



**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 (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") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, 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 Standards on Auditing as adopted by the Chamber of Financial Auditors of Romania. 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.

---

<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 consolidated financial statements, at 31 December 2012, the Group has property, plant and equipment with a carrying value of RON 292 million (RON 292 million as at 31 December 2011) 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 a separate basis. The Group performed an allocation of these costs to Nuclear Power Plant Units 3 and 4. We were unable to obtain sufficient appropriate audit evidence both at 31 December 2012 and 2011 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 32 million as at 31 December 2012 (RON 32 million as at 31 December 2011). Our audit opinion on the consolidated financial statements as at and for the year ended 31 December 2011 dated 17 August 2012 was modified accordingly. 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 2012 and 31 December 2011 and to depreciation and amortisation, income tax expense and profit for the years then ended.

*Qualified Opinion*

- 7 In our opinion, except for the possible effects of the matter described in paragraph 6, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

- 8 Without further qualifying our opinion, we draw attention to:
- a) Note 18 i) to the accompanying consolidated financial statements which describes that there are uncertainties regarding the ability of the subsidiary EnergoNuclear S.A. to continue as a going concern due to the potential exit until 30 June 2013 of some of the current shareholders. However, the memorandum "Actions necessary to continue the implementation of the Cernavoda NPP Units 3 & 4 Project" approved by the Romanian Government in November 2012 sets the basis for EnergoNuclear S.A. to continue its activity and be 100% owned by S.N. Nuclearelectrica S.A. after 30 June 2013, in case the other current shareholders would discontinue their investment in EnergoNuclear S.A.
  - b) Note 10 to the accompanying consolidated financial statements which describes that cash contributions from the State budget of RON 1,383 million for the acquisition of heavy water for Units 3 and 4 of CNE Cernavoda will be used to increase the Company's share capital in accordance with Government Decision no. 365/1998. On 3 April 2013, a draft emergency ordinance of the Romanian Government ("Draft"), regarding the transfer free of charge of the above mentioned heavy water to the state reserves, was published for consultation. In case the Draft is approved in the form published, the value of property, plant and equipment and of prepaid share reserve will decrease by RON 1,383 million at a date subsequent to the approval, without any impact on the consolidated financial position of the Group as at 31 December 2012; consequently the increase in the Company's share capital with this amount would not take place.



*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 the consolidated financial statements and the report on conformity the Administrators' Consolidated Report, or for the opinion we have formed.

**Report on conformity of the Administrators' Consolidated 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' Consolidated Report is not a part of the consolidated financial statements. In the Administrators' Consolidated 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**

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

**Razvan Mihai**

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, 3 April 2013