valued either at zero or at the value provided by an independent valuer, using valuation methods in accordance with International Valuation Standards (fair value principles);
- shares in companies under judicial liquidation procedure, or any other liquidation procedures, as well as in companies under temporary or final suspension of operation, are valued at zero until the procedure is finalised.

## 12. CASH AND BANK ACCOUNTS

	1 January 2012	31 December 2012
Term deposits with banks in RON	280,800,000	303,200,000
Overnight deposits with banks in RON	14,680,227	12,825,830
Overnight deposits with banks in foreign currency	117	2,512
<b>Subtotal deposits</b>	<b>295,480,344</b>	<b>316,028,342</b>
Current accounts with banks in RON	14,073	60,488
Current accounts with banks in RON – payment of dividends	1,864,920	1,791,607
Current accounts with banks in foreign currency	33,680	3,141
Cash in hand	135	2,391
<b>Subtotal current accounts and cash</b>	<b>1,912,808</b>	<b>1,857,627</b>
<b>Total</b>	<b>297,393,152</b>	<b>317,885,969</b>

A breakdown of deposits with banks, by counterparty, is presented below:

Bank	1 January 2012	31 December 2012
Citi Bank Romania	8,000,000	88,600,000
Banca Comerciala Romana SA	83,000,000	70,900,000
Raiffeisen Bank	10,000,000	51,700,000
Unicredit Tiriace Bank	71,000,000	40,000,000
RBS Bank Romania SA	50,000,000	40,000,000
ING Bank NV Sucursala Bucuresti	4,950,312	17,133,624
BRD Groupe Societe Generale	68,530,032	7,694,718
<b>TOTAL</b>	<b>295,480,344</b>	<b>316,028,342</b>

Description		Deposit amount		Interest as at 31 December 2012		Weigh in total Deposit amount	Date	
Bank	Acc	Due date<60 days	Due date > 60 days	%	Amount		Start date	Maturity date
Term Deposits								
Banca Comerciala Romana SA	5121	40,900,000	-	5.20%	118,156	12.94%	12-Dec-12	08-Jan-13
Banca Comerciala Romana SA	5121	5,000,000	-	5.40%	18,750	1.58%	07-Dec-12	14-Jan-13
Banca Comerciala Romana SA	5121	25,000,000	-	5.35%	81,736	7.91%	10-Dec-12	14-Jan-13
Citi Bank Romania	5121	15,000,000	-	4.80%	70,000	4.75%	27-Nov-12	03-Jan-13
Citi Bank Romania	5121	23,600,000	-	4.85%	104,922	7.47%	29-Nov-12	08-Jan-13
Citi Bank Romania	5121	50,000,000	-	5.25%	80,208	15.82%	21-Dec-12	25-Jan-13
ING Bank NV Sucursala Bucuresti	5121	-	12,000,000	4.50%	114,000	3.80%	17-Oct-12	08-Jan-13
Raiffeisen Bank	5121	26,700,000	-	5.45%	44,463	8.45%	21-Dec-12	01-Feb-13
Raiffeisen Bank	5121	-	25,000,000	5.25%	280,729	7.91%	16-Oct-12	03-Jan-13
RBS Bank Romania SA	5121	15,000,000	-	4.80%	70,000	4.75%	27-Nov-12	03-Jan-13
RBS Bank Romania SA	5121	25,000,000	-	4.70%	88,125	7.91%	05-Dec-12	07-Jan-13
Unicredit Tiriace Bank	5121	-	15,000,000	5.00%	160,417	4.75%	16-Oct-12	03-Jan-13
Unicredit Tiriace Bank	5121	25,000,000	-	6.30%	48,125	7.91%	21-Dec-12	18-Jan-13
Total Term Deposits		251,200,000	52,000,000		1,279,631	95.95%		
Overnight Deposits								
ING Bank NV Sucursala Bucuresti	5121	5,131,112	-	1.30%	185	1.62%	31-Dec-12	03-Jan-13
ING Bank NV Sucursala Bucuresti	5124	2,512	-	0.02%	-	0.00%	31-Dec-12	03-Jan-13
BRD Groupe Societe Generale	5121	7,694,718	-	6.05%	1,293	2.43%	31-Dec-12	03-Jan-13
Total Overnight Deposits		12,828,342	-		1,478	4.05%		
Total Deposits		264,028,342	52,000,000		1,281,109	100%		

This is a translation from the official Romanian version.

**12. CASH AND BANK ACCOUNTS (continued)**

All deposits with banks as at 31 December 2012 and 1 January 2012 had original maturities less than or equal to 3 months.

**13. SHORT TERM INVESTMENTS**

The short term investments comprise treasury bills with discount, with residual maturity up to 12 months as at the year-end 2012, and with face value at maturity of RON 461,970,000.

The implicit interest rates calculated (based on the yield to maturity for each issue) ranged between 5.3% and 6.3% per year.

Treasury Bills	1 January 2012	31 December 2012
Acquisition cost of treasury bills	193,434,136	448,059,009
Accrued interest receivable for treasury bills	2,485,537	6,673,847
<b>TOTAL</b>	<b>195,919,673</b>	<b>454,732,856</b>

Intermediary Bank	ISIN	Treasury Bills		Interest at 31 December 2012		% in total amount of T-bills	Date	
		Maturity < 60 days	Maturity > 60 days	%	Amount		Starting date	Maturity date
Banca Comerciala Romana SA	RO1213CTN015	-	24,345,149	5.35%	625,907	5.43%	12-Jul-12	09-Jan-13
BRD Groupe Societe Generale	RO1213CTN049	48,001,986	-	6.00%	40,001	10.70%	27-Dec-12	06-Feb-13
Citi Bank Romania	RO1213CTN0I0	-	24,983,985	6.00%	491,352	5.58%	05-Sep-12	07-May-13
ING Bank NV	RO1213CTN0G4	-	24,999,681	5.91%	566,470	5.58%	16-Aug-12	24-Apr-13
ING Bank NV	RO1213CTN0I0	-	49,997,822	6.11%	1,002,119	11.16%	05-Sep-12	07-May-13
ING Bank NV	RO1213CTN0K6	-	27,090,872	5.99%	500,013	6.05%	12-Sep-12	14-May-13
ING Bank NV	RO1213CTN023	-	19,171,921	5.55%	283,744	4.28%	27-Sep-12	16-Jan-13
ING Bank NV	RO1213CTN0M2	-	19,992,169	5.91%	295,631	4.46%	03-Oct-12	03-Apr-13
ING Bank NV	RO1213CTN0P5	39,991,975	-	6.08%	371,405	8.93%	07-Nov-12	06-Nov-13
ING Bank NV	RO1213CTN023	32,194,510	-	5.60%	230,370	7.19%	16-Nov-12	16-Jan-13
Raiffeisen Bank	RO1213CTN056	-	25,001,450	5.39%	647,589	5.58%	12-Jul-12	13-Feb-13
Raiffeisen Bank	RO1213CTN023	-	24,379,078	5.30%	567,084	5.44%	27-Jul-12	16-Jan-13
Raiffeisen Bank	RO1213CTN023	-	21,495,308	5.75%	453,193	4.80%	22-Aug-12	16-Jan-13
Raiffeisen Bank	RO1213CTN023	-	2,666,831	5.55%	37,002	0.60%	03-Oct-12	16-Jan-13
Raiffeisen Bank	RO1213CTN023	-	5,205,732	5.55%	72,230	1.16%	03-Oct-12	16-Jan-13
Raiffeisen Bank	RO1213CTN080	-	20,003,695	5.80%	244,930	4.46%	17-Oct-12	20-Mar-13
RBS Bank Romania SA	RO1213CTN049	19,731,325	-	5.70%	156,206	4.40%	12-Nov-12	06-Feb-13
RBS Bank Romania SA	RO1213CTN0R1	18,805,520	-	6.28%	88,601	4.20%	05-Dec-12	04-Dec-13
<b>TOTAL</b>		<b>158,725,316</b>	<b>289,333,693</b>		<b>6,673,847</b>	<b>100.00%</b>		

This is a translation from the official Romanian version.

## 14. RELATED PARTIES TRANSACTIONS

The transactions with the related parties have been performed in the normal course of business of the Fund.

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but during 2011 its holding fell below the control threshold (as at 31 December 2012: 2.67% of issued share capital, respectively 0.02% of paid in share capital).

### (a) Subsidiaries

The Fund has the following subsidiaries, all of which are incorporate in Romania:

Ownership interest	2011	2012
Alcom SA Timisoara	72%	72%
Carom – Broker de Asigurare SA Bucuresti	70%	70%
Comsig SA Sighisoara	70%	70%
Delfincom SA Bucuresti*	66%	-
Prestari Servicii SA Bucuresti*	71%	-
Primcom SA Bucuresti*	79%	75%
Romplumb SA Baia Mare**	51%	33%
Telerom Proiect SA Bucuresti	69%	69%
Zirom SA Giurgiu	100%	100%

\*In 2012 Primcom SA, Delfincom and Prestari Servicii merged, with Primcom SA as absorbing company, and Delfincom SA and Prestari Servicii SA as absorbed companies.

\*\* During 2012, Fond's holding in Romplumb decreased under control threshold.

### Dividend income

Company	2011	2012
Primcom SA Bucuresti	14,276,720	-
Delfincom SA Bucuresti	5,633,501	-
<b>TOTAL</b>	<b>19,910,221</b>	<b>-</b>

### Dividends collected

Company	2011	2012
Primcom SA Bucuresti	14,276,720	-
Delfincom SA Bucuresti	5,633,501	-
Carom – Broker de Asigurare SA Bucuresti	177,553	674
<b>TOTAL</b>	<b>20,087,774</b>	<b>674</b>

### Other income

Company	2011	2012
Carom – Broker de Asigurare SA Bucuresti	55,130	-
<b>TOTAL</b>	<b>55,130</b>	<b>-</b>

### (b) Associates

Ownership interest	2011	2012
OMV Petrom SA	20%	20%

In 2012 the Fund recorded and received from OMV Petrom SA a dividend of RON 353,125,036 (2011: RON 201,623,005).

This is a translation from the official Romanian version.



**14. RELATED PARTIES TRANSACTIONS (continued)****(c) Fund Manager**

During 2012, the Fund recorded the following expenses payable to Franklin Templeton Investment Management, Bucharest Branch, the Fund Manager of the Fund: investment management and administration fees RON 34,325,088 (2011: RON 32,149,759), rent expenses RON 105,276 (2011: RON 98,569) and related operating costs RON 28,188 (2011: RON 25,364).

During 2012 the Fund recorded also an amount of RON 1,012,597, representing expenses incurred by the Fund Manager on its behalf (2011: RON 1,141,266). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominee approval.

As at 31 December 2012 the liability to Fund Manager related to above mentioned transactions was in amount of RON 9,146,226 (1 January 2012: 27,401,373).

**15. DIVIDEND INCOME**

Company	2011	2012
OMV Petrom SA	201,623,005	353,125,036
Romgaz SA	106,010,598	140,639,003
Transgaz SA	50,768,117	52,515,091
Alro SA	13,460,900	19,375,860
Transelectrica SA	1,147,845	10,884,733
CN Aeroporturi Bucuresti SA	9,932,510	9,415,274
Conpet SA	6,984,786	6,612,533
CN Administratia Porturilor Maritime SA	-	6,570,224
Complexul Energetic Rovinari SA	20,711	6,457,434
Raiffeisen Bank International AG	4,498,766	3,849,941
BRD - Group Societe Generale SA	2,038,853	3,559,220
Electrica Distributie Muntenia Nord SA	-	1,801,112
Aeroportul International Timisoara - Traian Vuia SA	1,536,108	1,687,638
Enel Distributie Muntenia Si Enel Energie Muntenia-divid. 2005	-	799,994
CN Administratia Porturilor Dunarii Fluviale SA	564,468	693,950
CN Administratia Canalelor Navigabile SA	174,677	525,946
CN Administratia Porturilor Dunarii Maritime SA	193,493	200,775
Oil Terminal SA	172,289	138,868
Societatea Nationala a Sarii SA	754,995	87,602
Complexul Energetic Craiova SA	7,828	27,834
Ciocarlia SA	15,753	2,525
IOR SA	88	690
Hidroelectrica SA	52,478,623	-
ENEL Distributie Banat SA	20,161,712	-
Primcom SA	14,276,720	-
ENEL Distributie Dobrogea SA	13,529,334	-
GDF Suez Energy Romania SA (fost Distrigaz Sud)	9,600,000	-
Delfincom SA	5,633,501	-
Erste Group Bank AG	3,338,348	-
Electrica Furnizare Transilvania Sud SA	88,801	-
Romaero SA	52,525	-
<b>TOTAL</b>	<b>519,065,354</b>	<b>618,971,283</b>

This is a translation from the official Romanian version.

## 16. FINANCIAL RISK MANAGEMENT

Given the nature of its business, the Fund is exposed to various risks, which include: market risk, credit risk, liquidity risk, operational risk and the risks related to the economic environment. The management monitors the reduction of the potential adverse effect associated with these risk factors on the financial performance of the Fund.

With effect from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

### *i) Market risk*

The market risk includes foreign currency risk, interest rate risk and price risk.

#### *Foreign currency risk*

The Fund can make investments in financial instruments or perform transactions denominated in foreign currency. As a result, the Fund is exposed to the risk that fluctuations in exchange rates can have an adverse effect on the value of the net assets of the Fund denominated in foreign currency.

Cash accounts and receivables denominated in foreign currency are not significant, only amounting to EUR 1,276 and EUR 181,518 respectively.

The Fund considers that its functional currency is the local currency (RON).

#### *Interest rate risk*

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and treasury bills) have generally short term maturity, deposits up to 3 months and treasury bills up to 12 months. As a result, the Fund has a limited exposure to variations in interest rates.

#### *Price risk*

Price risk is the risk that the value of the securities fluctuates as a result of changes occurring on the capital market, and it is determined by factors specific to an issuer, industry, country or region or that otherwise influence the capital market overall. This is the most significant source of risk and variability in the value of the Fund.

This risk has become more significant in recent years, especially since the latter half of 2008, given the large reductions in value of the stock exchange quotations for some of the securities in the Fund's portfolio. It has been necessary to book impairment adjustments in certain cases during recent years, and these negatively influenced shareholders' equity. During 2009, 2010 and the first part of 2011 impairment adjustments previously booked have been partially reversed due to market recoveries, but in the second part of 2011 significant impairment adjustments have been recorded for some of the listed equity investments of the Fund. Some of the impairment adjustments previously booked for listed holdings were reversed in 2012.

### *ii) Credit risk*

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills and dividends receivable.

For treasury bills held, the credit risk is assessed as low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finance.

Cash held by the Fund that is not invested in portfolio companies or treasury bills may be invested in short term bank deposits. After the Fund's management was taken over by the Fund Manager, a formal policy regarding bank counterparty risks and limits was established. The Fund only establishes new deposits where the financial institution or the institution's corporate parent, have a credit

**16. FINANCIAL RISK MANAGEMENT (continued)**

rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

**iii) Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's equity investments include unlisted securities, which are not traded on a regulated market and generally may be considered illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The equity securities held by the Fund are listed on the Bucharest Stock Exchange or Vienna Stock Exchange. However, not all the shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

**iv) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative.

**v) Operating environment**

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence, prompted coordinated efforts by governments and central banks to adopt special measures through 2012. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

## 17. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2012 the Fund was involved in certain litigations, either as defendant or claimant. Fund discloses in the financial statements those litigations which may have significant effects on the Fund's financial position or profitability. The most important litigations were the following:

**1. During 2012 there has been a court litigation involving the Fund and Nuclearelectrica.**

In this file the Fund has sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer in the Nuclearelectrica's shareholders register of a total of 20,077,953 shares from the Ministry portfolio to the Fund portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the share capital increases that took place between 1 February 2006 and 13 November 2007. The litigation was solved at the first stage by the Bucharest Court with the Court ruling against the Fund. The Fund has appealed the decision of the Court and the Bucharest Court of Appeal ruled against the Fund. The Fund filed the second appeal asking High Court of Cassation and Justice to issue the final and irrevocable decision. On 1 November 2012, the High Court of Cassation and Justice irrevocably ruled against the Fund and decided that the Fund has no right to receive additional shares issued by Nuclearelectrica.

On August 2011 for safety reasons, given that the decision issued by the first court in this case is enforceable, the Fund has blocked a total of 340,796,918 shares, in amount of RON 340,796,918 computed based on the valuation report issued in October 2007 by an independent evaluator (Finevex S.R.L. Constanta) for the shares presumed to be owned by the Fund in Nuclearelectrica. The Fund considered that in fact the Ministry of Public Finance has not contributed to the share capital of the Fund with this amount. As a result of the irrevocable decision issued by High Court of Cassation and Justice the Fund will propose the shareholders measures in order to solve the issue of unpaid share capital.

As at 31 December 2012 the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

**2. Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meeting ("GSM") and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Stock Exchange news system.**

In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund. This decision is now irrevocable. Based on legal opinions received, management notes that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new versions were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM and the 23 November 2012 GSM;
- new resolutions passed during the 25 April 2012 GSM and 23 November 2012 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority).

Therefore, FTIML as the Fund Manager of Fondul Proprietatea is liable to observe the current Constitutive Act and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and its management agreement.

The outcome of the ongoing cases cannot be determined with certainty at this stage. However, management intends to defend the interests of the Fund and its shareholders in all these cases in accordance with the applicable laws.

This is a translation from the official Romanian version.

## 17. CONTINGENT ASSETS AND LIABILITIES (continued)

Other contingencies of the Fund included:

1. The Fund shall receive the following amounts from the Romanian State:
  - the amount resulted from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom SA shares;
  - 20% of the amounts resulting from the privatization of Romtelecom SA;
  - 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian state once they are collected, with the approval of shareholders, according to the legislation in force.

2. Receivables due from the World Trade Center Bucharest SA:

Title II, Article 4 of GEO 81/2007 stipulates the transfer from the Authority for State Assets Recovery ("AVAS") to the Fund of receivables from World Trade Center Bucharest SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

Until 31 December 2012, the Fund recovered from World Trade Center Bucharest SA: USD 510,131, EUR 148,701 and RON 8,724,888.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 26 June 2013. Given the uncertainties regarding their recoverability, the World Trade Center Bucharest SA receivables were recognised on receipt basis in the Fund's financial statements.

## 18. SUBSEQUENT EVENTS

### Addendum no 2 to the Investment Management Agreement

On 23 January 2013, CNVM announced the Fund that issued the Decision no. 48/22.01.2013 deciding not to endorse the Addendum 2 to the IMA approved by shareholders on 4 April 2012.

On 4 April 2012, the Fund's shareholders approved the amendment of the IMA concluded between FTIML and Fondul Proprietatea, establishing an additional fee equivalent to a fixed percentage of the value of the Excess Distribution as follows:

For Excess Distributions that are executed before 31 December 2012	1.5% of the Excess Distribution
For Excess Distributions that are executed in calendar year 2013	1.5% of the Excess Distribution
For Excess Distributions that are executed after calendar year 2013 and before termination of the IMA	1.0% of the Excess Distribution

According to CNVM Regulation 4/2010 any changes to the IMA must be endorsed by CNVM, and as a result the Fund asked for CNVM's endorsement in April 2012. After 9 months, CNVM communicated the decision with the following arguments:

- the structure of fees (fixed fee, performance fee) provided in the final offer document of FTIML submitted in the international tender for appointing the portfolio manager of the Fund should be maintained after the appointment;
- the fees provided in the Addendum 2 to the IMA were not set in accordance with the Regulation for organising the international tender for appointing the portfolio manager of the Fund;
- providing supplemental distributions through special dividend does not meet the objective proposed by FTIML in course the international tender for appointing the portfolio manager of the Fund.

Given that the IMA and subsequent addendums are approved by the Fund's shareholders and concluded between the Fund and the Fund Manager, the Fund Manager will carefully consider further steps that may be appropriate and will update investors of any further material developments.

This is a translation from the official Romanian version.

**S.C. FONDUL PROPRIETATEA S.A.**  
**INFORMATIVE DATA**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
**FORM 30**

(all amounts are expressed in RON, unless otherwise specified)

**Informative Data**

<b>I. Data regarding the financial result</b>	<b>No Row</b>	<b>No of units 1</b>	<b>Amounts (RON) 2</b>
Units that incurred profit	<b>01</b>	1	566,988,651
Units that incurred losses	<b>02</b>	-	-

<b>II. Data regarding the overdue payments</b>	<b>No row</b>	<b>Total Col.2+3</b>	<b>Of which:</b>	
<b>A</b>	<b>B</b>	<b>1</b>	<b>For the current activity 2</b>	<b>For the investment activity 3</b>
<b>Overdue Liabilities-total (row 04+08+14 to 18+22), of which:</b>	<b>03</b>	<b>11,760</b>	<b>11,760</b>	<b>-</b>
<b>Overdue Suppliers – total (row 05 to 07), of which:</b>	<b>04</b>	<b>11,760</b>	<b>11,760</b>	<b>-</b>
- over 30 days	<b>05</b>	-	-	-
- over 90 days	<b>06</b>	-	-	-
- over 1 year	<b>07</b>	11,760	11,760	-

<b>III. Average number of employees</b>	<b>No row</b>	<b>31.12.2011</b>	<b>31.12.2012</b>
<b>A</b>	<b>B</b>	<b>1</b>	<b>2</b>
Average number of employees	<b>23</b>	1	-

<b>IV. Payments of interest, dividends and royalties</b>	<b>No row</b>	<b>Amounts</b>
<b>A</b>	<b>B</b>	<b>1</b>
Gross dividends income paid by Romanian juridical persons to non-residents, of which:	<b>32</b>	296,098,239
- taxes owed to the state budget	<b>33</b>	37,305,702

<b>V. Lunch vouchers</b>	<b>No row</b>	<b>Amounts</b>
<b>A</b>	<b>B</b>	<b>1</b>
Total value of the lunch vouchers given to the employees	<b>38</b>	-

This is a translation from the official Romanian version.

VIII. Other information	No row	31.12.2011	31.12.2012
A		1	2
<b>Financial assets, gross values (row 52 + 61), of which:</b>	<b>51</b>	<b>14,014,664,175</b>	<b>13,844,046,373</b>
<b>Shares held in subsidiaries, investments in associates, other non-current investments and bonds, gross values (row 53 to 60), of which::</b>	<b>52</b>	<b>14,014,664,175</b>	<b>13,844,046,373</b>
- listed shares issued by residents	53	6,946,676,557	6,927,484,275
- unlisted shares issued by residents	54	6,680,348,420	6,700,919,209
- shares and social parts issued by non-residents	59	387,639,198	215,642,889
<b>Trade receivables, advances to suppliers and other similar accounts, gross values (account 4092 + 411 + 413 + 418), of which:</b>	<b>64</b>	<b>2,797</b>	<b>1,979</b>
<b>Receivables from social security and state budget (account 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482), (row 68 to 72), of which:</b>	<b>67</b>	<b>330,217</b>	<b>673,274</b>
- receivables from social securities (account 431 + 437 + 4382)	68	38,305	38,305
- fiscal receivables from state budget (account 441 + 4424 + 4428 + 444 + 446)	69	291,912	634,964
- other receivables from state budget (account 4482)	72	-	5
<b>Other receivables (account 452 + 456 + 4582 + 461 + 471 + 473), of which:</b>	<b>74</b>	<b>65,353,717</b>	<b>54,516,316</b>
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 4582)	75	10,001,304	4,790,234
- other receivables from individuals and legal entities, other than receivables from public institutions, (from account 461 + from account 471 + from account 473)	76	55,352,413	49,726,082
Interests Receivables (account 5187), of which	77	876,457	1,281,109
- from non-residents	78	-	-
<b>Short term investments, in gross amounts (account 501 + 503 + 505 + 506 + 507+ from the account 508) (row 80 to 88), of which:</b>	<b>79</b>	<b>195,919,673</b>	<b>454,732,856</b>
- treasury bonds issued by residents	83	195,919,673	454,732,856
<b>Petty cash in RON and currency (row 91 + 92), of which:</b>	<b>90</b>	<b>135</b>	<b>2,391</b>
- in RON (account 5311)	91	135	2,391
<b>Bank accounts, in RON and currency (row 94 + 96), of which:</b>	<b>93</b>	<b>297,393,017</b>	<b>317,883,578</b>
- in RON (account 5121)	94	297,359,220	317,877,925
- in currency (account 5124)	96	33,797	5,653
<b>Liabilities (row 102 + 105 + 108 + 111 + 114 + 117 + 120 + 123 + 126 + 128 + 131 + 132 + 135 + 137 + 138 + 143 + 144 + 145 + 150 ), of which:</b>	<b>101</b>	<b>42,206,773</b>	<b>21,064,178</b>

This is a translation from the official Romanian version.



VIII. Other information (continued)	No row	31.12.2011	31.12.2012
<b>Trade payables, advances from clients and other similar accounts, gross values (account 401 + 403 + 404 + 405 + 408 + 419), of which:</b>	<b>136</b>	<b>27,590,485</b>	<b>10,295,208</b>
- external trade payables, advances from foreign clients and other similar accounts, gross values (from account 401 + from account 403 + from account 404 + from account 405 + from account 408 + from account 419)	137	-	222,588
<b>Liabilities to employees and similar accounts (account 421 + 423 + 424 + 426 + 427 + 4281)</b>	<b>138</b>	<b>-</b>	<b>31,750</b>
<b>Liabilities to social security and state budget (account 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481), row 140 to 143), of which:</b>	<b>139</b>	<b>2,377,794</b>	<b>1,255,500</b>
- liabilities to social securities (account 431 + 437 + 4381)	140	18,968	18,968
- fiscal liabilities to state budget (account 441 + 4423+ 4428 + 444 + 446)	141	2,358,826	1,236,532
<b>Other liabilities (account 452 + 456 + 457 + 4581+ 462 + 472 + 473 + 269 + 509), of which:</b>	<b>146</b>	<b>12,238,494</b>	<b>9,481,720</b>
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 457 + 4581)	147	12,238,494	9,481,720
<b>Subscribed paid in share capital (account 1012) (row 153 to 156), of which:</b>	<b>152</b>	<b>13,407,569,096</b>	<b>13,412,780,166</b>
- listed shares	153	13,407,569,096	13,412,780,166
<b>Subscribed paid in share capital (account 1012) (row 158 + 161 to 164)</b>	<b>157</b>	<b>13,407,569,096</b>	<b>13,412,780,166</b>
<b>- share capital owned by public institutions, of which:</b>	<b>158</b>	<b>2,113,769</b>	<b>3,007,909</b>
- public institution with Central subordination	159	2,113,769	3,007,909
- owned by companies with private capital	162	6,947,003,555	8,422,125,647
- owned by individuals	163	6,098,879,574	4,680,015,035
- owned by other entities	164	359,572,198	307,631,575
<b>Brevets and licences (from account 205)</b>	<b>165</b>	<b>5,139</b>	<b>5,139</b>

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch  
acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

Grzegorz Maciej Konieczny  
Legal Representative

Prepared by  
Mihaela Moleavin  
Financial Reporting Manager

**S.C. FONDUL PROPRIETATEA S.A.**  
**STATEMENT OF NON-CURRENT ASSETS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**FORM 40**

(all amounts are expressed in RON, unless otherwise specified)

**Statement of Non-Current Assets**

Elements of non-current assets	No of row	Gross Values				Final Balance (col. 5=1+2-3)
		Initial Balance	Increase	Total	Decrease Of which: Dismantling and scrapped	
A	B	1	2	3	4	5
<b>Intangibles Assets</b>						
Other assets -software	02	5,139	-	-	-	5,139
Advances and intangible assets in progress		-	323,413	-	-	323,413
<b>Total (row 01 to 03)</b>	<b>04</b>	<b>5,139</b>	<b>323,413</b>	<b>-</b>	<b>-</b>	<b>328,552</b>
<b>Tangible assets</b>						
Machinery and equipment	07	6,608	-	-	-	6,608
<b>Total (row 05 to 09)</b>	<b>10</b>	<b>6,608</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,608</b>
<b>Financial assets</b>	<b>11</b>	<b>14,014,664,175</b>	<b>24,437,617</b>	<b>195,055,419</b>	<b>-</b>	<b>13,844,046,373</b>
<b>Total non-current assets (row 04 + 10 + 11)</b>	<b>12</b>	<b>14,014,675,922</b>	<b>24,761,030</b>	<b>195,055,419</b>	<b>-</b>	<b>13,844,381,533</b>

**Statement of Amortization and Depreciation of Non-Current Assets**

Elements of non-current assets	No of row	Initial balance	Amortization during the year	Amortization of the assets removed from the records	Amortization at the end of the year (col. 9 = 6+7-8)
A	B	6	7	8	9
<b>Intangibles Assets</b>					
Other assets - software	14	5,139	-	-	5,139
<b>Total (row 13+14)</b>	<b>15</b>	<b>5,139</b>	<b>-</b>	<b>-</b>	<b>5,139</b>
<b>Tangibles Assets</b>					
Machinery and equipment	18	6,608	-	-	6,608
<b>Total (row 16 to 19)</b>	<b>20</b>	<b>6,608</b>	<b>-</b>	<b>-</b>	<b>6,608</b>
<b>Total (row 15+20)</b>	<b>21</b>	<b>11,747</b>	<b>-</b>	<b>-</b>	<b>11,747</b>

## Statement of Adjustments for Impairment

Elements of non-current assets	No of row	Initial balance	Adjustments for impairment during the year	Reversal of adjustments for impairment	Final Balance (col. 13=10+11-12)
A	B	10	11	12	13
Financial Assets	32	3,386,786,095	1,774,904,998	2,415,386,180	2,746,304,913
<b>Total impairment adjustments (row 25+31+32)</b>	<b>33</b>	<b>3,386,786,095</b>	<b>1,774,904,998</b>	<b>2,415,386,180</b>	<b>2,746,304,913</b>

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch  
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Prepared by  
Mihaela Moleavin  
Financial Reporting Manager

## Annex 2

## STATEMENT OF ASSETS AND OBLIGATIONS AS AT 31 DECEMBER 2012 PREPARED IN ACCORDANCE WITH CNVM REGULATION NO. 4/2010 (ANNEX NO. 4)

Item	31 December 2011				31 December 2012				Differences	
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	Lei	
<b>I. Total assets</b>	<b>100.3899%</b>	<b>100.0000%</b>		<b>14,521,783,892.18</b>	<b>100.2527%</b>	<b>100.0000%</b>		<b>15,017,064,409.30</b>	<b>495,280,517.12</b>	
1 <b>Securities and money market instruments, out of which:</b>	33.3346%	33.2051%		4,821,970,639.06	40.8826%	40.7796%		6,123,898,146.23	1,301,927,507.17	
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	32.1860%	32.0609%	-	4,655,820,846.69	39.8068%	39.7065%	-	5,962,749,939.79	1,306,929,093.10	
1.1.1 listed shares traded in the last 30 days	32.0562%	31.9317%	-	4,637,045,277.22	39.5731%	39.4733%	-	5,927,734,779.24	1,290,689,502.02	
1.1.2 listed shares not traded in the last 30 days	0.1298%	0.1293%	-	18,775,569.47	0.2337%	0.2332%	-	35,015,160.55	16,239,591.08	
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	1.1486%	1.1441%	EUR	38,463,298.34	1.0758%	1.0731%	EUR	36,387,261.12	161,148,206.44	(5,001,585.93)
1.2.1 listed shares traded in the last 30 days	1.1486%	1.1441%	EUR	38,463,298.34	1.0758%	1.0731%	EUR	36,387,261.12	161,148,206.44	(5,001,585.93)
1.2.2 listed shares not traded in the last 30 days	-	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the National Commission of Securities (C.N.V.M.)	-	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	63.2585%	63.0128%	-	9,150,586,029.52	54.1836%	54.0470%	-	8,116,277,279.82	(1,034,308,749.70)	
- shares not admitted at trading	63.2585%	63.0128%	-	9,150,586,029.52	54.1836%	54.0470%	-	8,116,277,279.82	(1,034,308,749.70)	
4 Bank deposits, out of which:	2.0487%	2.0408%	-	296,356,800.71	2.1183%	2.1130%	-	317,309,451.54	20,952,650.83	
4.1. bank deposits made with credit institutions from Romania	2.0487%	2.0408%	-	296,356,800.71	2.1183%	2.1130%	-	317,309,451.54	20,952,650.83	
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-	-
4.3. bank deposits made with credit institutions from an non-EU state	-	-	-	-	-	-	-	-	-	-
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-	-
6 Current accounts and petty cash out of which:	0.0132%	0.0132%		1,912,807.55	0.0124%	0.0124%		1,857,627.12	(55,180.43)	
- in lei	0.0130%	0.0129%	-	1,879,010.52	0.0124%	0.0123%	-	1,851,973.75	(27,036.77)	
- in euro	0.0002%	0.0002%	EUR	7,823.93	0.0000%	0.0000%	EUR	1,276.53	5,653.37	(28,143.66)
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	1.3544%	1.3491%	-	195,919,672.51	3.0358%	3.0281%	-	454,732,856.81	258,813,184.30	
- Treasury bills with original maturities of less than 1 year	1.3544%	1.3491%	-	195,919,672.51	3.0358%	3.0281%	-	454,732,856.81	258,813,184.30	
8 Participation titles of UCITS and/or of OCII (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.3805%	0.3790%	-	55,037,942.83	0.0200%	0.0199%	-	2,989,047.78	(52,048,895.05)	
- net dividend receivable from Romanian companies	0.3628%	0.3614%	-	52,479,297.52	0.0053%	0.0053%	-	799,994.00	(51,679,303.52)	
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0119%	0.0119%	EUR	399,879.07	0.0054%	0.0054%	EUR	181,517.91	803,888.37	(923,469.25)
- tax on dividends to be recovered from the State Budget	0.0000%	0.0000%	-	-	0.0013%	0.0013%	-	198,044.00	198,044.00	
- tax on profit to be recovered from the State Budget	0.0020%	0.0020%	-	291,912.00	0.0029%	0.0029%	-	436,920.00	145,008.00	
- receivables from penalties levied for late payment of dividends	0.0033%	0.0032%	-	470,403.53	0.0024%	0.0024%	-	360,106.88	(110,296.65)	
- other debts	0.0003%	0.0003%	-	40,559.85	0.0003%	0.0003%	-	39,482.51	(1,077.34)	
- advance payments intangible assets	0.0000%	0.0000%	-	-	0.0022%	0.0022%	-	323,413.45	323,413.45	
- prepaid expenses	0.0002%	0.0002%	-	28,412.31	0.0002%	0.0002%	-	27,198.57	(1,213.74)	
<b>II. Total liabilities</b>	<b>0.3899%</b>	<b>0.3884%</b>		<b>56,404,599.90</b>	<b>0.2528%</b>	<b>0.2521%</b>		<b>37,862,403.66</b>	<b>(18,542,196.24)</b>	
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1879%	0.1872%	-	27,179,316.02	0.0592%	0.0590%	-	8,862,463.06	(18,316,852.96)	
2 Liabilities related to the fees payable to the depositary bank	0.0009%	0.0009%	-	126,531.42	0.0010%	0.0010%	-	144,251.80	17,720.38	
3 Liabilities related to the fees payable to intermediaries	-	-	-	-	-	-	-	-	-	-
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-	-
6 Issuance expense	-	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to C.N.V.M.	0.0083%	0.0083%	-	1,200,075.00	0.0082%	0.0082%	-	1,230,482.00	30,407.00	
9 Other Liabilities, out of which:	0.1929%	0.1921%	-	27,898,677.46	0.1844%	0.1844%	-	27,625,206.80	(273,470.66)	
- payable dividends	0.0846%	0.0843%	-	12,238,494.26	0.0633%	0.0631%	-	9,481,720.07	(2,756,774.19)	
- tax on dividends	0.0078%	0.0078%	-	1,134,221.99	0.0000%	0.0000%	-	-	(1,134,221.99)	
- provisions for risks and expenses	0.0982%	0.0978%	-	14,197,829.40	0.1121%	0.1119%	-	16,798,225.40	2,600,396.00	
- salaries and related contributions	0.0002%	0.0002%	-	25,018.00	0.0004%	0.0004%	-	56,768.00	31,750.00	
- other liabilities out of which:	0.0021%	0.0021%	-	303,113.81	0.0086%	0.0086%	-	1,288,493.33	985,379.52	
- in lei	0.0021%	0.0021%	-	303,113.81	0.0071%	0.0071%	-	1,065,905.54	762,791.73	
- in euro	0.0000%	0.0000%	-	-	0.0015%	0.0015%	EUR	50,260.30	222,587.79	222,587.79
<b>III. Net Asset Value (I - II)</b>	<b>100.0000%</b>	<b>99.6116%</b>		<b>14,465,379,292.28</b>	<b>100.0000%</b>	<b>99.7479%</b>		<b>14,979,202,005.64</b>	<b>513,822,713.36</b>	

## Unitary Net Asset Value

Item	31 December 2012	31 December 2011	Differences
Net Asset Value	14,979,202,005.64	14,465,379,292.28	513,822,713.36
Number of outstanding shares	13,172,475,365	13,407,569,096	(235,093,731)
Unitary net asset value	1.1371	1.0788	0.0583

## DETAILED STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2012

Securities admitted or traded on a regulated market in Romania, out of which:

## 1.1 listed shares traded in the last 30 days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	11/Dec/2012	89,249	2.5	30.0000	2,677,470.00	71.89%	0.0178%	0.0179%	Closing price
Alro Slatina SA	ALR	28/Dec/2012	72,884,714	0.5	2.0000	145,769,428.00	10.21%	0.9707%	0.9731%	Closing price
Compel SA	COTE	28/Dec/2012	2,571,461	3.3	36.1500	92,958,315.15	29.70%	0.6190%	0.6206%	Closing price
IOR SA	IORB	28/Dec/2012	2,622,273	0.1	0.4900	1,284,913.77	2.81%	0.0086%	0.0086%	Closing price
Mecanoenergetica SA	MEGU	18/Dec/2012	1,620,975	0.3	0.0844	136,810.29	10.07%	0.0009%	0.0009%	Closing price
Oil Terminal SA	OIL	28/Dec/2012	49,216,526	0.1	0.1600	7,874,644.16	8.45%	0.0524%	0.0526%	Closing price
Romaero SA	RORX	4/Dec/2012	1,311,691	2.5	10.2500	13,444,832.75	20.99%	0.0895%	0.0898%	Closing price
OMV Petrom SA	SNP	28/Dec/2012	11,391,130,186	0.1	0.4281	4,876,542,832.63	20.10%	32.4733%	32.5554%	Closing price
Transelectrica SA	TEL	28/Dec/2012	9,895,212	10	12.6900	125,570,240.28	13.49%	0.8362%	0.8383%	Closing price
Transgaz SA	TGN	28/Dec/2012	1,764,620	10	218.0000	384,687,160.00	14.98%	2.5617%	2.5681%	Closing price
BRD-Groupe Societe Generale SA	BRD	28/Dec/2012	25,387,456	1	8.1100	205,892,268.16	3.64%	1.3711%	1.3745%	Closing price
Banca Transilvania SA	TLV	28/Dec/2012	55,823,515	1	1.2700	70,895,864.05	2.93%	0.4721%	0.4733%	Closing price
<b>Total</b>						<b>5,927,734,779.24</b>		<b>39.4733%</b>	<b>39.5731%</b>	

## 1.2 listed shares but not traded in the last 30 days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Comercial Cluj SA	COCL	6/Aug/2010	256,116	2.5	4.2853	1,097,533.89	11.36%	0.0073%	0.0073%	Shareholders equity/share
Forsev SA	FORS	26/Nov/2009	954,376	2.5	6.6116	6,309,952.36	28.14%	0.0420%	0.0421%	Shareholders equity/share
Mecon SA	MECP	23/Oct/2012	60,054	11.6	1.3000	78,070.20	12.51%	0.0005%	0.0005%	Fair value/share: Last trading price
Palace SA	PACY	19/Oct/2012	5,832,482	0.1	0.3468	2,022,704.76	15.42%	0.0135%	0.0135%	Shareholders equity/share
Primcom SA	PRIB	29/Nov/2012	1,561,981	2.5	14.9900	23,414,095.19	75.48%	0.1559%	0.1563%	Fair value/share: Last trading price
Resib SA	RESI	3/Jun/2004	894,600	0.10	0.0000	0.00	2.87%	0.0000%	0.0000%	Priced at zero (negative equity)
Romplumb SA	ROMR	5/Oct/2001	1,595,520	2.5	0.0000	0.00	33.26%	0.0000%	0.0000%	Priced at zero (company in insolvency)
Severn SA	SEVE	17/Jul/2012	1,971,566	2.5	0.1780	350,938.75	39.10%	0.0023%	0.0023%	Fair value/share: Last trading price
Telerom Proiect INPPT SA	TEBV	27/Sep/2012	673,862	0.11	0.0795	53,572.03	68.63%	0.0004%	0.0004%	Shareholders equity/share
Transilvania-Com SA	TRVC	15/Aug/2007	77,234	2.5	20.4933	1,582,779.53	39.99%	0.0105%	0.0106%	Shareholders equity/share
Turdapan SA	TUSB	29/Dec/2010	155,855	2.5	0.6770	105,513.84	44.06%	0.0007%	0.0007%	Shareholders equity/share
<b>Total</b>						<b>35,015,160.55</b>		<b>0.2332%</b>	<b>0.2337%</b>	

Securities admitted or traded on a regulated market from a member state:

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value *	Share value	Total value in Euro	Total value in LEI	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
ERSTE GROUP BANK AG	EBS	28/Dec/2012	397,020	EUR 32.8130	EUR 24.0250	9,538,405.50	42,242,729.49	0.10%	0.2813%	0.2820%	Closing price
RAIFFEISEN BANK INTERNATIONAL AG	RBI	28/Dec/2012	853,564	EUR 52.5680	EUR 31.4550	26,848,855.62	118,905,476.95	0.43%	0.7918%	0.7938%	Closing price
<b>Total</b>						<b>36,387,261.12</b>	<b>161,148,206.44</b>		<b>1.0731%</b>	<b>1.0758%</b>	

\* = shareholders equity / share as at 31 December 2012

# S.C. FONDUL PROPRIETATEA S.A.

Instruments mentioned at art. 187 letter a) of the Regulation no.15/2004 (unlisted shares)

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	214.1274	4,958,976.46	20.00%	0.0330%	0.0331%	Unlisted companies, in function	Shareholders equity/share
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	198.5121	6,355,563.39	20.00%	0.0423%	0.0424%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
Carom - Broker Asigurare SA	17,500	19/Jul/2005	1,161,986	60.6045	1,060,578.75	70.00%	0.0071%	0.0071%	Unlisted companies, in function	Shareholders equity/share
Celuloza si Otel SA (former Remat Timis)	3,814	19/Jul/2005	230,675	270.4939	1,031,663.73	8.62%	0.0069%	0.0069%	Unlisted companies, in function	Shareholders equity/share
Cetatea SA	354,468	19/Jul/2005	118,840	1.1474	406,716.58	20.43%	0.0027%	0.0027%	Unlisted companies, in function	Shareholders equity/share
Ciocaria SA	5,298	19/Jul/2005	37,125	72.8696	386,063.14	1.68%	0.0026%	0.0026%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	127.4849	3,512,718.93	20.00%	0.0234%	0.0235%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	76.5186	15,545,518.78	20.00%	0.1035%	0.1038%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	0.0000	0.00	20.00%	0.0000%	0.0000%	Unlisted companies, in function	Fair value/share: NIL
CN Administratia Porturilor Maritime SA	2,651,113	19/Jul/2005	65,441,294	25.4353	67,431,854.49	19.99%	0.4490%	0.4502%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	94.5941	271,999,942.69	20.00%	1.8113%	1.8159%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Commetex SA	67,533	19/Jul/2005	193,500	3.2000	216,105.60	15.99%	0.0014%	0.0014%	Unlisted companies, in function	Fair value / share (Selling price)
Complexul Energetic Oltenia SA****	27,361,036	31/May/2012	670,084,812	32.1625	879,999,320.35	21.53%	5.8600%	5.8748%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Comsig SA	75,655	19/Jul/2005	132,633	23.0794	1,746,072.01	69.94%	0.0116%	0.0117%	Unlisted companies, in function	Shareholders equity/share
E.ON Gaz Distributie SA	13,158,040	19/Jul/2005	37,470,244	10.8906	143,298,950.42	11.99%	0.9542%	0.9567%	Unlisted companies, in function	Shareholders equity/share
E.ON Energie Romania SA	9,903,524	19/Jul/2005	45,765,358	6.9106	68,439,292.95	13.39%	0.4557%	0.4569%	Unlisted companies, in function	Shareholders equity/share
E.ON Moldova Distributie SA	10,994,457	19/Jul/2005	131,073,011	29.4694	323,999,941.17	22.00%	2.1575%	2.1630%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	35.2638	274,917,360.60	21.99%	1.8307%	1.8353%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
Electrica Distributie Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	23.1392	188,996,658.57	22.00%	1.2585%	1.2617%	Unlisted companies, in function	Shareholders equity/share
Electrica Distributie Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	21.7228	202,614,681.43	21.99%	1.3492%	1.3526%	Unlisted companies, in function	Shareholders equity/share
Electroconstructia Elco Cluj SA	322,530	19/Jul/2005	319,656	1.6750	540,237.75	7.61%	0.0036%	0.0036%	Unlisted companies, in function	Shareholders equity/share
ENEL Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	48.3105	445,453,921.96	24.12%	2.9663%	2.9738%	Unlisted companies, in function	Shareholders equity/share
ENEL Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	44.6374	301,442,031.15	24.09%	2.0073%	2.0124%	Unlisted companies, in function	Shareholders equity/share
Enel Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	105.6497	344,037,260.48	12.00%	2.2910%	2.2968%	Unlisted companies, in function	Shareholders equity/share
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	83.7404	37,185,259.58	12.00%	0.2476%	0.2482%	Unlisted companies, in function	Shareholders equity/share
ENEL Energie SA	1,680,000	19/Jul/2005	26,124,808	8.6566	14,543,088.00	12.00%	0.0968%	0.0971%	Unlisted companies, in function	Shareholders equity/share
GDF Suez Energy Romania (former Distrigaz Sud)	2,381,863	19/Jul/2005	62,522,462	142.5925	339,635,799.83	12.00%	2.2617%	2.2674%	Unlisted companies, in function	Shareholders equity/share
Nuclearelectrica SA	24,676,222	19/Jul/2005	967,926,936	26.2601	647,999,810.58	9.72%	4.3151%	4.3260%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Plafar SA	132,784	28/Jun/2007	3,160,329	39.2487	5,211,599.38	48.99%	0.0347%	0.0348%	Unlisted companies, in function	Shareholders equity/share
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	5.4345	80,821,595.97	25.00%	0.5382%	0.5396%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Romgaz SA	5,742,854	19/Jul/2005	416,301,444	225.7258	1,296,310,313.43	14.99%	8.6322%	8.6541%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
Salubriserv SA	43,263	19/Jul/2005	207,601	252.3518	10,917,495.92	17.48%	0.0727%	0.0729%	Unlisted companies, in function	Shareholders equity/share
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	48.8339	97,955,138.67	48.99%	0.6523%	0.6539%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.8753	15,678.37	19.90%	0.0001%	0.0001%	Unlisted companies, in function	Shareholders equity/share
Zirom SA	3,624,346	28/Jun/2007	36,030,702	10.0131	36,290,938.93	100.00%	0.2417%	0.2423%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	0.0000	0.00	22.00%	0.0000%	0.0000%	Unlisted companies, in function	Fair value/share: NIL
BAT Service SA	194,022	19/Jul/2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Dissolution	Priced at zero
Carbid Fox SA	10,191,630	19/Jul/2005	927,357	0.0000	0.00	7.96%	0.0000%	0.0000%	Bankruptcy	Priced at zero
FEENE SA	778,442	19/Jul/2005	0	0.0000	0.00	12.12%	0.0000%	0.0000%	bankruptcy	Priced at zero
Gerovalit Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Dissolution	Priced at zero
Hydroelectrica SA	89,261,778	19/Jul/2005	3,106,503,426	22.4172	2,000,999,129.78	19.94%	13.3248%	13.3585%	Insolvency	Fair value / share (Value as per independent valuator's report)
Petrotel - Lukoil SA	2,152,291	19/Jul/2005	2,787,316	0.0000	0.00	1.78%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (negative equity)
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
<b>Total</b>			<b>6,680,894,320</b>		<b>8,116,277,279.82</b>		<b>54.0470%</b>	<b>54.1836%</b>		

## Legend:

\* = where the date of acquisition is shown as earlier than Fondul Proprietatea's date of incorporation (28 December 2005), the date of acquisition refers to the date of publishing in the Official Gazette of Law no. 247 / 19 July 2005, which determined that these investments would be transferred to Fondul Proprietatea on its future incorporation.

\*\* = company formed as a result of the merger between CN Aeroportul International Henri Coanda - Bucuresti S.A. and S.N. Aeroportul International Bucuresti Baneasa - Aurel Vlaicu S.A.

\*\*\* = company formed as a result of the merger between S.C. Electrica Furnizare Transilvania Nord S.A., S.C. Electrica Furnizare Transilvania Sud S.A. and S.C. Electrica Furnizare Muntenia Nord S.A.

\*\*\*\* = company formed as a result of the merger between S.C. Complexul Energetic Turcenti S.A., S.C. Complexul Energetic Craiova S.A., S.C. Complexul Energetic Rovinari S.A., Societatea Nationala a Lignitului Oltenia S.A.

Note: Uzina Mecanica Bucuresti SA was not included in Fondul Proprietatea's portfolio because Ministry of Public Finance actually did not transfer to the fund the holding in this company.

## Bonds or other debt instruments issued or guaranteed by the state or central public administration authorities

## Treasury Bills with discount

Series and number of the bond	No of bonds	Date of acquisition	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Intermediary Bank	Evaluation method
RO1213CTN010	2,600	5/Sep/2012	7/May/2013	24,983,984.63	4,164.00	491,351.70	25,475,336.33	0.1696%	0.1701%	Citi Bank	Acquisition price cumulated with the related interest since the acquisition date
RO1213CTN010	5,207	5/Sep/2012	7/May/2013	49,997,822.28	8,492.53	1,002,118.73	50,999,941.01	0.3396%	0.3405%	ING Bank	
RO1213CTN0K6	2,819	12/Sep/2012	14/May/2013	27,090,871.90	4,504.62	500,013.19	27,590,885.09	0.1837%	0.1842%	ING Bank	
RO1213CTN023	1,950	27/Sep/2012	16/Jun/2013	19,171,920.50	2,955.67	283,744.43	19,455,664.93	0.1296%	0.1299%	ING Bank	
RO1213CTN0G4	2,603	16/Aug/2012	24/Apr/2013	24,999,680.54	4,104.86	566,470.46	25,566,151.00	0.1702%	0.1707%	ING Bank	
RO1213CTN015	2,500	12/Jul/2012	9/Jun/2013	24,345,149.25	3,617.96	625,907.07	24,971,056.32	0.1663%	0.1667%	Banca Comerciala Romana	
RO1213CTN023	2,500	27/Jul/2012	16/Jun/2013	24,379,078.50	3,589.14	567,084.38	24,946,162.88	0.1661%	0.1665%	Raiffeisen Bank	
RO1213CTN023	2,200	22/Aug/2012	16/Jun/2013	21,495,308.12	3,433.28	453,192.71	21,948,500.83	0.1462%	0.1465%	Raiffeisen Bank	
RO1213CTN023	271	3/Oct/2012	16/Jun/2013	2,666,830.68	411.14	37,002.27	2,703,832.95	0.0180%	0.0181%	Raiffeisen Bank	
RO1213CTN023	529	3/Oct/2012	16/Jun/2013	5,205,732.20	802.55	72,229.54	5,277,961.74	0.0351%	0.0352%	Raiffeisen Bank	
RO1213CTN056	2,581	12/Jul/2012	13/Feb/2013	25,001,450.13	3,743.29	647,588.55	25,649,038.68	0.1708%	0.1712%	Raiffeisen Bank	
RO1213CTN080	2,050	17/Oct/2012	20/Mar/2013	20,003,695.00	3,222.76	244,929.74	20,248,624.74	0.1348%	0.1352%	Raiffeisen Bank	
RO1213CTN0M2	2,059	3/Oct/2012	3/Apr/2013	19,992,169.35	3,284.78	295,630.54	20,287,799.89	0.1351%	0.1354%	ING Bank	
RO1213CTN0P5	4,245	7/Nov/2012	6/Nov/2013	39,991,975.20	6,752.82	371,404.85	40,363,380.05	0.2688%	0.2695%	ING Bank	
RO1213CTN023	3,250	16/Nov/2012	16/Jun/2013	32,194,509.75	5,008.04	230,369.70	32,424,879.45	0.2159%	0.2165%	ING Bank	
RO1213CTN049	2,000	12/Nov/2012	6/Feb/2013	19,731,325.20	3,124.13	156,206.28	19,887,531.48	0.1324%	0.1328%	RBS Bank	
RO1213CTN049	4,833	27/Dec/2012	6/Feb/2013	48,001,986.22	8,000.34	40,001.68	48,041,987.90	0.3199%	0.3207%	BRD Groupe Societe Generale	
RO1213CTN0R1	2,000	5/Dec/2012	4/Dec/2013	18,805,520.00	3,281.54	88,601.54	18,894,121.54	0.1258%	0.1261%	RBS Bank	
<b>Total</b>							<b>454,732,856.81</b>	<b>3.0281%</b>	<b>3.0358%</b>		

## Term deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily Interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Banca Comerciala Romana	12/Dec/2012	8/Jun/2013	RON 40,900,000.00	RON 5,907.78	RON 118,155.56	RON 41,018,155.56	0.2731%	0.2738%	Term deposit value cumulated with the related interest
Banca Comerciala Romana	7/Dec/2012	14/Jun/2013	RON 5,000,000.00	RON 750.00	RON 18,750.00	RON 5,018,750.00	0.0334%	0.0335%	
Banca Comerciala Romana	10/Dec/2012	14/Jun/2013	RON 25,000,000.00	RON 3,715.28	RON 81,736.11	RON 25,081,736.11	0.1670%	0.1674%	
ING Bank	17/Oct/2012	8/Jun/2013	RON 12,000,000.00	RON 1,500.00	RON 114,000.00	RON 12,114,000.00	0.0807%	0.0809%	
Raiffeisen Bank	21/Dec/2012	1/Feb/2013	RON 26,700,000.00	RON 9,431.53	RON 44,462.92	RON 26,744,462.92	0.1781%	0.1785%	
Raiffeisen Bank	16/Oct/2012	3/Jun/2013	RON 25,000,000.00	RON 3,645.83	RON 280,729.17	RON 25,280,729.17	0.1683%	0.1688%	
Citi Bank	27/Nov/2012	3/Jun/2013	RON 15,000,000.00	RON 2,000.00	RON 70,000.00	RON 15,070,000.00	0.1004%	0.1006%	
Citi Bank	29/Nov/2012	8/Jun/2013	RON 23,600,000.00	RON 3,179.44	RON 104,921.67	RON 23,704,921.67	0.1579%	0.1583%	
Citi Bank	21/Dec/2012	25/Jun/2013	RON 50,000,000.00	RON 7,291.67	RON 80,208.33	RON 50,080,208.33	0.3335%	0.3343%	
RBS Bank	27/Nov/2012	3/Jun/2013	RON 15,000,000.00	RON 2,000.00	RON 70,000.00	RON 15,070,000.00	0.1004%	0.1006%	
RBS Bank	5/Dec/2012	7/Jun/2013	RON 25,000,000.00	RON 3,263.89	RON 88,125.00	RON 25,088,125.00	0.1671%	0.1675%	
Unicredit Tiriac Bank	16/Oct/2012	3/Jun/2013	RON 15,000,000.00	RON 2,083.33	RON 160,416.67	RON 15,160,416.67	0.1010%	0.1012%	
Unicredit Tiriac Bank	21/Dec/2012	18/Jun/2013	RON 25,000,000.00	RON 4,375.00	RON 48,125.00	RON 25,048,125.00	0.1668%	0.1672%	
ING Bank	31/Dec/2012	3/Jun/2013	RON 5,131,112.42	RON 185.29	RON 185.29	RON 5,131,297.71	0.0342%	0.0343%	
ING Bank	31/Dec/2012	3/Jun/2013	EUR 567.25	EUR -	EUR -	RON 2,512.18	0.0000%	0.0000%	
BRD Groupe Societe Generale	31/Dec/2012	3/Jun/2013	RON 7,694,718.08	RON 1,293.14	RON 1,293.14	RON 7,696,011.22	0.0512%	0.0514%	
<b>Total</b>						<b>317,309,451.54</b>	<b>2.1130%</b>	<b>2.1183%</b>	



## Evolution of the net asset and the net asset unitary value in the last 3 years

	Year T-2/ 31 December 2010	Year T-1 / 31 December 2011	Year T/ 31 December 2012
Net Asset	15,328,167,848.58	14,465,379,292.28	14,979,202,005.64
NAV/share	1.1124	1.0788	1.1371

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch, acting as  
Sole Administrator on behalf of S.C. FONDUL PROPRIETATEA S.A.

Grzegorz Konieczny  
Legal representative

Marius Nechifor  
Compliance Officer

ING Bank N.V. Amsterdam – Bucharest Branch

Cristina Bulata  
Director Settlements & Trade Commercial Banking

Mihaela Savu  
Economist

## Annex 3

**S.C. FONDUL PROPRIETATEA S.A.**

**SEPARATE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2012**

Prepared in accordance with International Financial Reporting Standards

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To the Sole Director, Board of Nominee and Shareholders of  
Fondul Proprietatea S.A.  
Bucharest, Romania

## **INDEPENDENT AUDITOR'S REPORT**

### *Report on the Separate Financial Statements*

1. We have audited the accompanying separate financial statements of S.C. Fondul Proprietatea S.A. (the "Fund") which comprise the separate statement of financial position as of December 31, 2012, and the separate statement of comprehensive income, separate statement of changes in shareholder's equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Separate Financial Statements*

- 2 Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

- 3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about the separate financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the separate financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

- 6 In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of S.C. Fondul Proprietatea S.A. as at December 31, 2012, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### *Emphasis of matter*

- 7 We draw attention to Note 2 (a) to the separate financial statements which states that consolidated financial statements of Fondul Proprietatea prepared in accordance with International Financial Reporting Standards, as adopted by European Union have not yet been published. Notes 2 to the separate financial statements explain when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively. Our opinion is not modified in respect of this matter.
- 8 We draw attention to the fact that during 2012 a number of major economies around the world have experienced strong volatility in the capital markets and severe restrictions in the credit markets. As a consequence of the market turmoil in capital and credit markets both globally and in Romania, notwithstanding any potential economic stabilization measures that may be put into place by the State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the markets and demand for goods and services they produce. The potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets of the Fund may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of this report. Our opinion is not modified in respect of this matter.
- 9 As presented in Note 23 to the separate financial statements, we draw attention to the fact that as at December 31, 2012 the Fund has several unsettled litigations which are at different stages with the Romanian courts. The ultimate outcome and related impact of these cases cannot presently be determined with certainty. Our opinion is not modified in respect of this matter.

### *Other Matters*

2. This report is made solely to the Fund's Sole Director, Board of Nominee and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director, Board of Nominee and shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Sole Director and shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

For signature, please refer to the original Romanian binding version.
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Deloitte Audit S.R.L.  
Bucharest, Romania  
12 March 2013

**STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2012**  
**(all amounts are in RON unless otherwise stated)**

	<i>Note</i>	<b>31 December 2012</b>	<b>31 December 2011</b>
Gross dividend income	6	623,658,450	522,433,185
Interest income	7	34,922,880	41,129,291
Reversal of impairment losses on dividends receivable		-	28,323,677
Reversal of impairment losses on disposed equity investments	18	4,798,715	21,545,871
Reversal of impairment losses / (impairment losses) on receivables in respect of equity contributions	17	5,211,070	(10,001,304)
Impairment losses on dividends receivable	16	(46,209,651)	-
Impairment losses on other receivables		(878,300)	-
Impairment losses on equity investments	18	(772,364,379)	(51,691,805)
Gains on disposal of equity investments	8	13,079,333	8,799,778
Net foreign exchange gain /(loss)	9	(217,729)	700,842
Other operating income	10	3,949,848	12,187,358
<b>Net operating (loss)/ income</b>		<b>(134,049,763)</b>	<b>573,426,893</b>
Personnel expenses		(658,639)	(644,081)
Other operating expenses	11	(58,913,209)	(54,243,301)
<b>Operating expenses</b>		<b>(59,571,848)</b>	<b>(54,887,382)</b>
<b>Profit /(loss) before income tax</b>		<b>(193,621,611)</b>	<b>518,539,511</b>
Income tax (expense)/ benefit	12	118,659,281	(472,220)
<b>Profit/ (loss) for the period</b>		<b>(74,962,330)</b>	<b>518,067,291</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale equity investments	18	1,492,909,826	(846,265,840)
Income tax expense on other comprehensive income	12	(238,865,572)	135,402,535
<b>Total other comprehensive income</b>		<b>1,254,044,254</b>	<b>(710,863,305)</b>
<b>Total comprehensive income for the period</b>		<b>1,179,081,924</b>	<b>(192,796,014)</b>
<b>Basic and diluted earnings per share</b>		<b>(0.0054)</b>	<b>0.0376</b>

The financial statements were authorised for issue on 12 March 2013 by:

Grzegorz Maciej Konieczny  
as Legal Representative on behalf of  
Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch  
acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

The notes on pages 123 to 157 are an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**  
**(all amounts are in RON unless otherwise stated)**

	<i>Note</i>	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>Assets</b>			
Cash and current accounts	13	1,857,628	1,912,808
Deposits with banks	14	317,309,452	296,356,801
Treasury bills	15	454,732,857	195,919,673
Dividends receivable	16	799,994	52,479,298
Equity investments	18	11,269,744,338	10,731,642,468
Deferred tax assets	19	363,487,628	479,029,966
Other assets	20	2,189,053	2,558,644
<b>Total assets</b>		<b>12,410,120,950</b>	<b>11,759,899,658</b>
<b>Liabilities</b>			
Other liabilities	21	21,064,179	42,266,294
<b>Total liabilities</b>		<b>21,064,179</b>	<b>42,266,294</b>
<b>Equity</b>			
Share capital	22	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	22	2,494,319,443	1,240,275,189
Other reserves	22	278,451,031	250,102,759
Treasury shares	22	(120,268,583)	(120,268,583)
Accumulated losses		(4,041,837,328)	(3,430,868,209)
<b>Total equity</b>		<b>12,389,056,771</b>	<b>11,717,633,364</b>
<b>Total liabilities and equity</b>		<b>12,410,120,950</b>	<b>11,759,899,658</b>

The notes on pages 123 to 157 are an integral part of these financial statements.



**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012**  
**(all amounts are in RON unless otherwise stated)**

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
<b>Balance at 31 December 2010</b>	<b>13,778,392,208</b>	<b>1,951,138,494</b>	<b>222,823,865</b>	<b>-</b>	<b>(3,488,927,558)</b>	<b>12,463,427,009</b>
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	-	-	518,067,291	518,067,291
<b>Other comprehensive income</b>						
Net change in fair value of available-for-sale equity investments	-	(846,265,840)	-	-	-	(846,265,840)
Income tax on income and expense recognised directly in equity	-	135,402,535	-	-	-	135,402,535
<b>Total other comprehensive income</b>	<b>-</b>	<b>(710,863,305)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(710,863,305)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(710,863,305)</b>	<b>-</b>	<b>-</b>	<b>518,067,291</b>	<b>(192,796,014)</b>
<b>Transactions with owners, recorded directly in equity</b>						
Transfer to other reserves	-	-	27,278,894		(27,278,894)	-
Buybacks	-	-	-	(120,268,583)	-	(120,268,583)
Dividends declared	-	-	-	-	(432,729,048)	(432,729,048)
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>27,278,894</b>	<b>(120,268,583)</b>	<b>(460,007,942)</b>	<b>(552,997,631)</b>
<b>Balance at 31 December 2011</b>	<b>13,778,392,208</b>	<b>1,240,275,189</b>	<b>250,102,759</b>	<b>(120,268,583)</b>	<b>(3,430,868,209)</b>	<b>11,717,633,364</b>

The notes on pages 123 to 157 are an integral part of these financial statements.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012**  
**(all amounts are in RON unless otherwise stated)**

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
<b>Balance at 31 December 2011</b>	<b>13,778,392,208</b>	<b>1,240,275,189</b>	<b>250,102,759</b>	<b>(120,268,583)</b>	<b>(3,430,868,209)</b>	<b>11,717,633,364</b>
<b>Comprehensive income for the period</b>						
Loss for the period	-	-	-	-	(74,962,330)	(74,962,330)
<b>Other comprehensive income</b>						
Net change in fair value of available-for-sale equity investments	-	1,492,909,826	-	-	-	1,492,909,826
Income tax on income and expense recognised directly in equity	-	(238,865,572)	-	-	-	(238,865,572)
<b>Total other comprehensive income</b>	<b>-</b>	<b>1,254,044,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,254,044,254</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,254,044,254</b>	<b>-</b>	<b>-</b>	<b>(74,962,330)</b>	<b>1,179,081,924</b>
<b>Transactions with owners, recorded directly in equity</b>						
Transfer to other reserves	-	-	28,348,272	-	(28,348,272)	-
Dividends declared	-	-	-	-	(507,658,517)	(507,658,517)
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>28,348,272</b>	<b>-</b>	<b>(536,006,789)</b>	<b>(507,658,517)</b>
<b>Balance at 31 December 2012</b>	<b>13,778,392,208</b>	<b>2,494,319,443</b>	<b>278,451,031</b>	<b>(120,268,583)</b>	<b>(4,041,837,328)</b>	<b>12,389,056,771</b>

The notes on pages 123 to 157 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012**  
**(all amounts are in RON unless otherwise stated)**

	Year ended 31 December 2012	Year ended 31 December 2011
<b>Cash flows from operating activities</b>		
Proceeds from sale of equity instruments	207,870,803	13,375,649
Acquisition of treasury bills, net	(254,624,873)	52,838,373
Interest received	30,329,419	46,014,449
Dividends received (net of withholding tax)	625,371,215	497,369,612
Realised foreign exchange loss on cash and cash equivalents	(200,367)	(303,030)
Collection of bank deposits maturing in more than 3 months, net	-	378,486,499
Interest received in relation with the dividends late payments	1,756,213	12,488,059
Subscriptions to share capital increase of portfolio companies	(2,539,840)	-
Other receipts	158,362	135,339
Income tax paid	(121,794)	(1,109,707)
Salaries and related taxes paid	(686,412)	(894,909)
Suppliers and other taxes and fees paid	(76,280,760)	(52,345,240)
Acquisition of equity investments	(62,217)	(769,842,368)
<b>Net cash flows from operating activities</b>	<b>530,969,749</b>	<b>176,212,726</b>
<b>Cash flows from financing activities</b>		
Dividends paid (including related taxes)	(510,476,930)	(452,037,883)
Acquisition of treasury shares	-	(120,268,583)
<b>Net cash flows used in financing activities</b>	<b>(510,476,930)</b>	<b>(572,306,466)</b>
<b>Net increase in cash and cash equivalents</b>	<b>20,492,819</b>	<b>(396,093,740)</b>
Cash and cash equivalents at the beginning of the period	297,393,152	693,486,892
<b>Cash and cash equivalents at the end of the period</b>	<b>317,885,971</b>	<b>297,393,152</b>
	<b>31 December 2012</b>	<b>31 December 2011</b>
Cash	1,857,628	1,912,808
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
	<b>317,885,971</b>	<b>297,393,152</b>

The notes on pages 123 to 157 are an integral part of these financial statements.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2012**  
(all amounts are in RON unless otherwise stated)

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**1. General information**

Fondul Proprietatea S.A. (referred to as “Fondul Proprietatea” or “the Fund”) is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law no. 247/2005 regarding the reform in property and justice, as well as certain adjacent measure, as amended (“Law 247/2005”) and Government Decision no. 1481/2005 and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, Buzești Street, 7th Floor, District 1, Bucharest.

The Fund undertakes its activities in accordance with Law 247/2005, Law 297/2004 regarding the capital market, with subsequent amendments, and Law 31/1990 regarding companies, republished with subsequent amendments (“Law 31/1990”).

In accordance with its constitutive act, the main activity of the Fund is the management and administration of its portfolio.

The Fund was established to allow the payment in shares equivalent of compensations in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch (“Fund Manager”) was appointed on 29 September 2010 as the Fund Manager and Sole Director of the Fund.

Since 25 January 2011 Fondul Proprietatea has been a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I (Shares) of the Securities Sector of the market, under ISIN number ROFPTAACNOR5 with the market symbol “FP”.

**2. Basis of preparation**

**(a) Statement of compliance**

These separate financial statements for year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by European Union (IFRS).

The Fund has prepared these financial statements in order to provide users of the Fund’s financial reports with supplementary financial information on the Fund’s financial position. According with the requirements of the legislation in force the Fund will prepare and publish at a later date the consolidated financial statements of the group.

**(b) Basis of measurement**

The separate financial statements have been prepared on the historical cost basis except for equity investments that are quoted on an active market and treasury bills, which are measured at fair value.

**(c) Functional and presentation currency**

These financial statements are presented in Romanian Lei (RON), which is the Fund’s functional currency. All financial information presented in RON has been rounded to the nearest unit.

**(d) Use of estimates**

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2012  
(all amounts are in RON unless otherwise stated)**

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**2. Basis of preparation (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 4 – Financial risk management;
- Note 11 – Other operating expenses;
- Note 18 – Valuation of equity investments;
- Note 19 – Recognition of deferred tax assets;
- Note 21 – Other liabilities;
- Note 23 – Contingencies.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(a) Subsidiaries and associates**

Subsidiaries are entities controlled by the Fund. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

Associates are those entities in which the Fund has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20 % or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee.

The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50 % of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

The lists of subsidiaries and associates at 31 December 2012 are disclosed in note 24 (b) and (c).

In these separate financial statements, investments in subsidiaries and associates are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, as available-for-sale financial assets (see accounting policy 3 (c) below).

**(b) Foreign currency**

Transactions in foreign currencies are translated into the functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

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**3. Significant accounting policies (continued)**

**(b) Foreign currency (continued)**

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2012 were as follows: 4.4287 RON/EUR and 3.3575 RON/USD (31 December 2011: 4.3197 RON/EUR and 3.3393 RON/USD).

**(c) Financial assets and liabilities**

*(i) Recognition*

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value plus any directly attributable transaction costs, except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

The cost of equity investments which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005, as amended by Government Emergency Ordinance ("GEO") 81/2007, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal:
  - either to the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2004, according to the statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the shares received in June 2007, the cost is equal:
  - either to the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost for the Fund is determined at the par value of the shares received.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The bonus shares received by the Fund from portfolio companies that increased their share capital through incorporation of reserves are not recognized.

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**3. Significant accounting policies (continued)**

**(c) Financial assets and liabilities (continued)**

*(ii) Classification*

See accounting policies 3(d), (e), (f) and (g).

*(iii) Derecognition*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

Gains or losses arising from derecognition of a financial asset are calculated based on proceeds on disposal of financial assets and assets historical cost / initial valuation and are recorded in the Income Statement.

The Fund uses the weighted average cost method (WAC) to determine the cost / initial valuation of financial assets disposed of.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

*(iv) Offsetting*

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

*(v) Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

*(vi) Fair value measurement*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Fund measures the fair value of an instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for an equity security is not active, the Fund tries to establish fair value using a valuation technique.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.



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**3. Significant accounting policies (continued)**

**(c) Financial assets and liabilities (continued)**

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets are measured at a bid price and liabilities are measured at an asking price.

*(vii) Identification and measurement of impairment*

At each reporting date, the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised directly in equity.

Impairment losses on equity investments carried at cost (where their fair value cannot be reliably measured) are measured as the difference between the carrying amount and an estimate of present value of future cash flows, determined using generally accepted valuation techniques.

Losses are recognised in profit or loss and are not reversed.

In determining that equity investments are impaired, the Fund considers all relevant factors, such as significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements etc.

**(d) Cash and deposits with banks**

Cash includes notes and coins on hand and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost in the statement of financial position.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

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**3. Significant accounting policies (continued)**

**(e) Held to maturity**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Fund from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Fund did not classify any investments as held-to-maturity as at 31 December 2012 and 31 December 2011.

**(f) Available-for-sale financial assets**

The Fund's investments in treasury bills and in equity securities are classified as available-for-sale financial assets. The inventory relief method used for the disposal of treasury bills and bonds is "first-in first-out" (FIFO) method.

*(i) Equity investments carried at fair value*

Subsequent to initial recognition, equity investments (other than those described at section (ii) below) are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity.

When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

*(ii) Equity investments carried at cost*

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured using a valuation technique, are measured at cost, subject to impairment testing.

**(g) Other financial assets and liabilities**

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

**(h) Property and equipment**

*(i) Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

*(ii) Subsequent costs*

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**3. Significant accounting policies (continued)**

**(h) Property and equipment (continued)**

*(iii) Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

- Leasehold improvements 3 years
- IT equipment 3 years
- Vehicles 5 years
- Furniture and other equipment 5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**(i) Impairment of non-financial assets**

The carrying amounts of the Fund's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(j) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

**(k) Provisions**

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(l) Dividend income**

Dividend income relating to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

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**3. Significant accounting policies (continued)**

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and only certain shareholders are granted additional shares, the shares received are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest should be unaffected by the bonus issue.

The Fund recognises dividends from subsidiaries and associates as income in its separate financial statements when its right to receive the dividend is established.

For late dividend payments, the Fund initiates legal recovery measures (conciliation, litigations etc.). The Fund is entitled to charge penalties for overdue net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised in the financial year when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are recognised as income taxes.

**(m) Interest**

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks and treasury bills.

**(n) Income from sale of securities**

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets.

**(o) Foreign currency gains and losses**

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences.

**(p) Expenses**

All expenses are recognised in profit or loss on an accrual basis.

**(q) Income tax**

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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**3. Significant accounting policies (continued)**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Fund are recognised at the same time as the liability to pay the related dividend is recognised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The applicable tax rates are 16% (standard tax rate and also, the dividend withholding tax).

**(r) Employee benefits**

*(i) Pensions and other post-retirement benefits*

The Fund, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Fund are members of the Romanian State pension plan.

The Fund does not operate any other pension scheme or postretirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Fund is not obliged to provide further benefits to its employees.

*(ii) Termination benefits*

Termination benefits are recognised as an expense when the Fund is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Fund has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**(s) Treasury shares**

The Fund recognises the treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date); treasury shares are recorded at acquisition cost, including brokerage fees.

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**3. Significant accounting policies (continued)**

**(t) Dividend payable**

Dividends declared by the Fund are recorded as dividend payable when the Fund's General Shareholders Meeting approves them, as the Fund is then legally obliged to pay them.

According to the provisions of the legislation in force, the Fund is allowed to cancel the rights of shareholders to collect any dividends which have remained unclaimed 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in the Income Statement.

**(u) Standards and Interpretations effective in the current period**

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union ("EU") are effective for the current period:

- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The adoption of these amendments to the existing standards has not led to any changes in the Fund's accounting policies.

**(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective**

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- *IFRS 10 "Consolidated Financial Statements"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 11 "Joint Arrangements"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 12 "Disclosures of Interests in Other Entities"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRS 13 "Fair Value Measurement"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *IAS 27 (revised in 2011) "Separate Financial Statements"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IAS 1 "Presentation of financial statements"* - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- *Amendments to IAS 12 "Income Taxes"* - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IAS 19 "Employee Benefits"* - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),

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**3. Significant accounting policies (continued)**

- *Amendments to IAS 32 “Financial instruments: presentation”* - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- *IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”*, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The Fund anticipates that the adoption of these standards, revisions and interpretations, except for IFRS 13, will have no material impact on its financial statements in the period of initial application.

**(w) Standards and Interpretations issued by IASB but not yet adopted by the EU**

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of authorisation of these financial statements:

- *IFRS 9 “Financial Instruments”* (effective for annual periods beginning on or after 1 January 2015),
- *Amendments to IFRS 1 “First-time Adoption of IFRS”* - Government Loans (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”* – Mandatory Effective Date and Transition Disclosures,
- *Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities”* - Transition Guidance (effective for annual periods beginning on or after 1 January 2013),
- *Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements”* - Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- *Amendments to various standards “Improvements to IFRSs (2012)”* resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013).

The Fund anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9 and Amendments to IFRS 10, will have no material impact on its financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principals have not been adopted by the EU, is still unregulated.

According to the Fund’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement”, would not significantly impact the financial statements, if applied as at the balance sheet date.



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**4. Financial risk management**

The Fund's investment portfolio comprises listed and unlisted equity investments.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

Starting from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

**(a) Market risk**

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*(i) Equity price risk*

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of available-for-sale equity securities and is the primary risk impacting the Fund. Diversification across securities and industries, to the possible extent given the unique investment mandate, is the primary technique for mitigating equity price risk. The Fund has concentrated exposure to the "Power utilities: generation", "Oil and gas", and "Power and gas utilities industries: transport and distribution" sectors.

The companies in which the Fund holds equity securities operate in different industries.

The Fund's exposure to industries was as follows:

	<b>31 December 2012</b>	<b>31 December 2011</b>
Oil and gas	5,393,677,236	3,818,537,878
Power utilities: generation	3,252,930,823	4,016,241,752
Power and gas utilities: transport, distribution, supply	1,579,714,678	1,633,222,004
Banks	437,936,339	484,034,158
Heavy industry	142,420,748	221,436,338
Infrastructure	205,006,057	205,006,057
Aluminium	145,769,428	236,875,321
Postal services	80,822,000	84,664,380
Others	31,467,029	31,624,580
	<b>11,269,744,338</b>	<b>10,731,642,468</b>

The Fund has equity investments of RON 6,071,338,958 at 31 December 2012 (31 December 2011: RON 4,768,466,068) which are listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange.

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**4. Financial risk management (continued)**

**(a) Market risk (continued)**

For such investments, a ten per cent increase in the BET-C, respectively ATX index at the reporting date would have increased equity by RON 562,205,438 after tax (2011: RON 422,823,955); an equal change in the opposite direction would have decreased equity by RON 562,205,438 after tax (2011: RON 422,823,955). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

*(ii) Interest rate risk*

The Fund places cash into fixed rate bank deposits original maturities of more than one month and less than six months and into treasury bills.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

<b>Fixed rate instruments</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
Bank deposits with original maturities of more than three months and less than one year	-	-
Treasury bills	454,732,857	195,919,673
	<b>770,761,200</b>	<b>491,400,017</b>

*(iii) Currency risk*

The Fund is exposed to currency risk on current accounts and deposits held with banks and receivables and payables that are denominated in foreign currencies, i.e. euro (EUR) and U.S. dollars (USD), but the balances were not significant during the reporting period.

The local currency depreciated compared to the EUR (from 4.3197 RON/EUR at 31 December 2011 to 4.4287 at 31 December 2012) and compared to the USD (from 3.3393 RON/EUR at 31 December 2011 to 3.3575 at 31 December 2012).

The Fund's exposure to currency risk was as follows:

	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>RON</b>		
<b>Monetary assets</b>		
Petty cash	2,391	135
Current accounts with banks	1,852,096	1,878,993
Bank deposits with original maturities of less than three months	316,025,831	295,480,227
Interest accrued on bank deposits	1,281,109	876,457
Treasury bills	454,732,857	195,919,673
Dividends receivable	799,994	52,479,298
Other receivables	1,385,165	831,286
	<b>776,079,443</b>	<b>547,466,069</b>
<b>Monetary liabilities</b>		
Other liabilities	(20,841,591)	(42,206,771)
	<b>(20,841,591)</b>	<b>(42,206,771)</b>
	<b>755,237,852</b>	<b>505,259,298</b>

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**4. Financial risk management (continued)**

**(a) Market risk (continued)**

*(iii) Currency risk (continued)*

	31 December 2012	31 December 2011
<b>EUR (in RON equivalent)</b>		
<b>Monetary assets</b>		
Current accounts with banks	3,141	33,680
Bank deposits with original maturities of less than three months	2,512	117
Other receivables	803,888	1,727,358
	<b>809,541</b>	<b>1,761,155</b>
<b>Monetary liabilities</b>		
Other liabilities	(222,588)	-
	<b>(222,588)</b>	<b>-</b>
	<b>586,953</b>	<b>1,761,155</b>

A ten percent strengthening of the RON against the EUR as at 31 December would have decreased profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2011.

	31 December 2012	31 December 2011
<b>Profit or loss</b>		
EUR	(58,695)	(176,116)

As at 31 December 2012, the Fund held equity investments denominated in Euro with a fair value of EUR 36,387,261 (RON 161,148,206 equivalent).

As at 31 December 2011, the Fund held equity investments denominated in Euro with a fair value of EUR 38,463,298 (RON 166,149,792 equivalent).

**(b) Credit risk**

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills and dividends receivable. The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 319,164,689 at 31 December 2012 (31 December 2011: RON 298,269,474).

Cash and deposits are held with the following banks:

	31 December 2012	31 December 2011
<b>Cash and deposits held with</b>		
CITI Bank	88,855,134	8,010,500
B.C.R.	71,177,973	83,686,191
Raiffeisen Bank	52,025,192	10,030,556
Unicredit Tiriac Bank	40,212,147	71,193,790
RBS Bank	40,158,127	50,081,958
ING Bank	17,247,810	4,950,587
BRD - Groupe Societe Generale	9,488,306	69,976,602
C.E.C.	-	304,800
Bancpost	-	34,379
Marfin Bank	-	110
	<b>319,164,689</b>	<b>298,269,474</b>

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**4. Financial risk management (continued)**

**(b) Credit risk (continued)**

*(i) Cash and deposits with banks*

Current accounts and deposits are held with banks in Romania.

The Fund Manager established a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

*(ii) Treasury bills*

The Fund's maximum exposure to credit risk from treasury bills was RON 454,732,857 as at 31 December 2012 (31 December 2011: RON 195,919,673).

As of 31 December 2012, the Fund held the following treasury bills with discount, denominated in RON:

ISIN	Value as at 31 December 2012	Settlement Date	No. of treasury bills units	Interest rate	Maturity date
RO1213CTN0I0	25,475,336	5-Sep-2012	2,600	6.00%	7-May-2013
RO1213CTN0I0	50,999,941	5-Sep-2012	5,207	6.11%	7-May-2013
RO1213CTN0K6	27,590,885	12-Sep-2012	2,819	5.99%	14-May-2013
RO1213CTN023	19,455,665	27-Sep-2012	1,950	5.55%	16-Jan-2013
RO1213CTN0G4	25,566,151	16-Aug-2012	2,603	5.91%	24-Apr-2013
RO1213CTN015	24,971,056	12-Jul-2012	2,500	5.35%	9-Jan-2013
RO1213CTN023	24,946,163	27-Jul-2012	2,500	5.30%	16-Jan-2013
RO1213CTN023	21,948,501	22-Aug-2012	2,200	5.75%	16-Jan-2013
RO1213CTN023	2,703,833	3-Oct-2012	271	5.55%	16-Jan-2013
RO1213CTN023	5,277,962	3-Oct-2012	529	5.55%	16-Jan-2013
RO1213CTN056	25,649,039	12-Jul-2012	2,581	5.39%	13-Feb-2013
RO1213CTN080	20,248,625	17-Oct-2012	2,050	5.80%	20-Mar-2013
RO1213CTN0M2	20,287,800	3-Oct-2012	2,059	5.91%	3-Apr-2013
RO1213CTN0P5	40,363,380	7-Nov-2012	4,245	6.08%	6-Nov-2013
RO1213CTN023	32,424,879	16-Nov-2012	3,250	5.60%	16-Jan-2013
RO1213CTN049	19,887,531	12-Nov-2012	2,000	5.70%	6-Feb-2013
RO1213CTN049	48,041,988	27-Dec-2012	4,833	6.00%	6-Feb-2013
RO1213CTN0R1	18,894,122	5-Dec-2012	2,000	6.28%	4-Dec-2013
<b>Total</b>	<b>454,732,857</b>				

*(iii) Dividends receivable*

The Fund's maximum exposure to credit risk from dividends receivable was RON 799,994 at 31 December 2012 (31 December 2011: RON 52,479,298).

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**4. Financial risk management (continued)**

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The following are the residual maturities of the Fund's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
<b>31 December 2012</b>				
<b>Financial assets</b>				
Cash and current accounts	1,857,628	-	-	-
Deposits with banks	317,309,452	-	-	-
Treasury bills	131,728,059	113,827,183	209,177,615	-
Dividends receivable	799,994	-	-	-
Equity investments	-	-	-	11,269,744,338
Other receivables	2,189,053	-	-	-
	<b>453,884,186</b>	<b>113,827,183</b>	<b>209,177,615</b>	<b>11,269,744,338</b>
<b>Financial liabilities</b>				
Other liabilities	21,064,179	-	-	-
	<b>21,064,179</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>31 December 2011</b>				
<b>Financial assets</b>				
Cash and current accounts	1,912,808	-	-	-
Deposits with banks	240,304,320	56,052,481	-	-
Treasury bills	19,783,015	-	176,136,658	-
Dividends receivable	52,479,298	-	-	-
Equity investments	-	-	-	10,731,642,468
Other receivables	2,558,644	-	-	-
	<b>317,038,085</b>	<b>56,052,481</b>	<b>176,136,658</b>	<b>10,731,642,468</b>
<b>Financial liabilities</b>				
Other liabilities	42,206,771	-	-	-
	<b>42,206,771</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Fund's equity investments include unlisted securities, which are not traded in a regulated market and generally may be considered be illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Fund's listed equity securities are listed on the Bucharest Stock Exchange or on the Vienna Stock Exchange. However, not all listed shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

**(d) Taxation risk**

On 1 January 2007 Romania became a member of the European Union ("EU") and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Fund has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented, however the tax authorities have up to 5 years to audit the way these changes were implemented.

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**4. Financial risk management (continued)**

**(d) Taxation risk (continued)**

Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

**(e) Operating environment**

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence prompted coordinated efforts by governments and central banks to adopt special measures through 2012. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian financial sector and consequently what effect, if any, they could have on these financial statements.

Management is unable to reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the illiquid credit market conditions and the increased volatility in the currency and equity markets.

**(f) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

**(g) Capital management**

Fund's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Fund's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 12,389,056,771 at 31 December 2012 (31 December 2011: RON 11,717,633,364).

The Fund was not subject to externally imposed capital requirements.

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**5. Financial assets and financial liabilities**

**Accounting classifications and fair values**

The table below sets out the carrying amounts and fair values of the Fund's financial assets and financial liabilities:

	<b>Loans and receivables</b>	<b>Held to maturity</b>	<b>Available-for-sale</b>	<b>Other amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
<b>31 December 2012</b>						
Cash and current accounts	1,857,628	-	-	-	1,857,628	1,857,628
Deposits with banks	317,309,452	-	-	-	317,309,452	317,309,452
Treasury bills	-	-	454,732,857	-	454,732,857	454,732,857
Dividends receivable	799,994	-	-	-	799,994	799,994
Equity investments at fair value	-	-	6,071,338,958	-	6,071,338,958	6,071,338,958
Equity investments at cost	-	-	5,198,405,380	-	5,198,405,380	Not available
Other receivables	2,189,053	-	-	-	2,189,053	2,189,053
Other liabilities	-	-	-	(21,064,179)	(21,064,179)	(21,064,179)
	<b>322,156,127</b>	<b>-</b>	<b>11,724,477,195</b>	<b>(21,064,179)</b>	<b>12,025,569,143</b>	<b>Not available</b>

	<b>Loans and receivables</b>	<b>Held to maturity</b>	<b>Available-for-sale</b>	<b>Other amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
<b>31 December 2011</b>						
Cash and current accounts	1,912,808	-	-	-	1,912,808	1,912,808
Deposits with banks	296,356,801	-	-	-	296,356,801	296,356,801
Treasury bills	-	-	195,919,673	-	195,919,673	195,919,673
Dividends receivable	52,479,298	-	-	-	52,479,298	52,479,298
Equity investments at fair value	-	-	4,768,466,068	-	4,768,466,068	4,768,466,068
Equity investments at cost	-	-	5,963,176,400	-	5,963,176,400	Not available
Other receivables	2,558,644	-	-	-	2,558,644	2,558,644
Other liabilities	-	-	-	(42,206,771)	(42,206,771)	(42,206,771)
	<b>353,307,551</b>	<b>-</b>	<b>10,927,562,141</b>	<b>(42,206,771)</b>	<b>11,238,662,921</b>	<b>Not available</b>



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**5. Financial assets and financial liabilities (continued)**

As at 31 December 2012 and 31 December 2011, management estimated that the dividends receivable for which no impairment losses were recognised would be collected within a short period of time and therefore their carrying amount approximated fair value.

Equity investments carried at cost do not have reliably measurable fair values.

**6. Gross dividend income**

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
OMV Petrom SA	353,125,036	201,623,004
Romgaz SA	140,639,003	106,010,598
Transgaz SA	52,515,091	50,768,117
Alro SA	23,066,500	16,024,881
Transelectrica SA	10,884,733	1,147,845
CN Aeroporturi Bucuresti SA	9,415,274	9,932,510
Conpet SA	6,612,533	6,984,786
CN Administratia Porturilor Maritime SA	6,570,224	-
Complexul Energetic Rovinari SA	6,457,434	20,711
Raiffeisen Bank International AG	4,052,569	4,735,544
BRD - Group Societe General SA	4,237,166	2,427,206
Aeroportul Intl' Timisoara - Traian Vuia SA	1,687,638	1,536,108
Electrica Distributie Muntenia Nord SA	1,801,112	-
Hidroelectrica SA	-	52,478,623
ENEL Distributie Banat SA	-	20,161,712
Primcom SA	-	14,276,720
ENEL Distributie Dobrogea SA	-	13,529,334
Delfincom SA	-	5,633,501
Erste Group Bank AG	-	3,514,050
GDF Suez Energy SA	-	9,600,000
Others	2,594,137	2,027,935
	<b>623,658,450</b>	<b>522,433,185</b>

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. In cases where the relevant shareholding was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due.

**7. Interest income**

Interest income amounting to RON 34,922,880 in 2012 (2011: RON 41,129,291) arose from deposits held with banks and from treasury bills.

**8. Gains on disposal of equity investments**

During 2012, the Fund sold its entire holding in Azomures SA (as part of a takeover bid initiated by the main shareholder of this company) and in Comcereal Fundulea (on the open market), and part of the holdings in Erste Group Bank AG and Raiffeisen Bank International AG. In 2012, the gain on disposal of these equity investments was RON 13,079,333 representing the difference between the proceeds from disposals (RON 208,134,752) and the carrying values of the equity investments as at disposal date (RON 195,055,419). In 2011, the gain on disposal of the equity investments was RON 8,799,778, representing the difference between the proceeds from disposals (RON 13,375,649) and the carrying values of the equity investments as at disposal date (RON 4,575,871).

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**9. Net foreign exchange gains / (losses)**

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
Realised foreign exchange gains / (losses)	(217,729)	700,842

**10. Other operating income**

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
Income from penalties levied for late payment of dividends	2,524,216	12,141,634
Other operating income	1,425,632	45,724
	<b>3,949,848</b>	<b>12,187,358</b>

In 2012, other operating income included income of RON 1,270,628 (2011: nil), derived from cancellation of the rights of shareholders to collect 2006 and 2007 dividends.

**11. Other operating expenses**

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
Investment management and administration fee	34,325,088	32,149,759
National Securities Commission fee	14,113,438	15,594,192
Depository fee	1,675,454	1,634,254
Third party services	7,639,449	3,495,314
Other operating expenses	1,159,780	1,369,782
	<b>58,913,209</b>	<b>54,243,301</b>

Third party services increase was mainly due to the higher level of litigation assistance expenses generated by the increase of the number of litigations in which the Fund is involved.

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**12. Income tax expense**

	Year ended 31 December 2012	Year ended 31 December 2011
<b>Current tax expense</b>		
Current tax (16%)	-	1,752,665
Dividend withholding tax	4,687,167	3,367,831
Prior year income tax adjustment	(23,214)	-
	<b>4,663,953</b>	<b>5,120,496</b>
<b>Deferred tax expense</b>		
Impairment losses on equity investments	(122,810,506)	(4,823,350)
Provisions for restructuring	9,524	36,203
Tax losses	(522,252)	138,871
	<b>(123,323,234)</b>	<b>(4,648,276)</b>
<b>Total income tax expense</b>	<b>(118,659,281)</b>	<b>472,220</b>

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2012 and 31 December 2011 was 16% (standard tax rate).

	Year ended 31 December 2012	Year ended 31 December 2011
<b>Reconciliation of effective tax rate</b>		
Profit/ (loss) for the period	(74,962,330)	518,067,291
Income tax expense/(benefit)	(118,659,281)	472,220
<b>Profit/(Loss) excluding income tax</b>	<b>(193,621,611)</b>	<b>518,539,511</b>
<b>Income tax using the standard tax rate (16%)</b>	<b>(30,979,458)</b>	<b>82,966,322</b>
Effect of:		
Lower tax rate on dividend income	(94,652,303)	(79,314,023)
Profit appropriation to legal reserve	-	(274,797)
Other non-taxable income	(833,771)	(4,840,721)
Other non-deductible expenses	7,626,955	1,872,938
Austrian dividend withholding tax non deductible from fiscal point of view	202,510	26,298
Prior year profit tax adjustment	(23,214)	-
Provisions for restructuring	-	36,203
<b>Total income tax expense</b>	<b>(118,659,281)</b>	<b>472,220</b>

	Year ended 31 December 2012	Year ended 31 December 2011
<b>Income tax recognised directly in equity:</b>		
On equity investments carried at fair value	238,865,572	(135,402,535)
	<b>238,865,572</b>	<b>(135,402,535)</b>

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**13. Cash and current accounts**

	31 December 2012	31 December 2011
Petty cash	2,391	135
Current accounts with banks	1,855,237	1,912,673
	<b>1,857,628</b>	<b>1,912,808</b>

The current accounts held with banks are not pledged as collateral for liabilities.

**14. Deposits with banks**

	31 December 2012	31 December 2011
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
Interest accrued on bank deposits	1,281,109	876,457
	<b>317,309,452</b>	<b>296,356,801</b>

None of the deposits held with banks is pledged as collateral for liabilities.

**15. Treasury bills**

In 2012 and 2011, the Fund acquired discounted treasury bills denominated in RON.

	31 December 2012	31 December 2011
Treasury bills with original maturities of less than three months	100,354,399	19,783,015
Treasury bills with original maturities of more than three months and less than one year	354,378,458	176,136,658
	<b>454,732,857</b>	<b>195,919,673</b>

**16. Dividends receivables**

	31 December 2012	31 December 2011
<b>Dividends receivable</b>		
Hidroelectrica S.A.	46,209,651	52,478,623
Other dividends receivable	1,446,159	646,840
	<b>47,655,810</b>	<b>53,125,463</b>
<b>Impairment loss allowance</b>		
Hidroelectrica S.A.	(46,209,651)	-
Other dividends receivable	(646,165)	(646,165)
	<b>(46,855,816)</b>	<b>(646,165)</b>
	<b>799,994</b>	<b>52,479,298</b>

In 2012, the Fund recorded impairment adjustments for doubtful dividends receivable in Hidroelectrica S.A. of RON 46,209,651, following the opening of the insolvency procedure for this company in June 2012.

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**17. Receivables in respect of equity contributions**

The receivable in respect of equity contributions is the difference between the amount due from the Ministry of Public Finance following the cancellation of the contribution corresponding to the holding in Electromecanica Ploiesti S.A. (after the decision of the High Court of Cassation and Justice, which irrevocably rejected in May 2011 the request of the Fund to be registered as a shareholder of this company), amounting to RON 21,436,245, and the cash and equity received from the Ministry of Public Finance, not converted into share capital, amounting to RON 16,646,011, as follows:

- cash representing amounts recovered from the forced execution of World Trade Center SA in 2010, for a total amount of RON 9,395,641;
- shares contributed in kind by the Romanian state following the increase of the share capital of Plafar SA in 2010, for an amount of RON 334,740;
- shares contributed in kind by the Romanian state following the increase of the share capital of Hidroelectrica S.A. in 2011, for an amount of RON 1,704,560;
- shares contributed in kind by the Romanian state following the increase of the share capital of Hidroelectrica S.A. in 2012, for an amount of RON 5,211,070.

During 2012, the Fund recorded a reversal of impairment, for RON 5,211,070, following the recording of the above-mentioned contributions in kind by the Romanian State. The Fund recorded in 2011 an impairment adjustment for the receivable in respect of equity contributions in amount of RON 10,001,304.

**18. Equity investments**

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no.209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised ("GEO 81/2007") came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian state.

The valuation of the shares contributed by the Romanian state in December 2005 and June 2007 was performed in October 2007 by an independent evaluator (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the evaluator, represents the cost of the equity investments.

Equity investments are available-for-sale financial assets and are carried at fair value, except for the investments whose fair value cannot be reliably measured, which are carried at cost less impairment.

Fair values at 31 December 2012 and 31 December 2011 were determined by reference to published bid price quotations on the stock exchange where shares are traded, where applicable. Equity investments quoted on the Bucharest Stock Exchange which are not actively traded, and unquoted securities, are carried at cost less impairment.

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**18. Equity investments (continued)**

At 31 December 2012 and 31 December 2011, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range of reasonable fair value estimates was significant and the probabilities of the various estimates could not be reasonably assessed.

The movement in the carrying amounts of equity investments is as follows:

	Equity investments at fair value	Equity investments at cost	Total equity investments
<b>31 December 2010</b>	<b>4,846,321,942</b>	<b>6,015,235,159</b>	<b>10,861,557,101</b>
Shares contributions in kind by State	-	1,704,560	<b>1,704,560</b>
Acquisitions	770,804,696	-	<b>770,804,696</b>
Disposals	(2,394,730)	(2,181,140)	<b>(4,575,870)</b>
Write-offs	-	(21,436,245)	<b>(21,436,245)</b>
Impairment loss	-	(51,691,805)	<b>(51,691,805)</b>
Reversal of impairment loss on disposals	-	21,545,871	<b>21,545,871</b>
Changes in fair value	(846,265,840)	-	<b>(846,265,840)</b>
<b>31 December 2011</b>	<b>4,768,466,068</b>	<b>5,963,176,400</b>	<b>10,731,642,468</b>
	Equity investments at fair value	Equity investments at cost	Total equity investments
<b>31 December 2011</b>	<b>4,768,466,068</b>	<b>5,963,176,400</b>	<b>10,731,642,468</b>
Shares contributions in kind by State	-	5,211,070	<b>5,211,070</b>
Subscriptions to share capital increase of portfolio companies	-	2,539,840	<b>2,539,840</b>
Acquisitions	62,217	-	<b>62,217</b>
Disposals	(194,884,889)	(170,530)	<b>(195,055,419)</b>
Impairment loss	-	(772,364,379)	<b>(772,364,379)</b>
Reversal of impairment loss on disposals	4,785,736	12,979	<b>4,798,715</b>
Changes in fair value	1,492,909,826	-	<b>1,492,909,826</b>
<b>31 December 2012</b>	<b>6,071,338,958</b>	<b>5,198,405,380</b>	<b>11,269,744,338</b>

During 2012, the Fund sold its entire holdings in Azomures SA and Comcereal Fundulea SA and part of the holdings in Erste Group Bank AG and Raiffeisen Bank International AG.

The Fund received 521,107 shares in Hidroelectrica SA accounted for as contributions in kind to the share capital of the Fund, whose nominal value (of 10 RON/share) was set off against the receivable related to the unpaid share capital of the Fund. These shares were received following the application of the provisions of Law no. 247/2005. The source of the increases in share capital is the land for which the company obtained title deeds.

In 2012, the Fund took part in the cash share capital increase of GDF Suez Energy Romania.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2012**  
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**18. Equity investments (continued)**

During 2012, the following mergers between companies in the Fund's portfolio were registered with the Trade Register:

- On 31 January 2012 the merger of Primcom SA, Delfincom SA and Prestari Servicii SA was completed. This merger was approved in November 2011 by the General Shareholders Meetings of the three companies, with Primcom SA as absorbing company, and Delfincom SA and Prestari Servicii SA as absorbed companies. Following the merger, the Fund holds 75.48% in Primcom SA, while Delfincom SA and Prestari Servicii have been removed from the Trade Register.
- In May 2012, the merger of Complexul Energetic Turceni SA, Complexul Energetic Craiova SA, Complexul Energetic Rovinari SA and Societatea Nationala a Lignitului Oltenia SA to create the new company Complexul Energetic Oltenia SA was completed. The merger was approved by the General Shareholders Meeting of these companies on 30 April 2012 and was recorded with the Trade Register in May 2012. Fondul Proprietatea holds 21.54% in the new company.

In June 2012, Plafar was removed from the insolvency procedure initiated in 2009, at the request of the company's Board of Directors. This resolution was registered with the Trade Register on 26 September 2012.

**Impairment losses**

On 20 June 2012, the Court admitted the request filed by Hidroelectrica SA for opening its insolvency procedure which is still in progress as at the date of these financial statements. As at 31 December 2012, the Fund recorded an additional impairment loss of RON 768,521,999 for the holding in Hidroelectrica, up to a cumulated impairment adjustment of RON 1,017,245,726, based on the value of this holding assessed by an independent valuer (KPMG), using valuation methods in accordance with International Valuation Standards (fair value principles). Consequently, the carrying value of the equity investment in Hidroelectrica as at 31 December 2012 is RON 2,001,000,000 (31 December 2011: RON 2,764,310,929).

As at 31 December 2012, the Fund recorded also an impairment adjustment of RON 3,842,380 for the holding in Posta Romana, based on the value of this holding assessed by an independent valuer (KPMG), using valuation methods in accordance with International Valuation Standards (fair value principles). Consequently, the carrying value of the equity investment in Posta Romana as at 31 December 2012 is RON 80,822,000 (31 December 2011: RON 84,664,380).

The structure of the Fund's portfolio was the following:



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**18. Equity investments (continued)**

	31 December 2012	31 December 2011
<b>Equity investments at fair value</b>		
OMV Petrom S.A.	4,876,542,833	3,303,427,754
Transgaz S.A.	384,687,160	394,127,877
BRD - Groupe Societe Generale S.A.	205,892,268	271,899,654
Alro Slatina S.A.	145,769,428	236,875,321
Transelectrica S.A.	125,570,240	172,176,689
Raiffeisen Bank International AG	118,905,477	94,094,574
Conpet S.A.	92,958,315	89,949,706
Erste Group Bank AG	42,242,729	72,055,218
Other	78,770,507	133,859,275
	<b>6,071,338,958</b>	<b>4,768,466,068</b>
<b>Equity investments at cost</b>		
Hidroelectrica S.A.	2,001,000,000	2,764,310,929
Complexul Energetic Oltenia S.A.*	670,084,812	-
Nuclearelectrica S.A.	581,846,011	581,846,011
Romgaz S.A.	416,301,444	416,301,444
Electrica Distributie Muntenia Nord S.A.	165,223,950	165,223,950
Enel Distributie Banat S.A.	141,578,929	141,578,929
CN Aeroporturi Bucuresti SA	131,168,262	131,168,262
E.ON Moldova Distributie S.A.	131,073,011	131,073,011
Electrica Distributie Transilvania Sud S.A.	125,918,628	125,918,628
Electrica Distributie Transilvania Nord S.A.	115,755,059	115,755,059
Enel Distributie Dobrogea S.A.	114,760,052	114,760,052
Enel Distributie Muntenia S.A.	107,277,263	107,277,263
Posta Romana S.A.	80,822,000	84,664,380
Complexul Energetic Turceni S.A.*	-	282,299,927
Complexul Energetic Craiova S.A.*	-	250,169,153
Complexul Energetic Rovinari S.A.*	-	137,615,732
Other	415,595,959	413,213,670
	<b>5,198,405,380</b>	<b>5,963,176,400</b>
<b>Total equity investments</b>	<b>11,269,744,338</b>	<b>10,731,642,468</b>

\*Complexul Energetic Oltenia S.A. resulted from the merger of S.C. Complexul Energetic Turceni S.A., S.C. Complexul Energetic Craiova S.A., S.C. Complexul Energetic Rovinari S.A. and Societatea Nationala a Lignitului Oltenia S.A.

None of the equity investments is pledged as collateral for liabilities.

**Fair value hierarchy**

The table below analyses equity investments carried at fair value, by valuation method.

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**18. Equity investments (continued)**

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2012:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	6,071,338,958	-	-	6,071,338,958
Treasury bills	454,732,857	-	-	454,732,857
	<b>6,526,071,815</b>	-	-	<b>6,526,071,815</b>

At 31 December 2011:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	4,768,466,068	-	-	4,768,466,068
Treasury bills	195,919,673	-	-	195,919,673
	<b>4,964,385,741</b>	-	-	<b>4,964,385,741</b>

**19. Deferred tax assets**

	31 December 2012	31 December 2011
<i>Temporary differences deductible (taxable)</i>		
Impairment losses on equity investments	5,237,961,506	4,470,395,844
Changes in fair values of equity investments	(2,969,427,906)	(1,476,518,081)
Fiscal loss carried forward	3,264,075	-
Provisions	-	59,525
	<b>2,271,797,675</b>	<b>2,993,937,288</b>
<b>Deferred tax assets at 16%</b>	<b>363,487,628</b>	<b>479,029,966</b>
<b>Total deferred tax assets</b>	<b>363,487,628</b>	<b>479,029,966</b>

The effective tax rate used to calculate the deferred tax position of the Fund as at 31 December 2012 and as at 31 December 2011 was 16% (standard tax rate).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**20. Other assets**

	<b>31 December 2012</b>	<b>31 December 2011</b>
Dividend withholding tax to be recovered from Austrian tax authorities	803,888	1,727,358
Income tax to be recovered from the State Budget	436,920	291,912
Interest receivable in relation with the dividends late payments	360,107	470,404
Prepaid expenses	27,199	28,412
Other assets	560,939	40,558
	<b>2,189,053</b>	<b>2,558,644</b>

**21. Other liabilities**

	<b>31 December 2012</b>	<b>31 December 2011</b>
Dividends payable	9,481,720	12,238,494
Investment Management and Administration fees	8,862,463	27,179,316
CNVM commission	1,230,482	1,200,075
Tax on dividends	-	1,134,222
Provisions	-	59,523
Other liabilities	1,489,514	454,664
	<b>21,064,179</b>	<b>42,266,294</b>

In April 2012, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, payable to shareholders with effect from 29 June 2012, which represented the distributable profits of 2011. As at 31 December 2012, shareholders had collected 99% of this dividend.

In April 2011, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03141 per share, payable to shareholders with effect from 30 June 2011, which represented the distributable profits of 2010. As at 31 December 2012, shareholders had collected 99% of this dividend.

The commission due to National Securities Commission ("CNVM") arose following the Fund's registration with this authority in August 2010.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
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**22. Shareholders' equity**

**(a) Share capital**

As of 31 December 2012, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 365,612,042 shares were unpaid.

Unpaid share capital represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder, to the Fund that were recorded in previous years as paid capital (based on Law 247/2005), during 2012 some of the paid capital being transferred to the unpaid share capital.

Holders of unpaid shares were not entitled to vote or to receive dividends.

At 31 December 2011, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 370,823,112 shares were unpaid.

By 31 December 2012, the State's share in Fund's issued capital was 2.68% (31 December 2011: 2.66%) out of which only 0.022% was paid.

The movements in share capital components are presented below:

	Share capital paid in	Share capital not paid in	Total share capital
<b>31 December 2010</b>	<b>13,778,392,208</b>	-	<b>13,778,392,208</b>
Shares contributed in kind by the State	(382,258,053)	382,258,053	-
Cash contributions	11,434,941	(11,434,941)	-
<b>31 December 2011</b>	<b>13,407,569,096</b>	<b>370,823,112</b>	<b>13,778,392,208</b>
Unpaid share capital compensated by State contributions	5,211,070	(5,211,070)	-
<b>31 December 2012</b>	<b>13,412,780,166</b>	<b>365,612,042</b>	<b>13,778,392,208</b>

**(b) Fair value reserves on available-for-sale financial assets**

The fair value reserves of RON 2,494,319,443 at 31 December 2012 (31 December 2011: RON 1,240,275,189) comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

**(c) Other reserves**

	31 December 2012	31 December 2011
Legal reserve	158,151,474	129,803,203
Other reserves	120,299,557	120,299,556
	<b>278,451,031</b>	<b>250,102,759</b>

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve. Such annual transfers must be discontinued when the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

In 2012, the Fund transferred to the legal reserves an amount of RON 28,348,272 representing 5% of the 2012 statutory gross profit (in 2011: RON 27,278,894).

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**22. Shareholders' equity (continued)**

**(d) Treasury shares**

The Fund's General Shareholders Meeting in September 2010 approved a buyback programme of up to 10% of the Fund's share capital at prices ranging between 0.2 - 1.5 RON, which was valid until March 2012. The buyback programme started in May 2011 and by 30 September 2011 the Fund completed this programme by acquiring 240,304,801 shares equivalent to 1.74% of the Fund subscribed share capital for a total acquisition cost of RON 120,268,583.

At the General Shareholders Meeting on April 2012, the shareholders approved to cancel the treasury shares and to reduce the share capital, but the registration of the shareholders' decision with Trade Register was blocked at the request of one shareholder.

The same shareholders meeting approved a second buyback programme: subject to availability of cash, the Fund Manager was authorised to repurchase a maximum number of 1.1 billion shares within the next 18 months within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buyback programme. The publication of this decision in the Official Gazette and, consequently, the beginning of the buyback programme, were also postponed by the litigations opened by one shareholder.

**(e) Dividends**

The distribution of a gross dividend of RON 0.03854 per share, in relation to 2011 statutory profits was approved at the Fund's General Shareholders Meeting in April 2012.

During 2011 the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03141 per share, in relation to 2010 statutory profits.

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### **23. Contingencies**

As at 31 December 2012 the Fund was involved in certain litigations, either as defendant or as claimant. According to the requirements of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Fund discloses in the financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

1. During 2012 there was a court litigation involving the Fund and Nuclearelectrica.

In this file the Fund has sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer in the Nuclearelectrica's shareholders register of a total of 20,077,953 shares from the Ministry portfolio to the Fund portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the share capital increases that took place between 1 February 2006 and 13 November 2007. The litigation was solved at the first stage by the Bucharest Court with the Court ruling against the Fund. The Fund has appealed the decision of the Court and the Bucharest Court of Appeal ruled against the Fund. The Fund filed the second appeal asking High Court of Cassation and Justice to issue the final and irrevocable decision. On 1 November 2012, the High Court of Cassation and Justice irrevocably ruled against the Fund and decided that the Fund has no right to receive additional shares issued by Nuclearelectrica.

On August 2011 for safety reasons, given that the decision issued by the first court in this case is enforceable, the Fund has blocked a total of 340,796,918 shares, in amount of RON 340,796,918 computed based on the valuation report issued in October 2007 by an independent evaluator (Finevex S.R.L. Constanta) for the shares presumed to be owned by the Fund in Nuclearelectrica. The Fund considered that in fact the Ministry of Public Finance has not contributed to the share capital of the Fund with this amount. As a result of the irrevocable decision issued by High Court of Cassation and Justice the Fund will propose the shareholders measures in order to solve the issue of unpaid share capital.

As at 31 December 2012 the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

2. Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meeting ("GSM") and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Stock Exchange news system.

In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund. This decision is now irrevocable. Based on legal opinions received, management notes that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new versions were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM and the 23 November 2012 GSM;
- new resolutions passed during the 25 April 2012 GSM and 23 November 2012 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority).

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**23. Contingencies (continued)**

Therefore, FTIML as the Fund Manager of Fondul Proprietatea is liable to observe the current Constitutive Act and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and its management agreement.

The outcome of the ongoing cases cannot be determined with certainty at this stage. However, management intends to defend the interests of the Fund and its shareholders in all these cases in accordance with the applicable laws.

Other contingencies of the Fund included:

1. The Fund is due to receive the following amounts from the Romanian State:

- the amount resulted from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom SA shares;
- 20% of the amounts resulting from the privatization of Romtelecom SA;
- 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian State once they are collected, with the approval of shareholders, according to the legislation in force.

2 The receivables from World Trade Center Bucharest SA:

Title II, Article 4 of GEO 81/2007 stipulates the transfer from the Authority for State Assets Recovery ("AVAS") to the Fund of receivables from World Trade Center Bucharest SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

Until December 2012, the Fund recovered from World Trade Center Bucharest SA USD 510,131, EUR 148,701, RON 8,724,888.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 26 June 2013.

Given the uncertainties regarding their recoverability, the World Trade Center Bucharest SA receivables were recognised on receipt basis in the Fund's financial statements.



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**24. Related parties**

**(a) Key management**

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
<b>Salaries</b>		
Members of the Board of Nominees	523,507	535,500

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2012 or in 2011.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch is both the Fund Manager and Sole Director of the Fund.

The transactions carried between the Fund and Fund Manager were as follows:

<b>Transactions</b>	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
Investment management fee	27,159,099	25,437,909
Administration fee	7,165,989	6,711,849
Rental expense	105,276	98,569
Operating cost	28,188	25,364
	<b>34,458,552</b>	<b>32,273,692</b>

During 2012 the Fund recorded also an amount of RON 1,012,597 representing expenses incurred by the Fund Manager on its behalf (2011: RON 1,141,266). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominee approval.

As at 31 December 2012, the Fund owed an amount of RON 9,146,226 to the Fund Manager (31 December 2011: RON 27,401,373).

The Fund had the following subsidiaries, all of which are incorporated in Romania:

	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>Ownership interest</b>		
Alcom S.A. Timisoara	72%	72%
Carom - Broker de Asigurare S.A. Bucuresti	70%	70%
Comsig S.A. Sighisoara	70%	70%
Delfincom S.A. Bucuresti*	-	66%
Prestari Servicii S.A. Bucuresti*	-	71%
Primcom S.A. Bucuresti *	75%	79%
Telerom Proiect S.A. Bucuresti	69%	69%
Zirom S.A. Giurgiu	100%	100%
Romplumb S.A. Baia Mare**	33%	51%

\* In January 2012, the merger of Primcom SA, Delfincom SA and Prestari Servicii SA, with Primcom SA as absorbing company and Delfincom SA and Prestari Servicii SA as absorbed companies was completed.

\*\*During 2012, the Fund's holding in Romplumb SA decreased below the control threshold following the share capital increase of Romplumb in which the Fund did not take part

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**24. Related parties (continued)**

**(b) Subsidiaries**

	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
<b>Gross dividend income</b>		
Primcom S.A. Bucuresti	-	14,276,720
Delfincom S.A. Bucuresti	-	5,633,501
	<u>-</u>	<u>19,910,221</u>
<b>Other income</b>		
Carom - Broker de Asigurare S.A. Bucuresti	-	55,130
<b>Dividends received</b>	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2011</b>
Primcom S.A. Bucuresti	-	14,276,720
Delfincom S.A. Bucuresti	-	5,633,501
Carom - Broker de Asigurare S.A. Bucuresti	-	177,553
	<u>-</u>	<u>20,087,774</u>
	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>Dividends receivable</b>		
Carom - Broker de Asigurare S.A. Bucuresti	10,158	10,832
	<u>10,158</u>	<u>10,832</u>
<b>Impairment loss allowance</b>		
Carom - Broker de Asigurare S.A. Bucuresti	(10,158)	(10,158)
	<u>(10,158)</u>	<u>(10,158)</u>
	<u>-</u>	<u>674</u>

**(c) Associates**

The Fund has one associate, which is incorporated in Romania:

	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>Ownership interest</b>		
OMV Petrom S.A.	20%	20%

During 2012, the Fund recorded and received from OMV Petrom S.A. a dividend of RON 353,125,036 (31 December 2011: RON 201,623,004).

**25. Subsequent events**

**Addendum no 2 to the Investment Management Agreement**

On 23 January 2013, CNVM issued Decision no. 48/22.01.2013, thereby refusing to endorse Addendum 2 to the Investment Management Agreement ("IMA"). This addendum was approved by shareholders on 4 April 2012 and establishes an additional fee equivalent to a fixed percentage of the value of the Excess Distribution as follows:

For Excess Distributions that are executed before 31 December 2012	1.5% of the Excess Distribution
For Excess Distributions that are executed in calendar year 2013	1.5% of the Excess Distribution
For Excess Distributions that are executed after calendar year 2013 and before termination of the IMA	1.0% of the Excess Distribution

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**25. Subsequent events (continued)**

According to CNVM Regulation 4/2010 any changes to the IMA must be endorsed by CNVM, and as a result the Fund asked for CNVM's endorsement in April 2012. Nine months later, CNVM communicated their decision with the following rationales:

- the structure of fees (fixed fee, performance fee) provided in the final offer document of FTIML submitted in the international tender for appointing the portfolio manager of the Fund should be maintained after the appointment;
- the fees provided in the Addendum 2 to the IMA were not set in accordance with the Regulation for organising the international tender for appointing the portfolio manager of the Fund;
- providing supplemental distribution through special dividend does not meet the objective proposed by FTIML in course the international tender for appointing the portfolio manager of the Fund.

Given that the IMA and subsequent addendums are approved by the Fund's shareholders and concluded between the Fund and the Fund Manager, the Fund Manager will carefully consider further steps that may be appropriate and will update investors of any further material developments.

## Annex 4

### STATEMENT OF PERSONS RESPONSIBLE

Provisions of Art.30 of Accounting Law no. 82/1991 and  
CNVM Regulations no. 1/2006, Art.112<sup>1</sup>, par. 1, letter c

The annual financial statements as at 31 December 2012 prepared for:

Entity: S.C. Fondul Proprietatea S.A.

Address: Bucharest, District 1, 78–80, Buzești Street, 7th Floor

Trade Registry Number: J40/21901/28.12.2005

Form of property: 22 (joint ownership with public capital under 50%, domestic and foreign public and private capital companies)

CAEN code and name: 6430 “Trusts, funds and similar financial entities”

Sole Registration Code: 18253260

The undersigned, Grzegorz Maciej Konieczny, Legal representative, and Mihaela Moleavin, Financial reporting manager with Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, as sole administrator of S.C. Fondul Proprietatea S.A., undertake the responsibility for the preparation of the annual financial statements on 31 December 2012 and confirm that:

- a) The accounting policies used for the preparation of the annual financial statements are in compliance with the applicable accounting regulations;
- b) The annual financial statements give a true and fair view of the financial position and performance and of other information regarding the conducted business.
- c) The company is conducting its business on the going concern basis.
- d) The Annual Administrator’s Report of Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, regarding the management and administration of Fondul Proprietatea S.A. for the year 2012, includes an accurate overview of the developments and performance of Fondul Proprietatea S.A., as well as a description of the main risks and uncertainties related to the business.

**Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch,  
acting as Sole Administrator on behalf of S.C. FONDUL PROPRIETATEA S.A**

Grzegorz Maciej Konieczny  
Legal Representative

Mihaela Moleavin  
Financial Reporting Manager

## Annex 5

### Changes in the Constitutive Act of Fondul Proprietatea S.A during 2012

**Decision no. 2/ 04 April 2012  
of the General Extraordinary Assembly of Shareholders of  
S.C. FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti St, 7<sup>th</sup> floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 04 April 2012, at 10am, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Extraordinary Assembly of Shareholders (EGM) of S.C. Fondul Proprietatea S.A. at its first convocation, at Hilton Hotel, 1-3 Episcopiei Street, Le Diplomate Meeting Room, District 1, Bucharest.

Upon the opening of the works 117 shareholders are found to be present or represented, holding a number of 6,134,827,988 shares, representing 45.21% of the total paid shares and holding a number of 6,134,827,988 voting rights.

The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole Administrator – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, District 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission (CNVM) under number PJM05SSAM/400001 observes that the EGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Taking into consideration:

- The notice to attend to the EGM published in the Official Gazette Part IV number 785 of 01 March 2012, in “Romania Libera” newspaper on 01 March 2012, as well as on the website of S.C. Fondul Proprietatea S.A. – [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) on 01 March 2012,
- The provisions of the Constitutive Act of S.C. Fondul Proprietatea S.A. in force,
- The provisions of Law 31/1990 regarding commercial companies, republished as subsequently amended and completed,
- The provisions of Law 297/2004 regarding the capital market, as subsequently amended and completed,
- Art. 147-158 of Regulation 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission, as subsequently amended and completed,
- The provisions of CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies, as subsequently amended and completed,
- Art. 21 of CNVM Regulation no. 4/2010 regarding the registration with the National Securities Commission and the functioning of “Fondul Proprietatea” – S.A. , as well as the transaction of the shares issued by it;

Following the debates on the agenda, the shareholders of S.C. Fondul Proprietatea S.A. have decided as follows:

- I. The election of Mr. Radu Florescu, shareholder of S.C. Fondul Proprietatea S.A., as meeting secretary of the EGM according to the provisions of art. 129 paragraph (2) in Law 31/1990.

This item was adopted by 2,906,853,763 votes representing 99.04% of the valid votes. There were registered 27,199,046 votes against and 730,995 abstentions. There were 37,941,400 votes cancelled.

After the election of Mr. Radu Florescu, as meeting secretary, the Sole Administrator appointed Mrs. Loredana Văduva as technical secretary.

- II. The approval of the EGM agenda.

This item was adopted by 6,053,214,525 votes representing 99.67 % of the valid votes. There were registered 3,408,744 votes against and 16,503,199 abstentions. There were 37,941,400 votes cancelled.

- III. The change of the Constitutive Act in force, as following:

3.1 Article 14 of the Constitutive Act is modified and will have the following content:

#### **“ARTICLE 14**

##### **Organization of the general meeting of the shareholders**

##### **I. Quorum and voting rights**

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes. The decision of the ordinary general meeting of the shareholders regarding the cancelation of the appointment of the members of the Board of Nominees and of the Fund Manager are taken with a majority of at least two thirds of the number of votes attending or being represented.
- (2) In case the ordinary general meeting of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.
- (3) For the validity of the deliberations of the extraordinary general meeting of the shareholders the following are required:
  - a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;
  - b) upon the second convocation, the general meeting of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.
- (4) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:
  - (i) a share capital increase,
  - (ii) a share capital decrease except a share capital decrease as a result of a buy-back programme followed by the cancellation of the shares acquired or of the exemption of the shareholders that have not paid for the unpaid shares, or
  - (iii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.

- (5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease as a result of the buy-back programme followed by the cancellation of the shares acquired or of the exemption of the shareholders that have not paid for the unpaid shares, the attendance of the shareholders representing:
- (i) at least a fourth of the shares having voting rights upon the first convocation, and
  - (ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.
- (6) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

## II. Procedure of the meetings

- (7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Fund Manager or, in its absence, by the one holding its place. A legal representative of the Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.
- (8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfillment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.
- (9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfillment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.
- (10) The documents referring to the convocation, the list of attending as well as, as the case may be, the powers of attorney of the representatives of the shareholders shall be attached to each minutes.
- (11) The permanent representative of the Fund Manager may appoint, from amongst the employees of Fund Manager, one or more technical secretaries, to fulfill their duties according to the legal provisions.
- (12) The decisions of the general meetings of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general meetings of the shareholders' register.
- (13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.
- (14) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.



- (15) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.
- (16) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general meetings of the shareholders.
- (17) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general meeting of the shareholders, by care of the Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Fund Manager has the obligation to fulfill all the above-mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above-mentioned documents will be made public on the website of Fondul Proprietatea, in accordance with the applicable legislation.
- (18) In the ads informing on the convocation of the general meeting of shareholders of Fondul Proprietatea it will be indicated, by the Fund Manager the reference date in relation to which the shareholders will be entitled to participate and vote. Also, the date by when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general meeting of the shareholder by at least 48 hours.
- (19) The votes of the shareholders will be sent electronically or by letter at the headquarters of Fondul Proprietatea, in a clear and precise form, containing the mention "for", "against" or "abstained" to each issue subject to approval.
- (20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Fund Manager drawn up according to the National Securities Commission regulations and such votes will not be taken into consideration in calculating the attending quorum.

### III. Exercising the voting right in the general meeting of the shareholders

- (21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.
- (22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.
- (23) Only the shareholders registered in the company shareholders' register at the reference date established by the Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.
- (24) Secret vote is compulsory for electing and revoking the Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.

- (25) The procedures referring to the secret vote, where applicable will be approved by the Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.
- (26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.
- (27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.”

This item was adopted by 5,689,831,643 votes representing 97.80% of the valid votes. There were registered 35,985,727 votes against and 91,451,546 abstentions. There were 37,941,400 votes cancelled.

3.2. The approval of the new Constitutive Act of S.C. Fondul Proprietatea S.A. The draft of the new Constitutive Act submitted for approval contains have the contents specified in Annex 1 to the convening notice. Annex 1 was part of the convening notice. The New Constitutive Act shall become in effect after the approval of the CNVM, under the legislation in force. The new Constitutive Act of S.C. Fondul Proprietatea S.A. has the following content:

### **“Constitutive Act of Fondul Proprietatea S.A.**

#### **CHAPTER I**

Name of the company, legal form, headquarters and duration

#### **ARTICLE 1**

Name of the Company

- (1) The name of the Company is "Fondul Proprietatea" S.A.
- (2) All invoices, offers, orders, tariffs, prospectuses and other documents used in business, issued by the Company shall indicate the name, the legal form, the registered office, the registration number with the Commercial Registry and the sole registration code (CUI), the subscribed share capital, and the paid share capital with the mention “closed – end investment company”.

#### **ARTICLE 2**

Legal form of the company

- (1) "Fondul Proprietatea" - S.A., hereinafter referred to as Fondul Proprietatea, is a Romanian legal person, set up as a joint-stock company.
- (2) Fondul Proprietatea is organized, operates and ceases its activity under the provisions of Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed, and of Company Law No. 31/1990, republished, as further amended and completed.
- (3) Fondul Proprietatea is set up as an undertaking for collective investment (A.O.P.C.), of the closed-end-type, as defined by Art. 114(1) letter b) of Law No. 297/2004, as further amended and completed.

### **ARTICLE 3**

#### Company headquarters

- (1) The registered office of Fondul Proprietatea is located in Bucharest, 78-80 Buzesti Street, floor 7th, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Fund Manager), according to article 21 paragraph (3) xii).
- (2) The Company may set up secondary headquarters such as branches, representative offices, working points or other units with no legal personality, under the terms provided by law.

### **ARTICLE 4**

#### Company duration

The duration of Fondul Proprietatea is unlimited.

## **CHAPTER II**

### Purpose and business object of the company

### **ARTICLE 5**

#### Company purpose

The purpose of Fondul Proprietatea is the management and administration of the portfolio.

### **ARTICLE 6**

#### Business object

- (1) Fondul Proprietatea has as main object of activity the management and administration of the portfolio.
- (2) The main domain of activity of Fondul Proprietatea is the one described by CAEN Code 643 – mutual funds and other similar financial entities, and the main activity is financial investments - CAEN Code 6430.
- (3) The business object of Fondul Proprietatea is the following:
  - a) management and administration of the portfolio;
  - b) other additional and adjacent activities, according to the regulations in force.

## **CHAPTER III**

### Share capital, shares

### **ARTICLE 7**

#### Share capital

- (1) The share capital of Fondul Proprietatea is in amount of Lei 13,778,392,208, divided in 13,778,392,208 ordinary, nominative shares, having a face value of RON 1 each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by the Central Depository.

- (2) The identification data of each shareholder, the contribution to the share capital of each shareholder, the number of shares to which a shareholder is entitled to and the participation quota out of the total share capital are included in the shareholders' register kept by a computerized system by the Central Depository.

## ARTICLE 8

### Share capital increase and decrease

- (1) The extraordinary general meeting of the shareholders shall decide, under the conditions of the law, on the share capital increase and decrease of Fondul Proprietatea, in accordance with the provisions of art. 12(3) letter c) and d) of this constitutive act.
- (2) The share capital may be increased, in accordance with the provisions of the law, by:
- a) by issuing new shares in exchange for cash contributions;
  - b) incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.
- (3) The share capital increase stated for in paragraph 2 shall be registered at the Trade Register Office, on the basis of the decision made by the General Meeting of the Shareholders of Fondul Proprietatea,
- (4) Any share capital decrease shall be performed in accordance with the provisions of the law.
- (5) The share capital may be decreased by:
- a) decreasing the number of shares;
  - b) decreasing the nominal value of shares; and
  - c) other means provided by the law.
- (6) In case the Fund Manager notices that, due to accrued losses, the amount of the net assets, established as the difference between the total assets and total liabilities of Fondul Proprietatea, is less than half of the value of the subscribed share capital, Fund Manager is bound to call the extraordinary general meeting of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general meeting of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest by the termination of the fiscal year subsequent to the one in which the losses were determined, to a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, in case in this time the net assets of Fondul Proprietatea were not reconstituted up to a value at least equal to half of the share capital.
- (7) Share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the extraordinary general meeting of the shareholders.

## ARTICLE 9

### Shares

- (1) The shares of Fondul Proprietatea are nominative, of equal value, issued in dematerialized form, established by registration in the account, and grants equal rights to their holders under the conditions provided by art. 11.
- (2) The nominal value of a share is RON 1.

- (3) The shares are indivisible with respect to Fondul Proprietatea, acknowledging only one holder for each share. In case a share becomes the property of more persons, Fondul Proprietatea / the Central Depository is not bound to register the transfer as long as those persons will not appoint a sole representative to exercise the rights arising from the share.
- (4) The partial or total transfer of the shares amongst the shareholders or third parties is done according to the terms, conditions and procedure provided by law.
- (5) Fondul Proprietatea may buy back its own shares in accordance with the conditions laid down in legislation in force.
- (6) The right to dividends are held by the shareholders registered in the shareholders' register, according to the provisions of Law No. 297/2004, as further amended and completed, as well as the regulations issued for the implementation thereof.

## **ARTICLE 10**

### **Bonds**

Fondul Proprietatea is authorized to issue bonds in accordance with the provisions of the law. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

## **ARTICLE 11**

### **Rights and obligations arising from shares**

- (1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general meeting of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.
- (2) The shares issued by Fondul Proprietatea grant the right to vote, each share grants one voting right.
- (3) Holding one share implies the rightful adhesion to this constitutive act.
- (4) The rights and obligations follow the shares in case ownership thereof passes to another person.

## **CHAPTER IV**

### **General meeting of the shareholders**

## **ARTICLE 12**

### **General meetings of the shareholders**

- (1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting of the shareholders has the following competencies, duties and functions:
  - a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Fund Manager and financial auditor;
  - b) to establish the distribution of the net profit and to establish the dividends;
  - c) to appoint the members of the Board of Nominees ("BoN") and to cancel their appointment;

- d) to appoint the Fund Manager, on the basis of the outcome of the selection made subsequent to a tender for appointing the Fund Manager, and to cancel its appointment;
  - e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
  - f) to set the level of the remuneration of the members of the Board of Nominees, the Fund Manager and of the financial auditor for the ongoing fiscal year;
  - g) to rule over the management of the Fund Manager and to evaluate his/her performances and to discharge him/her from its management,
  - h) to decide on the action in a court of law against the Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
  - i) to approve the strategies and the development policies of Fondul Proprietatea;
  - j) to establish the annual income and expenditure budget, and to approve the business programme for the following financial year;
  - k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
  - l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.
- (3) The extraordinary general meeting of the shareholders is entitled to decide on the following:
- a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
  - b) share capital increase;
  - c) share capital decrease or re-completion thereof by issuing new shares;
  - d) conversion of shares from one category to another;
  - e) conversion of a category of bonds to another category or to shares;
  - f) issue new bonds;
  - g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
  - h) execution of any agreement / legal documents which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the assets whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
  - i) change of the management system of Fondul Proprietatea;
  - j) limitation or cancellation of the preference right of the shareholders;
  - k) approves the Investment Policy Statement;
  - l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

**ARTICLE 13**

## Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the financial year.
- (3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.
- (4) The general meeting of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local newspaper largely read in the locality where the HQ of the company resides at least 30 days prior to the proposed date of meeting.
- (5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.
- (6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Board of Nominees, the annual financial statements, the annual report of the Fund Manager, the report of the Board of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general meeting, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.
- (7) The calling notice includes the place, hour and date of the general meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate. Upon calling the general meeting of the shareholders the provisions of art. 147-158 of Regulation No. 15/2004 regarding the authorisation and functioning of investment management firms, collective investment undertaking and depositories, approved by Order of the president of the National Securities Commission No. 67/2004, as further amended, shall apply.
- (8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
- (9) The notice for the first general meeting of the shareholders must set the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting can not take place due to non-attendance of the required quorum.
- (10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.
- (11) The Board of Nominees may request to the Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.



- (12) The chairperson of Board of Nominees may request to the Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.
- (13) The Fund Manager immediately call the general meeting of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general meeting of shareholders.
- (14) In the case provided by paragraph (13), the general meeting of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Fund Manager received the request of the shareholders.
- (15) In the situation provided by paragraphs (13) and (14), in case the Fund Manager does not call the general meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Fund Manager, may authorize the calling of the general meeting by the shareholders which formulated the request

## **ARTICLE 14**

### Organization of the general meeting of the shareholders

#### I. Quorum and voting rights

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes. The decision of the ordinary general meeting of the shareholders regarding the cancelation of the appointment of the members of the Board of Nominees and of the Fund Manager are taken with a majority of at least two thirds of the number of votes attending or being represented.
- (2) In case the ordinary general meeting of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.
- (3) For the validity of the deliberations of the extraordinary general meeting of the shareholders the following are required:
  - a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;
  - b) upon the second convocation, the general meeting of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.
- (4) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:
  - (i) a share capital increase,

- (ii) a share capital decrease except a share capital decrease as a result of a buy-back programme followed by the cancellation of the shares acquired or of the exemption of the shareholders that have not paid for the unpaid shares, or
  - (iii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.
- (5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease as a result of the buy-back programme followed by the cancellation of the shares acquired or of the exemption of the shareholders that have not paid for the unpaid shares, the attendance of the shareholders representing:
- (i) at least a fourth of the shares having voting rights upon the first convocation, and
  - (ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.
- (6) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

## II. Procedure of the meetings

- (7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Fund Manager or, in its absence, by the one holding its place. A legal representative of the Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.
- (8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfillment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.
- (9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfillment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.
- (10) The documents referring to the convocation, the list of attending as well as, as the case may be, the powers of attorney of the representatives of the shareholders shall be attached to each minutes.
- (11) The permanent representative of the Fund Manager may appoint, from amongst the employees of Fund Manager, one or more technical secretaries, to fulfill their duties according to the legal provisions.
- (12) The decisions of the general meetings of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general meetings of the shareholders' register.
- (13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.

- (14) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.
- (15) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.
- (16) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general meetings of the shareholders.
- (17) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general meeting of the shareholders, by care of the Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Fund Manager has the obligation to fulfill all the above mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above mentioned documents will be made public on the website of Fondul Proprietatea, in accordance with the applicable legislation.
- (18) In the ads informing on the convocation of the general meeting of shareholders of Fondul Proprietatea it will be indicated, by the Fund Manager the reference date in relation to which the shareholders will be entitled to participate and vote. Also, the date by when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general meeting of the shareholder by at least 48 hours.
- (19) The votes of the shareholders will be sent electronically or by letter at the headquarters of Fondul Proprietatea, in a clear and precise form, containing the mention "for", "against" or "abstained" to each issue subject to approval.
- (20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Fund Manager drawn up according to the National Securities Commission regulations and such votes will not be taken into consideration in calculating the attending quorum.

### III. Exercising the voting right in the general meeting of the shareholders

- (21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.
- (22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.
- (23) Only the shareholders registered in the company shareholders' register at the reference date established by the Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.

- (24) Secret vote is compulsory for electing and revoking the Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.
- (25) The procedures referring to the secret vote, where applicable will be approved by the Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.
- (26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.
- (27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.

## **CHAPTER V**

### The Board of Nominees

## **ARTICLE 15**

### Organisation

- (1) The ordinary general meeting of the shareholders shall appoint the Board of Nominees, formed of 5 members, and shall establish their remuneration.
- (2) Any shareholder will have the right to make proposals on the members of the Board of Nominees. The members of the Board of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Board of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Fund Manager needing the approval of the Board of Nominees are made to the advantage of the shareholders.
- (3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting of the Shareholders.
- (4) The Board of Nominees elects from amongst its members a chairman of the Board.

## **ARTICLE 16**

### Functioning

- (1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.
- (2) The Chairperson of the Board of Nominees or, during his absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper development of the meetings. The meetings of the Board of Nominees shall be held at the HQ of Fondul Proprietatea.

- (3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board of Nominees on the basis of a special written empowerment, presented in its original form at the beginning of the meeting. One member of the Board of Nominees may represent only one absent member. The decisions of the Board of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Board of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.
- (4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision, the chairperson of the Board of Nominees shall give notice for a second meeting of Board of Nominees, having the same agenda as the first, in order to discuss this agenda. If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Board of Nominees shall ask Fund Manager to convoke the general meeting of the shareholders in order to properly decide on the respective decisions; in case that Fund Manager does not convoke it, any of the members of the Board of nominees will be in his right to convoke the general meeting.
- (5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board of Nominees on nominating members ad interim will be communicated to FM, the auditor and will be filed with the Trade Register.

## **ARTICLE 17**

### **Attributions of the Board of Nominees**

The Board of Nominees has the followings duties and functions:

- (1) Following the information received from the Fund Manager with regard to the summoning of the ordinary and/or extraordinary general meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting of shareholders;
- (2) Receives from the Fund Manager the information in connection with the answers to the written requests submitted before the date of the general meeting of the shareholders, by the shareholders on topics regarding Fondul Proprietatea's activity;
- (3) Receives from the Fund Manager the annual financial statements, the annual activity report presented by the Fund Manager and the financial auditors' report, before being made available to the shareholders and analyzes them, being able to formulate an opinion to be presented to both the Fund Manager and the general meeting;
- (4) Receives from the Fund Manager for analysis the annual report on the management and the business policy of Fondul Proprietatea and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (5) Receives from the Fund Manager for analysis the yearly income and expenditure budget and business plan before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (6) Receives from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting of the shareholders;

- (7) Receives from the Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Fund manager according to legal provisions in force, capital market rules and regulations;
- (8) Receives from the Fund Manager for analysis the proposal to the ordinary general meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (11) Monitors the following, based on information and reports received from the Fund Manager:
  - the list of all portfolio investments and percentage breakdown by each investment type;
  - a list of major transaction occurring in the Fondul Proprietatea portfolio for the period under review;
  - the total profit of the portfolio and comparison of profit with the appropriate benchmark;
  - comparison of return on the portfolio with the portfolio objective;
  - the extent of compliance with the investment policy statement, any variations and actions taken to correct variations;
  - the performance evaluation report.

all the above with the purpose of drafting and presenting a report regarding the developed monitoring activity any time is required by the shareholders, but in any case at least once a year, to the general meeting of the shareholders;
- (12) Represents the general meeting of the shareholders in relation with the Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general meeting and the Fund Manager;
- (13) Verifies the report of the Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Fund Manager, and verifies if the operations carried on by the Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general meeting of the shareholders;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;
- (15) Participates to the meetings of the general shareholders' meetings and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;
- (16) Proposes to the general meeting of the shareholders the approval or rejection of any contract/document which may create binding obligations to Fondul Proprietatea (including without limitation buying, selling, exchanging, pledging of assets of Fondul Proprietatea) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables
- (17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.



- (18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.
- (19) Following of proposal of Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.
- (20) Approves the delegation by the Fund Manager of certain activities. The delegation will be in force after the approval of NSC, where required by legislation in force.
- (21) Is responsible for monitoring the Fund Manager performance of the Investment Management Agreement.

## ARTICLE 18

### The obligations of the members of the Board of Nominees

- (1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.
- (2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.
- (3) The members of the Board of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.
- (4) If a member of the Board of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.
- (5) The same obligation must be observed by the member of the Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by the 4th grade inclusive are interested.
- (6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Board of Nominees, are not applicable if the vote refers to:
  - a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Board of Nominees or to the persons mentioned in paragraph (5);
  - b) the granting by a member of the Board of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.
- (7) The member of the Board of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.
- (8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Board of Nominees, through operations such as:
  - a) granting loans;
  - b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
  - c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Board of Nominees, concomitant or after granting the loan;



- d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
  - e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Board of Nominees or other personal service of those members.
- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons by the 4th grade inclusive of the members of the Board of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.
- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties
- (11) The Board of Nominees shall promptly decide on all requests for approval from the Fund manager within a reasonable time frame to allow the Fund Manager to comply with it's own obligations.

## **CHAPTER VI**

### Provisions regarding the company's management

## **ARTICLE 19**

### Organisation

- (1) Fondul Proprietatea is managed by Franklin Templeton Investment Management Limited through its Romanian branch, with headquarter in Bucharest, 78-80 Buzesti street, floors 7-8, sector 1, fiscal registration no. 25851096, registration number at Trade Registry J40/8587/2009, legally represented by: Grzegorz Maciej Konieczny, Polish citizen, born on 22.11.1970 at Slupsk, Poland, with home address in Poland, identified with identification documentation issued by Polish Authorities on 14.05.2009, with validity date by 14.05.2019, with personal identification number 70112200078 and by Adrian Cighi, Romanian citizen, with home address on Bucuresti, 57 Aron Cotrus street, sc. D, et. 5, ap. D31, district 1, identified with ID RT number 768358 issued by S.P.C.E.P. District 1 on 18.05.2011, valid by 10.08.2021, with personal identification number 1830810314000 and by Oana - Valentina Truța, Romanian citizen, domiciled in Cluj-Napoca, 18 Iuliu Moldovan Street, ap.13, Cluj county, identified with Identity Card series KX number 361489 issued by Cluj-Napoca on 08.06.2004, valid by 20.08.2014, having as Personal Identification Number 2800820260032, under Investment Management Agreement signed on 25 February 2010, which holds the position of sole director, as well as of asset management company referred to throughout this document as the Fund Manager.
- (2) The Fund Manager is elected by the general meeting of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the Fund Manager is of 4 years and is renewed automatically, if there is no adverse decision of the general meeting of the shareholders, entitled to decide on the termination of the mandate even before its regular lifespan. The Fund Manager will call the Ordinary General Meeting of Shareholders with at least 3 months before of the termination of Investment Management Agreement having on the agenda the extension of the mandate or the appointing of a new Fund Manager. The Fund Manager will organize the Ordinary General Meeting of Shareholders before the termination of Investment Management Agreement.

- (4) The legal entity appointed as Fund Manager of Fondul Proprietatea must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.
- (5) The Investment Management Agreement can be modified or replaced in accordance with article 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Investment Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.

## **ARTICLE 20**

### Functioning

The Fund Manager shall appoint a natural person as its permanent representative. The Fund Manager can make changes of its permanent representatives (that are the legal representatives and managers of the Fund Manager), with the prior authorisation of NSC. All changes will be registered at Trade Register.

## **ARTICLE 21**

### Attributions of the Fund Manager

- (1) The management of Fondul Proprietatea is ensured by the Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general meeting of the shareholders and has all the obligations attributed to it by the applicable law.
- (2) The Fund Manager exercises its attributions under the control of the general meeting of the shareholders and the monitoring of the Board of Nominees.
- (3) In excess of the duties provided by the applicable law, the Fund Manager shall be liable to:
  - i) establish a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;
  - ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;
  - iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,
  - iv) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;
  - v) manages the relationship with the Central Depository with regard to its shareholders register functions,

- vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;
- vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;
- viii) propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea; it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio; it has to inform periodically the Board of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio
- ix) approve the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities, with the prior endorsement of the NSC, where required by applicable legislation,
- x) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea,, including but not limited to the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- xi) to enter into any agreement / document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea) whose value does not exceed, either individually or cumulated, during a financial year, 20% of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;
- xii) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;
- xiii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- xiv) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);
- xv) inform at once the Board of Nominees of any litigation or infringement of legislation regarding Fund Manager, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters.
- xvi) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably.
- xvii) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

## ARTICLE 22

### The obligations of the Fund Manager

- (1) The Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.
- (2) The Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.
- (3) The Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.
- (4) If the Fund Manager, respectively its permanent representative and its employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Fund Manager must give notice to the internal auditors and Board of Nominees of this issue and not take part in any deliberation concerning the specific situation.
- (5) The same obligation must be observed by the Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an Affiliate of the Fund Manager or the wife or husband, relatives or related persons by the 4th grade inclusive of the representative and its employees, are interested.

## ARTICLE 23

### Representation of Fondul Proprietatea

- (1) In relations with third parties, Fondul Proprietatea is represented by the Fund Manager, respectively by its permanent representative.
- (2) The Fund Manager may delegate the representative powers, in accordance with the applicable law and CNVM regulations.

## CHAPTER VII

### The audit of Fondul Proprietatea

## ARTICLE 24

### The internal auditors and the financial audit

- (1) The financial statements of Fondul Proprietatea are subject to financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.
- (2) An internal audit department shall be organised within Fondul Proprietatea, having attributions of objective examinations of the company's aggregate business, for the purpose of providing an independent evaluation of the risk management, control and leading development of the company. Fund Manager can decide that internal audit work can be outsourced, in which case it will run on a contractual basis, according to article 3 of Decision of Romanian Chamber of Auditors no. 88/2007, with subsequent amendments.
- (3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.
- (4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.

- (5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.
- (6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Board of Nominees for information, as well as to Fund Manager for approval within the limits of its competencies.
- (8) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general meeting of the shareholders.
- (9) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.
- (10) The internal audit shall give quarterly reports to the Board of Nominees of Fondul Proprietatea and Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Fund Manager.
- (11) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general meeting of the shareholders if the Fund Manager has accepted the reported significant risks.
- (12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.
- (13) The internal auditors shall notify the Board of Nominees and the Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general meeting of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting of the shareholders.
- (15) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

## **CHAPTER VIII**

### **Business of Fondul Proprietatea**

## **ARTICLE 25**

### **Financing its own business**

For the fulfilment of the business object and in accordance with the attributions established, Fondul Proprietatea uses the financial sources established pursuant to the law, banking credits and other financial sources. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

## **ARTICLE 26**

### Financial year

The financial year begins on 1st of January and terminates on 31st December of each year.

## **ARTICLE 27**

### Accounting evidence and annual financial statements

- (1) The accounting is kept in Romanian language and in national currency.
- (2) Fondul Proprietatea must draft the annual financial statements according to legal provisions in force.

## **ARTICLE 28**

### Calculation and distribution of the profit

- (1) The result of the financial year is determined at the end of the year and represents the final balance of the profit and loss account.
- (2) The profit of Fondul Proprietatea after the payment of the profit tax shall be distributed according to the decision of the general meeting of the shareholders and to the legal provisions in force.
- (3) Fondul Proprietatea creates legal reserves and other reserves, pursuant to the law.
- (4) The payment of dividends owed to the shareholders is made by Fondul Proprietatea, according to the law.
- (5) The dividends are distributed between the shareholders proportional with the number of held shares.
- (6) In case of loss of the net asset, the general meeting of the shareholders shall analyse the causes and decide properly, according to the law.

## **ARTICLE 29**

### Registries

Fondul Proprietatea shall maintain, by care of the Fund Manager and internal auditors, all registries provided by the law. The shareholders registry is kept by the Central Depository.

## **CHAPTER IX**

### Association, change of the legal form, dissolution and liquidation, litigation

## **ARTICLE 30**

### Association

- (1) Fondul Proprietatea may set-up, solely or together with other Romanian or foreign natural persons or legal entities, other companies or legal entities, according to the law and to this constitutive act.
- (2) The conditions for the participation of Fondul Proprietatea at the setting-up of new legal entities shall be regulated by the constitutive acts, which to be approved by the general meeting of the shareholders.

## ARTICLE 31

### Dissolution

- (1) The dissolution of Fondul Proprietatea shall take place in the following cases:
  - a) impossibility of performing the company's business object;
  - b) declaring the company's nullity;
  - c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);
  - d) as consequence of losses, if the net asset value, determined as difference between the total asset and company's debts, represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general meeting of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the company's net asset up to the value at least equal with half of the subscribed share capital.
  - e) opening of the bankruptcy procedure;
  - f) the number of shareholders reduces under the legal minimum;
  - g) other causes provided by the law or by this constitutive act.
- (2) The dissolution of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.
- (3) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV.

## ARTICLE 32

### Liquidation

- (1) The dissolution of Fondul Proprietatea has as consequence the opening of the liquidation procedure.
- (2) The liquidation of Fondul Proprietatea and distribution of the patrimony are made in accordance with the law.

## ARTICLE 33

### Calculation method of the net asset

The calculation method of the net asset is made according to the legal provisions in force.

## ARTICLE 34

### Prudential rules concerning the investment policy

- (1) The investment policy is established by the Fund Manager, with the observance of the investment limitation provided by the legal provisions in force and of this Constitutive Act.
- (2) Fondul Proprietatea shall be subject to the investment restrictions provided under Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed as well as any other applicable law or regulation.



- (3) Subject to the terms of this Constitutive Act, of the IMA and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Fund Manager.
- (4) Prudential rules concerning the investment policy will be by approved by the shareholders through Investment Policy Statement.

### **ARTICLE 35**

#### Conditions for the replacement of the depository

- (1) Fondul Proprietatea shall conclude a deposit agreement with a depository legal entity authorised and supervised by the National Securities Commission, which performs the deposit operations of securities, as well as any operations in connection with those. The activities to be developed by the depository and the conditions for its replacement shall be provided in the deposit agreement.
- (2) The deposit agreement shall include mandatorily clauses related to the replacement of the depository and rules for ensuring shareholders' protection in such situations.

### **ARTICLE 36**

#### Identity, requirements regarding the qualification, professional experience and integrity of the management members

- (1) The Fund Manager, respectively its permanent representative shall cumulatively fulfil with the minimum requirements regarding the integrity, qualification and professional experience provided in the legislation and in other specific provisions; the identity of the Fund Manager is the one registered with the National Office of Trade Registry, based on the decision of the general meeting of the shareholders regarding its election.
- (2) Fund Manager means the investment management company, legal person established as a limited company which operates or will be established and operated on the authorization issued by the NSC, including investment management company, foreign entity, authorized by the competent authority of State of origin and which will establish a branch in Romania, the permit issued by the NSC, and NSC entered in the register this branch.

### **ARTICLE 37**

#### Litigations

The litigations of any type shall be amiably resolved and if this is not possible, they shall be solved by the competent arbitral or judicial courts.

## **CHAPTER X**

### Final provisions

### **ARTICLE 38**

### Final provisions

The provisions of this constitutive act are completed by the provisions of Company Law No. 31/1990, republished, as further amended and completed, and other applicable legal provisions in force as well as by the provisions of the capital market legislation governing the issuers whose shares are admitted on trading.”

This item was adopted by 5,654,991,113 votes representing 97.51 % of the valid votes. There were registered 53,343,054 votes against and 91,002,600 abstentions. There were 37,941,400 votes cancelled.

IV. The empowerment, with authority to be substituted, of Mr. Grzegorz Maciej Konieczny, as legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, to sign the shareholders' resolutions, as well as any other documents in connection therewith, including the Constitutive Act and its updated and/or amended form (both the version regarding the updating of the text above, and the amended and updated version regarding the new subscribed registered share capital, pursuant to the decrease if approved) and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolution, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item was adopted by 6,105,282,699 votes representing 99.76% of the valid votes. There were registered 14,551,427 votes against and 400 abstentions. There were 37,941,400 votes cancelled.

V. The approval of 11 May 2012 as registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004 on the capital market, with its subsequent amendments and additions.

This item was adopted by 5,847,964,134 votes representing 99.82% of the valid votes. There were registered 10,268,196 votes against and 400 abstentions. There were 37,941,400 votes cancelled.

Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders in 4 (four) originals by:

Grzegorz Maciej Konieczny  
Legal representative of Franklin Templeton Investment Management Limited United Kingdom  
Bucharest Branch, in his capacity of sole administrator of SC Fondul Proprietatea SA

Loredana Văduva  
Technical secretary

Radu Florescu  
Meeting secretary

## Annex 6

### Major contract concluded by Fondul Proprietatea during 2012

#### ADDENDUM NO. 1

#### TO THE MANAGEMENT AGREEMENT DATED 25.02.2010 SIGNED BETWEEN S.C. FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

This Addendum no. 1 to the Management Agreement is made on [...] 2011

Between:

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED of the Adelphi, 1-11 John Adam Street, London WC2N 6HT, United Kingdom ("Fund Manager") ("S.A.I." in Romanian language); and

S.C. FONDUL PROPRIETATEA S.A. of 78-80 Buzesti Street 17, 1st District, Bucharest, Romania (the "Customer").

The Management Agreement signed on 25 February 2010 between SC Fondul Proprietatea SA and Franklin Templeton Investment Management Limited United Kingdom will be modified as follows:

#### **I. The definition of Delegate is modified and will have the following content:**

"Delegate means the entity which has been delegated or outsourced the investment management or other functions by the Fund Manager, with the prior endorsement of CNVM, where required by applicable legislation."

#### **II. The definition of IFRS is modified and will have the following content:**

"IFRS means International Financial Reporting Standards, meaning a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements, as issued by the International Accounting Standards Board, as adopted by European Union."

#### **III. The definition of NAV is modified and will have the following content:**

"NAV means the net asset value of Fondul Proprietatea, which is determined according to CNVM regulations and applicable legislation."

#### **IV. The article 6 is modified and will have the following content:**

"6. Obligations of the Fund Manager. management scope and objective

6.1. The obligations and the competencies of the Fund Manager as Sole Director of the Customer are set forth by Romanian Company Law no. 31/1990, as republished and further amended and the applicable regulations, Law no. 297/2004 and the applicable regulations and the Constitutive Act, which may be subject to further amendment according to law. The Fund Manager shall be responsible for:

- (i) establishing a reference date for shareholders entitled to vote within the general assembly, under the law, and draft the text of the announcement on the convocation of the general assembly, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;

- (ii) upon the written request of any shareholder submitted before the date of the general assembly of the shareholders, providing answers, after obtaining the prior approval of the Board of Nominees, in connection with the aspects concerning the business of Fondul Proprietatea;
- (iii) ensuring that, if requested by any of the shareholders, a copy of the minutes of the general assembly shall be given to them and also, after the calling of the ordinary annual general assembly of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,
- (iv) preparing the annual financial statements, drafting the annual activity report, examining the financial auditors' report, presenting them to the Board of Nominees before submitting such documents to the general assembly of the shareholders for approval and making proposals on the distribution of the profit, after obtaining the prior approval of the Board of Nominees;
- (v) managing the relationship with the Central Depository with regard to its shareholders register functions,
- (vi) preparing an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;
- (vii) proposing for the prior approval of the Board of Nominees and further, of the general assembly of the shareholders, of the yearly income and expenditure budget and business plan;
- (viii) proposing for the prior approval of the Board of Nominees and further, of the general assembly of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea; it is responsible for implementation of the investment policy and with achieving a proper balance between the profits and the risks related to the portfolio of Fondul Proprietatea, it has to inform periodically the Fund on the significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio.
- (ix) approving the outsourcing of certain activities, within the limits of the approved budget, respectively delegating the performance of certain activities, subject to the prior endorsement by CNVM , where required by applicable legislation.
- (x) based on the proposal of the Board of Nominees submitting to the approval of the extraordinary general meeting of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea, (including but not limited to the purchase, selling, change or encumber the non-current asset of Fondul Proprietatea) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- (xi) entering into any agreement / document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumber the non-current asset of Fondul Proprietatea) whose value does not exceed, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables, without prior approval of the ordinary or extraordinary general shareholders meeting;
- (xii) subject to the provisions of the Constitutive Act, IPS and applicable legislation taking all decisions at its sole discretion in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea;

- (xiii) proposing to the general assembly of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approving the procedure of internal audit and the audit plan;
- (xiv) deciding the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- (xv) making available to the Board of Nominees the reports, as well as any other documents necessary for exercising the monitoring duties, in accordance with art. 17 para. (11) of Annex no. 7 to the Terms of Reference as approved by Government Resolution 1514/2008 approving the regulation for the organisation of the international tender for the appointment of the management company of Fondul Proprietatea and of the Terms of Reference of the tender; to inform at once the Board of Nominees on any litigation or infringement of legislation regarding securities related to the Fund Manager, on any operation which might be an infringement to the investment policy and about the plans/correction measures for addressing these matters.
- (xvi) asking for the calling of the extraordinary general assembly of shareholders in order for the latter to decide whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably by the two corporate bodies.

Also, the Fund Manager shall have at least the obligations established in the Terms of Reference and the IPS, all of them approved by Government Decision no. 1514/ 2008 and assumed by the offer submitted by the Fund Manager within the international tender for appointing the fund manager for Fondul Proprietatea S.A.

- (xvii) proposing to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea
- (xviii) any other responsibilities set according to the Constitutive Act and applicable legislation.

6.2. The Fund Manager shall perform its duties under this Management Agreement in line with the Customer's best interest, consisting in responding to public offerings or other corporate actions in connection with the securities in the Portfolio"

**V. The article 10 is modified and will have the following content:**

"10. Provision of information to the Customer and its representatives

- 10.1 The Fund Manager will provide the Board of Nominees with such analysis of performance and periodical tabular presentations in connection to the Portfolio as reasonably requested by the Board of Nominees. At least twice in a calendar year the Fund Manager will make a presentation to the Board of Nominees in Bucharest in respect of the Portfolio for the previous six months and the Board of Nominees may request any documents in view to discussing market factors, the Portfolio and the operation of this Management Agreement.
- 10.2 The Fund Manager shall provide, quarterly and/or upon request, to the Customer written documents evidencing the transactions entered into between the Fund Manager, on behalf of the Customer, and third parties in connection with the Portfolio.
- 10.3 The Fund Manager shall keep accurate and detailed records of all investments, receipts, disbursements and other transactions relating to the Portfolio which it shall send to the Customer monthly.

- 10.4 The Fund Manager shall supply on demand to the Customer copies of all accounts entries in its books relating to the Portfolio. The Fund Manager will extend its normal working schedule as and when requested by the Customer and will provide, without unnecessary delay, all necessary facilities and assistance to the Customer's auditors and other authorised representatives, including representatives of its shareholders and/or of the BoN, to audit and verify records of the Fund Manager relating to the securities, papers and other assets in the Portfolio. The scope of the audit shall not be limited by the Fund Manager and may include the examination of the accounting system, procedures, records, internal controls, and other areas considered necessary to examine by the Customer or such auditor in order to facilitate formulation by the Customer of any opinion on the costs, both direct and indirect, or other amounts billed to the Customer and the performance of the Portfolio and the Fund Manager. The Fund Manager shall co-operate as necessary for the performance of any such audits, including securing for the aforementioned auditors and other authorised representatives assistance from the Fund Manager's compliance officer and internal audit.
- 10.5 The Fund Manager shall report to the Customer within two business days of its discovery of any non-compliance with the provisions of this Agreement (including the Schedules) and shall take all steps required to rectify such non-compliance as soon as possible.
- 10.6 The Fund Manager will liaise as necessary with the Depositary to enable the Depositary, on the Customer's behalf, to fulfil any obligations to disclose shareholdings in companies in which the Portfolio is invested in accordance with relevant legislation and will provide timely information to the Depositary for this purpose."

**VI. The article 13 is modified and will have the following content:**

"13. Amendment of the management agreement and assignment of rights

- 13.1 This Management Agreement may be amended at any time by an addendum signed by the legal representatives of the Fund Manager and of the Customer, with the prior approval of CNVM.
- 13.2 This Management Agreement is concluded in consideration of the person of the Fund Manager and the Fund Manager shall not be entitled to assign or to transfer any of its rights or obligations hereunder. The Fund Manager may delegate or outsource the investment management or other functions to any entity ("Delegate"), subject to prior endorsement of CNVM where required by applicable legislation. The Fund Manager may delegate the Portfolio management activity with observance of the legal provisions in force. The delegation of its functions to third parties shall not exonerate the Fund Manager of its liability.
- 13.3. The Fund Manager acknowledges and accepts that, if the legislation governing the Customer is amended so as to recognize the possibility for the Fondul Proprietatea to act as a self managed fund and outsource only the portfolio management activities, the Customer is free, at its own discretion, to decide on the change in the corporate governance structure of Fondul Proprietatea. If the corporate governance structure of Customer is changed, the Fund Manager accepts the consequences of such a change and, implicitly, agrees to amend the Management Agreement."

**VII. The article 14 is modified and will have the following content:**

"14. Duration of the agreement

- 14.1 This Management Agreement shall be effective when all the actions below are completed:
- both parties have signed this Management Agreement;
  - the resolution approved by the extraordinary GSA, has been published in the Official Gazette of Romania as well as its registration with the Bucharest Trade Registry upon the fulfillment of all necessary legal proceedings;
  - the Fund Manager has properly completed the registration of its Romanian branch;

d) the Fund Manager and the Customer conclude, in writing, a handover protocol of the Portfolio.

Such handover protocol as mentioned at let. d) above will be concluded at the date when the money and/or investments were transferred and shall specify the money and/or investments transferred giving the value of all assets transferred.

14.2 Notwithstanding 14.1 the Fund Manager shall co-operate, as from the signature of this Management Agreement, with the members of the Directorate, Supervisory Board and of the Board of Nominees, as the case may be, according to their duties as established in the Constitutive Act of S.C. "Fondul Proprietatea" - S.A.

14.3 In compliance with the Constitutive Act the duration of the Fund Manager mandate is four years as of the effective date and is renewed automatically, if there is no adverse decision of the general meeting of the shareholders, entitled to decide on the termination of the mandate even before its regular lifespan. The duration of this agreement shall be renewed automatically with a period of 4 years should the shareholders of Fondul Proprietatea not decide otherwise. The Fund Manager will call the Ordinary General Meeting of Shareholders with at least 3 months before of the termination of Investment Management Agreement having on the agenda the extension of the mandate or the appointing of a new Fund Manager. The Fund Manager will organize the Ordinary General Meeting of Shareholders before the termination of Investment Management Agreement."

#### **VIII. The article 15 is modified and will have the following content:**

"15. Communications, instructions, notifications

15.1. All notifications and other communications from the Customer shall be made by BoN to the Fund Manager.

15.2. For the purpose of any communication between the Customer and the Fund Manager in relation to this Agreement, the Customer shall be represented by Board of Nominees.

15.3 The Fund Manager shall be entitled to rely on any notification or communication given by the BoN above without further enquiry, provided the instruction, notification or communication is given in one of the ways permitted in this Management Agreement and provided that oral instructions may not be relied upon by the Fund Manager.

15.4. All notices or any other communication to be given under this Agreement must be in writing, in Romanian language, and must be: (i) personally delivered; (ii) delivered by fax; (iii) sent by courier with return receipt; or by e-mail.

15.5. The Parties details for transmitting notifications or any other communications related to the present Management Agreement are the following:

If addressed to the Fund Manager:

Address:

Premium Point Building

78-80 Buzzești Street, 7th -8th floor, Bucharest District 1, Postal Code 011017

Fax: (021) 200 96 31/32

To the attention of: Mr. Grzegorz Maciej Konieczny

If addressed to the Customer:

At the contact details provided by the representative of the Customer appointed in accordance with Section 15.1."



**IX. The Annex 1 is modified and will have the following content:****“ANNEX 1 to the Management Agreement**

The fee due to the Fund Manager in accordance with Art. 9.1. of this Agreement shall be calculated and paid in RON by the Customer in compliance with the following provisions:

1. The fee shall be calculated based on a fixed commission, mentioned below, applied to the notional amount according to the following formula:

The fee = the fixed commission multiplied by the notional amount, multiplied by the number of calendar days of payment divided by 365.

where

the fixed commission = the number of basis points per year;

1 basis point = 0.0001;

1 year = 365 days

The fixed commission per year is composed of:

- Fixed management fee of 37.9 (thirty seven point nine) basis points per year
- Additional administration fee of 10 (ten) basis points per year.

2. The notional amount is the following:

- a) prior to the Customer listing, the notional amount is the average of the monthly values of the Customer's net assets, calculated within the quarter for which the payment is made;
- b) subsequent to the Customer listing by 31 December 2011, the notional amount is the market value of the Fondul Proprietatea which is defined as the market capitalization of the Fondul Proprietatea (the number of issued shares multiplied by the medium market price of the Fondul Proprietatea shares calculated for the last 90 days of trading session in a calendar year or the number of the trading sessions left before the end of the year, in case there are less than 90 days of trading session left from the listing until the end of the year),
- c) Beginning with 1 January 2012 the notional amount is the market value of the Fondul Proprietatea which is defined as the market capitalization of the Fondul Proprietatea (the number of issued shares multiplied by the average market price of the Fondul Proprietatea shares calculated for the last quarter).

3. The fee shall be paid as follows:

- a) prior to the Customer listing, quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is made;
- b) subsequent to the Customer listing by 31 December 2011, annually, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the calendar year for which payment is made;
- c) Beginning with 1 January 2012, the fee shall be paid to the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is made.

The invoices shall be submitted to the Depositary of the Customer's assets.

The Fund Manager shall provide to the Board of Nominees quarterly and on an annual basis and upon request of the Board of Nominees (where appropriate) a detailed report including regarding the fee collected under this Agreement, in the form required by the latter.

4. The payment shall be done by the Fund Manager only after the verification and certification by the Depositary of the correctness of the notional amount, as well as the modalities for determining the fee.

The payment shall be done within 30 business days since receipt of the invoice.”

#### **SIGNATORIES**

This Addendum will be signed in Romanian language and executed in 3 number of counterparts, all of which taken together constitute the agreement.

AS WITNESS the hands of the duly authorized representatives of the parties on the date which appears first on page 1.

Signed by and for  
S.C. FONDUL PROPRIETATEA S.A.  
Bogdan Alexandru Dragoi,  
Chairman of Board of Nominees

Signed by and for  
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED UNITED KINGDOM

Grzegorz Maciej Konieczny

## Annex 7

### **Documents of Resignation / Revocation for the Members of the Board of Nominees of Fondul Proprietatea during 2012**

Resignation of Mr. Bogdan Alexandru Drăgoi

Dear Portfolio Manager and members of the Board of Nominees,

I, the undersigned, Bogdan Alexandru Drăgoi hereby submit my resignation as Chairman of the Board of Nominees of Fondul Proprietatea, given the incompatibility occurred as a result of my appointment as Minister in the public services.

Bogdan Alexandru Drăgoi  
9 February 2012  
10:00 a.m.

To Mr. Grzegorz Konieczny, Portfolio Manager

**Decision no. 1/ 04 April 2012  
of the General Ordinary Assembly of Shareholders of  
S.C. FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti St, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 04 April 2012, at 11am, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Ordinary Assembly of Shareholders ("OGM") of S.C. Fondul Proprietatea S.A. at its first convocation, at Hilton Hotel, 1-3 Episcopiei Street, Le Diplomate Meeting Room, District 1, Bucharest.

Upon the opening of the works 118 shareholders are found to be present or represented, holding a number of 6,268,762,637 shares, representing 45.87% of the total paid shares and holding a number of 6,268,762,637 voting rights.

The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole Administrator – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, District 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001 observes that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Taking into consideration:

- The notice to attend to the OGM published in the Official Gazette Part IV number 785 of 01 March 2012, in "România Liberă" newspaper on 01 March 2012, as well as on the website of S.C. Fondul Proprietatea S.A. – [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) on 01 March 2012,
- The provisions of the Constitutive Act of S.C. Fondul Proprietatea S.A. in force,
- The provisions of Law 31/1990 regarding commercial companies, republished as subsequently amended and completed,
- The provisions of Law 297/2004 regarding the capital market, as subsequently amended and completed,
- Art. 147-158 of Regulation 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission, as subsequently amended and completed,
- The provisions of CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies, as subsequently amended and completed,
- Art. 21 of CNVM Regulation no. 4/2010 regarding the registration with the National Securities Commission and the functioning of "Fondul Proprietatea" – S.A. , as well as the transaction of the shares issued by it

Following the debates on the agenda, the shareholders of S.C. Fondul Proprietatea S.A. have decided as follows:

- I. The election of Mr. Radu Florescu, shareholder of S.C. Fondul Proprietatea S.A., as meeting secretary of the OGM according to the provisions of art. 129 paragraph (2) in Law 31/1990.

This item was adopted by 2,973,323,229 votes representing 99.51% of the valid votes. There were registered 14,550,046 votes against and no abstentions. There were 39,941,410 votes cancelled.

After the election of Mr. Radu Florescu, as meeting secretary, the Sole Administrator appointed Mrs. Loredana Văduva, as technical secretary.

II. The approval of the OGM agenda.

This item was adopted by 6,108,032,541 votes representing 99.62% of the valid votes. There were registered 23,230,046 votes against and 400 abstentions. There were 39,941,410 votes cancelled.

III. The revocation of the mandate of member of the Board of Nominees for Mr. Doru-Petru Dudaș.

This item was adopted by 5,520,425,411 votes representing 89.75% of the valid votes. There were registered 5,073,024 votes against and 625,237,341 abstentions. There were 39,941,410 votes cancelled.

IV. The empowerment, with authority to be substituted, of Mr. Grzegorz Maciej Konieczny, as legal representative of FTIML Bucharest Branch to sign the shareholders' resolutions, as well as any other documents in connection therewith and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item was adopted by 5,887,536,526 votes representing 99.54% of the valid votes. There were registered 9,868,196 votes against and 16,800,874 abstentions. There were 39,941,410 votes cancelled.

V. The approval of 11 May 2012 as registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004 on the capital market, with its subsequent amendments and additions.

This item was adopted by 5,633,249,174 votes representing 99.46% of the valid votes. There were registered 10,193,996 votes against and 20,079,960 abstentions. There were 39,941,410 votes cancelled.

Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders in 2 (two) originals by:

**Grzegorz Maciej Konieczny**

**Legal representative of Franklin Templeton Investment Management Limited United Kingdom  
Bucharest Branch, in his capacity of sole administrator of SC Fondul Proprietatea SA**

Loredana Văduva  
Technical secretary

Radu Florescu  
Meeting secretary

**Decision no. 2/ 04 April 2012  
of the General Ordinary Assembly of Shareholders of  
S.C. FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti St, 7<sup>th</sup> floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 04 April 2012, at 11am, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Ordinary Assembly of Shareholders ("OGM") of S.C. Fondul Proprietatea S.A. at its first convocation, at Hilton Hotel, 1-3 Episcopiei Street, Le Diplomate Meeting Room, District 1, Bucharest.

Upon the opening of the works 118 shareholders are found to be present or represented, holding a number of 6,268,762,637 shares, representing 45.87 % of the total paid shares and holding a number of 6,268,762,637 voting rights.

The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole Administrator – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzesti Street, 7<sup>th</sup> and 8<sup>th</sup> floors, District 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001 observes that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Taking into consideration:

- The notice to attend to the OGM published in the Official Gazette Part IV number 785 of 01 March 2012, in "România Liberă" newspaper on 01 March 2012, as well as on the website of S.C. Fondul Proprietatea S.A. – [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) on 01 March 2012,
- The provisions of the Constitutive Act of S.C. Fondul Proprietatea S.A. in force,
- The provisions of Law 31/1990 regarding commercial companies, republished as subsequently amended and completed,
- The provisions of Law 297/2004 regarding the capital market, as subsequently amended and completed,
- Art. 147-158 of Regulation 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission, as subsequently amended and completed,
- The provisions of CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies, as subsequently amended and completed,
- Art. 21 of CNVM Regulation no. 4/2010 regarding the registration with the National Securities Commission and the functioning of "Fondul Proprietatea" – S.A. , as well as the transaction of the shares issued by it

Following the debates on the agenda, the shareholders of S.C. Fondul Proprietatea S.A. have decided as follows:

- I. The election of Mr. Radu Florescu, shareholder of S.C. Fondul Proprietatea S.A., as meeting secretary of the OGM according to the provisions of art. 129 paragraph (2) in Law 31/1990.

This item was adopted by 2,973,323,229 votes representing 99.51% of the valid votes. There were registered 14,550,046 votes against and no abstentions. There were 39,941,410 votes cancelled.

After the election of Mr. Radu Florescu, as meeting secretary, the Sole Administrator appointed Mrs. Loredana Vaduva as technical secretary.

II. The approval of the OGM agenda.

This item was adopted by 6,108,032,541 votes representing 99.62% of the valid votes. There were registered 23,230,046 votes against and 400 abstentions. There were 39,941,410 votes cancelled.

III. The revocation of the mandate of member of the Board of Nominees for Mr. Simion Dorin Rusu.

This item was adopted by 6,053,018,963 votes representing 98.62% of the valid votes. There were registered 37,528,832 votes against and 47,095,788 abstentions. There were 39,941,410 votes cancelled.

IV. The empowerment, with authority to be substituted, of Mr. Grzegorz Maciej Konieczny, as legal representative of FTIML Bucharest Branch to sign the shareholders' resolutions, as well as any other documents in connection therewith and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item was adopted by 5,887,536,526 votes representing 99.54% of the valid votes. There were registered 9,868,196 votes against and 16,800,874 abstentions. There were 39,941,410 votes cancelled.

V. The approval of 11 May 2012 as registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004 on the capital market, with its subsequent amendments and additions.

This item was adopted by 5,633,249,174 votes representing 99.46 % of the valid votes. There were registered 10,193,996 votes against and 20,079,960 abstentions. There were 39,941,410 votes cancelled.

Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders in 2 (two) originals by:

**Grzegorz Maciej Konieczny**

**Legal representative of Franklin Templeton Investment Management Limited United Kingdom  
Bucharest Branch, in his capacity of sole administrator of SC Fondul Proprietatea SA**

Loredana Văduva  
Technical secretary

Radu Florescu  
Meeting secretary



**Decision no. 3/ 04 April 2012  
of the General Ordinary Assembly of Shareholders of  
S.C. FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti St, 7<sup>th</sup> floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 04 April 2012, at 11am, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Ordinary Assembly of Shareholders ("OGM") of S.C. Fondul Proprietatea S.A. at its first convocation, at Hilton Hotel, 1-3 Episcopiei Street, Le Diplomate Meeting Room, District 1, Bucharest.

Upon the opening of the works 118 shareholders are found to be present or represented, holding a number of 6,268,762,637 shares, representing 45.87% of the total paid shares and holding a number of 6,268,762,637 voting rights.

The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole Administrator – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzesti Street, 7<sup>th</sup> and 8<sup>th</sup> floors, District 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001 observes that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Taking into consideration:

- The notice to attend to the OGM published in the Official Gazette Part IV number 785 of 1 March 2012, in "România Liberă" newspaper on 1 March 2012, as well as on the website of S.C. Fondul Proprietatea S.A. – [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) on 1 March 2012,
- The provisions of the Constitutive Act of S.C. Fondul Proprietatea S.A. in force,
- The provisions of Law 31/1990 regarding commercial companies, republished as subsequently amended and completed,
- The provisions of Law 297/2004 regarding the capital market, as subsequently amended and completed,
- Art. 147-158 of Regulation 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission, as subsequently amended and completed,
- The provisions of CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies, as subsequently amended and completed,
- Art. 21 of CNVM Regulation no. 4/2010 regarding the registration with the National Securities Commission and the functioning of "Fondul Proprietatea" – S.A. , as well as the transaction of the shares issued by it

Following the debates on the agenda, the shareholders of S.C. Fondul Proprietatea S.A. have decided as follows:

- I. The election of Mr. Radu Florescu, shareholder of S.C. Fondul Proprietatea S.A., as meeting secretary of the OGM according to the provisions of art. 129 paragraph (2) in Law 31/1990.

This item was adopted by 2,973,323,229 votes representing 99.51% of the valid votes. There were registered 14,550,046 votes against and no abstentions. There were 39,941,410 votes cancelled.

After the election of Mr. Radu Florescu, as meeting secretary, the Sole Administrator appointed Mrs. Loredana Văduva as technical secretary.

II. The approval of the OGM agenda.

This item was adopted by 6,108,032,541 votes representing 99.62% of the valid votes. There were registered 23,230,046 votes against and 400 abstentions. There were 39,941,410 votes cancelled.

III. The appointment of Mr. Steven Cornelis van Groningen as member of the Board of Nominees.  
The appointment shall enter into force starting with the registration to the Trade Register.

This item was adopted by 4,924,676,312 votes representing 91.48% of the valid votes. There were registered 131,722,682 votes against and 326,706,489 abstentions. There were 39,941,410 votes cancelled.

IV. The empowerment, with authority to be substituted, of Mr. Grzegorz Maciej Konieczny, as legal representative of FTIML Bucharest Branch to sign the shareholders' resolutions, as well as any other documents in connection therewith and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item was adopted by 5,887,536,526 votes representing 99.54% of the valid votes. There were registered 9,868,196 votes against and 16,800,874 abstentions. There were 39,941,410 votes cancelled.

V. The approval of 11 May 2012 as registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004 on the capital market, with its subsequent amendments and additions.

This item was adopted by 5,633,249,174 votes representing 99.46% of the valid votes. There were registered 10,193,996 votes against and 20,079,960 abstentions. There were 39,941,410 votes cancelled.

Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders in 2 (two) originals by:

**Grzegorz Maciej Konieczny**

**Legal representative of Franklin Templeton Investment Management Limited United Kingdom  
Bucharest Branch, in his capacity of sole administrator of SC Fondul Proprietatea SA**

Loredana Văduva  
Technical secretary

Radu Florescu  
Meeting secretary

**Decision no. 4/ 04 April 2012  
of the General Ordinary Assembly of Shareholders of  
S.C. FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti St, 7<sup>th</sup> floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 04 April 2012, at 11am, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Ordinary Assembly of Shareholders ("OGM") of S.C. Fondul Proprietatea S.A. at its first convocation, at Hilton Hotel, 1-3 Episcopiei Street, Le Diplomate Meeting Room, District 1, Bucharest.

Upon the opening of the works 118 shareholders are found to be present or represented, holding a number of 6,268,762,637 shares, representing 45.87% of the total paid shares and holding a number of 6,268,762,637 voting rights.

The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole Administrator – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzesti Street, 7<sup>th</sup> and 8<sup>th</sup> floors, District 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001 observes that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Taking into consideration:

- The notice to attend to the OGM published in the Official Gazette Part IV number 785 of 01 March 2012, in "România Liberă" newspaper on 01 March 2012, as well as on the website of S.C. Fondul Proprietatea S.A. – [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) on 01 March 2012,
- The provisions of the Constitutive Act of S.C. Fondul Proprietatea S.A. in force,
- The provisions of Law 31/1990 regarding commercial companies, republished as subsequently amended and completed,
- The provisions of Law 297/2004 regarding the capital market, as subsequently amended and completed,
- Art. 147-158 of Regulation 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission, as subsequently amended and completed,
- The provisions of CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies, as subsequently amended and completed,
- Art. 21 of CNVM Regulation no. 4/2010 regarding the registration with the National Securities Commission and the functioning of "Fondul Proprietatea" – S.A. , as well as the transaction of the shares issued by it

Following the debates on the agenda, the shareholders of S.C. Fondul Proprietatea S.A. have decided as follows:

- I. The election of Mr. Radu Florescu, shareholder of S.C. Fondul Proprietatea S.A., as meeting secretary of the OGM according to the provisions of art. 129 paragraph (2) in Law 31/1990.

This item was adopted by 2,973,323,229 votes representing 99.51% of the valid votes. There were registered 14,550,046 votes against and no abstentions. There were 39,941,410 votes cancelled.

After the election of Mr. Radu Florescu, as meeting secretary, the Sole Administrator appointed Mrs. Loredana Văduva as technical secretary.

II. The approval of the OGM agenda.

This item was adopted by 6,108,032,541 votes representing 99.62% of the valid votes. There were registered 23,230,046 votes against and 400 abstentions. There were 39,941,410 votes cancelled.

III. The appointment of Mr. Piotr Rymaszewski as member of the Board of Nominees. The appointment shall enter into force starting with the registration to the Trade Register.

This item was adopted by 4,646,874,455 votes representing 88.36% of the valid votes. There were registered 196,542,677 votes against and 415,475,919 abstentions. There were 39,941,410 votes cancelled.

IV. The empowerment, with authority to be substituted, of Mr. Grzegorz Maciej Konieczny, as legal representative of FTIML Bucharest Branch to sign the shareholders' resolutions, as well as any other documents in connection therewith and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item was adopted by 5,887,536,526 votes representing 99.54% of the valid votes. There were registered 9,868,196 votes against and 16,800,874 abstentions. There were 39,941,410 votes cancelled.

V. The approval of 11 May 2012 as registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004 on the capital market, with its subsequent amendments and additions.

This item was adopted by 5,633,249,174 votes representing 99.46% of the valid votes. There were registered 10,193,996 votes against and 20,079,960 abstentions. There were 39,941,410 votes cancelled.

Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders in 2 (two) originals by:

**Grzegorz Maciej Konieczny**

**Legal representative of Franklin Templeton Investment Management Limited United Kingdom  
Bucharest Branch, in his capacity of sole administrator of SC Fondul Proprietatea SA**

Loredana Văduva  
Technical secretary

Radu Florescu  
Meeting secretary

**Decision no. 5/ 04 April 2012  
of the General Ordinary Assembly of Shareholders of  
S.C. FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti St, 7<sup>th</sup> floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 04 April 2012, at 11am, the shareholders of S.C. Fondul Proprietatea S.A. have met during the General Ordinary Assembly of Shareholders ("OGM") of S.C. Fondul Proprietatea S.A. at its first convocation, at Hilton Hotel, 1-3 Episcopiei Street, Le Diplomate Meeting Room, District 1, Bucharest.

Upon the opening of the works 118 shareholders are found to be present or represented, holding a number of 6,268,762,637 shares, representing 45.87% of the total paid shares and holding a number of 6,268,762,637 voting rights.

The meeting chairman, Mr. Grzegorz Maciej Konieczny, the legal representative of the Sole Administrator – Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, headquartered in Bucharest, 78-80 Buzesti Street, 7<sup>th</sup> and 8<sup>th</sup> floors, District 1, Bucharest, registered with the Trade Register under no. J40/8587/2009, fiscal identification code 25851096, registered with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001 observes that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on the agenda.

Taking into consideration:

- The notice to attend to the OGM published in the Official Gazette Part IV number 785 of 01 March 2012, in "România Liberă" newspaper on 01 March 2012, as well as on the website of S.C. Fondul Proprietatea S.A. – [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) on 01 March 2012,
- The provisions of the Constitutive Act of S.C. Fondul Proprietatea S.A. in force,
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- The provisions of Law 297/2004 regarding the capital market, as subsequently amended and completed,
- Art. 147-158 of Regulation 15/2004 regarding the authorization and functioning of investment management companies, collective placement bodies and depositories, issued by the National Securities Commission, as subsequently amended and completed,
- The provisions of CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies, as subsequently amended and completed,
- Art. 21 of CNVM Regulation no. 4/2010 regarding the registration with the National Securities Commission and the functioning of "Fondul Proprietatea" – S.A. , as well as the transaction of the shares issued by it

Following the debates on the agenda, the shareholders of S.C. Fondul Proprietatea S.A. have decided as follows:

- I. The election of Mr. Radu Florescu, shareholder of S.C. Fondul Proprietatea S.A., as meeting secretary of the OGM according to the provisions of art. 129 paragraph (2) in Law 31/1990.

This item was adopted by 2,973,323,229 votes representing 99.51% of the valid votes. There were registered 14,550,046 votes against and no abstentions. There were 39,941,410 votes cancelled.

After the election of Mr. Radu Florescu, as meeting secretary, the Sole Administrator appointed Mrs. Loredana Văduva as technical secretary.

II. The approval of the OGM agenda.

This item was adopted by 6,108,032,541 votes representing 99.62% of the valid votes. There were registered 23,230,046 votes against and 400 abstentions. There were 39,941,410 votes cancelled.

III. The appointment of Mr. Julian Rupert Francis Healy as member of the Board of Nominees. The appointment shall enter into force starting with the registration to the Trade Register.

This item was adopted by 4,507,537,249 votes representing 84.80% of the valid votes. There were registered 423,080,579 votes against and 384,409,069 abstentions. There were 39,941,410 votes cancelled.

IV. The empowerment, with authority to be substituted, of Mr. Grzegorz Maciej Konieczny, as legal representative of FTIML Bucharest Branch to sign the shareholders' resolutions, as well as any other documents in connection therewith and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item was adopted by 5,887,536,526 votes representing 99.54% of the valid votes. There were registered 9,868,196 votes against and 16,800,874 abstentions. There were 39,941,410 votes cancelled.

V. The approval of 11 May 2012 as registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004 on the capital market, with its subsequent amendments and additions.

This item was adopted by 5,633,249,174 votes representing 99.46% of the valid votes. There were registered 10,193,996 votes against and 20,079,960 abstentions. There were 39,941,410 votes cancelled.

Taking into consideration all the above mentioned, this decision was drafted and signed on behalf of the shareholders in 2 (two) originals by:

**Grzegorz Maciej Konieczny**

**Legal representative of Franklin Templeton Investment Management Limited United Kingdom  
Bucharest Branch, in his capacity of sole administrator of SC Fondul Proprietatea SA**

Loredana Văduva  
Technical secretary

Radu Florescu  
Meeting secretary

## Annex 8

### Corporate Governance statement “Comply or Explain” for year 2012 According to BVB Corporate Governance Code

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
P19		Is the issuer managed under a dualist system?		X	Until 28 September 2010, S.C. Fondul Proprietatea S.A. was administered in a two-tier system, and after this date, an untypical unitary administration system was introduced, as regulated by Law no. 247/2005, as amended and supplemented. However, even is ruled after a one-tier system, the existence of the Board of Nominees that has the main duty to follow the execution of the Investment Management Agreement creates a similar framework as for a two tier system.
P1	R1	Has the issuer drawn up the By-laws/Corporate Governance Regulations to describe the main aspects of the corporate governance?	X		The Fund has clear and transparent corporate governance guidelines that were concluded in 2011. In 2012, according with SAI no. 31/21 December 2012, those were completed by adopting Corporate Governance.
		The By-laws/Corporate Governance Regulations are posted on the company website, indicating the date of the last update?	X		The Constitutive Act of the Fund, the Investment Management Agreement, the Investment Policy Statement and the corporate governance guidelines are published on the webpage of the Fund. The Corporate Governance Statute follows to be published on the Fund's web page.
	R2	In The By-laws/Corporate Governance Regulations are there defined the corporate governance structures, positions, components and responsibilities of the Board of Directors (BD) and of the executive management?	X		The Constitutive Act and the corporate governance guidelines define the corporate governance structures, positions, components and responsibilities of the Board of Nominees and of the Sole Administrator.



Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
	R3	Does the issuer's Annual report provide for a chapter on corporate governance where they describe all the relevant events related to the corporate governance, recorded during the previous financial exercise?	X		The 2012 Annual report contains a detailed chapter on corporate governance in which all the relevant events related to the corporate governance recorded during the previous financial exercise are described.
P1	R3	Does the issuer circulate on the company website the information related to the following aspects of their corporate governance policy:	X		
		a) a description of their corporate governance structures?			
		b) the updated articles of incorporation?	X		
		c) the operation bylaws/essential aspects for each specialty?	X		
		d) the "Comply or explain" Statement?	X		
		e) the list of the Board of Directors ("BD") members mentioning which members are independent and/or nonexecutive, of the members of the executive management and those of the specialty commissions/committees?	X		
		f) a brief description of the CV for each BD member of the executive management?	X		
P2		Does the issuer abide by the rights of the financial instrument holders, providing them with the equal treatment and submitting to the approval any modification of the rights in the special meetings of these holders?	X		
P3	R4	Does the issuer publish in a spate part of the website the details of the General Meetings of Shareholders (GMS):	X		
		a) GMS summons?			
		b) materials/documents corresponding to the agenda as well as any information on the agenda?	X		
		c) special power of attorney forms?	X		
	R6	Has the drawn and proposed to GSM the procedures for the efficient and proper development of the GSM agenda without any damage to the right of any shareholder to express their free opinion on the debated topics?	X		

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
	R8	Does the issuer publish in a spate part of the website the details of the shareholders' rights as well as the regulations for the attendance at GSM?	X		
		Does the issuer provide the information in due time (immediately after the GSM) of all the shareholders through the separate section on their website:	X		
		a) on the decisions made within GSM? b) on the detailed result of the vote?	X		
P3	R8	Do the issuers circulate through the special section of the website, that is easily identifiable and accessible:	X		
		a) current/communicated reports? b) the financial schedule, the annual reports, the quarter and semester reports?	X		
	R9	Is there within the issuer's company a special department / person dedicated to the relation with the investors?	X		
P4, P5	R10	Does the BD meet at least once a trimester for the monitoring and the activity of the issuer?	X		
	R12	Does the issuer have a set of rules referring to the reporting conduct and obligations of the transactions of the shares or other financial instruments issued by the company ("company assets") made on their name by the directors and other persons?	X		
		If a BD member or a member of the executive management or any other person made on their interest a transaction with the company deeds, then, the transaction is circulated through the company website, according to the corresponding Regulations?	X		During 2012, there were no such transactions.
P6		Does the structure of the Board of Directors of the Issuer provide a balance between the executive and nonexecutive members (and especially independent nonexecutive directors) so that no person or group of persons may dominate the BD decision-making process of BD?	X		
P7		Does the structure of the Board of Directors provide a sufficient number of independent members?	X		
P8	R15	During their activity, does BD have the support of consultative commissions / committees for the examination of specific topics, chosen by BD for their counselling on these themes?	X		
		Do the consultative commissions/committees forward activity reports to the BD on their specific themes?	X		

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
	R16	For the assessment of the independence of their nonexecutive members, does the Board of Directors use the assessment criteria listed in the Recommendation 16?	X		
	R17	Do the BD members permanently improve their knowledge through training / formation in corporate governance?	X		
P9		Does the selection of the BD members have a procedure based on transparency (objective criteria regarding the personal/professional qualification etc.)?	X		
P10		Is there an Appointment Committee within the company?	X		Yes and the name is: the Nominalization and Remuneration Committee.
P11	R21	Does the Board of Directors analyze at least once a year the need to register a remuneration/remuneration policy committee for the directors and members of the executive management?	X		
		Has the remuneration policy been approved by the GSM?	X		
	R22	Is there a Remuneration Committee made exclusively of nonexecutive directors?		X	The Nominalization and Remuneration Committee has three non-executive members.
	R24	Is the company remuneration policy of the company provided in the Bylaws/ Corporate Governance Regulations?	X		
P12, P13	R25	Does the issuer circulate, in the English language, the information representing the subject of the reporting requirements: a) periodic information (providing information periodically)?	X		
		b) continuous information (providing information periodically)?	X		
		Does the Issuer provide and circulate the financial report according to IFRS?	X		
	R26	Does the issuer promote, at least once a year, meetings with the financial analysts, brokers, rating agents and other market specialists with the view to presenting the financial elements relevant to the investment decision?	X		
	R27	Is there an Audit Committee within the company?	X		
	R28	Does the BD of the Audit Committee, as the case may be, examine on regular basis, the efficiency of the financial report, the internal control and the control of the risk management system passed by the company?	X		
	R29	Is the Audit Committee made of nonexecutive directors and is there a sufficient number of independent directors?	X		The Audit Committee has three members and one of them is independent

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
P12, P13	R30	Does the Audit committee meet at least twice a year; are these meetings dedicated to drawing up and circulating the quarter and annual results to the shareholders?	X		
	R32	Does the Audit Committee recommend to BD the selection, appointment, re-appointment and replacement of the financial auditor, as well as the terms and conditions of their remuneration?	X		
P14		Has the BD passed a procedure with the view to identifying and settling adequately the conflicts of interests?	X		
P15	R33	Do the directors inform BD on the conflicts of interests as they occur and do they refrain from the debates and the vote on those matters, according to the legal provisions?	X		
P16	R34/ R35	Has the BD passed the specific procedures in order to provide their procedure accuracy (identification criteria of the significant transactions, relevant for transparency, objectivity, non-concurrence, etc.) for defining the transactions?	X		
P17	R36	Has BD passed a procedure of the internal circuit and the disclosure to third parties of the documents and information referring to the issued, with emphasis on the information that can influence the price of the assets issued by them?	X		
P18	R37/ R38	Does the issuer have activities regarding Social Responsibility and Company Environment?	X		

< GAIN FROM OUR PERSPECTIVE >



FRANKLIN TEMPLETON  
INVESTMENTS

**Franklin Templeton Investment  
Management Limited Bucharest  
Branch**

Premium Point  
78-80 Buzesti Street, 1st District  
Bucharest 011017  
Romania

**FONDUL  
PROPRIETATEA**

**S.C. Fondul Proprietatea S.A**

Premium Point (7th Floor)  
78-80 Buzesti Street, 1st District  
Bucharest 011017  
Romania