



Annex to the separate 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

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.
- 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**.

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.
- 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.

Grzegorz Maciej Konieczny
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

ANNEX 1 Reconciliation of Balance Sheet

Financial statements for the year ended 31 December 2011 prepared in accordance to Romanian Accounting Regulations	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Separate IFRS financial statements for the year ended 31 December 2011
Lei	Lei	Lei	Lei	Lei	Lei
Financial assets					Equity investments
<u>10,627,878,080</u>	(289,143,945)	392,908,333			10,731,642,468
Non-current assets - Total					
Receivables				(3,406,689)	Dividend receivable
55,885,987					52,479,298
Short term financial investments					Treasury bills
195,919,673			479,029,966		195,919,673
				2,558,644	Deferred tax assets
					479,029,966
Cash and bank accounts				(295,480,344)	Other assets
297,393,152				296,356,801	2,558,644
					Cash and current accounts
					1,912,808
Current assets - Total					Deposits with banks
<u>549,198,812</u>					296,356,801
Prepaid expenses				(28,412)	Total assets
28,412					<u>11,759,899,658</u>
Payables within one year				(59,521)	
(42,206,773)					Other liabilities
Total assets less current liabilities					(42,266,294)
<u>11,134,898,531</u>					
Provisions	14,138,306			59,523	Total liabilities
(14,197,829)					<u>(42,266,294)</u>
Share capital					Share capital
(13,778,392,208)					(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)					
		(1,476,518,081)	236,242,892		Fair value reserve on available-for- sale financial assets
					(1,240,275,189)
Other reserves				(129,803,203)	Other reserves
(120,299,556)					(250,102,759)
Treasury shares					Treasury shares
120,268,583					120,268,583
Retained earnings	274,898,924	4,431,746,312	(710,624,583)	(490,788,396)	Accumulated losses
(74,364,048)					3,430,868,209
Profit for the year		30,406,202	(4,648,275)	518,067,289	-
(543,825,216)					
Profit allocation				(27,278,894)	-
27,278,894					
Shareholders' equity					Total equity
<u>(11,120,700,702)</u>					<u>(11,717,633,364)</u>
					Total liabilities and equity
					<u>(11,759,899,658)</u>

Adjustments:

1. 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).

2. This adjustment cumulates the following valuation adjustments: derecognition of RAR adjustment for impairment of financial assets (+3,386,786,095 Lei), recognition of IFRS impairment loss adjustment for equity investments (- 4,470,395,843 Lei) and recognition of fair value adjustment for equity investments valued at fair value (+1,476,518,081 Lei).

3. This adjustment represents the recognition of deferred tax according to IFRS.

4. 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	Separate IFRS financial statements for the year ended 31 December 2011
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
Interest income	41,129,291					Interest income
Reversal of impairment adjustments & provisions	30,514,774		(260,268)	(30,145,934)	(51,800,377)	Impairment losses on equity investments
						Reversal of impairment losses on dividends receivable
					28,323,677	Reversal of impairment losses on disposed equity investments
					21,545,871	Impairment losses on receivables in respect of equity contributions
					(10,001,304)	Gains on disposal of equity investments
Revenues disposal of equity investments	13,375,649				(4,575,871)	Net foreign exchange gains / (losses)
Revenues from foreign exchange differences	1,616,566				(915,724)	Other operating income
Other income from current activity	12,187,358					Net investment income
Expenses from current activity, out of which:	(72,311,111)					
Expenses from disposal of financial assets	(4,575,871)				(644,081)	Personnel expenses
Expenses from foreign exchange differences	(915,724)				4,575,871	
Other expenses from current activity *	(66,819,516)				915,724	Other operating expenses
					12,576,215	Operating expenses
Gross profit	545,577,881					Profit before tax
Income tax expense	(1,752,665)	(3,367,831)				Income tax expense
					4,648,276	
Net profit	543,825,216	-	(260,268)	(30,145,934)	0	Profit for the period
					4,648,276	518,067,291

* 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:

- This adjustment represents the gross up of dividend income with withholding tax
- This adjustment represents the derecognition under IFRS of RAR Income Statement impact of the reversal of the adjustment for impairment of financial assets
- This adjustment represents the recognition in the IFRS financial statements of the Income Statement impact of the impairment loss for equity investments
- 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)
- This adjustment represents the recognition of deferred tax according to IFRS (Income Statement impact)