

Annex to the consolidated IFRS financial statements as at 31 December 2011

The differences between the accounting treatments under Romanian Accounting Regulations (“RAR”) (CNVM Regulation 4/2011 regarding accounting regulations compliant with EEC Directive IV, approved by CNVM Order no. 13/2011 and with CNVM Instruction 2/2012 regarding the preparation and submission of annual financial statements) and International Financial Reporting Standards (“IFRS”)

As requested by CNVM according to the Instruction no. 6/2011 on applying IFRS by entities authorized, regulated and supervised by CNVM

Balance Sheet / Statement of Financial Position (IFRS)

The main difference between RAR and IFRS are related to:

- Valuation of financial assets / equity investments:
 - Under RAR all financial assets are valued at cost less impairment. Adjustments for impairment of financial assets are recorded directly through equity (starting with year 2008) in a separate (negative) reserve account, and can be reversed.
 - Under IFRS, listed, liquid investments (for which a fair value can be reliably measured) are valued at fair value, while unlisted/illiquid investments (for which a fair value can not be reliably measured) are valued at cost less impairment. Adjustments for impairment are recorded through the Income Statement and cannot be reversed. Fair value adjustments are recorded through a separate reserve account.
- Under IFRS, the investments in associates are accounting for using equity method.
- Recognition of shares received free of charge from portfolio companies that increased their share capital through incorporation of reserves and recognition of related deferred tax liability:
 - Under IFRS, shares received free of charge from portfolio companies that increased their share capital through incorporation of reserves are not recognized (Under RAR they are recognized at nominal value).
 - Under IFRS, any deferred tax liability related to shares received free of charge is not recognized (Under RAR it is recognized).
- Deferred tax recognition
 - Under IFRS the deferred tax liability related to fair value adjustments for equity investments valued at fair value as well as deferred tax assets related to any impairment losses for equity investments are recognized (not applicable for RAR financial statements).
- Different classification of assets, liabilities and equity items:
 - Under RAR and IFRS certain assets, liabilities and equity items are classified differently, therefore in order to perform the reconciliation between RAR and IFRS financial statements, reclassification of certain items is necessary.

For details regarding these differences, please see **Annex 1 Reconciliation of Balance Sheet / Statement of Financial Position (IFRS)**.

Income Statement / Statement of Comprehensive Income (IFRS)

- Valuation of financial assets / equity investments:
 - Under IFRS, any adjustments for impairment of equity investments / financial assets can not be reversed (while under RAR this reversal is possible). Under RAR, adjustments for impairment of financial assets originally recorded through Income Statement (in 2006 and 2007) are also reversed through Income Statement, while those recorded through reserves (starting from 2008) are reversed through reserves.
 - Under IFRS, impairment provisions for equity investments are recorded through the Income Statement.
- Under IFRS the Share of profit in associates is recognized, while dividends received from associates are eliminated.
- Deferred tax recognition:
 - Under IFRS any deferred tax expenses/ liabilities related to shares received free of charge are not recognized (Under RAR they are recognized).
 - Under IFRS deferred tax income/assets related to adjustments for impairment for equity investments are recognized.
- Recognition of dividend income:
 - Under RAR dividend income (presented under “Revenues from financial assets” caption) is presented net of withholding tax.
 - Under IFRS dividend income is presented gross of withholding tax, withholding tax being presented under “Income tax expense” caption.
- Different classification of income and expense items:
 - Under RAR and IFRS certain income/revenues and expenses items are classified differently, therefore in order to perform the reconciliation between RAR and IFRS financial statements, reclassification of certain items is necessary.

For details regarding these differences, please see **Annex 2 Reconciliation of Income Statement / Statement of Comprehensive Income (IFRS)**

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

Oana Truta
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

ANNEX 1 Reconciliation of Balance Sheet / Statement of Financial Position (IFRS)

Financial statements for the year ended 31 December 2011 prepared in accordance to Romanian Accounting Regulations	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment 5	Consolidated IFRS financial statements for the year ended 31 December 2011	
Lei	Lei	Lei	Lei	Lei	Lei	Lei	
Financial assets						Equity investments	7,428,214,714
Non-current assets - Total						Investment in associate	4,238,522,215
Receivables		4,238,522,215			(3,406,689)	Dividends receivable	52,479,298
Short term financial investments						Treasury bills	195,919,673
				93,306,844		Deferred tax assets	93,306,844
Cash and bank accounts					2,558,644	Other assets	2,558,644
Current assets - Total					(295,480,344)	Cash and current accounts	1,912,808
Prepaid expenses					296,356,801	Deposits with banks	296,356,801
Payables within one year					(28,412)	Total assets	12,309,270,997
Total assets less current liabilities					(59,521)	Other liabilities	(42,266,294)
Provisions		14,138,306			59,523	Total liabilities	(42,266,294)
Share capital	(13,778,392,208)					Share capital	(13,778,392,208)
Legal reserve	(129,803,202)				129,803,202		-
Reserves related to impairment adjustments of financial assets	3,378,542,766	(3,378,542,766)					-
Reserves for securities received free of charge	(106,715)	106,715					-
Other reserves	(120,299,556)		(234,884,891)	37,581,582		Fair value reserve on available-for- sale financial assets	(197,303,309)
Treasury shares	120,268,583				(129,803,203)	Other reserves	(250,102,759)
Retained earnings	(74,364,048)	274,898,924	2,255,018,661	(126,240,151)	(490,788,396)	Treasury shares	120,268,583
Profit for the year	(543,825,216)		30,406,202	(4,648,275)	518,067,289	Accumulated losses	1,838,524,990
Profit allocation	27,278,894				(27,278,894)		-
Shareholders' equity	(11,120,700,702)					Total equity	(12,267,004,703)
						Total liabilities and equity	(12,309,270,997)

Adjustments:

- This adjustment represents the derecognition of shares received free of charge from Nuclearelectrica in 2006 (200,779,530 Lei), Hidroelectrica in 2006 (88,364,415 Lei), Comcereal Cluj in 2009 (106,715 Lei), as well as the related derecognition of deferred tax associated with Hidroelectrica shares (14,121,232 Lei) and Comcereal Cluj shares (17,074 Lei).
- This adjustment cumulates the following valuation adjustments: derecognition of RAR adjustment for impairment of financial assets, except OMV Petrom (+976,016,528 Lei), recognition of IFRS impairment loss adjustment for equity investments (-817,993,086 Lei), reclassification of investment in OMV Petrom from Financial assets to Investment in associate (-3,303,427,754 Lei) and related adjustments for the valuation of investment in associate according to the equity method.
- This adjustment represents the recognition of fair value adjustment for equity investments valued at fair value (+234,884,891 Lei).
- This adjustment represents the recognition of deferred tax according to IFRS.
- This adjustment includes a number of reclassification adjustments, as follows: allocation of Deposits with banks into a separate line in IFRS financial statements (295,480,344 Lei), reclassification of interest receivables for bank deposits from Receivables to Deposits with banks in IFRS financial statements (876,457 Lei), reclassification of prepaid expenses into Other assets (28,412 Lei), reclassification of receivables other than dividend receivables from Receivables to Other assets (2,530,232 Lei), reclassification of provision for restructuring to Other liabilities (59,523 Lei), presentation of Legal reserves under Other reserves in IFRS financial statements (129,803,202 Lei) and presentation of Retained earnings, Profit for the year, net of Profit allocation under Accumulated losses in IFRS financial statements.

ANNEX 2 Reconciliation of Income Statement / Statement of Comprehensive Income (IFRS)

Financial statements for the year ended 31 December 2011 prepared in accordance to Romanian Accounting Regulations		Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment 5	Adjustment 6	Consolidated IFRS financial statements for the year ended 31 December 2011	
Lei		Lei	Lei	Lei	Lei	Lei	Lei	Lei	
Revenues from current activity, out of which:	617,888,992								
Revenues from financial assets	519,065,354	3,367,831						Gross dividend income	320,810,181
Interest income	41,129,291							Interest income	41,129,291
Reversal of impairment adjustments & provisions	30,514,774		(260,268)	(30,145,934)	(51,800,377)			Impairment losses on equity investments	(51,691,805)
					28,323,677			Reversal of impairment losses on dividends receivable	28,323,677
					21,545,871			Reversal of impairment losses on disposed equity investments	21,545,871
					(10,001,304)			Impairment losses on receivables in respect of equity contributions	(10,001,304)
Revenues disposal of equity investments	13,375,649				(4,575,871)			Gains on disposal of equity investments	8,799,778
							755,858,482	Share of profit in associates (net of income tax)	755,858,482
Revenues from foreign exchange differences	1,616,566				(915,724)			Net foreign exchange gains /(losses)	700,842
Other income from current activity	12,187,358							Other operating income	12,187,358
								Net operating income	1,127,662,371
Expenses from current activity, out of which:	(72,311,111)								
Expenses from disposal of financial assets	(4,575,871)				(644,081)			Personnel expenses	(644,081)
Expenses from foreign exchange differences	(915,724)				4,575,871				-
Other expenses from current activity *	(66,819,516)				915,724			Other operating expenses	(54,243,301)
					12,576,215			Operating expenses	(54,887,382)
Gross profit	545,577,881							Profit before tax	1,072,774,989
Income tax expense	(1,752,665)	(3,367,831)				4,648,276		Income tax expense	(472,220)
Net profit	543,825,216	-	(260,268)	(30,145,934)	0	4,648,276	554,235,478	Profit for the period	1,072,302,769

* Other expenses from current activity includes commissions and fees, bank services expenses, depreciation, amortisation and provisions, interest expense, material and utilities expenses, salary costs, third party expenses as well as duties and other taxes.

Adjustments:

1. This adjustment represents the gross up of dividend income with withholding tax

2. This adjustment represents the derecognition under IFRS of RAR Income Statement impact of the reversal of the adjustment for impairment of financial assets

3. This adjustment represents the recognition in the IFRS financial statements of the Income Statement impact of the impairment loss for equity investments

4. This includes a number of reclassification adjustments, as follows:

- reclassification of the reversal of provision (51,800,377 Lei) to: Reversal of impairment losses on dividends receivable (28,323,677 Lei), Reversal of impairment losses on disposed equity investments (21,545,871 Lei), Impairment losses on receivables in respect of equity contributions (1,704,560 Lei) and to Personnel expenses (226,269 Lei)

- net off of Revenues from disposal of equity investments with Expenses from disposal of financial assets

- net off of Revenues from foreign exchange differences with Expenses from foreign exchange differences

- reclassification of Other expenses from current activity (12,576,215 Lei) to Impairment losses on receivables in respect of equity contributions (11,705,864 Lei) and to Personnel expenses (870,371 Lei)

5. This adjustment represents the recognition of deferred tax according to IFRS (Income Statement impact)

6. This adjustment represents the recognition of Share of profit in associate - OMV Petrom (755,858,482 Lei) and elimination of dividends received from associate in amount of 201,623,004 Lei.