

Annex to the consolidated IFRS financial statements as at 31 December 2013

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 2/2007 regarding the preparation and submission of annual financial statements, as subsequently amended) and International Financial Reporting Standards (“IFRS”)

As requested by Financial Supervisory Authority (“FSA) according to the Instruction no. 1/2013 on applying IFRS by entities authorized, regulated and supervised by FSA (former CNVM)

Balance Sheet (RAR) / 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, the listed and unlisted investments (for which a fair value can be reliably measured), are valued at fair value, while unlisted investments for which a fair value cannot 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 bonus shares received from portfolio companies that increased their share capital through incorporation of reserves and recognition of related deferred tax liability:
 - Under IFRS, bonus shares received from portfolio companies that increased their share capital through incorporation of reserves are not recognised (Under RAR they are recognized at nominal value).
 - Under IFRS, any provisions for taxes related to bonus shares received is not recognised (Under RAR it is recognized).
- Deferred tax recognition
 - Under IFRS the deferred tax liabilities are recognised, while or deferred tax assets are recognised only if the likelihood of sufficient future taxable profits to offset this credit would be probable (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 (RAR) / Statement of Financial Position (IFRS).**

Income Statement (RAR) / Statement of Comprehensive Income (IFRS)

- Valuation of financial assets / equity investments:
 - 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, any adjustments for impairment of equity investments / financial assets cannot be reversed (while under RAR this reversal is possible).
- Under IFRS the Share of profit in associates is recognised, while dividends received from associates are eliminated.
- Deferred tax recognition:
 - Under IFRS deferred tax expenses / liabilities or income/assets are recognised following the analysis described above (not applicable for RAR financial statements).
 - Under IFRS any expenses/ provisions for taxes related to bonus shares are not recognised (Under RAR they are recognised).
- 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 (RAR) / Statement of Comprehensive Income (IFRS)**

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

Grzegorz Maciej Konieczny
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

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

| Financial statements for the year ended 31 December 2013 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 2013 | |
|--|-------------------------|-----------------|-----------------|---------------|---------------|--|-------------------------|
| Lei | Lei | Lei | Lei | Lei | Lei | Lei | |
| Intangible assets | | | | | (760,113) | Intangible assets | - |
| Tangible assets | | | | | | Tangible assets | - |
| Financial assets | (314,668,139) | (4,940,956,116) | 4,018,611,944 | | | Equity investments | 9,253,617,165 |
| Non-current assets - Total | | 5,059,270,088 | | | | Investment in associate | 5,059,270,088 |
| Receivables | | | | | (2,909,101) | Dividends receivable | - |
| Short term investments | | | | | (83,748,146) | Treasury bills | 129,887,375 |
| | | | | 342,189 | 83,748,146 | Government bonds | 83,748,146 |
| | | | | | | Deferred tax assets | 342,189 |
| | | | | | 3,624,221 | Other assets | 3,624,221 |
| Cash and bank accounts | | | | | (232,021,138) | Cash and current accounts | 5,552,477 |
| | | | | | 232,110,013 | Deposits with banks | 232,110,013 |
| Current assets - Total | | | | | | Total assets | 14,768,151,674 |
| Prepaid expenses | | | | | (43,882) | Other liabilities | (42,268,236) |
| Payables within one year | (31,164,171) | | | | (11,104,065) | | |
| Total assets less current liabilities | | | | | | Total liabilities | (42,268,236) |
| Provisions | (29,326,245) | 18,222,178 | | | 11,104,067 | Share capital | (13,778,392,208) |
| | | | | | | Legal reserves | - |
| Share capital | (13,778,392,208) | | | | 192,259,194 | Reserves related to impairment adjustments of financial assets | - |
| Legal reserves | (192,259,194) | | | | | Reserves for securities received free of charge | - |
| Reserves related to impairment adjustments of financial assets | 2,869,929,030 | (2,869,929,030) | | | | | |
| Reserves for securities received free of charge | (25,630,909) | 25,630,909 | | | | Fair value reserve on available-for-sale financial assets | (4,042,784,000) |
| | | | (4,050,644,769) | 7,860,769 | | Other reserves | (312,558,751) |
| Other reserves | (120,299,556) | | | | (192,259,195) | Treasury shares | 1,095,093,250 |
| Treasury shares | 1,095,093,250 | | | | | Accumulated losses | 2,312,758,270 |
| Retained earnings | (85,455,026) | 272,239,005 | 1,915,335,590 | (168,172,328) | (254,211,661) | | |
| Result for the year - Profit | (682,154,399) | (1,423,953) | 836,279,468 | 200,205,152 | 246,008,703 | | |
| Profit allocation | 34,107,720 | | | | (34,107,720) | | |
| Shareholders' equity | (10,885,061,292) | | | | | Total equity | (14,725,883,439) |
| | | | | | | Total liabilities and equity | (14,768,151,675) |

Adjustments:

- This adjustment represents the derecognition of shares received free of charge from Nuclearelectrica in 2006 (200,779,530 Lei), Hidroelectrica in 2006 (88,257,700 Lei), Comcereal Cluj in 2009 (106,715 Lei), Administratia Porturilor Maritime in 2012 (12,819,880 Lei), Banca Transilvania in 2012 (3,804,610 Lei) and Banca Transilvania in 2013 (8,899,704 Lei) as well as the related derecognition of deferred tax associated with Hidroelectrica shares (14,121,232 Lei), Comcereal Cluj shares (17,074 Lei), Administratia Porturilor Maritime shares (2,051,181 Lei) and Banca Transilvania shares (2,032,690 Lei).
- This adjustment cumulates the following valuation adjustments: derecognition of RAR adjustment for impairment of financial assets (+2,876,927,395 Lei), recognition of IFRS impairment loss adjustment for equity investments (-2,420,961,784 Lei), reclassification of investment in OMV Petrom from Financial assets to Investment in associate (-5,059,270,088 Lei) and related adjustments for the valuation of investment in associate according to the equity method (-337,651,639 Lei).
- This adjustment represents the recognition of fair value adjustment for equity investments valued at fair value (+4,218,817,096 Lei) net of the reversal adjustment of the cumulative fair value reserve (-200,205,152 Lei) correspondent to the partial disposal of holding in Raiffeisen Bank AG and to the disposal of entire holding in Transgaz.
- This adjustment represents the recognition of deferred tax asset in relation with the fiscal loss according to IFRS and reversal of deferred tax recognised in relation with the equity investments in previous years, following the changes in the Romanian tax legislation regarding the income tax applied to the sale of equity instruments.
- This adjustment includes a number of reclassification adjustments, as follows: allocation of Deposits with banks into a separate line in IFRS financial statements (232,021,138 Lei), reclassification of interest receivables for bank deposits from Receivables to Deposits with banks in IFRS financial statements (88,875 Lei), reclassification of prepaid expenses into Other assets (43,882 Lei), reclassification of receivables other than dividends receivables from Receivables to Other assets (2,820,226 Lei), reclassification of intangible assets to Other assets (760,113 Lei), presentation of Legal reserves under Other reserves in IFRS financial statements (192,259,194 Lei) and presentation of Retained earnings, Result for the year - Profit, net of Profit allocation under Accumulated losses in IFRS financial statements.

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

| Financial statements for the year ended 31 December 2013 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 2013 |
|---|----------------------|--------------|------------------|----------------------|---------------|----------------------|---|
| Lei | Lei | Lei | Lei | Lei | Lei | Lei | Lei |
| Revenues from current activity, out of which: | 1,311,202,217 | | | | | | |
| Revenues from financial assets | 649,701,517 | 2,678,656 | | | | (318,951,645) | Gross dividend income 333,428,528 |
| Interest income | 36,143,817 | | | | | | Interest income 36,143,817 |
| Reversal of impairment adjustments & provisions | 48,323,844 | | (876,493) | (835,402,975) | (47,816,758) | | Impairment losses on equity investments (835,772,382) |
| | | | | | 46,907,126 | | Reversal of impairment losses/ (impairment losses) on dividends receivable, net 46,907,126 |
| | | | | | (9,038,221) | | Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net (9,038,221) |
| | | | | | (194,535) | | Impairment losses on other assets (194,535) |
| Revenues disposal of financial assets | 573,117,053 | | | (528,091,058) | | 72,898,431 | Gains on disposal of equity investments 117,924,426 |
| | | | | | | 916,085,196 | Share of profit in associates (net of income tax) 916,085,196 |
| Revenues from foreign exchange differences | 275,376 | | | (241,274) | | | Net foreign exchange gains / (losses) 34,102 |
| Other income from current activity | 3,640,610 | | | (510,091) | | | Other operating income 3,130,519 |
| | | | | | | | Net operating loss 608,648,576 |
| Expenses from current activity, out of which: | (629,047,818) | | | | | | |
| Expenses from disposal of financial assets | (528,672,074) | | | (947,635) | | | Personnel expenses (947,635) |
| Expenses from foreign exchange differences | (241,275) | | | 528,672,074 | | | - |
| Other expenses from current activity * | (100,134,469) | | | 11,019,097 | 1,423,954 | | Other operating expenses (87,691,418) |
| | | | | | | | Operating expenses (88,639,053) |
| Gross profit | 682,154,399 | | | | | | Profit before income tax 520,009,523 |
| Income tax expense | - | (2,678,656) | | | (278,041,528) | | Income tax (expense)/ benefit (280,720,184) |
| Result for the year - Profit | 682,154,399 | - | (876,493) | (835,402,975) | - | (276,617,574) | Profit of the year 239,289,339 |

* 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 (47,816,758 Lei) to: Reversal of impairment losses on dividends receivable, net (47,089,931 Lei), Gains on disposal of equity investments (581,016 Lei) and to Other operating expenses (145,811 Lei)
 - net off of Revenues from disposal of equity investments with Expenses from disposal of financial assets (528,672,074 Lei)
 - net off of Revenues from foreign exchange differences with Expenses from foreign exchange differences (241,275 Lei)
 - reclassification of part of Expenses from disposal of financial assets (211,610 Lei) to Other operating expenses
 - reclassification of Other operating expenses (11,230,707 Lei) to: Impairment losses on other assets (194,535 Lei), Personnel expenses (947,635 Lei), Impairment losses on receivables in respect of equity contributions (9,395,641 Lei), Impairment losses on dividends receivables (182,805 Lei) and to Other operating income (510,091 Lei)
- This adjustment represents the derecognition of provision for taxes recorded on RAR Income Statement (1,423,954 Lei) in relation with bonus shares received from Banca Transilvania and the reversal adjustment of deferred tax, recorded on IFRS in previous years, of 887,431,768 Lei, following the changes in the Romanian tax legislation regarding the income tax applied to the sale of equity instruments (Income Statement impact)
- This adjustment represents the recognition of Share of profit in associate, OMV Petrom, (916,085,196 Lei), elimination of dividends received from associate in amount of 318,951,645 Lei and the related adjustment for the cost of OMV partial disposal (72,898,431 Lei).