S.C. FONDUL PROPRIETATEA S.A.

CONSOLIDATED 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 Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Fondul Proprietatea S.A. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of December 31, 2012, and the consolidated statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the consolidated 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 consolidated 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 whether the consolidated financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

7 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 Group'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 Group may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Group's profitability cannot be estimated reliably as of the date of this report. Our opinion is not modified in respect of this matter.

8 As presented in Note 22 to the consolidated financial statements, we draw attention to the fact that as at December 31, 2012 Fondul Proprietatea 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

9 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's Sole Director, Board of Nominee and the Group's 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 version.

Deloitte Audit S.R.L.
Bucharest, Romania
June 18, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Gross dividend income	6	270,533,414	320,810,181
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	17	4,798,715	21,545,871
Reversal of impairment losses / (impairment losses) on receivables in respect of equity contributions	16	5,211,070	(10,001,304)
Impairment losses on equity investments	17	(772,364,379)	(51,691,805)
Impairment losses on dividends receivable	15	(46,209,651)	-
Impairment losses on other receivables		(878,300)	-
Gains on disposal of equity investments	8	13,079,333	8,799,778
Share of profit in associates (net of income tax)	18	793,560,710	755,858,482
Net foreign exchange gains /(losses)		(217,729)	700,842
Other operating income	9	3,949,848	12,187,358
Net operating income		**306,385,911**	**1,127,662,371**
Personnel expenses		(658,639)	(644,081)
Other operating expenses	10	(58,913,209)	(54,243,301)
Operating expenses		**(59,571,848)**	**(54,887,382)**
Profit before tax		**246,814,063**	**1,072,774,989**
Income tax (expense)/ benefit	11	118,659,281	(472,220)
Profit for the period		**365,473,344**	**1,072,302,769**
Other comprehensive income / (loss)			
Net change in fair value of available-for-sale equity investments		(80,205,252)	(333,664,982)
Income tax benefit/ (expense) on other comprehensive income	11	12,832,841	53,386,398
Total other comprehensive income/ (loss)		**(67,372,411)**	**(280,278,584)**
Total comprehensive income /(loss) for the period		**298,100,933**	**792,024,185**
Basic and diluted earnings per share		**0.03**	**0.08**

The financial statements were authorised for issue on 18 June 2013 by:

Oana Truţa
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 8 to 46 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012
(all amounts are in RON unless otherwise stated)

	Note	**31 December 2012**	**31 December 2011**
Assets			
Cash and current accounts	*12*	1,857,628	1,912,808
Deposits with banks	*13*	317,309,452	296,356,801
Treasury bills	*14*	454,732,857	195,919,673
Dividends receivable	*15*	799,994	52,479,298
Equity investments	*17*	6,393,201,506	7,428,214,714
Investment in associate	*18*	4,706,829,818	4,238,522,215
Deferred tax assets	*19*	229,462,919	93,306,844
Other assets		2,189,054	2,558,644
Total assets		**12,106,383,228**	**12,309,270,997**
Liabilities			
Other liabilities	*20*	21,064,179	42,266,294
Total liabilities		**21,064,179**	**42,266,294**
Equity			
Share capital	*21*	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	*21*	129,930,898	197,303,309
Other reserves	*21*	278,451,032	250,102,759
Treasury shares	*21*	(120,268,583)	(120,268,583)
Accumulated losses		(1,981,186,506)	(1,838,524,990)
Total equity		**12,085,319,049**	**12,267,004,703**
Total liabilities and equity		**12,106,383,228**	**12,309,270,997**

The notes on pages 8 to 46 are an integral part of these financial statements.

CONSOLIDATED 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
Balance at 31 December 2010	**13,778,392,208**	**477,581,893**	**222,823,865**	**-**	**(2,422,993,610)**	**12,055,804,356**
Comprehensive income for the period						
Profit for the period	-	-	-	-	1,072,302,769	**1,072,302,769**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(333,664,982)	-	-	-	**(333,664,982)**
Share of income and expense recognised directly in the equity of associates (net of income tax)	-	-	-	-	(27,826,207)	**(27,826,207)**
Income tax on income and expense recognised directly in equity	-	53,386,398	-	-	-	**53,386,398**
Total other comprehensive income	**-**	**(280,278,584)**	**-**	**-**	**(27,826,207)**	**(308,104,791)**
Total comprehensive income for the period	**-**	**(280,278,584)**	**-**	**-**	**1,044,476,562**	**764,197,978**
Transactions with owners, recorded directly in equity						
Transfers to other reserves	-	-	27,278,894	-	(27,278,894)	**-**
Increase of share capital	-	-	-	(120,268,583)	-	**(120,268,583)**
Dividends declared	-	-	-	-	(432,729,048)	**(432,729,048)**
Total transactions with owners recorded directly in equity	**-**	**-**	**27,278,894**	**(120,268,583)**	**(460,007,942)**	**(552,997,631)**
Balance at 31 December 2011	**13,778,392,208**	**197,303,309**	**250,102,759**	**(120,268,583)**	**(1,838,524,990)**	**12,267,004,703**

The notes on pages 8 to 46 are an integral part of these financial statements.

CONSOLIDATED 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
Balance at 31 December 2011	**13,778,392,208**	**197,303,309**	**250,102,759**	**(120,268,583)**	**(1,838,524,990)**	**12,267,004,703**
Comprehensive income for the period						
Profit for the period	-	-	-	-	365,473,344	**365,473,344**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(80,205,252)	-	-	-	**(80,205,252)**
Share of income and expense recognised directly in the equity of associates (net of income tax)	-	-	-	-	27,871,930	**27,871,930**
Income tax on income and expense recognised directly in equity	-	12,832,841	-	-	-	**12,832,841**
Total other comprehensive income	**-**	**(67,372,411)**	**-**	**-**	**27,871,930**	**(39,500,481)**
Total comprehensive income for the period	**-**	**(67,372,411)**	**-**	**-**	**393,345,274**	**325,972,863**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	28,348,273	-	(28,348,273)	-
Buybacks	-	-	-	-	-	-
Dividends declared	-	-	-	-	(507,658,517)	**(507,658,517)**
Total transactions with owners recorded directly in equity	**-**	**-**	**28,348,273**	**-**	**(536,006,790)**	**(507,658,517)**
Balance at 31 December 2012	**13,778,392,208**	**129,930,898**	**278,451,032**	**(120,268,583)**	**(1,981,186,506)**	**12,085,319,049**

The notes on pages 8 to 46 are an integral part of these financial statements.

CONSOLIDATED 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
Cash flows from operating activities		
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)	272,246,179	295,746,608
Dividends received from associates	353,125,036	201,623,004
Realised foreign exchange losses 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)
Net cash flows from operating activities	**530,969,749**	**176,212,726**
Cash flows from financing activities		
Dividends paid (including related taxes)	(510,476,930)	(452,037,883)
Acquisition of treasury shares	-	(120,268,583)
Net cash flows used in financing activities	**(510,476,930)**	**(572,306,466)**
Net increase in cash and cash equivalents	**20,492,819**	**(396,093,740)**
Cash and cash equivalents at 1 January	297,393,152	693,486,892
Cash and cash equivalents at 31 December	**317,885,971**	**297,393,152**

	31 December 2012	31 December 2011
Cash	1,857,628	1,912,808
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
	317,885,971	**297,393,152**

The notes on pages 8 to 46 are an integral part of these financial statements.

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, Buzeşti 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".

The consolidated financial statements of the Fund for the year ended 31 December 2012 comprise the Fund and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements for year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by European Union (IFRS).

(b) Basis of measurement

These 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 Group'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.

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 5 – Financial risk management;
- Note 10 – Other operating expenses;
- Note 17 – Valuation of equity investments;
- Note 19 –Deferred tax assets;
- Note 20 – Other liabilities;
- Note 22 – 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

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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.

The lists of subsidiaries at 31 December 2012 are disclosed in note 23.

Given the materiality considerations, investments in subsidiaries 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).

(ii) Associates

Associates are those entities in which the Group 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.

Associates are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

3. Significant accounting policies (continued)

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The associates at 31 December 2012 are disclosed in note 18.

(iii) Acquisitions from entities under common control

The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the entities' IFRS financial statements. Any difference between the cost of the interests received by the Group (as determined in accordance with G.E.O. 81/2007; see accounting policy 3(c)(i)) and the carrying amounts of the net assets acquired is recognised directly in equity.

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Group 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. 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 Group 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;

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

- 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 recognised.

(ii) Classification

See accounting policies 3(d), (e), (f) and (g).

(iii) Derecognition

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

The Group 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 Group 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.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(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 Group 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 Group 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.

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.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

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 Group 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.

(e) Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group 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 Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group 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 Group’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.

3. Significant accounting policies (continued)

(f) Available-for-sale financial assets (continued)

(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.

(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.

3. Significant accounting policies (continued)

(i) Impairment of non-financial assets (continued)

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.

When the Group 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 Group's interest should be unaffected by the bonus issue.

The Group recognises dividends from subsidiaries and associates as income in its consolidated financial statements when its right to receive the dividend is established.

For late dividend payments, the Group initiates legal recovery measures (conciliation, litigations etc.). The Group 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.

3. Significant accounting policies (continued)

(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. When an equity investments carried at fair value is derecognised, on sale or other disposal, or is impaired, the cumulative fair value changes recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

(o) Foreign exchange gains and losses

Foreign exchange 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.

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 Group 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).

3. Significant accounting policies (continued)

(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 Group 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.

(t) Dividend payable

Dividends declared by the Group 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.

3. Significant accounting policies (continued)

(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),
- *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 Group 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.

3. Significant accounting policies (continued)

(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 Group 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 Group'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.

4. Financial risk management

The Group's investment portfolio comprises listed and unlisted equity investments.

The Group'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 Group 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 Group'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 Group. Diversification across securities and industries, to the possible extent given the unique investment mandate, is the primary technique for mitigating equity price risk. The Group 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 Group holds equity securities operate in different industries.

The Group's exposure to industries was as follows:

	31 December 2012	31 December 2011
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
Oil and gas	517,134,403	515,110,124
Banks	437,936,339	484,034,158
Infrastructure	205,006,057	205,006,057
Aluminium	145,769,428	236,875,321
Heavy industry	142,420,748	221,436,338
Postal services	80,822,000	84,664,380
Others	31,467,030	31,624,580
	6,393,201,506	**7,428,214,714**

The Group has equity investments of RON 1,194,796,125 at 31 December 2012 (31 December 2011: RON 1,465,038,314) which are listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange.

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 104,649,177 after tax (2011: RON 128,131,772); an equal change in the opposite direction would have decreased equity by RON 104,649,177 after tax (2011: RON 128,131,772). 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:

Fixed rate instruments	**31 December 2012**	**31 December 2011**
Bank deposits with original maturities of less than three months	316,028,343	295,480,344
Treasury bills	454,732,857	195,919,673
	770,761,200	**491,400,017**

(iii) Currency risk

The Group 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:

	31 December 2012	**31 December 2011**
RON		
Monetary assets		
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	1,385,166	831,286
	776,079,444	**547,466,069**
Monetary liabilities		
Other liabilities	(20,841,591)	(42,206,771)
	(20,841,591)	**(42,206,771)**
	755,237,853	**505,259,298**

4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	31 December 2012	31 December 2011
EUR (in RON equivalent)		
Monetary assets		
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
	809,541	**1,761,155**
Monetary liabilities		
Other liabilities	(222,588)	-
	(222,588)	**-**
	586,953	**1,761,155**

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.

Profit or loss	31 December 2012	31 December 2011
EUR	(58,695)	(176,116)

As at 31 December 2012, the Group 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 Group 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 Group 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 Group'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
Cash and deposits held with		
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
	319,164,689	**298,269,474**

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 Group'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
Total	**454,732,857**				

(iii) Dividends receivable

The Group's maximum exposure to credit risk from dividends receivable was RON 799,994 at 31 December 2012 (31 December 2011: RON 52,479,298).

4. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

The following are the residual maturities of the Group's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2012				
Financial assets				
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	-	-	-	6,393,201,506
Other receivables	2,189,054	-	-	-
	453,884,187	**113,827,183**	**209,177,615**	**6,393,201,506**
Financial liabilities				
Other liabilities	21,064,179	-	-	-
	21,064,179	**-**	**-**	**-**

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2011				
Financial assets				
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	-	-	-	7,428,214,714
Other receivables	2,558,644	-	-	-
	317,038,085	**56,052,481**	**176,136,658**	**7,428,214,714**
Financial liabilities				
Other liabilities	42,206,771	-	-	-
	42,206,771	**-**	**-**	**-**

The Group'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 Group 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 Group'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 Group 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.

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 Group'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 Group 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 Group'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 Group'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 Group'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 Group's operations.

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

(g) Capital management

Group's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Group's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 12,085,319,049 at 31 December 2012 (31 December 2011: RON 12,267,004,703).

The Group was not subject to externally imposed capital requirements.

5. Financial assets and financial liabilities

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2012						
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	-	-	1,194,796,126	-	1,194,796,126	1,194,796,126
Equity investments at cost	-	-	5,198,405,380	-	5,198,405,380	Not available
Other receivables	2,189,054	-	-	-	2,189,054	2,189,054
Other liabilities	-	-	-	(21,064,179)	(21,064,179)	(21,064,179)
	322,156,128	**-**	**6,847,934,363**	**(21,064,179)**	**7,149,026,312**	**Not available**

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2011						
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	-	-	1,465,038,314	-	1,465,038,314	1,465,038,314
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)
	353,307,551	**-**	**7,624,134,387**	**(42,206,771)**	**7,935,235,167**	**Not available**

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

	Year ended 31 December 2012	Year ended 31 December 2011
Romgaz S.A.	140,639,003	106,010,598
Transgaz S.A.	52,515,091	50,768,117
Alro S.A.	23,066,500	16,024,881
Transelectrica S.A.	10,884,733	1,147,845
CN Aeroporturi Bucuresti S.A.	9,415,274	9,932,510
Conpet S.A.	6,612,533	6,984,786
CN Administratia Porturilor Maritime S.A.	6,570,224	-
Complexul Energetic Rovinari S.A.	6,457,434	20,711
Raiffeisen Bank International AG	4,052,569	4,735,544
BRD - Groupe Societe Generale S.A.	4,237,166	2,427,206
Electrica Distributie Muntenia Nord S.A.	1,801,112	-
Aeroportul Intl' Timisoara - Traian Vuia S.A.	1,687,638	1,536,108
Hidroelectrica S.A.	-	52,478,623
ENEL Distributie Banat S.A.	-	20,161,712
Primcom S.A.	-	14,276,720
ENEL Distributie Dobrogea S.A.	-	13,529,334
GDF Suez Energy S.A.	-	9,600,000
Delfincom S.A.	-	5,633,501
Erste Group Bank AG	-	3,514,050
Others	2,594,136	2,027,935
	270,533,414	**320,810,181**

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 Group sold its entire holding in Azomures S.A. (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).

9. Other operating income

	Year ended 31 December 2012	Year ended 31 December 2011
Income from penalties levied for late payment of dividends	2,524,216	12,141,634
Other operating income	1,425,632	45,724
	3,949,848	**12,187,358**

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.

10. Other operating expenses

	Year ended 31 December 2012	Year ended 31 December 2011
Investment management and administration fee	34,325,088	32,149,759
National Securities Commission fee	14,113,438	15,594,192
Depositary 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
	58,913,209	**54,243,301**

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.

11. Income tax expense

	Year ended 31 December 2012	Year ended 31 December 2011
Current tax expense		
Current tax (16%)	-	1.752.665
Dividend withholding tax	4.687.167	3.367.831
Prior year income tax adjustment	(23.214)	-
	4.663.953	**5.120.496**
Deferred tax expense		
Impairment losses on equity investments	(122.810.506)	(4.823.350)
Provisions for restructuring	9.524	36.203
Used tax losses	(522.252)	138.871
	(123.323.234)	**(4.648.276)**
Total tax (benefit) /expense	**(118.659.281)**	**472.220**

The effective tax rate used to calculate the deferred tax position of the Group 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
Reconciliation of effective tax rate		
Profit for the year	365.473.344	1.072.302.769
Income tax expense	(118.659.281)	472.220
Profit excluding income tax	**246.814.063**	**1.072.774.989**
Income tax using the standard tax rate (16%)	**39.490.250**	**171.643.998**
Effect of:		
Lower tax rate on dividend income	(38.152.397)	(47.054.342)
Presentation of share of profit in associates, net of income tax, in Fund's financial statements	(126.969.613)	(120.937.357)
Profit appropriation to legal reserve	-	(274.797)
Other non-taxable income	(833.771)	(4.840.721)
Non-deductible expenses (provisions)	-	1.872.938
Other non-deductible expenses	7.626.954	26.298
Austrian dividend withholding tax non deductible from fiscal point of view	202.510	-
Prior year profit tax adjustment	(23.214)	-
Provisions for restructing	-	36.203
Total tax (benefit) /expense	**(118.659.281)**	**472.220**

	Year ended 31 December 2012	Year ended 31 December 2011
Income tax recognised directly in equity:		
On equity investments carried at fair value	(12,832,841)	(53,386,398)
	(12,832,841)	**(53,386,398)**

12. 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
	1,857,628	**1,912,808**

The current accounts held with banks are not pledged as collateral for liabilities.

13. 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
	317,309,452	**296,356,801**

None of the deposits held with banks is pledged as collateral for liabilities.

14. 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
	454,732,857	**195,919,673**

15. Dividends receivables

	31 December 2012	31 December 2011
Dividends receivable		
Hidroelectrica S.A.	46,209,651	52,478,623
Other dividends receivable	1,446,159	646,840
	47,655,810	**53,125,463**
Impairment loss allowance		
Hidroelectrica S.A.	(46,209,651)	-
Other dividends receivable	(646,165)	(646,165)
	(46,855,816)	**(646,165)**
	799,994	**52,479,298**

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.

16. 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.

17. 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.

17. 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
31 December 2010	**1,030,293,330**	**6,015,235,159**	**7,045,528,489**
Shares contributions in kind by State	-	1,704,560	**1,704,560**
Acquisitions	770,804,696	-	**770,804,696**
Disposals	(2,394,730)	(2,181,140)	**(4,575,870)**
Write-offs	-	(21,436,245)	**(21,436,245)**
Impairment loss	-	(51,691,805)	**(51,691,805)**
Reversal of impairment loss on disposals	-	21,545,871	**21,545,871**
Changes in fair value	(333,664,982)	-	**(333,664,982)**
31 December 2011	**1,465,038,314**	**5,963,176,400**	**7,428,214,714**
Shares contributions in kind by the State	**-**	5,211,070	**5,211,070**
Cash contributions to portfolio companies share capital increase	-	2,539,839	**2,539,839**
Acquisitions	62,217	-	**62,217**
Disposals	(194,884,889)	(170,529)	**(195,055,418)**
Impairment loss	-	(772,364,379)	**(772,364,379)**
Reversal of impairment loss on disposals	4,785,736	12,979	**4,798,715**
Changes in fair value	(80,205,252)	-	**(80,205,252)**
31 December 2012	**1,194,796,126**	**5,198,405,380**	**6,393,201,506**

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.

17. 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).

17. Equity investments (continued)

The structure of the Fund's portfolio was the following:

	31 December 2012	31 December 2011
Equity investments at fair value		
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	78,770,508	133,859,275
	1,194,796,125	**1,465,038,314**
Equity investments at cost		
Hidroelectrica S.A.	2,001,000,000	2,764,310,929
Complexul Energetic Oltenia S.A.	670,084,812	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 SA	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 SA	125,918,628	125,918,628
Electrica Distributie Transilvania NORD SA	115,755,059	115,755,059
Electrica Distributie Dobrogea SA	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
Other	415,595,960	413,213,670
	5,198,405,381	**5,963,176,400**
Total equity investments	**6,393,201,506**	**7,428,214,714**

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.

17. 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	1,194,796,126	-	-	1,194,796,126
Treasury bills	454,732,857	-	-	454,732,857
	1,649,528,983	**-**	**-**	**1,649,528,983**

At 31 December 2011:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	1,465,038,314	-	-	1,465,038,314
Treasury bills	195,919,673	-	-	195,919,673
	1,660,957,987	**-**	**-**	**1,660,957,987**

As at 31 December 2012, the equity investments classified as available for sale included equity investments valued at cost less impairment in amount of RON 5,198,405,381 (31 December 2011: RON 5,963,176,400).

18. Investment in associate

In accordance with G.E.O. 81/2007, the Fund received from the Romanian State shareholdings granting significant influence over OMV Petrom SA. The summary of the financial information for this associate is as follows:

	2012	2011
Ownership	20%	20%
Total assets	38,144,620,000	36,488,440,000
Total liabilities	14,739,280,000	15,411,830,000
Revenues	26,374,700,000	23,051,870,000
Expenses	22,428,600,000	19,293,250,000
Profit	3,946,100,000	3,758,620,000

In 2012, the Group's share of profit in its associate for the year was RON 793,560,710 (2011: RON 755,858,482) and its share of income and expense recognised directly in the equity of the associate was net income of RON 26,157,077 (2011: net expense of RON 27,826,207). At 31 December 2012, investments in associates represented RON 4,706,829,818 (31 December 2011: 4,238,522,215).

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(all amounts are in RON unless otherwise stated)

18. Investment in associate (continued)

The movements in the investment in associate are presented in the below table:

31 December 2011	**4,238,522,215**
Share of net profit in associates	793,560,710
Share of income and expense recognised directly in the equity of associates (net of income tax)	26,157,077
Share of dividends declared by associate	(353,125,036)
Share of changes in minority interest and other elements	1,714,852
31 December 2012	**4,706,829,818**

The fair value of the shares held in OMV Petrom S.A. was RON 4,876,542,833 as at 31 December 2012 (31 December 2011: RON 3,303,427,754).

19. Deferred tax assets

	31 December 2012	31 December 2011
Temporary differences deductible (taxable)		
Impairment losses on equity investments	1,585,558,809	817,993,147
Changes in fair values of equity investments	(154,679,643)	(234,884,897)
Fiscal loss carried forward	3,264,077	-
Provisions	-	59,525
	1,434,143,243	**583,167,775**
Deferred tax assets at 16%	**229,462,919**	**93,306,844**
Total deferred tax assets	**229,462,919**	**93,306,844**

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).

20. Other liabilities

	31 December 2012	31 December 2011
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
	21,064,179	**42,266,294**

20. Other liabilities (continued)

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.

21. 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
31 December 2010	**13,778,392,208**	**-**	**13,778,392,208**
Share capital reclassified as unpaid	(382,258,053)	382,258,053	-
Unpaid share capital compensated by State contributions	11,434,941	(11,434,941)	-
31 December 2011	**13,407,569,096**	**370,823,112**	**13,778,392,208**
Unpaid share capital compensated by State contributions	5,211,070	(5,211,070)	-
31 December 2012	**13,412,780,166**	**365,612,042**	**13,778,392,208**

(b) Fair value reserves on available-for-sale financial assets

The fair value reserves of RON 129,930,898 at 31 December 2012 (31 December 2011: RON 197,303,309) comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

21. Shareholders' equity (continued)

(c) Other reserves

	31 December 2012	31 December 2011
Legal reserve	158,151,475	129,803,203
Other reserves	120,299,557	120,299,556
	278,451,032	**250,102,759**

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 legal reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

The statutory financial statements 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, applicable to the entities authorised, regulated and monitored by CNVM, approved by CNVM Order no. 13/2011.

In 2012, the Fund transferred to the legal reserves an amount of RON 28,348,272 representing 5% of the 2012 statutory gross profit of RON 566,965,437 (in 2011: RON 27,278,894 representing 5% of the 2011 statutory gross profit of RON 545,577,881).

(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. On 5 March 2013, the Court announced that it has rejected the litigant's request of intervention and admitted the Fund's registration request at Trade Register and in April 2013, the Fund started the second buyback programme.

(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.

22. 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 irrevocable 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).

22. 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 related receivables will be recognised in the Fund's financial statements on receipt basis.

23. Group entities

Subsidiaries

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

	31 December 2012	31 December 2011
Ownership interest		
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*

The total assets, liabilities, revenues and expenses for subsidiaries are presented in the table below:

	Total assets	Total liabilities	Revenues	Expenses*	Net Profit / (Loss)
2012					
Alcom S.A. Timisoara	11,741,803	2,177,553	3,150,278	2,862,859	87,890
Carom - Broker de Asigurare S.A. Bucuresti	1,441,024	46,040	1,009,211	1,129,341	(120,130)
Comsig S.A. Sighisoara	2,336,349	7,515	138,513	303,450	(167,345)
Primcom S.A. Bucuresti **	39,556,411	2,215,605	1,891,859	5,035,827	(3,143,968)
Telerom Proiect S.A. Bucuresti	367,613	544,005	1,010,254	1,264,779	(254,525)
Zirom S.A. Giurgiu	55,666,876	3,806,073	10,391,904	15,347,505	(4,955,601)
	111,110,076	**8,796,791**	**17,592,019**	**25,943,761**	**(8,553,679)**

** Excluding tax on profit expenses*
*** 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.*

23. Group entities (continued)

	Total assets	Total liabilities	Revenues	Expenses	Net Profit / (Loss)
2011					
Alcom S.A. Timisoara	12,107,800	2,631,320	2,527,571	2,328,524	153,848
Carom - Broker de Asigurare S.A. Bucuresti	1,575,086	59,972	1,201,786	1,162,946	29,129
Comsig S.A. Sighisoara	2,503,366	7,187	147,054	129,864	13,506
Delfincom S.A. Bucuresti	7,481,652	1,563,841	2,800,666	3,451,828	(651,162)
Prestari Servicii S.A. Bucuresti	1,117,042	315,563	1,944,519	782,312	1,162,207
Primcom S.A. Bucuresti	28,846,961	508,003	2,861,637	2,574,009	64,236
Romplumb S.A. Baia Mare	58,541,811	43,562,318	46,317,132	49,859,536	(3,555,684)
Telerom Proiect S.A. Bucuresti	667,841	577,909	1,483,292	1,477,625	5,667
Zirom S.A. Giurgiu	54,561,617	1,744,066	9,060,050	13,967,549	(4,907,499)
	167,403,176	**50,970,179**	**68,343,707**	**75,734,193**	**(7,685,752)**

24. Related parties

Key management

	Year ended 31 December 2012	Year ended 31 December 2011
Salaries		
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:

Transactions	Year ended 31 December 2012	Year ended 31 December 2011
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
	34,458,552	**32,273,692**

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).

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

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. In January 2013, 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.

An official complaint regarding this decision was submitted by FTIML to CNVM on 21 February 2013 but in April 2013, the appeal (complaint) submitted was rejected by CNVM.

On 27 May 2013 the Fund initiated a legal action against the Financial Supervisory Authority ("FSA"), as the successor of the CNVM, in order to obtain endorsement of the Addendum no. 2 to the Investment Management Agreement. The claim has been registered with the Bucharest Court of Appeal under docket number 3819/2/2013. The naming of FSA in the action was a necessary legal formality, as successor to CNVM, but the Fund Manager hopes to build a dialogue with the new FSA Commission which will reach a satisfactory resolution on this issue, without need for the court's intervention. It was necessary to begin this legal action at the present time in order to avoid the risk of the Fund losing legal rights through the lapsing of time, in case such a conclusion cannot be reached.

25 April GSM Decisions

The main decisions of the shareholders during the 25 April 2013 Extraordinary General Shareholders Meeting ("EGM") were the following:

- The extension until 31 December 2013 of the authorisation of FTIML UK Bucharest Branch to list the Fund on the Warsaw Stock Exchange;
- The ratification and approval of any and all of the other resolutions taken by the EGM during the period commencing on 6 September 2010 and ending on the day of this EGM;

25. Subsequent events (continued)

- The amendments of the Constitutive Act as follows:
  - Eliminate the current provision of the Constitutive Act which permits the revocation of the members of the Board of Nominees and the fund manager by a majority of at least 2/3 of the voting rights. The change would mean such decisions would only require a simple majority of shareholders voting to be effective;
  - Change (clarify) the provisions regarding the appointment of the fund manager: new wording to state that the fund manager will be appointed by the shareholders based on an international tender organised by the Board of Nominees;
  - Changes to the organisation of the General Shareholders Meeting for reappointing / initiating the tender for selection of the fund manager (the General Shareholders Meeting will be convened 6 months before the expiration of the current mandate);
  - Some changes in order to have a better communication between the Fund Manager and the Board of Nominees and to clarify the rules regarding the organisation of the General Meetings of the Shareholders and the meetings of Board of Nominees.

The main decisions of the shareholders during the 25 April 2013 Ordinary General Shareholders Meeting ("OGM"), were the following:

- Approval of the Annual Report of the Sole Administrator of the Fund, including the financial statements as at 31 December 2012 prepared in accordance with Romanian Accounting Regulations;
- Approval of the 2012 gross dividend of RON 0.04089 (registration date: 15 May 2013). Dividend payment will commence on 28 June 2013;
- The ratification and approval of any and all of the other resolutions taken by the OGM during the period commencing on 6 September 2010 and ending on the day of this OGM;
- The ratification and re-adoption of the appointment of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch as Sole Administrator and Fund Manager of SC Fondul Proprietatea SA.

Update regarding the Board of Nominees

On 19 April 2013, Mr Cristian Bușu resigned from his position of member of the Fund's Board of Nominees ("BON"). The resignation was communicated to the Fund on 22 April 2013, on which date it became effective. The Board of Nominees decided to appoint Mr Mark Henrz Gitenstein as interim member of the Board of Nominees (Decision no. 13/23 April 2013). The appointment became effective upon its registration with the Trade Registry, on 9 May 2013.

The mandates of two Board of Nominees members (Mr Sorin-Mihai Mîndruţescu and Mr Cristian Busu) were due to expire on 29 September 2013. On 25 April 2013, shareholders at the Ordinary General Shareholders Meeting elected Mr Mark Henry Gitenstein as a member of the Fund`s Board of Nominees and re-elected Mr Sorin-Mihai Mîndruţescu. Both of these mandates are for a three year period with effect from 30 September 2013.

25. Subsequent events (continued)

Update regarding litigations

Registration proceedings with the Trade Registry

Following the decision issued on 21 May 2013 by the Bucharest Court of Appeal in file no. 40330/3/2012 whereby the court irrevocably approved the deregistration of the mentions performed with the Trade Registry of the General Shareholders Meeting decisions no. 1, 2, 8 and 9 dated 6 September 2010, for the approval of, among others, the appointment of the FTIML Bucharest Branch, the Trade Registry announced that it has proceeded to such deregistration.

The updated Register reflects that the Fund's shareholders have ratified and reapproved the updated Constitutive Act and appointment of FTIML on several occasions since the September 2010 decisions in question. Moreover, FTIML was formally reappointed through OGM Resolution no. 26 of 23 November 2012.

As result, the deregistration has no effect on the corporate structure approved on 6 September 2010 and on the fact that FTIML Bucharest Branch is and will remain the Sole Director of the Fund.

Bucharest Court ruled in favour of the Fund in a case started by the same shareholder challenging the EGM Decision for modifying Constitutive Act approved in November 2010

In April 2013 the Bucharest Court announced that in file no. 7548/3/2011 (regarding the annulment request filed by the litigant against the EGM Resolution for modifying the Constitutive Act approved by shareholders on 29 November 2010) it ruled in favour of the Fund, rejecting the litigant's request. In reaching this decision, the Court rejected the litigant's claim that the annulment of certain shareholder resolutions approved in September 2010 should retrospectively affect the validity of shareholders' resolutions approved after this date.

The Fund started a case against the litigant shareholder asking the court to sanction the abuse

The litigant shareholder has started more than 80 legal actions in court against the Fund, many of them having as subject the blocking of the registration with the Trade Registry of the Fund's shareholders' resolutions. In addition, the litigant's behavior during court hearings of these files has resulted in exceptional delays and fines against the litigant.

In our opinion, these actions constituted an abuse of shareholder's rights and procedural rights, interfering in the normal functioning of the Fund and causing serious delays in the implementation of the decisions of the Fund's shareholders. Our opinion is supported by the Litigant's behaviour, the numerous courts fines, and by over 50 court decisions in favour of the Fund in these files to the end of April 2013.

In light of the financial damage to the Fund due to the late implementation of the second buyback programme, and based on the Litigant's behavior noted above, the Fund Manager has decided to file a claim on behalf of the Fund to pursue the litigant for the recovery of the above-mentioned damages and filed on 24 April 2013 a legal action in court against the Litigant, registered with the Bucharest Court under docket number 16425/3/2013.

25. Subsequent events (continued)

The change of the paid-up capital of the Fund

Since 15 May 2013, the paid-up capital of the Fund increased by RON 133,940 to RON 13,412,937,506, 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 shares in SNGN Romgaz S.A. Medias following a share capital increase by that company relating to the value of land for which SNGN Romgaz S.A. Medias obtained title deeds.

Disposal of part of the OMV Petrom holding

In May 2013 the Fund disposed of 632.48 million shares in OMV Petrom, accounting for approximately 1.1% of company’s share capital. Following this transaction, the Fund’s holding in OMV Petrom decreased below the significant influence threshold of 20%.

Starting of the second buy-back programme

As per the Extraordinary General Shareholders Meeting Resolution from 25 April 2012, published in the Official Gazette on 10 April 2013, the Fund started the second buyback programme on 12 April 2013. During this buyback programme, by 18 June 2013, the date when these financial statements were authorised, the Fund acquired 130,716,000 shares for a total acquisition cost of RON 85,786,000.