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Company Information

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

Stock Data (as at 31 December 2012)

NAV and Share Price Developments	Year end		
	31 December 2012	31 December 2011	31 December 2010
Total NAV as at 31 December (RON million)	14,979.2	14,465.4	15,328.2
NAV per Share as at 31 December (RON)	1.1371	1.0788	1.1124
NAV per Share change in year (%)	+5.4%	-3.0%	-
NAV per Share Total Return	+8.9%	-0.5%	-
Share Price as at 31 December (RON)	0.5495	0.4270	-
Share Price Low (RON) ¹	0.4270	0.4151	-
Share Price High (RON) ¹	0.6050	0.6495	-
Share Price change in year (%)	+28.7%	-34.3% ²	-
Share Price Total Return	+38.3%	-30.2% ²	-
Discount to NAV as at 31 December	51.7%	60.4%	-
Average Discount for the year	50.2%	55.7%	-
Total Shares Turnover (RON)	3,218,775,792.4	5,122,862,627.7	-
Average Daily Turnover (RON)	13,031,480.9	21,799,415.4	-

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

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

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

¹ Closing prices quoted by the BVB

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

Shareholder Structure³ (as at 31 December 2012)

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

There were 9,363 shareholders on 31 December 2012.

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³ Source: Central Depository

⁴ The percentage represent the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 2.67%, including the Unpaid shares

⁵ 240,304,801 shares acquired by the Fund through buy backs

⁶ Shares unpaid by Romanian State represented by Ministry of Public Finance

Overview

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, as Sole Administrator and Fund Manager of Fondul Proprietatea presents the preliminary results of the Fund for the year ended 31 December 2012, with audited net profit of RON 567.0 million, an increase of RON 23.2 million compared to the audited net profit for 2011 of RON 543.8 million. Total shareholders' equity was RON 11,836.8 million as at 31 December 2012, an increase of 6.4% compared to the value of RON 11,120.7 million at 31 December 2011.

The Fund reported a Net Asset Value ("NAV") of RON 14,979.2 million as at 31 December 2012 and a Net Asset Value per Share ("NAV/share") of RON 1.1371 (a NAV per Share total return of 8.9%). The NAV is prepared in accordance with Romanian National Securities Commission ("CNVM") regulations.

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

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

The discount of the Fund's share price to NAV was 51.7% as at 31 December 2012. In 2012, the discount ranged between 42.3% and 62.4%.

The Fund Manager intends to recommend to shareholders an estimated gross dividend of RON 0.0408 per share arising from 2012 profits, based on the dividend policy stated in the Fund's listing prospectus. The distribution of dividends is expected to start in June 2013.

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

	Note	Year ended 31 December 2012	Year ended 31 December 2011	Change %
Total Shareholders' Equity (RON million)	a	11,836.8	11,120.7	6.4%
Net Asset Value (RON million)	b, d	14,979.2	14,465.4	3.6%
NAV per Share (RON)	b, d	1.1371	1.0788	5.4%
NAV per Share Total Return	c	+8.9%	-0.5%	-
Share Price (RON)		0.5495	0.4270	28.7%
Share Price Total Return	c	+38.3%	-30.2%	-
Gross Dividends Declared (RON per share)		0.03854	0.03141	-
Share Price Discount to Net Asset Value		51.7%	60.4%	-

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

Notes:

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

The NAV (calculated according to CNVM Regulations) is higher than the value of Shareholders' Equity (calculated according to Romanian Accounting Regulations), principally due to the different valuation methodologies applied to financial assets, as illustrated in the following table:

	CNVM Regulations*	Romanian Accounting Regulations
Listed securities	Valued at closing market prices	Valued at cost less adjustments for impairment
Unlisted or illiquid listed securities	Valued as per latest issued audited financial statements (proportionally with the stake held) or using fair valuation methodologies	Valued at cost less adjustments for impairment

* details on the valuation methods used for each company are presented in the Annex 3 to this report; with effect from 31 December 2012, the shares of companies under insolvency or reorganisation procedure are valued either at zero or at a value assessed by an independent authorized valuer, using valuation methods in accordance with International Valuation Standards (fair value principles). The shares of companies under judicial liquidation procedure, or any other liquidation procedures, as well as of companies under temporary or final suspension of operations, must be valued at zero until the respective procedures are completed.

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

September: Following ANRE's order²² no. 31/2012, starting 15 September 2012 gas prices for industrial consumers have increased by approximately 10%, while gas prices paid by household customers have increased by around 5%. This is the first increase in gas prices for household customers since 2009.

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

Hidroelectrica

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

** Budgeted figures

According to the Letter of Intent no 12/290/ October 2012 signed by the Romanian Government with the International Monetary Fund ("IMF"), the IPO of Hidroelectrica will take place after the company exits insolvency through an issuance of new shares of 10% of the Company.

The Consortium formed by Citi, BRD-Societe Generale and Intercapital was selected as the intermediary of the listing.

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

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

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

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

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

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

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

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

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

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

²² ANRE order no 31 issued on the 30 August 2012

Nuclearelectrica

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

* Budgeted figures

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

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

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

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

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

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

OMV Petrom

RON million (IFRS)	2010	2011	2012*	9m 2011	9m 2012
Sales	18,615.7	22,613.7	15,796.0	16,224.0	19,185.0
Operating profit	2,985.5	4,935.8	4,392.0	3,754.0	3,989.0
Net profit	2,189.7	3,758.6	3,612.0	2,921.0	2,892.0
Dividends	1,002.6	1,756.0	n.a.	n.a.	n.a.

* Budgeted figures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Raiffeissen Bank International

EUR million	2010	2011	9m 2011	9m 2012
Net revenue	6,764.7	7,024.4	4,099.0	3,885.0
Net interest income	3,577.9	3,667.1	2,724.0	2,596.0
Consolidated profit	1,087.4	967.6	745.0	842.0
Dividends	204.3	205.0	n.a.	n.a.

Romgaz

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

* Budgeted figures

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

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

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

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

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

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

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

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

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

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

Transelectrica

RON million	2010	2011	2012*	9m 2011	9m 2012
Turnover	2,545.7	3,113.1	2,623.0	1,955.9	2,096.8
Operating profit	79.6	159.5	84.5	215.8	96.2
Net profit	9.6	90.9	40.0	153.5	19.2
Dividends	8.5	80.6	n.a	n.a.	n.a.

* Budgeted figures

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

May: The board of directors decided that Mr. Octavian Lohan is no longer general manager of the company and the responsibilities of the position are assumed by Mr. Marius Mateescu until the provisions of EGO 109/2011 regarding corporate governance in state owned companies are implemented.

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

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

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

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

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

October: On 24 October 2012, the Board of Directors of the company decided to dismiss the general manager and appoint a new person in that position. The new general manager used to work for McKinsey in the past and had been a member in the Board of Directors of the company since 2010. The board gave no explanations for the dismissal of the former general manager.

December: The regulator approved a 12.7% increase in transmission tariff for 2013²³. The regulated rate of return was set at 8.52% compared to the previous rate of 7.5% for the 2008-2012 period. The next 5 years regulatory period will start in 2014, and 2013 is considered a transition year.

Transgaz

RON million	2010	2011	2012*	9m 2011	9m 2012
Turnover	1,313.0	1,343.3	1,463.4	940.5	945.6
Operating profit	443.7	442.5	419.4	327.9	243.6
Net profit	376.4	379.5	355.1	283.9	215.2
Dividends	338.7	350.4	n.a.	n.a.	n.a.

* Budgeted figures

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

²³ ANRE order no.52 published on the 27 December 2012 in the Official Gazette

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

June: Mr. Ioan Rusu was appointed by the Board of Directors as General Manager of the company replacing Mr. Cosma Florin.

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

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

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

Changes affecting the capital and the administration of the Fund

Cancellation of the restrictions of the voting rights

On 23 November 2011 the Extraordinary General Shareholders Meeting approved a number of amendments to the Constitutive Act, one of the most important being the cancellation of the restrictions of the voting rights. The new Constitutive Act with the restriction rights cancelled was approved by CNVM on 12 January 2012.

Since 13 January 2012, when the new Constitutive Act became effective, the restrictions of the voting rights related to the number of shares owned by the Fund's shareholders were eliminated and the principle of one paid share having one voting right has been now applied.

The shareholders decisions were approved during 4 April 2012 GSMs, 25 April 2012 GSMs, 27 June 2012 GSMs and 23 November 2012 GSMs without any restriction of the voting rights – except the restrictions for treasury shares and for unpaid shares that are applied to all companies according to Romanian legislation.

The paid-up share capital

On 2 February 2012 and on 23 April 2012, the paid-up share capital of the Fund increased by RON 4,985,760 and by RON 225,310 respectively, to RON 13,412,780,166, while its subscribed share capital remained unchanged at RON 13,778,392,208. The increase in the paid-up share capital reflects a reduction in the unpaid share capital held by the Romanian State due to the receipt by the Fund of 521,107 shares in Hidroelectrica following a share capital increase by this company relating to the value of land for which Hidroelectrica obtained title deeds.

There are no litigations related to the remaining unpaid capital.

The subscribed share capital decrease

On 25 April 2012, the Extraordinary General Meeting of Shareholders of the Fund approved a share capital decrease of the Fund. According to Extraordinary General Meeting of Shareholders Decision no. 3 / 25 April 2012 the shareholders approved the decrease of the subscribed registered share capital of the Fund from RON 13,778,392,208 to RON 13,538,087,407, pursuant to the cancellation of 240,304,801 own shares acquired by the Fund. After the share capital decrease, the subscribed share capital of the Fund will be RON 13,538,087,407 being divided into 13,538,087,407 shares, with a nominal value of RON 1 / share. The subscribed share capital decrease will take place based on Article 207 paragraph 1 letter c) of Law 31/1990. The subscribed share capital decrease will be effective after two months calculated from the day when Extraordinary General Meeting of Shareholders Decision no. 3 / 25 April 2012 is published in the Official Gazette, Part IV, if CNVM approves the changing of Article 7 of the Constitutive Act.

A shareholder of the Fund has started a case against the Fund trying to block the publication of the Extraordinary General Meeting of Shareholders Decision no. 3 / 25 April 2012 in the Official Gazette. The share capital decrease approved by Extraordinary General Meeting of Shareholders Decision no. 3 / 25 April 2012 is suspended.

On 9 October 2012, the Bucharest Court ruled against the Fund and decided to reject the request of registration with Trade Register. On 24 October 2012 the Fund appealed the first court decision. The Bucharest Court of Appeal set the next hearing for February 2013.

Changes in Board of Nominees

Update regarding the Chairman of the Board of Nominees

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

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

Requests for calling the General Shareholders' Meeting of the Fund

On 8 February 2012, the Fund received a request from Georgia Palade van Dusen, Philippe Palade, Grantelast Limited and POAH One Acquisition Holdings IV Limited, as shareholders of the Fund owning together more than 5%, to call a General Shareholders Meeting of the Fund, having on the agenda, besides other points:

- The recalling of all members of the Board of Nominees;
- The appointment of members of the Board of Nominees.

Beginning with April 2012 the Board of Nominees has the following members:

- Mr. Sorin Mihai Mindrutescu, Chairman – the mandate will end on 29 September 2013;
- Mr. Cristian Busu, Member – the mandate will end on 29 September 2013;
- Mr. Julian Rupert Francis Healy, Member – the mandate will end on 4 April 2015;
- Mr. Steven van Groningen, Member – the mandate will end on 4 April 2015 and
- Mr. Piotr Rymaszewski, Member – the mandate will end on 4 April 2015.

Addendums to the Investment Management Agreement

On 23 November 2011, the Ordinary General Shareholders Meeting approved the Addendum number 1 to the Investment Management Agreement. This addendum was endorsed by CNVM on 1 February 2012. The change refers to the payment of Fund Manager's fees on a quarterly basis, starting from 1 January 2012 (previously the fees were paid annually). The calculation of the fees is based on the number of shares in issue multiplied by the average market price of the Fund's shares calculated for the respective quarter.

On 15 February 2012 a formal request for convening a GSM was received from Manchester Securities Corporation, a shareholder owning more than 5% of the Fund. The GSM agenda was to include an amendment of the Investment Management Agreement ("IMA") concluded between FTIML and Fondul Proprietatea establishing a revised administration and management fee. The proposed addendum to the IMA was attached to the request.

According to the proposed addendum, in case of excess distributions (special dividends, buybacks for the purpose of cancellation of shares or other distributions), FTIML would be entitled to receive an additional fee of 1.5% of the excess distribution (if distributions take place in 2012 and 2013) and 1% (after 2013, until the termination of the IMA).

This proposal was approved by shareholders on 4 April 2012 and enters into force after the endorsement of CNVM. The Fund Manager received on 23 January 2013 a letter from CNVM announcing that it decided not to endorse the Addendum 2 of the IMA approved by shareholders on 4 April 2012. For other details please see section Subsequent Events.

Financial Analysis

The audited Balance Sheet and Income Statement for the year ended 31 December 2012 prepared in compliance with Romanian Accounting Regulations are included in full in Annex 1 to this Report. The financial statements prepared in compliance with Romanian Accounting Regulations will be submitted for shareholders' approval at the General Shareholders' Meeting which will take place in April 2013.

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

Balance Sheet

	30 December 2011	31 December 2012
	Audited	Audited
	RON million	RON million
Intangible assets	-	0.3
Financial assets	10,627.9	11,097.8
Non-current assets – total	10,627.9	11,098.1
Current assets – total	549.2	776.5
Prepaid expenses	-	0.1
Payables within one year	42.2	21.1
Total assets less current liabilities	11,134.9	11,853.6
Provisions	14.2	16.8
Shareholders' equity	11,120.7	11,836.8

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

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

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

During 2012, the value of financial assets increased by RON 469.9 million, mainly due to the reversal of the impairment adjustments for listed equity investments during the year, principally for OMV Petrom (by RON 1,537.1 million), offset by the impairment adjustment recorded for Hidroelectrica, for RON 1,105.5 million, calculated on the bases of an independent valuation.

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

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

Income Statement

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

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

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

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

Interest income arose from deposits held with banks and from treasury bills. The lower level of income during the 2012 compared to 2011 is a mainly a reflection of the lower average level of deposits and treasury bills during the first half of 2012.

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

During 2011 the reversal of impairment adjustments & provisions was mostly accounted for by the reversal of impairment adjustments for the 2005 dividend receivables from Transgaz, of RON 9.6 million, and Romgaz, of RON 18.7 million. The litigations against Transgaz and Romgaz for the recovery of these dividends and the related penalties for late payment were irrevocably found in the Fund's favour in 2011.

Revenues from disposal of financial assets (RON 208.1 million in 2012 and RON 13.4 million in 2011) represent the proceeds from the sales of portfolio holdings, while the **expenses from disposal of financial assets** (RON 195.1 million in 2012 and RON 4.6 million 2011) represent the cost or carrying value that these investments were held at prior to disposal. The pre-tax net gain in the 2012 was approximately RON 13.0 million, while in 2011 it was RON 8.8 million.

During 2012 **the other income from current activity** included penalties levied by the Fund for late payment of dividends related to the 2010 Hidroelectrica dividend, still partially outstanding, and penalties levied by the Fund for late payment of the 2005 dividends due by the above companies which are currently part of Enel Group (Enel Distributie Muntenia SA and Enel Energie Muntenia SA).

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

Commissions and fees mainly include CNVM's 0.1% per annum fee, calculated on the basis of the Fund's NAV, amounting to RON 14.1 million in 2012 (2011: RON 15.6 million) and the Depository banks' fees of RON 1.7 million (2011: RON 1.6 million). During 2012, commissions and fees included also the brokerage fees related to the disposal of equity investments, of RON 0.4 million.

Other expenses from current activity can be analysed as follows:

	2011 Audited RON million	2012 Audited RON million
FTIML investment management and administration fees	32.1	34.3
Salaries and similar expenses	0.8	0.7
Stamp duties for litigations	0.1	0.1
Other expenses	4.9	8.4
Other expenses from current activity	37.9	43.5

During 2012, other expenses from current activity increased by RON 5.6 million compared to 2011. This was mainly due to the RON 3.5 million increase in **other expenses** which mainly includes litigation assistance and other legal expenses, investor relations expenses and audit fees.

Analysis of 2012 Income Statement by Quarters

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

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

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

Signatures:

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
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