



**KPMG Audit SRL**  
Victoria Business Park  
DN1, Soseaua Bucuresti-Ploiesti nr. 69-71  
Sector 1

P.O. Box 18-191  
Bucharest 013685  
Romania

Tel: +40 (21) 201 22 22  
+40 (372) 377 800  
Fax: +40 (21) 201 22 11  
+40 (372) 377 700  
www.kpmg.ro

## Independent Auditors' Report

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

### Report on the Financial Statements

- 1 We have audited the accompanying financial statements of S.N. Nuclearelectrica S.A. ("the Company"), which comprise the statement of financial position as at 31 December 2010, the income statement, 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 Financial Statements*

- 2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.



- 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 4 to the accompanying financial statements, as at 31 December 2010, the Company has property, plant and equipment held for future investment in amount of RON 288 million (RON 274 million as at 31 December 2009) consisting of Nuclear Power Plant Units 3 and 4 of CNE Cernavodă. Prior to 1991, the Nuclear Power Plant Units 1, 2, 3, 4 and 5 were considered a single project and construction costs incurred were not allocated to each unit on a separate basis. The Company performed an allocation of these costs to Nuclear Power Plant Units 3 and 4. We were unable to obtain sufficient and appropriate audit evidence about the accuracy, the proper allocation and the valuation of these assets. These limitations also impact the related deferred tax balance of RON 31 million as at 31 December 2010 (RON 30 million as at 31 December 2009). Consequently, we were unable to determine whether adjustments might have been necessary in respect of the Company's financial position and financial performance as at and for the year ended 31 December 2010. As described in paragraph 11 of this report, the auditor's report as at and for the year ended 31 December 2009 was also modified accordingly.
- 7 As described in paragraph 11 of this report, as at 31 December 2009, the Company was in the process of evaluating the net recoverable value of certain spare parts and components with a carrying amount of RON 17 million as at that date. In the absence of a final valuation report, the previous auditor was unable to obtain sufficient audit evidence as to whether the valuation of these inventories has been carried out as required by International Accounting Standard ("IAS") 2 "Inventories". Since opening balance of inventories impact the Company's financial performance, we were unable to determine whether adjustments might have been necessary in respect of the Company's financial performance for the year ended 31 December 2010.

*Qualified Opinion*

- 8 In our opinion, except for the possible effects of the matters described in paragraphs 6 and 7, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

- 9 Without further qualifying our opinion, we draw attention to the fact that the corresponding figures presented, excluding the adjustments described in Note 2 f) to the accompanying financial statements, are based on the financial statements of the Company as at and for the year ended 31 December 2009, which were audited by other auditors who expressed a modified opinion on those statements on 5 August 2010. As part of our audit, we audited the adjustments described in Note 2 f) that were applied to restate the corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied.

*Other Matters*

- 10 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 auditor's 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 financial statements, or for the opinion we have formed.

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- 11 The financial statements of the Company as at and for the year ended 31 December 2009 were audited by another auditor who expressed a qualified opinion on those statements dated 5 August 2010 due to: (a) lack of adequate information in relation to the application of IAS 29 "Accounting in hyperinflationary economies" to share capital; (b) insufficient audit evidence in relation to valuation of inventories in amount of RON 17 million; (c) the accuracy, the proper allocation and the valuation of costs allocated to the Nuclear Power Plant Units 3 and 4 with a net book value of RON 274 million and impact on deferred tax balances; (d) comparability reasons as the negative revaluation of the Nuclear Power Plant Unit 2 as at 31 December 2008 was recorded directly in equity, rather than to the income statement.

KPMG Audit SRL  
Bucharest, 17 October 2011