67

ENERGONUCLEAR S.A.

Financial Statements
as at and for the year ended
31 December 2012

Prepared in accordance with
International Financial Reporting Standards

Contents

Energonuclear SA
Statement of Financial Position
(All amounts are expressed in RON, unless stated otherwise)

	Notes	31 December 2012	31 December 2011
ASSETS			
Non – current assets			
Property, plant and equipment	4	133,426,838	96,276,667
Intangible assets	4	54,184	150,231
Other non-current assets		528	651
Total non – current assets		**133,481,463**	**96,427,462**
Current assets			
Other receivables	5	3,633,524	4,419,064
Current tax assets		38,715	-
Cash and cash equivalents	6	13,953,318	12,161,176
Total current assets		**17,625,644**	**16,580,327**
TOTAL ASSETS		**151,107,107**	**113,007,789**
EQUITY AND LIABILITIES			
Equity			
Share capital	7	146,152,999	102,006,000
Legal reserves		249,593	227,914
Other reserves		987,868	-
Retained Earnings		3,307,045	3,964,216
Total equity		**150,697,505**	**106,198,130**
Non – current liabilities		-	-
Current liabilities			
Trade and other payables	8	409,602	5,996,637
Current tax liabilities		-	813,022
Total current liabilities		**409,602**	**6,809,660**
TOTAL EQUITY AND LIABILITIES		**151,107,107**	**113,007,789**

The financial statements on pages 5 to 25 were authorized for issue by the management on 1 March 2013 and were signed on its behalf by:

Dragos Popescu
General Manager

Ecaterina Nitu
Chief Accountant

The notes on pages 9-25 are an integral part of these financial statements.

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

	Notes	2012	2011
Other income	9	67,548	761,113
Work performed by entity and capitalised	10	6,333,104	7,498,105
Employee benefits expenses		(6,139,550)	(5,562,052)
Depreciation and amortisation expenses		(193,554)	(238,740)
Other expenses		(153,923)	(1,889,279)
Results from operating activities		**(86,375)**	**569,148**
Finance income		507,295	706,940
Net finance result		**507,295**	**706,940**
Profit before Tax		**420,920**	**1,276,088**
Income tax expenses	11	(68,544)	(224,416)
Profit for the year		**352,376**	**1,051,672**
Other comprehensive income		-	-

Dragos Popescu
General Manager

Ecaterina Nitu
Chief Accountant

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

	2012	2011
Cash flow from operating activities		
Profit before tax	420,920	1,276,088
Adjustments for:		
Depreciation and amortisation	193,554	238,740
Decrease/(increase) in other provisions	(190,316)	190,316
Net finance income	(507,295)	(706,940)
	(83,137)	**998,204**
Changes in:		
Other receivables	765,575	5,449,219
Trade and other payable	(5,358,005)	2,801,957
Cash generated from operating activities	**(4,675,567)**	**9,249,379**
Income tax paid	(920,280)	1,826
Net cash from operating activities	**(5,595,847)**	**9,251,205**
Cash flow from investing activities		
Acquisition of Property Plant and Equipment	(37,247,555)	(33,489,507)
Interest received	488,545	706,940
Net cash used in investing activities	**(36,759,010)**	**(32,782,567)**
Cash flow from financing activities		
Proceeds from issuance of share capital	44,146,999	21,080,000
Net cash from financing activities	**44,146,999**	**21,080,000**
Net increase/(decrease) in cash and cash equivalents	**1,792,142**	**(2,451,362)**
Cash and cash equivalents at 1 January	12,161,176	14,612,538
Cash and cash equivalents at 31 December	**13,953,318**	**12,161,176**

Dragos Popescu
General Manager

Ecaterina Nitu
Chief Accountant

The notes on pages 9-25 are an integral part of these financial statements.

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

	Share Capital	Legal reserves	Other Reserves	Retained earnings	Total
Balance at 1 January 2011	**80,926,000**	**164,110**		**2,976,348**	**84,066,458**
Total comprehensive income for the year					
Profit for the year				1,051,672	**1,051,672**
Total other comprehensive income					
Total comprehensive income for the year				**1,051,672**	**1,051,672**
Transactions with owners of the Company, recognized directly to equity					
Issue of ordinary shares	21,080,000				**21,080,000**
Total transactions with owners of the company	**21,080,000**				**21,080,000**
Transfer to legal reserve		63,804		(63,804)	
Balance at 31 December 2011	**102,006,000**	**227,914**		**3,964,216**	**106,198,130**

	Share Capital	Legal reserves	Other Reserves	Retained earnings	Total
Balance at 1 January 2012	**102,006,000**	**227,914**		**3,964,216**	**106,198,130**
Total comprehensive income for the year					
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**
Increase 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**

Ecaterina Nitu
Chief Accountant

The notes on pages 9-25 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. Currently, the main activity of S.C. EnergoNuclear S.A ("the Company") represent engineering activities and related consultancy services for the purpose of constructing nuclear power Units 3 and 4 at Cernavoda. 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 2012 is 37 (33 as at 31 December 2011).

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 Company's activity in 2012 was carried out in accordance under Addendum no. 3 of the Investments Agreement ("IA") ("Addendum 3") from January 2011 concluded by the Company's shareholders. Investment Decision I means that the project has reached a level of development that allows it to advance to the Preliminary Works Phase and that the key steps have been fulfilled (e.g. the following terms have been agreed: the operation and maintenance contract, the off take arrangements in relation to the electricity generated by the Company, heavy water and fuel supply contract).

Given that shareholders had not confirmed the Investment Decision I initially scheduled for 31 July 2012, the Investment Decision I was automatically extended until 31 December 2012. In December 2012, the shareholders concluded Addendum no. 4 to the Investment Agreement ("Addendum 4"), which extends the period for the shareholders to make the Investment Decision I to 30 June 2013.

As at 31 December 2012, there are uncertainties regarding the ability of the Company to continue as a going concern determined by the potential exit until 30 June 2013 of some current shareholders. However, the memorandum "Actions necessary to continue the implementation of the Cernavoda NPP Units 3 & 4 Project" ("the Memorandum") approved by the Romanian Government in November 2012 sets the basis for the Company to continue its activity and be 100% owned by SN Nuclearelectrica SA after 30 June 2013, in case the other current shareholders exist the Company.

By this Memorandum, the Government approved the extension of the validity of the Investment Agreement after 1 January 2013, which provides the Company the opportunity to attract new investors and, consequently, to continue the Project through cooperation of the three existing shareholders in EnergoNuclear for a period up to, at the latest, 31 December 2013. SN Nuclearelectrica SA is to buy back the shares held by the existing shareholders (at an amount less or equal than the nominal value of the shares) should the other current shareholders decide not to continue with the investment after 30 June 2013. In this event, as per the

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

74

Memorandum, following 30 June 2013, the Company will continue its operations and be 100% owned by SN Nuclearelectrica SA.

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 Romanian Government and its main shareholder, SN Nuclearelectrica SA, 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 the 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, realised or unrealised, are included in the income statement for that year. The exchange rate at 31 December 2011 and the average rate for the period are as follows:

Currency	31 December 2012	Average rate for 2012
1 EUR	4.4291	4.4560
1 CAD	3.3796	3.4701
1 USD	3.3619	3.4682

d) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, 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 other factors that are considered to be reasonable under these assumptions. The results of these estimates form the basis of making the judgements 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 recognised 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).

36

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 the site preparation, legal consultancy related to the 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 costs (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 labour;
- 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 basis 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 follows:

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

b) Intangible assets

Other intangible assets are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. 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 asset, 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.

77

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 or 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 recognised initially at fair value and subsequently measured at amortised 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 financial 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 amounts 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 debt 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 fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the 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 Shareholders' Registry.

h) Income tax

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

Current tax is 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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised 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 in 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 right 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 realised simultaneously.

A deferred tax asset is recognised 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 utilised. 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 realised.

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. Interest income is recognized as it accrues in profit and loss account, using the effective interest method. Finance costs comprise foreign currency losses. 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 recognised 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 recognised as finance cost.

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

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 2012, 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.

4. Property, plant and equipment and intangible assets

The movements of property, plant and equipment and their related accumulated depreciation for 2011 and 2012 are as follows:

	Total Intangible	Vehicles and equipments	Investment in progress	Total PPE
Cost				
Balance at 01-Jan -11	**277,386**	**511,135**	**62,615,653**	**63,126,788**
Additions	26,693	-	33,462,815	33,462,815
Disposals	-	-	-	-
Balance at 31-Dec-11	**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**
Accumulated Depreciation				
Balance at 01-Jan -11	**56,196**	**171,848**	**-**	**171,848**
Depreciation for the year	97,651	141,088	-	141,088
Disposals	-	-	-	-
Balance at 31-Dec-11	**153,847**	**312,936**	**-**	**312,936**
Depreciation for the year	96,048	97,506	-	97,506
Disposals	-	-	-	-
Balance at 31-Dec-12	**249,895**	**410,442**	**-**	**410,442**
Carrying amounts				
At 1 January 2011	**221,191**	**339,287**	**62,615,653**	**62,954,940**
At 31 December 2011	**150,231**	**198,199**	**96,078,468**	**96,276,667**
At 31 December 2012	**54,184**	**100,693**	**133,326,145**	**133,426,838**

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

81

The 2012 additions in assets in progress are represented mainly:

- Technical advisory – contracts concluded with Candu Energy Inc. in amount of RON 33,585,787, (RON 5,155,597 in 2011) and Paul C Rizzo Associates, Inc. in amount of RON 425,591 (RON 758,998 in 2011);
- Financial advisory – contract concluded with Royal Bank of Scotland plc Frankfurt in amount of RON 1,075,528 (RON 2,503,576 in 2011);
- Legal advisory – contract concluded with White & Case LLP in amount of RON 776,470 (RON 1,041,021 in 2011);
- Salaries, social security contributions and depreciation charge were capitalized in amount of RON 6,333,105 (RON 5,557,252 in 2011). These costs were capitalized in accordance with the GSM's decision from 25 January 2012 in which the 2012 revenue and expense budget was approved.
- Other costs incurred by the Company were also capitalized (e.g. rental expense, utilities, repairs and maintenance, services from third parties), except for income tax expense.

As at 31 December 2012 investment in progress include an amount of Ron 16,928,784 (Ron 14,147,328 as of 31 December 2011) representing capitalized general and administrative expenses. This in line with the Decision no. 97/2011 of the Court of Accounts in which is mentioned that all the costs incurred by the Company in 2009 (Ron 4,450,561) and 2010 (Ron 5,511,523)) should be capitalized. In 2012 the Company capitalized general and administrative expenses in amount of Ron 2,781,456.

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 through retained earnings of years 2009 and 2010 in investment in progress. 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 being set for June 2013 (see Note 14 ii).

5. Other receivables

As of 31 December 2012 and 31 December 2011, other receivables consist of the following:

	31 December 2012	31 December 2011
VAT receivable	3,478,528	4,246,663
Other state budget receivable	89,504	105,868
Other receivable	65,492	66,533
Total	**3,633,524**	**4,419,064**

On 4 January 2013 the Company collected the VAT receivables for July, August and September 2012 in a total amount of Ron 1,942,098.

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

6. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2012 and 31 December 2011consist of the following

	31 December 2012	31 December 2011
Cash and bank in foreign currency	2,120,308	2,929,833
Cash and bank in RON	11,833,010	9,231,343
Total	**13,953,318**	**12,161,176**

7. Share capital

As at 31 December 2012, the authorized issued and fully paid up share capital of the Company in amount of RON 146,152,999 consists of 37,105,029 ordinary shares with a nominal value of 3.9389 RON/share.

During 2012 the share capital increased after two cash contributions in amount of RON 21,711,997 (February 2012) and of RON 22,435,001 (August 2012). The contributions were made by the existing shareholders in the same proportion with their holdings as at 31 December 2011.

The above cash contributions that took place in 2012 determined the following changes of the number of shares:

Investor	31-Dec-11	%	Share increase	31-Dec-12	%
SN Nuclearelectrica SA	21,921,877	84.65%	9,487,531	31,409,408	84.65%
ENEL Investments Holding SV	2,369,583	9.15%	1,025,527	3,395,110	9.15%
Arcelormittal Galati SA	1,605,618	6.20%	694,893	2,300,511	6.20%
TOTAL	**25,897,078**	**100%**	**11,207,951**	**37,105,029**	**100%**

As of 31 December 2012 and 2011, the shareholding structure is as follows:

Investor	31-Dec-11	%	31-Dec-12	%
S.N. Nuclearelectrica S.A.	86,348,081	84.65%	123,718,517	84.65%
Enel Investment Holding B.V.	9,333,550	9.15%	13,372,999	9.15%
AcelorMittal Galati SA	6,324,369	6.20%	9,061,483	6.20%
TOTAL	**102,006,001**	**100%**	**146,152,999**	**100%**

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

83

8. Trade and other payables

As of 31 December 2012 and 2011, trade and other payables consist of the following:

	31 December 2012	31 December 2011
Current		
Trade payables	-	765,370
Fixed assets suppliers	193,671	4,733,486
Payables to employees	83,537	103,726
Payables to State	132,394	203,739
Other payables	-	190,316
Total	**409,602**	**5,996,637**

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

9. Other income

The other income for 2012 and 2011 is as follow:

	2012	2011
Penalties	3,845	129,297
Other income (rent & utilities)	63,703	24,830
Foreign exchange gains, net	-	606,986
Total	**67,548**	**761,113**

10. Work performed by the entity and capitalized

The following expenses were capitalized by the Company during 2012 and 2011 as work performed by the entity

	2012	2011
Employee benefits expenses	6,139,550	5,562,052
Depreciation and amortization expenses	193,554	238,740
Rental expenses	-	1,112,366
Other third party services	-	175,214
Travel expenses	-	181,655
Postage and telecommunications	-	45,613
Electricity, heating and water	-	58,574
Other expenses	-	123,891
Work performed by entity and capitalized	**6,333,104**	**7,498,105**

In 2012 the Company capitalized the following expenses directly on investment in progress: rental expenses, other third party services, travel expenses, postage and telecommunications, electricity, heating and water and other expenses.

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

11. Income tax expenses

Income tax expense for 2012 and 2011 consists of the following:

	2012	2012
Income tax expenses	(68,544)	(224,416)
Total	**(68,544)**	**(224,416)**

The reconciliation of income tax expense for 2012 and 2011 is presented in the table below:

	2012	2011
Profit before tax	420,920	1,276,088
Less: Non taxable income	(190,316)	-
Add: Non deductible expenses	219,475	190,316
Legal reserve	**(21,679)**	**(63,804)**
Taxable result	**428,400**	**1,402,600**
Income tax (16%)	**68,544**	**224,416**

12. Related parties

The balances and transactions with related parties for 2012 and 2011 are as follows:

Trade Payables	**31 December 2012**	**31 December 2011**
SN Nuclearelectrica S.A	15,569	129,552
Total	**15,569**	**129,552**

Acquisitions	**2012**	**2011**
SN Nuclearelectrica S.A	820,563	536,779
Total	**820,563**	**536,779**

The 2012 acquisitions are represented mainly by rent expenses of RON 242,243 and by commercial and technical analysis for the acquisition procedure of the investment in Units 3 and 4 of RON 573,957.

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

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 the 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.

14. Commitments and contingencies

(i) Capital Expenditure

The main commitments of the Company as at 31 December 2012 are represented by the following contracts related to the tangible assets acquisitions for the first phase of the project:

Supplier	Contract	Contracted amount (currency)	Realized amount (CCY)	Remaining amount (RON)
Candu Energy Inc	20/2011	CAD 11,900,000	CAD 11,500,000	1,349,440
Royal Bank of Scotland Plc	42/2010	EUR 1,472,000	EUR 825,532	2,863,015
Total				**4,212,455**

(ii) Litigations

On 16 December 2011, the Company contested three measures imposed by the Decision no. 97/28 November 2011 issued by Romanian Court of Accounts. The file no. 14951/3/2012 related to the cancellation of these measures communicated by the Romanian Court of Accounts through Decision no. 97/2011.These three measures are as follows:

- during 2009 and 2010 the Company should have been booked all its expenses on property, plant and equipments. The amounts subsequently capitalized by the Company are 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 labour contract and the minimum holiday bonus as set by the Labour Code, in a total amount of RON 621,909.

The first hearing was set for 18 June 2013. Following this Decision, 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 National 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.

In the same time the Company sued its actual or former employees to recover the amounts paid as holiday bonuses. These litigations are suspended until a final decision is taken in the litigation against the Court of Accounts, except for five litigations that were not suspended as at 31 December 2012.

(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 Romania 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 2012, the Management's salaries were in an amount 470,886 (554,673 for 2011).

16. Financial instruments and risk management

Financial instruments

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

1. Paying its debts in due time in order to avoid penalties for late payments;
2. Setting up short term deposits for the cash and 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 it 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 months.

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

8+

and cash that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily EUR, USD and Canadian Dollars.

During 2012, the inflation rate was 5.25 % (3.14 % for 2011). 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
31 December 2012				
Monetary assets				
Cash and cash equivalents	11,833,010	2,040,257	-	80,051
Other receivables	3,633,524	-	-	-
Monetary liabilities		-	-	-
Suppliers of fixed assets	(117,528)	-	-	(76,143)
Gross balance sheet exposure	**15,349,006**	**2,040,257**		**3,908**

	RON	EUR	USD	CAD
31 December 2011				
Monetary assets				
Cash and cash equivalents	9,239,570	826,140	132,185	1,963,281
Other receivables	4,419,064	-	-	-
Monetary liabilities		-	-	-
Suppliers of fixed assets	(765,370)	(117,110)	-	(4,616,376)
Gross balance sheet exposure	**12,893,264**	**709,030**	**132,185**	**(2,653,095)**

The following significant exchange rates have been used:

	Average rate		**Reporting date spot rate**	
	2012	**2011**	**31 December 2012**	**31 December 2011**
RON/ EUR	4.4560	4.2379	4.4291	4.3197
RON/ USD	3.4682	3.0486	3.3619	3.3393
RON/ CAD	3.4701	3.0794	3.3796	3.2724

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

Sensitivity analysis

A 10 percent strengthening of the RON against the following currencies at 31 December 2012 and 31 December 2011 would have increased profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Loss 2012	Profit 2011
EUR	(204,026)	(70,903)
USD	-	(13,219)
CAD	391	265,309
TOTAL	**(203,635)**	**181,187**

A 10 percent weakening of the RON against the following currencies at 31 December 2012 and 31 December 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant

	Profit 2012	Loss 2011
EUR	204,026	70,903
USD	0	13,219
CAD	(391)	(265,309)
TOTAL	**203,635**	**(181,187)**

Credit risk

There are no significant concentrations of credit risk within the Company.

Liquidity risk

The Company's policy on liquidity is to maintain sufficient liquid resources to meet the obligations as they fall due.

	31 December 2012	31 December 2011
Assets		
Monetary assets in RON	15,466,534	13,658,633
Monetary assets in foreign currency	2,120,308	2,921,607
	17,586,842	**16,580,240**
Liabilities		
Monetary liabilities in RON	(117,528)	(765,370)
Monetary liabilities in foreign currency	(76,143)	(4,733,486)
	(193,671)	**(5,498,856)**
Net monetary position in RON	**15,349,006**	**12,893,263**
Net monetary position in foreign currency	**2,044,165**	**(1,811,879)**

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

The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual amount	12 months or less	>1 year
31 December 2012				
Financial liabilities				
Trade payables	(193,671)	(193,671)	(193,671)	-
Total	**(193,671)**	**(193,671)**	**(193,671)**	**-**

	Carrying amount	Contractual amount	12 months or less	>1 year
31 December 2011				
Financial liabilities				
Trade payables	(5,498,857)	(5,498,857)	(5,498,857)	-
Total	**(5,498,857)**	**(5,498,857)**	**(5,498,857)**	**--**

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 instrument 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 prices or through cash flows models, as appropriate. As at 31 December 2012, 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 believes that the estimated fair values of these instruments are approximately equal to their carrying amounts.

17. Subsequent events

The Company restructured 8 employees during January – February 2013 in accordance with the 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.

Ecaterina Nitu
Chief Accountant

THE ANNUAL REPORT

OF THE DIRECTORS OF SC ENERGONUCLEAR SA

FOR 2012 YEAR

Adresa: Str. Vasile Lascar, nr. 5-7, etaj 3, sector 2, Bucuresti, **Nr. Inregistrare in Registrul Comertului:** J/40/3999/25.03.2009; **Cod Unic de inregistrare:** RO 25344972; **Capital social subscris si varsat:** 123.717.997,24 RON; **tel:** +40 372 050 501; **fax:** +40 372 050 505; **e-mail:** office@energonuclear.ro

1. IDENTIFICATION DATA

Annual Report according to the provisions of Order no.3055/2010 by the Minister of Public Finances with subsequent amendments and Article 22 of the Statute of the Company for the year ended: December 31, 2012.

Date of report: 2013, March 1

Name of the company: SC ENERGONUCLEAR SA

Headquarters: Str.Vasile Lascar, no.5-7, 3rd floor, District 2, 020491 Bucuresti, Romania

Phone / fax : 0372050501 / 0372050505

Unique registration code from the 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, 2012 the Company's share capital was fully paid. The Shareholders' structure, as registered with the Trade Registry was as follows:

SHAREHOLDERS	No. of shares	%
SN Nuclearelectrica SA	31.409.408	84.65
ArcelorMittal Galati SA	2.300.511	6.2
Enel Investment Holding BV	3.395.110	9.15

The Company's purpose is to develop a project that consists in 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

The Board of Directors held meetings whenever necessary, and as such 14board meetings had been held, based on which 14 Board Decisions were issued.

In accordance with the legal provisions, minutes were drafted for the meetings during which resolution number 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12 and 13 were adopted by the Board which recorded the discussions and proposals made during the meetings and which were signed by the President of the Board as well as by two other members of the Board.

Resolutions number 11 and 714 were adopted by unanimous electronic voting and were subsequently signed by all the Board members.

The Company's Executive Management was ensured during 2012 by Dragos Paul POPESCU, CEO.

4. LEGISLATION, REGULATIONS

During the year 2012, 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 by the minister of public finances for the application of the Accounting Law;

- ► Order no. 3055/2009 by the Minister of Public Finances for approval of accounting regulations according to European directives;
- ► Order no. 2861/2009 by the Minister of Public Finances for approval of Norms regarding the organisation and performance of the inventory count of assets and liabilities (Official Gazette 704/2009);
- ► Order no. 3512/2008 by the Minister of Public Finances regarding the financial-accounting records (Official Gazette 870/2008).
- ► Order no. 1121/2006 by the Minister of Public Finances regarding the application of International Financial Reporting Standards.

5. DESCRIPTION OF ACTIVITY

During year 2012, the following activities were performed:

- Running the EPC procedure (receive and assessment of the preliminary Bid, several negotiations rounds on commercial and technical);
- Preparation of the feasibility study ;
- Closing the issue of the seismic hazard for the site, definition of the seismic design basis. These reports have been reviewed and certified by IAEA experts.
- Preliminary assessment of the main equipment in order to confirm their withstanding capabilities to new loads;
- Preparation of a safety documentation package. CNCAN issued the Comfort letter stating the fact that the design is licensable considering the safety documentation package.
- Completing the biodiversity study. This was a prerequisite for Environmental Permit.
- Preparation of the technical studies for cooling water and grid connection.
- Preparation of the TOR's for site studies;
- Developing the software for the financial model of the Project;
- Site preservation works.

By Decision no.11 from 14 November 2012, the Board of Directors approved:

- the temporary suspension of some activities of the company from 12 November to 31 December 2012 (Technical Department, Commercial Department, Economic Department, Internal Audit Department, Quality Management Department, Human Resources Department, Planning Department, Tracking and Reporting), therefore a total of 28 employees;
- the suspension of the rest of the activities between 21 December 2012 - 31 December 2012, except the specific IT activities, representing another 9 employees.

6. FINANCIAL - ACCOUNTING STATEMENT

During year 2012, the financial - economic activity was based on the indicators included in the income and expenditure budget approved by the Governmental Decree no. 821/2012.

I.BALANCE SHEET

RON

Indicator	December 31st, 2011	December 31st, 2012
Intangible assets	150,231	54.183
Tangible assets	96,276,667	133.426.752
Total NON-CURRENT ASSETS	96,426,898	133.480.935
Receivables	4,450,394	3.736.129
Bank accounts	12,129,053	13.902.444
Total CURRENT ASSETS	16,579,447	17.638.573
Advance payment	1,445	0
Current liabilities	(6,619,344)	422.003
Net current assets/net current liabilities	9,961,548	17.216.570
Total assets less current liabilities	106,388,446	150.697.505
Provision	(190,316)	146.152.999
Total EQUITY	106,198,130	150.697.505

II. THE PROFIT AND LOSS ACCOUNT

RON

Indicator	December 31st, 2011	December 31st, 2012
OPERATING REVENUES	7.652.232	6.400.652
OPERATING COSTS	7.690.070	6.383.643
FINANCIAL REVENUES	2.175.123	3.695.677
FINANCIAL EXPENSES	861.197	3.291.767
Total REVENUE	9.827.355	10.096.329
Total COST	8.551.267	9.675.410
PROFIT/LOSS FOR THE PERIOD	1.051.672	352.376

7. COMPANY PERSONNEL

The number of employees hired at 31 December 2012 is of 36, out of which 9 employees were working in the general department, 17 employees in the technical department, 3 employees in commercial department and 7 employees in the economic department. All Company's employees have a university degree.

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

Following to General Shareholders Assembly no. 8/December 19, 2012 which approves the new organizational chart, 9 positions have to be removed. In this respect 9 employees have been notified during January 2013, out of which 8 leaved the company.

9. RISK MANAGEMENT

During year 2012, the Program regarding the implementation of the internal control standards requirements in accordance with OMFP 946/2005. These include also the specific standard referring to the risk management (Standard no.11).
This Program was built in correlation with QM System already implemented by EN. In this respect, MMC-01 rev. 2 specified provisions referring to the internal/managerial control, risk management and conformity.
The risks in connection with the main activities were assessed using weekly actions plans and monthly reports with the aim to limit and control consequences of the risk. For each item specific responsibilities were assigned at employees' level.

10. FINANCIAL AUDITING

The Company is audited by an external financial auditor. The Company's auditor is KPMG Audit SRL, contracted to conduct an audit of the Company's financial statements under the laws in force.

11. INTERNAL AUDITING

The internal auditor, Mrs. Arsene Mariana, prepared the Internal Audit Report on year 2012, registered under no. 10509/8.01.2013. The report includes some recommendations which will be implemented by the management. The report has been submitted to the majority shareholder.

12. EXPECTED DEVELOPMENT OF THIS COMPANY

In November 2012, the Prime Minister approved "The Memorandum referring to the required actions for the continuation of the Cernavoda Unit 3&4 Project". The option regarding the prolongation of the Investment Agreement after 2013 January 1st, but not later than 2013 January 31st was approved, with the purpose to attract new investors. If, the existing

Shareholders will fail to reach an agreement, Nuclearelectrica will buy the Foreign Investors' shares at nominal values. Subsequently, EN will be 100% owned Nuclearelectrica and will continue its activity.

13. LITIGATIONS

The company management implemented the measures imposed by Decision no. 97/28.11.2011 issued by the Court, among which:

establishment of the legal tax obligations due for years 2009 - 2010 and the related accessories and their payment to the state budget;

calculate and record in the EN accounts of the debt from SC Metinstal SA. For the recovery of the debt, SC Metinstal SA was sued;

establishment of the differences between amounts paid under contracts concluded and minimum holiday allowance established by the Labour Code for the current and former employees'. For the recovery of these amounts, EnergoNuclear promoted legal actions, actions which were suspended until will be issued a final and irrevocable decision in the case against the Court of Accounts.

Simultaneously, EnergoNuclear challenged in Court three of the measures ordered by decision no. 97/28.11.2011 issued by Court of Accounts, namely:

- the record and emphasis in accounting in the assets account for all expenditures of the company;
- the establishment of the legal tax obligations due for years 2009 - 2010 and the related accessories and their payment to the state budget;
- the establishment of the differences between amounts paid under contracts concluded and minimum holiday allowance established by the Labour Code for the current and former employees'.

The first term in this case is 18 June 2013.

Chairman of the Board

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