

Independent Auditor's Report*

(*This represents a non-official English translation of the original audit report issued in Romanian language)

To the Shareholders of S.N. NUCLEARELECTRICA S.A.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

1. We have audited the accompanying consolidated financial statements of S.N. NUCLEARELECTRICA S.A. (the "Company") and of its subsidiary ENERGONUCLEAR S.A. (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies, presenting the following:

- Equity: RON 7,428,050,150
- Net profit for the financial year: RON 303,871,436

2. In our opinion, except for the possible effect of the matter described in the below paragraph 3, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2017, in accordance with the Order of the Ministry of Public Finance no. 2844/2016 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, as subsequently amended ("OMFP 2844/2016").

Basis for Qualified Opinion

3. As stated in the Note 5 to the accompanying consolidated financial statements, as at 31 December 2017, the Group has recorded tangible assets in progress with the book value of RON 273,960,000 (RON 273,960,000 as at 31 December 2016), comprising capitalized items for Units 3 and 4 of Cernavoda nuclear power plant. Before 1991, nuclear units 1, 2, 3, 4 and 5 were considered a single project and therefore, the realized constructions costs were not allocated at the level of each unit. Subsequently, the Group has done the allocation of the construction costs for the Units 3 and 4 of the nuclear power plant. We could not obtain sufficient and relevant evidence in relation with the accuracy of this split, which has effect on the valuation of these assets. These limitations have impact as well on the deferred tax liability allocated for the Units 3 and 4 as at 31 December 2017 in amount of RON 43,524,186 (RON 43,524,186 as at 31 December 2016). Consequently, we were not able to determine if adjustments are needed on the fixed assets, deferred tax liability and retained earnings as at 31 December 2017 and therefore on the depreciation and amortization, profit tax and net profit for the year then ended.
4. We conducted our audit in accordance with the International Standards on Auditing ("ISAs"), as adopted by the Romanian Chamber of Financial Auditors ("CAFR") and with the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 537/2014"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the

International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the Regulation (EU) 537/2014. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matters

5. Without issuing additional reserves on our opinion, we draw attention to the Note 21 of the consolidated financial statements, which describes the fact that there is an uncertainty with regards to the going concern of the subsidiary Energonuclear S.A. The total estimated recoverable amount of the investment in Units 3 and 4 of Cernavoda, including also all capitalized individual elements of the Group, was determined by the management based on certain assumptions, professional judgments, expectations regarding future events, which are believed to be reasonable under the circumstances, and other factors under the assumption that the current negotiations between the management of the Group and the selected investor will be successfully concluded. In the event that any of the assumptions, professional judgments, expectations of future events and other factors do not materialize, this may cause a material adjustment to the carrying amounts of the individual Group's assets, liabilities and results within the current or next financial exercise, the impact of which cannot be reasonably estimated as of the date of the issue of these consolidated financial statements.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Correction of prior year significant accounting errors

As disclosed in Note 2 e) to the accompanying consolidated financial statements, as at 31 December 2017 the Group retrospectively corrected the following significant errors of previous years:

- The Group has reconsidered the date when the generating event appears connected to the fees and taxes covered by IFRIC 21 "Levies" and has concluded that this date is 31 December of each year.
- The Group decided to record a provision for managing low and medium radioactive waste, as well for managing non-radioactive waste generated in production cycles prior to 31 December 2017, for which there is a present obligation of the Group, arising from past events, for the settlement of which is expected to result in an outflow of resources embodying economic benefits from the Group.
- The Group decided to apply the accounting policy for recording a provision for interim storage of spent nuclear fuel also to the spent fuel prior to 31 December 2011. Also, the Group reconsidered the capacity of the related deposits to generate future economic benefits. The Group concluded that it is required to fully impair these deposits since their commissioning, and not to depreciate them, as these items do not generate future economic benefits.

Due to the significance of the matters mentioned above and of the importance of the estimates and professional judgments used in assessing the provisions for managing low and medium radioactive waste, as well for managing non-radioactive waste of periods prior to 31 December 2017 which were generated during the exploitation of Units 1 and 2, we consider the above mentioned matters to be a key audit matter.

Our audit procedures included among others a thorough understanding of the above mentioned matters and of the related corrections, discussion of these matters with the management of the Group, assessing the compliance of these corrections against the provisions of OMFP 2844/2016, assessment of the reasonableness of the estimates and professional judgements used by the management of the Group, review of the documents related to the approval and registration of these corrections, review of the computations made by the Group, as well as analysis of the registration of these corrections in the consolidated financial statements of the Group as at 31 December 2017.

Other Matters

7. The consolidated financial statements prepared for the financial year ended 31 December 2016 in accordance with OMFP 2844/2016 were audited by another auditor whose audit report dated 22 March 2017 contains the following paragraph for expressing a qualified opinion:

Basis for qualified opinion

[3] *As stated in Note 5 to the consolidated financial statements, as at 31 December 2016 the Group has recorded fixed assets in progress with the aggregate book value of RON 273,960,000 (RON 273,960,000 as at 31 December 2015), comprising capitalized items for Units 3 and 4 of Cernavodă nuclear power station. Prior to 1991, nuclear units stations 1, 2, 3, 4 and 5 were considered as a single project and therefore, the realized construction costs were not allocated at the level of each unit. Subsequently, the Group has proceeded to the allocation of the above construction costs for the Units 3 and 4 of the nuclear power station. We have could not obtain sufficient and relevant audit evidence in relation to the appropriateness of this allocation, which has effect on the valuation of these assets. These limitations have impact as well on the deferred tax liability in amount of RON 43,524,186 (RON 43,524,186 as at 31 December 2015), allocated for the Units 3 and 4 as at 31 December 2016. Consequently, we were not able to determine if adjustments are needed on the fixed assets, deferred tax liability, retained earnings as at 31 December 2016, and therefore on the depreciation and amortization, profit tax and net profit for the year ended at the same date.*

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

8. The Management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with OMFP 2844/2016 and for such internal control that management considers necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
10. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or aggregated, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Conformity of the Board of Directors' Report with the Consolidated Financial Statements

The Group's Administrators are responsible for the preparation and presentation, in accordance with the requirements of OMFP 2844/2016, articles 26 - 28, of an Administrators' Report which is free from significant misstatements, and for such internal control that management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is presented on pages 1 to 301 and is not part of the Group's consolidated financial statements. The Group decided to present as one single report, entitled Annual Report, the consolidated Administrators' Report and Administrators' Report.

Our opinion on the accompanying consolidated financial statements does not cover the Administrators' Report.

In connection with our audit of the consolidated financial statements of the Group as at 31 December 2017, we have read the Administrators' Report attached to the consolidated financial statements and we report the following:

- a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements;
- b) the Administrators' Report identified above includes, in all material respects, the information required by OMFP 2844/2016, articles 26 - 28;
- c) based on our knowledge and understanding acquired during the audit of the consolidated financial statements for the year ended 31 December 2017 regarding the Group and its environment, we have not identified in the Administrators' Report any information that would be significantly misstated.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Group through the Decision no. 3/11 July 2017 of the General Meeting of Shareholders ("GMS") to audit the separate and consolidated financial statements of the Group for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2017 until 31 December 2019.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued on 20 March 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No. 537/2014, were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Group and its controlled undertakings and which have not been disclosed in the consolidated financial statements.

Bucharest, 22 March 2018

Ella Chilea

Auditor registered with the Romanian Chamber of Financial Auditors under no. 2190 / 2007

On behalf of **MAZARS ROMANIA S.R.L.**

Company registered with the Romanian Chamber of Financial Auditors under no. 699/29.01.2007.