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## **Independent Auditors' Report (free translation<sup>1</sup>)**

To the shareholders of  
S.N. Nuclearelectrica S.A.

### **Report on the Individual Financial Statements**

1 We have audited the accompanying individual financial statements of S.N. Nuclearelectrica S.A. ("the Company"), which comprise the individual statement of financial position as at 31 December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Individual Financial Statements*

2 Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with the Order of the Minister of Public Finance no. 1286/2012 for the approval of accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market and related amendments, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

3 Our responsibility is to express an opinion on these individual financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the individual financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the individual financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the individual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the individual financial statements.

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<sup>1</sup> TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.



- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for Qualified Opinion*

- 6 As described in Note 5 to the accompanying individual financial statements, as at 31 December 2013 the Company has property, plant and equipment with a carrying value of RON 273,960,000 consisting of Nuclear Power Plant Units 3 and 4 of CNE Cernavoda. Prior to 1991, Nuclear Power Plant Units 1, 2, 3, 4 and 5 were considered a single project and therefore, construction costs incurred were not allocated to each unit on an individual basis. Subsequently, the Company performed an allocation of these costs to Nuclear Power Plant Units 3 and 4. We were unable to obtain sufficient appropriate audit evidence about the accuracy of this allocation which impacts the valuation of these assets. These limitations also apply to the related deferred tax liability of RON 43,524,186 as at 31 December 2013. Consequently, we were unable to determine whether adjustments might be necessary to property, plant and equipment, deferred tax liability and retained earnings as at 31 December 2013 and to depreciation and amortisation, income tax expense and profit for the year then ended.

*Opinion*

- 7 In our opinion, except for the possible effects of the matter described in paragraph 6, the individual financial statements present fairly, in all material respects, the individual financial position of the Company as at 31 December 2013, and its individual financial performance and its individual cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1286/2012 for the approval of accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market and related amendments.

*Emphasis of Matter*

- 8 Without further qualifying our opinion, we draw attention to Note 7 i) to the accompanying individual financial statements which describes that there are uncertainties regarding the ability of the subsidiary EnergoNuclear S.A. to continue as a going concern. On 25 November 2013 the Company signed a letter of intention with China General Nuclear Power Group ("CGN"), as CGN has expressed its interest to become the majority shareholder of EnergoNuclear S.A. provided it is satisfied with the investment conditions. EnergoNuclear S.A.'s future operations in conjunction with nuclear units 3 and 4 is dependent upon obtaining adequate sources of financing.

### *Other Matters*

- 9 This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for the report on individual financial statements and the report on conformity, or for the opinion we have formed.
- 10 As disclosed in Note 2 a) to the accompanying individual financial statements as of 31 December 2013, in accordance with Order of Minsiter of Public Finance no. 881/2012 starting with 2013, the Company has the obligation to apply the International Financial Reporting Standards in the preparation of the individual financial statements. Therefore, this is the first set of financial statements prepared using the Order of the Minister of Public Finance no. 1286/2012 for the approval of accounting regulations conforming to International Financial Reporting Standards applicable to companies whose securities are traded on a regulated market and related amendments and we have not expressed an opinion or issued a individual audit report on the individual statement of financial position as of 31 December 2012 and 1 January 2012, on the individual income statement, individual statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2012 or any of the related notes included in the accompanying individual financial statements.

### **Report on Conformity of the Administrators' Individual Report with the Individual Financial Statements**

In accordance with the Order of the Minister of Public Finance no 1286/2012 and related amendments, article 16, point 1 of the accounting regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated markets, we have read the Administrators' Individual Report. The Administrators' individual Report is not a part of the individual financial statements. In the Administrators' Individual Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying individual financial statements.

**Refer to the original signed  
Romanian version**

**For and on behalf of KPMG Audit SRL:**

**Razvan Mihai**

**KPMG AUDIT SRL**

registered with the Chamber of Financial  
Auditors of Romania under no 2561/2008

registered with the Chamber of Financial  
Auditors of Romania under no 9/2001

Bucharest, 26 March 2014