

**INDEPENDENT AUDITOR'S REPORT**
TO THE SHAREHOLDERS OF
S.N. NUCLEARELECTRICA S.A. (free translation)¹**Report on the Consolidated Financial Statements**

- [1] We have audited the accompanying consolidated financial statements of **S.N. NUCLEARELECTRICA S.A.** (hereinafter referred to as “the Company”) and of its subsidiary **ENERGONUCLEAR S.A.** (together hereinafter referred to as “the Group”), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated financial statements

- [2] The Group's management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Ministry of Public Finances Order no. 1286/2012 “for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, applicable to commercial entities whose securities are admitted to trading on a regulated market” and related regulations, and for such internal control as the 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 Audit Standards issued by the Chamber of Auditors of Romania which are based on 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.

Scope of the audit

- [4] An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depended on the auditor's 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, the auditor considers internal control relevant to the Group'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the audit report is provided as a free translation from Romanian, which is the official and binding version.

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Registered in Romania (RN: J40/5434/2003). List of directors can be found at the Company's Registered Office.

- [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 qualification

- [6] As stated in the Note 5 to the consolidated financial statements, as at 31 December 2015 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 2014), comprising capitalized items for the units 3 and 4 of Cernavoda nuclear power station. Before 1991, nuclear unit stations 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 station. We could not obtain sufficient and relevant audit 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 in amount of RON 43.524.186 (RON 47.691.959 as at 31 December 2014), allocated for the units 3 and 4 as at 31 December 2014. Consequently, we were not able to determine if adjustments are needed on the fixed assets, deferred tax liability, retained earnings as at 31 December 2015, and therefore on the depreciation and amortization, profit tax and net profit for the year ended at the same date.

Qualified Opinion

- [7] In our opinion, except for the effects of the matter described in paragraph [6], the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of **the Group** as at 31 December 2015 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Public Finances Order no. 1286/2012 “for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, applicable to commercial entities whose securities are admitted to trading on a regulated market” and related regulations.

Emphases of matters

- [8] Without qualifying our opinion, we draw attention to the Note 5 and Note 19 of the consolidated financial statements, which describe 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 consolidated elements of the Company, was determined by the management based on certain assumptions, professional judgments, expectations of future events, which are believed to be reasonable under the circumstances, and other factors. The estimated recoverable amount will, by definition, seldom equal the related actual results. At the date of the issue of these consolidated financial statements the estimated recoverable value of the aforesaid investment exceeded its carrying value under the assumption that the current negotiations between the management of the Group and the potential 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 consolidated Group’s assets, liabilities and results within the next financial year, the impact of which cannot be reasonably estimated as of the date of the issue of these consolidated financial statements.

Other Matter

[9] This report, including the opinion, has been prepared and is intended solely for the information and use of the Group's members as a body. To the fullest extent permitted by the law, our audit work has been undertaken so that we might report those matters that we are required to report in a financial Auditor's Report and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purposes or to any other person to whose knowledge this report may come to.

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

[10] In accordance with the Ministry of Public Finances Order no. 1286/2012 and related regulations, point 30, of the accounting regulations in accordance with the International Financial Reporting Standards, applicable to commercial entities whose securities are admitted to trading on a regulated market, we have read the Administrators' Report attached to the consolidated financial statements. The Administrators' Report is not part of the consolidated financial statements. In the Administrators' Report we have not identified financial information that present material disagreement with the information presented in the attached consolidated financial statements.

Refer to the original signed Romanian Version
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SEFERIS CHRISTODOULOS
CAFR member (authorization no.1585/27.08.2004)



BAKER TILLY KLITOU AND PARTNERS S.R.L
Company member of CFAR (authorization no. 384/26.05.2003)

Bucharest, 23 March 2016