ENERGONUCLEAR S.A.

FINANCIAL STATEMENTS

As at end for the year ended on

December 31, 2013

Prepared in accordance with

International Financial Reporting Standards

Contents

S.C. EnergoNuclear S.A.
INTRARE Nr. 12745
Ziua 19 Luna 05 Anul 2014

Independent Auditor's Report on Financial Statements

From: **A.Co Internal and Financial Audit S.R.L., Bucharest, Romania**

Date: **19 May 2014**

Subject: **S.C. Energonuclear S.A. for the Year Ended December 31, 2013**

We have audited the Financial Statements of **S.C. Energonuclear S.A**. as of December 31, 2013 and for the year then ended.

Management's Responsibility

Management is responsible for the preparation and presentation of the Financial Statements in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial information contained in the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. International Standards on Auditing require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial information 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, if any, made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying Financial Statements for **S.C. Energonuclear S.A.** as of December 31, 2013 and for the year then ended have been prepared, in all material respects, in accordance with International Financial Reporting Standards. The accompanying Financial Statements provide a true and fair view of the financial position of **S.C. Energonuclear S.A.** as of December 31, 2013, and of its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Assets and liabilities presented in the Financial Statements have been evaluated considering that the Company will continue its activities as a going concern in 2014.

Restriction on Use and Distribution

The accompanying *Financial Statements have been prepared for purposes of providing information to the shareholders of **S.C.Energonuclear S.A**. As a result, the financial information is a complete set of Financial Statements of **S.C. Energonuclear S.A**. in accordance with International Financial Reporting Standards (IFRS) and is intended to give a true and fair view of the financial position of **S.C. Energonuclear S.A**. as of December 31, 2013, and of its financial performance, and its cash flows for the year then ended in accordance with IFRS. The financial information may, therefore, not be suitable for any other purpose. Therefore, the accompanying Financial Statements are not designed for those who are not familiar with the International Financial Reporting Standards.*

The independent auditor's report is made solely to the Company's shareholders as a whole. Our audit work is intended to undertake 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 extent permitted by law, we do not accept any liability other than to the Company and its shareholders, for our audit work, for the report on the Financial Statements, for the report on compliance or for our opinion as an auditor.

A.CO Intenral & Financial Audit SRL, represented by

Cristiana Catuneanu

A. Co
INTERNAL and FINANCIAL AUDIT

Camera Auditorilor Financiari din România
Catuneanu Cristiana
Nr.2135

Bucharest, May 19, 2014

(All amounts are expressed in RON, unless stated otherwise)

	Notes	31 December 2013	31 December 2012
ASSETS			
Non - current assets			
Property, plant and equipment	4	139,233,869	133,426,838
Intangible assets	4	3,708	54,184
Other non - current assets		528	528
Total non - current assets		**139,238,105**	**133,481,463**
Current assets			
Other receivables	5	272,177	3,633,524
Current tax assets		-	38,715
Cash and cash equivalents	6	12,023,113	13,953,318
Total current assets		**12,295,290**	**17,625,644**
TOTAL ASSETS		**151,533,395**	**151,107,107**
EQUITY AND LIABILITIES			
Equity	7		
Share Capital		146,152,999	146,152,999
Legal reserves		279,373	249,593
Other reserves		1,318,565	987,868
Result of the period		505,065	352,376
Retained Earnings		2,953,018	2,954,669
Total equity		**151,209,020**	**150,697,505**
Non - current liabilities		-	-
Current liabilities			
Trade and other payables	8	296,930	409,602
Current tax liabilities		27,445	-
Total current liabilities		**324,375**	**409,602**
TOTAL EQUITY AND LIABILITIES		**151,533,395**	**151,107,107**

The financial statements on pages 5 to 30 were authorized for issue by the management on May 19, 2014 and were signed on its behalf by:

Teodor Chirica
General Manager

S.C. EnergoNuclear S.A. Director General BUCUREȘTI ROMÂNIA

Ecaterina Nitu
Chief Accountant

(All amounts are expressed in RON, unless stated otherwise)

	Notes	2013	2012
Other income	9	35,325	67,548
Work performed by entity capitalized through P&L	10	0	6,333,104
Employee benefits expenses		0	-6,139,550
Depreciation and amortization expenses		0	-193,554
Other expenses		-9,553	-153,923
Results from operating activities		**25,772**	**-86,375**
Finance income		569,823	507,295
Finance expenses		0	-
Net finance result		**569,824**	**507,295**
Profit before tax		**595,596**	**420,920**
Income tax expenses	11	-90,531	-68,544
Profit for the year		**505,065**	**352,376**
Other comprehensive income		-	-

Teodor Chirica
General Manager

Ecaterina Nitu
Chief Accountant

The notes on pages 9 – 30 are an integral part of these financial statements

(All amounts are expressed in RON, unless stated otherwise)

	2013	2012
Cash flow for operating activities		
Profit before tax	595,596	420,920
Adjustments for:		
- Depreciation and amortization	-	193,554
- Decrease/(increase) in other provisions	-	-190,316
- Net finance income	-569,824	-507,295
- Net effect gain/(loss) on F/X	-23,395	-
	2,377	**-83,137**
Change in:		
- Other receivable	3,400,062	765,575
- Trade and other payable	-85,227	-5,358,005
Cash generated from operating activities	**3,317,212**	**-4,675,567**
Income tax paid	-84,081.00	-920,280
Net cash from operating activities	**3,233,131**	**-5,595,847**
Cash flow for investing activities		
Acquisitions of Property, Plant and Equipment	-5,756,555	- 37,247,555
Interest received	569,824	488,545
Net cash used in investing activities	**-5,186,731**	**- 36,759,010**
Cash flow for financing activities		
Proceeds for issuance of share capital	-	44,146,999
Net cash from financing activities	-	**44,146,999**
Net effect Foreign Exchange	23,395	-
Net increase/(decrease) in cash and cash equivalents	**-1,930,205**	**1,792,142**
Cash and cash equivalents at 1 January	13,953,318	12,161,176
Cash and cash equivalents at 31 December	**12,023,113**	**13,953,318**

Teodor Chirica
General Manager

S.C. EnergoNuclear S.A. * Director General * BUCUREŞTI ROMÂNIA

Ecaterina Nitu
Chief Accountant

(All amounts are expressed in RON, unless stated otherwise)

	Share capital	Legal reserves	Other Reserves	Retained earning	Total
Balance at 1 January 2012	**102,006,000**	**227,914**	**-**	**3,964,216**	**106,198,130**
Profit for the year	-	-	-	352,376	**352,376**
Total other comprehensive income	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	352,376	**352,376**
Transactions with owners of the Company, recognized directly to equity					
Issue of ordinary shares	44,146,999				**44,146,999**
Total transactions with owners of the company	**44,146,999**				**44,146,999**
Increases of legal reserve	-	21,679		-21,679	**-**
Profit apportion			987,868	-987,868	**-**
Balance at 31 December 2012	**146,152,999**	**249,593**	**987,868**	**3,307,045**	**150,697,505**

	Share capital	Legal reserves	Other Reserves	Retained earning	Total
Balance at 1 January 2013	**146,152,999**	**249,593**	**987,868**	**3,307,045**	**150,697,505**
Profit for the year	-	-	-	505,065	**505,065**
Total other comprehensive income	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	505,065	**505,065**
Adjustment of previous years results				6,450	**6,450**
Transactions with owners of the Company, recognized directly to equity					
Issue of ordinary shares					**-**
Total transactions with owners of the company	-				**-**
Increases of legal reserve	-	29,780		-29,780	**-**
Profit apportion			330,697	-330,697	**-**
Balance at 31 December 2013	**146,152,999**	**279,373**	**1,318,565**	**3,458,083**	**151,209,020**

Teodor Chirica

General Manager

S.C. EnergoNuclear S.A. * Director General * BUCUREŞTI - ROMANIA

Ecaterina Nitu

Chief Accountant

The notes on pages 9 – 30 are an integral part of these financial statements

1. Reporting Entity

S.C. EnergoNuclear S.A. was incorporated on 25 March 2009 ("date of incorporation") as a joint stock company established under the laws of Romania. S.C. EnergoNuclear S.A.'s scope is to be a project company for developing, building and operating Units 3 and 4 of the nuclear power plant situated in Cernavoda. The activity of S.C. EnergoNuclear S.A. ("the Company") in the current stage consists of engineering activities and related consultancy services dedicated to its scope. After the commissioning of the Units 3&4, the Company will operate the two units, with the purpose of obtaining benefits and revenues from the electricity produced.

The address of its registered office is Vasile Lascar Street; no 5-7 floor, no 3, sector 2, Bucharest.

The number of employees (except for the key management personnel) as at 31 December 2013 is 25 (37 as at 31 December 2012).

Incorporation of the Company

In accordance with Government Decision ("GD") no. 1565 regarding the approval of the negotiation agreement of terms for set up of the company which will build the nuclear units 3 and 4 at CNE Cernavoda issued on 25 November 2008 by the Government of Romania, the Company was set up with the purpose of developing, building, commissioning and exploiting the units. The investor's agreement and the incorporation act are addendums to the GD.

Status of the Project

The Romanian Prime Minister approved in Nov. 2012 the „Memorandum regarding the necessary steps for continuing the achievement of the Units 3 and 4 CNE Cernavoda project". This document established extending the validity of the existing Investment Agreement beyond Jan. 2013, in order to allow the then shareholders Nuclearelectrica, ENEL and Arcelor Mittal Galati to find a strategy for continuing the project and attracting new partners. The Memorandum also provided that in case of failure of the renegotiation of the Investment Agreement, Nuclearelectrica (as the Romanian state owned partner of the project) might redeem the shares held by the other two shareholders and continues to seek other partners for the project.

On Nov. 27, 2013 a Letter of Intent regarding the CNE Cernavoda Units 3 and 4 Project was signed in the presence of the Prime Ministers of the Republic of China and Romania by the nominated representatives of the China General Nuclear Power Corporation (CGN) and the National Society Nuclearelectrica (SNN) SA, with the support of the Energy Department (ED) within the Romanian Government. The Letter of Intent aims to the cooperation of the parties for possible involvement in the Project of CGN as shareholder of EnergoNuclear SA and had a validity of de 180 days from the date of signing. On April 25, 2014 the Letter of Intent was prolonged till the end of 2014.

Continuance of the Company

Taking Into consideration the above mentioned Memorandum, the management believes that the project will continue in the future as it is confident that the Company will have the support of the Romanian Government and its main shareholder, S.N. Nuclearelectrica S.A., will attract other shareholders, will raise the necessary funding and there will be a future demand for the energy that is going to be produced by the Company in the future.

As such, management believes that the Company will recover its investment in property, plant and equipment through its future activity.

2. Basis of Preparation

a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") approved by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The financial statements have been prepared under the historical cost basis. The attached financial statements are presented in Romanian RON ("LEI" or "RON"), rounded to the nearest RON. These are neither the statutory accounts of the Company, nor the financial statements intended for statutory preparation purposes.

c) Functional currency and foreign currency transactions

Based on the primary economic environment in which the Company operates and taking into account other factors as described in IAS 21 "The effects of changes in foreign exchange rates", the functional currency of the Company was determined to be - Romanian Leu ("RON").

Transactions in foreign currencies are translated to RON by applying the exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated to RON at the exchange rates prevailing on that date.

Exchange gains and losses, realized or unrealized, are included in the income statement for that year. The exchange rates of the currencies to which the company is mainly exposed were at 31 December 2013, and the average rate for the year then ended, are as follows:

Currency	31 December 2013	Average rate for 2013
1 EUR	4.4639	4.4190
1 USD	3.2458	3.3279

d) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various others factors that are considered to be reasonable under these assumptions. The results of these estimates form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current, as well as future periods.

Information about assumptions that have a significant risk of resulting in a material adjustment within the next financial years is included in Note 1 (key assumptions relating to the continuance of the project).

3. Significant Accounting Policies

a) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition and construction of the asset.

Up to the commissioning date of the nuclear power units 3 and 4, the costs related to the pre-construction phase of the project and which are incurred for the purpose of constructing Units 3 & 4 (for example: costs related to site preparation, legal consultancy related to setting-up Investor Agreements or developing construction of units 3 & 4, technical and environmental studies, costs for obtaining of licenses and authorizations, etc) are capitalized as constructions in progress. Also the Company includes in the value of the assets in progress as self-constructed assets, the costs with own personnel for the part of their work that is related and attributable to the construction of units 3 and 4 (looking-up for investment partners, raising capital, site preparation, obtaining licenses and authorizations etc). Based on the GD no.1565/2008 and the Investors Agreement provisions, the assets related to the pre-project stage works and on which the Company performs site preparation works and other necessary pre-construction works, will be received from SN NuclearElectrica as contribution in kind at a later stage in the project.

The cost of self-constructed assets includes the following:

- The cost of materials and direct labor;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

Depreciation is calculated on the amounts of property, plant and equipment on a straight-line down to the assets' estimated residual values.

The estimated useful lives for current and comparative years of significant items of property, plant and equipment are as follow:

PPE	**Useful life(years)**
Vehicles	4
Equipments	2-5

b) Intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment loss. Amortization is based on the cost of an asset less its residual value. The amortization is recognized in the profit or loss on a straight-line basis over the estimated useful life of the intangible costs, from the date that they are available for use.

Intangible assets consist of customized software, which is amortized on a straight-line basis over 3 years.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, current accounts and call deposits with original maturities of three months or less. Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, cash held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

d) Impairment of non financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

e) Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

f) Financial instruments

Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Company's non-derivative financial assets are mainly represented by receivables and cash and cash equivalents.

Non-derivative financial liabilities

The Company initially recognizes debts securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at the fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using effective interest method. Other financial liabilities comprise mainly trade and other payables.

g) Share capital

The company recognizes the changes in share capital in accordance with the legislation in force and based on their recording in the Shareholder's Register.

h) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax and the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse to the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable tight to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Employee benefits

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The short term employee benefits are represented mainly by salaries.

j) Revenue

Revenue from sales of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of consideration probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Revenue from rendering of services is recognized in the profit or loss in proportion to the stage of competition of the transaction at the reporting date. The stage of competition is assessed with reference to surveys of work performed.

k) Finance income and finance costs

Finance income comprises interest income on funds invested and foreign currency gains on financial instruments. Interest income is recognized as it accrues in profit and loss account, using the effective interest method. Finance costs comprise interest expense and foreign currency losses on financial instruments. Foreign currency gains and losses arising from operating activities are reported on a net basis as operating expenses/ income.

l) Subsequent events

The accompanying financial statements reflect events subsequent to year end that provide additional information about the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events). Events subsequent to year end that are not adjusting events are disclosed in the notes when they are considered to be material.

m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

n) Contingencies

Contingent liabilities are not recognized in the accompanying financial statements. They are disclosed only when the possibility of an outflow of resources embodying economic benefits is possible, but not probable.

A contingent asset is not recognized in the accompanying financial statements, but disclosed when an inflow of economic benefits is probable.

o) Implication of new International Financial Reporting Standards (IFRSs)

New standards, amendments and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

(All amounts are expressed in RON, unless stated otherwise)

4. Property, plant and equipment and intangible assets

The movements of property, plant and equipment and their related accumulated depreciation for 2012 and 2013 are as follows:

	Total Intagible	Vehicles and equipments	Investment in progress	Total PPE
Cost				
Balance at 01-Jan-12	304,079	511,135	96,078,468	96,589,603
Additions	-	-	37,247,677	37,247,677
Disposals	-	-	-	-
Balance at 31-Dec-12	304,079	511,135	133,326,145	133,837,280
Additions	-	-	5,878,220	5,878,220
Disposals	-	-	-	-
Balance at 31-Dec-13	**304,079**	**511,135**	**139,204,365**	**139,715,500**
Accumulated depreciation				
Balance at 01-Jan-12	153,847	312,936	-	312,936
Depreciation for the year	96,048	97,506	-	97,506
Disposal	-	-	-	-
Balance at 31-Dec-12	249,895	410,442	-	410,442
Depreciation for the year	50,476	71,189	-	71,189
Disposal	-	-	-	-
Balance at 31-Dec-13	**300,371**	**481,631**		**481,631**
Carrying amounts				
At 1 January 2012	150,231	198,199	96,078,468	96,276,667
At 31 December 2012	54,184	100,693	133,326,145	133,426,838
At 31 December 2013	**3,708**	**29,504**	**139,204,365**	**139,233,869**

(All amounts are expressed in RON, unless stated otherwise)

The 2013 additions in assets in progress are represented mainly by:

- Financial and Legal Advisory – 254.799 RON (Ernst&Young, RBS, White & Case)
- Inventory, materials, rent, travel, entertainment, post and telecommunication, fees – 559.460 RON
- Work of own personnel - 4.807.288 RON (Salaries, social security contributions)
- Depreciation of assets used in the current phase of the project - 121.664 RON
- External services - 135.094 RON (KPMG tax services, other services etc);

At the end of 2011 according to Decision no.97/2011 of the Romanian Court of Accounts all Company's expenses for the period 2009 to 2010 were included in investment in progress through retained earnings of the years 2009 and 2010. During 2011 and 2012 the Company had the same capitalization policy in order to be in line with the Decision no.97/2011. In 2011 sued the Court of Accounts to cancel three measures imposed by the Decision no.97/2011, the first hearing was in June 2013 (see Note 14 ii). The deadline was prolonged until 26.06.2014. During 2013 the Company capitalized directly as investment in progress all items related to the project (including salaries paid to personnel directly involved and depreciation charges of fixed assets used for the project).

5. Other receivables

As of 31 December 2013 and 31 December 2012, other receivables consist of the following:

	31 December 2013	31 December 2012
VAT receivable	98,178	3,478,528
Other state budget receivables	108,569	89,504
Other receivables	65,430	65,492
Total	**272,177**	**3,633,524**

(All amounts are expressed in RON, unless stated otherwise)

6. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2013 and 31 December 2012 consist of the following:

	31 December 2013	31 December 2012
Cash and bank in foreign currency	1,868,476	2,120,308
Cash and bank in RON	10,154,637	11,833,010
Total	**12,023,113**	**13,953,318**

7. Share capital

As at 31 December 2013 the share capital of 146,152,998.73 RON is consisting of 32.105.029 shares with a nominal value of 3,9389 RON/ share. The share capital was not modified during the financial year 2013.

Investor	31-Dec-12	%	Share increase	31-Dec-13	%
SN Nuclearelectrica SA	31,409,408	84.65%	0	31,409,408	84.65%
ENEL Investments Holding SV	3,395,110	9.15%	0	3,395,110	9.15%
Arcelormittal Galati SA	2,300,511	6.20%	0	2,300,511	6.20%
Total	**37,105,029**	**100.00%**	**0**	**37,105,029**	**100.00%**

As of 31 December 2013 and 2012, the shareholding structure is as follows:

Investor	31-Dec-12	%	Share increase	31-Dec-13	%
SN Nuclearelectrica SA	123,718,517	84.65%	0	123,718,517	84.65%
ENEL Investments Holding SV	13,372,999	9.15%	0	13,372,999	9.15%
Arcelormittal Galati SA	9,061,483	6.20%	0	9,061,483	6.20%
Total	**146,152,999**	**100.00%**	**0**	**146,152,999**	**100.00%**

(All amounts are expressed in RON, unless stated otherwise)

8. Trade and other payables

As of 31 December 2013 and 2012, trade and other payables consist of the following:

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 16.

	31 December 2013	31 December 2012
Current		
Trade Payables	9,749	-
Fixed assets suppliers	5,718	193,671
Payables to employees	113,416	83,537
Payables to state	167,247	132,394
Other payables	800	-
Total	**296,930**	**409,602**

9. Other income

The other income for 2013 and 2012 is as follow:

	2013	2012
Penalties	-	3,845
Other income (rent&utilities)	11,930	63,703
Foreign exchange gain,net	23,395	-
Total	**35,325**	**67,548**

(All amounts are expressed in RON, unless stated otherwise)

10. Work performed by the entity and capitalized

The following expenses were capitalized through the P&L by the Company during 2013 and 2012 as work performed by the entity:

	2013	2012
Employee benefits expenses	0	6,139,550
Depreciation and amortization expenses	0	193,554
Work performed and capitalized	**0**	**6,333,104**

All items capitalized as work in progress are presented in Note 4.

11. Income tax expenses

Income tax expense for 2013 and 2012 consists of the following:

	2013	2012
Income tax expenses	-90,273	-68,544
Total	**-90,273**	**-68,544**

The reconciliation of income tax expense for 2013 and 2012 is presented in the table below:

	2013	2012
Profit before tax	595,596	420,920
Less: non taxable income	0	-190,316
Add: non deductible expenses	0	219,475
Legal reserve	-29,780	-21,679
Taxable result	**565,816**	**428,400**
Income tax (16%)	**90,531**	**68,544**

(All amounts are expressed in RON, unless stated otherwise)

12. Related parties

The balances and transactions with related parties for 2013 and 2012 are as follows:

Trade Payable	31 December 2013	31 December 2012
SN Nuclearelectrica SA	6,417	15,569
Total	**6,417**	**15,569**
Acquisitions	**2013**	**2012**
SN Nuclearelectrica SA	80,470	820,563
Total	**80,470**	**820,563**

The 2013 acquisitions are represented mainly by rent paid to SN Nuclearelectrica for facilities on the site of the project..

13. Fiscal environment

The legal and fiscal environment in Romania and its implementation into practice changes regularly and is subject to different interpretations by various control authorities; income tax returns are subject to revision and correction by tax authorities for a period generally of five years subsequent to their being filled in.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains that tax authorities could take differing positions with regards to the interpretation of these issues. Their impact cannot be estimated at this time.

(All amounts are expressed in RON, unless stated otherwise)

14. Commitments and contingencies

(i) Capital expenditure

The main commitments of the company as at 31 December 2013 are represented by the following contracts related to the tangible assets acquisitions for the first phase of the project:

Supplier	Contract	Contract amount (currency)	Realized amount (currency)	Remaining amount (RON)
Candu Energy Inc	20/2011	CAD 11,900,000	CAD 11,500,000	1,223,000
Royal bank of Scotland Plc	42/2010	€1,472,000	€875,532	2,662,574
Total				**3,885,574**

(ii) Litigations

On December 2011, the company contested three measures imposed by the decision no.97/28 November 2011 (GD) issued by Romanian court of account. The file no.14951/2/2012 related to the cancellation of these measures communicated by the Romania court of account through decision 97/2011. These three measures are as follow:

- During 2009 the company should have been booked all its expenses on property, plant and equipments. The amounts subsequently capitalized by the company or RON 4,450,561 for 2009 and RON 5,511,450 for 2010.
- An income tax to be paid by the company in a total amount of RON 578,482.
- To recover the amounts paid by the company as holiday bonuses to its employees, determined as the difference between the provisions of the labor contract and the minimum holiday bonus as set by the labor code in a total amount of RON 621,909.

The first hearing was in 18 June 2013.

Following the GD, as at 29 February 2012, the company paid to the state budget income tax in amount of RON 578,482, related to fiscal years 2009 and 2010. In 2012 the company paid accessories in amount of RON 201,927 referring to the additional income tax determined by the court of accounts through decision no.97, accessories that were communicated by Nation Agency for Fiscal Administration (ANAF). These accessories were provisioned by the company as at 31 December 2011 in amount of RON 190,316 representing their value up to 31 December 2011.

SC EnergoNuclear litigation that challenged three of the measures ordered by Decision No 97/2011 issued by the Court is still pending before the Court of Bucharest – section IX- a Contencios Administrative and Fiscal. Next hearing is scheduled for June 26, 2014.

Litigations with former and current employees of EnergoNuclear SA are still suspended, except three cases, in which also called for the suspension. Suspensions envisage that the litigation between the company and the Court of Accounts should be ruled prior to these ones.

(iii) Operating environment

Although Romania is a member of the European Union starting with 1 January 2007, the Romanian economy has the characteristics of an emergent market, such as a high current account deficit, a financial market relatively undeveloped and variances of the exchange rates.

Currently, the international financial markets feel the effects of the global financial crisis from 2008. Those effects were felt by the Romanian financial market, in the form of fall in prices and liquidity on the capital markets and through an increase in the medium term financing interest rates due to the global crisis of liquidity. The significant losses experienced in the global financial market could affect the ability of the company to obtain borrowings.

The financial statements do not include any adjustments related to the recoverability and classification of asset carrying amounts or related to the classification of liabilities that might result in case the company is unable to continue as a going concern, because is applicable the going concern principle.

The management considers that the going concern assumption used in the preparation of the accompanying financial statements is appropriate (see note 1).

15. Key management personnel

During 2013, the management's salaries were in amount of RON 492,541 (470,886 RON for 2012).

The company restructured 8 employees during January – February 2013 in accordance with decision no.8/19 December 2012 of the General Shareholders Meeting. The employees have been notified about the restructuring process at the beginning of January 2013.

16. Financial instruments and risk management

Financial instruments

The company's treasury management was aimed at optimizing the usage of liquidity by:

- Paying its debts in due time in order to avoid penalties for late payments
- Setting up short term deposits for the cash equivalents in bank accounts.

Risk management

The company manages the risk using a risk management system. The strategic requirements for safety and continuity determines the company to proactively approach risk management in order to identify and address any potential loss before the events causing could occur, preparing in advance the technical, operational and financial solutions to overcome such potential loss.

Interest rate risk

The operational cash flows of the company are not exposed to interest rate risk. The company has no long term or short term loans and the risk associated with the cash deposits is low due to the fact that these have a maturity of less than three amounts.

Foreign exchange risk

The company cannot be exposed to the changes in the foreign exchange rates due to its cash deposits with maturities of less than three months denominated in foreign currencies.

The company's functional currency is RON. The company is exposed to foreign currency risk on purchases and cash that are denominated in a currency other the functional currency of the company. The currencies giving rise to this risk are primarily EUR, USD and Canadian dollars.

During 2013, the inflation rate was 1.55 % (5.25% for 2012). Inflation rate and the volatility of exchange rates may impact upon the company's liquidity.

The company's exposure to foreign currency risk expressed in RON was as follows:

	RON	EUR	USD	CAD	GBP
31 December 2013					
Monetary assets					
Cash and cash equivalents	10,154,637	1,862,016	2,956	3,459	45
Other receivables	272,177	0	0	0	0
Current tax asset	0	0	0	0	0
Monetary liabilities					
Suppliers	-15,467	0	0	0	0
Employees	-113,416	0	0	0	0
State budget	-167,247	0	0	0	0
Current tax liability	-27,445				
Other	-800	0	0	0	0
Gross balance sheet exposure	**10,129,884**	**1,862,016**	**2,956**	**3,459**	**45**

	RON	EUR	USD	CAD	GBP
31 December 2012					
Monetary assets					
Cash and cash equivalents	11,833,010	2,040,056	0	80,207	45
Other receivables	3,633,524	0			
Current tax asset	38,715	0	0	0	0
Monetary liabilities					
Suppliers	-117,528	0	0	-76,143	0
Employees	-83,537	0	0	0	0
State budget	-132,394	0	0	0	0
Current tax liability	0	0	0	0	0
Other	0	0	0	0	0
Gross balance sheet exposure	**15,171,790**	**2,040,056**	**0**	**4,064**	**45**

The following significant exchange rates have been used:

	Average rate		Reporting data spot rate	
	2013	**2012**	**2013**	**2012**
RON/EUR	4.4190	4.4560	4.4639	4.4291
RON/USD	3.3279	3.4682	3.2458	3.3619

(All amounts are expressed in RON, unless stated otherwise)

Sensitivity analysis

Assuming that all other variables remain constant, a 10% strengthening of the RON against the other foreign currencies at Dec 31, 2013 and Dec 31, 2012 would have had the following impact on the P&L:

	P&L 2013	P&L 2012
EUR	-186,202	-204,006
USD	-296	0
CAD	-346	-406
Total	**-186,843**	**-204,412**

Assuming that all other variables remain constant, a 10% weakening of the RON against the other foreign currencies at Dec 31, 2013 and Dec 31, 2012 would have had the following impact on the P&L:

	P&L 2013	P&L 2012
EUR	186,202	204,006
USD	296	0
CAD	346	406
Total	**186,843**	**204,412**

Credit risk

As of Dec 31, 2013 there are no significant concentration of credit risk in the company.

(All amounts are expressed in RON, unless stated otherwise)

Liquidity risk

The company's policy on liquidity risk management is to maintain sufficient liquidity reserves to meet all obligations.

	31 December 2013	31 December 2012
Assets		
Monetary assets in RON	10,426,814	15,505,249
Monetary assets in foreign currency	1,868,476	2,120,308
	12,295,290	**17,625,557**
Liabilities		
Monetary liabilities in RON	-324,375	-333,459
Monetary liabilities in foreign currency	0	-76,143
	-324,375	**-409,602**
Net monetary position in RON	**10,102,439**	**15,171,790**
Net monetary position in foreign currency	**1,868,476**	**2,044,165**

Capital management

The company does not intend to finance its operations through debt during the pre-project phase.

Fair value of financial instruments

The fair value is the amount at which the financial instruments can be exchanged by willing parties in an arm's length transaction, other than determined through liquidation or forced sale. The fair values are obtained from quoted market price or through cash flows models, as appropriate. As at 31 December 2013, cash and cash equivalents, accounts receivable and related accounts, accounts payable and other short term liabilities are close to their fair value due to their short due date. Management considers that the estimated fair values of these instruments are approximately equal to their carrying amounts.

17. Subsequent events

At December 19, 2013, SC ArcelorMittal Galati SA expressed its intention to sell to SN Nuclearelectrica its shares in EnergoNuclear SA. Following this notification, the parties have concluded the assignment no.62/17.01.2014, transfer of shares being registered in the register of shareholders.

At December 19, 2013, SC Enel Investment Holding BV has expressed its intention to sell to SN Nuclearelectrica its shares in EnergoNuclear SA. Following this notification, the parties have signed the share transfer agreement no.48/16.01.2014, transfer of shares being registered in the register of shareholders.

Following the above, SN Nuclearelectrica SA became the sole shareholder starting with January 2014.

Teodor Chirica

General Manager

S.C. EnergoNuclear S.A. * Director General * BUCUREŞTI - ROMÂNIA

Ecaterina Nitu

Chief Accountant

THE ANNUAL REPORT OF THE DIRECTORS OF S.C. ENERGONUCLEAR S.A. FOR 2013

(All amounts are expressed in RON, unless stated otherwise)

1. IDENTIFICATION DATA

Annual Report according to the provisions of Article 22 of the Statute of the Company for the year ended: December 31, 2013.
Date of report: ....
Name of the company: S.C. ENERGONUCLEAR S.A.
Headquarters: Str. Vasile Lascar, no. 5-7, 3rd floor, District 2, 020491 Bucuresti, Romania
Phone/ fax: 0372050501 / 0372050505
Unique registration code from Trade Register: RO 25344972
Trade Register Number: J40 / 3999/2009
Subscribed and paid – up capital: 146.152.998, 73 RON

2. GENERAL INFORMATION

As at December 31st, 2013 the Company's share capital was fully paid. The Shareholder's structure, as it is registered in the Trade Register is as follows:

Shareholders	No. of shares	%
SN Nuclearelectrica S.A.	31,409,408	84.65
ArcelorMittal Galati S.A.	2,300,511	6.2
Enel Investment Holding BV	3,395,110	9.15

The purpose of the Company is to develop a project containing the development, construction, commissioning and operation of Units 3 and 4 of Cernavoda NPP.

3. DIRECTORS OF THE COMPANY

The General Shareholders' Assembly Decision no. 3 of April, 22nd, 2011 nominated the following Directors:

- Ionel Bucur – Chairman
- Alexandru Sandulescu
- Ionel Bors
- Elena Marilena Negulici
- Luca D'Agnese

During January 2013, Mr. Luca D'AGNESE and Mr. Ionel BORS have resigned as administrators of the company.

The General Meeting of Shareholders through the decision no.8 from 4.11.2013, nominated the new administrators of the Company, namely:

Elena Popescu – Chairman of the Board

Alexandru SANDULESCU

Minodor Teodor CHIRICA

In 2013, the executive management of the company was covered by:

- Mr. Dragos Paul POPESCU for the period 01.01.2013 – 16.11.2013;
- Mr. Minodor Teodor CHIRICA starting with 17.11.2013

The Board of Directors held meetings during 2013 whenever necessary, and 9 meetings were convened. As conclusions of these meetings, 13 Board Decisions were approved.

According with legal provisions, for the meetings in which were adopted the Decisions no. resolution 2, 5, 6, 7, 9, 10, 11 and 12 of the Board of Directors were drafted records, which reflect the discussions and proposals within the meeting and which were signed by the president and two members of the Board of Directors. The Decisions with no. resolution 1, 3, 4, 8 and 12 were adopted by unanimously vote expressed electronically, the decision and the record being signed afterwards by all Board of Directors members.

4. LEGISLATION, REGULATIONS

During the year 2013, the Company operated pursuant to the following legislation:

a. Company Law no. 31, as republished with subsequent amendments (republished in the Official Gazette no. 1066/2004);
b. Government Decision 1565/2008 approving the report for negotiating the conditions for setting up a company for the purpose of creating units 3 and 4 of Cernavoda NPP;
c. Fiscal Code – Law 571/2003 with subsequent amendments;
d. Accounting Law no. 82/1991, republished (January 2005) with subsequent amendments;
e. Orders of the Minister of Public Finances for the application of the Accounting Law:
    - Order no.3055/2009 of the Minister of Public Finances for approval of accounting regulations according to European Directives;
    - Order no.2861/2009 of the Minister of Public Finances for approval the Norms regarding the organization and performance of the inventory count of assets and liabilities (Official Gazette 704/2009);
    - Order no. 3512/2008 of the Minister of Public Finances regarding the financial accounting records (Official Gazette 870/2008);
    - Order no. 1121/2006 of the Minister of Public Finances regarding the application of International Financial Reporting Standards.

5. DESCRIPTION OF ACTIVITY

During 2013, the company performed activities which aim:

- The continuing assessment of the "IRO" improvement proposal submitted within the selection procedure of the IPC;

- The achievement of more negotiation rounds with the IPC general contractor, on technical proposal and commercial;

- Meetings with CGH / CNPEC which expressed the interest to participate on achieving the Units 3 and 4; project presentations, providing information, clarifications and answers to the received questions.

- Assignment documentation preparing of the contract to execute a study regarding the market mechanisms, which could be adopted to increase the attractiveness of the project;

(All amounts are expressed in RON, unless stated otherwise)

- Support for promotion actions of the project (workshop, presentations, meetings with possible investors)

6. FINANCIAL – ACCOUNTING STATEMENTS

During 2013, the financial economic activity was based on the indicators included in the income and expenditure budget approved by the Governmental Decree no. 1476/2013.

The financial standings and results according to IFRS are as follows:

Balance Sheet

	31 December 2013	**31 December 2012**
Intangible assets	3,708	54,184
Tangible assets	139,233,869	133,426,838
Other assets	528	528
Total non-current assets	**139,238,105**	**133,481,463**
Receivables	272,177	3,672,239
Bank and cash	12,023,113	13,953,318
Total current assets	**12,295,290**	**17,625,557**
Trade and other payables	296,930	409,602
Current tax liabilities	27,445	0
Total current liabilities	**324,375**	**409,602**
Net current assets/(current liabilities)	**11,970,915**	**17,215,955**
Total Equity	**151,209,020**	**150,697,505**

(All amounts are expressed in RON, unless stated otherwise)

Profit & Loss

	31 December 2013	31 December 2012
Other operating revenues	35,325	67,548
Revenues from capitalization of work performed	0	6,333,104
Operating expenses	9,553	6,487,027
Operarting result	**25,772**	-86,375
Finacial revenues	569,823	507,295
Finacial expenses	0	0
Financial result	**569,823**	**507,295**
Income tax	90,531	68,544
Profit/Loss of te period	**505,065**	**352,376**

7. COMPANY PERSONNEL

The number of employees hired at 31 December 2013 is of 25, out of which 3 employees were working in the General Department, 10 employees in the Technical Department, 7 employees in Project Management Department and 5 employees in the Financial, Accounting and Administrative department. All the employees have a university degree.

8. IMPORTANT ISSUES SUBSEQUENT TO THE CLOSING OF THE FINANCIAL YEAR

At 19th of December 2013, SC ArcelorMittal Galați SA expressed the intention to sale the shares held at EN to SN Nuclearelectrica SA. Following this notification the parties completed the shares transfer contract no. 62/17.01.2014, the shares transfer being recorded in the shareholders register.

At 19th of December 2013, SC ArcelorMittal Galați SA expressed the intention to sale the shares held at EN to SN Nuclearelectrica SA. Following this notification the parties completed the shares transfer contract no. 48/16.01.2014, the shares transfer being recorded in the shareholders register.

Following those above, SN Nuclearelectrica SA become the sole shareholder of the company.

9. RISK MANAGEMENT

During 2013, was elaborated the developement Program of the internal control managerial system regarding the requests implementation of internal control standards from OMFP 946/2005, which include the standard no. 11 of internal managerial regarding the risk management.

The development program is correlated with the provisions of the Quality Management Program existing within S.C. EnergoNuclear S.A, sense in which in MMC-01, revision 2 were included internal/ managerial control elements, of compliance and risk management.

During 2013, the risks related to the performing activities were analyzed by elaborating quarterly reports on achieving the objectives for each organizational entity within the society, in limiting the possible consequences of these risks. For each share were appointed employees in applying these actions/ plans.

10. FINANCIAL AUDITING

The Company is audited by an external financial auditor. The Company's auditor is A.Co Internal and Financial Audit S.R.L., contracted to conduct an audit of the Company's financial statements under the laws in force.

11. INTERNAL AUDITING

The company had no internal auditor during 2013.

12. EXPECTED DEVELOPMENT OF THIS COMPANY

The Romanian Prime Minister approved in Nov. 2012 the „Memorandum regarding the necessary steps for continuing the achievement of the Units 3 and 4 CNE Cernavoda project". This document established extending the validity of the existing Investment Agreement beyond Jan. 2013, in order to allow the then shareholders Nuclearelectrica, ENEL and Arcelor Mittal Galati to find a strategy for continuing the project and attracting new partners. The Memorandum also provided that in case of failure of the renegotiation of the Investment Agreement, Nuclearelectrica (as the Romanian state owned partner of the project) might redeem the shares held by the other two shareholders and continues to seek other partners for the project.

On Nov. 27, 2013 a Letter of Intent regarding the CNE Cernavoda Units 3 and 4 Project was signed in the presence of the Prime Ministers of the Republic of China and Romania by the nominated representatives of the China General Nuclear Power Corporation (CGN) and the National Society Nuclearelectrica (SNN) SA, with the support of the Energy Department (ED) within the Romanian Government. The Letter of Intent aims to the cooperation of the parties for possible involvement in the Project of CGN as shareholder of EnergoNuclear SA and had a validity of de 180 days from the date of signing. On April 25, 2014 the Letter of Intent was prolonged till the end of 2014.

13. LITIGATIONS

SC EnergoNuclear litigation that challenged three of the measures ordered by Decision No 97/2011 issued by the Court is still pending before the Court of Bucharest – section IX "Contencios Administrativ si Fiscal".

Litigations with former and current employees of EnergoNuclear SA are still suspended except three cases, in which also called for the suspension.

Chairman of the Board
Elena Popescu