

REPORT OF THE INDEPENDENT AUDITOR

To the shareholders: S.P.E.E.H. Hidroelectrica S.A.

QUALIFIED OPINION

1. We have audited the individual financial statements of S.P.E.E.H Hidroelectrica S.A. (The "Company"), with registered office in Bucharest, 15-17 Ion Mihalache Boulevard, Tower Center Building, 11-14 floors, sector 1, identified with fiscal registration number RO 13267213, which includes the separate balance sheet as of 31 December 2017 and the individual profit and loss account, the situation of own equity modification and the individual cash flow statement for the year then ended, as well as a summary of significant accounting policies and explanatory notes.
2. The individual financial statements as at 31 December 2017 are identified as follows:
 - Net Asset Value / Total own equity: RON 17,554,279,848
 - Net profit of the financial year: RON 1,359,687,718
3. In our opinion, except for the possible effects of the issues described in paragraphs 4 to 6 in section The Base for the qualified opinion, the accompanying separate financial statements faithfully presents, in all material respects, the Company's individual financial position as at 31 December 2017, and its individual financial performance, its separate cash flows related to the year ended at respective date, in accordance with the Order of the Minister of Public Finance no. 1802/2014 as amended.

Base for our qualified opinion

4. As presented in Note 8 to the accompanying separate financial statements as at 31 December 2017, the company had long-term bank loans, according to which it must meet certain conditions, including, among other things, financial indicators based on the Company's consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union for the

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financial year ended December 31, 2017, which are unavailable on the date of our report, being under preparation.

Failure to comply with the terms of the respective loan agreements, including those relating to financial indicators, may require the early repayment of these loans, and consequently, the long-term portion of those loan contracts should be presented as a short-term liability, in order not to affect the Company's equity. During our audit, we were not able to determine any corrections that would have been required with regard to the classification of long-term loans in the Company's separate financial statements on 31 December 2017, in case the analysis on Company's performance of the financing indicators of those long-term loan contracts would have been possible.

5. As presented in Note 3 to the separate financial statements, on December 31, 2017, tangible fixed assets under construction include projects for which the Company has value adjustments in the amount of RON 1,730,472 thousand. Value adjustments were made because these projects are no longer economically viable for the Company. Company's management intends to analyze the possibility of either optimizing, or abandoning or transferring them to another governmental body, subject to shareholders' approval. There is no certainty as to the future obligations of the Company with regard to these projects, considering that they will not be completed. Following to the above, during 2017, The Court of Appeal cancelled the building permits issued by the Hunedoara County Council and the Gorj County Council for the hydro-energetic development of the Jiu river on the Livezeni - Bumbeti sector.

Company's Management considers that will obtain new environmental permits and will complete this project in value of RON 741,308 thousand on 31 December 2017. The separate financial statements do not include adjustments that may arise as a result of the issues described above. We were unable to determine, during our audit, any adjustments in additional value or additional liabilities that would be required for the financial year ended 31 December 2017 on these projects, on which such analyzes would have been performed.

6. As set out in Note 15 to the separate financial statements, the Company is party in the dispute with the National Agency for Fiscal Administration ("ANAF") through which were placed in Hidroelectrica's charge additional tax liabilities to the state budget in the amount of RON 232,570 thousand (as on January 21, 2014) representing tax on profit, VAT, social contributions and related accessories to these categories of taxes, fees and contributions. Subsequently, this decision was revised, and the established liabilities were reduced to the amount of RON 214.385 thousand (on December 18, 2014). The decision was contested by the Company on 19 February 2014, and the Court of Appeal rejected the request made by ANAF. However, on August 18, 2016 ANAF executed the letter of guarantee issued by the Company to guarantee this amount. The company challenged in court the execution of the letter of guarantee. The court dismissed the appeal, and the Company will make an appeal after communicating the court's decision. Based on legal arguments, the Company believes that it will be able to successfully defend itself at the Court of Appeal. The company registered the payment of RON 214,385 thousand

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on account of a debt from ANAF. Due to the various interpretations considered by the different courts, we are not in a position to determine the degree of recoverability of this receivable. The separate financial statements attached do not include adjustments for this debt.

7. We have conducted our audit in accordance with International Standards on Auditing ("ISA"), EU Regulation no. 537 of Parliament and of the European Council (hereafter "Regulation") and Law No. 162/2017 (the "Law"). Our responsibilities based on these standards are described in detail in the "Auditor's Responsibilities for an Audit on Financial Statements" section of our report. We are independent of the Company, according to the Code of Ethics of Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), in line with ethical requirements relevant to the audit of financial statements in Romania, including the Regulations and the Law, and we have fulfilled our ethical responsibilities according to these requirements and the IESBA Code. We believe that the audit evidence we have obtained are sufficient and appropriate to provide a basis for our qualified opinion.

Highlighting certain aspects

8. We draw attention to the fact that the unconsolidated financial position and the operating non-consolidated result of the Company are partly dependent on the decisions of the National Regulatory Authority for Energy regarding the tariffs of the electricity delivered on the Regulated market by the supply and distribution companies, changes in tariffs and / or decisions of the Romanian State, not being exclusively influenced by the decisions of the Company's management. At the same time, the energy sector experience permanent restructuring, which could have a significant impact on the Company, its future activity, as well as on the predictability of the future income of Company, all these aspects could diminish the influence on the Company's unconsolidated operating result, on the recoverability of the net accounting value of the tangible assets used in the production of electricity. These separate financial statements do not include adjustments that may arise from the outcome of these uncertainties. Our report does not express qualified opinion about this issue.
9. We draw attention to Note 15 to the separate financial statements according to which the Company is involved in a series of ongoing litigation. The management of the Company considers that these will be finalized in a favorable way for the Company. Our report does not express qualified opinion about this issue.

Key audit issues

10. Key audit issues are those aspects that, based on our professional reasoning, were the most important for the audit of the current financial statements. These issues were addressed in the context of the audit of the financial statements overall and in the formation of our opinion on them and we do not provide a separate opinion on these issues. In addition to the issues described in the "*Base for qualified opinion*" section and in the "*Highlighting*

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certain aspects” sections, we have determined that there are no other key audit issues that need to be communicated in our report.

Other information – Directors’ report

11. Directors are responsible for preparing and presenting other information. That other information should contain the Directors' Report with the non-financial statement but does not include the separate financial statements and the auditor's report on them.

Our opinion on the separate financial statements does not cover this other information, and unless expressly stated in our report, we do not express any insurance conclusion about them.

In connection with the audit of the separate financial statements for the year ended 31 December 2017, it is our responsibility to read that other information and, in this regard, to assess whether that other information is significantly inconsistent with the separate financial statements, or with the information we encountered during the audit, or if they appear to be materially distorted.

As far as the Directors’ Report is concerned, we also read and report if it was drafted for all significant aspects, in accordance with the Order of the Minister of Public Finance no. 1802/2014 as amended, paragraphs 489-492.

Based solely on the activities to be performed during the audit of the financial statements, in our opinion:

- a) The information presented in the Directors' report for the financial year for which the financial statements were prepared, are consistent, in all material respects, with the financial statements;
- b) The Directors’ Report has been prepared in all material respects in accordance with Minister of Finance no. 1802/2014 as amended, paragraphs 489 -492.

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the financial year ended December 31, 2017, we are required to report whether we have identified significant misrepresentations in the Directors' Report. Except for the possible effects of the issues described in paragraphs 4 to 6 in the "Base for Qualified Opinion" section of our report, we have nothing to report on this issue.

Managements’ responsibilities of and the persons responsible for governance of separate financial statements

12. The Management is responsible for the preparation and fair presentation of separate financial statements in accordance with the Order of the Minister of Public Finance no. 1802/2014 with amendments and for that internal

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control that the Management deems necessary to allow the preparation of separate financial statements without significant misrepresentations, caused either by fraud or by error.

13. In preparing the separate financial statements, the Management is responsible for appreciating the ability of the Company to continue its business by presenting, if necessary, business continuity issues and using accounting on the basis of continuity of activity, unless the management intends either to liquidate the Company or to stop the operations or has no other realistic alternative outside them.
14. Persons responsible with governance are responsible for overseeing Company's financial reporting process.

Auditor's Responsibilities in the Audit of Financial Statements

15. Our goal is to obtain a reasonable assurance of the financial situation statements, as a whole, are free of material misrepresentations, whether due to fraud or error, and to the issuance of an auditor's report that includes our opinion. Reasonable insurance represents a high level of insurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a significant misrepresentation, if this exists. Misrepresentations can be caused either by fraud or by error and are considered significant if can be reasonably foresee, and they, individually or cumulative, will influence the economic decisions of users, adopted based on these financial statements.
16. As part of an audit, in accordance with International Standards on Auditing, we exercise professional judgment and keep professional skepticism throughout the audit process. Also:
 - We identify and evaluate the risks of material misrepresentations of the financial statements caused either by fraud, or error, we design and perform audit procedures in response to those risks and we obtain sufficient audit evidence to provide a basis for our opinion. The risk of not detecting significant misrepresentations caused by fraud is higher than that of undetectability of significant misrepresentations caused by error, since fraud may require secret agreements, false, intentional omissions, false statements, and avoidance of internal control.
 - We understand the internal audit as relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of internal control at the Company.
 - We assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates, and related disclosures made by management.
 - We formulate a conclusion on the appropriateness of the use of accounting, based on continuity of activity and we determine, based on the audit evidence obtained, whether there is a significant uncertainty about

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events or conditions that could generate significant doubts about the Company's ability to continue its activity. If we conclude that there is a significant uncertainty, we must draw attention in the auditor's report on the accompanying disclosures in the financial statements or, if these presentations are inappropriate, to change our opinion. Our conclusions are based on audit's evidence obtained at the date of the auditor's report. However, future events or conditions may cause the Company to stop operating based on the continuity of activity principle.

- We evaluate the presentation, structure and general content of the financial statements, including presentations of information, and the extent to which the financial statements reflect the transactions and the underlying events in a manner that makes it a fair presentation.

17. We sent to the people responsible for governance, among other things, the planned area and the timing of the audit, and the main audit results, including anything significant deficiencies of the internal control that we identify during the audit.
18. We also provide to people in charge of governance a statement that we have observed the relevant ethical requirements on independence, and we have communicated to them all relations and other issues that could reasonably be assumed to affect our independence and, where appropriate, the related protection measures.
19. Among the issues communicated to those persons responsible for governance, we determine what are the most important issues for the audit of the current financial statements and which represent, consequently, key audit issues. We describe these issues in the auditor's report, except for the case in which the laws or regulations prohibit the public presentation of the issue or the case, in extremely rare circumstances, we determine that one aspect should not be communicated in our report because it is reasonably expected that the benefits of the public interest will overcome negative consequences of this communication.

Report on Other Legal and Regulatory Provisions

20. We were appointed by the General Meeting of Shareholders as of [date mentioned] to audit the financial statements of S.P.E.E.H. Hidroelectrica S.A. for the financial year ended 31 December 2017. The uninterrupted total duration of our commitment is 6 years, covering the financial years ended 31 December 2012 until 31 December 2017.

We confirm that:

- Our audit opinion is in line with the additional report submitted to the Company's Audit Committee, which we issued in same date when issuing this report. Also, in conducting our audit, we kept the independent position towards the audited entity.
- We have not provided for the Company the prohibited **non-audited services** referred to in Article 5 paragraph (1) of the EU Regulation no. 537/2014.

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The audit partner for whom this audit report was drawn up is the independent auditor's Farrukh Khan.

Farrukh Khan, Audit partner

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Seal of Deloitte Audit SRL

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With certificate no.1533/25.11.2003

In the name of

DELOITTE AUDIT S.R.L.

Registered at the Chamber of Financial Auditors in Romania

with the certificate no. 25 / 25.06.2001

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May 10, 2018