

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 Separate Financial Statements

Qualified Opinion

1. We have audited the accompanying separate financial statements of **S.N. NUCLEARELECTRICA S.A.** ("the Company"), with registered office in 65 Polona Street, 1st district, Bucharest, Romania, registered with the Bucharest Trade Registry under no. J40/7403/1998 and having fiscal identification code RO10874881, which comprise the separate statement of financial position as at 31 December 2018, the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the financial year then ended, and explanatory notes to the separate financial statements, including a summary of significant accounting policies, presenting the following:
 - Net Assets / Total equity and reserves: RON 7,179,130,612
 - Net result of the year: RON 410,611,215 (profit)
2. In our opinion, except for the possible effect of the matter described in the below paragraph 3, the accompanying separate financial statements of the Company present fairly, in all material respects, the separate financial position of the Company as at 31 December 2018, and its separate financial performance and its separate cash flows for the year then ended, in accordance with the provisions of the Order of the Ministry of Public Finance 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, as subsequently amended ("OMFP 2844/2016") and as described in the accounting policies presented in the notes to the financial statements.

Basis for Qualified Opinion

3. As stated in the Note 5 to the accompanying separate financial statements, as at 31 December 2018, the Company has recorded tangible assets in progress with the book value of RON 273,960,000 (RON 273,960,000 as at 31 December 2017), 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 Company 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 2018 in amount of RON 43,524,186 (RON 43,524,186 as at 31 December 2017). 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 2018 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 ("ISA"), the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 537/2014") and with the Law 162/2017 ("Law"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company

in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and in accordance with all other ethical requirements relevant for the audit of separate financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of matters

5. Without issuing additional reserves on our opinion, we draw attention to the Note 7 of the separate financial statements, which describe aspects with regard to the going concern of the subsidiary Energonuclear S.A and Units 3 and 4 Project. The total estimated recoverable amount of the investment in Units 3 and 4 of Cernavoda, including also all capitalized individual elements of the Company, 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 Company 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 Company'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 separate 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 separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Audit procedures performed to address the key audit matter
Correction of accounting errors	
<p>As disclosed in Note 2 e) to the separate financial statements, as at 30 June 2018 the Company has reconsidered the nature and recognition of regular general inspection costs and capital repairs performed alternately every two years, on Units 1 and 2. Therefore, in order to apply the provisions of International Accounting Standard IAS 16 "Property, Plant and Equipment", regular general inspection on Units 1 and 2, are capitalized in the tangible assets category, being subsequently depreciated over a 2-year period. Regular general inspections cover largely the same components of the Units, therefore the depreciation period considered is the 2-year period between two regular general inspections performed on the same components of the Units, thus substituting each other.</p> <p>Taking into account that this represents a change of approach during the audited year and the importance of the amounts involved, we consider that the analysis of this change is a key audit</p>	<p>In order to obtain reasonable assurance we have performed the following procedures:</p> <ul style="list-style-type: none"> • detailed understanding of the aspects mentioned and related corrections, • discussion of these aspects with the management of the Company, • assessing the compliance of these corrections with the provisions of OMFP 2844/2016, • assessing the reasonableness of the estimates and professional judgments used by the management of the Company, • reviewing the related documents needed to approve and record the corrections, • reviewing the computation performed by the Company,

Key audit matter	Audit procedures performed to address the key audit matter
matter for 2018.	<ul style="list-style-type: none"> • analyzing how these corrections were recorded in the financial statements as at 31.12.2018. <p>Based on our tests performed, we have obtained sufficient and appropriate audit evidence to conclude that the regular general inspection costs and capital repairs on Units 1 and 2 recognized in the individual financial statements and the information in the notes to the individual financial statements are reasonable.</p>

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

7. The Management of the Company is responsible for the preparation and fair presentation of these separate financial statements in accordance with OMFP 2844/2016 and with the accounting policies presented in the notes to the separate financial statements, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

10. Our objectives are to obtain reasonable assurance about whether the separate 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.
11. 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern;
 - Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. 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.
 13. 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.
 14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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 Administrators' Report with the Separate Financial Statements

The Company's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016, of an Administrators' Report which is free from significant misstatements, and for such internal control as the 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, as an Annual Report, and is not part of the Company's separate financial statements.

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

In connection with our audit of the separate financial statements of the Company as at 31 December 2018, we have read the Administrators' Report attached to the separate 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 separate financial statements;

- b) the Administrators' Report identified above includes, in all material respects, the information required by articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016;
- c) based on our knowledge and understanding acquired during the audit of the separate financial statements for the year ended 31 December 2018 regarding the Company 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 Company 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 Company 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 separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 March 2019 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 Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate financial statements.

Bucharest, 20 March 2019

Ella Chilea

Auditor registered in the Public Electronic Register under no. 2190 / 2007

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

Audit firm registered in the Public Electronic Register under no. 699/2007.