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

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

### **Report on the Consolidated Financial Statements**

1 We have audited the accompanying consolidated financial statements of S.N. Nuclearelectrica S.A. ("the Company") together with its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated 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 Consolidated Financial Statements*

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 4 to the accompanying consolidated financial statements, as at 31 December 2011, the Group has property, plant and equipment in amount of RON 292 million (RON 288 million as at 31 December 2010 classified as property, plant and equipment held for future investment in associate) 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. Subsequently, the Group performed an allocation of construction 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 liability of RON 32 million as at 31 December 2011 (RON 31 million as at 31 December 2010). Our audit opinion on the financial statements as at and for the year ended 31 December 2010 dated 17 October 2011 was modified accordingly. Consequently, we were unable to determine whether adjustments might have been necessary in respect of the Group's financial position and financial performance as at and for the years ended 31 December 2011 and 31 December 2010.
- 7 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 the opening balance of inventories affects the determination of the Company's financial performance, we were unable to determine whether adjustments to the financial performance and opening retained earnings might be necessary for the year ended 31 December 2010. Our audit opinion on the financial statements for the year ended 31 December 2010 dated 17 October 2011 was modified accordingly. Our opinion on the current period's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

#### *Qualified Opinion*

- 8 In our opinion, except for the possible effects of the matter described in paragraph 6 and for the possible effects on the corresponding figures for the year ended 31 December 2010 of the matter described in paragraph 7, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *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 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 consolidated financial statements, or for the opinion we have formed.

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## **Report on conformity of the Administrators' Report with the Consolidated Financial Statements**

In accordance with the Order of the Minister of Public Finance no 3055/2009 and related amendments, article 107 of accounting regulations in accordance with the VII-th Directive of CEE we have read the Administrators' Consolidated Report attached to the consolidated financial statements. The Administrators' Report is not a part of the consolidated financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

**Refer to the original signed  
Romanian version**

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**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, 17 August 2012