

Annex to the separate IFRS financial statements as at 31 December 2014

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 authorised, 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 (equity investments) 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 equity investments are classified either as financial assets at fair value through profit or loss (respectively Fund’s investments in associates and subsidiaries) or as financial assets at fair value available for sale (all the other equity investments).

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are recorded in the profit or loss. Subsequent measurement is at fair value and all changes in fair value are accounted through profit or loss. Financial assets at fair value through profit or loss are not subject to the review for impairment.

Fair value adjustments for the **equity investments available for sale** are recorded through a separate reserve account. Impairment losses on available for sale equity investments are recognised by transferring the cumulative loss that has been recognised directly in equity (other comprehensive income) to profit or loss. Adjustments for impairment are recorded through the Income Statement and cannot be reversed. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised in equity (other comprehensive income).

- 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 recognised at nominal value).

- Under IFRS, any provision 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 the 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 – changes in fair value:
 - Under RAR all equity investments are valued at cost less impairment (no changes in fair value recorded)
 - Under IFRS:
 - For equity investments classified as **financial assets at fair value through profit or loss** all changes in fair value are accounted through profit or loss.
 - Changes in fair value for the **equity investments available for sale** are recorded through a separate reserve account (other comprehensive income).
- Impairment of 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 losses for equity investments available for sale are recorded through the Income Statement. Financial assets at fair value through profit or loss are not subject to the review for impairment.
 - Under IFRS, any adjustments for impairment of equity investments / financial assets cannot be reversed (while under RAR this reversal is possible).
- 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)**

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

Financial statements for the year ended 31 December 2014 prepared in accordance to Romanian Accounting Regulations	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	IFRS financial statements for the year ended 31 December 2014
Lei	Lei	Lei	Lei	Lei	Lei
Intangible assets				(837,388)	-
Tangible assets					-
Financial assets	9,075,181,965	(325,369,821)	4,177,844,637		12,927,656,781
Non-current assets - Total	9,076,019,353				
Receivables	8,702,254			736,084	9,438,338
Short term investments	194,588,981			(31,749,580)	162,839,401
				31,749,581	31,749,581
			152,678,949		152,678,949
Cash and bank accounts	116,158,127			(109,278,998)	6,879,129
				109,424,930	109,424,930
Current assets - Total	319,449,362				Total assets
Prepaid expenses	44,627			(44,627)	13,400,667,109
Payables within one year	(41,396,403)			(11,397,683)	-
Total assets less current liabilities	9,354,116,939				Other liabilities
Provisions	(15,085,943)	3,688,259		11,397,684	(52,794,086)
					Total liabilities
Share capital	(11,815,279,887)				-
Legal reserves	(243,735,507)			243,735,507	(11,815,279,887)
Reserves related to impairment adjustments of financial assets	3,627,783,973	(3,627,783,973)			-
Reserves for securities received free of charge	(36,332,591)	36,332,591			-
			(4,020,355,472)		Fair value reserve on available for sale financial assets
Other reserves	(366,461,791)			(243,735,508)	(4,020,355,472)
Treasury shares	1,189,918,464				Other reserves
Retained earnings - Profit	(733,501,705)	270,815,052	2,137,811,786	(8,148,929)	(610,197,299)
Result for the year - Profit	(1,012,898,265)	14,533,919	1,332,483,022	(144,530,020)	Treasury shares
Profit allocation	51,476,313			(51,476,313)	1,189,918,464
Shareholders' equity	(9,339,030,996)				Retained earnings - Loss
					1,908,041,171
					-
					-
					Total equity
					(13,347,873,023)
					Total liabilities and equity
					(13,400,667,109)

Adjustments:

1. This adjustment represents the derecognition of bonus shares received 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) and in 2014 (354,380 Lei), Banca Transilvania in 2012 (3,804,610 Lei), in 2013 (8,899,704 Lei) and in 2014 (10,347,302 Lei) as well as the related derecognition of deferred tax associated with Banca Transilvania shares (3,688,259 Lei).

2. This adjustment cumulates the following valuation adjustments: derecognition of RAR adjustment for impairment of financial assets (+3,278,618,234 Lei), recognition of IFRS impairment loss adjustment for equity investments available for sale (-2,166,939,658 Lei), recognition of fair value adjustment recorded through equity for equity investments available for sale (+4,020,355,472 Lei) and of fair value adjustment for equity investments valued at fair value through profit and loss (-954,243,439 Lei) net of the reversal adjustment of the cumulative fair value reserve (+ 54,028 Lei) correspondent to the partial disposal of holding in Oil Terminal.

3. This adjustment represents the recognition of deferred tax asset in relation with equity investments at fair value through profit and loss according to IFRS (152,678,949 Lei).

4. This adjustment includes a number of reclassification adjustments, as follows: allocation of Deposits with banks into a separate line in IFRS financial statements (109,278,998 Lei), reclassification of interest receivables for bank deposits from Receivables to Deposits with banks in IFRS financial statements (145,932 Lei), reclassification of prepaid expenses into Other assets (44,627 Lei), reclassification of intangible assets to Other assets (837,388 Lei), presentation of Legal reserves under Other reserves in IFRS financial statements (243,735,508 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 2014 prepared in accordance to Romanian Accounting Regulations	Adjustment 1	Adjustment 2	Adjustment 3	Adjustment 4	Adjustment 5	Adjustment 6	IFRS financial statements for the year ended 31 December 2014
	Lei	Lei	Lei	Lei	Lei	Lei	
Revenues from current activity, out of which:	1,822,717,746						
Revenues from financial assets	682,104,761	5,306,262					Gross dividend income 687,411,023
Interest income	20,896,979						Interest income 20,896,979
Reversal of impairment adjustments and provisions	36,985,540		(1,146,731)		(19,649,322)	(16,189,487)	-
			(344,087,673)				Impairment losses on equity investments available for sale (344,087,673)
		5,804,435			13,777,394		Reversal of impairment losses on receivables, net 19,581,829
				(606,192,242)	1,972,612		Net gain/ (loss) from equity instruments at fair value through profit or loss (604,219,630)
Revenues from disposal of financial assets	1,079,000,354		229,914,134		(663,368,185)		Gain on disposal of equity investments available for sale, net 645,546,303
Revenues from foreign exchange differences	1,484,534				(2,308,361)		Net foreign exchange gains / (losses) (823,827)
Other income from current activity	2,245,578				(8,318,402)		Other income /(expenses), net (6,072,824)
							Net operating income 418,232,180
Expenses from current activity, out of which:	(793,191,489)						
Expenses from disposal of financial assets	(661,720,488)				661,720,488		-
Expenses from foreign exchange differences	(2,308,361)				2,308,361		-
Other expenses from current activity *	(129,162,640)				13,865,415	1,655,569	Operating expenses (113,641,656)
Gross profit	1,029,526,257						Profit before income tax 304,590,524
Income tax expense	(16,627,992)	(5,306,262)				144,530,020	Income tax (expense)/ benefit 122,595,766
Result for the year - Profit	1,012,898,265	-	4,657,704	(114,173,539)	(606,192,242)	-	Profit for the period 427,186,290

* Other expenses from current activity includes commissions and fees, bank services expenses, depreciation, amortisation and provisions, utilities expenses, remuneration and related expenses, 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 adjustment for impairment of financial assets (1,146,731 Lei) and the reversal of impairment adjustment for receivables towards Ministry of Public Finance for the unpaid contribution (5,804,435 Lei).
- This adjustment represents the recognition in the IFRS financial statements, in profit or loss, of the impairment loss for equity investments available for sale (344,087,673 Lei) net of the impairment loss reversal correspondent to the equity investments available for sale disposed of (229,914,134 Lei).
- This adjustment represents the recording of the net change in fair value of equity investments at fair value through profit or loss (606,192,242 Lei).
- This includes a number of reclassification adjustments, as follows:
 - reclassification of part of Reversal of impairment adjustments and provisions (19,649,322 Lei) to Reversal of impairment losses on receivables, net;
 - reclassification of Revenues from disposal of financial assets (4,117,961 Lei) to: Net gain/ (loss) from equity instruments at fair value through profit or loss (4,043,790 Lei) and to Other income /(expenses), net (74,171 Lei);
 - reclassification of Expenses from disposal of financial assets (661,720,488 Lei) to: Net gain/ (loss) from equity instruments at fair value through profit or loss (2,071,178 Lei), Gain on disposal of equity investments available for sale, net (659,250,224 Lei) and to Other income/ (expenses), net (399,086 Lei);
 - reclassification of Other expenses from current activity (13,865,415 Lei) to: Reversal of impairment losses on receivables, net (5,871,928 Lei) and to Other income / (expenses), net (7,993,487 Lei);
 - net off of Revenues from foreign exchange differences with Expenses from foreign exchange differences (2,308,361 Lei).
- This adjustment represents the derecognition of provision for tax recorded on RAR Income Statement (1,655,569 Lei) in relation with bonus shares received from Banca Transilvania and derecognition of the reversal adjustment for tax provision (16,189,487 Lei) recorded on RAR following the changes in the Romanian tax legislation regarding the income tax applied to the sale of equity instruments and the impact of the recognition of deferred tax according to IFRS of 144,530,020 Lei (Income Statement impact).