Current Report according to the provisions of Law no. 24/2017 and ASF Regulation no. 5/2018 on issuers of financial instruments and market operations
Report date: 28.04.2020
Name of issuing entity: ***NUCLEARELECTRICA S.A. National Company***
Registered office: ***65 Polona St., district 1, Bucharest***
Telephone/Fax: ***021.203.82.00 / 021.316.94.00***
Sole Registration Number with the Trade Register Office: ***10874881***
Registration number with the Trade Register: ***J40/7403/1998***
Subscribed and paid-up share capital: ***RON 3,015,138,510***
Regulated market on which the issued securities are traded: ***Bucharest Stock Exchange***

To: **Bucharest Stock Exchange**
Financial Supervision Authority

Significant event to report:
Annual Report concerning the financial year ended on 31 December 2019

Nuclearelectrica S.A. National Company ("SNN") informs shareholders and investors about the publication of the Annual Report for the financial year 2019, prepared in accordance with the provisions of art. 63 of Law no. 24/2017 and Annex no. 15 to ASF Regulation no. 5/2018

The annual report for the financial year 2019 comprises:

(i) The main events of the company's activity during the reporting period;

(ii) Individual annual financial statements audited at the date and for the financial year ended on December 31, 2019 prepared in accordance with *OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards* ("IFRS-EU"), together with the independent auditor's report;

(iii) Individual annual financial statements audited at the date and for the financial year ended on December 31, 2019 prepared in accordance with *OMFP 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards* ("IFRS-EU"), together with the independent auditor's report.

Main results

In 2019, SNN recorded a net profit of 535,667 thousand RON. The main results are presented below and are extracted from the individual financial statements audited at the date and for the period ended on December 31, 2019, as follows:

Indicator [thousand RON]	**2019 (audited)**	**2018 (audited)**	**Variation**
Operating income, out of which:	2,417,433	2,178,873	10.9%
*Proceeds from the sale of electric power***	*2,365,564*	*2,116,992*	*11.7%*
Operating expenses, minus impairment and depreciation	(1,232,455)	(1,089,368)	13.1%
EBITDA	**1,184,978**	**1,089,505**	**8,8%**
Impairment and depreciation	(555,553)	(552,965)	0.5%
EBIT	**629,425**	**536,540**	**17.3%**
Net financial result	1,850	36,083	(94.9%)
Net income tax expense	(95,608)	(162,012)	(41.0%)
Net profit	**535,667**	**410,611**	**30.5%**

**Electricity produced and delivered by Cernavoda NPP in the National Energy System.*
***Including revenues from the sale of thermal energy, insignificant in the total revenues.*

The main **factors contributing to the results of 2019** as compared to the previous year:

- Increase by 8.8% of the operational profit (EBITDA) compared to the same period of the previous year, mainly following the increase of operational revenues by 11%, influenced by the increase by 12% of the revenues from the sale of electricity.
- Increase by 12%, determined by the 2019% increase in the weighted average price (without Tg) of the electricity sold in 2018, as compared to the weighted average price from the same period of 2019, considering the sale of a total quantity of electricity in 2018 similar to the total quantity sold in 0,2 (only 0.2% decrease).
- The quantity of electricity sold on the competition market of bilateral contracts decreased by 9%, and benefited from an increase of the average sale price on this market by 14% (price without Tg), while the electricity quantity sold on the spot market (PZU and PZI) decreased by 34%, considering an average sale price on this market higher by 19% (price without Tg) was registered.
- In 2019, the Company sold approximately 12.9% of energy on the regulated market (the Company did not sell energy on the regulated market in 2018), at a regulated price, following Government Emergency Ordinance no. 114/28.12.2018.
- The increase by 13% of operating expenses compared to the same period of 2018 was caused by the contribution paid by SNN to ANRE, according to the provisions of GEO no. 114/2018, the increase of the expenses with the purchased electricity and the slight increase of personnel expenses, partially compensated by the decrease of the repair and maintenance expenses.
- Decrease of the net currency exchange differences (net financial revenues) by 94.9%, negatively influencing the net result.

- The decrease of net expenses with the profit tax positively influenced the net result. This decrease was caused by a reduction in the actual profit taxation rate from 28% in 2018 to 15% in 2019.

Electricity output in 2019

The gross production of electricity of the two operational units of CNE Cernavoda was 11,280,167 MWh in 2019; from this gross production, the own technological consumption of the Units during the operation, and during the outages ensured from own production was 933 thousand MWh in 2019.

Thus, the electricity produced and delivered in the National Energy System ("NES") was 10,346,746 MWh in 2019, compared to the same period of 2018 (10,443,078 MWh), which accounts for a decrease of 0.9%.

Output	2019			2018		
	Unit 1	Unit 2	Total	Unit 1	Unit 2	Total
Gross production (GWh)	5,788	5,492	**11,280**	5,387	5,990	**11,377**
Net production (GWh)	5,293	5,075	**10,368**	4,928	5,531	**10,459**
Capacity factor (%)	93.86	89.18	**91.52**	87.31	97.43	**92.37**

Electricity sales in 2019

Sales by types	Quantities in MWh	% out of total sales	Average price [RON/MWh, Tg included]	Revenues from sales [RON]
Sales on the regulated market	1,376,963	12.9%	189.51	260,948,252
Sales on the competitive market (bilateral contracts and PZU and PI contracts), out of which:	9,245,123	86.8%	227.70	2,105,074,010
- Sales on PCCB - LE, PCCB - NC, PCSU, PC - OTC contracts and supply contracts	8,194,487	76.9%	228.01	1,868,444,207
- PZU and PI sales	1,050,636	9.9%	225.23	236,629,803
PE positive imbalances*)	30,137	0.3%	178.96	5,393,395
Total sales in 2019	**10,652,223**	**100%**	**222.62**	**2,371,415,657**

**) NB: RON 198,067 of the value presented represents redistributed revenues resulted from the balancing of the system, based on the application of NARE Order no. 51/2016, NARE Order no. 76/2017 and NARE Order no. 31/2018.*

The revenues obtained from the electricity market related to electricity deliveries in 2019 are RON 2,371,415,657 (out of which RON 198,067 account for redistributed revenues resulted from balancing the system, based on the application of ANRE Order no. 76/2017 and ANRE Order no. 31/2018), 0.81% higher than the budget revenues for 2019, and 11.7% higher than the same period of the previous year.

The average weighted sale price, for the electricity quantities sold (without the regulated market and PE), resulted in 2019, is of RON 227.70/MWh (including Tg). For comparison, the weighted average price of all the transactions performed on the markets on which SNN operated in 2019 (PCCB - LE,

PCCB - NC, PCSU, PZU and PI), calculated based on the values published by OPCOM in the monthly market reports, is 239.11 lei/MWh. In 2018 the average weighted sale price, for the energy quantities sold (without PE) was 198.99 lei/MWh (including Tg).

Following Government Emergency Ordinance no. 114/28.12.2018, which amends and supplements Electricity and natural gas law no. 123/2012, ANRE issued Order no. 10/01.02.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 326/25.02.2019, the quantity assigned to SNN for 2019 for **regulated contracts** was 1,377 GWh. ANRE established a regulated price for SNN of RON 188.33 /MWh (without T_g).

The sold electricity quantities on the **competitive market of bilateral contracts** represented in 2019 a percentage rate of 76.9% out of the total volume of the sold energy. The average sale price on bilateral contracts in 2019 was 228.01 RON/MWh (with Tg included), recording an increase of 13.6% as compared to the average price recorded in the same period of 2018, of 200.67 RON/MWh (with Tg included); given the fact that the values of the electric power input transport fee in the T_g network were the following: RON 1.05 /MWh for the period July 1, 2017 - June 30, 2018, according to ANRE Order no. 48/22.06.2017 and RON 1.18 /MWh for the period July 1, 2018 - December 31, 2019, according to ANRE Order no. 108/20.06.2018.

On the spot market (PZU and PI), in 2019, a quantity of electricity representing 9.9% of the total sales volume was sold, compared to the percentage share of 14.9% recorded over the same period of 2018. The average sale price of energy on the spot market (PZU and PI) performed by SNN in 2019 was 225.23 lei/MWh (with Tg included), compared to 189.46 lei/MWh (with Tg included) registered in 2018.

Investment program

The total value of the investment program for 2019 is 256,548 thousand RON (without the component allocated to the payment of the debt service related to long-term loans), a program approved by Resolution no. 6/20.05.2019 of the Ordinary General Assembly of Shareholders of SNN, as part of the Revenues and Expenses Budget ("BVC") of SNN for 2019.

The comparative situation of the investment accomplishments (value and percentage) for January 1st - December 31st, 2019 compared to the same period of 2018 is presented in the table below:

Year	Value of the investment program [thousand lei]	Performed (01.01 - 31.12) [thousand lei]	Achievement level (01.01 - 31.12) (%)
2019	256,548	218,455	85.2%
2018	244,867	139,699	57.1%

As in the previous years, Nuclearelectrica S.A. structured its investment development program on objectives defined in relation to the needs of the production branches (Cernavoda NPP and Pitesti NFF), so as to achieve a high level of utilization of the production capacity (EAF Energy Availability Factor) in compliance with the nuclear safety norms and the long-term maintenance of the level of excellence in

the operation of the plant. At the same time, the goal of the development program is to cover the necessity to upgrade/refurbish certain systems, for economic reasons (specific consumption reductions, improvement of certain parameters related to served processes, with a positive impact on efficiency), and legal ones – the need to implement upgrades associated with nuclear security, environment protection and labor security, representing imperative requirements from the regulatory authorities in the field.

The investment program of SNN for 2019 annexed to BVC was value-sized by considering the ongoing contractual commitments, the estimates regarding the investment objectives to be made in the following year, including amounts allocated to investment projects for which the fulfillment of certain requirements outside the control of SNN is anticipated (e.g. prior approvals of regulation authorities, legal terms regarding the completion of public tender procedures, including appeals, obtaining the necessary approvals from SNN corporate bodies, etc.), in order to allow the implementation of these projects by fitting into the approved budget values.

Additional information can be obtained from: investor.relations@nuclearelectrica.ro

Please access the link below in order to view the Annual Report for 2019.

Cosmin Ghita
Chief Executive Officer

S.N. NUCLEARELECTRICA S.A.
ANNUAL REPORT
2019

COMPANY MANAGED IN A ONE - TIER MANAGEMENT SYSTEM

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1. BASIS OF REPORT

The Annual Report of the Board of Directors of S.N. Nuclearelectrica S.A. for the financial year ended on December 31, 2019 was drafted according to:

- ❖ Chapter III of the Public Finance Minister's Order no. 2844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards.
- ❖ Art. 63 of Law no. 24/2017 on the issuers of financial instruments and market operations.
- ❖ Annex no. 15 of Regulation 5/2018 regarding the issuers of financial instruments and market operations, issued by the Financial Supervision Authority.
- ❖ Art. 56 of Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public institutions, as further amended and supplemented.
- ❖ Art. 5.3 par. 5.3.1, let. i) from the Mandate Contracts, valid as at December 31, 2019, concluded between the directors and S.N. Nuclearelectrica S.A.
- ❖ Art. 20 par. shall be amended (2) let. e) and Art. 20 par. shall be amended (3) let. d) from the Articles of Incorporation of S.N. Nuclearelectrica S.A.

2. IDENTIFICATION DATA

Report date:	March 24, 2020
Name of the issuer:	S.N. Nuclearelectrica S.A. ("SNN")
Registered office:	Bucharest, District 1, 65 Polona Street
Telephone/Fax:	+40 21 203 8200; +40 21 316 9400
Web:	www.nuclearelectrica.ro
Email:	office@nuclearelectrica.ro
Sole Registration Number	10874881
Registration number with the Trade Register:	J40/7403/1998
Subscribed and paid share capital:	RON 3,015,138,510
Regulated market on which the issued securities are traded:	Bucharest Stock Exchange (www.BSE.ro) Premium Category
Main features of the issued securities:	301,513,851 shares, nominal value of 10 lei/share, dematerialized, nominative, ordinary, indivisible, with equal voting rights, freely tradable on Bucharest Stock Exchange under SNN symbol starting with 04.11.2013

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3. MESSAGE OF THE BOARD OF DIRECTORS

2019 was characterized by increasing concerns regarding climate change and focusing on decarbonization targets and long-term energy policies that configures the role of nuclear energy, globally, regionally and nationally.

At global level, interest in nuclear power remained mostly stable, especially in developing countries. Approximately 10% of the world's electricity is generated by the 440 nuclear reactors, with nuclear power being the second source of low-carbon electricity. In addition, more than 50 countries use nuclear energy in approximately 225 research reactors, which are also used for the production of medical and industrial isotopes as well as for training. There is a clear need for new nuclear capacities all over the world, in order to replace old power stations that use fossil fuels, especially coal, and which produce significant emissions of carbon dioxide, and in order to satisfy the high demand of electricity, especially in emerging states. Currently, approximately two thirds of the electricity of the world comes from burning fossil fuels. Until 2050, if the climate change objectives are achieved, 80% or more of electricity will have to be produced with low-carbon emissions. Nuclear energy is already reducing carbon dioxide emissions by approximately two gigatons a year, the equivalent of removing the emissions of over 400 million cars. A decrease in the production of energy from nuclear sources would seriously threaten the energy security and the achievement of environment targets and would inevitably lead to the release of billion of tons of carbon dioxide into the atmosphere, resulted from the replacement of nuclear energy with other generation sources, according to the International Energy Agency.

28 countries are considering introducing nuclear energy. Two of them - Belarus and the United Arab Emirates - are close to operating their first nuclear power stations, while Bangladesh and Turkey have started building their first nuclear power plants. These states need electricity for their economic growth, and this energy must be clean, in order to achieve the climate objectives. One of the best options at their disposal is nuclear energy, thus contributing to the global objective of decarbonizing the energy sector.

Extending access to energy and, at the same time, drastically reducing greenhouse gas emissions that cause global warming and climate change are among the central challenges of mankind in the 21st century. Nuclear power is a major part of the solution to produce carbon-free energy in many parts of the world, such as the United States, the European Union, South Korea, making an important contribution to reducing greenhouse gas emissions, while providing increasing quantities of electricity necessary to develop the global economy. Increased demand for electricity is particularly rapid in emerging countries, especially in Africa, where demand will increase by 100% - 450% until 2050. While today most people without access to electricity live in rural areas, most of the population growth by 2030 will take place in cities. Achieving the goal of securing access to electricity for an additional 1.3 billion people globally by 2030 will require a combination of less polluting power generation solutions. In this scenario, nuclear power will be part of the solution,

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due to the advantages it holds, such as stability in national systems, clean energy, baseload production. The contribution of nuclear energy to avoiding short-term CO2 emissions will be achieved by nuclear power plants in operation, under construction and in preparation.

At European Union level, in order to achieve the goal of decarbonising the economy by 2050, a quarter of the electricity produced in the European Union needs to be from nuclear sources. In the European Union, nuclear energy ensures 26% of the primary energy sources and represents more than half of the energy with low carbon dioxide emissions that is produced. Currently, half of the nuclear electricity of the European union is produced in a single country - France, while 53 nuclear units that operate in three countries outside the European Union (Russia, Ukraine and Switzerland) represent approximately 17% of the electricity from the rest of Europe. The nuclear industry in the member states ensures 1.1 million jobs and generates a turnover of 102 billion euros a year. The most recent manifesto adopted by the European Group of Leaders from the Nuclear Industry, which S.N. Nuclearelectrica S.A. is a part of, signed in Bucharest on June 26, 2019, provides the long-term support of nuclear projects that directly involve initiatives of cooperation and alignment of interests between the industry and authorities. Regarding the prospects of nuclear energy in Central and Eastern Europe with the target of 2050, Romania supports the idea of a balanced and efficient energy mix in which nuclear power has a significant share and an important contribution to achieving the decarbonisation targets and the strategic objectives assumed by Romania. SNN, through the strategies and measures it has adopted, will continue to play an essential role in ensuring the stability and security of the energy system, both through its current capabilities and in the long run, through its major investment projects.

If we look at the forecasts of growth for the contribution of nuclear energy in the member states of the European Union, corroborated with the achievement of the decarbonization objectives for 2050, we notice a clear trend of invigorating the nuclear industry or of launching it in states that have primarily focused on fossil fuels: Bulgaria 36%, Poland 28%, the Czech Republic 54%, Hungary 58%, Slovakia 59%, Lithuania 53%, Slovenia 43%, Romania 27% (with the reactors of Units 3 and 4 operational).

In other regions in the world, especially those with an oil tradition, such as the MENA states, there are massive investments in the development of nuclear industry in order to meet demand and diversify medium- and long-term sources. The numbers are: 15.5 GW nuclear plants under construction, 37 GW planned, 67 billion dollars in contracts already concluded in the region.

Romania acknowledges the contribution of nuclear energy, the band production source, to the decarbonization of the energy system and promotes nuclear energy as a clean primary source of energy production. An important step in this direction is promoting innovation and new nuclear technologies, including the partnership with renewable energy, in order to facilitate the transition to an economy with low carbon emissions, nuclear energy being acknowledged as a “green”, non-polluting, stable and safe source On national level, by the energy strategy for 2050, the development

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of new nuclear capabilities is provided as an essential component of maintaining medium- and long-term energy independence and ensuring the achievement of the decarbonization targets.

Nuclear energy on global and European level is shaping up as a firm and reliable option for ensuring the current and future energy necessities, and is supported both by governments (in Romania, for example, the acceptance degree for new nuclear projects is over 65%), a continuously evolving industry, with innovative projects and proven performance. Romania is within this European development, by the firm commitment of the nuclear program and the role of regional hub of research and innovation.

For 2020, the operational priority of S.N. Nuclearelectrica S.A. remains nuclear security, constant production, stable financial results and development.

Chairman of the Board of Directors,
Iulian Robert Tudorache

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4. STATEMENT OF THE CHIEF EXECUTIVE OFFICER

2019 was for S.N. Nuclearelectrica S.A. ("SNN") a year of development, growth and the continuity of current and strategic investment projects, and equally of orientation towards new projects, of placing SNN in an international cooperation context that would allow the development and capitalization of the medium-term and long-term human and technical expertise and capabilities of the company and significantly increasing the involvement of the company in local and national CSR projects.

Operationally, by CNE Cernavoda and FCN Pitesti, SNN maintained its performance in 2019 as well, as it was, globally, among the nuclear plant operators with the highest level of nuclear security. The annual average of the capacity factor recorded by Unit 1 of Cernavoda NPP was 93.86% and an annual net total of 5,275,677 MWh was delivered in the national energy system. At Unit 2 of Cernavoda NPP, the annual average of the recorded capacity factor was 89.18% and a total net of 5,071,069 MWh was delivered in the national energy system. This is data that relates to a strategic approach on operation, the investment plan and the maintenance program, as these constituted the basis of the results in operation and production. Since the commissioning of both units at Cernavoda, we have avoided the release into the atmosphere of 160 million tons of CO2.

In 2019, SNN received the result of the assessment mission of World Association of Nuclear Operators, an independent international assessment, whose primordial goal is nuclear security ensured by all the processes on the level of the nuclear plant, a result which reconfirms our rating of nuclear excellence.

Financially, SNN recorded a profit of 535,667 thousand RON, 31% more than the result of 2018, an increase resulted from the increase of electricity sales by 11.7%, at the same time with an increase of the energy price, corroborated with a balancing of expenses, the development in stages of the investment projects by strictly complying with the agreed schedules.

The major investment projects of SNN are the refurbishment of Unit 1, a complex project, with a duration of approximately 10 years, which is currently, until the end of 2021, in the first implementation stage. 2019 represented the signing of the contracts for assessing and analyzing the state of components and equipment in order to extend the initial number of operating hours and the drafting of the Feasibility Study, as the final step of this first stage. The project was developed also from the perspective of logistics and the human resources required for its implementation.

The Tritium Removal Installation project, relevant for the refurbishment of Unit 1, and multiple operational and cost advantages, was also a priority in 2019, and its goal was to complete it prior to the planned stoppage of Unit 1 for refurbishment.

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In 2019, regarding current investments, the implementation degree was 82.5%, compared to 57.1% in 2018, and increasing the implementation degree was a constant preoccupation and a technical and financial stabilizing factor.

The human resource strategy also represented a priority, given the personnel necessities both in current operation, and especially for the strategic investment projects. The increased dynamics of the interaction with the academic environment, students and youth, the constant involvement in projects for attracting and ensuring the retention of human resources, paying attention to their needs and cultural adaptation are key factors in the human resource strategy. This was corroborated with the attention paid to maintaining the current high-specialization personnel, in order to increase the retention rates and avoid the migration towards external nuclear projects. Thus, gradually, starting from a turnover of 9% in 2017, we managed to reach a turnover of 6% in 2018, and 3.8% in 2019.

We had a strong orientation towards increasing the involvement of our company in the community, locally and nationally, by an extended CSR program, in different strategic fields: education, health, children with special needs and environment, as these are part of the company values.

Regarding the long-term of nuclear energy, the energy industry is globally going through an unprecedented process of transformation, pertaining to the eco-economy, in which climate change has become a priority on the global agenda. After signing the Paris Agreement, we are still far from the alignment to the 2 degrees C target. A framework of policies, regulations and measures that would allow a coordinated effort, without apriori or aposteriori discrimination or disadvantages, is currently lacking. The experience of recent years has taught us that there is no single solution for efficient decarbonization, within the limits of reasonable costs and in due time. The solution is an efficient integration of all energy sources with low CO2 emissions.

According to IEA, in 2018, the global consumption increased by 2.3%, almost double compared to the increase rate of 2010. Consequently, the CO2 emissions increased by 1.7%, to 33.1 Gt/CO2. The ascending trend of consumption will continue, and implicitly the CO2 emissions, unless we manage to implement, globally and by derived applicability, the necessary framework for facilitating investments in clean sources, which would simultaneously allow long-term sustainability, without impacting the energy system, without negatively impacting some sources, and without negatively impacting consumers. Decarbonization, regarding the energy industry, must consider all these aspects. Thus, we will have either an extremely slow process, possibly cancelled by the increase of consumption and proportionally the increase of emissions, or an extremely costly process, which will put tremendous pressure on everything related to the energy industry, the energy market, competitiveness, infrastructure.

It is an international current practice in the nuclear industry to cooperate and to have access to new technological developments. Romania is still one of several states that operate nuclear plants which are interested in these new developments, know-how, new capabilities.

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In the context of decarbonization and the role nuclear energy will play long-term, these is this major international interest in our industry. The international organizations from our industry, and also the recent global initiative, which Romania joined in 2018, Clean Energy Ministerial, are looking to globally develop the industry, to provide technological updates to the states that are interested in the nuclear industry as a solution to environment problems, and to respond to the decarbonization energy policies.

The European Commission, AIEA and NEA support these efforts. A study conducted by MIT concludes that nuclear energy is essential for decarbonization, but, on the other hand, we need to orient our efforts towards the scalability of projects and savings for maintaining decarbonization costs and, as importantly, in order to allow investments in projects with low CO2 emissions, such as nuclear energy.

2019 was the year in which Romania held the rotating presidency of the European Council, and implicitly an opportunity for Romania and SNN to promote in Europe the advantages of increasing nuclear capacities and of the positioning of this industry, with full rights, among clean technologies, with low CO2 emissions. SNN got actively involved, alongside European and Romanian authorities, in the organization of two events, one in Brussels, on solutions for a decarbonized Europe by 2050, by the contribution of all low-carbon technologies, and one in Bucharest, on the role of nuclear energy in a changing world. The concrete result was the approval and signing of a pro-nuclear Manifesto by the states that intend to develop nuclear energy as a sustainable part of decarbonization.

In this context, the Memorandum of Understanding concluded between SNN and NuScale is a non-binding one, an alignment to the last technology trends and aims for an exchange of technical and economic information regarding the innovative nuclear technology developed by NuScale. The purpose of this MoU is to assess the development, authorization and building of small modular reactors (SMR) as a potential long-term solution for Romania. This agreement represents a signal of Romania's interest for innovative, state-of-the-art nuclear technologies which in the future will complete and eventually replace the current generations of nuclear reactors.

The SMR technology of NuScale is the first and only global technology which is subject to a project certification assessment by the Nuclear Regulation Commission (NRC) of the United States. The assessment of the project by NRC is to be completed in September 2020.

The same interest was shown by SNN for the involvement in the ALFRED project, the lead-cooled fast reactor, developed by ICN Pitesti within the FALCON consortium by concluding a Memorandum of Understanding.

Likewise, increasing the nuclear capacity of Romania, irrespective of its implementation form, two more reactors or a single one, is a major necessity for extending the current national capabilities, a

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source without CO2 emissions, but constantly available and stable, a solution that perfectly supplements renewable sources.
In 2019, we focused on the manufacture of Cobalt 60 in reactors 1 and 2 of CNE Cernavoda, as an efficient method for ensuring the health system and at the same time increasing revenues.

I conclude by saying that 2019 represented a comprehensive approach of multiple opportunities for medium-term and long-term growth and efficiency increases, while advantageously positioning the company, operationally, financially and regarding the energy and capital markets.

Chief Executive Officer,
Cosmin Ghita

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5. ACTIVITY ANALYSIS

5.1. COMPANY PRESENTATION

5.1.1. Main activity

Societatea Nationala Nuclearelectrica S.A. ("Company" or "SNN") is a national joint-stock company, managed in a one-tier management system, with its registered office in Bucharest, District 1, 65 Polona Street, and two branches without legal personality. The company's main activity is the "Production of electricity" – NACE code 3511, and it is recorded in the Trade Register under no. J40/7403/1998, tax number 10874881, fiscal attribute RO.

At present, SNN is the only producer of electricity based on nuclear technology in Romania. Also, SNN produces nuclear fuel bundles, CANDU type, used for the operation of its own nuclear reactors.

CNE Branch (Nuclear - Electric Station) Cernavoda, registered office in Cernavoda, 2 Medgidiei Street, registered with the Trade Register under no. J13/3442/11.10.2007, ensures the operation of the two nuclear units, based on CANDU technology type, as well as the administration of all SNN assets in Cernavoda (except for Units 1 and 2 in operation, Units 3 and 4 in different construction stages, Unit 5 for which the shareholders of the Company had approved the change of destination since March 2014, namely, its use for carrying out activities related to the operation of Units 1 and 2, and also the heating system). The two units have an installed capacity around 700 MW each (MWe 706.5 Unit 1 and MWe 704.8 MWe Unit 2).

FCN Branch (Nuclear Fuel Plant) Pitesti, registered office in Mioveni, 1 Campului Street, registered with the Trade Register under no. J03/457/24.08.1998, where CANDU fuel bundles are made for Units 1 and 2 of Cernavoda.

Unit 1 was commissioned in 1996 and Unit 2 in 2007. The two reactors alone ensure about 17% - 18% of the internal energy production of Romania. The nuclear reactors from the two units are 6 CANDU type, design developed in Canada, by Atomic Energy of Canada Ltd. This type of reactors are cooled and moderated with heavy water and use natural uranium as fuel. The initial project envisages the construction of 5 nuclear units CANDU type.

According to the Government initial strategy, the construction of CNE Cernavoda Units 3 and 4 will be completed by Energonuclear S.A., a subsidiary of SNN, incorporated in 2009. Currently, there is a new strategy for the continuation of the Project for Units 3 and 4 approved by the Extraordinary General Meeting of Shareholders of SNN of August 22, 2014, providing for the incorporation of a new project company, into which Energonuclear S.A. will be absorbed. Unit 5 is

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currently completely depreciated, due to the fact that there is no plan for its construction; in March 2014, the shareholders of the Company approved the use of Unit 5 for operating activities of Units 1 and 2.

Units 1 and 2 use, on an annual basis, approximately 11.000 nuclear fuel bundles, each containing 19 kg of uranium. In order to produce the necessary fuel, NFP Pitesti operates at maximum capacity. In 2019, NFP Pitesti branch manufactured 11,200 nuclear fuel bundles and delivered to NPP Cernavoda 10,800 nuclear fuel bundles, according to the manufacturing and delivery plan.

In 2019, for the production of nuclear fuel, sintered uranium dioxide powder was consumed, at an average price of RON 417.13 /kg, from the existing stock on January 1, 2019, and from the purchases from the providers of Cameco Marketing Inc. Canada and CNU – Feldioara Branch.

By Resolution no. 5/April 25th, 2018 of the Ordinary General Meeting of the Shareholders of SNN, the strategy of diversification of the sources of supply with the raw materials necessary for generating nuclear fuel was approved.

SNN represents a stability factor for the energy market in Romania, both through the base load electricity production and the competitive production cost.

5.1.2. Mission, vision, objectives, values

Mission

Characteristics:

❖ High value of the usage factor of the installed capacity; at an equal installed power, a nuclear group produces twice the quantity of power produced by a conventional group;

❖ Absence of green house gas emissions;

❖ Low dependence of the power cost determined by the changes of uranium price, due to its minor importance in comparison with other types of energy;

❖ High technical level of the operating staff, the reasonable level of generation costs;

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❖ Nuclear energy answer integrally to the safety delivery requirements, durable development and competitivity.

Vision

Commitment to excellence. Action for results.

Objectives

❖ Operation of the nuclear units in safe conditions and nuclear for the staff, population, environment and production assets;

❖ Conservation of the power production capacity above the present average level in industry;

❖ Accomplishment of the major investment objectives;

❖ Improvement of the indicators related to the financial performances of the company.

Values

5.1.3. Incorporation date

SNN was incorporated on July 02, 1998 by Government Resolution no. 365/1998, following the reorganization of the Romanian energy system. Before the reorganization, the nuclear power plant was part of RENEL, national vertically integrated company that was divided in different national

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companies owned by the state. The Company operates under the Romanian legislation and the Articles of Incorporation.

5.1.4. Shareholding structure

The shareholding structure as at 31.12.2019 is as follows:

Shareholder type	Number of shares owned	% share capital ownership
Romanian State - Ministry of Energy*)	248,736,619	82.4959 %
Fondul Proprietatea S.A.	21,268,355	7.0539 %
Other legal entities	18,175,341	6.0280 %
Individuals	13,333,536	4.4221 %
Total	**301,513,851**	**100%**

**) Starting with February 11th, 2020, the shares held by the Romanian State via the Ministry of Energy are transferred to the Romanian State via the Ministry of Economy, Energy and Business Environment, as a result of the implementation of the provisions of the Government Emergency Ordinance no. 68/ November 6th, 2019.*

5.1.5. Significant mergers or reorganizations

In the 2019 financial year, there were no significant mergers or reorganizations within SNN or its controlled companies. The company is not part of a group of companies, except the group of companies generically under the common control of the Romanian State through different entities. SNN directly controls the Energonuclear S.A. ("EN") branch, 100% ownership, as at December 31, 2019. In 2019, the Energonuclear branch performed activities that targeted actions necessary for continuing the implementation of the project for Units 3 and 4 of NPP Cernavoda.

5.1.6. Asset purchases and sales

In the 2019 financial year, there were no asset purchases, except for those that were necessary for activity operation and development, reflected in the investment plan and in the budgets approved for this purpose. The total expenses for investments during 2019 were in value of approximately 218.5 million lei.

Also, no transfer of assets occurred, except those that became obsolete as stipulated by law and the program to sell CNE Cernavoda employees' service apartments with installments payment. The total revenues from the transfer of assets in 2019 were approximately 142 thousand lei.

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5.2. ELEMENTS OF GENERAL ASSESMENT

Financial position statement as of December 31, 2019

Indicator [thousand RON]	December 31st, 2019 (audited)	December 31st, 2018 (audited)	Variation
Non-current assets	6,301,960	6,671,436	(5.5%)
Current assets	2,508,894	2,194,769	14.3%
Total assets	**8,810,854**	**8,866,205**	**(0.6%)**
Long-term debts	936,157	1,122,870	(16.6%)
Current liabilities	539,763	564,204	(4.3%)
Total liabilities	**1,475,920**	**1,687,074**	**(12.5%)**
Equity	**7,334,934**	**7,179,131**	**2.2%**
Total equities and liabilities	**8,810,854**	**8,866,205**	**(0.6%)**

Non-current assets registered a slight drop of 5.5% compared to the level registered on December 31, 2018, especially due to the drop of the net value of the tangible assets by acknowledging the amortization for 2019. The impact of the period's depreciation was partially compensated by the investments performed for Units 1 and 2 Cernavoda NPP. At the same time, the financial assets of the Company, representing collateral deposits related to letters of bank guarantee with maturities longer than 12 months, issued by the Company on behalf of clients, recorded a decrease as of December 31, 2019 compared to December 31, 2018, contributing to the decrease of fixed assets.

Current assets recorded an increase of 14.3% compared to December 31, 2018, on the background of increased monetary liquidities (cash, cash equivalents and bank deposits, including collateral deposits related to letters of bank guarantee with maturities shorter than 12 months, issued by the Company on behalf of clients), inventory, advance payments, commercial and other receivables.

Long-term debts decreased by 16.6%, as compared to the values recorded on December 31, 2018. The decrease is mainly caused by the decrease of the long term portion of the external credits contracted from Societe Generale and EURATOM for building and starting up unit 2 CNE Cernavoda, following the reclassification of the outstanding installments in the short-term portion, gradually with the maturity of the credits; partially offset by the updating of the provision corresponding to the litigation for salaries and benefits.

Current debts recorded a 4.3% decrease compared to the values recorded on December 31, 2018, based on the decrease of the payable profit tax, partially compensated by the increase of the other elements of current debts, mainly the increase of the current portion of the provisions for risks and expenses, following the partial classification of the provision for radioactive waste (including the

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intermediary storage facility for burnt fuel - DICA) short term, as they are managed, and the increase of the current portion of long-term loans.

Profit and loss account for the financial year ended on December 31, 2019

During the 12-month period ended on December 31, 2019, SNN recorded a net profit of 535,667 thousand RON.

Indicator [thousand RON]	**2019 (audited)**	**2018 (audited)**	**Variation**
Production (GWh)*	10,347	10,443	(0.9%)
Operating income, out of which:	2,417,433	2,178,873	10.9%
*Proceeds from the sale of electric power***	*2,365,564*	*2,116,992*	*11.7%*
Operating expenses, minus impairment and depreciation	(1,232,455)	(1,089,368)	13.1%
EBITDA	**1,184,978**	**1,089,505**	**8,8%**
Impairment and depreciation	(555,553)	(552,965)	0.5%
EBIT	**629,425**	**536,540**	**17.3%**
Net financial result	1,850	36,083	(94.9%)
Net profit tax expenses	(95,608)	(162,012)	(41.0%)
Net profit	**535,667**	**410,611**	**30.5%**

**Electricity produced and delivered by Cernavoda NPP in the National Energy System.*

***Including revenues from the sale of thermal energy, insignificant in the total revenues.*

The operational profit (EBITDA) increased by 8.8% as compared to the same period of the previous year, mainly following the increase of operational revenues by 11%, influenced by the increase by 12% of the revenues from the sale of electricity.

The **operating income** increased by 11%, determined by the 12% increase in the weighted average price of the electricity sold in 2019, as compared to the weighted average price from the same period of 2018, considering the sale of a total quantity of electricity in 2019 similar to the total quantity sold in 2018 (only 0.2% decrease).

As compared to the same period of the previous year, the quantity of electricity sold on the competition market of bilateral contracts decreased by 9%, and benefited from an increase of the average sale price on this market by 14% (price without Tg), while the electricity quantity sold on the spot market (PZU and PZI) decreased by 34%, considering an average sale price on this market higher by 19% (price without Tg) was registered.

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Also in 2019, the Company sold approximately 12.9% of energy on the regulated market (the Company did not sell energy on the regulated market in 2018), at a regulated price. Following Government Emergency Ordinance no. 114/28.12.2018, which amends and supplements Electricity and natural gas law no. 123/2012, ANRE issued Order no. 10/01.02.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 326/25.02.2019, the quantity assigned to SNN for 2019 for regulated contracts was 1,377 GWh. ANRE established a regulated price for SNN of RON 188.33 /MWh (without T_g).

The **operating expenses** increased by 13% in 2019, compared to the same period of 2018. This evolution is mainly determined by the contribution paid by the Company to ANRE, according to the provisions of GEO 114/2018, the increase of the expenses with the purchased electricity and the slight increase of personnel expenses, partially compensated by the decrease of the repair and maintenance expenses.

The **net currency exchange differences** (net financial revenues) decreased by 94,9%, and negatively influenced the net result. The main currencies to which there are exposures are EUR and CAD.

The decrease of **net expenses with the profit tax** positively influenced the net result. This decrease was caused by a reduction in the actual profit taxation rate from 28% in 2018 to 15% in 2019.

Main financial and non-financial indicators

Indicator [thousand RON]	2019 (audited)	2018 (audited)	Δ % 2019 vs. 2018
Net profit	535,667	410,611	30.5%
Gross operating profit	629,425	536,540	17.3%
Turnover	2,379,424	2,129,745	11.7%
Operational expenses	1,788,008	1,642,334	8.9%
EBITDA (Operating profit plus impairment and amortization)	1,184,978	1,089,505	8.8%
Liquidity (Cash and cash equivalents plus bank deposits)	1,852,025	1,632,131	13.5%
% market share	19.0%	17.7%	7.3%

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Indicator [lei]	Formula	M.U.	2019 (audited)	2018 (audited)
Profit indicators				
EBITDA to total sales	EBITDA/Turnover	%	49.8%	51.2%
EBITDA return on equity ratio	EBITDA/Equity	%	16.2%	15.2%
Gross profit ratio	Gross profit/Turnover	%	26.5%	26.9%
Return on equity	Net profit/Equity	%	7.3%	5.7%
Return on assets	Net profit/Total assets	%	6.1%	4.6%
Liquidity and solvability indicators				
Current liquidity ratio	Current assets/ Current liabilities	x	4.65	3.89
Quick liquidity ratio	Current assets - Inventories/Current liabilities	x	3.90	3.24
Patrimonial solvency	Equity/Total liabilities	x	4.97	4.26
Risk indicators				
Debt ratio indicator	Borrowed equity/Equity	x	0.07	0.10
Interest coverage ratio	EBIT/Interest expenses	x	38.38	32.20
Activity indicators				
Speed ratio of debits - Customers	Average accounts receivables x 365/Turnover	days	27	26
Credit rotation speed - Suppliers	Adjusted average balance suppliers VAT x 365/Turnover	days	11	12

Indicator	2019	2018	% 2019 vs. 2018
Gross energy production [GWh]	11,280	11,377	99.1%
Net energy production [GWh] – Delivered in SEN	10,347	10,443	99.1%
Average capacity factor (%) – Unit 1	101.60%	87.31%*)	116.4%
Average capacity factor (%) – Unit 2	100.01%*)	97.43%	102.6%
Average number of employees	2,038	2,002	101.8%

**) Planned outage year.*

Main results of the Company activity

No.	Indicator [thousand RON]	Performed 2019 (audited)	BVC 2019*)	Performed 2018 (audited)	% 2019 vs. 2018	
0	1	2	3	4	5=2/3	6=2/4
1	Operating revenues	2,417,433	2,383,491	2,178,873	101.4%	110.9%
2	Operational expenses	(1,788,008)	(1,937,920)	(1,642,333)	92.3%	108.9%
3	**Operating profit**	**629,425**	**445,570**	**536,540**	**141.3%**	**117.3%**
4	Financial expenses	(65,487)	(78,590)	(58,856)	83.3%	111.3%
5	Financial revenues	67,337	80,180	94,939	84.0%	70.9%
6	**Net financial revenues**	**1,850**	**1,590**	**36,083**	**116.3%**	**5.1%**
7	**Profit before income tax**	**631,275**	**447,161**	**572,623**	**141.2%**	**110.2%**
8	Net profit tax expenses	(95,608)	(97,120)	(162,012)	98.4%	59.0%
9	**Profit of the fiscal year**	**535,667**	**350,041**	**410,611**	**153.0%**	**130.5%**

**) BVC 2019 approved by OGAS Resolution no. 6/20.05.2019.*

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Execution of the Revenues and Expenses Budget as of December 31, 2019

The revenue and expenses budget ("BVC") of SNN for the year 2019 was approved by the Resolution of the General Assembly of Shareholders no. 6/20.05.2019. Resolution of the Board of Directors no. 205/29.11.2019 approved the rectified BVC of SNN for 2019.

The company is monitored regarding the compliance with the performance indicators, objectives and criteria, respectively the compliance with the salary payroll level, with the revenues and expenses level, the program to reduce the arrears and the outstanding receivables.

As per the analysis of the Budget of Revenues and Expenses execution as of December 31, 2019 (presented below), a degree of accomplishment of the programmed operating revenues of 101% and a reduction of the operating expenses compared to the budgeted level of 8%. The performance level of the total income is 100.9%, higher than the performance level of the total expenses of 91.9%.

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thousand RON

Indicators				Row no.	BVC 2019 (approved by AGOA Resolution no. 6/20.05.2019)	BVC 2019 (approved by BoD Resolution no. 205/29.11.2019)	Performed 2019	Performed vs. Approved initial [Col. 6/Col. 4]	Performed vs. Approved rectified [Col. 6/Col. 5]
1			2	3	4	5	6	7	8
I.			**TOTAL REVENUES (Row 2 + Row 5 + Row 6)**	1	2,463,671	2,463,512	2,484,912	100,9%	100,9%
	1.		**Total operating income, out of which:**	2	2,383,491	2,398,094	2,417,575	101.4%	100.8%
			c_1 Subsidies, in compliance with the legal provisions in force	3	-	-	-	-	-
			c_2 Transfers, in compliance with the legal provisions in force	4	-	-	-	-	-
	2.		**Financial revenues**	5	80,180	65,419	67,337	84.0%	102.9%
	3.		**Extraordinary revenues**	6	-	-	-	-	-
II.			**TOTAL EXPENSES (Row 8 + Row 20 + Row 21)**	7	2,016,510	1,912,592	1,853,636	91.9%	96.9%
	1.		**Operating expenses (Row 9 + Row 10 + Row 11 + Row 19)**	8	1,937,920	1,847,278	1,788,149	92.3%	96.8%
		A.	**Expenses with goods and services**	9	629,825	535,335	512,887	81.4%	95.8%
		B.	**Expenses with taxes, duties and similar payments**	10	206,992	212,090	207,545	100.3%	97.9%
		C.	**Personnel expenses (Row 12 + Row 15 + Row 17 + Row 18)**	11	451,679	449,897	428,265	94.8%	95.2%
		C_0	**Salaries expenses (Row 13 + Row 14)**	12	408,475	408,426	393,594	96.4%	96.4%
		C_1	**Salary expenses**	13	360,358	360,358	360,362	100.0%	100.0%
		C_2	**Bonuses**	14	48,117	48,068	33,231	69.1%	69.1%
		C_3	**Other personnel expenses, out of which:**	15	0	0	0	-	-
			a) Expenses with compensations for early release of personnel	16	-	-	-	-	-
		C_4	**Expenses related to the mandate contract and other control authorities, commissions and committees**	17	6,515	4,783	2,749	42.2%	57.5%
		C_5	**Expenses related to social protection, special funds and other legal obligations**	18	36,689	36,689	31,923	87.0%	87.0%
		D.	**Other operational expenses**	19	649,424	649,955	639,452	98.5%	98.4%
	2.		**Financial expenses**	20	78,590	65,314	65,487	83.3%	100.3%
	3.		**Extraordinary expenses**	21	-	-	-	-	-
III.			**GROSS RESULT (profit/loss) (Row 1 – Row 7)**	22	447,161	550,920	631,276	141.2%	114.6%
IV.			**CORPORATE TAX**	23	97,120	116,498	95,608	98.4%	82.1%
V.			**PROFIT AFTER CORPORATE TAX**	24	350,041	434,423	535,667	153.0%	123.3%

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5.3. PRODUCTION AND SALE ACTIVITY

5.3.1. Production of electric and thermal energy

The gross production of electricity of the two operational units of CNE Cernavoda was 11,280,167 MWh in 2019; from this gross production, the own technological consumption of the Units during the operation, and during the outages ensured from own production was 933 thousand MWh in 2019.

Thus, the electricity produced and delivered in the National Energy System ("NES") was 10,346,746 MWh in 2019, compared to the same period of 2018 (10,443,078 MWh), which accounts for a decrease of 0.9%.

The net electricity production program approved by the Board of Directors for 2019 (revision February 2019) considered an amount of 10,228,403 MWh, and it was achieved at a rate of 101.2%.

The installed power usage factor, recorded by each operational unit within CNE Cernavoda in 2019, and cumulated since the start of the commercial usage (Unit 1 on December 2, 1996, Unit 2 on November 1, 2007) was as follows:

Cernavoda NPP unit	Cumulated 2019	Cumulated from the commercial exploitation
Unit 1	93.86%	90.68%
Unit 2	89.18%	94.13%

The lower value of the factor for using the installed capacity at Unit 2 CNE Cernavoda reflects the influence of the scheduled outage for an actual duration of 850.6 hours (approximately 35.4 days), registered as of May 3, 2019, 11:00, completed on June 7, 2019, 21:22. The unplanned extension of the scheduled outage of Unit 2 CNE Cernavoda lasted for 98.4 hours, and the initial planned moment of the re-synchronization was June 3, 2019, 19:00.

During September, an unplanned stoppage of Unit 1 of Cernavoda NPP occurred, lasting 160 hours, starting with September 18, 2019 at 5:30, in order to perform repair works to some leaks (minor leak of cooling agent) from the primary heat transfer system of the reactor.

SNN is an electric and thermal power energy producer, the main activity being that of electricity producer. Thermal power sales revenues represent an insignificant portion in the total operating revenues. As well, SNN is a CANDU type fuel bundle producer, which are entirely used for the operation of Units 1 and 2 CNE Cernavoda.

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The electrical power of Units 1 and 2 CNE Cernavoda in 2019 was influenced by the duration of the planned outage of Unit 2, amounting to 850.6 hours,the weather and hydrological conditions (the temperature of the cooling water from the Danube, the level of the water in the intake tank, air temperature, etc.), fuel recharges and the unplanned outages of Unit 1, amounting to approximately 160 hours.

The annual energy quantity that SNN can produce through its two Cernavoda NPP units is approximately 10.6 TWh (net), given the fact that the units are operated at a high capacity factor. The energy produced by SNN in period January 1 - November 30, 2019 had a weight of approximately 18.4% in the total energy produced in Romania (net values).

Power production in 2018 – 2019:

Output	2019			2018		
	Unit 1	Unit 2	Total	Unit 1	Unit 2	Total
Gross production (GWh)	5,788	5,492	**11,280**	5,387	5,990	**11,377**
Net production (GWh)	5,293	5,075	**10,368**	4,928	5,531	**10,459**
Capacity factor (%)	93.86	89.18	**91.52**	87.31	97.43	**92.37**

The planned and unplanned outages for each unit:

Event	Number outage days	
	2019	2018
Planned outage U1	-	32.75
Planned outage U2	31.3	-
Subtotal planned outages	**31.3**	**32.75**
Unplanned outage U1	6.67	2.28
Unplanned outage U2	4.1	4.25
Subtotal unplanned outages	**10.77**	**6.53**
Total	**42.07**	**39.28**

The number of hours of unplanned outages was within the number estimated according to the 2019 production program (14 days).

Within the activity of electricity trading, the Company is obligated to submit letters of bank guarantee to certain contractual partners, according to the provisions stipulated in the electricity sale-purchase contracts. Mainly, these refer to: the contract concluded with C.N. Transelectrica S.A. for electricity transportation (a letter of bank guarantee is not currently necessary given the status of good payer of SNN, but the contract provides situations where the security is mandatory); the agreement concluded with OPCOM S.A. for electricity trading on PZU (Next Day Market) and PI (Intra-daily Market); regulated contracts, concluded with last resort providers, based on ANRE

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Decision no. 326/2019; contracts concluded on the PCCB – NC platform (centralized market of bilateral electricity contracts – the trading method according to which contracts are awarded by Continuous Negotiation); contracts concluded on the PCSU platform (centralized market for the universal service), plus tender procedure securities; the agreement for participating in the PE (balancing market) concluded with C.N. Transelectrica S.A. and the contract concluded with Ciga Energy S.A. for providing the representation service as the part in charge with balancing (PRE).

For the purpose of this activity, between October 1 and December 31, 2019, 14 letters of bank guarantee were issued, in value of 42,022,284 RON. During the same period, a letter of bank guarantee was liquidated in value of 1,603,008 RON, issued in 2019. On December 31, 2019, there are in the balance 52 letters of bank guarantee amounting to RON 164,952,097, out of which, for 29 letters of bank guarantee, there are collateral deposits set up amounting to RON 96,659,494.

The quantities of electricity sold during the year 2019 and the corresponding incomes, distributed on sale contract types are presented in the table below:

Electricity sales (quantities, prices and values) in 2019

Sales by types	Quantities in MWh	% of total sales	Average price [lei/MWh with Tg included]	Revenues from sales [lei]
Sales on the regulated market	1,376,963	12.9%	189.51	260,948,252
Sales on the competitive market (bilateral contracts and PZU and PI contracts), out of which:	9,245,123	86.8%	227.70	2,105,074,010
- Sales on PCCB - LE, PCCB - NC, PCSU, PC - OTC contracts and supply contracts	8,194,487	76.9%	228.01	1,868,444,207
- PZU and PI sales	1,050,636	9.9%	225.23	236,629,803
PE positive imbalances*)	30,137	0.3%	178.96	5,393,395
Total sales in 2019	**10,652,223**	**100%**	**222.62**	**2,371,415,657**

**) NB: RON 198,067 of the value presented represents redistributed revenues resulted from the balancing of the system, based on the application of NARE Order no. 51/2016, NARE Order no. 76/2017 and NARE Order no. 31/2018.*

The electricity quantity sold based on contracts, on the spot market (PZU and PZI) and on PE is 10,652,223 MWh, 1.9% more than the sales program, of 10,453,499 MWh (sized on the production estimate, without estimating unplanned outages) and 0.2% less than the electricity quantity sold in the same period of 2018.

The difference between the electricity sold by the Company and the electricity produced and delivered by CNE Cernavoda (305 thousand MWh) is represented by the electricity purchased for the full coverage of the contractual obligations, an electricity quantity that was purchased 51% from the spot market, 36% from the Centralized Markets, and the rest from PE.

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The revenues obtained from the electricity market related to electricity deliveries in 2019 are RON 2,371,415,657 (out of which RON 198,067 account for redistributed revenues resulted from balancing the system, based on the application of ANRE Order no. 76/2017 and ANRE Order no. 31/2018), 0.81% higher than the budget revenues for 2019, and 11.7% higher than the same period of the previous year.

According to the sales strategy, 9 contracts for purchase on the Centralized Markets were concluded between August 2018 and April 2019, for a constant power of 145 MWh, with delivery in May 2019, at an average price of 210.93 RON/MWh which partially covered the sale obligations assumed by the contracts whose average weighted price in May 2019 was 216.03 RON/MWh.

The average weighted sale price, for the electricity quantities sold (without the regulated market and PE), resulted in 2019, is of RON 227.70/MWh (including Tg). For comparison, the weighted average price of all the transactions performed on the markets on which SNN operated in 2019 (PCCB - LE, PCCB - NC, PCSU, PZU and PI), calculated based on the values published by OPCOM in the monthly market reports, is 239.11 lei/MWh. In 2018 the average weighted sale price, for the energy quantities sold (without PE) was 198.99 lei/MWh (including T_g).

Following Government Emergency Ordinance no. 114/28.12.2018, which amends and supplements Electricity and natural gas law no. 123/2012, ANRE issued Order no. 10/01.02.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 326/25.02.2019, the quantity assigned to SNN for 2019 for regulated contracts was 1,377 GWh. ANRE established a regulated price for SNN of RON 188.33 /MWh (without T_g).

The sold electricity quantities on the competitive market (bilateral contracts) represented in 2019 a percentage rate of 76.9% out of the total volume of the sold energy. The average sale price on bilateral contracts in 2019 was 228.01 RON/MWh (with included T_g), recording an increase of 13.6% as compared to the average price recorded in the same period of 2018, of 200.67 RON/MWh (with T_g included); given the fact that the values of the electric power input transport fee in the T_g network were the following: RON 1.05 /MWh for the period July 1, 2017 - June 30, 2018, according to ANRE Order no. 48/22.06.2017 and RON 1.18 /MWh for the period July 1, 2018 - December 31, 2019, according to ANRE Order no. 108/20.06.2018.

On the spot market (PZU and PI), in 2019, a quantity of electricity representing 9.9% of the total sales volume was sold, compared to the percentage share of 14.9% recorded over the same period of 2018. The average sale price of energy on the spot market (PZU and PI) performed by SNN in 2019 was 225.23 lei/MWh (with T_g included), compared to 189.46 lei/MWh (with T_g included) registered in 2018.

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In 2019, SNN performed 206 energy sales contracts, as follows:

- 5 regulated contracts;
- 118 contracts concluded on PCCB - LE;
- 67 contracts concluded on PCCB-NC;
- 13 contracts concluded on PCSU;
- one transaction concluded on PC - OTC;
- 2 supply contracts for 2 end users.

No contracts were terminated, and no significant delays were notified compared to the due payment terms provided in the contracts in 2019. In all the cases in which there have been delays, the Company sent notifications and charged penalties according to the contractual provisions.

Expenses in the energy market

In 2019, the total value of the expenses on the electric power market, incurred by SNN, is of RON 97,718,975, out of which RON 19,270,060 represent expenses on the balancing market (PE), RON 12,208,626 represent Tg (the regulated tariff paid to CN Transelectrica SA for the injection of the electric power produced by Cernavoda NPP in the electric power transport network), RON 13,681 represent the expenses consisting in the equivalent value of the green certificates required to be purchased for the supplied electric power, RON 756,566 represent the tariffs paid to OPCOM SA for the sale and purchase transactions carried out on the platforms managed by OPCOM S.A.

In 2019 the expenses with the purchase of electricity from the Centralized Markets were 23,040,840 lei – for 108,600 MWh, and those from the spot market (PZU and PI) were 41,849,289 lei – for 155,558 MWh. The expenses with electricity purchase (Centralized Markets and spot market) amounted to 64,890,129 lei (2018: RON 32,883,110), for the purpose of ensuring the full compliance with the electricity delivery contractual obligations during the planned outage (including the unplanned outage, following the extension of the planned outage) of Unit 2 CNE Cernavoda, and for the unplanned stoppage of Unit 1 CNE Cernavoda from September 2019; the purchased quantity of electricity was 264,158 MWh (2018: 150,740 MWh), at an average price of RON 245.65 /MWh (2018: RON 218.14/MWh).

The purchases associated to the unplanned extension of the planned outage of Unit 2 CNE Cernavoda on the spot market (PZU and PI) were in total value of RON 6,881,850, for a total quantity of 34,854 MWh, at an average price of 197.45 RON/MWh.

The PE expenses in 2019 were RON 19,270,060, and the purchased electricity quantity was 41,319 MWh (2018: RON 24,046,639, with the purchased quantity of electric power amounting to 82,313 MWh). This amount represents the equivalent value of the energy received from PE for compensating the negative unbalance, which occurred because of the differences between the

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energy quantities that were actually delivered and the quantities notified on the market according to the daily estimates for each hourly interval, and the value of the unbalance from notification, the penalties for the partial delivery of the balancing energy and redistributed costs resulted from the system balancing, based on ANRE Order no. 76/2017 and ANRE Order no. 31/2018.

5.3.2. Main sale markets for each product and distribution methods

SNN operates only on the Romanian market, being the only nuclear power producer in the country.

The electricity was sold based on production license, as follows:

❖ On the competition market by energy sale-purchase contracts on the markets managed by the market operator OPCOM S.A.: mainly PCCB – LE and PCCB - NC (centralized market for bilateral electricity contracts with the method trading contracts by extended tender procedures and the method of trading contracts according to which contracts are distributed by continuous negotiations), PZU (following-day market) and PCSU (universal service centralized market) and PC-OTC (the centralized market with double negotiation of bilateral electricity contracts).

❖ On the balancing market administered by Transelectrica S.A., in case of positive unbalance.

❖ By the energy supply contracts concluded with two consumers supplied directly from the installations of NPP Cernavoda, according to the electricity manufacture license.

The thermal energy produced and sold both in 2019 and 2018, through CNE Cernavoda, was exclusively delivered to the local supplier of thermal power. In Cernavoda, SNN is the only manufacturer that delivers thermal power in a centralized system.

Contracts on the regulated market

Following Government Emergency Ordinance no. 114/28.12.2018, which amends and supplements Electricity and natural gas law no. 123/2012, ANRE issued Order no. 10/01.02.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 326/25.02.2019, the quantity assigned to SNN for 2019 for regulated contracts was 1,377 GWh. ANRE established a regulated price for SNN of RON 188.33 /MWh (without T_g).

By the Current Report published on December 23, 2019, S.N. Nuclearelectrica S.A. informs the shareholders and the investors about the Decision of the National Energy Regulatory Authority no. 2213/23.12.2019, according to which S.N. Nuclearelectrica S.A. has the obligation to sell 2020 MWh on the regulated market in period January 1, 2020 - June 30, 2020 a quantity of

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1.086.596,545 MWh, representing 10.5% of the total production quantity scheduled for 2020 at the regulated price of 188.47 RON/MWh. This regulated price does not include the electricity transmission fee, in the amount of RON 1.30 / MWh (according to the Order of the National Regulatory Authority for Energy No. 218 / 11.12.2019). Also, the National Energy Regulation Authority informed SNN by Resolution no. 2214/23.12.2019 on the maximum quantities of electricity that may be imposed as sale obligations based on regulated contracts between July 1, 2020 and December 31, 2020. Thus, the maximum electricity quantity related to period July 1, 2020 - December 31, 2020 is 1,095,026,028 MWh.

Evolution of quantities sold on the regulated market in 2015 - 2019:

Indicator	2019	2018	2017	2016	2015
Energy sold by SNN (GWh)	10,652	10,676	10,745	10,457	10,824
Production share sold on the regulated market	12.9%	-	5.7%	13.9%	20.8%
Energy sold on the regulated market (at national level) (GWh)	1,377	-	1,740	4,200	6,410
SNN share in total regulated market	32%	-	35%	35%	35%

Sale contracts on the competitive market administered by OPCOM

The bilateral contracts are concluded as a result of bidding organized on the OPCOM platform, in conditions of transparency. The markets on which bids were unfolded for bilateral contracts in which SNN took part in 2019 are PCCB-LE (centralized market for bilateral contracts of electric energy – extended bidding of contract trading modality), PCCB-CN (centralized market for bilateral contracts with continuous negotiation), PCSU (centralized market for universal service) and PC-OTC (centralized market with double negotiation of bilateral electricity contracts).

The average price recorded by SNN on the centralized market of bilateral contracts encountered a significant fluctuation in 2019: from a minimum price of 222.09 RON/MWh in the 3rd quarter, to a maximum price of 241.11 RON/MWh in the 1st quarter. The prices corresponding to each month in 2019 were influenced by the weight of the energy produced from renewable sources in the National Energy System, the impact of the energy produced from hydrological sources, but to a lower degree than the weighted average prices calculated for all the transactions on the wholesale market, due to the high weight of the contracts with average delivery periods in the SNN portfolio. The average sale price related to the contracts concluded on the OPCOM markets with delivery in 2019 was 13.6% higher than the one recorded in 2018, while the ROPEX_FM indicator calculated for 2019 was 19.8% higher than that of the previous year.

Energy sale-purchase contracts on PZU (following day market) and PI (intraday market)

The company can engage transactions on the Centralized Electric Power Market for the Next day according to the convention concluded with OPCOM. On PZU, OPCOM acts as central

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counterparty, being the sole buyer of the energy sold by the Company. The settlements for the transactions implemented on PZU are performed only with OPCOM and are done quickly (2-3 days after the energy delivery).

PZU does not represent a primary market for SNN, and the quantities sold for this market are relatively low; the sold quantity decreased in 2019 by 34% compared to the previous year. On PZU are traded the quantities of energy available for sale and which were not already contracted by bilateral contracts on the platforms administered by OPCOM or on the regulated market.

The energy sold on the spot market (PZU and PI) by SNN represented approximately 9.9% of the total sales in 2019, compared to 14.9% in 2018, and 22.2% in 2017. The decrease of the weight was predominantly generated by the increase of the electricity volume contracted on bilateral platforms and on regulated contracts, associated to the increase of the sale price compared to the previous year in the competition segment.

The average weighted annual price set on PZU was 251.21 lei/MWh, while the average annual arithmetic trading price was in 2019 of 238.80 lei/MWh, lower than the corresponding value of 2018, of 216.16 lei/MWh.

Also, SNN participated in PZU also as a buyer for the quantities that needed to be purchased especially during the unplanned outage, and also during the planned annual outage, in order to cover the contractual obligations. The purchased electricity quantities are insignificant and are within the approved budget.

Generally, the prices on PZU have an increased volatility, being massively influenced by the renewable sources.

Convention to participate in the green certificate market

The company has the right to take part both in the centralized green certificate market (PCBCV - market of green certificate bilateral contracts and PCSCV - green certificate spot anonymous market), based on the Convention on the participation in the green certificate market, concluded as at November 23, 2017. This Convention was concluded between the Company, as a participant, and OPCOM as an operator of the green certificate market.

The green certificates acquisition obligation depends on the volume of electricity supplied by the Company to the end consumers. Considering the low consumption, of approximately 600 MWH a year, the number of green certificates that need to be purchased by the Company is low.

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The balancing market

The company participates in the balancing market, and has signed the agreement for assuming balancing responsibility concluded on October 8, 2018 with the system and transport operator, Transelectrica S.A., whose scope is to sell and purchase electricity between parties, as a result of the occurrence of production/consumption unbalances of the Company, which are compensated by Transelectrica S.A. on the balancing market, according to the applicable legislation, an agreement which was suspended following the delegation of the balancing responsibility.

Starting with June 24, 2016, the Company delegated the balancing responsibility to PRE Ciga Energy S.A., after following a competition-based granting procedure, in order to join a broader PRE resulting in reducing the net costs related to unbalances in the system induced by SNN, by the mutual compensation of individual unbalances and the efficient distribution of costs and benefits among the participants of PRE Ciga Energy S.A.

The recorded unbalance is not significant (in 2019 the positive unbalance was below 0.3% of the total sales, and the negative unbalance represented a volume 36% higher than that of negative unbalance), especially due to aspects related to production planning, quantity notification, technical variations or differences not contracted on the spot market.

The weight of each product category in the energy sale revenues and in the operating revenues for 2018-2019:

Indicator [thousand RON]	2019		2018	
	[thousand RON]	%	[thousand RON]	%
Sales revenues, out of which:	**2,377,772**	**98.36%**	**2,128,667**	**97.70%**
Electricity sales revenues	2,359,207	99.22%	2,112,000	99.22%
Green certificates sales revenues	27	0.00%	21	0.00%
Thermal power sales revenues	6,330	0.27%	4,970	0.23%
Proceeds from electric power transmission	12,209	0.51%	11,676	0.55%
Other operating revenues	**39,661**	**1.64%**	**50,205**	**2.30%**
Total operating revenues	**2,417,433**	**100%**	**2,178,872**	**100%**

No new products/new services for which a considerable volume of assets would be necessary are taken into consideration for the next financial year.

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5.3.3. Evolution of sales on the internal and/or external market and medium and long-term prospects

Evolution of the sales on the main markets for the last two years, both quantitative and as value:

Indicator [lei]	2019		2018	
	GWh	Value [thousand RON]	GWh	Value [thousand RON]
Electricity sales, out of which:	**10,652**	**2,359,207**	**10,676**	**2,112,000**
Regulated contracts	1,377	259,323	-	-
Contracts on the free market	9,275	2,099,884	10,676	2,112,000
- OPCOM contracts	*8,194*	*1,857,853*	*9,049*	*1,804,195*
- PZU/PI	*1,051*	*236,630*	*1,594*	*301,954*
- Balancing market)*	*30*	*5,401*	*33*	*5,851*

**) Values related to the positive unbalances on the Balancing Market, according to the conventions concluded with the system and transport operator Transelectrica S.A. and internal settlement results in PRE Ciga-Energy.*

The quantities of energy sold monthly, based on contracts, varied insignificantly, from one quarter to another, compared to production prognosis. Thus, lower quantities of electricity were sold in the second quarter of 2019, given the duration of the planned outage of Unit 2, between May 3, 2019 and June 7, 2018.

At the same time, SNN delivers thermal energy in Cernavoda, and the related revenues are insignificant in the total revenues (6.33 million lei in 2019 and 4.97 million lei in 2018, respectively).

In 2019, the National Energy Regulation Authority ("ANRE"), following Government Emergency Ordinance no. 114/28.12.2018, issued Order no. 10/01.02.2019, for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers and imposed on SNN the obligation to sell 1,377 GWh under regulated contracts.

5.3.4. Competition situation, market weight of products and main competitors

The participants to the Romanian energy market which are certified by ANRE are:

- Energy producers;
- Electricity Transport Company - Transelectrica S.A.;
- Energy distributors;
- Energy suppliers;
- Energy traders.

The supply of electricity was performed in 2019 on the regulated and competition-based market.

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As at the date of this Report, there is no data published by ANRE regarding the electricity market in 2019, on December 31, 2019. According to the ANRE market monitoring report for November, the market share of the manufacturers with dispatch units depending on the electricity delivered in the networks in January-November was for SNN of 19.18%, while the value of the indicator calculated for Hidroelectrica was 28,45% and for C.E. Oltenia 20.96%.

According to the statistical data centralized by Transelectrica S.A. until now, in 2019, the SNN production represented 18.4% of the total electricity produced in Romania (net values for period January - November).

The structure of the gross energy production at national level is as follows:

Structure of the energy production	2019		2018	
	GWh	%	GWh	%
Conventional power plants	23,799	40.1%	26,810	41.6%
Hydro power plants	15,829	26.7%	18,025	28.0%
Nuclear power plants	11,280	19.0%	11,377	17.7%
Wind power plants	6,745	11.4%	6,497	10.1%
Photovoltaic power plants	1,734	2.9%	1,674	2.6%
Total	**59,387**	**100%**	**64,383**	**100%**

Source: *National Institute of Statistics – Press release no. 39/2020.*

The estimated gross energy production in Romania decreased almost 7.8% in 2019 compared to 2018, while the estimated consumption decreased with 1%. In 2019 the exports on national level decreased by 34.4% compared to the value of the previous year, reaching a value of 3,592.2 GWh, representing 29% from the population consumption, which is 12,393,3 GWh, out of a total national consumption of 55,298.9 GWh (except for own technological consumption in networks and stations).

In 2019, the quantity of electricity sold by SNN was 10,652 GWh (including the quantity sold on the balancing market), while in 2018 the sold quantity was 10,676 GWh (including the quantity sold on the balancing market).

Therefore, while in 2018, SNN sales represented nearly 19.1% of the final energy consumption needs, in 2019, SNN sales represented nearly 19.3 % of the final energy consumption of the national economy, which was 55.298,9 GWh (down by 1% in relation to 2018).

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Structure by destinations of the electricity resources in 2018 - 2019:

Source: *National Institute of Statistics – Press release no. 35/2019 (CPT: own technological consumption in networks and stations).*

Source: *National Institute of Statistics – Press release no. 39/2020 (CPT: own technological consumption in networks and stations).*

5.3.5. Dependencies on a single client or group of clients

In 2019, SNN concluded, on the centralized markets administered by OPCOM, 199 electricity sale contracts with 38 buyers (there were cases where the same buyer won several organized tender procedures). Out of the 38 buyers on the competition-based market, only 25 bought energy quantities that exceeded, for each, 1% of the total sales of SNN on the competition market by term contracts. The first 3 buyers, based on the volumes of energy purchased from SNN, purchased a total of 30 % of the sold energy; the first buyer took over 12.55%, and the second 9.6%.

Due to the organization of the electricity market and considering the exposure to clients on the competitive market, the Company does not consider that there is a dependency on a single client or a group of clients.

Based on the PZU and PI participation agreements, SNN sold in 2019 to OPCOM (which plays the central party role) a quantity that represented 9.9% of the total volume of energy sold by SNN in 2019. It cannot be concluded that there is a significant dependency on a single client or group of clients, the loss of which would negatively impact revenues.

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5.4. THE TECHNICAL – MATERIAL SUPPLY ACTIVITY

The technical-material supply regarding materials and products necessary to unfolding the activities is achieved by both internal and import sources.

SNN has the supply sources for the unfolding in good conditions of its activity, and the inventories of raw material and materials are accordingly dimensioned to ensure the continuation of operation of the 2 Nuclear Units in Cernavoda, and for the nuclear fuel manufacturing at FCN Pitesti.

SNN, in its quality of Contracting Authority, defined according to the provisions of Emergency Ordinance no. 99/2016, regarding the awarding of procurement, has the obligation to acquire the products, services or workings necessary to unfolding its relevant activity through awarding procedures that unfold according to the provisions of the mentioned normative act, mostly open bid, competitive negotiation or simplified procedure.

In this context, in 2019, SNN SA initiated and implemented 205 granting procedures (excluding direct purchases and exceptions) for the purchase of products, services and works, with an estimated cumulated value of 637,148,284.28 lei.

In total, in 2019, on headquarters and branch level, 873 contracts of sectorial procurement were concluded.

The most important contracts concluded in 2019 grouped by types of contracts are presented below.

Product contracts concluded by SNN in 2019

The technical-material supply activity is correlated to:

Regarding the Cernavoda NPP Branch

The necessary products (consisting, as the case may be, in equipment, spare parts, materials, consumables, etc.), resulted from the evaluation of preventive and corrective maintenance programs, as the case may be, from the investment program, for Units 1 and 2 at CNE Cernavoda, including for the common objectives of the 2 units (for example the Intermediary Warehouse for Burnt Fuel – "DICA"). A very important issue is the acquisition of the critical spare parts. Critical spare parts are necessary mainly for the equipment whose defects can lead to the decrease of the nuclear security system redundancy, incidents that can endanger the environment or staff health, can cause operation transients or the necessity to reduce the power, can generate major flaws of the important equipment of the Power Plant.

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Regarding the Pitesti NFP Branch

The annual production necessities (NAF) for the implementation of the annual fuel production plan, also ensuring the reserve inventory, according to the Company Strategy. Great importance is paid to the procurement of raw materials consisting in uranium dioxide (UO2) sintering powder, as well as various semi-finished goods made of Zircaloy 4 (tubes, round bar, sheet, wire) used for manufacturing fuel.

We would like to mention the fact that, according to the SNN Strategy of diversifying its sources of supplying the raw materials required for producing nuclear fuel, approved by the General Assembly of Shareholders by Resolution no. 5/25.04.2018, SNN initiated, in 2019, the necessary endeavors for changing the policy of supplying raw materials, in order to allow the purchase of uranium octoxide (U_3O_8) on the international market, and progressively passing from the exclusive supply with UO_2, to the supply with U_3O_8 which will be processed by CNU Feldioara Branch in order to be used in the process of making nuclear fuel at the NFP Pitesti Branch.

In 2019, SNN concluded a series of contracts for supplying raw materials, spare parts, components and equipment, out of which the most important ones are:

- Contract no. 58 of 31.01.2019, with the scope - Spare parts for the pumps related to the Primary Heat Transportation System (SPTC) from NPP Cernavoda, in value of 1,713,224 USD, concluded with the company that manufactures the respective pumps, namely Sulzer Pumps Inc. Canada, following the implementation of procedures of Negotiation without a prior letter of invitation to a tendering competition procedure;

- Contract no. 274 on April 03, 2019, with the scope of providing heavy water for supplementing the reserve for Units 1 and 2 of NPP Cernavoda, in value of 15,564,732 lei, concluded with the National Administration of State Reserves and Special Matters (ANRSPS), following the implementation of a negotiation process without a previous invitation to a competitive tender procedure;

- Contract no. 919 of 25.09.2019, having as object the Software and Hardware upgrading of the Full Scope Simulator from the Cernavodă Nuclear Power Plant, amounting to CAD 3,326,335, concluded with L3 MAPPS Inc., Canada, following the conduct of a Negotiation procedure without prior letter of invitation to a competitive tendering procedure.

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Service contracts concluded by SNN in 2019

SNN concluded two subscriptions, with the Romanian Waters National Administration, as the sole operator of water resources, as follows:

- Subscription no. 1413 of 23.12.2019, scope - Use / operation of surface and/or underground water resources - Using Danube water for NPP Cernavoda (Unit 1 and Unit 2) in 2020, in value of 59,672,976 RON, concluded with the "Romanian Waters" National Administration, as an exception from the application of Law 99/2016, in virtue of art. 38, considering the exclusive right for providing services held by the Romanian Waters National Administration, in virtue of the provisions of GEO no. 107/2002;

- Addendum no. 2 to subscription no. 66/2019, scope: Use/operation of surface and/or underground water sources - Reception in the resource of wastewater originating from the Nuclear Power Station - Units 1 and Unit 2, for 2020, in value of 11,801,408 lei, concluded with the Romanian Waters National Administration – Basin Administration "Dobrogea Litoral" (ABADL), as an exception from the application of Law no. 99/2016, in virtue of art. 38, considering the exclusive right for providing services held by the Romanian Waters National Administration, in virtue of the provisions of GEO no. 107/2002.

The most important service contracts concluded by SNN in 2019 are:

- Contract no. 166 of 06.03.2019, scope - Services for the elaboration and documentation in a set of reports of the Periodic Nuclear Safety Review (RPSN) for Units 1 and 2 of Cernavoda NPP, in value of 4,684,700 Euros, concluded with Kinectrics Nuclear Romania following the implementation of an open tender procedure;

- Framework agreement no. 205 of 18.03.2019, scope - Engineering services for complete design activities, at NPP Cernavoda (Units 0, 1 and 2), in maximum value of 36,000,000 RON, concluded with 2 economic operators (Raten-Citon and Kinectrics Nuclear Romania) following the implementation of an open tender procedure;

- Framework agreement no. 224 of 22.03.2019, scope - Complete services of maintenance and repairs for Turbine, Electric Generator, Valves, Auxiliary systems related to Units 1 and 2 of NPP Cernavoda, in value of 119,983,937 Usd, concluded with Association General Electric Global Services Gmbh - Ge Global Parts & Products Gmbh, following the implementation of procedures of Negotiation without a prior invitation to a competition-based tendering procedure;

- Contract no. 270 of 02.04.2019, scope - Activities of epoxy coating, remaking hydro-insulation on roofs and thermal insulations in buildings, structures and equipment at CNE Cernavoda, in value

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of 22,795,041 RON, concluded with S.C. Stizo Nuclear, following the implementation of an open tender procedure;

- Contractul no. 288 of 09.04.2019, scope - Maintenance services for high-voltage equipment at CNE Cernavoda, in order to operate the plant in safety and nuclear safety conditions, in value of 11,393,489 RON, concluded with S.C. Elcomex IEA S.A., following the implementation of an open tender procedure;

- Framework agreement no. 493 of 04.06.2019, scope - Public road transportation services for the employees of the CNE Cernavoda Branch, in value of 17,999,842 RON, concluded with CDI Transport Intern si International, following the implementation of an open tender procedure;

- Contract (Policy) no. 558 of 14.06.2019, scope: Civil liability insurance services for nuclear damages - participation rate 75%, in value of 931,000 USD, concluded with Nuclear Risk Insurers Ltd, by a procedure of Negotiation without a prior invitation to a competition-based tender procedure;

- Contract (Policy) no. 559 of 14.06.2019, scope: Property insurance services - Units 1 and 2 CNE Cernavoda and FCN Pitesti - for material damages, all risks, including mechanical and electrical destruction - participation rate 85%, in value of 1,699,815 USD, concluded with Nuclear Risk Insurers Ltd, by a procedure of negotiation without a prior invitation to a competition-based tender procedure;

- Framework agreement no. 706 of 17.07.2019, having as object the Long-term integrated services for the implementation of the snubber program by the Cernavodă Nuclear Power Plant, amounting to EUR 8,706,738, concluded with SC Titan Echipamente Nucleare SA, following an open tender procedure;

- Framework agreement no. 773 of 06.08.2019, having as object the Storage services by final disposal of the Non-incinerable Radioactive Solid Waste (DSR-N) contaminated with natural uranium, coming from the activities of the Nuclear Fuel Plant Branch, amounting to RON 2,160,000, concluded with the Compania Nationala a Uraniului SA, through a Negotiation procedure without prior letter of invitation to a competitive tender procedure;

- Contract no. 820 of 28.08.2019, having as object the Maintenance and repair services for the electric pumps type NMV 2000 RA, the mechanical equipment related to the Water Cooling System of Capacitors from Units 1 and 2 CNE Cernavoda and, respectively, to the mechanical equipment of the systems auxiliary to the Water Cooling System of the Capacitors, amounting to RON 24,827,332, concluded with SC General Turbo SA, following an open tender procedure;

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➢ The framework agreement no. 900 of 23.09.2019, having as object the Services of processing of non-compliant nuclear materials containing natural uranium from the Nuclear Fuel Plant Pitesti Branch, in order to recover the uranium in the form of sinterable powder of UO2, in the amount of RON 19,213,800, concluded with Compania Nationala a Uraniului SA, through a Negotiation procedure without prior letter of invitation to a competitive tender procedure;

➢ Contract no. 978 of 10.10.2019, scope - engineering services for drafting the Technical study for assessing the state of Systems, Structures and Components ("SSC") for Unit 1 of CNE Cernavoda for long-term operation, in value of 9,727,356 EUR, concluded with Association Candu Energy Inc. – Ansaldo Nucleare S.p.A, following the implementation of an open tender procedure;

➢ Contract no. 1165 of 15.11.2019, scope - Services of processing natural uranium octoxide (technical uranium concentrate) with a uranium content of at least 65%, for obtaining UO2 sintering powder, in value of 49,444,000 RON, concluded with Compania Nationala a Uraniului S.A., as an exception from the application of Law no. 99/2016;

➢ Contract no. 1338 of 13.12.2019, with the scope of Complete operation, maintenance and repair services for the CNE Cernavoda heating system , in value of 24,715,395 lei, concluded with association Veolia Energie Romania - Veolia Apa Servicii - Veolia Energie Prahova, following the implementation of an open tender procedure;

➢ Contract no. 1499 of 24.12.2019, scope - Analyses and assessments of the reactor unit in order to prove the functionality of Unit 1 of NPP Cernavoda up to 245,000 actual operation hours, in value of 7,290,179 EUR, concluded with Candu Energy Inc., following the implementation of an open tender procedure.

Important contract of works concluded by SNN in 2019

Contract no. 1113 of 06.11.2019, scope - Works of Refurbishment of the primary district heating mains section in Anghel Saligny Street, Cernavoda, in value of 2,232,688.41 RON, concluded with the association composed of S.C. Pegas Impex S.R.L. and S.C. Utilitati Publice Cernavoda S.R.L., following the implementation of an open tender procedure.

5.5. HUMAN RESOURCES ACTIVITY

The activity performed within SNN in 2019, in the field of human resources, had as main objectives:

❖ The maintenance of personnel stability and the increase of its involvement degree by means of adequate instruments of both financial and non-financial motivation;

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❖ The maintenance of an open and efficient dialogue between the administration and social dialogue partner - the Unions.

5.5.1. Number, training level and workforce unionization degree

Average number of employees with individual employment contracts in 2017 – 2019:

Indicator*	2019	2018	2017
Average number of employees, out of which:	2,038	2,002	1,975
- Indefinite term	2,003	1,977	1,955
- Definite term	35	25	20

Note (*): Average number of employees according to S1 reporting – Statistics.

Out of the total actual number of employees of 2,153 (2018: 2,058), the structure of the personnel by qualification level / education for higher and medium-level education personnel, is as follows:

Studies*	2019	2018	2017
Higher education	1,010	958	904
High school degree	1,143	1,100	1,096
Total	**2,153**	**2,058**	**2.000**

Note (*): Reporting was prepared considering the position held by the employee.

On December 31, 2019, there were 4 unions within SNN:

❖ "CNE Cernavoda" Union, a representative union, according to Resolution no. 577/09.08.2018 of Medgidia Court of Law;

❖ Free Union "Energetica Nucleara '90" Cernavoda (SLEN '90);

❖ Union "Fabricatie Combustibil Nuclear" Pitesti;

❖ Union „Operatom" Cernavoda.

On December 31, 2019, approximately 69.4% of the total number of employees are union members (1,494 employees belonged to unions out of a total number of 2,153 employees).

The occupational safety and employee health supervision monitored occupational accident and/or disease risks. All performance indicators qualified as excellent. There were no occupational accidents or diseases.

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5.5.2. Relations between management and employees

The rights and obligations of employees are stipulated in the Collective Employment Agreement ("CCM") of SNN, in individual employment contracts ("CIM") and Internal Regulations of the Company. The rights and obligations of employees stipulated in the CCM are formulated in full compliance with human rights, the right to work in accordance with applicable law, employees benefiting from equal treatment, without discrimination, corresponding to the international standards of the nuclear industry, in conjunction with the legislation and motivational packages tailored to the macro- and micro-economic specificity in Romania.

The employees carry on their activity in accordance with the established working schedule, the job description as well as the Rules for Organization and Operation ("ROF"). The main activities, attributions, responsibilities as well as the relationships between the departments of the company are presented in the rules for the organization and operation of the company. The manner of applying legal provisions and internal normative provisions regarding work discipline is set by the updated Internal Regulations, applicable as at November 09, 2018.

The legal act that governs the labor relations within the Company is the Labor Code - Law no. 53/2003, as further amended and supplemented, according to which, in 2018, between the Board of Directors of the Company and its employees, represented by the CNE Cernavoda union - a representative union on a legal-personality unit level, a new CCM was negotiated, registered with the Ministry of Labor as at November 26, 2018, effective in 01.12.2018 - 30.11.2020. Also, provisions were integrated in CCM stipulated in other normative acts that govern the work relations, such as: Law no. 62/2011 on Social Dialog – republished, as further amended and supplemented, and Law no. 319/2006 on occupational safety and health.

The company currently uses a standardized individual work agreement both for the employees hired for a determined period of time and for the employees hired on undetermined term. The standardized individual work agreement respects the provisions of the Order no. 64/2003, regarding the individual work contract.

The company evaluates its employees according to an internal procedure, annually or periodically, at an interval of 3 - 6 months (in the case of some personnel members who are under observation).

The updated internal rules, in force on Company level as at November 09, 2018, contain all the provision categories provided by the Labor Code. The internal rules were made available to the employees on the Intranet page of the company and have full effect on the employees since the date of the publication.

In 2019 there was an action to amply review the Internal Regulations of the Company, aimed at requirements resulted from the implementation of standard ISO 37001 - Anti-bribery management

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system, complying with the legal provisions on consulting the Unions within SNN. The review action was completed at the beginning of 2020, and the new Internal Regulations is applicable as of 10.02.2020, according to the Resolution of the Chief Executive Officer of the company.

Within the Company, in 2019 there were no collective layoffs and no collective work-related conflicts. Currently, there are no plans for personnel reduction/restructuring.

5.6. THE ACTIVITY RELATED TO ENVIRONMENTAL PROTECTION

Currently, SNN owns certifications for environment protection system, as follows:

Cernavoda NPP Branch

(i) The environment authorization for S.N. Nuclearelectrica S.A. - NPP Cernavoda branch - Unit 1 and Unit 2 of the Nuclear Power Station of Cernavoda issued by Government Resolution no. 84/15.02.2019, published in Official Gazette no. 152/26.02.2019. The Authorization covers all the assets and activities related to the operation of NPP Cernavoda Units 1 and 2, including both the nuclear component of the plant ant the classic one.

(ii) The Authorization regarding the greenhouse gas emissions no. 83/February 01, 2013, revised on November 06, 2019, issued by the National Agency for Environment Protection for the period 2013-2020, which states that the Startup Thermal plant, the Backup Diesel Groups and the Emergency Diesel Groups of each unit as well as the motor pump of the fire extinguishing system fall under the legislation regarding the reduction of greenhouse gas emissions.

(iii) Water Management Authorization no. 131/18.06.2019, no. 1 on "Water supply and wastewater disposal for Units 1 and 2 of Cernavoda Nuclearelectrica Power Plant" valid until 30.06.2021.

(iv) Water Management Permit no. 230/December 04, 2019 issued by the National Administration "Romanian Waters" on "Cernavoda Spent Fuel Storage Facility (DICA)" valid until 30.06.2022. By means of this permission, the National Administration "Romanian Waters" gave the Company the right to use hydraulic structures and receptors for drainage of rainwater from the surface Repository Spent Fuel and evacuate rainwater Valley Cismelei, provided that quality indicators related to this element radioactive respect the limits set by CNCAN.

FCN Pitesti Branch

Environment authorization - operation of NFP Pitesti branch issued by Government Resolution no. 24/2019 published in the Official Gazette of Romania no. 87bis/04.02.2019.

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The Company holds certificates on environmental management system, as follows:

(a) Certificate no. 56 regarding the Environment Management System of SNN - CNE Cernavoda branch for the production of electrical and thermal energy, using nuclear resources as well as for connected activities, as per the provisions of standard SR EN ISO 14001:2015 (ISO 14001:2015), issued by IQNet and SRAC on May 07, 2019, valid until 24.04.2022.

(b) Certificate no. 4309 regarding the Environment Management System of SNN – NFP Pitesti branch for the nuclear fuel processing activity, according to the conditions from the EN ISO 14001:2015 standard, issued by IQNet and SRAC on October 02, 2019, and valid until November 04, 2022.

The impact of the operation of the Power Plant and of the nuclear fuel plant on the environment is constantly monitored and reported in accordance with the requirements of the operation and environment authorizations. For both branches, the Company observed in 2019 the limits for pollutants set in environmental permits.

In 01.01.2019 – 31.12.2019 on the level of SNN and its branches, there were no events with impact on the environment, the population and own and contracting personnel.

All the environment reports were drafted and sent until the agreed deadlines according to the provisions from authorizations, protocols and additional requests.

According to the Investors Agreement, SNN was responsible for obtaining the environmental approval for the investment "Continuation and completion of works at Units 3 and 4 of CNE Cernavoda". The procedure for obtaining the environmental approval was started in 2006 and ended in September 2013 when the environmental approval was issued. According to the specific environmental legislation for nuclear premises, the environmental approval was issued by Government Resolution no. 737/2013.

The total volume of solid radioactive waste, for both units of NPP Cernavoda, generated in 2019, was 54,8 m^3. In total, until the present, in 1996 - 2019, the total volume of solid radioactive waste, for both units, is of 952,47 m^3.

The waste is stored within the protection fence of CNE Cernavoda, inside the Intermediary Storage for Solid Radioactive Waste.

CNE Cernavoda's policy for managing used fuel is as follows:

(a) Wet storage in the used fuel pool of the unit for a period of minimum 6 years;

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(b) Dry storage for spent fuel in intermediate storage for a period of 50 years.

Spent Fuel Storage Facility ("DICA") is on the CNE Cernavoda site, transport being made on an internal road that allows maintenance of physical protection systems integrated.

The deposit is gradually built according to DICA Strategy for long term development. Until now, there are 10 MACSTOR 200 modules, with a capacity of 12,000 bundles per module.

In 2019, 4,200 fuel bundles were transferred to the Intermediary Burnt Fuel Warehouse from Unit 1 and 4,200 bundles from Unit 2.

FCN Pitesti monitors the gaseous radioactive effluents in the atmosphere though the dispersion chimneys as well as the liquid effluents in accordance with the conditions stipulated in the authorizations. As per these conditions, FCN Pitesti may release in the atmosphere a volume of radioactive gaseous effluents of maximum 10^9 m^3/year. The volume of gaseous radioactive effluents released in the atmosphere in 2019 represented 78.5% from the authorized volume.

NFP Pitesti transferred in 2019 a volume of 950 m^3 of liquid radioactive effluents to the Cleaning Station of the Nuclear Research Institute (SE-ICN), which represented 47.5% of the maximum authorized volume.

A volume of 420 m^3 of radioactive liquid waste was transferred for treatment to the Radioactive Waste Treatment Station of the Nuclear Research Institute (STDR-ICN).

11,582.5 kg of non-burnable radioactive solid waste (DSRN) and 4,862.7 kg of burnable radioactive solid waste (DSRI) were generated. Three transfers of non-burnable radioactive solid waste (DSRN) were performed to the final storage facility for low-level radioactive solid waste from CNU, Feldioara branch, the amount of 13,589.1 kg DSRN. Also, 1,932.7 kg of burnable radioactive solid waste (DSRI) were transferred for treatment by incineration to STDR-ICN Pitesti.

5.7. RADIOPROTECTION PROGRAM

The main objective of SNN operational radiation protection program is to maintain professional exposure as low as reasonably achievable in compliance with the ALARA principle.

The efficiency of the NPP Cernavoda's policy regarding the ALARA principle is being monitored by determining, controlling and periodically reporting the performance indicators based on internal and external operational experience.

The Radiation Protection performance indicators show us the efficiency of the Radiation Protection programs in optimizing the personnel exposure to radiations.

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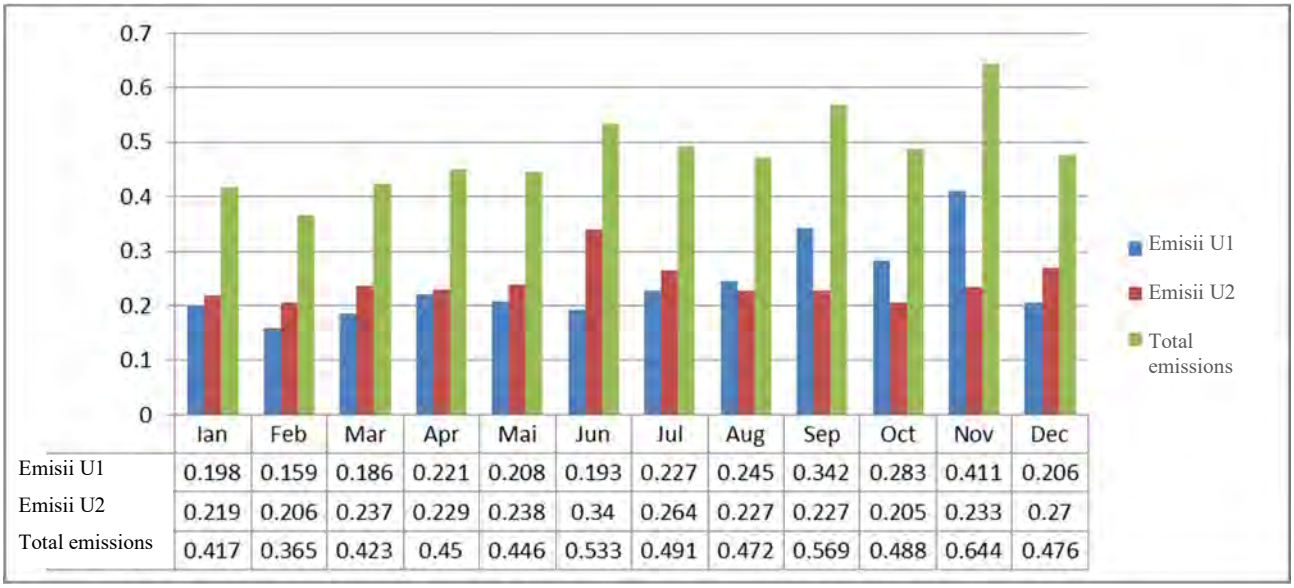
The radioactive emissions into water and air were kept quite below the authorized limits for the Station. The actual annual dose for a person from the critical group, due to the radioactive emissions in the environment (Unit 1 and Unit 2) was 0.0058 mSv in 2019, while the annual average dose received by a member of the public is 2.4 mSv. More detailed information on the radiological impact are provided by SNN - "Environment Report"

Radioactive emissions in the environment U1 + U2 in 2019 (microSv)



	Ian	Feb	Mar	Apr	Mai	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Emisii U1	0.198	0.159	0.186	0.221	0.208	0.193	0.227	0.245	0.342	0.283	0.411	0.206
Emisii U2	0.219	0.206	0.237	0.229	0.238	0.34	0.264	0.227	0.227	0.205	0.233	0.27
Total emissions	0.417	0.365	0.423	0.45	0.446	0.533	0.491	0.472	0.569	0.488	0.644	0.476

In 2019, the achieved collective dose was 432,63 mSv/employee, the annual average dose for employees with recordable doses was 0.6 mSv, and the individual maximum dose was at 7.23 mSv. The legal limit for the effective dose for the professionally exposed workers is 20 mSv/year, and the administrative level at NPP is 14 mSv/year. Neither of these limits was exceeded.

At the end of 2019 the internal collective dose was at 113,18 mSv/employee, representing 26.16% of the total dose on the level of the Power Plant.

The Radioprotection Department issues regular reports regarding the evolution of the collective doses and of the ALARA performance indicators, thus raising the involvement of the plant's personnel in the control and optimization process for the professional exposure to ionized radiation. The achievement of these objectives is monitored through the ALARA process and the ALARA committees carry on their activity with excellent results. With an average dose per unit of 216,3 mSv/employee, NPP Cernavoda remains, according to the information to date, one of the highest performing power plants in the CANDU group.

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The radioprotection program of the NFP Pitesti branch has the objective to maintain a very low exposure to ionized radiation, individual radiological monitoring and of the work environment according to the current law and requirements from the operating permits issued by CNCAN.

For the external exposure to ionizing radiations, the entire personnel of NFP Pitesti is monitored by using Thermal-luminescent Dose-meters (TLDs) measured within the Personal Radiation Protection and Dose-meter Laboratory of NFP (LRDP-NFP), assigned by CNCAN as a certified dose-meter authority with assigning certificate NFP ODD06/2017 valid for the period 24.10.2017 – 23.10.2020.

In 2019 the collective dose of NFP was 547.094 mSv/employee, out of which the collective dose following the external exposure was 485.762 mSv/employee. The collective dose following the internal exposure (61.332 mSv/person) represented 11.21% of the collective dose of NFP for 2019. The individual average annual dose was 1.478 mSv/year, a dose which represents 9.85% of the administrative control limit for the actual individual annual dose of the professionally exposed personnel imposed by NFP Pitesti (LCA-15 mSv).

NFP Pitesti manufactured in 2019 a volume of 11,200 bundles with natural uranium dioxide. From it, 10.800 bundles were delivered to NPP Cernavoda, for the 2 units in operation, as follows: 5.760 bundles of nuclear fuel to Unit 1 and 5.040 bundles of nuclear fuel to Unit 2.

The nuclear fuel malfunction rate in 2019 was 0% for Unit 1 and 0% for Unit 2. For 2019, the average discharge combustion degree was 169.016 MWh/kg U for Unit 1, and 181.937 MWh/kg U for Unit 2. Thus, the high quality and performance of the nuclear fuel were validated during the operation of the 2 reactors.

FCN Pitesti continued to monitor the personnel and the means of transportation, with the purpose of correlate the doses, and reported the findings to CNCAN, on an annual basis and filled a report after each transport.

5.8. RESEARCH AND DEVELOPMENT ACTIVITY

Although the Company is not directly involved in any research and development activities, it is a member of various organizations and associations.

5.9. OPERATING AUTHORIZATIONS AND LICENSES

The company carries out its activity through its subsidiaries according to the following main categories of specific authorizations, special licenses and rights:

a) Site authorization no. I/605/30.09.1978, issued by the State Committee for nuclear energy;

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b) Authorizations in the nuclear field issued by (CNCAN);

c) Licenses issued by (ANRE);

d) Other authorizations.

(a) Site authorization no. I/605/30.09.1978, issued by the State Committee for Nuclear Energy

The site authorization was issued for Cernavoda site for the construction of a CANDU-PHWR 4x660 MWe nuclear power plant, made up of 4 nuclear reactors. The authorization was issued according to Law no. 61/1974 and the Nuclear Safety Norms for "Nuclear reactors and nuclear power plants" dated in 1975 and provides the main technical characteristics of the nuclear power plant.

(b) Authorizations in the nuclear field issued by CNCAN

Pursuant to art. 8 par. 8 (1) of the Law no. 111/1996, for the development of the activities and/or utilization of the resources that make the object of this law, the operators must obtain specific authorizations issued by CNCAN, by respecting the specific authorization procedure for every type of activity or resource. At the end of 2019, the following authorizations in the nuclear field were valid for SNN:

(i) Authorizations issued by CNCAN in the nuclear field for the CNE Cernavoda Branch:

- Nuclear safety authorization for the operation and maintenance of the Nuclear Power Plant of Cernavoda, Unit 1, authorization no. SNN NPP Cernavoda U1 – 01/2013. The authorization was issued for a period of 10 years, starting with 01.05.2013 until 30.04.2023;
- Nuclear safety authorization for the operation and maintenance of the Nuclear Power Plant of Cernavoda, Unit 2, authorization no. SNN NPP Cernavoda U2 – 02/2013. The authorization was issued for a period of 7 years, starting with 01.05.2013 until 30.04.2020;
- Building permit for Modules 10 and 11 of the Intermediary Burnt Fuel Warehouse, permit no. SNN Construction DICA 04/2018. The authorization is valid until March 25, 2021;
- Nuclear safety authorization for the operation and maintenance of modules 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 of the Intermediary Burnt Fuel Warehouse, authorization no. SNN DICA 05/2019. The authorization was issued on August 03, 2019 and is valid until August 02, 2021;
- Authorization for the quality management system for the operation, design, supply, repair and maintenance and use of software products, in the nuclear field. Authorization no. SNN NPP Cernavoda – 01/2017 is issued for a period of 2 years, from 01.05.2019 to 30.04.2021.

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(ii) Authorizations issued by CNCAN in the nuclear field for the NFP Pitesti branch:

(a) The authorization for the Quality Management System in the nuclear field no. 18035 issued according to Art. 24 of Law no. 111/1996, for production activities in the nuclear field, for 2 years, from 18.09.2018 to 17.09.2020;

(b) 9 authorizations for activities in the nuclear field:

i. Authorization LP/001/2018 for owning ionizing radiation sources, radiologic installations with ionizing radiation sources, devices generating ionizing radiations, nuclear installations for processing and manufacturing nuclear fuel, nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest, equipment and devices provided in Government Resolution no. 916/2002, valid from 31.01.2018 to 30.01.2020;

ii. Authorization LP/002/2018 for the use of closed ionizing radiation sources, radiological installations, equipment and devices generating ionizing radiations, valid from 31. 01.2018 to 30.01.2020;

iii. Authorization LP/003/2018 for handling closed radiation sources, radiological installations with closed sources and radioactive waste, valid from 31.01.2018 to 30.01.2020;

iv. Authorization LP/004/2018 for the processing of nuclear raw materials, valid from 31.01.2018 to 30.01.2020;

v. Authorization LP/005/2018 for the manufacture of nuclear fuel valid from 31.01.2018 to 30.01.2020;

vi. Authorization LP/006/2018 for the temporary storage of nuclear raw materials, nuclear fuel and radioactive waste, valid from 31.01.2018 to 30.01.2020;

vii. Authorization LP/007/2018 for the supply of nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest and double-use materials, valid from 31.01.2018 to 30.01.2020;

viii. Authorization FCN Transport_20/2018 for the transportation of radioactive materials, valid from 10.01.2019 to 09.01.2024;

ix. Authorization AN/081/2017 for ownership of unpublished information, valid from 31.03.2017 to 28.11.2021.

(c) By Assignment Certificate no. NFP ODD06/06/2017, CNCAN updated the appointment of the Radiation Protection laboratory and dosimeter personnel within NFP Pitesti as Dosimetry Body, valid from 24.10.2017 to 23.10.2020.

(iii) Authorizations in the nuclear field for the main office:

(a) Authorization for the quality management system for management activities in the nuclear field. Authorization no. SNN EX-01/2019 was issued for a period of 2 years, from 01.05.2019 to 30.04.2021;

(b) Authorization no. PD/205/2018 for ownership of heavy water for Units 3 and 4, valid from 26.10.2018 to 25.10.2023.

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(iv) CNCAN authorized personnel. For Cernavoda NPP branch, the company holds 14 CNCAN permits for management personnel, 6 CNCAN permits for personnel with specific training positions and 52 CNCAN permits for operational staff in the control rooms of the two Units. For the FCN Pitesti branch, the Company holds 13 permits for nuclear activities, level 2. The company also has 5 permits for management personnel from the Head Office and 4 approvals for members of the Board of Directors.

(c) Licenses issued by ANRE

According to the Regulation for the granting of licenses and authorizations in the electric power sector approved by the Government's Decision no. 540/2004, the supply of electric power, the production of electric and thermal power in cogeneration are performed according to certain licenses issued by ANRE in this respect.

On the date of the current report, the company holds the following licenses issued by ANRE:

a) License no. 5/03.12.1999 for the production of electric power granted through ANRE Decision no. 80/03.12.1999;

b) License no. 244/26.03.2001 for the production of thermal power granted by ANRE through the Decision no. 341/26.03.2001;

c) License no. 962/21.10.2010 for the supply of electric power granted by ANRE through the Decision no. 2597/21.10.2010.

The company complied, both in previous years and in 2019, with the provisions of the conditions associated to the aforementioned licenses.

License no. 5/03.12.1999 authorizes the company to produce electric power through the commercial operation of the power capacities related to the electric power production units. The license came into force on 03.12.1999 and is valid for 25 years. Through the resolution of ANRE no. 1683/01.11.2007, the license was modified to increase the installed capacity factor of the company from 706.5 MW to 1,413 MW and to approve other conditions associated to the license as well, after the commissioning of NPP Cernavoda Unit 2.

License no. 244/26.03.2001 authorizes the Company to perform the activity of generating thermal energy by the commercial operation of the power capacities related to the units of electrical and heating power generation consisting of two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The license came into force on 26.03.2001 and is valid for 25 years. Through the resolution of ANRE no. 1684/01.11.2007, the license was modified to approve the existing conditions related to the license. SNN delivers thermal power to the local heath distribution

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company – Public Utilities SA Cernavoda, as well as to some end consumers in Cernavoda town – businesses, social and cultural institutions.

License no. 962/21.10.2010 for the supply of electric power authorizes the company to supply electricity on the energy retail market and come into force on 26.10.2010. By the ANRE Decision no. 2000/23.09.2015, the license was modified for the extension of the validity of the license till 21.10.2020.

(d) Other authorizations

- ISCIR regulatory documents;
- Statements to the National Anti-Drugs Agency;
- Licenses issued by ANCOM. NPP Cernavoda obtained 3 licenses for the use of electrical radio frequencies from the National Communications Regulating Authority (ANCOM);
- Fire safety authorizations;
- Sanitary authorizations.

For environmental protection, the authorizations and certificates were distinctly presented in the report.

5.10. NUCLEAR SECURITY

Permanent maintenance of a nuclear security level in all phases of performance and exploitation of the nuclear objectives and installations is of vital importance and represents the first priority for SNN.

SNN developed a nuclear safety policy that was approved by CNCAN, with the purpose of maintaining a high and constant level of nuclear safety in all the phases of the commissioning and operation of nuclear installations. The nuclear safety policy ensures performance warranties for all the significant activities regarding nuclear safety, in all the phases of installation and operation of nuclear facilities. This document confirms the fact that nuclear safety has the maximum priority.

The high level of nuclear safety is ensured by the design, construction and operation of the nuclear installations. The risk generated by the nuclear fuel in the reactors is minim for the population and the environment, due to the fact that:

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(i) The power of the reactor is under control;
(ii) The fuel is cooled;
(iii) The radiation is contained, all these taking place on a continuous base.

Up to present, no CANDU type NPP recorded events or accidents that pose a threat to the health and security of the population. Among such measures, we mention the emergency preparedness, required by the national law as a pre-requisite for licensing the operation of a nuclear power plant. Within the CNE Cernavoda, the emergency preparedness is verified and improved through quarterly, annual or general drills and exercises (once every three- four years).

After the Fukushima accident, the European Commission and the Group of European Regulators of the SNN decided that the nuclear security of nuclear plants in Europe shall be reviewed based on transparent and extended risk evaluations, called „Stress tests". The technical purpose of these stress tests was defined considering the risks pointed out by the events occurred at Fukushima. The following issued were stressed: initiation events, such as earthquakes or floods, the consequences of losing the security functions during such events, as well as management difficulties of severe accidents.

CNE Cernavoda, together with AECL Canada and ANSALDO Italia, issued „The reevaluation report of nuclear security limits". The evaluation performed proves the fact that Units 1 and 2 from CNE Cernavoda comply with the nuclear security requirements established by the project and that they can face severe earthquakes and floods, as well as the total loss of electrical energy and cooling water supply. Moreover, methods and procedures were planned for managing possible severe accidents. Also, were identified methods for preventing and limiting the consequences of accidents which may determine the melting of the active area.

In order to provide a good coordination with the competent Local Public Authorities regarding the response in emergency situations, CNE Cernavoda created two important facilities for Cernavoda and namely: Local Center for emergency Situations of the Cernavoda City Hall and Personnel Decontamination Area, within the Town Hospital from Cernavoda.

Decommissioning

In accordance with Government Decision no. 1080/2007, and Radioactive Waste Nuclear Agency ("ANDR") is responsible for collecting and managing the contributions made by the SNN for the dismantling of the two units and for disposal of radioactive waste generated in the operation and decommissioning of units.

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In 2008 - 2019, SNN paid on an annual basis the following contributions to ANDR:

(a) Contributions for the decommissioning of each nuclear reactor in amount of 0.6 EUR/MWh of produced and delivered electricity in SEN;

(b) Contributions for the final storage of radioactive waste, in amount of 1.4 EUR/MWh of produced and delivered electricity in SEN.

5.11. INTEGRATED MANAGEMENT SYSTEM

SNN developed and maintains a General Management System, which complies with the provisions of Law no. 111/1996, the Quality Management Norms applicable in the nuclear field ("NMC") issued by CNCAN. The Management System of SNN is authorized by CNCAN according to the Law no. 111/1996 by the Authorization of the Quality management system in the nuclear field for management activities; current authorization no. SNN EX - 01/2019 is valid until April 30, 2021.

The Quality Management System, described in the Manual of Quality Management System, identifies the directions of developing and implementing the management system within SNN Executive and it's branches: the NPP Cernavoda and the Nuclear Fuel Plant - Pitesti. The development and evaluation of the Management System (MS) is coordinated by the Department for the Development and Evaluation of the Management Systems (DDESM).

The branches NPP Cernavoda and NFP Pitesti have developed and maintain management systems specific to their activities.

The NPP Cernavoda branch has developed and implemented an integrated Management System that complies with the provisions of Law no. 111/1996, the Norms for Quality Management Systems applicable in the nuclear field issued by CNCAN, the IAEA GS-R standard part 2 and international standards ISO 14001 – "Environment management systems. Usage guideline requirements", ISO 45001 – "Occupational health and security management systems. Usage requirements and guidelines" (replacement standard OHSAS 18001) and ISO/CEI 27001:2005 – "Requirements for the informational security management system". The legal and regulation requirements issued by CNCAN and those from the International Standards, voluntarily applied, are included in the documents of the Integrated Management System of NPP Cernavoda.
The quality management system of NPP Cernavoda is authorized by CNCAN according to the provisions of Law no. 111/1996 for "Activities of operation, design, supply, repair and maintenance, use and maintenance of software products in the nuclear field"; current authorization no. SNN NPP Cernavoda – 01/2019 is valid until April 30, 2021.

The compliance with the requirements of International Standards ISO 14001 and OHSAS 18001 was recertified by the certification body SRAC in 2019 (validity until 24.04.2022 for the certificate

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of compliance with ISO 14001:2015 and 11.03.2021 for the certificate of compliance with OHSAS 18001:2007).

NPP Cernavoda received EMAS Registration Certificate no. RO-000017, valid from October 15, 2018 to October 15, 2021. This certificate represents the validation by a system acknowledged by the European Commission, of the environment performance on excellence level of the CNE Cernavoda Branch in relation to the relevant criteria of this process, regulated by Regulation (EC) no. 1221/2009 of the European Parliament and Council of November 25, 2009, amended by Regulation 1505 of August 28, 2017 on the voluntary participation of organizations in an environment management and management community system (EMAS). One of the conditions for this registration is maintaining the compliance certification with standard ISO 14001.

FCN Pitesti Branch has developed and implemented an Integrated Management System which complies with the provisions of Law no. 111/1996, Rules for Systems Management CNCAN, integrating and requirements of Canadian standard CAN 3-Z299.2. The component of the Quality Management System is authorized by CNCAN by Authorization no. 18-035 (valid until 17.09.2020).

The compliance with the requirements of International Standards ISO 14001 and OHSAS 18001 was recertified by the certification body SRAC in 2019 (validity until 04.11.2022 for the certificate of compliance with ISO 14001:2015 and 11.03.2021 for the certificate of compliance with OHSAS 18001:2007).

Besides, other components of the Integrated Management System are developed and implemented as well (for example Physical Protection, Radiological Safety, Nuclear warranties etc.). The development and implementation of the components of NFP Integrated Management System decisively contributed to the nuclear fuel quality proved by a very good combustion degree and zero failure rate.

Considering the firm commitment of the company managers for promoting ethical behavior in professional activities and impeccable conduct regarding the performance of business activities, the company decided to implement standard ISO 37001 - Anti-bribery management system.

This effort is also justified by the fact that most multinational companies and those representative as regards international turnover are extremely selective in terms of choosing their business partners, placing more and more the emphasis on requiring ethical and compliance safeguards to avoid image risks and related costs in case of potential integrity-related incidents.

The implementation of the ISO 37001 standard involves a number of complex activities, including the integration and harmonization of specific policies, procedures and instructions with those already applicable at the company level, so that the regulatory framework that will result from the

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completion of the process is coherent, supple, easy to understand and apply by all employees and business partners.

In 2019 several procedures were drafted ensuring the enhancement of safety measures in the anti-corruption field on a higher level, so that the organization would benefit long-term from several advantages, such as:

- promoting an "anti-bribery" organizational culture through staff awareness and ethical values within the organization;
- prevention, detection and resolution of bribery risks;
- avoiding the conflicts of interests;
- reducing the additional costs (financial, material, image) by introducing tools to identify possible deviations at an early stage so that corrective measures can be implemented in a timely manner and the negative effects generated by them are minimal;
- increasing the credibility of the organization in relation to owners, financiers, suppliers and clients;
- reducing the risk of drawing the company's liability in the event of investigations by investigative and prosecution bodies, in the context in which management can provide conclusive evidence that it has taken reasonable steps to prevent and discourage bribery in accordance with good practice at international level.

5.12. CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is the management process, part of the business strategy of the Company, whereby SNN wants to contribute to the building of a sustainable and performing Romanian society. SNN essential role that it has in the Romanian energy field is naturally completed by the company’s desire to support the real needs of all those who permanently contribute to the smooth running of its activities.

In order to permanently involve the stakeholders and maintain open communication with them, SNN is involved in several forms of dialog by online communication channels (website - Investor Relation, social media platforms Facebook, LinkedIn, Access SNN app for investors), Intranet, periodical notifications and newsletters for employees, press releases to relevant public authorities, taking part in public consultations and various local, national and international events on topics relevant for the activities of the company.
The open and continuous dialog with the stakeholders is part of our organizational culture, it helps us obtain balanced perspectives from outside the organization and provides support in setting references, strategic priorities and in approaching future challenges.

The social programs developed by SNN were focused, ever since 1991, on the local development and improvement of living conditions for the inhabitants of Cernavoda. Further on, the corporate

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social responsibility activities of SNN were diversified and extended towards all areas at the country and towards different population groups.

It is obvious that there is high interest from companies for durable development, both on operational and on reputation levels. They have been interested, for several years, in developing in this field and are looking for ways to improve their strategy and the level of covering important aspects. Emerging companies in this field have started investing more, either consolidating their CSR strategy, or having more CSR projects. A higher level of social and environment transparency is important because it will increase the resilience of companies and will improve both financial and non-financial results. This approach shall lead to an increase in the trust of the stakeholders, including investors and consumers. Transparent business management is also according to long-term investments. The identity model of corporate social responsibility brings immediate major benefits both on organization and on society level. Currently, the adequate application of CSR not only on regional but also on global level represents the "engine" of sustainable economic development.

The wish to identify viable solutions for building an extremely reactive management of corporate effects, the ability to capitalize several strategic partners are skills that become very efficient for the business environment and civil society. It is about a new redirection of the modern business, in which CSR becomes a paradigm.

In the current business environment there is a necessity to treat corporate social responsibility not just a simple concept, but more like an alternative of an identity model within the global economy. Quality, efficiency and performance objectives can only be reached with the participation of companies in several activities characterized by responsibility and dynamism. At the same time, CSR enhances not only the communication connection between organizations and their public, but it also helps them develop a responsible conduct towards the principles of sustainable development.

SNN develops its own corporate social responsibility programs, but is also involved in supporting the initiatives of non-profit organizations in fields with a social impact such as: educational and research, humanitarian and cultural.

The main targets of the corporate social responsibility actions, according to the specification of the SNN activity, are:

❖ Actions dedicated to students in the nuclear, energetic, technical field, especially; as well as to young people in general, like contests, creation and invention exhibits etc.;

❖ Actions dedicated to the development of local communities in the Cernavoda and Pitesti area, to the improvement of living conditions, access to quality medical services, helping the population in

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need, providing opportunities for education, development of young people's skills, increasing the number and quality of green areas etc.;

❖ Attendance within organizations promoting sustainable public policies in the economic, energetic, social, cultural field, like professional associations, institutes, resource centers etc.;

❖ Cultural and educational actions for facilitating public access to personal culture and development, supporting artistic creations and manifestations etc.;

❖ Humanitarian actions destined to help population segments affected by natural calamities or singular cases of persons with through certain profile associations, especially actions dedicated to elders and children.

Corporate social responsibility policy of SNN has the purpose the establishment of strategic orientation and priority directions of its involvement in philanthropic-type actions, charitable and humanitarian for the benefit of the community, in areas nearby nuclear objectives operated by SNN (Cernavoda and Pitesti), as well as nationwide. SNN considers that durable development of the company and the sustainability of its long-term development points are strongly connected with the development, education, information, acceptance and public support before the nuclear energy in Romania. Therefore, investing a part of the annual profit of SNN in corporate social responsibility actions represents a part of the company's development strategy during 2015 - 2025.

Corporate social responsibility objectives:

❖ Creating and supporting a sustainable business model, with responsible management and global policies adapted to local issues;

❖ Responsibility for real issues of the community;

❖ Development of relations with the local community, NGOs;

❖ Attracting young specialists;

❖ Alignment to international standards and good practices of corporate social responsibility practiced by the companies.

The CSR strategy of SNN aims:

❖ To be focused on individuals and on all partners of interest, but it will be assessed based on the implications on the individuals (employees, managers, citizens);

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❖ To build a corporate conceptual inheritance, by integrating ethics in the professional training process and by instituting processes whereby ethics is reflected in all the actions of the company;

❖ To put the employees first, appreciating them as the most valuable resource and the best ambassadors of the company;

❖ To know each community in which it operates, including its culture;

❖ To establish a system whereby CSR debates remain transparent and continuous;

❖ To form wise partnerships in order to achieve CSR objectives;

❖ To accurately measure the impact of CSR projects;

❖ To report the obtained results also outside the company, so that the information would reach all partners of interest.

A Global Compact asks companies to adopt, support and act in supporting a set of basic values from the following fields:

Human rights

Principle 1: Companies should support and respect the protection of universal human rights.
Principle 2: To ensure that they are not accomplices in human right abuses.

Labor

Principle 3: Companies should support the freedom of association and actually acknowledge the right of collective negotiation.
Principle 4: Eliminating all forms of forced and mandatory labor.
Principle 5: Actual elimination of minors' labor.
Principle 6: Eliminating the discrimination regarding hiring and jobs.

Environment

Principle 7: Companies should promote a preventive approach of environment challenges.
Principle 8: Assuming initiatives for promoting a solid responsibility towards the environment.
Principle 9: Encouraging the development and promotion of environment friendly technologies.

Anti-corruption

Principle 10: Companies should fight against all forms of corruption, including blackmail and bribery.

In 2019 we got actively involved in projects which addressed the local community in Cernavoda. We financially supported the fitting with modern equipment of the City Hospital of Cernavoda and purchasing high-performance equipment for physics, chemistry and robotics laboratories from the high schools with technical specializations from Cernavoda.

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At the same time, we contributed to the improvement of the urban comfort conditions by modernizing streets, playgrounds and relaxation premises fitted with public fountains, located at the intersection of Nicolae Titulescu and Crisan streets (km 0) from Cernavoda and leasing, fitting, starting up and maintaining the operation of a skating rink, during the winter holidays, with free access for all citizens from Cernavoda.
(Total invested amount: 2,300,000 lei.)

Two children are abandoned every day in hospital. 1360 children died in 2018 before reaching the age of 1. 75% of institutionalized children were abandoned immediately after birth. Most of the children left alone in hospital come from families with young, single mothers, with the father unknown and without support from the family. In order to change these figures, SNN has been the partner of the Blondie Association, to provide the children who are sick and alone, a category of children ignored and discriminated against, the chance for maximum physical, emotional and intellectual development. In concrete terms, we financed the organization of the Blondie Caravan for monitoring pregnant women in the rural areas of Constanta County. The main objective of the project is to reduce by 25% in 12 months the deaths registered among newborns from the rural area of Constanta County, by creating a framework for recording and monitoring the pregnancy for women in the rural area. The project aims to increase the chances to life and health for these children through an intervention targeting the main causes of infant mortality: lack of access of mothers from the rural areas to pregnancy monitoring services, lack of information on pregnancy care and the care to be given to the newborn, premature birth and the deficiencies of the Romanian healthcare system, which doesn't currently have the capacity to take over all the cases of newborns at risk.
(Invested amount: 503,524 RON)

Increasing the access to high quality medical services is one of the main directions of action of SNN in the field of corporate social responsibility.

In 2019 we sponsored three hospitals, one in Cernavoda and two in Bucharest, for increasing the quality of medical services by purchasing modern and high-performance medical fittings and equipment:

- The City Hospital of Cernavoda benefitted from a sponsorship for purchasing a mammograph with tomosynthesis, a vital function monitor, an electrocardiograph and a defibrillator, equipment benefitting over 40,000 people from Cernavoda and adjacent rural areas. This equipment will allow the hospital to provide high quality and efficiency medical services, benefitting the population from the area.
- The Coltea Clinical hospital benefitted from sponsorship for partially supporting the costs for fitting the operating unit with equipment (laparoscopic system with 4K technology, complex electric surgery unit, echograph, scialytic lamps with LEDs and HD video cameras). The equipment have advanced technology that allows obtaining high-quality images, increasing the precision of

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surgical services and decreasing perioperative incidents and complications. The equipment will also reduce infections related to surgical interventions and will decrease patient discomfort. This equipment will benefit over 4,000 patients a year.

- „Maria Sklodowska Curie" Clinical Emergency Hospital benefitted from sponsorship for extending the current Neonatal Intensive Care Unit. The largest profile department in Romania, and with the best results in neonatal pathology, has become totally inadequate in terms of size, receiving requests for hospitalization from all counties in Romania. Official statistical analyzes show critical data for the department, but also for the situation of patients on the waiting lists: sometimes on the waiting lists there are 5-7 patients above the admitted number, and also long waiting lists - sometimes over 20 newborns. Thus, some of them never get to benefit from treatment, while others benefit too late, and die. Romania needs approximately 400-450 beds for neonatal intensive care, of which it provides around 250-300.
(Total invested amount: 4,835,000 RON.)

380,000 Romanian children aged 3-17 did not go to any form of school at the beginning of 2019. 38.1% of children in Romania are at risk for poverty or social exclusion, and almost a fifth of children up to 6 years old live in serious poverty conditions. Save the Children Romania has been fighting since 1998 to change these statistics. In 2019 SNN joined these efforts, and sponsored a charitable Save the Children event which managed to raise over 700,000 euros for investments in the educational projects of the organization. By the activities performed in educational centers, Save the Children contributes to the reduction and prevention of school abandonment by providing complementary, educational and social services, as well as legal and psychological counseling to children from vulnerable groups and their families.
(Invested amount: 94,996 RON.)

The involvement of SNN in 2019 in environment protection actions consisted in sponsoring the More Green association for two environment projects:

- The afforestation of one hectare of land with approximately 5,000 seedlings, as part of the effort for recompletion of the forest which are cut on an annual basis, considering that over 15 million trees are cut on an annual basis in Romania;
- Fighting the plastic pollution of the Danube river in the area of Cernavoda city (as part of the "Clean waters" project). The goal of this project is to generate an intervention in the sense of reducing the quantity of plastic from the Danube river (the flow of the Danube at the influx has 4.2 tons of plastic a day), an action that targets both historical pollution, by collecting the already existing plastic in the riverbed, and identifying and applying measures for preventing and fighting future discharges.

(Sponsoring amount: 95,458 RON.)

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In 2019 we got involved in 4 cultural projects and intensified our efforts to facilitate the access of young people and youth to culture. For this purpose, the projects we sponsored were as follows:

- Protha Panciu association: we supported the necessary costs for organizing the project "Youth Theater Festival - Theater Hour" for students. The goal of the festival is to annually promote non-formal education by theater (enacting plays, in Romanian and French, and attending national and international events). 250 students and 850 viewers from seven Romanian cities attended the first edition of the festival.
- Vasile Parvan Cultural Association: we supported the costs necessary to carry out three educational and cultural projects. The three projects are the following: the publication of six books with literary creations written by talented children, but with limited material possibilities, the restoration of the painting containing the portrait of Costache Sturza and the organization of the 5th edition of "the History and Tradition of the Romanian Village" National Symposium , consisting of two sections of scientific debates and a practical section oriented on Romanian traditions.
- Rasnov film and history festival: we supported the necessary costs for organizing the 11th edition of the festival which took place in Rasnov Citadel. The film and history festival of Rasnov (FFIR) was launched in 2009 intending to capitalize an important chapter of local and global cinematography, and also from the need to generate in the Romanian public space discussions about themes with high impact for the current society, thus becoming a unique event on the Romanian cultural market. At the festival movies are played, concerts and book fairs are organized, there are debates and valuable exchanges of ideas between lecturers and the public.
- Open art workshops from George Enescu Festival - SNN was the main partner of the Contemporary Artists project which implemented, in September 2019, the campaign "Open workshops in Bucharest", with the participation of over 80 Romanian artists who opened their workshops and made practical demonstrations for visitors. The campaign was organized in parallel with the "George Enescu" Festival and intended to offer the public the opportunity to know and interact with contemporary artists in a pilgrimage in Bucharest.

(Sponsoring amount: 165,240 RON.)

In 2019 SNN became the partner of the UNICEF Romania organization (The United Nations Children's Fund) for improving living conditions and facilitating the access to education for children originating from poor backgrounds and with low financial resources. UNICEF aims to identify children's problems and needs, including those which are less visible for the members of the community (such as violence, abuse or neglect or risk behaviors in children and adolescents), and also planning their necessary social services.

Thus, during the period 2019-2021, UNICEF will support a total number of 10 counties and approximately 150 territorial-administrative units to implement the minimum package of services for vulnerable children.

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Main expected results and project impact:

- Vulnerable children and their families are identified and benefit from integrated community-based services (based on the previous model);
- Depending on the specificity of each community, we will be able to monitor and measure the following quantifiable indicators and results:
- The increase in the number of children and women registered with the family physician/beneficiaries of primary health care services according to the rights;
- The increase in the number of women and teenage girls informed about reproductive health and family planning;
- The increase in the number of pregnant women who benefit from prenatal checks they are entitled to free of charge;
- The increase in the number of children vaccinated according to the national vaccination scheme;
- The increase in the number of children enlisted in kindergarten/school units, out of the children with adequate ages. ***

In order to increase the chances of integrating in society children from poor areas, SNN sponsored in 2019 the Hope and Homes for Children association in order to continue the national programs carried out, in order to reform the child protection system (closing old orphanage institutions, prevention of child abandonment, preventing the separation of children from their families, reintegration into the family, socio-professional insertion). Hope and Homes for Children is a non-profit association that implements programs of taking children out of orphanages. The Hope Foundation has been working for 21 years to reform the child protection system, has developed 110 family-type homes, removing 5,800 children and young people from orphanages, and has improved the lives of 55,000 children. *(Invested amount: 120,000 RON.)*

In 2019 we became more open and preoccupied with our relationships with young people and the manner in which we contribute to their development. Thus, we supported 3 educational projects addressed to young people:

- We sponsored the Association for Youth and Evolution for organizing the Academia summer camp Atlantykron, which takes place on an island in the middle of the Danube, close to the village and ancient ruins of Capidava. At the camp, young people meet, discuss and learn together, with scientists, artists, writers and other known professionals, in a truly unique life and education experience. By science and technology presentations, the young camp participants interacted with SNN representatives and discussed the production and role of nuclear energy.
- For the youth in the nuclear field, we supported World Nuclear University in order to organize the annual program of professional training in the nuclear field which took place in Bucharest, in the summer of 2019.
- Bookland: practical conferences for youth, in 23 cities with over 400 speakers. The goal of

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BookLand Evolution conferences is the personal and professional development of youth, by practical solutions and real-life experiences, following the involvement of exceptional guests (out of whom, SNN colleagues), capable of inspiring and motivating youth in choosing a future career.
(Invested amount: 123,875 RON.)

One of the main directions in which we oriented our corporate social responsibility actions in 2019 was education. Thus, a major area of development derived from the real needs of various social categories identified by SNN consisted in fitting the laboratories of physics, chemistry and robotics of 11 education institutions from Constanta and Ialomita counties with modern equipment facilitating the acquisition of practical knowledge in an attractive climate. By this sponsorship, SNN aims to create a new generation of specialists and to attract them to the nuclear field, while also increasing the level of information of young people on nuclear energy and on SNN, in its role of nuclear energy producer and employer.
(Invested amount: 2,968,858 RON.)

In 2019 we sponsored the publication of two energy-themed volumes, by AGIR (General Association of Engineers from Romania) ad The Mentoring Project Association.

- AGIR: drafting and publishing the volume "Energy sources of the system of electrical and thermal energy in Romania", as part of the editorial project "The history of Energetics in Romania". Chapter V.3 contains works related to "The history of the development of nuclear energetics in Romania", having as main topics the introduction and development of nuclear applications in Romania, the history of the institutes that provided specialized technical support, the history of implementation of nuclear power plants in Romania, the history of manufacture of nuclear fuel, as well as aspects related to the impact of the Romanian nuclear energy on the environment. The volume will comprise several interviews with important personalities who actively contributed to the promotion and development of the industrial infrastructures specific to nuclear energetics in Romania.
- The Mentoring Project association for partially supporting the costs related to the drafting and launching of the second edition of the Notebook Document “Energy. Operational Concepts and Instruments”. The volume is drafted in collaboration with the Government and the Presidency of Romania. The edition “Documentary Notebooks” was initiated due to Romania holding the Presidency of the Council of Europe and intends to print 6 volumes: energy, transportations and infrastructure, digital Romania, agriculture and life quality. The volumes are drafted by the collaboration of over 500 contributors from the Romanian academy and university environment, PhD candidates, professors, etc. and are addressed to the central and local administrative area, Romanian representatives in European structures, the business and entrepreneurship environment, the academic environment, the research and university field, leaders from civil society and relevant mass media. The volume “Energy. Operational Concepts and Instruments” was published in 10,000 copies and included an article on nuclear energy drawn up by SNN.
(Invested amount: 67,305 RON.)

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Because we are an active company, involved in the labor market of Romania, in 2019 we became partners of the National confederation for Female Entrepreneurs and paid the costs for organizing several events and conferences in September 2019 - September 2020 under the title "Labor Pact" in order to draft and publicly support a Memorandum that proposes legislative modifications on the workforce market. The action intends to discuss the problems of the workforce in Romania, in order to identify solutions that would stop young people from leaving the country, and that would support entrepreneurs and integrate women on the work market. The campaign consists in organizing 10 national conferences (Cluj, Iasi, Bucharest, Brasov, Sibiu, Timisoara, Piatra Neamt, Constanta) and a Summit in Bucharest in September 2020 where concrete proposals will be presented for legislative modifications that would favor entrepreneurs and keep the workforce in the country. The main companies on the workforce market of Romania, which act as employers, attended the conferences organized by CONAF: energy companies, unions, owners' associations, decisional factors.
(Invested amount: 141,915 RON.)

Worldwide, 1 in 68 children is diagnosed with autism spectrum disorder. Autism cannot be cured, but through an intensive early intervention, up to 47% of children with autism can have an independent life. Without therapy, however, autism symptoms and dysfunctional behaviors worsen over time.

In 2019 we collaborated with 2 organizations dealing in caring for and recuperating children with autistic conditions, namely:

- We supported the "Coaching Life Coach 4 Transformation" association for partially covering the costs for creating a day center for children with autistic conditions in Voluntari, within the „Blue Life" project. The association, created in 2012, already owns and operates a center of diagnosis and treatment for autistic children in Bucharest - "Lumea Spiridusilor" where 90 children receive treatment by the ABA therapy (which has good results worldwide, 47% of children show improvement). The Association also organizes information and training sessions for parents, teachers, healthcare professionals and psychotherapists in order to organize a support network for children with autism. The new day center aims to provide activities such as speech therapy, music therapy, kinetotherapy for 30 children and support for their parents. Furthermore, the Association aims to launch a public information and awareness campaign at national level, regarding the autism spectrum disorders.
- We supported the ABCD Association for project "A chance at a normal life - therapeutic intervention and educational support for children with disabilities" aiming at functional and psychological recovery, as well as the educational integration in the community of children with special needs, the development of social attitudes and skills, interaction, collaboration and mutual learning, so that the lifestyle and relating style of children with special needs improves. These results will be obtained by designing and implementing a complex therapeutic program to compensate and recover children with special needs by facilitating access to specific therapies

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within the Association (speech therapy, Tomatis therapy, sensory integration, cognitive-behavioral therapy, occupational therapy, kinetotherapy), according to personalized intervention plans elaborated by the team of psychologists and therapists.
(Invested amount: 266,364 RON.)

5.13. INTERNATIONAL RELATIONS

The nuclear industry is especially through the fact that inside it, there is a continuous flow of experience and information exchange. Each operator of Nuclear Plants is part of an international network of approximately 440 Nuclear Units globally. At international level, the leader in international cooperation, in the nuclear field, is the World Association of Nuclear Operators ("WANO"), and at the government level, the International Agency for atomic Energy from Vienna ("AIEA").

The purpose for the development of this international cooperation network is the analysis of different event categories and the dissemination of lessons learned in order to eliminate recurrence, promoting experiences and optimum practices adopted and implemented internationally, benchmarking and evaluation of implementing standards at international level, control and monitoring of performance indicators and updating them to keep a constant high level of nuclear security, organizing inter-pares evaluation missions for ensuring the adherence and for each operator of Nuclear plants to adopt the best practices at international level and evaluated through de facto performance.

Therefore, at the nuclear industry level, it is created what is called the "inter-pares pressure", element which determines keeping certain high security nuclear standards. In general, the international cooperation programs, mainly in the technical operating area, are divided in four distinctive categories: international evaluation missions, experience in operation, technical support and, implicitly, exchange of information and experience, continuous technical and professional development.

All information categories and data resulted following the development of these programs are disseminated to all members, within the international system.

SNN pays particular attention to safe operation of nuclear facilities which it operates, to equipment reliability, increased performance in operation, exchange of experience, with direct results on employee performance, involvement in building political support and development programs related to integrated development of the company.

Therefore, according to the practice at international level, SNN is an active member in a series of international organisms, with different areas at applicability, from nuclear security, radioprotection, management of radioactive waste up to procurement, financial benchmarking, international law.

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Depending on their specificity, these organizations can have a regulation and inspection nature for its members in order to improve their performance (e.g. World Association of Nuclear Operators - WANO) or consultative, participatory and inter-sharing of knowledge character, participation in joint projects as an effective mechanism to reduce research and purchase equipment costs.

SNN is affiliated with a number of organizations both at European and international level in order to benefit from the operational experience available in their participation in decision-making processes that may affect European policy and global alignment of nuclear safety standards imposed by CNCAN, recognition of results, among which we mention:

❖ World Association of Nuclear Operators (WANO): represents the association of all owners of nuclear power plants in the world, founded in 1989. SNN has been a member of Atlanta Regional Center since 1991. In 2011 it became a member of London Coordination Centre. WANO membership guarantees: participation in assessment missions, exchange of experience in operating, technical support, technical and professional development. The WANO membership facilitates the information exchange in the field of exploitation experience of Nuclear Plants, therefore WANO members working together for reaching the highest standards in the field of Nuclear Plants exploitation under high nuclear and reliability security standards. Through WANO, all Nuclear Plant holders may communicate and exchange information between them, openly and cooperatively. This working method allow each WANO member to benefit and learn from the experience of other members, to get in line with the best practices global practices in the field, all with the final purpose of increasing the security degree in exploiting the Nuclear Plants they own.

❖ Candu Owners Group (COG): represents a private international non-profit organization, which includes organizations from Canada (AECL, Ontario Power Generation, NB Power, Bruce Power Generation, Hydro Quebec), Argentina, China, India, Korea, Pakistan and Romania. Within COG, SNN participate to the basic program Information Exchange (IE), Research and Development Program (R&D), Nuclear and Environment Safety Program (Nuclear Safety & Environmental Affairs NSEA), Joint Projects Program (Joint Projects - JP). The COG activity is generally focused on a regulation, research, maintenance, development, technical assistance and information exchange program between its members.

❖ The International Agency for Atomic Energy (AIEA): serves as inter-government world forum for the scientific and technical cooperation in the nuclear field. AIEA encourages the use of atomic energy by the signatory states, offering them the necessary technical assistance and providing them experts in the field, respectively the necessary logistic base. Romania is a founding member of AIEA.

❖ NEA OECD: Romania has joined the Nuclear Energy Agency (NEA) within the Organization for Economic Cooperation and Development (OECD) in June 2017. NEA represents the intergovernmental agency that facilitates the cooperation between the countries that use nuclear

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technology and aim to achieve the highest standard of nuclear safety, corroborated with the performance in environment protection, technological and economic development.

❖ European Nuclear Installations Standards (ENISS): brings together policy makers and specialists in the nuclear industry, along with representatives from nuclear regulatory bodies to establish together security targets, regulations and security measures that will ultimately become a common set of European safety standards for the nuclear installations.

❖ The European Atomic Forum (affiliation to the Romanian Atomic Forum): represents a non-profit European organization with the following purposes: supporting the role of the nuclear energy at an European level by active involvement in the energetic policy of the European Union, adopting support positions for member states operating Nuclear Plants and involving specialists in the work groups at European level in order to centralize different points of view and measures.

The results of active attendance within different international organisms is directly reflected in the performance indicators associated to the fields: operation, radioprotection and radioactive waste management.

5.14. LEGAL ACTIVITY / LITIGATIONS

Currently, SNN is involved in 128 litigations of which:

- 2 criminal lawsuits where SNN is a civil party;
- 14 trials against the Court of Accounts;
- civil law / administrative law / insolvency law / labor law trials.

Out of the 128 litigations, 45 are major litigations whose value is over 500,000 lei, including those that are not monetarily balanced or have a scope that is not assessable in money.

In the litigations with the Court of Accounts (2015) in which SNN was a plaintiff, cases related to the suspension and cancelation of the measures ruled by the Court of Accounts by administrative acts, one file is in progress whose scope is to cancel the merits judgment of the Court of Accounts.

In the 9 litigations with the Court of Accounts (2018), in which SNN was a plaintiff, in 4 cases that asked for a suspension, we obtained two favorable suspension judgments and 2 unfavorable judgments, and in the 5 actions that asked for the cancellation of the measures taken by the Court of Accounts, we obtained 3 favorable judgments and 2 unfavorable ones.

In 2019, after the follow-up of the Court of Accounts, two litigations were initiated for cancelling findings, litigations which are in progress in the merits stage.

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Until the end of 2019, SNN obtained final solutions in 35 litigations, out of which:

- The value of the receivables recoverable from the favorably resolved litigations is 451,786 RON.
- The value of the losses avoided in favorably resolved litigations is 5,684,344 RON.

The total value of the damages for which SNN was a civil party in the criminal litigations is 17,035,708 lei.

A detailed situation of the litigations may be found in Annex 6 of this Report.

5.15. PERSPECTIVE ELEMENTS

As it concerns the perspective of energy sales on medium and long term (up to three years) we consider, based on the data related to more developed European energy markets, that the price competitive market will not undergone any significant changes in terms of increasing or decreasing ample.

The new electricity market context leads to the necessity to identify new investment opportunities including by diversifying the activity portfolio in activities included in the electricity value chain, for reducing the business risk and assuring a proper efficiency adequate to the own capital.

Continuation and development of Project Units 3 and 4 NPP Cernavoda may create favorable perspectives on long term for SNN, both regarding the recovery of the assets already invested in the project and some additional incomes which may be obtained from services (operation), namely goods supply (supply of nuclear fuel bundles).

Equally, the project for the refurbishment of Unit 1 is an essential project on whose success maintaining the production capacity in the future at a level similar to that of today depends.

5.15.1. Factors that may influence liquidity

Among the factors that may affect the company's liquidity in the future, we mention:

- Energy prices on the competitive market sale;
- The price of the main raw materials used by the company in the current activity;
- Fluctuations in interest rates and the exchange;
- The volume of investments to maintain and those to develop;
- The level of taxation, including the introduction of new taxes.

There are many internal and external factors that may influence the company's liquidity, but on short and even medium term, the company has a very good liquidity.

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5.15.2. Current and estimated capital expenses

The total value of the investment program of SNN for 2019 is 256,548 thousand RON (without the component allocated to the payment of the debt service related to long-term loans), a program approved by Resolution no. 6/20.05.2019 of the Ordinary General Assembly of Shareholders of SNN, as part of the Revenues and Expenses Budget ("BVC") of SNN for 2019.

The comparative situation of the investment accomplishments (value and percentage) for 2019 compared to the same period of 2018 is presented in the table below:

Year	Value of the investment program [thousand RON]	Performed (01.01 - 31.12) [thousand RON]	Achievement level (01.01 - 31.12) (%)
2019	256,548	218,455	85.2%
2018	244,867	139,699	57.1%

As in the previous years, Nuclearelectrica S.A. structured its investment development program on objectives defined in relation to the needs of the production branches (Cernavoda NPP and Pitesti NFF), so as to achieve a high level of utilization of the production capacity (EAF Energy Availability Factor) in compliance with the nuclear safety norms and the long-term maintenance of the level of excellence in the operation of the plant. At the same time, the goal of the development program is to cover the necessity to upgrade/refurbish certain systems, for economic reasons (specific consumption reductions, improvement of certain parameters related to served processes, with a positive impact on efficiency), and legal ones – the need to implement upgrades associated with nuclear security, environment protection and labor security, representing imperative requirements from the regulatory authorities in the field.

Analysis of the completion degree of the investment program on December 31, 2019

The investment program of SNN for 2019 annexed to BVC was value-sized by considering the ongoing contractual commitments, the estimates regarding the investment objectives to be made in the following year, including amounts allocated to investment projects for which the fulfillment of certain requirements outside the control of SNN is anticipated (e.g. prior approvals of regulation authorities, legal terms regarding the completion of public tender procedures, including appeals, obtaining the necessary approvals from SNN corporate bodies, etc.), in order to allow the implementation of these projects by fitting into the approved budget values.

The largest investment programs planned to be finalized in 2019 were: acquisition of horizontal and vertical flow detector extraction equipment of the Hesir type, replacing the control part of an excitation system at Unit 2, modules DICA 10 and 11, as well as stage 1 of the modernization and extension of the Physical Protection System. In addition, the investment program included

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inspections and capital repairs carried out at Unit 2 during the planned shutdown, other investment projects required within NPP, NFF and the headquarters, as well as investment objectives with completion in the next years.

In 2019 we completed the investments for "Equipment for extracting HESIR horizontal and vertical flow detectors", "DICA – Module 10" and "replacing the control section of the excitation system 2–41280–PL 1615 at Unit 2".

Out of the investment projects provided in the investment program we mention:

- **"Planned outage of Unit 2 CNE Cernavoda (regular general inspections and capital repairs"**: budgeted 79,628 thousand RON – the value degree of implementation as of December 31, 2019 is 99%.

- **"Burnt fuel intermediary storage"**: budgeted 12,925 thousand lei – the value achievement degree as of December 31, 2019, 98 is 98%. Module 10 was completed and received in July 2019, but for Module 11 the completion deadline was revised for March 2020.

- **"Modernization and expansion of the physical security system"**: budget 19,736 thousand lei – the achievement value degree on December 31, 2019 is 53%. Physical protection works priority 2, stage 1 of completing the physical protection system of Cernavoda NPP are in progress, and the completion of the works has been postponed for April 2020.

- **"Improving the CNE Cernavoda response, respectively the nuclear security functions in case of events outside the design bases following the nuclear accident occurred at the Fukushima 1 nuclear plant, Japan"**: budget 31,270 thousand lei - achievement value degree as of December 31, 2019 is 56%. Within the objective of changing the destination of the existing constructions on the site of Unit 5, it was decided to terminate the contract for works and services, with the contract termination notice being served on August 30, 2019.

- **"Extending the life cycle of unit 1 by re-tubing the reactor and refurbishing the main systems (studies)"**: budget 3,665 thousand RON - the accomplishment degree value-wise as of December 31, 2019 is of 17%. In 2019 the following procedures were completed: the purchase procedure on assessing the state of the structures of systems and components of Unit 1 (Condition Assessment), and the contract was signed with the association between CANDU Energy and Ansaldo Nucleare on October 18, 2019, and the purchase procedure for "Integrated engineering services in relation to extending the lifecycle up to 245,000 EFPH", and the contract was signed with CANDU Energy Inc. The contest for solutions on implementing the technical solution for replacing fuel channels, calandria tubes and feeders (ICCTCF) was completed, and the winner of the contest was Candu Energy. Also, at the end of 2019, the procurement procedure for "Engineering services for drafting a preliminary technical study and a Feasibility Study on

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Managing Radioactive Waste generated during the refurbishment of Unit 1, and during the operation of the two units after refurbishing Unit 1" was in the final granting stage, and the contract will be signed in 2020.

- **"Fittings"**, representing procurements of goods and other investment expenses: budgeted at RON 70,999 thousand – the value degree of implementation as of December 31, 2019 is 75%.

In 2019, the need to include in the investment project for 2019 the following projects was identified:

- Shared project COG – JP 4597/4400 „Pressure Tube Integrated Material Surveillance Program" (PT-IMSP), with an implemented value in this period of RON 7,359 thousand;
- Project "Development of Seiru Warehouse" with an implemented value in this period of RON 2,098 thousand;
- Project "Implementation of the feeder program - replacement of the G13A feeder" with an implemented value of 1,721 thousand RON;
- Project "Design and execution of natural gas supply system" with an implemented value of 299 thousand RON;
- Project "Tennis court remedy and development work" with an implemented value of 189 thousand RON;
- Project "Replacement of corroded pipeline section in the area of Anghel Saligny - Cernavoda", with an implemented value in this period of RON 74 thousand;
- Project "Building of a lighting arrester at the light fuel tanks related to CTP", with an implemented value of 0.5 thousand RON.

5.15.3. Events, transactions and economic changes that affect revenues

The income from the main activity is significantly affected by:

❖ Production of electricity by CNE Cernavoda, closely related to the operational performance of the two nuclear units;
❖ Reintroduction, following Government Emergency Ordinance no. 114 / 28.12.2018, amending and supplementing the Law on Electricity and Natural Gas no. 123/2012, of the obligation of the manufacturers to deliver to last instance suppliers on the basis of regulated contracts, between March 1, 2019 and February 28, 2022, the electricity required for ensuring the consumption of household clients;
❖ Regulated prices set by ANRE;
❖ Evolution of prices on the competitive market and the company's ability to successfully compete in these conditions.

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6. TANGIBLE ASSETS

6.1. LOCATION AND CHARACTERISTICS OF MAIN PRODUCTION CAPACITIES

Cernavoda Nuclear Power Plant is located in Constanta approx. 2 km southeast of the town of Cernavoda, approx. 1.5 km northeast of the first shuttle of navigable channel Danube-Black Sea. The platform designed for building the structures of CNE Cernavoda is bordered at the north by Cismelei Valley and at south-west by 223 County Road. The south and east limit consists of hilly natural formations. For location of the Nuclear Power Plant with 5 CANDU 600 units an area of 72 hectares was arranged by excavating and leveling of former limestone quarries Ilie Barza. The resulting platform is + 16.00 share mdMB (Baltic Sea level).

The plant is designed to operate at load curve base. It has a turbo-generator supplying gross electric power of approx. 700 MWe gross each (706.5 MWe Unit 1, respectively, 704.8 MWe Unit 2) using the steam produced by the energy developed in a nuclear reactor type CANDU-PHWR-6 (Canadian Deuterium Uranium - Heavy Water Reactor Pressurized). This type of reactor uses heavy water as moderator and coolant in two separate systems. Fuel consists of natural uranium as sintered uranium dioxide pills, wrapped in zircaloy and assembled in bundles containing 37 fuel elements each.

Ceramic pellets contained inside a fuel element, are able to retain fission products inside them. Loading and unloading of reactor fuel is continuous, bidirectional and under load. The reactor is equipped with a heat transport system with two independent loops, which transfer the heat produced in the fuel by the controlled fission reaction in chain in the four steam generators to produce steam from the light water. Saturated steam from the steam generators is expanded in the turbine by putting it in motion and is then condensed using cooling water taken from the Danube through an open intake channel and race no. 1 of the Danube-Black Sea Canal (CDMN). The electricity produced is discharged in the National Power Network through the 400 kV Cernavoda plant belonging to Transelectrica.

Within the company also operates the Subsidiary Fabrica de Combustibil Nuclear (FCN) Pitesti, with head office in Arges county, town Mioveni. FCN is the owner of a land in surface of 23.273 sq m, of which 8.458 sq m is occupied by production departments, storage and offices, and the rest is a free surface. Within FCN Pitesti is performed the production of the nuclear fuel bundles, using as raw material the sintering uranium dioxide powder (UO2).

6.2. THE DEPRECIATION DEGREE OF THE ASSETS

The two nuclear power units within the CNE Cernavoda have an initial life cycle of 30 years, that can be extended for another 25 years after a refurbishment process. Unit 1 was commissioned in

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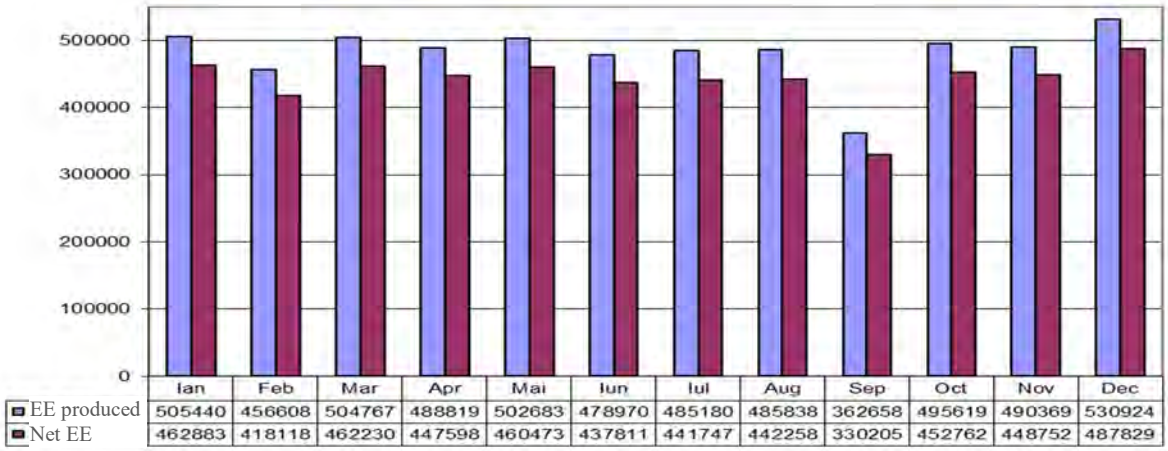
1996 while Unit 2 was commissioned in 2007. Every two years, nuclear units are switched off for maintenance shutdowns planned in the program. The Nuclear Fuel Plant in Pitesti was founded in 1992, and the first batch of nuclear fuel bundles was produced in 1994.

6.3. OPERATIONAL PERFORMANCE INDICATORS

Produced/net electricity U1 (MWh)



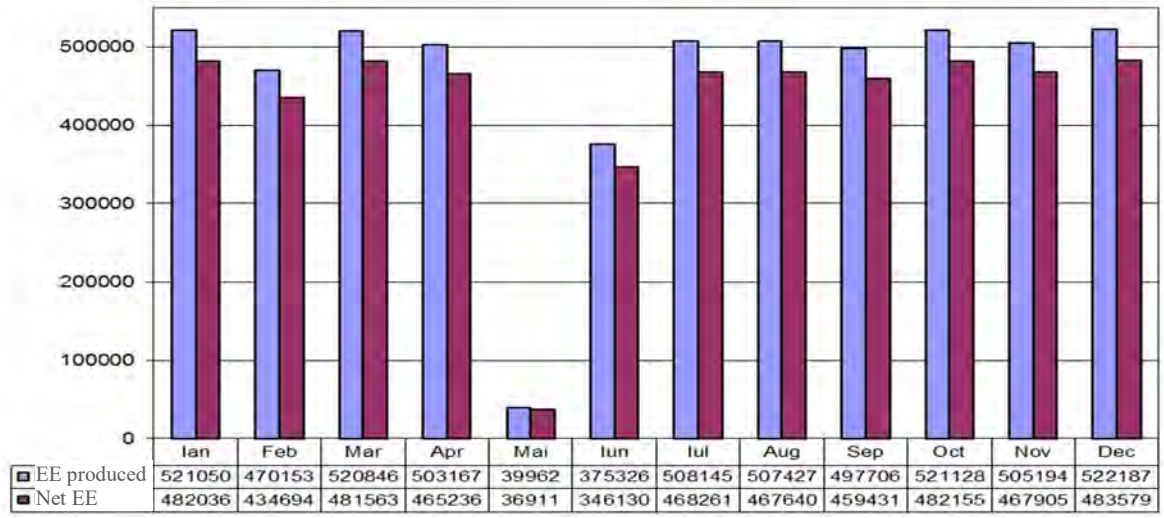
	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
EE produced	505440	456608	504767	488819	502683	478970	485180	485838	362658	495619	490369	530924
Net EE	462883	418118	462230	447598	460473	437811	441747	442258	330205	452762	448752	487829

Total 2019

E produced	Net E
5,787,876	5,292,668

Own average technological consumption: 8.57%

Produced/net electrical energy U2 (MWh)



	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
EE produced	521050	470153	520846	503167	39962	375326	508145	507427	497706	521128	505194	522187
Net EE	482036	434694	481563	465236	36911	346130	468261	467640	459431	482155	467905	483579

Total 2019

E produced	Net E
5,492,291	5,075,542

Own average technological consumption: 7.60%

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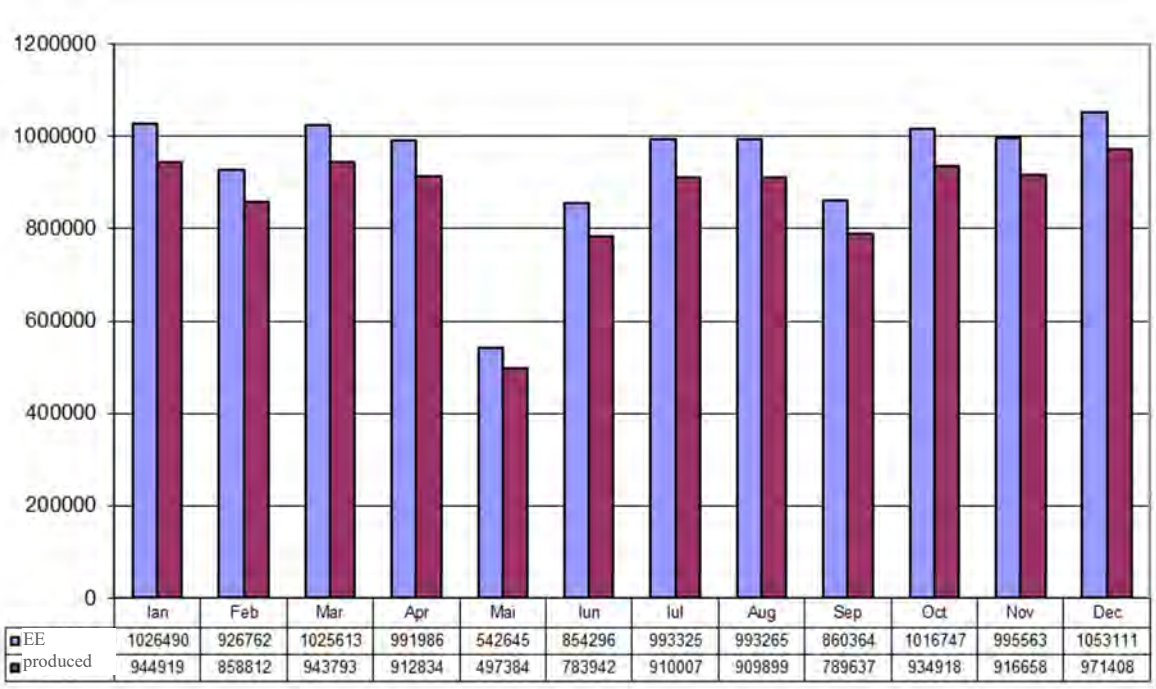
Produced/net electrical energy U1 + U2 (MWh)



	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
EE	1026490	926762	1025613	991986	542645	854296	993325	993265	860364	1016747	995563	1053111
produced	944919	858812	943793	912834	497384	783942	910007	909899	789637	934918	916658	971408

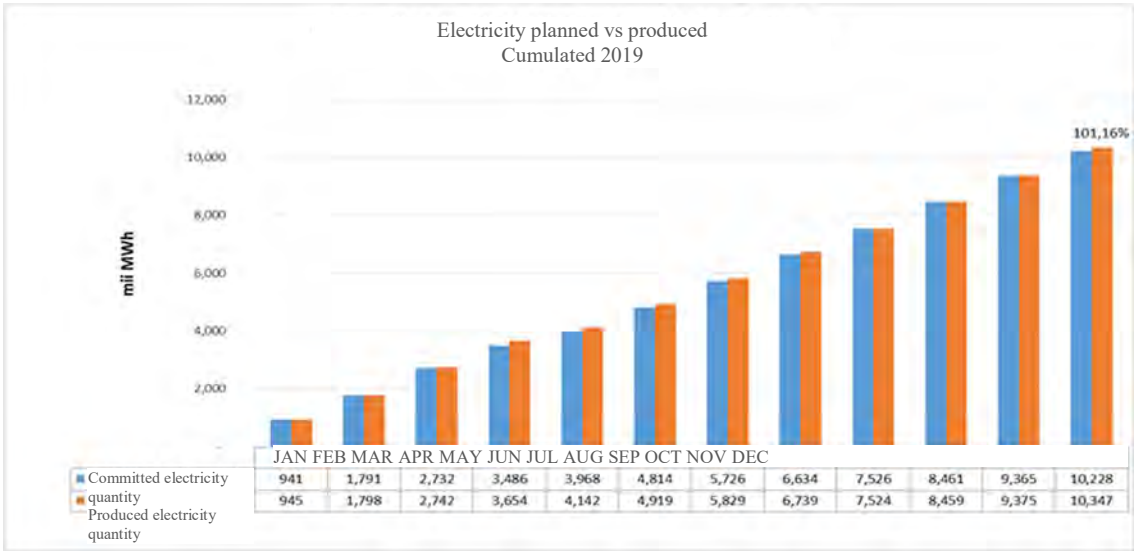
Total 2019

E produced	Net E
11,280,167	10,368,211

Own technological consumption of electricity

Accomplished cumulatively in 2019: 8.08% Provided in the project: max. 10.00%

Quantity of electricity scheduled/produced
(for sale) (thousand MWh)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Committed electricity quantity	941	1,791	2,732	3,486	3,968	4,814	5,726	6,634	7,526	8,461	9,365	10,228
Produced electricity quantity	945	1,798	2,742	3,654	4,142	4,919	5,829	6,739	7,524	8,459	9,375	10,347

Achievement percentage: 101.16%

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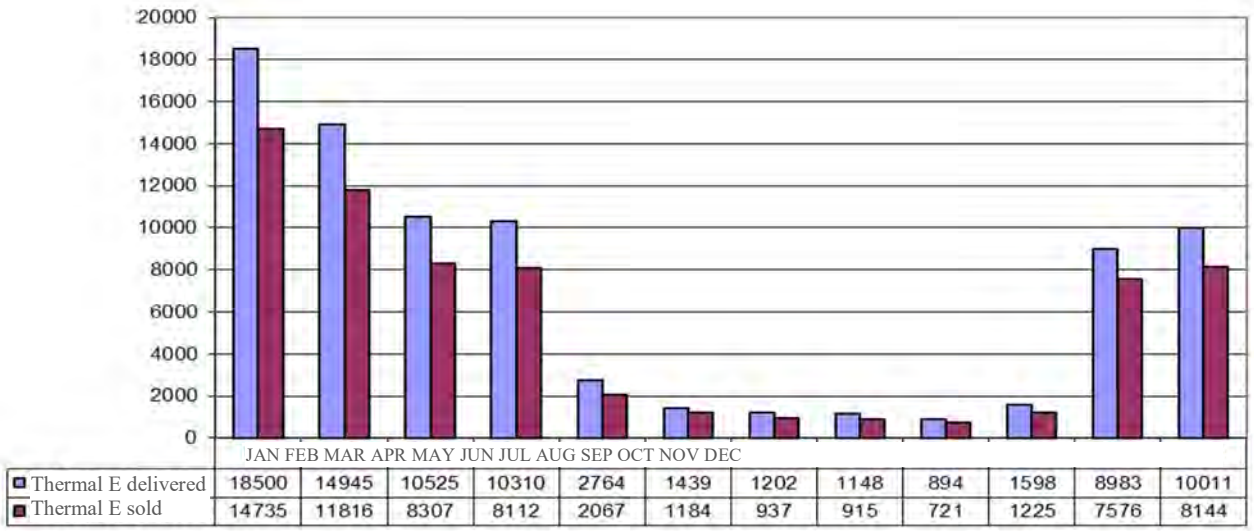
Thermal energy delivered to the district heating/ sold (Gcal)

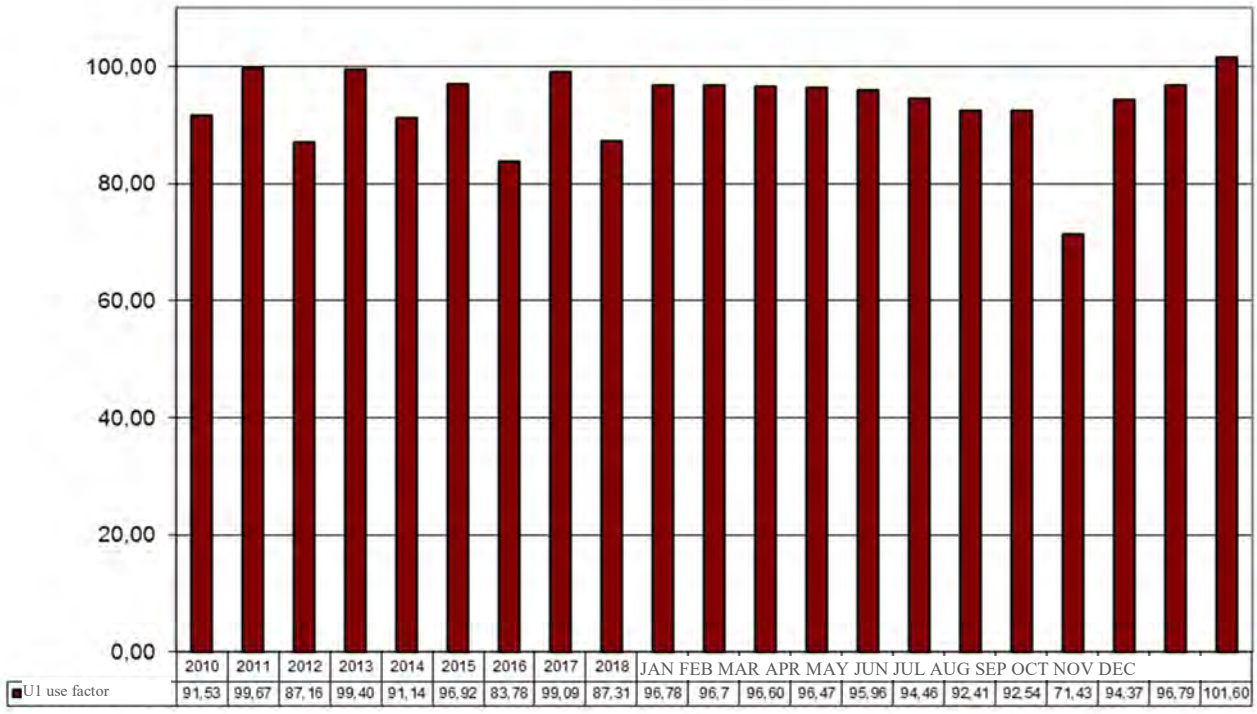


	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Thermal E delivered	18500	14945	10525	10310	2764	1439	1202	1148	894	1598	8983	10011
Thermal E sold	14735	11816	8307	8112	2067	1184	937	915	721	1225	7576	8144

Total 2019

Thermal E delivered	Thermal E sold
82,320	65,737

Installed capacity factor U1 (%)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
U1 use factor	91,53	99,67	87,16	99,40	91,14	96,92	83,78	99,09	87,31	96,78	96,7	96,60	96,47	95,96	94,46	92,41	92,54	71,43	94,37	96,79	101,60

Expected	Cumulated 2019 U1
92 (internal NPP target)	93.86

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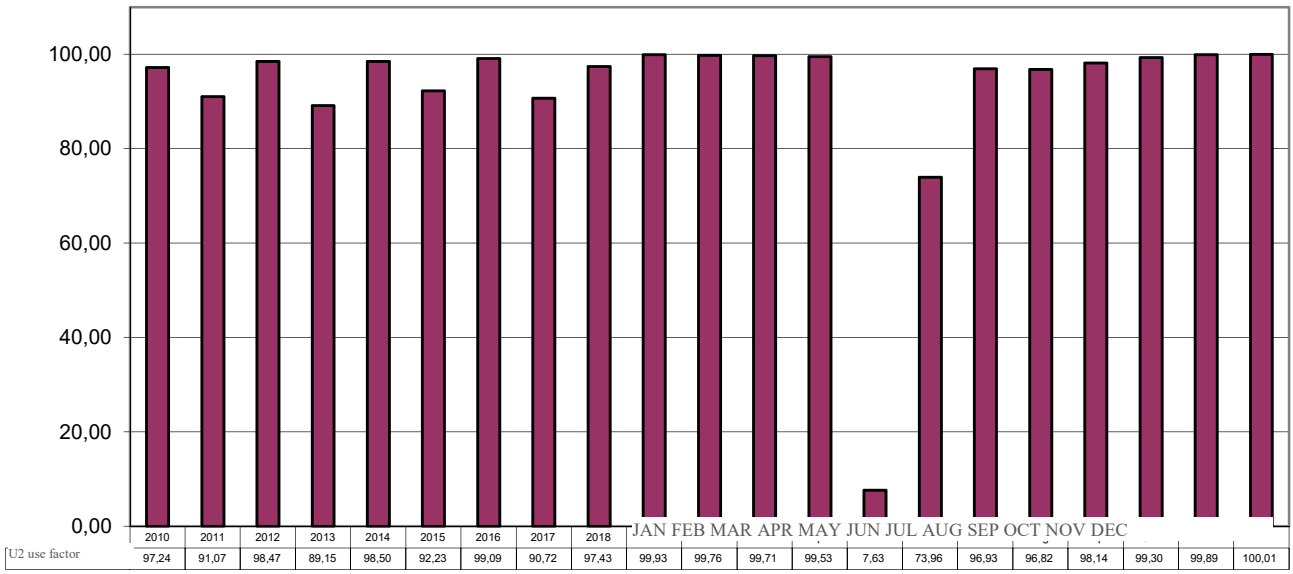
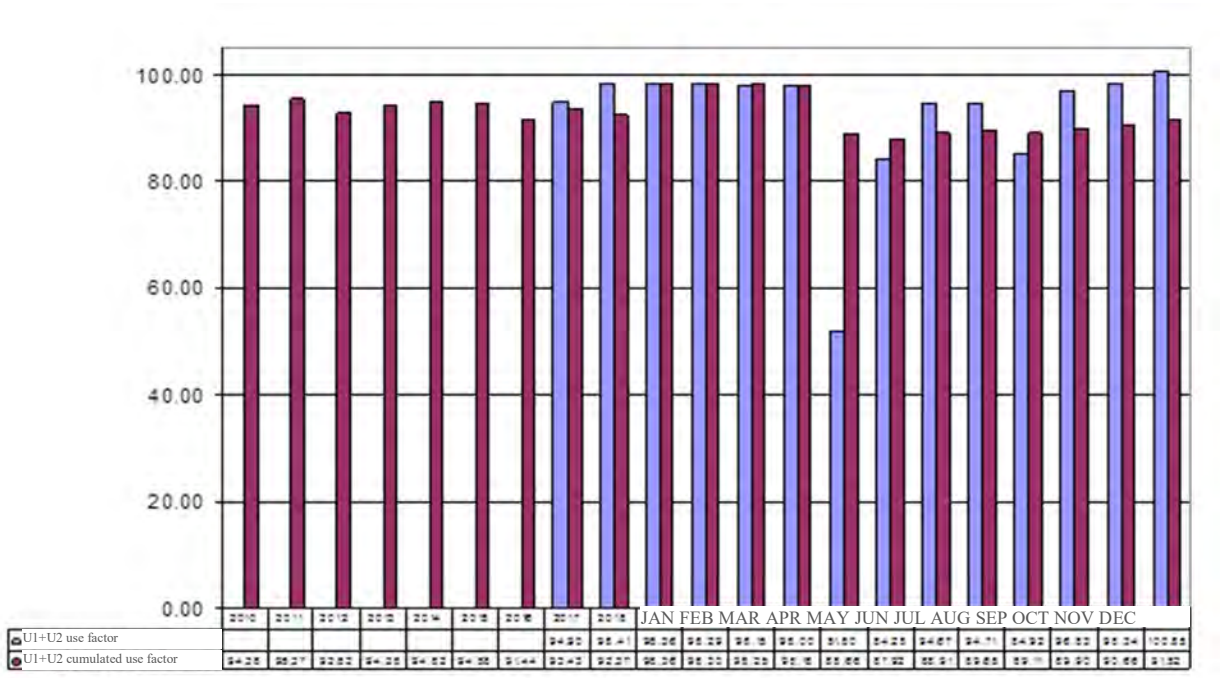
Installed capacity factor U2 (%)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
U2 use factor	97,24	91,07	98,47	89,15	98,50	92,23	99,09	90,72	97,43	99,93	99,76	99,71	99,53	7,63	73,96	96,93	96,82	98,14	99,30	99,89	100,01

Expected	Cumulated 2019 U2
90 (internal NPP target)	89.18

Installed capacity factor U1 + U2 (%)



Cumulated 2019: 91.52 Expected 2019: 91

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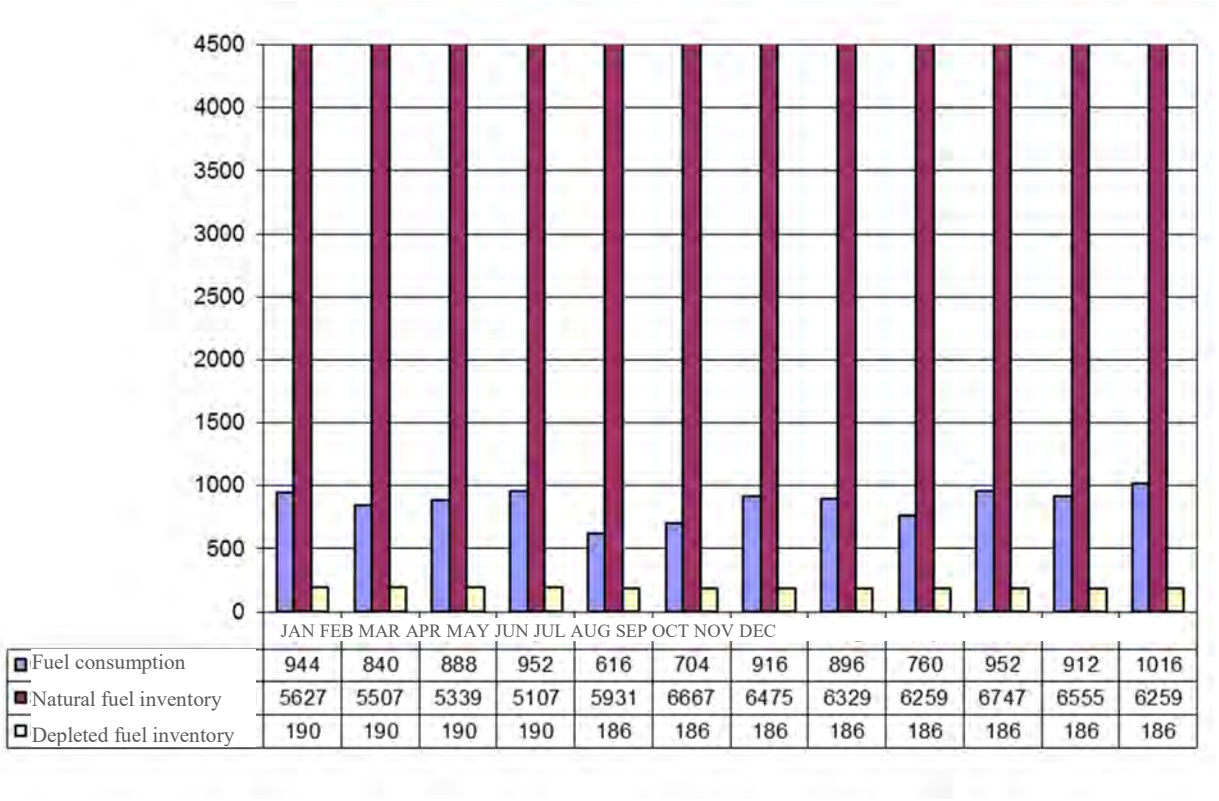
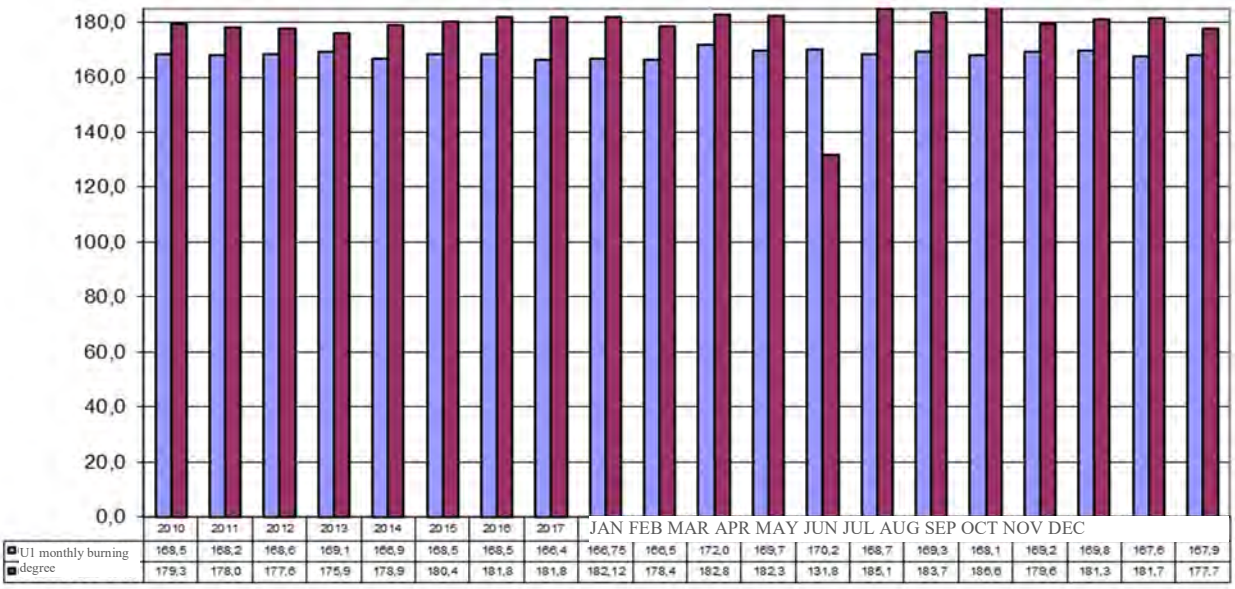
Fuel consumption U1 + U2/ Fuel stock (bundles)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fuel consumption	944	840	888	952	616	704	916	896	760	952	912	1016
Natural fuel inventory	5627	5507	5339	5107	5931	6667	6475	6329	6259	6747	6555	6259
Depleted fuel inventory	190	190	190	190	186	186	186	186	186	186	186	186

Cumulated consumption 2019: 10,396

Nuclear fuel burn up degree (MWh/KgU)



	2010	2011	2012	2013	2014	2015	2016	2017	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
U1 monthly burning	168,5	168,2	168,6	169,1	166,9	168,5	168,5	166,4	166,75	166,5	172,0	169,7	170,2	168,7	169,3	169,1	169,2	169,8	167,6	167,9
degree	179,3	178,0	177,6	175,9	178,9	180,4	181,8	181,8	182,12	178,4	182,8	182,3	131,8	185,1	183,7	186,6	179,6	181,3	181,7	177,7

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7. MARKET OF SECURITIES ISSUED BY THE COMPANY

7.1. THE ROMANIAN MARKETS AND THE MARKETS OF OTHER COUNTRIES WHERE THE SECURITIES ISSUED BY THE COMPANY ARE TRADED

Consequently to the Initial Public Offer of 25,368,236 shares, representing 10% of the share capital of S.N.N., offer developed during the period 09.09.2013 – 20.09.2013, the SNN shares are traded on the regulated market managed by the Bucharest Stock Exchange (BSE) since 04.11.2013, on the category I, having the issuant symbol "SNN" and ISIN code ROSNNEACNOR8. Starting with 05.01.2015, the SNN shares have been traded on the Premium category of BSE.

The selection of issuers in order to analyze for the promotion in the Premium category is performed based on the following alternative criteria:

a) the actions are among the most liquid 25 titles, after the liquidity coefficient;

b) The free-float capitalization average for the last 3 months exceeds the amount of EUR 40 million.

As at 31.12.2019, the total number of shares issued by SNN is 301,513,851. The record of shares is kept by the Central Depository, as independent registry company, authorized by the Authority for Financial Surveillance.

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The evolution of the share capital increases:

Shareholders	Shares [mil.]	Percent
Ministry of Economy	229,00	90,27%
Fondul Proprietatea S.A.	24,70	9,73%
Total	**253,70**	**100%**

Shareholding structure pre IPO

- IPO followed by an allocation rights issue, traded between 4 and 28 October 2013.
- The shares were listed on the main segment of the Bucharest Stock Exchange (symbol: SNN) starting 4 November 2013.
- Including in indexes: BET Index 1.99%, BET-XT Index 1.53%.

Shareholders	Shares [mil.]	Percent
Ministry of Economy	229,00	81,27%
Fondul Proprietatea S.A.	27,40	9,73%
Free float	25,40	9,00%
Total	**281,80**	**100%**

Shareholding structure post IPO

- IPO for a 10% stake (new shares).
- Subscription period: 9-20 September 2013.
- Closed book for the institutional tranche.
- Oversubscription of 5,6 and 3,7 times for the two retail tranches (small subscription tranche fully subscribed by the end of day 2).
- Deal Value (mn): RON 281.9 (~EUR 62.6).
- Total share capital increase value (mn): RON 312.5 (~EUR 69.4).
- Market Cap Post IPO (mn): RON 3,150 (~EUR 700).

Shareholders	Shares [mil.]	Percent
Ministry of Energy, Small and Medium sized Enterprises and Business Environment	248,44	82,48%
Fondul Proprietatea S.A.	27,40	9,10%
Free float	25,36	8,42%
Total	**301,22**	**100%**

Increase of share capital 2015

- Share capital increase by 19,438,285 shares out of the total of 23,917,263 shares provided for trading.
- Subscription period: 05.01.2015 – 02.04.2015.
- The share capital increase represents the acknowledgment of the contributions from the state budget by budget allocations in 2006 - 2009 and 4,479,539 shares provided according to the preemption right.
- Allocation percentage: 81.2730%.
- Increase value: RON 194,382,850 (EUR 43,196,188).

Shareholders	Shares [mil.]	Percent
Ministry of Energy	248,73	82,49%
Fondul Proprietatea S.A.	27,40	9,09%
Free float	25,36	8,41%
Total	**301,51**	**100%**

Increase of share capital 2015

- Share capital increase with 292,810 shares representing the in-kind contribution of the Romanian State in value of 2,928,100 lei.
- Subscription period: 19.10.2015 – 18.11.2015.
- 62,201 newly issued shares were provided for subscription to registered shareholders on the registration date, according to the preemption right. These shares were not subscribed.

7.2. DIVIDEND POLICY

Applicable legal provisions

SNN is a national company with a majority state capital. Thus, the allocation of the net profit complies with the provisions of Government Ordinance no. 64/2001 ("GO 64/2001") regarding the profit distribution in national entities, national companies and companies with total or majority state capital, and autonomous administrations, as further amended and supplemented. Thus, according to the provisions of GO no. 64/2001, the minimum dividend distribution share is 50% of the net profit remained after the distributions provided under art. 1 par. (1) let. a)-e) from O.G. no. 64/2001. The legislative framework could be amended in the future by amending the legislation in force, so that the minimum dividend distribution share would be changed.

The provisions of GO 64/2001 establish a minimum mandatory dividend distribution share. Thus, as long as the provisions of GO 64/2001 remain unchanged, the Company may propose to the

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shareholders a dividend distribution share between 50% and 100% of the distributable profit. The profit share to be distributed annually by the Company in the form of dividends is subject to approval within the General Meeting of Shareholders.

Thus, SNN registers and pays dividends distributed from the net profit, only after the approval of the annual financial statements by the General Meeting of Shareholders and the profit distribution proposal.

Situation regarding the distribution of dividend profit in the last 3 years

For 2019 the proposal for allocating the net profit complies with the disposals provided by the Government Ordinance no. 64/2001 regarding the profit distribution within national companies and companies with total or majority state capital, and the Autonomous Administrations, as amended and supplemented.

The amounts proposed to be distributed in the form of "employee participation in profits" are up to 10% of the net profit, but no more than the level of an average monthly basic salary per employee in 2019 and taking into account the average number of employees in 2019. The profit distribution proposal includes the amount of 18,700,000 RON. The profit-sharing obligation has been established by the income and expenditure budget approved for 2019 so that the provisions of art. 1 par. 1 let. e) of the Government Ordinance no. 64/2001 are complied with. The amounts representing the employees' participation in profits is not a direct distribution of the net profit, which is provisioned at the end of the financial year and distributed in the next financial year after approval of the net profit distribution. Therefore, the net income of the financial year 2019 includes a provision for employees' participation in profits (derived from the accounting profit) in the amount of RON 18,700,000.

The amounts allocated to the legal reserve shall be determined under the provisions of art. 183 of Law no. 31/1990 according to which "at least 5% from the company profit shall be taken every year for the formation of the reserve fund, until it reaches at least one fifth of the share capital". The amount allocated to the legal reserve was taken in the end of the financial year, representing the mandatory allocation amounting to RON 31,563,785.

Other reserves representing tax facilities provided by law (RON 5,682,083) are allocated based on art. 22 para. (1) of Law no. 227/2015 regarding the Fiscal Code amended and supplemented; they relate to profit tax exempted related to the profit invested in technological equipment, computers and peripherals, machinery and home appliances, control and billing equipment, as well as produced and/or purchased software, as stipulated in subgroup 2.1 class 2.2.9 in the "Catalogue on classification and the normal useful life of fixed assets" used for business purposes. The amount allocated to reserves is the amount of the profit invested in this equipment, net of legal reserve (5%).

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The proposed gross dividends (RON 498,421,396) were calculated as the difference between the net profit of the financial year (RON 535,667,264) and the amounts deducted as a legal reserve (RON 31,563,785) and the reserves accounting for fiscal facilities (RON 5,682,083) resulting in a 96,38% distribution.

From the net profit of financial year 2018 the company approved a rate of 95.95% for the distribution of the net profit to dividends, and from the net profit of financial year 2017, the company approved a rate of 93.07% for the distribution of the net profit to dividends, therefore complying with the provisions of art. 1 paragraph (1) letter f) of the G.O. no. 64/2001, with subsequent amendments and additions.

Resolution no. 13/10.12.2018 of the Ordinary General Meeting of Shareholders of SNN approved the distribution of the amount of 485,437,300,11 lei representing additional dividends from other reserves and the carried-forward result, in virtue of the provisions of art. II and Art. III of Government Emergency Ordinance no. 29/2017 for amending art. 1 par. (1) let. g) of Government Ordinance no. 64/2001 regarding the distribution of profit at national entities, national companies and commercial companies with full or majority state capital, and at autonomous administrations and for amending art. 1 par. (2) and (3) of Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public companies, to the shareholders of SNN, proportional to their interest in the share capital.

Method of calculation and payment

Dividends are distributed to shareholders proportionally with the rate of input to the subscribed and paid up share capital of the company; each fully paid actions gives the holder the right to receive a dividend. Details regarding the distribution methods, of retaining a tax on dividend and payment are available on the company's website /section investor relation/GMS.

Principles to be considered in establishing dividends in the future

In drafting the proposals to the General Meeting of Shareholders on the dividend distribution shares in the future, the Board of Directors shall consider the following criteria, in the order presented below:

- The compliance with the requirements from the GO 64/2001, including the minimum distribution rate of 50% of the sharing profit;

- Keeping a balance between the need to compensate the shareholders by dividend and the financing needs by own sources of the company, including for investment projects;

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❖ The correlation between the shared profit for dividends and the monetary correspondence of the sharing profit, respectively that part of the sharing profit with a monetary correspondence, after the adjustment of non-monetary elements; this has the objective the avoidance of de-capitalization of the company in case of an uncoupling between the sharing profit for dividends and monetary counter-party of the profit;

❖ The possibility to provide a dividend accomplishment correlated with other similar listed companies, as well as with a correlation of the dividend per action in the absolute amount with the one from the previous period. There is no guarantee that in the future these correlations will be provided.

More information regarding dividends can be found in the Annual reports available on the company's website, section investor relation/GMS.

The due dividends and payments, respectively, during the last 3 years were as follows:

Indicator [lei]	2019*)	2018	2017
Retreated net profit) (a)**	**-**	**-**	**306,542,912**
Effect of correcting accounting errors (b)	-	-	(2,666,644)
Net profit (c) = (a) + (b)	**535,667,264**	**410,611,215**	**303,876,268**
Distribution to the legal reserve (d)	(31,563,785)	(28,631,164)	(17,845,334)
Other reserves representing tax facilities stipulated by law (e)	(5,682,083)	(3,065,741)	(7,721,372)
Net profit distributable to the dividend (f) = (c) + (d) + (e)	**498,421,396**	**378,914,310**	**278,309,562**
Employees' participation in the profit (g)	(18,700,000)	(16,000,000)	(13,265,000)
Net profit calculation base, dividend distribution (h) = (f) – (g)	**517,121,396**	**394,914,310**	**291,574,562**
Proposed dividends (i)	**498,421,396**	**378,914,310**	**271,362,466**
Allocated dividends	498,421,396	378,914,310	271,362,466
Additionally distributed dividends***)	-	-	485,437,300
Dividends paid until 31.12.2019	-	378,696,423	756,418,732
Profit distribution rate (%) = (i)/(h)	**96.38%**	**95.95%**	**93.07%**
Profit distribution rate ^2 (%) = (i)/(f)	**100.00%**	**100.00%**	**97.50%**

**) For 2019, the indicators represent the profit distribution proposal of the Board of Directors and is subjected to the approval of the Ordinary General Assembly of Shareholders of SNN. In the distribution proposal, the amount proposed to be distributed as "employees' participation in profits" is 18,700,000 RON; in order to comply with the classification in the previously budgeted amounts in 2019 within the Budget of Revenues and Expenses, approved by the Resolution of the Ordinary General Assembly of Shareholders of SNN no. 6/20.05.2019.*

***) According to the correction of accounting errors, detailed in the Audited Individual Financial Statements as of and for the financial years ended on December 31, 2017 and December 31, 2018.*

****) 2017: Resolution no. 13/10.12.2018 of the Ordinary General Meeting of Shareholders of SNN approved the distribution of the amount of 485,437,300,11 lei representing additional dividends from other reserves and the carried-forward result, in virtue of the provisions of art. II and Art. III of Government Emergency Ordinance no. 29/2017 for amending art. 1 par. (1) let. g) of Government Ordinance no. 64/2001 regarding the distribution of profit at national entities, national companies and commercial companies with full or majority state capital, and at autonomous administrations and for amending art. 1 par. (2) and (3) of Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public companies, to the shareholders of SNN, proportional to their interest in the share capital.*

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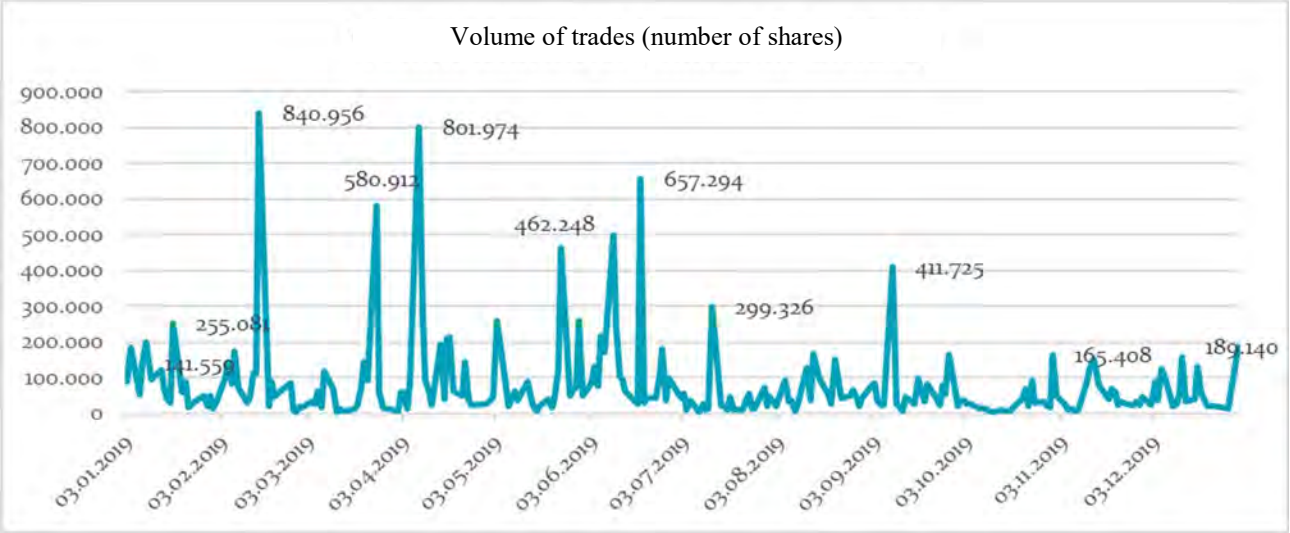
7.3. ACTIVITY OF SNN AT BSE

Evolution of SNN shares in December 1 - 31, 2019:



The activity performed by SNN in 2019, as an issuer of securities on the capital market in Romania, is as follows:

❖ In 2019, a total of 28,740 transactions with SNN shares took place, with a daily average number of 115.42 transactions;

❖ The total volume of SNN traded shares was 19,428,075 shares;

❖ The value of transactions with SNN shares in 2019 was 214,150,886.88 shares;

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❖ In 2019, two “Deals” transactions were performed, 90,000 shares in total;

❖ The price of one share in 2019 was between a maximum value of 14.66 lei and a minimum value of 7.6 lei, an increase compared to the values registered in 2018, when the maximum value was 9.89 lei and the minimum value was 7 lei;

❖ The stock capitalization on the last trading day of 2019 was 4,299,687.51 lei, an increase compared to 2,460,353,024 lei, at the end of 2018.

7.4. PRESENCE IN THE INDEXES

The Bucharest Stock Exchange (BSE) calculates and distributes in real time 8 internal indexes – BET, BET-TR, BET-XT, BET-XT-TR, BET-BK, BET-FI, BET-NG, BET Plus – and an index developed with the Stock Exchange of Vienna, the ROTX index.

The BSE indexes reflect the progress of prices of the most traded companies listed or the progress of certain representative fields, like the financial or energy field. As calculation methodology, all the BSE indexes are weighted price indexes with free float capitalization, with maximum limits for the weight price of constituent companies. Except for the most recent launched index, BET Total Return BET-TR and BET-XT-TR, which are adjusted for the dividends, the other indexes only reflect the progress of market prices.

The SNN shares were included in the structure of BSE indexes with the following weights, on the adjustment date 13.12.2019 (the latest periodical adjustment):

❖ 2.12% in the BET index (Bucharest Exchange Trading – the reference index of the capital market, a weighted price index with the free-floating capitalization of the most liquid 10 companies listed on the BSE regulated market). Starting with 2015, for selection under this index also apply criteria regarding the issuers’ transparency and the reporting and communication quality with the investors;
❖ 4,70% in the BET-BK index (Bucharest Exchange Trading Benchmark Index) calculated as a pondered price index by the free-floating capitalization of the most traded 25 companies listed on the BSE regulated market);
❖ 2.04% in the BET-XT index (Bucharest Exchange Trading Extended Index), a blue-chip index that reflects the evolution of the prices of the most liquid 25 companies traded on the regulated market segment, including SIFs, and the maximum weight of a symbol in the index is 15%;
❖ 6.09% in the BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - a sector index that follows the movement of the share prices of the companies whose main activity field is associated to the “energy and utility” sector, and the maximum weight of a symbol in the index is 30%);

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❖ 2.12% in the BET-TR index (Bucharest Exchange Trading Total Return Index), an index that reflects the evolution of the prices of constituent companies and the dividends offered by them. 2,04% in the BET-XT-TR index, total return type of the BET-XT index, including the most 25 traded Romanian companies listed at BSE;
❖ 2% in the BET Plus (Bucharest Exchange Trading Plus Index), an index that reflects the evolution of Romanian companies listed on the BSE regulated market, which meet the minimum selection criteria regarding liquidity and the value of shares included in the free float, except for financial investment companies (SIFs);
❖ 2.04% in the BET-XT-TR index (BET-XT-TR is the total return version of the BET-XT index, including the most 25 traded Romanian companies listed at BSE. The BET-XT-TR index reflects both the evolution of the prices of constituent companies and the dividends offered by them).

7.5. COMMUNICATION WITH THE SHAREHOLDERS AND INVESTORS

The activity of Communication and Investor Relation is performed according to the legal provisions in force included in the Law no. 31/1990 republished, as further amended and supplemented, GEO no. 109/2011 regarding the corporate governance of public enterprises, Law 24/2017 on the issuers of financial instruments and market operations, Regulation no. 5/2018 regarding the issuers of financial instruments and market operations.

Internally, the efficient integration of financial, legislative, corporate governance and corporate social responsibility information of interest for the investors and shareholders as well as the communication of such information, either as requirement according to the reporting data of a company listed on the stock, or on the shareholders', investors' requests and other third parties' requests, interested in the progress of company.

The communication process is a symmetrical two-way system, focused on feedback and, implicitly, on the constant development of the investor relation. The main highlights are: meetings with investors and analysts, conferences and media briefings, private meetings with the shareholders, tele and videoconferencing, dedicated section on the company's website, access to relevant information about the company and its activity, as well as to reports and policies, communication of the significant information with impact on the company and its shareholders and potential investors.

The purpose is an efficient communication, adjusted based on the market feedback, which allows the shareholders to comprehend and assess, based on objective information, sent in real time, the changes occurred on the samples of trading, the development directions of the company, the information with an impact on the risk administration strategies.

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The actions of communication with shareholders and investors were concretized in 2019 in:

- Organization of meetings with the investors for the presentation of financial results;
- Organization of teleconferences, in accordance with the financial calendar of the company;
- Posting of presentations and audio recordings from teleconferences with investors on the SNN website;
- Immediate transmission of information on the request of shareholders, potential investors and participants to the capital market;
- Participation in conferences organized by third parties regarding the capital market of Romania and presentation of financial results and company development opportunities (BSE, Wood's, Fondul Proprietatea etc);
- Participation of the company representatives to information seminars organized by the relevant authorities for the improvement of corporate governance and development of transparence towards the shareholders;
- The organization of the General Meetings of Shareholders and other actions related to guaranteeing shareholders' rights: distributing dividends related to financial year 2018;
- Information gathering, issuance and checking of current reports, their transmission to the competent authorities (BSE and ASF) and their publishing on the company website, observing the terms required by the legislation in force;
- Attending training courses and discussion sessions regarding corporate governance standards, communication platforms with investors and other instruments provided by the capital market authorities;
- Updating the SNN site for improving the shareholders' and investors' access to relevant information and facilitating the understanding and profitability of acquiring the capacity of SNN shareholder;
- The launch of the "AccessSNN" app for the participants on the capital market, and not only, in order to facilitate their access to relevant information, organized by areas at interest specific to the capital market.

7.6. FURTHER INFORMATION

In the financial year that ended on 31.12.2019 there were no transactions regarding the procurement by SNN of own shares and bonds issued by SNN and/or other types of receivables. SNN pays on time its liabilities incurred by the credit facilities and fulfilled the financial conditions included in the relevant agreements.

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The Project for Units 3 and 4 Cernavoda NPP

The main benchmarks for continuing the Project of Units 3 and 4 Cernavoda CNE in 2019 are the following:

- Over the period January 21st - 23rd, 2019, a meeting of the mixed work group Romania - China took place regarding IGA, and the following actions were identified: (1) the JVCO establishment as soon as possible to support the implementation of CfD in Romania, ongoing process; (2) the Romanian party to finalize the preparatory technical measures in view of submitting to the Romanian Parliament and to the European Commission the legislative amendments and updates associated with the adoption of the CfD mechanism; (3) SNN and CGN to resume negotiations on the Investors Agreement ("IA") in preliminary form.

- In meeting of February 4, 2019, the SNN Board of Directors approved the revised mandate of the SNN Negotiating Committee to negotiate the IA and the Articles of Incorporation ("AI") in a preliminary form to allow the establishment of JVCo by initial minimal cash contribution, calibrated to the development needs of the Project.

- Resolution no. 4/10.04.2019 of the Extraordinary General Assembly of Shareholders approved the Preliminary Investors' Agreement regarding Units 3 and 4 of NPP Cernavoda between China General Nuclear Power Corporation and CGN Central and Eastern Europe Investment (RO) CO S.A. and S.N. Nuclearelectrica S.A.

- On May 8th, 2019, SN Nuclearelectrica SA and China General Nuclear Power Corporation and CGN Central and Eastern Europe Investment signed the Preliminary Form of the Investors Agreement regarding the continuation of the Units 3 and 4 Cernavoda NPP Project.

- Resolution no. 9/July 29th, 2019 of the Extraordinary General Assembly of Shareholders approved the endorsement of the SNN Board of Directors to approve the modification of the deadlines / due dates provided in the preliminary form of the Investors' Agreement related to the Project for Units 3 and 4 of CNE Cernavoda.

- At the end of 2019, CANDU Energy Inc. (the authority that designed the NPP of Cernavoda) drafted a report for assessing the manner in which the Project for Units 3 and 4 of NPP Cernavoda complies with the requirements of Nuclear Security Directive 87/2014/EURATOM. The assessment report concludes that the Project, with some additional improvements and in-depth analyses recommended by Candu Energy Inc., is capable of complying with the requirements of the Nuclear Security Directive.

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The litigation initiated by the Union of Cernavoda NPP and employees of the Cernavoda NPP Branch

On the docket of the Constanta Court, a case was filed against SNN, no. 5802/118/2017, and its scope is unpaid salary rights, representing the equivalent value of the occupational risk (hazardous conditions) bonus, and the plaintiff is the Union of Cernavoda NPP on behalf of 757 employees of the Cernavoda NPP Branch.

The company deems these claims as groundless, as all due salary rights were paid to the employees, including the amounts of money that are subject to this litigation. The court rejected the exception of the work authority on trial, invoked by SNN, as groundless, and approved the evidence with documents and accounting studies, and prorogated the technical study related to the classification in the radiological risk areas after SNN submitted the documents. An accounting inspection is in progress. The following hearing is on March 6, 2020.

The litigation initiated by the Free Union Energetica Nucleara ’90 and employees of the Cernavoda NPP Branch

On the docket of the Constanta Court, a case was filed against SNN, no. 7036/118/2017, and its scope is unpaid salary rights, representing the equivalent value of the occupational risk (hazardous conditions) bonus, and the plaintiff is the Energetica Nucleara ’90 on behalf of 291 employees of the Cernavoda NPP Branch.

The company deems these claims as groundless, as all due salary rights were paid to the employees, including the amounts of money that are subject to this litigation. The court approved the evidence with documents and accounting study, and prorogated the technical expertise related to the classification in the radiological risk areas after SNN submitted the documents. In order to conduct the technical expertise study, the court ordered the classification into risk categories to be performed by Mr. Toronto Laszlo with Citon. The next hearing is on March 6, 2020, when the court will set the fee and payment method.

The litigation initiated by S.N. Nuclearelectrica S.A. against ArcelorMittal Galati S.A.

The Court of Appeal of Galati approved the appeal filed by plaintiff S.N. Nuclearelectrica S.A. against civil judgment no. 278/20.12.2016 issued by the Court of Law of Galati, Civil Section II in file no. 3490/121/2015, and fully changed the appealed judgment and, in the retrial stage, partially approved the case. Ordered defendant ArcelorMittal S.A. to pay to the plaintiff S.N. Nuclearelectrica S.A. the amount of RON 8,575,245.78, as damage compensations. Rejected as groundless the appeal filed against the judgment of May 26, 2016 issued by the Court of Law of Galati in file no. 3490/121/2015. Ordered the defendant to pay to the plaintiff the amount of RON 142,132.97, trial expenses - merits and appeal, with the right to recourse. S.N. Nuclearelectrica S.A.

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notified ArcelorMittal Galati S.A. for the payment of RON 1,394,378.75 that is outstanding in order to fully comply with the payment obligation imposed by the Resolution of the Court of Appeal representing damage compensations and the equivalent value of trial expenses, which ArcelorMittal Galati S.A. paid by bank transfer on July 11, 2019. The decision is appealable.

Litigation initiated by S.N. Nuclearelectrica S.A. against the foreclosure of its shares

Civil Professional Firm of Legal Executors "Mazilu si Asociatii" sent us the attachment protocol drafted on November 25, 2019 on 67,071,301 shares owned by the Romanian State at S.N. Nuclearelectrica S.A. in foreclosure file no. 22/2014, creditors Micula Ioan and companies Multipack S.R.L. and Starmill S.R.L., for a receivable of 670,713,010.55 RON, debtor - the Romanian State, by the Ministry of Public Finance.

S.N. Nuclearelectrica S.A submitted at the court law of District 5 Bucharest File no. 28932/300/2019 - appeal against the foreclosure, and asked for the final cancellation of the attachment protocol of November 25, 2019 on 67,071,301 shares with a nominal value of 10 RON/share. The file is in administrative procedure at the court of law.

On December 13, 2019, the Ministry of Public Finance communicated by letter no. 32509 to "Mazilu si Asociatii" Professional Firm of Legal Executors that it had fully paid the amount by payment order no. 33383 / 13.12.2019 and asked for the termination of the foreclosure.

"Mazilu si Asociatii" Professional Firm of Legal Executors asked the Ministry of Public Finance, by Summons of December 23, 2019, to pay the amount of 5,260,959.6 RON representing a receivable difference consisting of the accumulated interest and execution expenses, an amount which the Ministry of Public Finance paid by payment order no. 1/06.01.2020.

Consequently, S.N.Nuclearelectrica S.A will formulate clarifications and will ask the court of law, in virtue of art. 649 from the Civil Procedure Code to cancel the foreclosure in file no. 28932/300/2019 at the court of law of District 5 Bucharest. The file is under regularization procedure and a resolution term has not been announced.

Litigations initiated by S.N. Nuclearelectrica S.A. against the Energy Regulation National Authority "ANRE"

S.N. Nuclearelectrica S.A. initiated the action of suspending ANRE Order 216/11.12.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers and for setting maximum electricity quantities that may be imposed as sale obligations based on regulated contracts - File no. 7222/2/2019. The court approved the SNN application and ordered the suspension of the execution of ANRE Order no.

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216/11.12.2019 until the merits court issues its judgment. Judgment no. 132/02.03.2020 is legally enforceable and appealable.

S.N. Nuclearelectrica S.A. initiated the action of cancelling ANRE Order 216/11.12.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers and for setting maximum electricity quantities that may be imposed as sale obligations based on regulated contracts - File no. 97/2/2020. No term was granted.

Amendment of the Articles of Incorporation of the Company

By Resolution no. 2/04.01.2019 of the Extraordinary General Assembly of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this item of the agenda (item 2 of the EGMS agenda of January 4, 2019), was approved. The amendment is as follows: adding par. (7) to art. 8 which is specifying that the Board of Directors is authorized, for a period of three years, to increase the share capital by issuing new shares in exchange for the contributions of the shareholders up to an authorized capital value of RON 3,015,427,983.

By Resolution no. 12/19.12.2019 of the Extraordinary General Assembly of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this item on the agenda (item 2 (iii) of the EGMS agenda of December 19, 2019), was approved. The amendment aims at: amending par. (7) of art. 8 which is specifying that the Board of Directors is authorized, for a period of three years, to increase the share capital by issuing new shares in exchange for the contributions of the shareholders up to an authorized capital value of RON 3,016,518,660.

By Resolution no. 2/30.01.2020 of the Extraordinary General Assembly of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this item on the agenda (item 2 of the EGMS agenda of January 30, 2020), was approved. The amendment is as follows: adding par. (4) of art. 5 referring to the introduction of new NACE codes, corresponding to new secondary activities.

Activities approved for the increase of the share capital

Resolution no. 2/04.01.2019 of the Extraordinary General Assembly of Shareholders approved the following activities for the increase of share capital:

1. The appointment by the Trade Registry Office attached to the Bucharest Court of Law of an authorized assessor to appraise the land located on 23 Energiei Street, Cernavoda, Constanta County, in order to increase the share capital of S.N. Nuclearelectrica S.A., as per the note

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forwarded to the shareholders with regard to this item of the agenda (item 3 of EGMS agenda from January 4, 2019);
2. Conferral of power to the Board of Directors for S.N. Nuclearelectrica S.A. share capital increase up to a maximum value of authorized registered capital of RON 3,015,427,983, according to the note forwarded to the shareholders in relation to this item of the agenda (item 4 of EGMS agenda from January 4, 2019).

Resolution no. 12/19.12.2019 of the Extraordinary General Assembly of Shareholders approved the following activities for the increase of the share capital:

1. Increasing the competence value limit delegated by the shareholders of S.N. Nuclearelectrica S.A. to the Board of Directors, by EGMS Resolution no. 2/04.01.2019 (section 4 of the EGMS agenda of January 4, 2019), for increasing the share capital of S.N. Nuclearelectrica S.A. with the equivalent value of the land of 34,170 sq m, located at no. 23, Energiei Street, Cernavoda, Constanta County, from the initial value approved by EGMS Resolution no. 2/04.01.2019, of 3,015,427,983 lei, up to the maximum value of 3,016,518,660 lei, according to the note presented to the shareholders for this topic on the agenda (section 2 (i) of the EGMS agenda of December 19, 2019);
2. Modifying the maximum value limit of the authorized share capital proposed by the shareholders of S.N. Nuclearelectrica S.A., according to EGMS resolution no. 2/04.01.2019 (section 4 of the EGMS agenda of January 4, 2019), up to which the Board of Directors is authorized to 2/04.01.2019, from the initial value of 3,015,427,983 lei, to the maximum value of 3,016,518,660 lei, according to the note presented to the shareholders for this topic on the agenda (section 2 (ii) of the EGMS agenda of December 19, 2019).

By the Current Report published on February 24, 2020, S.N. Nuclearelectrica S.A. informed its shareholders and investors on approving the increase of the share capital of SNN by the Board of Directors, with an in-kind and cash contribution in total maximum value of 1,380,150 lei, from the current value of 3,015,138,510 lei to the value of 3,016,518,660 lei, by issuing a maximum number of 138,015 new dematerialized registered shares, at a price of 10 lei/share, equal to the nominal value (without the first issue).

Appraisal mission lead by the World Association of Nuclear Operators "WANO"

By the Current Report published on January 30, 2019, S.N. Nuclearelectrica S.A. is notifying the shareholders and investors on the appraisal mission lead by the World Association of Nuclear Operators "WANO" between November 5 – 12, 2018. This appraisal carried out at the request of S.N. Nuclearelectrica S.A., by a team of 25 international experts sent by nuclear power plants from all over the world, concluded that the level of nuclear security at Cernavoda NPP is high.

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Changes in the management of the Company - Managers

By Resolutions no. 2/04.02.2019 and no. 3/04.02.2019, SNN Board of Directors has approved the appointment of the Chief Executive Officer, Deputy Executive Officer and Chief Financial Officer for a period of 4 years, starting on February 11, 2019, as follows: Mr. Cosmin Ghita – as Chief Executive Officer; Mr. Dan Laurentiu Tudor – as Deputy Executive Officer and Mr. Adrian Gabriel Dumitriu – as Chief Financial Officer.

By the Current Report published on January 16, 2020, S.N. Nuclearelectrica S.A. informs its shareholders and investors regarding the resignation of Mr. Adrian Gabriel Dumitriu from the position of Chief Financial Officer within S.N. Nuclearelectrica S.A., as of March 31, 2020.

Approval of regulated prices and quantities for the period March 1, 2019 - December 31, 2019

By the Current Report published on February 27, 2019, S.N. Nuclearelectrica S.A. informs the shareholders and the investors about the Decision of the National Energy Regulatory Authority no. 326/25.02.2019, according to which S.N. Nuclearelectrica S.A. has the obligation to sell 1,377,328,968 MWh on the regulated market between March 1, 2019 - December 31, 2019 (March - April 2019, and July - December 2019, respectively), representing 13.4% of the total production schedules for 2019 at the regulated price of RON 188.33/MWh. This regulated price does not include the electricity transmission fee, in the amount of RON 1.18/MWh (according to the Order of the National Regulatory Authority for Energy No. 108/20.06.2018).

Signing the Memorandum of SNN – NuScale Power

On March 19, 2019 a Memorandum of Agreement was signed with NuScale Power for an exchange of technical and economic information on the innovative nuclear technology developed by NuScale Power: nuclear power plant based on light water modular reactors to provide electricity, heat, desalination. This technology is the first and only technology subject to a certification assessment by the Nuclear Regulatory Commission of the United States, globally. The purpose of this Memorandum is to evaluate the development, authorization and construction of small modular reactors as a potential long-term solution for Romania.

Approving the distribution of the net profit of financial year 2018

By Resolution no. 5/23.04.2019 of the Ordinary General Assembly of Shareholders of SNN the distribution of the net profit for the financial year 2018 by destinations was approved, the total value of gross dividends in value of RON 378,914,310, the value of the gross dividend per share in value of RON 1.25670615, the dividend payment date, namely the date of June 28, 2019 and the payment methods, according to the report submitted to the shareholders for this item of the agenda (item 5 of EGMS agenda from April 23, 2019).

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Planned outage of Unit 2 CNE Cernavoda

Starting from May 3, 2019 at 11:00, Unit 2 CNE Cernavoda entered the planned outage program and the synchronization with the National Energy System was made on June 7, 2019 at 22:00.

During the period of planned outage made once every two years, more than 9,000 activities of the following programs were carried out:

- Preventive and corrective maintenance program;
- Inspection program;
- The mandatory testing program during the period of planned outages, according to the requirements of the National Committee for Nuclear Activities Control which can be made only with the plant stopped;
- Program for implementation of the project modifications by certain systems/equipment/components.

All the objectives of the planned outage were achieved under safety conditions for the staff of the plant, for the public and the environment, according to the procedures approved used by CNE Cernavoda Branch.

The launch of the campaign "Creștem odată cu tine!" ("We grow with you!")

With the Press Release published on August 30, 2019, S.N. Nuclearelectrica announced the launch of the campaign "We grow with you!", a campaign of involvement in the local community of Constanta county, dedicated to improving education and living conditions, as well as access to quality medical services.

The actions of involvement in the local community target 3 major development areas derived from the actual needs of various social categories:

1. Equipping the Physics and Chemistry laboratories of 11 educational institutions in Constanta county (Cernavoda, Fetesti, Medgidia, Constanta) with modern equipment, amounting to approximately RON 3,000 thousand.
2. Equipping the Cernavoda City Hospital with modern medical equipment amounting to RON 995 thousand.
3. Furnishing playgrounds/relaxation areas, and the modernization of the streets in the City of Cernavoda in partnership with the Cernavoda City Hall amounting to RON 852 thousand.

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Signing the Memorandum of SNN - FALCON Consortium

On October 3, 2019, the Memorandum of Understanding was signed with the FALCON Consortium (Ansaldo Nucleare, ENEA and ICN), regarding the cooperation for the development of the 4th Generation reactor, ALFRED.

The goal of this Memorandum is to set a cooperation framework between the two parties regarding the pre-project works and the research and development activities which are to be implemented in order to develop the ALFRED project.

Changes in the management of the Company - Board of Directors

By the Current Report published on October 10, 2019, S.N. Nuclearelectrica S.A. informs the shareholders and investors that starting with October 9, 2019, the mandate contract concluded with Mr. Cristian Dima has ceased, due to the failure to obtain the CNCAN approval.

Resolution no. 1/30.01.2020 of the Ordinary General Meeting of Shareholders of SNN approved the following activities for selecting a member in the Board of Directors:

1. Approving the initiation of the procedure of selecting a member in the Board of Directors of S.N. Nuclearelectrica S.A., according to the provisions of GEO no. 109/2011 on the corporate governance of public entities, as further amended and supplemented (section 2 of the OGMS of January 30, 2020).
2. Approving the mandating of the Board of Directors of S.N. Nuclearelectrica S.A. for the implementation of the procedure for selecting a member in the Board of Directors (section 3 of the OGMS agenda of January 30, 2020).
3. Appointing Mr. Teodor Minodor Chirica as a provisional member of the Board of Directors of S.N. Nuclearelectrica S.A., with a mandate duration of 4 months (section 4 of the OGMS agenda of January 30, 2020).

Approval of the long-term strategy for the development of DICA

Resolution no. 10/25.10.2019 of the Ordinary General Meeting of Shareholders of SNN approved the Long-term strategy for the development of the Intermediary Dry Spent Fuel Storage Facility ("DICA") and authorized in perspective the extension of the lifetime of Units 1 and 2 harmonized with the observations of CNCAN and those of the Ministry of Environment.

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Notification regarding the procurement by S.N. Nuclearelectrica S.A. of the uranium octoxide processing line from Compania Nationala a Uraniului S.A. – Feldioara branch

By Resolution no. 10/25.10.2019 of the General Assembly of Shareholders, S.N. Nuclearelectrica S.A. informed its shareholders and investors with regard to the formulation and transmission to the Ministry of Energy (representative of the sole shareholder of the National Uranium Company S.A. (CNU), the Romanian State) of a non-binding offer for a potential takeover, by S.N. Nuclearelectrica S.A., as purchaser, of the uranium octoxide processing line from the National Uranium Company S.A. – Feldioara Branch.

Appointing Mr. Cosmin Ghita, as Governor within World Association of Nuclear Operators "WANO"

By the Current Report published on November 5, 2019, S.N. Nuclearelectrica S.A. informs its shareholders and investors that as of January 1, 2020, Mr. Cosmin Ghita, the Chief Executive Officer of S.N. Nuclearelectrica S.A., will hold the position of Governor within WANO.

Approval of regulated prices and quantities for the period January 1, 2020 - June 30, 2020

By the Current Report published on December 23, 2019, S.N. Nuclearelectrica S.A. informs the shareholders and the investors about the Decision of the National Energy Regulatory Authority no. 2213/23.12.2019, according to which S.N. Nuclearelectrica S.A. has the obligation to sell 2020 MWh on the regulated market in period January 1, 2020 - June 30, 2020 a quantity of 1.086.596,545 MWh, representing 10.5% of the total production quantity scheduled for 2020 at the regulated price of 188.47 RON/MWh. This regulated price does not include the electricity transmission fee, in the amount of RON 1.30 / MWh (according to the Order of the National Regulatory Authority for Energy No. 218 / 11.12.2019). Also, the National Energy Regulation Authority informed SNN by Resolution no. 2214/23.12.2019 on the maximum quantities of electricity that may be imposed as sale obligations based on regulated contracts between July 1, 2020 and December 31, 2020. Thus, the maximum electricity quantity related to period July 1, 2020 - December 31, 2020 is 1,095,026,028 MWh.

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8. INDIVIDUAL FINANCIAL STATEMENTS AS AT 31.12.2019

The individual financial statements are attached. Extracts containing the main elements are presented below.

Financial position statement

Indicator [thousand RON]	2019 (audited)	2018 (audited)
Non-current assets	6,301,960	6,671,436
Current assets	2,508,894	2,194,769
Total Assets	**8,810,854**	**8,866,205**
Equity	7,334,934	7,179,131
Total liability, out of which:	1,475,920	1,687,074
Long-term debts	936,157	1,122,870
Short-term debts	539,763	564,204
Total Equity and Liability	**8,810,854**	**8,866,205**

Profit and loss account and comprehensive result

Indicator [thousand RON]	2019 (audited)	2018 (audited)
Operating revenues	2,417,433	2,178,874
Operational expenses	(1,788,008)	(1,642,334)
Operating profit	**629,425**	**536,540**
Financial revenues	67,337	94,939
Financial expenses	(65,487)	(58,856)
Net financial revenues	**1,850**	**36,083**
Profit before profit tax	**631,275**	**572,623**
Net profit tax expenses	(95,608)	(162,012)
Profit of the fiscal year	**535,667**	**410,611**
Other elements of the global result	28,786	41,202
Global result	**564,453**	**451,813**
Basic earnings per share (Ron/share)	**1.78**	**1.36**
Diluted earnings per share (Ron/share)	**1.78**	**1.36**

Cash flow statement

Indicator [thousand RON]	2019 (audited)	2018 (audited)
Profit before income tax	631,276	572,623
Value adjustments and modifications	517,891	526,807
Cash flow related to operational activities	1,149,167	1,099,430
Net cash flow from operating activities	991,490	1,023,010
Net cash flow used in investing activities	(221,128)	(162,883)
Net cash flow from financing activities	(588,393)	(962,300)
Net increase / (decrease) in cash and cash equivalents	181,969	(102,173)
Cash and cash equivalents at the beginning of the period	1,611,176	1,713,350
Cash and cash equivalents at the end of the period	1,793,145	1,611,177

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9. CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2019

The consolidated financial statements are attached. Extracts containing the main elements are presented below.

Financial position statement

Indicator [thousand RON]	2019 (audited)	2018 (audited)
Non-current assets	6,305,089	6,673,099
Current assets	2,505,682	2,193,166
Total Assets	**8,810,771**	**8,866,265**
Equity	7,334,690	7,178,990
Total liability, out of which:	1,476,081	1,687,275
Long-term debts	936,157	1,122,871
Short-term debts	539,924	564,404
Total Equity and Liability	**8,810,771**	**8,866,265**

Profit and loss account and comprehensive result

Indicator [thousand RON]	2019 (audited)	2018 (audited)
Operating revenues	2,417,422	2,178,863
Operational expenses	(1,788,007)	(1,642,333)
Operating profit	**629,415**	**536,530**
Financial revenues	67,244	94,905
Financial expenses	(65,487)	(58,857)
Net financial revenues	**1,757**	**36,048**
Profit before profit tax	**631,172**	**572,578**
Net profit tax expenses	(95,609)	(162,012)
Profit of the fiscal year	**535,563**	**410,566**
Other elements of the global result	28,786	41,202
Global result	**564,349**	**451,768**
Basic earnings per share (Ron/share)	**1.78**	**1.36**
Diluted earnings per share (Ron/share)	**1.78**	**1.36**

Cash flow statement

Indicator [thousand RON]	2019 (audited)	2018 (audited)
Profit before income tax	631,172	572,578
Value adjustments and modifications	519,101	527,758
Cash flows generated from operating activities	1,150,273	1,100,336
Net cash flow from operating activities	992,502	1,023,881
Net cash flow used in investing activities	(222,566)	(163,456)
Net cash flow from financing activities	(588,393)	(962,300)
Net increase / (decrease) in cash and cash equivalents	181,543	(101,875)
Cash and cash equivalents at the beginning of the period	1,611,959	1,713,834
Cash and cash equivalents at the end of the period	1,793,502	1,611,959

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10. CORPORATE GOVERNANCE DECLARATION
10.1. IMPLEMENTATION OF THE CORPORATE GOVERNANCE PRINCIPLES

In 2019, SNN continued the implementation of the corporate governance best practices in order to align its internal practices so as they would fully qualitatively comply with the new requirements related to the capacity of a company approved for trading at BSE.

Implementation of the corporate governance rules provides a transparent decisional process, based on clear and objective rules mean to lead to an increase of the trust level of the shareholders in the company. SNN provides a special importance to corporate governance, analyzing the compliance level with the provisions of the new Corporate Governance Code issued by Bucharest BSE effective as at January 4th, 2016. SNN issued a current report at the beginning of 2016 regarding the application of the code's provisions within its activity, identifying those provisions ongoing to be implemented and for which the necessary actions were performed in 2017. In Annex 7 to the hereby Report, is presented the stage of the up-to-date implementation of the Corporate Governance Code of the Bucharest BSE on the level of 2019.

For the communication activity, investor relations, and for the degree of transparency, accuracy and completeness of information and for the accessibility of the website of Nuclearelectrica, the company received grade 10/10 granted after the VEKTOR assessment (indicator for the communication with investors for the companies listed on the stock exchange) by the Association for Investor Relations at the Romanian Stock Exchange (ARIR). VEKTOR is the first indicator of communication with investors of listed companies and is calculated based on a methodology that includes 15 criteria in line with the best international practices. The assessment comprised almost 80 companies and took place in April 2019 - January 2020.

The Corporate Governance Rules of SNN (available on the Company's website), provides the support integrated management in the optimum relationship of issuer- shareholders/ investors/analysts by non-discriminating compliance of their rights, establishing a balance between management, leadership and assumed performance objectives, on one hand, and the control, namely, the evaluation of the efficiency and performance, the adequate administration of real and potential risks, the careful oversight of the observance of the regulations in force, on the other hand.

In order to implement the corporate governance principles, SNN implemented a series of corporate governance actions in 2019 which mainly focused on:

❖ The payment of the dividends related to financial year 2018 granted in virtue of the provisions of art. II and Art. III of Government Emergency Ordinance no. 29/2017 was carried out in compliance with the legislation in force applicable to issuers, without incidents, according to a transparent procedure and related documents published on the Company's webpage, within a dedicated section.

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❖ According to the provisions of the ASF Regulation no. 5/2018, SNN sent current reports to BSE and ASF. SNN reported the legal documents with directors, employees, controlling shareholders, and with the persons with whom they operate in a concerted manner, whose cumulated value represents at least the equivalent value in lei of 50,000 euros (art. 82 of Law no. 24/2017). The disseminated current reports are uploaded on the website of SNN and contain the following information : the parties of the agreement, the conclusion date and nature of the legal document, the description of the object, the total value of the legal document, mutual receivables, warranties, penalties, due dates and payment methods.

❖ SNN sends current reports to BSE and ASF for the information of the shareholders regarding any event which modified the patrimony of the Company or the financial statements, in compliance with the due dates provided in the legislation applicable to issuers of securities with shares accepted for trading on the regulated market.

❖ SNN published and will continue to publish on its webpage quarterly, half-yearly and annual reports both in English and in Romanian, informing the Bucharest Stock Exchange as well.

❖ The representatives of the SNN managers participated in 2019 in 4 events dedicated to the investor relation (business to business) organized by Woods&Co, BSE, Fondul Proprietatea within which they directly interacted with the investors, on top management level.

❖ SNN organized 4 teleconferences and a "face to face" meeting with the investors for presenting the financial results, according to the financial calendar posted at the beginning of the year.

Within SNN operates a department dedicated to the investor relation – Department of Communication and Investor Relation, which role is represented by the implementation and monitoring of corporate governance standards at the Company's level, notifying the shareholders and investors according to the legal provisions, proactive communication focused on the target group, on the notification needs of the investors and on the analysis of the market trends.

❖ Measures taken towards ensuring transparency, namely:

- A dedicated section for investor relation of the website of the Company;
- On SNN's website, in the Investor Relation section, there is a dedicated subsection for the General Meetings of Shareholders, where SNN publishes convening notices and documents related to each GMS, GMS resolution projects, special and general power of attorney and correspondence voting ballots, for legal entities, as well as for natural persons, the resolutions of the GMS and the result of the votes. Also, SNN publishes on its website information materials dedicated to the shareholders;
- The SNN site also offers several instruments regarding the calculation of investments, graphs, trading summary;
- The publication of the resolutions of the general meetings of shareholders, within 24 hours since the date of the meeting on the website of the Company;
- The section dedicated to Investor Relation on the website of the company contains the main corporate regulations existing on Company level, bilingual: Articles of Incorporation, the Corporate

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Governance Regulation that contains the reference terms of the Board of Directors, the Regulations of the consultative committees, the Organization Regulation and the Regulation for the GMS Meetings;

- Communication of current and periodical financial reports (quarterly, bi-annual and annual) to the BSE and ASF and posting them on the Company's website, accompanied by the Reports of the relevant auditor;
- Submitting updated information regarding the members of the BoD: members CV-s, other professional commitments of the BoD members, including executive and non-executive positions in the BoDs of other companies or non-profit institutions, status of independent members, as the case may be;
- The presentations performed by SNN for investors during the main financial events of the company and the audio file, according to the financial calendar, are posted on the Company website, including the audio files of the recordings;
- The graphic of the stock exchange evolution of the SNN share price.

❖ SNN adopted an internal policy regarding the legal conditions applicable to confidential information, the legal provisions and the sanctions that can be applied in case of the inadequate/abusive use and in case of the inadequate circulation / unauthorized disclosure of confidential information, and updated the lists of persons with access to confidential information with permanent and temporary access.

❖ At the level of the company, an internal procedure regarding the elaboration, signing and dissemination of the current report to BSE and the Financial Supervisory Authority was established. Up to present, the reporting due dates were not exceeded.

❖ All the conditions have been met for the shareholders to exercise their voting rights through correspondence or electronic means, before the date of the meeting, in compliance with the provisions of art. 45 par. 6 of Government Emergency Ordinance no. 109/2011. Thus, the Regulation for the organization and unfolding of the General Meetings of Shareholders provides "the correspondence vote" as a method to exercise one's voting rights, with strict and precise rules on this matter.

The responsible person for Investor Relation within SNN is Valentina Dinu.
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Contact data:
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10.2. THE GENERAL MEETING OF SHAREHOLDERS

The corporate bodies of SNN, a company managed in a unitary system, are structured as follows: General Meeting of Shareholders, the highest decision forum of the Company, and the Board of Directors.

The General Meeting of Shareholders (GMS)

The General Meeting of Shareholders is the main corporate governance body of the company, which decides on the economic and business policy and activity of the company. SNN has established and implemented solid internal procedures governing the organization and development of GMS, as well as rules governing the latter's legal and statutory activity, in accordance with the Articles of Incorporation and the applicable laws. In terms of its structure, depending on the items which require the approval of the shareholders, the General Meeting of Shareholders may be ordinary or extraordinary.

The Ordinary General Meeting of Shareholders (OGMS)

The main responsibilities of the Ordinary General Meeting of Shareholders (OGMS) are:

- Discusses, approved and changes the annual financial statements of the basis of the reports presented by the Board of Directors and financial auditor;
- Establishes the distribution of the net profit and the value of the dividend;
- Elects and revokes members of the Board of Directors;
- Appoints and dismisses the financial auditor and established the minimal duration of the financial audit contract;
- Establishes the general limits of the Chief Executive Officer and Managers remuneration;
- Establishes the remuneration of the members of the Board of Directors, as well as the terms and conditions of the mandate contract concluded with the members of the Board of Directors;
- Decides upon the administration of the Board members
- Approves the strategy and the development policies of the Company;
- Establishes the annual revenues and expenditures budget for the next financial year;
- Decides upon the mortgage, renting and constituting as real estate guarantees the assets of the Company;
- Approves the reports of the Board of Directors regarding its activity;
- Decides in any aspect related to the Company, in compliance with its legal attributions, under the condition that the matters fall under the competence of the General Meeting of Shareholders;
- Analyzes and solves other issues submitted by the Board of Directors.

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The Extraordinary General Meeting of Shareholders (EGMS)

The main responsibilities of the Extraordinary General Meeting of Shareholders (EGMS) are:

- Approves the change of the company's legal condition;
- Approves the change of the company's headquarters location;
- Approves the change of the company's object of activity;
- Approves the establishment or dissolution of secondary headquarters: subsidiaries, agencies, offices and other units without legal entity;
- Approves share capital increase, reduction and consolidation through the issue of shares;
- Approves merger with other companies and division of the Company;
- Approves anticipated dissolution of the Company;
- Approves the issuance of shares;
- Approves the conversion of shares from one category to another;
- Approves the conversion of a category of bonds into another or to shares;
- Authorizes the acquisition by the company of its own shares, and establishes the means of obtaining the maximum number of shares to be acquired, their minimum and maximum equivalent amount and operation period, in compliance with the law; it also establishes the method of alienation of own shares acquired by the company;
- Approves the acquisition, sell, exchange and pledge as guarantee assets of the Company from the „non-current assets" category, the value of which exceeds, separately and cumulated, 20% of the total non-current asset of the Company, less receivables for a financial year;
- Approves the renting of tangible assets, for a period greater than a year, if the separate or cumulated value for the sale contractor or implicated parties who act together exceeds 20% of the total tangible assets, less receivables at the date of conclusion of the legal document, as well as the associations for a period larger than one year, exceeding the same value;
- Approves any amendment to the Articles of Incorporation and any other resolution for which the approval of the Extraordinary General Meeting of Shareholders is required;
- Approves the mandate of Nuclearelectrica's representatives in the General Meeting of Shareholders for:

- Changing the share capital of S.C Energonuclear S.A;
- Changing the participation rate of SNN to the share capital of S.C Energonuclear S.A;
- Dissolution and liquidation of S.C Energonuclear S.A;
- Any investment by S.C Energonuclear S.A exceeding 50,000,000 euro (fifty million euro) for a single transaction and/or exceeding 50,000,000 euros (fifty million euros) cumulated with other transactions in any financial year;
- Conclusion by S.C Energonuclear S.A of any contract involving costs or taking any important obligations by S.C Energonuclear S.A exceeding 50,000,000 euros (fifty million euros), individually or cumulated, in a single financial year;

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- Any effective or proposed sale, any other alienation or any assets or rights of S.C Energonuclear S.A, any effective or proposed acquisition of assets or rights by S.C Energonuclear S.A exceeding the cumulated amount of 50.000.000 euro (fifty million euro);
- Contracting, by S.C Energonuclear S.A of any types of loans or debts or obligations of loan types with a value exceeding 50,000,000 euros (fifty million euros).

In addition to the above-mentioned responsibilities established by the Law, the Extraordinary General Meeting of Shareholders decides on the following matters:

- Conclusion by the Company of any contract, obligation or engagement that might involve expenses or assumption of any important obligation by the Company, as per the competence limits provided in the Addendum 1 to the Articles of Incorporation;
- Engagement by the Company of any type of loans, debts or obligations as per the competence limits provided in Addendum 1 to the Articles of Incorporation;
- Establishment or participation to the establishment of companies or conclusion by the Company of any type of association, including joint ventures.

Quorum and majority requirements

The quorum shall be checked by the meeting president regarding each decision in part, prior to voting the respective decision.

(a) OGMS

For the first convocation of the meeting, requirements shall be met provided that the shareholders, representing at least 1/4 of the company's share capital, are attending the meeting or are represented. The resolutions can be validly adopted only when the shareholders representing the majority of the cast votes are voting "for". For the second convocation, the meeting can validly adopt resolutions regardless of the attending number of shareholders, simply through the vote cast by the shareholders representing the majority of the cast votes.

(b) EGMS

For the first convocation of the meeting, the quorum requirements shall be met provided that the shareholders, representing at least 1/4 of the company's share capital, are attending the meeting. Resolutions can be validly adopted only with the majority of the votes held by the present or represented shareholders. For the second convocation, the meeting can validly adopt resolutions included on the agenda of the first meeting convocation provided that the shareholders, representing at least 1/5 of the company's share capital, are attending the meeting or are represented.

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The resolutions meant to amend the main object of activity of the company, the resolutions meant to increase or reduce the capital, to change of legal form of the company, or referring to mergers, division or dissolution of the company shall be adopted by a majority of at least 2/3 of the voting rights held by the shareholders or their proper representatives attending the meeting.

GMS convening process

The General Meeting of Shareholders is convened by the Board of Directors. The General Meeting of Shareholders, either ordinary or extraordinary, will be convened when needed, in compliance with the legal requirements and the provisions of the articles of incorporation, by publishing the convening notice in the Official Gazette of Romania, Part IV and in a national newspaper or a local newspaper from the location of the Company's headquarters with at least 30 days before the established date, as well as on the Company's website. All information will be disseminated both in Romanian and in English.

The General Meeting of Shareholders may be convoked in the following situations:

(i) As a result of the resolution of the SNN's Board of Directors, of the President of the Board of Directors or of one of its members, based on the power of attorney given by the President;
(ii) As a result of the request of a shareholder or of some shareholders who individually or jointly hold 5% of the share capital, if the request contains dispositions included in the meeting's responsibilities/functions.

The Ordinary General Meetings of Shareholders are held at least once a year, within maximum 4 (four) months after the end of the financial year, for the examination of the previous year's financial statements and for establishing the activity program and the budget for the current year.

The meeting cannot be appointed earlier than thirty days after the publication of the convening notice in the Official Gazette of Romania, Part IV.

According to the applicable provisions (Law no. 31/1990, GEO no. 109/2011, Regulation no. 5/2018) and the provisions of the Articles of Incorporation, the GMS Summons comprises at least the following information:

- Name of the issuer;
- Date, starting hour and location for the first and the second convening notice of the GMS;
- The proposed agenda, with the explicit mention of all the issues under debate in the meeting;

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➢ The clear and precise description of the procedures that must be respected by the shareholders in order to participate and vote within the general meeting, with regards to:

- The right of one of more shareholders representing separately or jointly at least 5% of the share capital of the Company, to introduce items on the agenda (accompanied by a justification), within at least 15 days since the publication of the convening notice and to present resolution proposals for the items included or proposed for inclusion on the agenda of the meeting. The amended convening notice with the items proposed by the shareholders must be published with at least 10 days before the General Meeting of Shareholders, at the date mentioned in the initial convening notice.
- The exact specification of the fact that the voting right can be exercised directly, through representative, or through correspondence and the respective conditions for each method. When exercising the vote by proxy (representation), the fact that for this type the (special and general) mandating forms must be used will be taken into consideration. Access to the special/general powers of attorney for the GMS, the due date and the address where they must be sent, as well as the requirements for the company to accept the electronic notification regarding the empowerment of representatives Procedures that allow the vote by correspondence.

➢ The reference date, as well as the information that only the persons who are shareholders at the reference date, have the right to attend and to vote within the general meeting;

➢ The deadline until which candidates may be proposed for administrators' positions, in case the agenda includes the election of administrators. The convening notice will mention that the list with the information regarding the names, residence and professional qualification of the persons proposed for the position of member of the Board of Directors is available to the shareholders and can be consulted and amended by the shareholders;

➢ The address where the shareholders may obtain the full text of the documents and the resolution proposals, other information regarding the items on the agenda of the general meeting and the date at which the information will be available, as well as the respective procedure;

➢ When the agenda includes modifications to the Articles of Incorporation, the convening notice must include the text of the proposals;

➢ The webpage address of the Company;

➢ The proposal regarding the registration date;

➢ The proposal regarding the ex date and payment date, if applicable;

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- The exact specification of the fact that the voting right can be exercised directly, by a representative according to a special or general power of attorney or by correspondence and the conditions under which they are exercised;

- The dissemination method of the ballot for vote through correspondence and the special power of attorney for representation within the GMS, as well as the date of their availability;

- The due date and address where the special powers of attorney, the correspondence ballots and the mandates of the shareholders must be sent;

- The indication of the exact address where the special powers of attorney and the correspondence ballots must be sent;

- The fact that the significant shareholders are entitled to opt for the application of the cumulative vote for electing the members of the Board of Directors, if the matter is on the agenda of GMS according to the provisions of art. 84 of Law no. 24/2017.

The convening notice, other points added to the agenda of the meeting as per the request of shareholders, the financial statements, the annual report as well as the proposal regarding the distribution of profits are made available to the shareholders at the company's headquarters, at the date of the convocation of the GMS and are published on the company's website, for the information of the shareholders. By requests, copies of these documents are made available to the shareholders.

The shareholders representing separately or together at least 5% of the share capital may request the introduction of new items on the agenda and may present resolution proposals for the items on the agenda, by means of a request addressed to the Board of Directors, no later than 15 days before the publication of the convening notice. The amended agenda with the items introduced by the shareholders must be published with at least 10 days before the general shareholders meeting, at the date mentioned in the convening notice.

Each shareholder may address the BoD questions in writing for the points registered on the GMS agenda, before the date of the GMS, following to receive an answer during the Meeting. The Company undertakes to respond to questions addressed by the shareholders. The Company may draft a general answer for the questions with the same content. It is considered a given answer is the information requested is published on the company's webpage www.nuclearelectrica.ro as question - response.

In compliance with the capital market regulations, the resolution projects subjected to the approval of the GMS, as well as the other supporting documents must be published on the webpage of the Company.

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GMS organization procedure

SNN has established and implements internal rules for the organization and carrying out of the GMSs, which require specific competence and responsibilities for various organization structures and departments of the company within GMS organization. These regulations are intended to regulate the entire internal stream of documents and information, procedures and logistics as well as the external process which consists in properly informing the company's shareholders about the aspects related to the convoked meetings.

The shareholders may participate and vote in the General Meeting of Shareholders by representation according to a special or general power of attorney for that specific General Meeting of Shareholders or for a period not exceeding 3 years. The proxy cannot be substituted by another person. In case the empowered person is a legal entity, it can exercise its mandate through any person member of the administration or management of the company or its employees.

The legal persons may be represented by their legal representatives who, in their turn, may give a power of attorney to other persons for that specific General Meeting of Shareholders. When the State is involved, the proper Minister may designate their permanent representatives in the General Meeting of Shareholders, in compliance with the above-mentioned legal requirements and conditions.

In addition to the organization regulation of the GMSs, SNN fully complies with the laws regulating and governing the organization process of GMS of the listed companies.

Within 24 hours after the date when the GMS took place, the company draws up a current report in which it will briefly present how the GMS is organized, and the resolutions adopted. The report will be disseminated to the capital market institutions, namely the BSE, and will be published on the company's website.

Shares and shareholders' rights

The Company's shares are nominative, of equal values and are issued in a dematerialized form, by registration in the account and equal rights are provided to their holders.

Each subscribed and paid share provides equal right and confers them the right to vote in the GMS, the right to elect and be elected in the leadership, the right to attend the profit distribution, according to the provisions of the Articles of Incorporation and legal provisions, as well as other rights provided in the Articles of Incorporation and applicable legal provisions.

The shares issued under dematerialized form are traded on a regulated market, according to the law of the capital market. The rights and obligations of shares follow the actions in case of their passing

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under other persons' ownership. Shareholders have the right to correct and completely inform the GMS on the Company's situation. In case of issuing new shares, the existent shareholders have a preference right on the registration, according to the law, proportionally with the share percentage owned by the Company.

The SNN shareholders may exert the right to vote as follows:

1. Direct vote - personally, within GMS;

2. Vote by representative with special or general power of attorney;

3. Vote through correspondence.

All financial instruments holders issued by SNN from the same type and class of titles benefit from equal treatment, and the Company permanently makes sustained efforts to perform an effective, active and transparent communication in order to perform the right in an equitable manner.

10.3. THE MANAGEMENT OF THE COMPANY

10.3.1. Board of Directors

Structura. Appointment of members. Eligibility criteria

The executive body of the company is the Board of Directors and consists of 7 members, one executive member and 6 non-executive members.

On October 10, 2019, the company issued a Current Report according to art. 234, paragraph (1), letter g) of ASF regulation no. 5/2018 informing the shareholders of SNN regarding the notification received from the National Commission for Controlling Nuclear Activities ("CNCAN") on 09.10.2019, whereby the company was notified on the result of the process of granting CNCAN approvals for non-executive directors, based on the nuclear security norm regarding the preparation, qualification and authorization of the personnel of the organizations that operate nuclear installations, NSN 23.

Following the implementation of this process, CNCAN notified SNN that Mr. Cristian Dima, a member of the Board of Directors, did not approve the approval of CNCAN. According to the provisions of the Mandate Contract concluded with the non-executive directors of the company, in virtue of art. 13.1 letter k), namely: "if the Director does not pass within 12 months after starting the mandate the verifications of CNCAN provided by the NSN 23 Norms, the contract shall be terminated when CNCAN/the Director notifies SNN on the fact that the Director did not pass the CNCAN verifications provided by NSN 23 and in this case SNN will not owe to the Director

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damages for this termination case", the Mandate Contract of Mr. Cristian Dima was terminated on the date of the CNCAN notification, namely 09.10.2019.

In period 09.10.2019 – 19.12.2019, the Board of Directors of S.N. Nuclearelectrica S.A. had 6 members, and there was a vacancy in this interval.

On December 19, 2019, the Board of Directors of SNN approved, upon the recommendation of the Nomination and Remuneration Committee no. 14958/16.12.2019, the appointment of Mr. Chirica Minodor Teodor as a provisional director, with a mandate duration until the Ordinary General Meeting of Shareholders, according to the provisions of art. 1372 of Law no. 31/1990, given his experience and professional expertise,

The President of the Board is elected by the Board of Directors from among its members, in the person of Mr Iulian-Robert Tudorache. The President of the Board is appointed for a period that may not exceed the duration of his/her mandate/term as administrator/director and can be dismissed any time by the Board of Directors.

The directors/administrators can be dismissed anytime by the Ordinary General Meeting of Shareholders. Each director/administrator has expressly accepted to fulfil the mandate. The company is obligated to conclude a D&O type insurance. During the mandate fulfillment, the directors/administrators may not conclude an employment contract with the company.

The members of the Board of Directors are obliged to exercise their mandate with prudence and diligence of a good administrator, with loyalty, on behalf of, and to the benefit of the company, and are not allowed to disclose confidential information and business secrets of the company.

Also, the BoD members undertake to provide the avoidance of a direct or indirect conflict of interests with the Company, and in case such conflict occurs, to refrain from discussion and vote on the respective matters, according to the current legal provisions.

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As at 31.12.2019, the directors of the Company are as follows:

First name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of mandate expiration
Iulian - Robert Tudorache	45 years old	Attorney-at-law	18 years old	Chairman of the Board of Directors (non-executive member)	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Cristian Gentea	56 years old	Physician engineer	31 years old	Non-executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Elena Popescu	60 years old	Nuclear station engineer	35 years old	Non-executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Cristian Dima	52 years old	Economist	27 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019) Mandate contract concluded on 09.10.2019, according to the	09.10.2019

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First name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of mandate expiration
					provisions of art. 13.1 letter k) from the Mandate Contract.	
Mihai Daniel Anitei	50 years	Mechanical engineer	22 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Cosmin Ghita	30 years old	Economist	10 years	Executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Remus Vulpescu	48 years	Legal Adviser	25 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
					28.12.2017 (temporary mandate according to OGSM Resolution 10/20.12.2017)	28.04.2018
Teodor Minodor Chirica	74 years old	Engineer	51 years old	Non-executive member of the Board of Directors	19.12.2019	30.01.2020

The members of the Board of Directors are appointed by the shareholders, during the Ordinary Meetings of the Shareholders. The company has no knowledge of any agreement, understanding or family connections between the administrators and/or other persons, due to whom the respective administrator was appointed.

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Information regarding other professional commitments and obligations relatively permanent of the BoD members

surname	Company	Position	Period	Current position (Yes/No)
Iulian-Robert Tudorache	Ministry of Energy	State Secretary	January 2018 – June 2019	No
	Arges Bar	Attorney-at-law	2015 - January 2017	No
	Ministry of Energy, Small and Medium Enterprises and Business Environment	Minister's Personal Adviser	January 2015 - November 2015	No
	Arges Bar	Attorney-at-law	2008 – 2015	No
Cosmin Ghita	Amromco	Administrator non-executive	Present	Yes
Cristian Gentea	Autonomous Administration of Technologies for Nuclear Energy	Chief Executive Officer	1987 – Present	Yes
	Autonomous Administration of Technologies for Nuclear Energy - Institute for Nuclear Research Pitesti	Nuclear Security Deputy Manager	June 2012 – September 2017	No
Cristian Dima	Convert Leasing IFN S.A.	Chairman of the Board of Directors	2008 – Present	Yes
	Ministry of Business Environment, Trade and Entrepreneurship	State Secretary	January 2017 - April 2017	No
	City Hall of Galati	Local adviser	June 2016 – January 2017	No
	Hospital of Obstetrics and Gynecology «Buna Vestire» of Galati	Member of the Board of Directors	June 2016 – January 2017	No
	Ministry of Environment, Waters and Forests	Adviser on matters of environment and aquaculture	May 2015 – November 2015	No
	City Hall of Galati	Local adviser	2012 – 2016	No
	Andreiana Juventus Foundation	Vice President - Managing Committee	2012 - January 2017	No
Elena Popescu	Ministry of Energy	Chief Executive Officer - General Division of Energy Policies	September 2013 – Present	Yes
	Ministry of Energy	Adviser in the field of nuclear energy and European affairs	February 2013 – September 2013	No
	Energonuclear S.A.	Chairman of the Board of Directors	2013 – Present	Yes
	Permanent Agency of Romania to the European Union	Adviser for the nuclear field and international relations in energy	August 2007 – February 2012	No

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surname	Company	Position	Period	Current position (Yes/No)
	OPCOM	Chairman of the Board of Directors	2015 – Present	Yes
	CEO	Member of the Supervision Board	2016 – 2017	No
	CEH	Member of the Board of Directors	2015 – 2016	No
	CNU	Member of the Board of Directors	2015 – 2016	No
Remus Vulpescu	Romaero S.A.	Chief Executive Officer and member of the Board of Directors	2016 – present	Yes
	International Association for Energy Economics	Member of the Board of Directors	2017 – Present	Yes
	Cupru Min S.A. Abrud	Member of the Board of Directors	2016 – present	Yes
	Fortus S.A. Iasi	Special Administrator (insolvency procedure)	2015 – Present time	Yes
	Turnaround Management Association (SUA)	Member	2015 – Present time	Yes
	INSOL Europe	Member	2015 – Present time	Yes
Mihai Daniel Anitei	Azomures	Chief Executive Officer	June 2012 – Present time	Yes
	Agriculture Committee of Fertilizers Europe	President	September 2012 – Present	Yes
	Ameropa Grains	BoD Member	2016 – present	Yes
	Chimpex	BoD Member	2016 – present	Yes
	Oil Terminal	BoD Member	2016 – present	Yes
Teodor Minodor Chirica	S.N. Nuclearelectrica S.A.	Expert	October 2017 – December 2019	No
	S.C. EnergoNuclear S.A.	Chief Executive Officer	November 2013 – October 2017	No

According to criteria provided at point A4 of the Corporate Governance Code of BSE, the members of the Board of Directors with contractual relations with a shareholder owning over 10% of the voting rights, as at January 1, 2016 are: Iulian-Robert Tudorache (State Secretary within the Energy Ministry until June 2019), Elena Popescu (Chief Executive Officer, General Division of Energy Policies within the Ministry of Energy), Cristian Gentea (Chief Executive Officer of the Administration of Technologies for Nuclear Energy, an entity 100% owned by the Romanian State, a majority shareholder of SNN).

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As at 31.12.2019, the members of the Board of Directors have no shares in SNN.

The main responsibilities of the Board of Directors

The main objectives of the Board of Directors appointed for a 4-year mandate, as of 28.09.2018:

Regarding the operation of the nuclear units in safe conditions and nuclear security for the staff, population, environment and production assets:

- Maintaining a degree of maximum availability of technological systems and with security features.
- Improving/maintaining the high level of professional training for the staff operating the two nuclear units.
- Maintaining the volume of radioactivity releases in water and air below the regulated level.
- Maintaining memberships within international organizations in the nuclear energy industry and, if applicable, affiliation to other organizations.
- Ensuring the oversight function.

In order to maintain the power production capacity above the average level in industry:

- Performing the maintenance and repair plans in order to increase the reliability of equipment and systems and the operation of nuclear units under safe and secure conditions.
- Running lifetime management programs for the Cernavoda NPP components and systems (reactor, steam generator, turbo-generator etc.).
- Continuing the programs for the replacement of worn and obsolete components and equipment.
- Performing, on time and under conditions of maximum quality, the mandatory annual inspection programs of the vital nuclear components (fuel channels, heat exchangers, etc.).
- Maintaining the over-average power utilization rate in the nuclear industry.
- Implementing the strategy for diversifying sources of raw material supply needed to produce nuclear fuel.

As regards the fulfillment of the major investment objectives, the following major priority projects have been identified:

- Drafting the nuclear security documentation in order to reauthorize Unit 1 for operating all-through its life cycle. Estimated budget (2019-2022): 34.26 million RON.
- Unit 1 Refurbishment Project: running activities regarding:
  i) the establishment of the volume of works on the basis of the technical status evaluation of the structures, systems and components of Unit 1;
  ii) the selection of engineering support services for the beneficiary;

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iii) the identification of the storage and management solutions for the radioactive waste generated during the refurbishment period and the infrastructure necessary to run the Refurbishment project;

iv) the elaboration of the feasibility study. Estimated budget (2019-2022): 165 million RON.

- The Intermediary Burnt Fuel Warehouse Project (DICA). The implementation of the measures foreseen in the Long-term revised strategy for the development of the Intermediate Spent Fuel Storage Facility (DICA) and authorization for the extension of the lifetime of Units 1 and 2 harmonized with CNCAN's observations, and those of the Ministry of Environment and Climate Change, respectively, approved by the shareholders of SNN through the Decision no. 8/28.09.2017 of the Ordinary General Meeting of Shareholders. Estimated budget (2019-2022): 50 Million RON.
- Project of Units 3 and 4 of NPP Cernavoda: running the pre-project activities (rechecking the feasibility, evaluating the assets, decision-making on IPC contracting, obtaining authorizations and approvals needed to start work, including support measures and final investment decision). Estimated budget (SNN cash contribution related to the 49% stake in the project company) 2019-2023: 74 million RON.
- Tritium Removal Facility NPP Cernavoda Project: running the activities leading to the implementation of the project (selection of support services for the beneficiary, selecting the IPC contractor, obtaining the approvals and authorizations, structuring the financing, etc.). The total cost of the investment under the Feasibility Study is 896 million RON, and the project will be implemented by the end of 2026.

At the same time, the implementation of some investment projects representing modernization / rehabilitation / reliability improvements of the productive assets with an annual budget effort estimated at 90 million lei.

In order to meet the major investment objectives, it is necessary to adopt the following measures:

- Establishing and monitoring an investment strategy within SNN, in order to provide the support required for the operation of the production units under conditions of nuclear safety and security.
- Establishing a long-term priority order in a realistic manner, correlated with SNN's ability to allocate the technical, human and financial resources required for the projects mentioned.
- Conducting the necessary feasibility studies and commencing the works for the major investment objectives.
- Ensuring the conditions and the specialized personnel for completing the negotiations on the Investment Documents regarding the development, construction, operation and decommissioning of Units 3 and 4 of Cernavoda NPP.

Regarding the power trading strategy:

- Long time advance contracting to ensure company revenue stability and to lower the risk of electricity price volatility.

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- Getting a sale price of more than 180 RON/ MWh for the entire period 2018-2022

Regarding the improvement of the financial performance indicators of the Company and the fulfillment of the three financial indicators mentioned in the contract with EURATOM we are considering:

- Maximizing the use of the company's capabilities with a direct effect in obtaining adequate cost structures, while observing the nuclear safety culture.
- Strengthening the operational cash flows of the company to ensure liquidity needs for current investment projects and to increase the bankability of major investment projects run by SNN.
- Ensuring liquidity requirements for payment of outstanding installments on contracted loans.
- Strengthening the self-financing capacity of the activity (CAF) while observing the nuclear safety standards.

With regard to maintaining a foreseeable / predictable dividend policy of the company:

- Maintaining a dividend rate of at least 60% of the profit after the deduction of the profit tax.

Regarding the optimization and streamlining of the organizational structure of the Company:

- Optimization envisages the implementation of an organizational structure that allows the company's capabilities to be maximized as a fundamental element of sustainability of the competitive advantages.
- Creating an internal resource allocation system to maximize and streamline direct effect uses to achieve cost-effective structures.
- Amid the consolidation of the nuclear safety culture, we plan on implementing an organizational structure based on clearly defined roles, eliminating inadequate redundancy of roles, cascading goals, aligning skills with today's changing demands, based on good corporate governance rules, with a fluent vertical and horizontal communication system.
- Aligning the organizational structure with the other 3 dimensions of the organization: human resource, process system and technology.

Regarding the observance of the principles of corporate governance and the code of ethics and integrity:

- Compliance with all legal provisions and recommendations of the Romanian capital market institutions regarding the principles of corporate governance.
- Performing a regular benchmarking with entities at international level and adopting international best practices.
- 0 tolerance to deviations in the SNN code of ethics.

Regarding responsible and active involvement in corporate social responsibility actions:

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- Involvement in social responsibility actions at local and national level in the following fields: education and research, humanitarian and cultural fields.

In terms of maintaining / attracting highly qualified staff, in the context of a specialized labor market:

- Adopting a strategy for attracting, training and retaining human resources.
- Implementing cooperation programs with the Polytechnic University of Bucharest and technical faculties at national level, especially in SNN operating areas, adapted to the medium- and long-term personnel needs of SNN in order to grant scholarships.
- Implementing national and local information campaigns in high schools to attract young people both for enrolling them in faculties (major in energy) and for attracting vocational school graduates.
- Developing traineeship programs for undergraduates and individual mentoring programs for young employees.
- Adopting specific human resources measures to increase the level of satisfaction of highly qualified staff and its retention in conjunction with the current and long-term needs of SNN.
- Implementing a remuneration system based on individual performance by analyzing individual performance indicators.

In order to develop / improve reporting, control and risk management capabilities, paying increased attention to investor relations, SNN aims at:

- Integrating / correlating corporate risk management processes and mechanisms (other than operational approached by regulatory, standard and practices of the nuclear industry) with the processes and mechanisms for managing the risks associated with the operation of the nuclear power plant in order to ensure a adequate approach to the risks faced by the organization, in the sense of completeness of their management.
- Revising, improving and/or developing (as the case may be) processes and instruments for the management of corporate risk and revising and / or recalibrating / adjusting risk management tools periodically (e.g. internal procedures, algorithms and models, assessment scales, risk profile, risk tolerance limit, operational and informational flows).
- Increasing the knowledge of the Company personnel regarding risk management especially by conducting qualification / training sessions for the personnel of the SNN Power Station, NPP Cernavoda and NFP Pitesti.
- Improving information flows to circulate information about risks within the organization, both in order to better manage them in locations where exposure exists, and to better apply the principle of making informed decisions in terms of risks (RIDM - Risk-Informed Decision Making).
- Develop an internal business continuity management (BCM) framework.

By the Resolution of the Board of Directors no. 187/29.10.2018, the administration component of the Administration Plan was approved. By the Resolution of the Board of Directors no.

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33/07.03.2019, the management component of the Administration Plan and the overall Administration Plan were approved.

By Resolution no. 3/10.04.2019 of the Ordinary General Meeting of Shareholders of SNN no. 3/10.04.2019, the following were approved:

- the financial and non-financial performance indicators that will form the annex to the contract of mandate of non-executive directors;
- the equivalent value corresponding to the annual variable component of the remuneration of non-executive directors of the company, amounting to 12 monthly fixed allowances;
- the form of the addendum to be concluded to the contract of mandate of the company's non-executive directors.

The Board of Directors has the following responsibilities, that cannot be delegated to the Chief Executive Officer:

- Approval of the Company's main activity and development directions;
- Establishment of the accounting and financial audit system and approval of the financial planning;
- Appointment and revocation of the Managers, as well as the establishment of their remuneration;
- Oversight of the activity of the Chief Executive Officer and of the Managers;
- Preparation of the annual report, organization of the general meeting of shareholders and implementation of the GMS resolution;
- Filing the request for opening the insolvency procedure of the company, as per the Law 85/2006 regarding the insolvency procedure;
- Approval of changing the activity field of the company.

The Board of Directors has also the following responsibilities:

- Exercise control on the way the Chief Executive Officer and the other Managers govern the Company;
- Approves the revenues and expenses budget;
- Approves the management plan prepared by the Chief Executive Officer and/or other Directors;
- Verifies if the activity of the company is compliant with the Law, the Articles of Incorporation and any relevant resolution of the General Meeting of Shareholders;
- Presents to the General Meeting of Shareholders an annual activity report;
- Represents the company in relationship with the Chief Executive Officers and the appointed Managers;
- Checks and approves the quarterly, half-year and annual financial statements of the Company;

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- Verifies and approves the Report of the Chief Executive Officer and the reports of the Managers;
- Proposes to the General Meeting of Shareholders the appointment and the revocation of the financial auditor, as well as the minimum duration of the audit contract;
- Approves the mandate contracts of the Chief Executive Officer and of the appointed Managers thus establishing the organization of the activity of the managers;
- Approves the empowered representatives to negotiate the collection work agreement with the unions and/or with the representatives of the employees as well as their negotiation mandate;
- Approves the Company's collective work agreement;
- Approves the Organization and Operation Regulations of the Board of Directors;
- Approves the activity programs (production, research– development, technological engineering, investment, etc);
- Approves the energy transactions strategy of the Company;
- Approves any transaction of the company with any of the companies with which it has close relations whose value is equal to or higher than 5% of the net assets of the company (according to the latest financial report) following a mandatory opinion of the Audit Committee of the Board and correctly disclosed to shareholders and potential investors, insofar as such transactions fall into the category of events which are subject to reporting requirements;
- Approves the conclusion of any contract/document which raises legal obligations for the Company (acts of acquisition, sell, exchange and pledge as guarantee non-current assets of the Company), the value of which does not exceed, separately and cumulated, during one financial year, 20% of the total non-current assets of the Company less receivables, in compliance with the competence limits provided in the Annexes to the Articles of Incorporation;
- Approves the renting of tangible assets, for a period greater than a year, with an individual and cumulated value for the same contractor or entity involved with the company, which does not exceed 20% of the total value of non-current assets, less receivables at the date of the legal document, as well as the associations for periods greater than 1 year, which do not exceed the same value;
- Approves the mandate of Nuclearelectrica's representatives in the General Meeting of Shareholders of S.C. Energonuclear S.A. for the decisions which fall under the competence of S.C. Energonuclear S.A. with the exception of those for which a resolution of the Company's General Meeting of Shareholders is necessary, in compliance with the provisions of the Articles of Incorporation.

The Board of Directors is responsible for the endorsement/approval of the contracts, credits and different operations at the level of the Company, in compliance with the competence limits provided by the Annexes to the Articles of Incorporation.
In 2019, the Board of Directors of SNN was summoned 39 times in order to take the necessary decisions for the management of the company according to the attributions established by the SNN Articles of Incorporation, by the Corporate Governance Regulation and by the Organization and

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Development Regulation of the BoD Meetings, 17 meetings took place with the members' attendance, 17 by electronic vote and 5 by teleconference.

Attendance of the members of the Board of Directors at the 17 attendance meetings, depending on the members' term, including revocation.

BoD Members	Number of meetings
Iulian-Robert Tudorache	13
Cristian Gentea	13
Cristian Dima	11
Mihai Anitei	15
Cosmin Ghita	16
Remus Vulpescu	12
Elena Popescu	14

According to the provisions of the SNN Articles of Incorporation, the Corporate Governance Regulation and the Organization and Development Regulation of the BoD Meetings, the BoD members assigned representation mandates to other members of the BoD for the meetings they couldn't attend in person or over the phone, making sure they are represented and complying with the quorum requirements. The BoD meetings of SNN are valid according to the hereby majority of its members.

Until 31.10.2019, the secretary of the Board of Directors is Mrs. Saida Ismail, PR Specialist within SNN. As of 31.10.2019, the secretary of the Board of Directors is Mrs. Oana Andrusca, PR Specialist within SNN.

Remuneration of the Members of the Board of Directors

According to the provisions of the GEO no. 109/2011 with subsequent amendments and additions regarding corporate governance of public companies, the remuneration policy and criteria for the administrators and managers in a unitary system are made public on the website of SNN, under the section "Public interest information".

Following the appointment of the members of the Board of Directors for a mandate of 4 years, 28.09.2019, until the approval of the objectives and indicators of performance stability by the Management Plan with the included management component, the members of the Board of Directors benefited only from the fixed component.

By the Resolution of the Board of Directors no. 33/07.03.2019, the management component of the Administration Plan and the overall Administration Plan were approved.

According to the provisions of Art. 37 of the OUG no. 109/2011 with subsequent amendments and additions, the fixed allowance of the non executive and BoD members cannot exceed twice the

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average on the last 12 months of the average gross wage for the developed activity, according to the main object of activity of the Company, at the class level, according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment. The fixed allowance of the executive members of the BoD cannot exceed 6 times the average of the last 12 months of the monthly gross average wage for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment.

The fixed and variable allowance for the BoD members is approved by the SNN GMS. The general meetings of the manager's allowances (manager according to Art. 143 of the Law no. 31/1990) are approved by the GMS; according to such general limits, the BoD establishes the amount of the managers' allowance. The fixed compensation of the managers with mandate contracts cannot exceed 6 times the average gross salary for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment.

Detailed information regarding the directors' and managers' remuneration in 2019 can be found in the Report of the Advisory Committee for Nomination and Remuneration, attached to this Report.

By Resolution no. 3/10.04.2019 of the Ordinary General Assembly of Shareholders of SNN, the following were approved:

- the financial and non-financial performance indicators that will form the annex to the contract of mandate of non-executive directors;
- the equivalent value corresponding to the annual variable component of the remuneration of non-executive directors of the company, amounting to 12 monthly fixed allowances;
- the form of the addendum to be concluded to the contract of mandate of the company's non-executive directors;
- the financial and non-financial performance indicators that will form the annex to the contract of mandate of executive directors;
- The form of the addendum to be concluded to the mandate contract of the company's executive directors, in the form proposed by the Ministry of Energy;
- General limits of the remuneration of the executive manager:
    - Monthly fixed allowance, 5-6 times the average of the last 12 months of the monthly gross average wage for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment;

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- Annual variable component, 24 - 36 times the annual variable component, in an amount between 24- 36 times the average of the monthly gross salary earnings for the activity performed according to the main scope of business registered by the company, at class level, according to the national classification of economic activities, communicated by the National Institute of Statistics prior to appointment.

10.3.2. Executive Management

The Board of Directors delegates the management of the company to one or more Directors, naming one of them Chief Executive Officer. The Chief Executive Officer represents the company in relation with third parties and in the court of law. The Chief Executive Officer is responsible for taking all the necessary measures related to the governing of the company, within the limits of the company's scope and in compliance with the competences establishes by Law or by the Articles of Incorporation for the Board of Directors and the General Meeting of Shareholders. The Board of Directors can delegate one or more responsibilities mentioned above (which can be delegated) to the Chief Executive Officer.

The Chief Executive Officer of SNN, has the following responsibilities in compliance with the Articles of Incorporation:

❖ Manages and coordinates the activity of the company;

❖ Fulfills the resolutions of the General Meetings of Shareholders and the decisions of the Board of Directors, adopted in compliance with the competences reserved;

❖ Applies the strategy and policy of the Company;

❖ Selects, hires, promotes and dismisses the employees of the Company;

❖ Appoints, suspends and revokes the managers of the subsidiaries, establishing their remuneration;

❖ Negotiates and concludes, under the conditions of the law, individual work agreements;

❖ Concludes legal documents on behalf of the company, for the acquisition, sale, renting and exchange or pledging as guarantee the assets of the company, which don't fall under the competence of the General Meeting of Shareholders or of the Board of Directors;

❖ Concludes any binding documents which don't fall under the competence of General Meeting of Shareholders or of the Board of Directors, within the competence limits provided in the Annexes to the Articles of Incorporation;

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- Approves the investment projects, in compliance with the limits provided in the Annex to the Articles of Incorporation;

- Prepares and subjects for the endorsement of the Board of Directors the financial statements as well as the proposal regarding the distribution of the profit resulted from the balance, which is intended to be presented to the General Meeting of Shareholders;

- Prepares and subjects to the endorsement of the Board of Directors the budget project of the Company, which will be subjected to the approval of the General Meeting of Shareholders;

- Subjects to the endorsement of the Board of Directors the materials which will be subjected to the approval of the General Meeting of Shareholders;

- Prepares together with the other managers and subjects for the endorsement/approval of the Board of Directors the activity programs (production, research-development, technological engineering, investments, etc.);

- Establishes the responsibilities of the Company's staff;

- Approves the collections and payments, as per the legal competences and provisions of the Articles of Incorporation;

- Empowers Managers or any other person to exercise powers from his field of competence;

- Approves the delegations of competence for the Managers of the Company and of the subsidiaries, in order to carry out the activities of the company;

- Approves the competences and the responsibilities of the Company's departments;

- Approves the organizational chart of the Company and the number of positions, the formation of operational and production compartments, as well as the Organization and Operation Rules;

- Approves the environmental protection and occupational safety policies, in compliance with the law;

- Approves legal documents and rules which regulate the activity of the company;

- Establishes the marketing tactics and strategy;

- Fulfills any other responsibility provided by the legislation, the Articles of Incorporation, the resolutions of the Board of Directors and of the General Meeting of Shareholders;

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- Solves any other matter that the Board of Directors commissions to him.

The position of Chief Executive Officer of S.N. Nuclearelectrica S.A.: was occupied under a mandate contract following the Resolution of the Board of Directors no. 2 of 04.02.2019 whereby Mr. Cosmin Ghita was appointed in this position with a mandate for a 4-year period, as of 11.01.2019. This resolution was adopted following the Recommendation of the Nomination and Remuneration Committee of 22.01.2019.

The position of Manager of the NPP Cernavoda branch: from 01.09.2018 to the present, the position of Manager of the NPP Cernavoda Branch is occupied by Mr. Dan Bigu.

The position of Manager of the NFP Pitesti branch was occupied by Mr. Florin Ovidiu Gheba, until 17.10.2019. From 17.10.2019 to 17.04.2020 (inclusively) the position of Manager of the NFP Pitesti branch is occupied by Mr. Sorin Popescu, following the resolution of the Chief Executive Officer no. 345 of 17.10.2019.

Following the Resolution of the Board of Directors no. 3 of 04.02.2019, Mr. Adrian Gabriel Dumitriu was appointed as Chief Financial Officer of S.N. Nuclearelectrica S.A. with a mandate for a 4-year period as of 11.02.2019. This resolution was adopted following the Recommendation of the Nomination and Remuneration Committee of 22.01.2019.

Deputy Chief Executive Officers: Mr. Dan Laurentiu Tudor and Mr. Toni Viorel Lary were appointed by the Board of Directors by Resolution no. 176 of 23.10.2018, for a provisional term of 4 months, as of the start of the mandate of 06.11.2018 according to the provisions of art. 20 par. shall be amended 1 of the Articles of Incorporation of SNN, art. 35 par. 1 and art. 64 index 2 par. 1 of GEO no. 109/2011 as further amended and supplemented and the provisions of art. 143 paragraph 1 and 4 of Law 31/1990 on companies. The Resolution of the Board of Directors was taken upon the recommendation of the Advisory Committee for Nomination and Remuneration within the Board of Directors of 15.10.2018.

By the Resolution of the Board of Directors no. 3 of 04.02.2019, following the recommendation of the Nomination and Remuneration Committee of 22.01.2019, Mr. Dan Laurentiu Tudor was appointed as Deputy Chief Executive Officer of S.N. Nuclearelectrica S.A. with a 4-year mandate as of 11.02.2019. Thus, the Board of Directors decided that as of 11.02.2019, the attributions of Mr. Toni Viorel Lary will be taken over as follows: the activities of the Electricity Transaction Division by the Chief Financial Officer, and the activities of the Investment Development Division by the Deputy Chief Executive Officer.

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The Chief Financial Officer and the two Deputy Chief Executive Officers until 11.02.2019, as subsequently there will be a single Deputy Chief Executive Officer, are subordinated to the Chief Executive Officer and to the Board of Directors.

Executive management

Name and Surname	Position	Start date (since 2019)	End date (since 2019)
Cosmin Ghita	Chief Executive Officer Temporary mandate	Appointment for a provisional mandate of 4 months 06.11.2018	06.03.2019
	Chief Executive Officer 4-year mandate.	Appointment for a 4-year mandate as of 11.02.2019.	11.02.2023
Dan Laurentiu Tudor	Deputy Chief Executive Officer Temporary mandate	Appointment for a provisional mandate of 4 months 06.11.2018	06.03.2019
	Deputy Chief Executive Officer 4-year mandate.	Appointment for a 4-year mandate as of 11.02.2019.	11.02.2023
Toni Viorel Lary	Deputy Chief Executive Officer Temporary mandate	Appointment for a provisional mandate of 4 months 06.11.2018	11.02.2019
Adrian Gabriel Dumitriu	Chief Financial Officer Temporary mandate	Appointment for a provisional mandate of 4 months 06.11.2018	06.03.2019

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Name and Surname	Position	Start date (since 2019)	End date (since 2019)
	Chief Financial Officer 4-year mandate.	Appointment for a 4-year mandate as of 11.02.2019.	11.02.2023
Dan Bigu	Branch Manager CNE Cernavoda (employment contract)	01.09.2018	31.12.2019
Florin Ovidiu Gheba	Branch Manager FCN Pitesti (employment contract)	01.01.2019	17.10.2019
Sorin Popescu	Branch Manager FCN Pitesti (employment contract)	17.10.2019	17.04.2020

The company has no knowledge of any agreement, understanding or family connections between the administrators and/or other persons, due to whom the respective administrator was appointed.

As at 31.12.2019, the members of the executive management have no shares in SNN.

At the current date, the Company does not pose knowledge regarding the existence of litigations or administrative procedures against the members of the Board of Directors and/or managers, related to their activity within Nuclearelectrica or to their capacity to fulfil their duties within the Company.

On November 4, 2019, S.N. Nuclearelectrica S.A. issued a Current Report according to art. 234 paragraph (1) letter l) of the ASF Regulation no. 5/2018 on the issuers of financial instruments and market operations and the provisions of art. 99 of the Code of the Bucharest Stock Exchange, Title II, Issuers and Financial Instruments, whereby the company informs its shareholders and investors that at the hearing of 30.10.2019, postponed for 31.10.2019 in file no. 34778/3/2018, regarding the registration by a SNN shareholder, a natural person, on the docket of the Bucharest Court of Law, of a action for declaring the absolute nullity of the Resolution of the Ordinary General Meeting of Shareholders no. 12/28.09.2018 and the suspension, by presidential ordinance, of the implementation of the Resolution of the Ordinary General Meeting of Shareholders ("OGMS") no. 12/28.09.2018, the court approved the conclusions of SNN regarding the exception of the absence of the active lawsuit status of the plaintiff and ordered the rejection of the case for cancelling the Resolution of the GMS of SNN, the rejection of the application for accessory intervention in favor of the plaintiff and the rejection of the application for suspending the implementation of OGSM Resolution no. 12/28.09.2018.

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10.4. CONSULTATIVE COMMITTEES

According to the Articles of Incorporation of the Company and in compliance with GEO 109/2011, the Board of Directors of SNN created 4 advisory committees, made up of at least 2 Board members.

The Advisory Committee for Nomination and Remuneration

This committee was established according to Art. 34 of GEO no. 109/2011, by Resolution no. 7 of the Board of Directors of 26.04.2013.

The Advisory Audit Committee

This committee was established according to Art. 34 of GEO no. 109/2011, by Resolution no. 8 of the Board of Directors of 30.04.2013.

The Advisory Committee for Nuclear Safety

This committee was established according to Art. 34 of GEO no. 109/2011, by Resolution no. 27 of the Board of Directors of 26.08.2013.

The Advisory Committee for Strategy, Development and Large Investment Projects

This committee was established according to Art. 34 of GEO no. 109/2011, by Resolution no. 27 of the Board of Directors of 26.08.2013.

The Advisory Committees have the task to develop analysis and draft recommendations for the Board of Directors, in specific fields, with the obligation to periodically forward activity reports of the Board of Directors members.

The main responsibilities of the Advisory Committees are provided in the Organization and operation Regulations approved by the BoD and available on the SNN site.

Each Advisory Committee has appointed a secretary and a president.

By the Resolution of the Board of Directors no. 210/06.12.2019, the chairmen of the Consultative Committees are the following directors:

The Advisory Committee for Nomination and Remuneration	Remus Vulpescu
The Advisory Audit Committee	Remus Vulpescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

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The Advisory Audit Committee

The role of the Advisory Audit Committee is to assist the BoD in performing its duties related to internal audit and to offer council regarding the strategy and policy of the Company related to the internal and external,control system, evaluation of the conflict of interests, as well as the control over the management of the significant risks.

From the functional point of view, the Advisory Audit Committee reports directly to the BoD. Within SNN, there is an Internal Audit Department responsible for managing the internal audit activity of the company, reporting to the BoD, from the functional point of view and to the Chief Executive Officer, from the management point of view.

The main attributions of the Advisory Audit Committee include analysis functions, monitoring, supervision and facility, as follows:

- Approving the multi-annual internal audit plan as well as the normative documents drafted by the Internal Audit Department;

- Examination, on a regular basis, the efficiency of the internal control and risk management system;

- Monitoring the application of the legal and internal audit standards, maintaining the authority, independence and impartiality of the internal auditors;

- Monitors the Company's compliance with the legal provisions, Articles of Incorporation and internal applicable normative documents;

- Analyzes and approves the activity reports of the Internal Audit Department, transactions with the affiliated parties;

- Monitors the correctness and credibility of the financial information provided to the Company's leadership and external users;

- Supervises the activity of internal auditors and financial auditors;

- Approves or proposes the approval for the supervision authorities or shareholders regarding the appointment, remuneration and revoking the financial auditor;

- Makes sure the executive authorities take the necessary remedy measures to solve the identified deficiencies;

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- Drafting and forwarding reports at the request of the BoD.

In 2019, the Advisory Audit Committee assembled in 8 meetings where recommendations were drafted to the BoD of SNN on matters within its attributions, as follows:

- Report regarding the activity of the internal audit for 2018;
- The annual plan for the Administration Financial Inspection;
- Modification of the internal audit plan for 2019;
- Internal audit plan for 2020 and multiannual audit plan for 2020-2022;
- Quarterly report on risk management;
- Annual report on the assessment of the internal management inspection system;
- The Individual Annual Financial Statements and the and Consolidated FInancial Statements at the end of 2018, drafted according to the International Financial Reporting Standards (IFRS – EU), based on the reports of the independent auditor and the annual report of the directors for 2018;
- Review report of the independent auditor on the Simplified Individual Interim Financial Statements on the date and for the period of 6 months that ended on June 30, 2019;
- Half-year report on the administration activity, drafted according to the legal provisions;
- Annual Conformity Plan.

Regarding the management of conflicts of interests, each member of the Board of Directors ensures the avoidance of a direct or indirect conflict of interests with the Company, and in case of occurrence of such conflict it refrains from debates and vote on the respective issues, according to the current legal provisions.

In order to provide the correctness, transactions with the parties involved, the BoD members call on the following criteria, but without a limitation:

- Keeping the competency of the BoD or GMS, as the case may be, to approve the most important transactions (according to the annex to the Articles of Incorporation regarding the competence limits);

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❖ Requesting a previous opinion on the most important transactions from the part of the internal control structures;

❖ Providing negotiations, regarding such transactions, to one or many independent administrators or administrators without any connections with the respective involved parties;

❖ Appeal to independent experts.

The transactions concluded in 2019 with affiliated parties and reported to the capital authorities of Romania and to the SNN shareholders, according to the provisions of art. 225 of Law no. 297/2004 and art. 82 of Law no. 24/2017 did not create problems regarding potential conflicts of interests with the directors and managers of SNN.

The planning of internal audit activities is performed following a large process of risk evaluation (e.g.: discussions with the heads of the departments, the result of activities of the other monitoring departments, reports of the external control organisms of the Company, results of the previous audit reports). The Advisory Audit Committee evaluated the internal inspection system, based on the questionnaire regarding the evaluation of the implementation stage of the internal/management inspection, consisting in the compliance of the internal management inspection activity with the standards provided in Order no. 600/2018.

More information regarding the internal audit is found in subchapter *10.8. Audit and risk management division.*

The Advisory Committee for Nuclear Safety

The Nuclear Safety Advisory Committee shall provide the Board of Administration with independent assistance and/or evaluation in the field of nuclear safety and environmental protection, drawing up written recommendations in this respect.

The main duty of the advisory committee for nuclear safety is to ensure assistance and/or independent evaluation in fields like:

❖ Company's strategic options for nuclear security, regarding the existent situations and the applicable regulation frame for the operating activities of CNE Cernavoda;

❖ Conclusions drawn from the review of certain design studies and their impact on systems, structures and components with critical functions of nuclear security;

❖ Fundamental decisions regarding nuclear security, as well as regarding radioprotection, considered at the Company level and its two subsidiaries;

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- Frame and main criteria to be adopted for nuclear security and for the management and quality insurance system;

- Conclusions of impact studies regarding all types of emissions in the environment;

- Nuclear security criteria, public health and environment protection, applied in the relations with the sub-contractors and providers;

- Drafting and applying preparation programs of the nuclear security culture for the Company's personnel;

- General policy and regulations regarding personnel and competence requirements in operating the Company's assets;

- Inspection of structures and components with critical security function;

- Independent control processes in nuclear security issues and radioprotection, regarding the Company's specific activities;

- Certification and licensing process;

- Analysis of the events/incidents reports of operations with a potential impact on nuclear security or personnel radioprotection;

- Analysis of any report regarding nuclear security, drafted at the Company's level;

- Any issue for which the BoD considers necessary to be consulted the Advisory Committee for Nuclear Security.

The Advisory Committee for Nuclear Security was summoned 2 times in 2019. In the two meetings organized in 2019, the reports regarding the state of nuclear security within SNN were discussed.

The Advisory Committee for Strategy, Development and Large Investment Projects

The component of the Consultative Committee for Strategy, Development and Large Investment Projects ("CSDPMI") is the following (CA Decision no. 166 / 2.10.2018): Elena Popescu - president and gentlemen Cristian Gentea, Mihai Anitei, Cosmin Ghita and Iulian Robert Tudorache in quality of members.

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According to its own regulation, the Committee for Strategy, Development and Large Investment Projects carries out analyzes and elaborates recommendations for the SNN Board of Directors regarding:

- The global strategy for development, retraining, modernization, economic and financial restructuring of the Company as well as the main development directions, the strategic objectives of the Company and the ways to achieve them.

- Approval and implementation by the Board of Directors of large investment projects (projects whose estimated value exceeds EUR 5 million), following the analysis of the specific documentation.

In 2019, the activity of the Consultative Committee for Strategy, Development and Large Investment Projects mainly focused on:

- Formulating a recommendation to the Board of Directors of SNN regarding the Program of investments, endowments and sources of financing for the year 2019, annexed to the SNC 2019 BVC project;

- Formulating a recommendation to the SNN Board of Directors for the approval of the action plan regarding the structuring of negotiations with China General Nuclear Corporation (CGN) on the Investor Agreement in preliminary form, the mandate of the negotiating commission in order to set up the new project company by contributing in minimum initial cash calibrated to the development needs of the Project Units 3 and 4 Cernavoda NPP, including the prerequisites for each stage of development of the Project;

- Formulating a recommendation to the SNN Board of Directors for approval, in order to submit to the SNN AGEA approval of the draft Investor Agreement in preliminary form and of the draft Constitutive Act of the future project company, with the initial limited purpose provided by the Strategy revised by continuation of the Project Units 3 and 4 Cernavoda NPP.

From the analysis of the activity of the Committee for Strategy, Development and Large Investment Projects we appreciate that this allowed the outline / crystallization of a unitary and structured approach regarding the strategic directions of development and an adequate programming of SNN's multi-annual investment plan, materialized in a value realization of the investment program for 2019 of approx. 85%.

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10.5. SHAREHOLDERS RIGHTS

All holders of financial instruments issued by SNN of the same type and title class receive an equal treatment, and the company is making permanent efforts to achieve an effective, active and transparent communication in order to exercise the rights in an equitable manner.

All SNN holders are treated equally. All the issued shares offer equal rights to their holders; any change in the rights conferred by them will be subject to approval by the directly affected shareholders in special meetings.

SNN makes all efforts to facilitate the participation of shareholders at the general meetings of shareholders, the dialogue between shareholders and members of the Management Board and/or management, as well as the full exercise of their rights. The participation of shareholders at the General Shareholders Meetings is strongly encouraged, and for the shareholders who are unable to attend the meeting, the opportunity of voting in the absence is offered-based on special mandate, by mail or by special or general power of attorney.

The company has created a special section called Investor Relation, on its own website, where relevant information on the procedures regarding the access and the participation at the General Meeting of Shareholders (GMS), GMS convocation, supplemented agenda of the GMS, MB responses to shareholders' questions, current reports, financial statements of the Company, the exercise of voting rights in GMS,GMS agenda materials, special mandate models, financial calendar, corporate governance etc. of the company is constantly updated and accessible, thus contributing to transparency and equitable information for all persons interested.

At the same time, SNN has established a specialized organizational structure for the management of the capital market activity, respectively the Department of Communication and Investor Relation – a structure whose work will be dedicated to the relationship with the investors and shareholders. The department's staff is permanently trained / educated / professional formed on issues related to the company's relationship with its shareholders, the principles of corporate governance, management and customer relationship.

The main shareholders' rights regarding the General Meeting of shareholders are:

(a) The right to a minimum period of notice:
The Company's Shareholders are informed about an upcoming meeting of shareholders by convocation published in the Official Gazette and in a newspaper of national circulation at least 30 days before the meeting; also, the convocation is published on the website of the Company, in the Investor Relation section and it is transmitted to the Financial Supervision Authority and the Bucharest Stock Exchange in the form of a current report.

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(b) The right of access to information:
SNN publishes the documents and information required on its website to ensure that all shareholders exercise their rights in an informed manner.

(c) The right to supplement the agenda of the meeting:
SNN shareholders representing individuals or together with other shareholders at least 5% of the share capital may request the addition of supplementary items to the agenda within the limits and in accordance with the applicable legislation.

(d) The right to participate at the meeting:
SNN shareholders registered in the list of shareholders on the reference received from the Central Depository shall be entitled to attend in person or by representative the General Meetings of Shareholders;

(e) Voting rights:
The share capital of the Company is represented by ordinary shares conferring a right to vote for each share registered in the name of the shareholder at the reference date;

(f)The right to ask questions:
Any shareholder of the Company may submit written questions concerning the items on the agenda of the General Meeting of Shareholders and is entitled to receive responses from SNN.

The shareholders have the right to participate effectively and to vote in the GMS and to be informed of the rules, including the voting procedures that govern the GMS. Each share confers one vote, one dividend. There are no preferred shares without voting rights or shares conferring the right to more than one vote.

10.6. TRANSPARENCY, FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Transparency

Being a company admitted to trading,SNN acts constantly according to the information requirements regulated by the capital market rules, by conducting periodic and continue reports on significant events concerning the company, including, but not limited to, financial state, performance, ownership and leadership. The Company will prepare and disseminate periodic and continuous relevant information, in accordance with the International Financial Reporting Standards (IFRS). Information is disseminated both in Romanian and English. The Company shall hold, at least five times a year, meetings or teleconferences with financial analysts, brokers, market specialists and investors, for disseminating annual and/or half-yearly financial statements, materials that are relevant to investment decisions or depending on the specific interest of the participants in

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the capital market (teleconferences and face to face meetings). The aim is to ensure total transparency by communication in accordance to the law and proactively, in order to provide information with a high degree of accuracy and in a timely manner necessary to maintain and develop a relationship of mutual trust.

To make the information process more efficient and accessible for investors, SNN created on its website (www.nuclearelectrica.ro) a special section (Investor Relation) where any investor can easily access information about:(i) strategy of the Company,(ii) news, information and events, (iii) corporate governance, (iv) the rights of shareholders, (v) reports, (vi) dividend payment, (vii) financial statements. Moreover, SNN has set strict internal rules and procedures and has a dedicated investor relation department. The company develops and implements an efficient and transparent policy in its investor relation.

In 2019, SNN issued 101 current reports, some of them representing the compliance with the legal requirements, and others representing events that may have an impact on the share price, and SNN considers that a proactive and open approach to shareholders and investors is optimal:

Financial reporting, internal inspection and risk management

SNN transmits to BSE, no later than 120 days after the end of the reporting period, the annual report in accordance with regulatory matters, issued by the Financial Supervisory Authority (ASF), including all documents stipulated in the ASF regulations. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as they are approved by the European Union, starting with the year 2013.

SNN transmits to BSE,no later than 45 days after the end of the reporting period, the quarterly report prepared in accordance with regulatory matters, issued by the ASF, and the half-yearly financial statements are prepared in accordance to the law.

SNN transmits to BSE, no later than 45 days after the end of the reporting period, the Quarterly Report for the first and the third quarter, prepared in accordance with ASF regulations, comprising both reporting documents as stipulated in the ASF regulations and also quarterly interim financial statements, prepared in accordance with applicable regulations.

The Advisory Audit Committee supports the Management Board members by regularly examining the efficiency of financial reporting, of internal control and risk management system adopted by the company.

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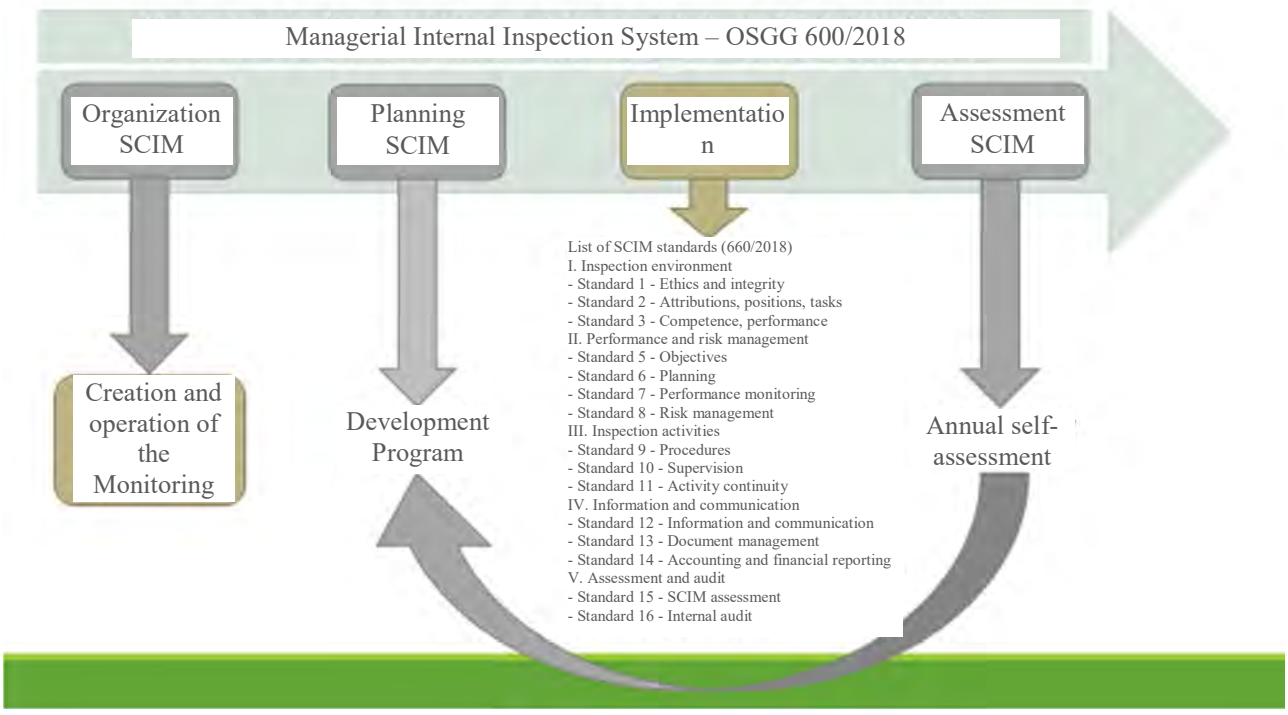
Internal inspection

Organization and the exercise of the internal/managerial control

In S.N. Nuclearelectrica S.A. the internal management inspection system is adapted to the specificity and size of the company, by considering the particularities of the legal framework of organization and operation, as well as the internal management inspection standards, in correlation with the management systems implemented within SNN (headquarters and branches) in order to ensure the compliance with all the applicable legal requirements, norms and standards (OSGG no. 600/2018, Law no. 111/1996, CNCAN Norms, etc.).

According to Order of the General Secretariat of the Government no. 600/2018 regarding the approval of the Management Internal Control Code of public entities, in SNN the management internal control system (SCIM) operates with a variety of procedures, means, actions, provisions regarding all aspects related to the activities of the company. This set of elements is set and implemented by the managers of S.N. Nuclearelectrica S.A. in order to allow it proper control over the operation of the entity in its entirety. The inspection instruments include the following items: objectives, means, computer system, organization, procedures, inspection.



As a result of the diversity of the performed activities (nuclear fuel manufacture, electricity and thermal energy manufacture by operating nuclear units, energy sales, public procurement, stock exchange activities, etc.), S.N. Nuclearelectrica S.A. owns one of the most complex internal

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inspection environments, with an organizational culture aimed at continuous improvement, which wants to ensure supervision in all essential points.

Thus, the organizational model of SNN aims at ensuring the legal segregation and independence requirements of the defense levels, assimilated to the best practices and standards of the COSO model.

According to best practices and the requirements of OSGG no. 600/2018, SNN implements the model of "3 defense lines", where:

- The first line is represented by the operational management, responsible for the daily management of the activities and current inspections;
- The second line of defense is represented by the structures that have assessment and inspection attributions in ensuring that the first line of defense is adequate, implemented, and operates properly. These Departments have some degree of independence from the first line of defense, and can also intervene directly in modifying and developing the inspection and risk management systems;
- The third line of defense, ensuring internal independence - internal audit - must provide to the Board of Directors / the Audit Committee and the Executive Management with an independent and objective assurance on the operation of the internal inspection and risk management system within the Company.

The establishment of the internal management inspection system is under the responsibility of the managers and is based on internal inspection standards that are grouped into five components of internal management inspection:

- Inspection environment - groups the matters related to organization, human resources management, ethics, deontology and integrity;
- Performance and risk management - addresses management issues related to objective setting, planning (multi-annual planning), scheduling (management plan), performance (performance monitoring) and risk management;
- Inspection activities - refers to the drafting of procedures, the continuity of processes and activities, the separation of duties, supervision;
- Information and communication - this section groups matters related to the creation of an adequate informational system and a system of reports regarding the implementation of the management plan, the budget, the use of resources and the management of documents;
- The assessment of the internal management inspection system and internal audit - the issue addressed by this group of standards refers to the development of the capacity to assess the internal management inspection, in order to ensure the continuity of the process of its improvement.

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In order to monitor, coordinate and methodologically guide the implementation and development of the internal management inspection system, the Chief Executive Officer of SN Nuclearelectrica SA ordered by a resolution the creation of a Monitoring Commission that coordinates the process of updating the general and specific objectives, the procedural activities, the risk management process, the performance monitoring system, the status of the procedures and of the monitoring and reporting system, respectively notifications to the manager of the public entity.

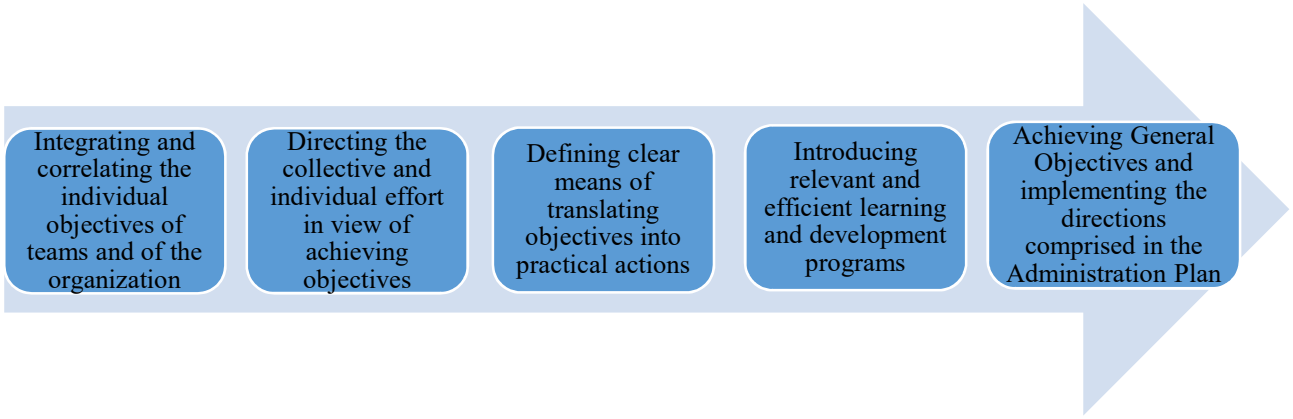
The main attributions and activities of the monitoring commission are:

Objectives

- Coordinates the process of updating general and specific objectives, of the performance monitoring and reporting system, and notifying the Chief Executive Officer.
- Analyzes the notification, drafted based on the annual reports of the managers of the departments, regarding performance monitoring, in order to be approved by the monitoring commission and submitted to the Chief Executive Officer of S.N. Nuclearelectrica S.A.

In 2019 the company implemented the system of cascading the objectives assumed by the Administration Plan as the main instrument for systematization and validation of the coverage degree by aligning the objectives to the superior hierarchic level, and drafted the procedure on *setting and monitoring objectives within SNN S.A.*

Implementing the objective cascading system leads to:



General objectives can only be achieved with the convergent and synchronized participation of the entire organization. The organizational alignment of all the components from the organizational structure is performed by defining, for each of them, the same set of instruments for translating the directions comprised in the Administration Plan in operational terms: setting general objections by presenting in a synthetic form the directions comprised in the Administration Plan, by considering both the administration component and the management component, deriving objectives on subunit levels (Head Office, Cernavoda NPP branch and Pitesti NFP branch) and its division into specific departmental objectives, by setting implementation means, targets and performance indicators.

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Procedures

- Coordinates the process of updating procedural activities and the situation of procedures.
- Coordinates the process of drafting documented procedures in order to regularly, economically, efficiently and effectively achieve the objectives of the company.

Implementing, developing and assessing the internal management inspection system

- Drafts the development program of the internal management system, called the Development Program, which is updated annually.
- Ascertains the stage of implementing and developing the internal management inspection system on the level of the company;
- The stage of implementing and developing the internal management inspection systems on the level of public entities, ascertained by the monitoring commission following the annual self-assessment action, is subject to notification, by drafting annual centralizing reports, according to the template provided in the centralizing report on the stage of implementing and developing the internal management inspection system, which is reported, until the legal deadlines.

Risk management organization

The risk management process is under the responsibility of the Chairman of the Monitoring Committee, and considering the size, complexity and environment specific to nuclear activities, the responsibilities regarding risk management are performed / fulfilled by the Risk Management Service together with risk managers and the SNN staff.

In fulfilling its attributions, the Internal management inspection monitoring commission analyzes the risk management process based on the Risk Management Reports issued by SMR and prioritizes the significant risks that may affect the achievement of the objectives, by establishing the risk profile and the risk tolerance limit, annually, approved by the managers of the company. It also analyzes the "Plan to implement inspection measures for significant risks on SNN level" in order to submit it to the Chief Executive Officer for approval.

In 2019, the approved risk profile of the Company was as follows:

Risk Name	Weight	Risk level	Trend
Operational risk	40%	Low	→
Market/price risk	5%	Environment	
Credit/counterparty risk	5%	Environment	→
Competition risk	5%	High	
Macroeconomic risk	5%	High	
Legislative/regulation risk	15%	High	
Risk associated to investment/maintenance/refurbishment works	15%	High	
Risk associated to the absence of specialized workforce	10%	High	
Total risk profile	**100%**	**Environment**	

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Risk analysis regarding the current activities and business strategy

The general objective of the Energy Strategy of Romania is to "meet the energy needs both in the present and medium and long term, at a price that is as low as possible, adequate to a modern market economy and a civilized standard of living, under safe conditions, food safety, by complying with the principles of durable development", consequently pursuing three strategic directions: energy security, durable development and competitiveness.

Consequently, SNN as a company of national importance whose shares are listed on the stock exchange, has defined a business strategy ("Strategy of Societatea Nationala Nuclearelectrica SA for 2015-2025"), in which business, corporate governance and social responsibility objectives are combined in order to fulfill the mission and goals mandated by AGA, as well as the role assumed in society.

SNN established, in the development strategy 2015-2025, the main medium- and long-term strategies with the main focus of maintaining nuclear safety, the continuous growth and increase of its shareholders' profits, and the analysis of the risks of the activity is important in this context.

Medium and long term, the activity of SNN will be influenced both by the evolution of electricity prices and by the investment projects that the Company will develop: extending the life cycle of Unit 1, participating in the development of Units 3 and 4, continuing the development of DICA, setting up the funds needed for the solutions for the final storage of burnt fuel and building a tritium removal installation (CTRF - Cernavoda Tritium Removal Facility).

Consequently, the main risks in terms of SNN's activity and goals (market-related risks and project development) were analyzed. The diagram below comprises the overview of the main objectives, the critical elements in relation to the implementation of the strategies and the risks SNN will be faced with.

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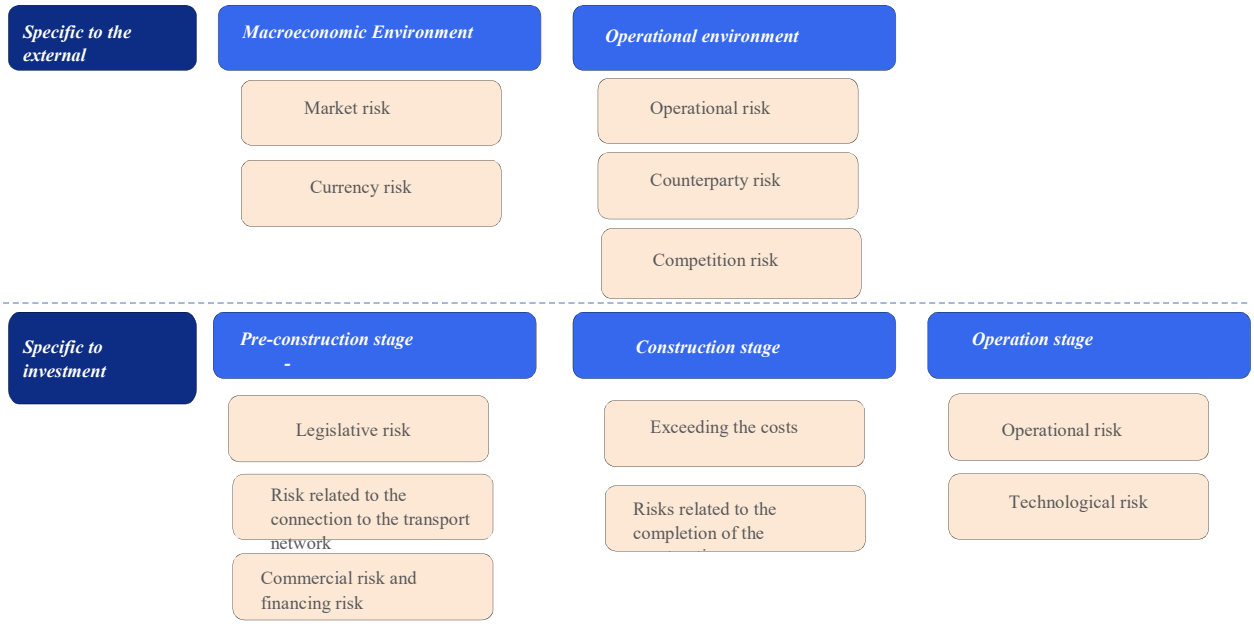

Main specific risks of SNN

Macroeconomic Environment

The future profitability of the operations of the Company and the feasibility of its projects depend on the market conditions from Romania and those from the countries with which it performs commercial operations, especially in the European Union. The main risk factors associated with the macroeconomic environment are grouped into the following three categories:

Market risk

The market risk category includes general market risks and risks associated with the Romanian electricity market. This risk combines the effects of macroeconomic performance, the evolution of the electricity market and the volatility of the electricity price, being generated by the fluctuation of the electricity price and the fluctuation of the prices of raw materials and materials, the reduced number of suppliers or commercial partners and the lack of long-term contracts. The materialization of the market risk has a direct impact on the overall performance of the Company.

Legislative/regulation risk

Legislative risk is represented by changes that may occur in the legislative framework of Romania and/or the European Union with direct applicability, without the necessity of transposing it into the national legislation. Possible changes may refer to imposing new taxes or setting standards and/or requirements for nuclear security by community, local and central authorities, and/or by the authority that regulates the nuclear energy field. The effect of the legislative risk may be the un-estimated increase of production costs, which may determine the drop of profit margins.

Besides the individual risk that can be generated by a single regulation (regulation, directives, law, ordinance, etc.), the Company is exposed to legislative / regulation risk and from the perspective of

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the high number of national and international regulation and / or inspection entities and / or professional associations, which address the activities of the Company, in this context there is the possibility that the regulations issued by various authorities are contradictory.

Currency risk

The currency risk is determined by the current activities of the Company considering that some of them involve transactions in foreign currency. These transactions include the repayment of loans contracted in order to fund Unit 2 (in EUR, USD and CAD), technical support and contributions for decommissioning the two units.

Operational environment

The Company's current operations are influenced by various additional risk factors that have a major impact on current profitability. The main categories of risks are the following:

Operational risk

Operational risk is associated with the risk of loss risk resulting either from the use of inadequate processes, people, or internal systems or which have not fulfilled their function properly, or from external events, and includes legal risk.

Operational risks are intrinsically associated with the activities of the Company, with its capacity to generate revenues and maintain the competitive operational margin and are closely related to the market position, the identification and assessment of investments, generated profits / losses, potential fines, penalties, sanctions, a deficient establishment or management of contractual obligations. These risks depend on the Company's capacity of providing the necessary quantities of electricity that it has undertaken to provide under the contracts concluded on the regulated market and competitive market, considering both planned and unplanned outages for Units 1 and 2.

The occurrence of operational risks can be materialized in equipment malfunctions, human errors, the defective operation of operational processes, which can ultimately lead to unplanned outages.

Similarly, prolonged and extreme drought or other external events (e.g. powerful storms, extreme cold, failure of the electricity transmission network of Transelectrica) may have a major impact on the production and/or distribution of electricity.

One of the measures that may mitigate these risks is to consider the negotiation of long-term contracts with predefined prices and specific commercial terms on liquidation and damages, in order to reduce the volatility of the collection period by providing the cash flow that is necessary for operations and investments. Other measures that may mitigate operational risk may be represented by the ability of the Company to plan activity interruptions in the periods when the price of electricity decreases or the ability of the Company to conclude contracts to compensate for

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unrealized production when the units do not produce enough electricity because of unplanned activity outages.

Counterparty risk

Counterparty risk is the risk of business partners not acting according to the terms and conditions specified in the concluded contracts, as a result of the failure, intentional (refusal to pay) or unintentional (inability to pay) to pay a debt to SNN, judicial reorganization, bankruptcy or the voluntary winding-up of a SNN counterparty.

SNN has commercial partners both as a seller and as a buyer of electricity, as well as a buyer of the goods, equipment and services that are necessary for performing its current activities.

In the context of market liberalization, SNN will seek to conclude predominantly long-term electricity sales contracts for most of its production capacity, this being a condition for ensuring the cash flow imposed by credit institutions, especially considering the additional funding that is needed to perform the investments. In order to mitigate this risk, the Company has a policy for selecting commercial partners based on their credit risk, seeking to conclude such contracts only with solvent traders.

Competitive risk

Competition risk must be analyzed in the context of aligning the day-ahead market ("PZU") of Romania, in compliance with the price coupling mechanism of the markets from the Czech Republic, Slovakia and Hungary, and the Company is exposed to increased regional competition generated by future improvements, refurbishment, extensions and new constructions expected to be made by the manufacturers on the respective electricity markets. At the same time, renewable energy projects are very volatile in terms of production, due to the lack of forecasts on the availability of fuel sources (e.g. wind, solar energy).

Risk associated to investment/maintenance/refurbishment works

This risk is manifested in close connection to the funds of the Company, the procurement and maintenance plan, conducting studies and the analyses that are necessary for substantiating the plans, structure and training of the personnel, equipment / installations suppliers.

Risk associated to the absence of specialized workforce

This risk is manifested both in relation to the losses of specialized knowledge as a result of the retirement of the specialists of the Company, as well as in relation to specialists leaving for other better paid jobs, and also in the absence of programs for attracting qualified young people, to be trained and specialized both in the field of operation and maintenance, and in the fields related to the implementation of the proposed investment program.

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Analysis of Company-specific risk factors

No.	Risk category	Level	Impact	Mitigation method
1. Macroeconomic Environment				
1.1	Market risk	Environment	High	Long-term bilateral contracts, with fixed prices or well-defined price formulas.
1.2	Legislative/regulation risk	Environment	Moderate	Using the best technologies that ensure environment durability. Continuous communication with the authorities
1.3	Currency risk	Environment	High	Negotiating price conditions that include currency risk.
2. Operational environment				
2.1	Operational risk	Low	High	Maintaining high operation and production standards.
2.2	Counterparty risk	Environment	High	Well-designed and detailed long-term contracts Applying a rating system for the parties with whom bilateral contracts are concluded. Securities (cash in Company accounts, letters of guarantee, insurance policies, commitment letters, security accounts).
2.3	Competition risk	Environment	Moderate	Continuously monitoring markets. Applying a cost control policy.
The "level" of the risk category defines the probability of occurrence: high, medium and low. The "impact" of the risk category defines the potential monetary impact on the company performance: strong, moderate, weak.				

Improving the risk management internal framework

In order to develop and improve its reporting, inspection and risk management capabilities, the Company intends to continuously improve its risk management framework, and the analysis measures include:

- Increasing the degree of collecting risk information and using it in taking informed decisions, risk-wise;
- Reducing the times for circulating risk information (risk management), including by computerizing support instruments;
- Periodically revising the counterparty risk for the counterparties on the energy markets;
- Increasing the level of Company personnel knowledge on risk management;
- Reviewing and/or recalibrating / periodically adjusting risk management instruments

Internal inspection system consolidation

- Reviewing internal financial-accounting inspections.
- Monitoring the adequacy of the Internal Inspection System focusing on the inspection environment, the managers' attitude and the management of the implemented inspections.
- Reviewing the compliance with internal regulations, the legal framework and the Code of Ethics assuring the Board of Directors that SNN implements inspection and support activities in order to maintain a compliant behavior.
- Reviewing SNN policies on fraud risk management, ensuring that fraud reporting and investigation systems are implemented.

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- Granting the Board of Directors trust in the statement from the Annual Report regarding the adequacy of the internal inspection and the risk management framework.
- Regularly receiving reports on the results of the internal inspection system testing, conducted by internal and external auditors.
- Supervising, on request, certain transactions for which support from the Board of Directors is required by the executive management.

Compliance, ethics and integrity

SNN started and will continue the process of optimizing the internal procedural framework regarding the compliance, prevention and integrity warnings, by means of a sustained and formalized activity of familiarizing the entire personnel with the principles and provisions of the related procedural framework. For this purpose, the compliance and anti-fraud activity was organized on the level of the Audit and Risk Management Division (including by the creation of the Compliance Office) with a dual role, of prevention within the company (by developing specific procedures and teaching courses / training sessions to employees), and audit.

Until now, in 2019, the main activities performed by the compliance function were as follows:

- The prevention activity was materialized by developing the following procedures / policies:
  - The benefit granting / receiving procedure, which establishes rules / interdictions and provides guidelines applicable to all SNN operations and branches, in order to protect the company from ethical deviations and any other non-compliance aspects related to accepting and granting benefits;
  - Anti-fraud procedure, designed to facilitate the development of inspection activities in order to help detect and prevent fraud against S.N. Nuclearelectrica S.A. and its branches;
  - The irregularity reporting procedure, which introduced the concept of integrity alert, established methods for reporting and treating irregularities and addressing issues related to aspects of public interest that relate to the non-compliance with SNN policies, procedures, or applicable law;
  - The sponsorship granting procedure, which sets the manner of processing this type of actions, according to the applicable legislation;
  - The Business Ethics and Code of Conduct, applicable to all the members of management, employees, consultants, the personnel of the partners that operate within the company, defining and promoting the fundamental values that guide the current activity, namely universally valid principles that must be known and applied unconditionally by all employees.
- Audit activity: involvement in scheduled and ad-hoc audit missions.

Starting with 2019, the prevention activity was also supported by a training program performed and implemented on the level of the Headquarters and of the Branches, whereby the SNN personnel was informed and trained on the compliance with specific procedures of ethics, integrity, anti-fraud and anti-corruption. Moreover, the improvement of the existing procedures with the best practices in the

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field, the lessons learnt and the adaptation to the requirements of the legislation in force shall be continued.

Also in 2019, SNN started implementing the anti-bribery standard, and shall become one of the first companies in Romania to have specific monitoring policies, procedures and methods in the field.

On SNN SA level, the managers shall continue to define and establish a set of principles and values that guide the daily activities of its employees. The results of SNN, the image we build and consolidate within the business environment, the trust of our shareholders and partners and, last but not least, our well-being depend on the way the company succeeds in complying with these principles, and the way in which they are continually improved. We all must be aware of the fact that certain values we appreciate universally to those around us, like integrity, professionalism, responsibility, respect, loyalty, are surely requirements and expectations of our co-workers, partners and even of our community to in terms of how we perform our own activity.

The way we work, behave and interact with other persons is defining for establishing a healthy, responsible and efficient work environment. For this purpose, the Business Ethics and Code of Conduct was developed, and it is applicable to all management staff members, employees, advisors, the personnel of our partners who work in SNN, in order to present the basic values which must be observed and promote the adopting of a fair attitude, so that by complying with these criteria we are able to build a prosperous business, which relies on healthy, honest and transparent principles. The basic values that guide our business are universally valid principles of our company, and these must be known and unconditionally applied by all employees. They are meant to support and promote the vision and culture of our organization.

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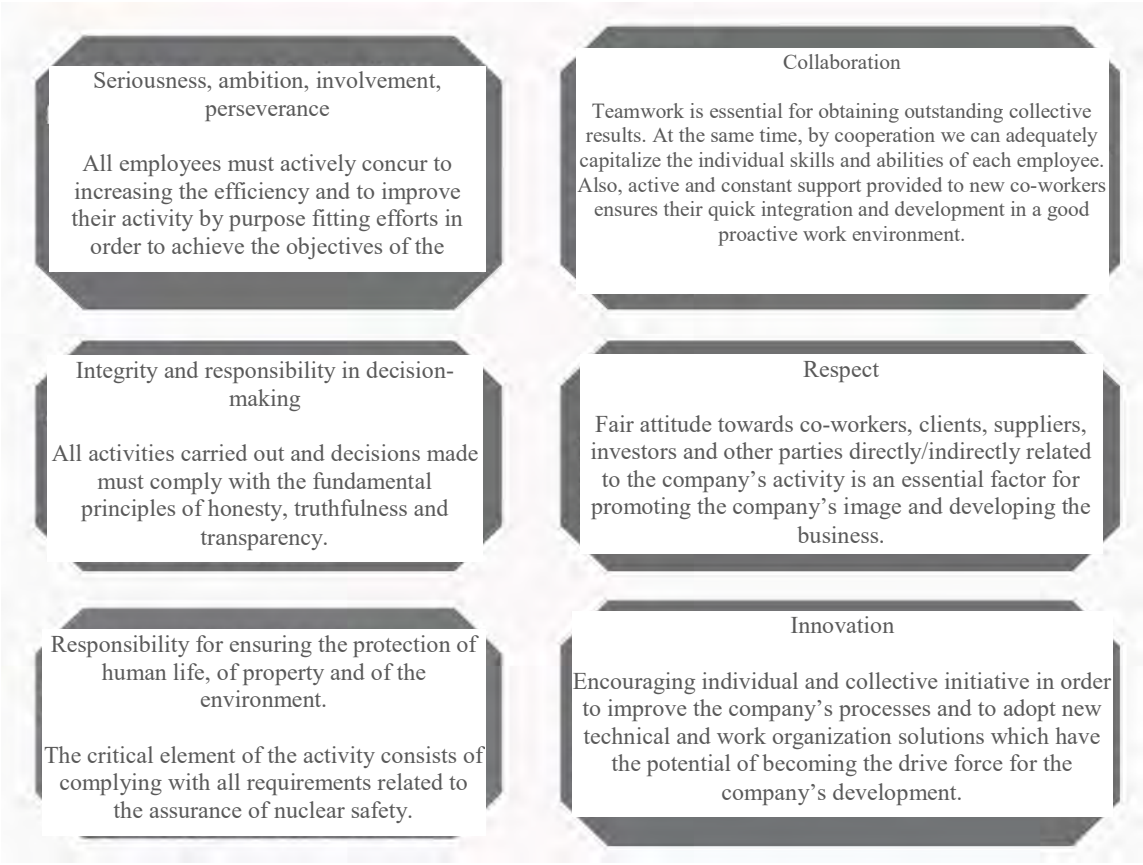

SNN has adhered to the basic values, principles, goals and monitoring mechanism of the National Anti-corruption Strategy for 2016-2020, to this end expressing its resolute decision to:

- condemn corruption in all its forms and to states its commitment to fight against this phenomenon by all legal means at its disposal;
- take corruption prevention actions as elements of the management plans and to assess them regularly as part of management performance in order to increase the institutional integrity;
- support and promote the implementation of anti-corruption legal framework, which is mainly targeted at preventing corruption, increasing the level of anti-corruption awareness, fighting against corruption based on administrative actions, approving the integrity plans and developing the related monitoring and assessment system;
- strengthen the operational independence of internal inspection and audit structures and boost the implementation of internal/management inspection systems;
- perform a regular self-assessment of the level of mandatory prevention action implementation;
- adopting all the actions required to avoid the conflicts of interests and incompatibilities, as well as to put the public interest above any other interest, by complying with the transparency principle applied to the decision-making process and free access to public interest information.

With the help of the compliance activity, SNN employees shall be trained on how they should not use the attributions within the company in order to obtain undue patrimonial or non-patrimonial

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benefits for themselves, their families or other close persons, as well as the risks they face and assume if they get involved in such activities.

Risk Insurance

Significant risk insurance policies on SNN level are as follows:

1) Property Insurance Policy - Units 1 and 2 CNE Cernavoda and FCN Pitesti - all types of risks, including mechanical and electrical destruction, for a cumulated liability limit (insured amount) of USD 1,560,000.
2) Third party liability insurance policy for nuclear damage with a liability limit (insured amount) of DST 300,000,000.
3) Civil / professional liability insurance policy for SNN directors and managers ("D&O") for a liability limit (insured amount of EUR 33,000,000).

Besides these insurance, the Company has concluded RCA policies, CASCO policies (voluntary motor insurance) and an insurance policy against work accidents and occupational diseases for employees.

Annual assessment of the internal management inspection system

In order to ascertain the degree of implementing the internal inspection standards as of December 31, 2019, the company performed the annual self-assessment and carried out the following actions:

- Debating in the work session of initiating the operation of self-assessing the implementation degree of the internal/management inspection standards, and following the discussions the company agreed on the action performance schedule, based on the notification drafted by the Technical Secretariat within the Financial and Managerial Inspection Department.
- Implementing the self-assessment function and assessing the implementation degree of the internal inspection / management standards by the registered Resolution of the Chief Executive Officer of S.N. Nuclearelectrica S.A., namely:
  a) Supplementing, based on the principle of truth and managerial responsibility on the accuracy of data and information, of the “Questionnaire for self-assessing the implementation degree of internal inspection / management standards as of December 31, 2019” form, by the managers of the organizational structures from the organizational chart of S.N. Nuclearelectrica S.A., including from the organizational charts of subunits.
  b) Issuing the annual report on the internal inspection / management system on branch level, by assuming the responsibility of subunit management.
  c) Centralizing, drafting the consolidated synthetic report on the level of S.N. Nuclearelectrica S.A.
- The Commission for monitoring the internal management system approved the documentation

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and results of the annual self-assessment operation for the implementation stage of the internal inspection / management standards on the level of SNN, namely:

- Centralizing report on the stage of implementing and developing the internal inspection / management system as of December 31, 2019;
- Implementation stage of the internal inspection / management standards, according to the results of the self-assessment as of December 31, 2019;
- Report on the internal inspection / management system as of December 31, 2019 with the "Synthetic report on the results of the self-assessment";
- The Internal Management Inspection System Development Program 2020.

The self-assessment operation showed that S.N. Nuclearelectrica S.A. has an internal inspection / management system whose design and application allows the managers and, as the case may be, the Board of Directors, to provide reasonable assurance that the resources allocated to achieving the general and specific objectives were used legally, regularly, effectively, efficiently and in an economical manner.

Thus, by *"Report on the internal management system as of December 31, 2019"*, drafted in virtue of art. 4 par. (3) of Government Ordinance no. 119/1999 on the internal/management inspection and preventive financial inspection (republished), as further amended and supplemented, and according to the Instructions annexed to Order no. 600/2018, the Chief Executive Officer of SNN states that the result of the self-assessment *"is based on a realistic, fair, complete and trustworthy assessment of the internal inspection / management system, formulated based on its self-assessment based on the principle of truth and assuming responsibility by the managers. The internal inspection / management system comprises inspection mechanisms, and the application of the measures for increasing its effectiveness is based on the assessment of risks".*

Regarding the characteristics of the specific internal inspection / management system of the organization, the annual report on the internal inspection / management system as of December 31, 2019 ascertained the following aspects:

✓ The Commission for monitoring the internal inspection / management system is operational

The Commission for monitoring the internal inspection / management system (CM-SCIM) is updated and operational, and its activity is performed according to procedure *CM-00-01 - "Organization and Operation Regulation of the Commission for Monitoring the Implementation and Development of the Internal Inspection / Management System".*

In 2019, according to the organizational modifications, by resolutions of the Chief Executive Officer of S.N. Nuclearelectrica S.A., the component of the commission for monitoring the internal inspection / management system (CM-SCIM) was updated.

Also, in order to comply with the provisions of Order no. 600/2018, *the organization and operation organization of Societatea Nationala "Nuclearelectrica" S.A.* integrates the responsibilities and attributions of the monitoring commission.

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✓ The program for the development of the internal inspection / management system is partially implemented and updated annually and whenever it is necessary.

The Internal Management Inspection System Development Program in 2019 was implemented 90%, as follows: out of the total of 31 actions, 28 were implemented, one action was partially implemented, and 2 actions were not implemented, given the reorganization of the business activity and the centralization of the IT function on company level.

✓ The risk management process is organized and monitored

In 2019 the company reviewed and updated procedure *MR-00-01–"Risk management within S.N. "Nuclearelectrica" S.A."*. The Commission for monitoring the internal inspection / management system (CM-SCIM) analyzes the performance of the risk management process based on the quarterly drafted risk report, subject to the approval of the Chief Executive Officer of SNN. Also, annually, CM-SCIM sets the risk profile and the risk tolerance limit, which are approved by the company managers.

✓ The documented procedures are drafted, inventorying procedural activities and updating the procedures represent permanent activities, and a continuous process in which every functional structure of SNN is involved, as follows:

- Within the headquarters of SNN from Bucharest, the processed and activities are structured as follows:

  - 22 processes documented in process charts;
  - 142 procedures that describe specific, procedure-based activities.

  The issued documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.
- Within the NFP Pitesti branch, the processed and activities are structured as follows:

  - 24 processes documented in process charts;
  - 52 system procedures;
  - 63 general procedures;
  - other 721 documents representing: technical procedures, guarantee inspection, environment, radioprotection, occupational health and safety, fire protection, physical protection, etc., radioprotection manual) that regulate operation, technological, inspection and control activities.

  Documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.
- Within the NPP Cernavoda branch, the processed and activities are structured as follows:

  - 31 RD procedures – also called Reference Documents - describing the 28 processes of the head office plus other 3 reference documents which do not describe processes, as they are procedures specifying the operating policies and principles or the radio protection regulation – RD-01364-L001, RD-01364-RP009 and RD-01364-P007;
  - 153 SI procedures - also referred to as Instructions of the Power Plant - detailing the sub-processes and activities within the processes;

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- 245 SI procedures - specific process procedures - indicating the performance of process segments and presenting the interface with other processes;
- Other documents: IDP (internal departmental procedures), OM (operating manuals), OI (operating instructions), IR (information reports), OMT (Operational Maintenance Testing), AOP (abnormal operating procedures), SOS (standard operating sequences), etc.

Documents are analyzed with preset frequencies (every 3 or 5 years depending on the type of the document) in order to determine the adequacy to work practices and / or the necessity to update them.

- The performance monitoring system is established and assessed for the objectives and activities of the entity, by performance indicators.

In 2019 the company drafted the procedure on *"Setting and monitoring objectives within SNN S.A."* with the following goals:
- Setting general objectives, objectives by SNN subunits, cascaded into specific (departmental) objectives, with related indicators and targets;
- Monitoring and reporting the implementation stage of general and specific objectives by quantitative and/or qualitative key performance indicators (KPI), including regarding the economical nature, efficiency and effectiveness.

Thus, the self-assessment showed that as of December 31, 2019, the internal inspection / management system of SN Nuclearelectrica SA is according to the standards comprised in the internal inspection / management code, and all 16 inspection standards are implemented.

Administration financial inspection

The Financial and Management Control of S.N. Nuclearelectrica S.A. is organized and implemented in compliance with the provisions of Government Emergency Ordinance no. 94/2011 regarding the organization and operation of the economic-financial inspection, approved by Law no. 107/2012 and GR no. 1151/2012 on the approval of the Methodological norms related to the organization and implementation of the administration financial inspection, covering all the structures from the organizational chart of the company.

The organization of the administration financial inspection within S.N. Nuclearelectrica S.A. is based on the necessity that on the level of the company there is an efficient inspection system, ensuring the integrity of the patrimony; the enhancement of the budget and economic-financial discipline; the compliance with the legal provisions applicable to the activity, the internal regulations and decisions; increasing efficiency in using the allocated resources.

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The Administration Financial Inspection is an economic instrument that serves the interests of SNN by:

- actions of preventing and/or detecting dysfunctions;
- verification actions, namely granting the preventive inspection approval for the revenue and expense draft.

Development and improvement of the financial administration inspection enhances the quality, performance and responsibility of financial management in the process of using the resources of the entity.

The objectives of the administration financial inspection are:

- Ensuring the integrity of the patrimony as a monetary expression of the economic means with their financing sources, and the financial results of the economic activity;
- Increasing the efficiency of using the allocated resources by verifying the legality, regularity and compliance of operations, identifying the weaknesses of the internal inspection system that generated errors or allowed the occurrence of fraud, inadequate or fraudulent administration;
- Enhancing budgetary and economic-financial discipline;
- Complying with the legal provisions, regulations and internal decisions.

The goal of the administration financial inspection is to inform the Board of Directors of S.N. Nuclearelectrica S.A. and communicate to the Chief Executive Officer performance information, and information regarding:

- performing operations in an orderly, ethical, economic and efficient manner;
- complying with responsibility obligations; compliance with the applicable laws and internal regulations;
- protecting resources against losses, abuses and damages;
- enhancing the internal inspection system, in order to efficiently prevent irregularities and recover the losses caused by irregularities or fraud.

Within S.N. Nuclearelectrica S.A. the organization of the administration financial inspection complies with the segregation principles, and the Department of Financial and Management Inspection (DCFM) is responsible for performing the administration financial inspection (CFG) in all subunits of SNN (head office, Cernavoda NPP branch, NFP Pitesti branch) and has operational independence by being directly subordinated to the Chief Executive Officer.

Also, according to the legal provisions, the Board of Directors is quarterly informed on the implementation and results of the financial administration inspection.

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Within SNN, the administration financial inspection is performed based on the annual activity schedule and half-year schedules approved by the Chief Executive Officer of the Company, based on its own specific procedures, issued according to the legal provisions applicable to the activity - GEO no. 94/2011 on the organization and operation of economic-financial inspection, approved by Law no. 107/2012 and GR no. 1151/2012 for approving the Methodological norms regarding the manner of organizing and exercising administration financial inspection and by assimilating the best practices in the field.

The main internal procedures according to which the administration financial inspection operates are as follows:

- Organizing and exercising the administration financial inspection - methodology for planning, preparing, implementing and completing the administration financial inspection;
- Verification, guidance, optimization of the internal inspection.

In 2019, the specific objectives of the financial administration inspection activity were achieved, the approved activity program (26 inspection missions) was entirely implemented, and all the 3 subunits, the Headquarters, the CNE Cernavoda Branch and the FCN Pitesti Branch, were included in the verifications.

Also, in 2019, besides the approved inspection program, 11 unannounced / thematic operations were performed, ordered by the Chief Executive Officer of SN Nuclearelectrica SA, in addition to the activity program, actions of verification, guidance and optimization of internal inspection activities, according to the provisions of the internal procedures regarding assistance and guidance activities, which serve the managers and the interests of SNN by actions designed to optimize and prevent or detect dysfunctions in order to substantiate decisions, assimilate best practices, implement actions for increasing efficiency and improving performance.

In summary, the inspection activities targeted the following general objectives:

1. Complying with the legal provisions in substantiating the draft of revenues and expenses of SNN and the drafts of revenues and expenses of the subunits from its structure;
2. Verifying the investments included in the investment programs approved in 2015-2017, of the implementation degree of ongoing investments and implemented investments, indicated in the accounting records, in order to identify the unimplemented / partially implemented investments;
3. Obtaining revenues from sold production, budgeted for 2018 on the level of the NPP Cernavoda branch;
4. Monitoring the implementation of the measures indicated in the reports of the Court of Accounts following the verifications performed in 2018;
5. Extending and deepening the analysis of records, substantiating documents and reports regarding the random checks regarding the status of the hours actually worked by the employees

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from the SNN headquarters, completed by operational reports to the Chief Executive Officer, written down in the synthesis note of actions performed in 2018 by DCFM, registered under no. 2734/06.03.2019.

6. Monitoring the implementation of the measures set following the administration financial inspection, asking for plans of measures, checking the compliance with the set deadlines and the accuracy of the notifications regarding the implementation of the measures approved by the inspection reports and the analysis notes drafted based on internal procedure code AIMP-00-01 - "Actions of verifying, guiding and optimizing internal inspection activities";

7. Compliance with the legal provisions and the internal regulations in performing procurements; checking the manner in which the primary, accounting and technical-operational documents are complied with;

8. The manner of applying and complying with the provisions regarding the records, the document circuit and the communications performed by the NFP Pitesti branch, in the relations with Raten - ICN, regarding the delivery - reception of the archive regarding the former ICN employees;

9. Complying with the legal provisions and internal regulations regarding the manner of obtaining and capitalizing the results of the annual inventory of assets, debts and equity (related to financial year 2018) - executive SNN and the two branches;

10. Complying with the legal provisions in the implementation of the revenue and expense budget - Half-year I of 2019;

11. Complying with the legal provisions and internal regulations on the acknowledgment of fixed assets, determining their book value and expenses with amortization and losses from their depreciation - SNN headquarters and the two branches;

12. Complying with the legal provisions and internal regulations regarding collections and payments in RON and foreign currency in cash by the cash department: checking the manner of making cash payments (business trips, small purchases); checking the manner of drafting and using substantiating documents regarding payments in cash in RON and foreign currency; checking the manner in which the accounting records are managed regarding payments and collections in cash (in RON and foreign currency) - Cernavoda NPP branch;

13. The manner of complying with the legal provisions and internal regulations on initiating procurements, granting and implementing Framework Agreement no. 1087/29.11.2010 concluded between SNN SA and SC Elcomex IEA S.A. for providing services for refurbishing power evacuation transformers, including the supply of a new power evacuation transformer with its related services;

14. The manner of complying with the legal provisions and internal regulations regarding the implementation of Service Contract no. 551/16.06.2017 concluded between SNN S.A. and S.C. General Concrete Cernavoda S.R.L. for providing services of manual and mechanized handling of products in the warehouses of NPP Cernavoda.

The deficiencies found by the inspection acts approved by the managers of SNN represent non-compliance cases, deviations from the legal acts or internal procedures in force, for which 67

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corrective measures were established, deadlines and responsibilities to find solutions or responsibilities or to extend and enhance the analyses and the verifications on the level of the subunit/division.

The deficiencies found by the inspection acts approved by the management of the Company represent non-compliance cases, deviations from the compliance with legal acts or internal procedures in force, for which 67 corrective measures, deadlines and responsibilities for resolution were established.

10.7. CONFLICT OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

The provisions on managing conflicts of interests are included in the Operation and organization regulation of the Board of Directors.

The Management Board members will make decisions in the sole interest of the Company and will not take part in any deliberation or decision which creates conflict between their personal interests and those of the Company.

Each member of the Management Board ensures the avoidance of a direct or indirect conflict of interest with the Company,and in the event of such a conflict, will abstain from deliberations and voting on such matters in accordance with the legal provisions in force.

The members of the Board of Directors submit to the Board of Directors of SNN information regarding any relations with a shareholder that directly or indirectly owns shares representing over 5% of all voting rights. This obligation refers to any relation that may affect the member's position with regard to issues determined by the Council.

In order to ensure the procedural fairness of transactions with implied parties, the members of the Management Board use the following criteria, but they do not limit to them:

- Maintaining the competence of BoD or GAS, as the case may be, to improve the most important transactions. In case of transactions with affiliated parties, SNN will comply with the provisions of art. 52 par. (5) of GEO no. 109/2011, as further amended and supplemented;
- Any transaction with a value equal or higher than 5% of the net assets of the company is approved by the Board of Directors following a mandatory opinion of the Advisory Audit Committee of the Board;
- Requesting a previous opinion on the most important transactions from the part of the internal control structures (The Advisory Audit Committee and Internal Audit Department);
- Providing negotiations, regarding such transactions, to one or many independent administrators or administrators without any connections with the respective involved parties;
- Appeal to independent experts.

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Apart from the general legal provisions, SNN established and implemented internal policies that regulate in more details the procedures concerning the disclosure of transactions between affiliates.

Thus, the Board of Directors will inform the shareholders, during the first GMS following the conclusion of the legal act on any transaction with administrators or directors, with employees, with shareholders holding the control of the company or with a company controlled by them, by making available to the shareholders the documents reflecting the essential and significant data and information in connection with these transactions. Also, the Board will inform the Company controlled by them, making available to the shareholders the documents that contain essential and significant information related to these transactions.At the same time, the Board of Directors will inform the shareholders during the first General Meeting, following the conclusion of the juridical form, about any transactions sealed with SNN, as a public company, with other public company or public supervisory body, in case the transaction or a series of transactions have an individual value of at least 100,000 euros.

The Board of Directors quarterly approves an informative report regarding the purchase of goods, services and works whose value is higher than 500,000 euros/purchase (for purchases of goods and works) and 100,000 euros/purchase (for services), a report published on the website of the company in the section Investor Relation / Periodical Reports.

The Board of Directors also approves and publishes, on an annual basis, on the SNN website, a report regarding the sponsorships awarded in the previous year.

10.8. AUDIT AND RISK MANAGEMENT DIVISION

Created in 2018, the Audit and Risk Management Division (DAMR) is managed by a Manager and is directly subordinated to the Chief Executive Officer, and has the following main attributions:

- Performs internal audit activities by the Internal Audit Department (DAI) in order to assess whether the internal management and inspection systems of the Company comply with the legality, efficiency, effectiveness, regularity, and/or cost-effectiveness, depending on the situation; this activity is performed by complying with the principle of the independence of the internal audit function within the company;
- Ensures the organization and performance of specific antifraud tasks and/or activities by the Antifraud Office (BA), created in 2019, with the role of providing support within the audit tasks performed by the Internal Audit department, when there are suspicions or risks of fraud;
- Ensures the coordination and monitoring of the risk management process and organizes, coordinates and methodologically guides the risk management process that could affect the achievement of the business objectives of the organization and monitors the achievement / implementation of the actions that place and maintain risks within acceptable limits, by the Risk Management Service.

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In order to ensure the independence of the internal audit function, the Audit and Risk Management Division (DAMR) is administratively subordinated to the Chief Executive Officer, and operationally to the Board of Directors or the Audit Committee.

In 2019, according to the new organizational chart of SNN, the Compliance Office was transferred from the supervision of DAMR to that of the Chief Executive Officer, and had one employee as of November 2019. The main attributions of the Compliance Office, according to ROF are:

- Performance of compliance tasks based on notifications received by the communication channels that may be used by employees, partners and other third parties for notifying any professional dysfunctions;
- Starting the necessary actions for obtaining, within SNN, the certification for meeting the requirements of standard ISO 37001: 2016 - Anti-bribery management system with the following objectives:
  - detecting preexisting situations that can generate bribery and/or other deeds of corruption and that can expose the company;
  - increasing the reputation of the company;
  - a better capability to discover breaches and to adequately react;
  - reducing costs;
  - protection against lawsuits (in case of a investigation, the standard may also be considered as proof that the organization took reasonable and proactive measures in order to prevent bribery);
  - risk minimization;
  - increasing stakeholder trust.
- Implementing an annual program for training employees in ethics and integrity.
- It contributes to the minimization of the risks generated by the transactions performed by SNN with commercial partners by better knowledge and access to relevant information regarding the internal normative framework and the compliance program implemented by the business partner.

Internal Audit

In 2019, the internal audit activity in SNN was carried out by its own internal audit structure, namely the Internal Audit Department ("IAD"), hierarchically subordinated to the Company Chief Executive Officer; its independence is ensured by reporting and operational relations with the BoD and the Audit Committee. The management of SNN assured the improvement of the professional quality of IAD by supporting the Program for Insurance and Improvement of Quality. The majority of the internal auditors are professionals who possess certificates which are recognized internationally (CIA, CRMA).

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In 2019, there were no issues related to the lack of the independence and competence of the internal auditors, and there were no cases of non-compliance with the rules and principles indicated in the Code of Ethics of the internal auditor.

The branches, CNE Cernavoda and FCN Pitesti do not have internal audit structures and their audits are done by the Internal Audit Department from central level.

IAD operates following its own principles which are updated whenever it is necessary. The main internal procedures, according to which the IAD operates, are as follows:

- The detailed rules regarding the organization and execution of internal audit inside SNN;
- The internal audit charter.

The detailed rules were elaborated according to the legislation into force (Resolution no. 1086/2013 and Law no. 672/2002, republished), the Standards for Professional Practice of Internal Audit of the Institute of Internal Audit (IIA-Inc) and the best practices in this field.

In addition, the Program for Insurance of Quality Improvement continued at IAD level with the view to:

- Offer a suitable level of insurance so that the activity carried out by the internal auditors add value and contribute to the improvement of SNN processes and activities;
- To provide additional assurance to the fact that the work is performed in accordance to the applicable law and the Code of Ethics of Internal Auditor.

The internal audit activity operated according to the annual plan, approved by the Chief Executive Officer of the Company. Also, at the end of the year, the Chief Executive Officer approved the Multiannual Audit Plan for 2020 - 2022, which intends to cover most of the areas for audit according to the law in force.

In 2019, within SNN, 8 audit missions were completed, compared to 7 missions planned by the Internal Audit Annual Plan, out of which:

- ✓ 2 audit missions included in the internal audit plan for 2019 and
- ✓ 6 ad-hoc audit missions, following the request of the executive managers of SNN;

Moreover, compared to internal missions, 2 external missions were performed, scope - IT and GDPR.

The Internal Audit Department monitors permanently the implementation level of the recommendations made during the internal audit missions, the internal auditors requesting at the

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deadlines the communication of the stage and where possible, the transmission of the implementation proofs. After the implementation deadline expires, the auditors go the audited entity to verify the conformity of the received information and to establish new implementation deadlines, if the case.

In 2019, the company complied with the provisions of art. 21 par. 8 of Law no. 672/2002, republished, were complied with the internal auditors' professional competence in SNN by attending the refresher/training courses, as well as individual studies.

Antifraud/Compliance

The antifraud and compliance activity was mainly performed on two levels:
1. Adapting and supplementing the internal procedural framework for the compliance with the requirements of the standard ISO 37001 "Anti-bribery" and the parallel implementation of sustained activities of training the entire personnel regarding its principles and provisions, regarding compliance, ethics and integrity.

The anti-bribery management system developed on the level of SNN is adapted to the requirements of the standard ISO 37001:2016 and especially considers the following processes:

- **a.** Declaring presents and other benefits;
- **b.** Avoiding conflicts of interests;
- **c.** Mandate of the ethics adviser and of the compliance officer;
- **d.** Protection of the integrity whistleblower;
- **e.** Prevention measures for managing sensitive functions;
- **f.** Sponsorships, donations and other charitable activities;
- **g.** Employee deductions.

In order to ensure the integration of the requirements of the anti-bribery management systems in the processes of the company, the internal normative anticorruption framework was consolidated and developed by drafting new operational policies, procedures and instructions, namely:

- The Anticorruption policy, designed to encourage and facilitate the activity of preventing and fighting corruption deeds, setting anticorruption principles for all employees, setting up a framework for setting, reviewing and achieving anticorruption objectives adopted by the company by joining the National Anticorruption Strategy.
- The procedure "Manner of complying with the Anticorruption policy" which regulates the field and structure of the compliance function established in order to ensure the compliance with the principles set in the Anticorruption Policy.
- The procedure regarding the "Implementation of financial and non-financial anticorruption compliance inspections" that describes the manner of implementing relevant inspections for preventing, detecting and investigating corruption risks.

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- The procedure for assessing business partners from the perspective of the risks associated to the anticorruption compliance system which describes the manner in which the analysis of commercial partners is performed in order to minimize the risks generated by the transactions performed by SNN S.A.

2. The participation of the Antifraud/Compliance Office personnel (*the activities of these structures were performed by 1 employee)* in compliance / internal audit missions: in 2019, the BA/BC personnel was involved in the performance of 2 compliance missions and 3 audit missions.

11. PRESENTATION OF THE GROUP

SNN has one branch, namely Energonuclear S.A. (''EN''), with an interest in the share capital of 100% on December 31, 2019. It enters within the consolidation perimeter.

History and presentation

The establishment of Energonuclear S.A., company whose mission is the development of the execution project for the Units 3 and 4 from Cernavoda Nuclear Power Plant, was achieved by promoting a shareholding structure, where SNN holds a participation share of 51% of the share capital (according to the Government Resolution no. 643/2007, as it was amended by the Government Resolution no. 691/2008). According to the Investment Agreement, according to which the EN was founded, signed on December 25th, 2008 and approved by the Government Resolution no. 1565/2008, the shareholding initial structure was: SNN 51%, RWE, GDF Suez, ENEL and CEZ each with 9,15%, and ArcelorMittal and Iberdrola each with 6,2%.

After the withdrawal from the Project of the CEZ shareholders (as at December 30th, 2010) and RWE, GDF Suez and Iberdrola (as at February 28th, 2011), Enel (January 16th, 2014) and ArcelorMittal (January 17th, 2014), SNN acquired,by share transfer agreements, the cumulated share held by them within EN, managing, as a result of these operations, to hold as at January 17, 2014 a share of 100% in the share capital of EN.

The share capital of EN on December 31, 2019 is 146,152,998.73 lei, representing the equivalent of 35,000,000 euros. The share capital is divided into 37,105,029 ordinary nominative shares with a nominal value of 3.9389 lei per share.

The headquarters of the company EN is in Bucharest, 5-7 Vasile Lascar st., 3rd floor, District 2, offices no. 307, 315, 315A, 315B, 315C, 316, 317. The running number in the Trade Register is J40/3999/2009, and the Unique Registration Code is 25344972.

Articles of incorporation

The Articles of Incorporation of EN was amended, and the amendments were approved by Resolutions of the Extraordinary General Meeting of Shareholders, within the program for limiting

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the activities of Energonuclear S.A. initiated by HEGMS no. 1/30.01.2015, and accommodated successive reductions of personnel and successive reductions of premises, and the last amendment was ordered by the Resolution of the Extraordinary General Meeting of Shareholders no. 2 of January 18, 2017, which decided to relocate the registered office of EnergoNuclear to the aforementioned address.

Documents of appointment/revocation of directors

Energonuclear is managed in a unitary system. The Board of Directors consists of 3 directors appointed by the General Meeting of Shareholders. The Chairman of the Management Board is appointed with the unanimous consent of the shareholders, on the proposal of each shareholder, for a period of maximum 2 years.

In period 01.01.2019 - 18.06.2019 the Board of Directors of Energonuclear was as follows:

- Elena Popescu: Chairman;
- Ion Sarbulescu: Member;
- Liviu - George Fotache: Member

The Board of Directors of Energonuclear had the following members at the end of 2019:

- Anca Dobrica: Chairman;
- Ion Sarbulescu: Member;
- Liviu - George Fotache: Member.

The decisions regarding the structure of the Board of Directors of Energonuclear in period 19.06.2019 - 31.12.2019 were taken by the following resolutions of the Ordinary General Assembly of Shareholders: OGMS resolution no. 1/18.06.2019, OGMS Resolution no. 4/08.10.2019 and OGMS Resolution no. 5/09.12.2019.

The management of Energonuclear

The executive managers of Energonuclear was ensured, in 2019, by Mr. Nicolae Capatina: Technical Service Manager - as at November 16, 2018 (Individual Employment Contract concluded for an indeterminate period as chief engineer at the Technical Service, dated May 7, 2012) by temporarily taking over the duties of the Chief Executive Officer (as at November 16, 2018) according to HCA no. 8/16.11.2018, HCA no. 3/28.02.2019, HCA no. 5/31.05.2019 and HCA no. 6/01.07.2019.

Description of activity

In 2019, Energonuclear performed activities that targeted actions necessary for continuing the implementation of the project for Units 3 and 4 NPP Cernavoda, out of which the most important were:

❖ Maintenance and operation services for the temporary low-voltage installation at the location of Units 3 and 4 of the NPP. The company drafted Tender Books, Substantiating Notes of Necessities

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and Estimated Values, public procurement documentations for services and works. in the first half-year of 2019, the services were provided by Energotech. In the 2nd half-year of 2019, the SEAP procedure of service procurements was resumed, after which the winner was Cosnel Electrocons Business S.R.L. of Cernavoda. Actually used installations were periodically checked and maintained from the work schedule agreed.

❖ Services of removal/hygienization (including water draining/discharge) for the structures outside and inside the buildings within the protected area at the location of Units 3 and 4 of NPP Cernavoda. In the first half-year of 2019 the company implemented the contract concluded in 2018 with Pegas Impex S.R.L. In the second half-year of 2019, Energonuclear drafted a Tender Book for remival/hygienization services and a Tender Book for Water drainage/discharge services. Following the implementation of the SEAP public procurement process, Stizo Nuclear S.A. of Cernavoda was declared the winner for Removal/hygienization services, and Cosnel Electrocons Business S.R.L. of Cernavoda was appointed the winner for water drainage/discharge services. The contracts were implemented by complying with the contractual requirements.

❖ Providing electricity to Units 3 and 4 of NPP Cernavoda, necessary for the performance by Energonuclear and its contractors of activities of maintenance and conservation of the assets of the two units. The contract for supplying electricity was implemented in 2018. Addendums were issued for the implementation also in 2019 of the contract for which Necessity substantiating notes were drafted.

❖ Works for preserving embedded, penetrating and non-penetrating parts. The company drafted Tender Books, Substantiating Notes of Necessities and Estimated Values, public procurement documentations for services and works. Stizo Nuclear S.A. of Cernavoda was appointed the winner - SEAP public procurement. The works were not completed in 2019 and they will be continued in the first quarter of 2020, by an addendum.

❖ Works for improving occupational safety at the location of Units 3 and 4 of NPP Cernavoda. The company drafted Tender Books, Substantiating Notes of Necessities and Estimated Values, public procurement documentations for services and works. Following the implementation of the SEAP public procurement process, Nimb Consmetal SRL of Cernavoda was declared the winner. The works were performed according to the contract and were completed in December 2019.

❖ Services for supervising works/services, including QC/QS, related to the contracts concluded with Energonuclear. The company drafted Tender Books, Substantiating Notes of Necessities and Estimated Values, public procurement documentations for services and works. The contract concluded with “PFA Florian Militaru - site inspector” was performed under adequate conditions and was completed in 2019.

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❖ Consulting the Energonuclear documentation under custody at NPP Cernavoda according to the protocol of 2018, concluded with NPP Cernavoda, in order to prepare the support documentations that were necessary for the aforementioned activities. Drafting the Inspection Report regarding the state of the documents under custody at NPP Cernavoda and the manner in which the access of the Energonuclear personnel to this documentation is ensured.

❖ Monitoring the state of the site and of the structures of Units 3 and 4 NPP Cernavoda and pursuing the corrective actions recommended by CNCAN.

❖ Participating in the annual inspection of CNCAN at the location of Units 3 and 4 of NPP Cernavoda, according to CNCAN Protocol no. 16183/22.11.2019.

❖ Drafting the Energonuclear Informative Report code 83-15000-IR-005, Rev. 0 on the status of the locations of Units 3 and 4 of NPP Cernavoda.

❖ Activities related to the loan contract granted to Energonuclear by SNN. The support documentations of the financing applications from the loan were drafted, depending on the needs of the company. In 2019, according to the contractual clauses, a single draw was made from the loan on 13.07.2019, of 1,000,000 RON. The total amount drawn within the loan was 3,500,000 RON.

❖ Performance of all the necessary activities for the proper operation of the inspection action of the economic-financial inspection team at the General Inspection Division of the Ministry of Public Finance.

❖ Insurance of the technical assistance for the Negotiation Committee (''CN''), as a part of the ''SNN Team'' during the negotiations with the selected investor regarding the Investor Agreement and Articles of Incorporation of the new mixed company.

❖ Drafting information reports for the Ministry of Energy, the Ministry of Public Finance, the Board of Directors of Energonuclear, GMS Energonuclear, etc.

❖ Managing the current activities of the company(administrative, financial-accounting, current contract management, human resources, legal, procurement, etc.).

❖ Concluding contracts / monitoring the service provision for:

- External auditor;
- Accounting;
- Specialized assistance in the design, implementation, monitoring and improvement of the Internal Management Inspection System;
- Supplying spare / wear parts, consumables, fuel, etc.;
- Communications (telephony, internet);
- Banking services;

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- Leasing of premises and furniture.

The resources of Energonuclear mainly come from the draws from the shareholder loan contract concluded by SNN with Energonuclear, and from cash contributions historically made by shareholders.

On December 31, 2019, Energonuclear had 8 employees working up to 40 hours a week.

Litigations

In 2019 Energonuclear continued the litigation with a former employee who asked for a free share of electricity and the deduction of the equivalent value of this electricity share for a past period at the Court of Appeal of Bucharest, a litigation which was won by Energonuclear.

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12. SUBSEQUENT EVENTS

Share Capital Increase

By the Current Report published on February 24th, 2020, S.N. Nuclearelectrica S.A. informed its shareholders and investors on the approval of the increase of the share capital of SNN by the Board of Directors, with an in-kind and cash contribution in total maximum amount of RON 1,380,150, from the current value of RON 3,015,138,510 to the value of RON 3,016,518,660, by the issue of a maximum number of 138,015 new dematerialized registered shares, at a price of RON 10/share, equal to the nominal value (without the premium share).

COVID – 19 impact

On March 11, 2020, the World Health Organization decreed that the situation generated by the coronavirus is classified as a pandemic. Several countries in the European Union have taken more measures to spread it.

S.N. Nuclearelectrica S.A. („SNN") initiated the measurement of isolation for the essential operating and production staff from Cernavoda NPP. This measurement will be in place as long as necessary.

The initiation of this additional protection measure is based on the resolution of the National Special Committee for Emergency Situations ("CNSS") no. 9/14.03.2020, which approves the isolation measurement for the essential staff of Cernavoda NPP involved in ensuring the operation of the power plant, as per the measures of the Plan for the continuation of basic activities in case of an epidemic/pandemic. At the level of S.N. Nuclearelectrica S.A. ("SNN") there is an internal plan to ensure the protection of the personnel and the continuity of the operation, which includes the measures established by the Romanian state authorities for all categories of personnel.

The internal plan for the protection of the staff and the assurance of operational activities continuity under safety and normal production conditions was adopted by the management of SNN as an additional measure during the COVID-19 epidemic, in compliance with international standards in the nuclear industry and national provisions on the subject.

SNN informs that all the basic process of the company as carried out within normal parameters, the additional actions and measures being prepared and implemented in cooperation with all the competent state authorities on the matter.

The company currently has and continues to take the necessary measures to ensure a sufficient cash flow to pay its due obligations, both under normal conditions and under stress conditions, without incurring unacceptable losses or endangering the company's reputation.

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The company evaluates the events and factors of uncertainty and the potential financial impact of the COVID-19 pandemic, in order to identify the necessary measures to be implemented, following which the investors will be informed accordingly.

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13. STATEMENTS AND SIGNATURES

Based on the most accurate available information, we confirm that the Individual Financial Statements and the Consolidated Financial Statements drafted in compliance with the applicable accounting standards (the International Financial Reporting Standards approved by the European Union) provide a correct and true image regarding the Financial Position of the Company and of the Group, the Financial Performance and the Cash Flows for the 2019 financial year. This report, drafted according to the provisions of art. 63 of Law 24/2017 on the issuers of securities and market operations and Annex no. 15 to Regulation no. 5/2018 issued by the Financial Supervision Authority, for the financial year ended on December 31, 2019 , comprises correct and accurate information regarding the development and performance of the Company and of the Group, as well as a description of the main risks and uncertainties specific to the performed activity.

Chairman of the Board of Directors,
Iulian - Robert Tudorache

Chief Executive Officer,
Cosmin Ghita

Deputy Chief Executive Officer,
Dan Laurentiu Tudor

Chief Financial Officer,
Adrian Gabriel Dumitriu

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14. Annex 1 - Articles of incorporation amended in 2019

The amendment of the Articles of Incorporation is the result of the voting mechanism within the company's extraordinary general meeting of the shareholders, the effect of the social will, which is formed, by vote, within the general meeting. According to the principles of the Organization for Economic Cooperation and Development (OECD) in the field of corporate governance, it is necessary to implement an effective corporate governance system that would lead to transparency and efficiency, to regulate in a clear manner the distribution of responsibilities, to protect and facilitate the exercising of the rights of shareholders and to ensure a fair treatment of all the shareholders, including the minority ones.

SNN pays attention to corporate governance, as it deems that it is essential to ensure balance between the structures of the company for a greater protection of shareholders, majority and, especially minority ones, in order to achieve economic growth, efficiency and profitability.

By the resolution of the *Extraordinary General Meeting of Shareholders no. 2 / 04.01.2019*, the amendment of the Articles of Incorporation of SNN was approved.

Thus, art. 8 is amended, namely paragraph (7) is added, which will have the following content:

(7) In compliance with the provisions of art. 220^1 of Law no. 31/1990, the Board of Directors is authorized, for a period of three years, to increase the share capital by issuing new shares in exchange for the contributions of the shareholders up to an authorized capital value of 3,015,427,983 lei representing:

- the contribution in nature of the Romanian State, represented by the Ministry of Energy, following the obtaining of the land ownership certificate issued by the Ministry of Industry and Resources no. 6899 / 12.10.2001 on the land of 34.170.15 sqm located in 23 Energia Street, Cernavoda; the value of the land representing the contribution in nature of the state shall be determined by independent experts designated by the Trade Register Office in accordance with the provisions of art. 215 of Law no. 31/1990 by updating the value of the land from the moment of submitting the documentation with the inflation index according to the provisions of art. 6 of Government Resolution no. 834/1991, corroborated with the provisions of art. 143 of Government Resolution no. 577/2002;
- the cash contribution of the other shareholders within the performance of the pre-emption right by the other shareholders in exchange for the contribution in nature of the Romanian State by means of the Ministry of Energy.

The resolution of the Board of Directors to increase the share capital shall be published in the Official Gazette of Romania, Part IV.

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Subsequently, by the *resolution of the Extraordinary General Meeting of Shareholders no. 4 / 10.04.2019*, the amendment of the Articles of Incorporation of SNN was approved.

4. The proposals for amending the Articles of Incorporation of SNN in the form proposed by the Ministry of Energy were approved, namely:

The name of the Articles of Incorporation of S.N. Nuclearelectrica S.A. is modified, as follows:

Current form Articles of Incorporation Name	Modified form Articles of Incorporation Name
"The ARTICLES OF INCORPORATION of Societatea Nationala "Nuclearelectrica" S.A. with the amendments and additions registered until 04.01.2019".	"The ARTICLES OF INCORPORATION of Societatea Nationala "Nuclearelectrica" S.A. with the amendments and additions registered until 10.04.2019".

2. The following Art. is amended 13 par. (2) "*The main duties of the Ordinary General Meeting of Shareholders are"* as follows:

Current form	Modified form
Art. 13. The duties of the General Meeting of the Shareholders	Art. 13. The duties of the General Meeting of the Shareholders
2) The main duties of the Ordinary General Meeting of Shareholders are: a) discusses, approved and changes the annual financial statements of the basis of the reports presented by the Board of Directors and financial auditor; b) establishes the distribution of the net profit and the value of the dividend; c) elects and revokes members of the Board of Directors; d) appoints and dismisses the financial auditor and established the minimal duration of the financial audit contract; e) establishes the general limits of the Chief Executive Officer and Managers remuneration; f) establishes the remuneration of the members of the Board of Directors, as well as the terms and conditions of the mandate contract concluded with the members of the Board of	(2) The main duties of the Ordinary General Meeting of Shareholders are: a) discusses, approved and changes the annual financial statements of the basis of the reports presented by the Board of Directors and financial auditor; b) establishes the distribution of the net profit and the value of the dividend; c) elects and revokes members of the Board of Directors; d) appoints and dismisses the financial auditor and established the minimal duration of the financial audit contract; e) establishes the general limits of the Chief Executive Officer and Managers remuneration; f) establishes the remuneration of the members of the Board of Directors, as well as the terms and conditions of the mandate contract concluded with the members of the Board of

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Directors; g) decides upon the administration of the Board members; h) approves the strategy and the development policies of the Company; i) establishes the annual revenues and expenditures budget for the next financial year; j) decides upon the mortgage, renting and constituting as real estate guarantees the assets of the Company; k) approves the reports of the Board of Directors regarding its activity; l) decides in any aspect related to the Company, in compliance with its legal attributions, under the condition that the matters fall under the competence of the General Meeting of Shareholders; m) analyzes and solves other issues submitted by the Board of Directors.	Directors; g) decides upon the administration of the Board members; h) approves the strategy and the development policies of the Company; i) establishes the annual revenues and expenditures budget for the next financial year; j) decides upon pledging, renting or discontinuing one or more units of the company; k) approves the reports of the Board of Directors regarding its activity; l) analyzes and solves other issues submitted by the Board of Directors.

3. The following Art. is amended 20 par. shall be amended (3) *"The Board of Directors also has the following responsibilities:"* is amended, as follows:

Current form	Modified form
Art. 20 The duties of the Board of Directors par. 3. The Board of Directors has the following responsibilities, as well:	Art. 20 The duties of the Board of Directors par. 3. The Board of Directors has the following responsibilities, as well:
a) exercises control on the way the Chief Executive Officer and the other Managers govern the Company; b) approves the revenues and expenses budget; c) approves the management plan prepared by the Chief Executive Officer and/or other Managers; d) ensures whether the activity carried out in the name and on behalf of the company is in accordance with the law, the Articles of Incorporation and any relevant decision of the General Meeting of the Shareholders; e) introduces to the General Meeting of Shareholders an annual activity report;	a) exercises control on the way the Chief Executive Officer and the other Managers govern the Company; b) approves the revenues and expenses budget; c) approves the management plan prepared by the Chief Executive Officer and/or other Managers; d) introduces to the General Meeting of Shareholders an annual activity report; e) represents the company in relationship with the Chief Executive Officer and the appointed Managers; f) approves the financial statements of the Company;

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f) represents the company in relationship with the Chief Executive Officer and the appointed Managers; g) verifies and approves the financial statements of the Company; h) verifies and approves the Report of the Chief Executive Officer and the reports of the Managers; i) proposes to the General Meeting of Shareholders the appointment and the revocation of the financial auditor, as well as the minimum duration of the audit contract; j) approves the mandate contracts of the Chief Executive Officer and of the appointed Managers thus establishing the organization of the activity of the managers; k) approves the empowered representatives to negotiate the collection work agreement with the unions and/or with the representatives of the employees as well as their negotiation mandate; l) approves the Company's collective work agreement; m) approves the Organization and Operation Regulations of the Board of Directors; n) approves the activity programs (production, research– development, technological engineering, investment, etc); o) approves the energy transactions strategy of the Company; p) approves the conclusion of any contract/document which raises legal obligations for the Company (acts of acquisition, sell, exchange and pledge as guarantee non-current assets of the Company), the value of which does not exceed, separately and cumulated, during one financial year, 20% of the total non-current assets of the Company less receivables, in compliance with the competence limits provided in the Annexes to these Articles of Incorporation; q) approves the renting of tangible assets, for a	g) approves the Report of the Chief Executive Officer and the reports of the Managers; h) proposes to the General Meeting of Shareholders the appointment and the revocation of the financial auditor, as well as the minimum duration of the audit contract; i) approves the mandate contracts of the Chief Executive Officer and of the appointed Managers thus establishing the organization of the activity of the managers; j) approves the empowered representatives to negotiate the collection work agreement with the unions and/or with the representatives of the employees as well as their negotiation mandate; k) approves the Company's collective work agreement; l) approves the Organization and Operation Regulations of the Board of Directors; m) approves the activity programs (production, research– development, technological engineering, investment, etc); n) approves the organizational structure of the Company and the number of positions, as well as the Company's Organization and Operation Regulation; o) approves the energy transactions strategy of the Company; p) approves the conclusion of any contract/document which raises legal obligations for the Company (acts of acquisition, sell, exchange and pledge as guarantee non-current assets of the Company), the value of which does not exceed, separately and cumulated, during one financial year, 20% of the total non-current assets of the Company less receivables, in compliance with the competence limits provided in the Annexes to these Articles of Incorporation; q) approves the renting of tangible assets, for a period greater than a year, with an individual and cumulated value for the same contractor or

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period greater than a year, with an individual and cumulated value for the same contractor or entity involved with the company, which does not exceed 20% of the total value of non-current assets, less receivables at the date of the legal document, as well as the associations for periods greater than 1 year, which do not exceed the same value; r) approves the mandate of Nuclearelectrica's representatives in the General Meeting of Shareholders of S.C. Energonuclear S.A. for the decisions which fall under the competence of S.C. Energonuclear S.A. with the exception of those for which a resolution of the Company's General Meeting of Shareholders is necessary, in compliance with the provisions of these Articles of Incorporation."	entity involved with the company, which does not exceed 20% of the total value of non-current assets, less receivables at the date of the legal document, as well as the associations for periods greater than 1 year, which do not exceed the same value; r) approves the mandate of Nuclearelectrica's representatives in the General Meeting of Shareholders of S.C. Energonuclear S.A. for the decisions which fall under the competence of S.C. Energonuclear S.A. with the exception of those for which a resolution of the Company's General Meeting of Shareholders is necessary, in compliance with the provisions of these Articles of Incorporation." s) approves the mandate of Nuclearelectrica representatives in the General Meeting of Shareholders of the project company established on the basis of Investors Agreement in Preliminary Form on Units 3 and 4 at Cernavoda CNE concluded between China General Nuclear Power Corporation and CGN Central and Eastern Europe Investment (RO) CO.S.A. and Nuclearelectrica SA National Company"

4. The following Art. is amended as follows:

Current form	Modified form
Art. 21. The Chief Executive Officer and the Managers	Art. 21. The Chief Executive Officer and the Managers
(1) The Board of Directors delegates the management of the company to one or more Directors, naming one of them Chief Executive Officer. The Chief Executive Officer may be appointed from among the directors, becoming thus an executive director or from outside the Board of Directors. Within the Board of Directors, only one director may be an executive director. Within the meaning of these Articles of Incorporation, the term "Manager" means the person who has been delegated management	(1) The Board of Directors delegates the management of the company to one or more Directors, naming one of them Chief Executive Officer. The Chief Executive Officer may be appointed from among the directors, becoming thus an executive director or from outside the Board of Directors. In the Board of Directors, only one director may be an executive director. Within the meaning of these Articles of Incorporation, the term "Manager" means the person who has been delegated management

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duties regarding the company by means of a resolution of the Board of Directors and who concludes a mandate contract with the Company, in compliance with the provisions of the Companies Law no. 31/1990, republished, as subsequently amended and supplemented. (5) The Chief Executive Officer has the following main duties: a) manages and coordinates the activity of the company; b) fulfills the resolutions of the General Meetings of Shareholders and the decisions of the Board of Directors, adopted in compliance with the competences reserved; c) applies the strategy and policy of the Company; d) selects, hires, promotes and dismisses the employees of the Company; e) appoints, suspends and revokes the managers of the subsidiaries, establishing their remuneration; f) negotiates and concludes, under the conditions of the law, individual work agreements; g) concludes legal documents on behalf of the company, for the acquisition, sale, renting and exchange or pledging as guarantee the assets of the company, which don't fall under the competence of the General Meeting of Shareholders or of the Board of Directors; h) concludes any binding documents which don't fall under the competence of General Meeting of Shareholders or of the Board of Directors, within the competence limits provided in the Annexes to the Articles of Incorporation; i) approves the investment projects, in compliance with the limits provided in the Annex to the Articles of Incorporation; j) prepares and subjects for the endorsement of the Board of Directors the financial statements as well as the proposal regarding the distribution of the profit resulted from the balance, which is	duties regarding the company by means of a resolution of the Board of Directors and who concludes a mandate contract with the Company, in compliance with the applicable legal provisions. The Chief Executive Officer has the following main duties: a) manages and coordinates the activity of the company; b) fulfills the resolutions of the General Meetings of Shareholders and the decisions of the Board of Directors, adopted in compliance with the competences reserved; c) applies the strategy and policy of the Company; d) selects, hires, promotes and dismisses the employees of the Company; e) appoints, suspends and revokes the managers of the subsidiaries, establishing their remuneration; f) negotiates and concludes, under the conditions of the law, individual work agreements; g) concludes legal documents on behalf of the company, for the acquisition, sale, renting and exchange or pledging as guarantee the assets of the company, which don't fall under the competence of the General Meeting of Shareholders or of the Board of Directors; h) concludes any binding documents which don't fall under the competence of General Meeting of Shareholders or of the Board of Directors, within the competence limits provided in the Annexes to the Articles of Incorporation; i) approves the investment projects, in compliance with the limits provided in the Annex to the Articles of Incorporation; j) prepares and subjects for the endorsement of the Board of Directors the financial statements as well as the proposal regarding the distribution of the profit resulted from the balance, which is intended to be presented to the General Meeting

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intended to be presented to the General Meeting of Shareholders; k) prepares and subjects to the endorsement of the Board of Directors the budget project of the Company, which will be subjected to the approval of the General Meeting of Shareholders; l) subjects to the endorsement of the Board of Directors the materials which will be subjected to the approval of the General Meeting of Shareholders; m) prepares together with the other managers and subjects for the endorsement/approval of the Board of Directors the activity programs (production, research-development, technological engineering, investments, etc.); n) establishes the responsibilities of the Company's staff; o) approves the collections and payments, as per the legal competences and provisions of the Articles of Incorporation; p) empowers Managers or any other person to exercise powers from his field of competence; q) approves the delegations of competence for the Managers of the Company and of the subsidiaries, in order to carry out the activities of the company; r) approves the competences and the responsibilities of the Company's departments; Page 22 of 28 s) approves the organizational chart of the Company and the number of positions, the formation of operational and production compartments, as well as the Organization and Operation Rules; t) approves the environmental protection and occupational safety policies, in compliance with the law; u) approves legal documents and rules which regulate the activity of the company;	of Shareholders; k) prepares and subjects to the endorsement of the Board of Directors the budget project of the Company, which will be subjected to the approval of the General Meeting of Shareholders; l) subjects to the endorsement of the Board of Directors the materials which will be subjected to the approval of the General Meeting of Shareholders; m) prepares together with the other managers and subjects for the endorsement/approval of the Board of Directors the activity programs (production, research-development, technological engineering, investments, etc.); n) establishes the responsibilities of the Company's staff; o) approves the collections and payments, as per the legal competences and provisions of the Articles of Incorporation; p) empowers the managers or any other person to exercise any duty within its sphere of competence; q) approves the delegations of competence for the Managers of the Company and of the subsidiaries, in order to carry out the activities of the company; r) approves the competences and the responsibilities of the Company's departments; Page 22 of 28 s) approves the environmental protection and occupational safety policies, in compliance with the law; t) approves legal documents and rules which regulate the activity of the company; u) establishes the marketing tactics and strategy; v) fulfills any other responsibility provided by the legislation, the Articles of Incorporation, the resolutions of the Board of Directors and of the

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v) establishes the marketing tactics and strategy; w) fulfills any other responsibility provided by the legislation, the Articles of Incorporation, the resolutions of the Board of Directors and of the General Meeting of Shareholders; x) solves any other matter that the Board of Directors commissions to him.	General Meeting of Shareholders; w) solves any other matter that the Board of Directors commissions to him.

Subsequently, by the *resolution of the Extraordinary General Meeting of Shareholders no. 7 / 20.05.2019*, the proposal for the amendment of the Articles of Incorporation of SNN was approved, as follows:

1. The name of the Articles of Incorporation of S.N. Nuclearelectrica S.A. is amended as follows: "The ARTICLES OF INCORPORATION of Societatea Națională "Nuclearelectrica" S.A. with the amendments and additions registered until 20.05.2019".
2. par. (5) of art. 21 *"Chief Executive Officer"* is eliminated.
   - Par. (6) of art. 21 shall be renumbered and shall become par. (5).
   - Par. (7) of art. 21 shall be renumbered and shall become par. (6).
   - Par. (8) of art. 21 shall be renumbered and shall become par. (7).
   - Par. (9) of art. 21 shall be renumbered and shall become par. (8).

3. The Annex to the ARTICLES OF INCORPORATION of S.N. Nuclearelectrica S.A. is hereby amended and shall have the following content:

"Annex

Competence limits of the Chief Executive Officer, the Board of Directors and the General Meeting of Shareholders in relation to the contracts and operations within the Company:

Item no.	Contracts, loans and operations		Approval competence		
	Type of contract/operation	Value of contract/operation	Managers (*)	Board of Directors	General Meeting of Shareholders
1	Initiating the procurement procedure for products, services and works.	Less than Euro 5,000,000	Approves	Is informed	
		Over or equal to Euro 5,000,000	Endorses	Approves	
2	Investment decisions	Less than Euro 3,000,000	Approves	Is informed	
		Over or equal to Euro 3,000,000 and less than	Endorses	Approves	Is informed

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		Euro 50,000,000			
		Over or equal to Euro 50,000,000. Euro	Endorses	Endorses	Approves
3	Conventions on staging receivables	Less than Euro 3,000,000	Approves	Is informed	
		Over or equal to Euro 3,000,000	Endorses	Approves	
4	Contracting loans, regardless their term	Less than Euro 50,000,000	Endorses	Approves	Is informed
		Over or equal to Euro 50,000,000	Endorses	Endorses	Approves
5	Guarantees for loans	Less than Euro 50,000,000	Endorses	Approves	Is informed
		Over or equal to Euro 50,000,000	Endorses	Endorses	Approves

(*) The term "Manager" means the person who has been delegated management duties regarding the company by means of a resolution of the Board of Directors and who concludes a mandate contract with the Company, in compliance with the applicable legal provisions.

By the *Extraordinary General Meeting of Shareholders no. 12/19.12.2019*, the following proposals regarding the Articles of Incorporation of SNN were approved:

(i) increasing the value limit of competence delegated by the shareholders to the Board of Directors, by the Resolution of the Extraordinary General Assembly of Shareholders (EGMS) no. 2/January 04, 2019, section 4, for increasing the share capital of the company with the equivalent value of the land of 34,170 sq m, located in Cernavoda, Energiei Street no. 23, from the value initially approved by EGMS Resolution no. 2/January 04, 2019, of 3,015,427,983 RON, to the maximum value of 3,016,518,660 RON;

(ii) to change the maximum value limit of the authorized share capital proposed by the shareholders of the company by EGMS Resolution no. 2/04.01.2019, point 4, and up to which the Board of Directors is authorized to increase the share capital detailed by EGMS Resolution no. 2/04.01.2019, from the initial value of RON 3,015,427,983, to the maximum value of RON 3,016,518,660;

(iii) modification of par. (7) of art. 8 of the Articles of Incorporation of SNN, as follows:

"(7) According to the provisions of art. 220^1 of Law no. 31/1990, the Board of Directors is authorized, for a period of three years, to increase the share capital by issuing new shares in exchange for the contributions of the shareholders up to an authorized capital value of 3,016,518,660 lei representing:

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- the contribution in nature of the Romanian State, represented by the Ministry of Energy, following the obtaining of the land ownership certificate issued by the Ministry of Industry and Resources no 6899 / 12.10.2001 on the land of 34.170.15 sqm located in 23 Energia Street, Cernavoda; the value of the land representing the contribution in nature of the state shall be determined by independent experts designated by the Trade Register Office in accordance with the provisions of art. 215 of Law no. 31/1990 by updating the value of the land from the moment of submitting the documentation with the inflation index according to the provisions of art. 6 of Government Resolution no. 834/1991, corroborated with the provisions of art. 143 of Government Resolution no. 577/2002;
- the cash contribution of the other shareholders within the performance of the pre-emption right by the other shareholders in exchange for the contribution in nature of the Romanian State by means of the Ministry of Energy.
The resolution of the Board of Directors to increase the share capital shall be published in the Official Gazette of Romania, Part IV".

15. Annex 2 – Appointment/revocation acts in 2019

On 10.10.2019, the company issued in the current report under art. 234, paragraph (1), letter g) of ASF regulation no. 5/2018 informing the shareholders of SNN regarding the notification received from the National Commission for Controlling Nuclear Activities ("CNCAN") on 09.10.2019, whereby the company was notified on the result of the process of granting CNCAN approvals for non-executive directors, based on the nuclear security norm regarding the preparation, qualification and authorization of the personnel of the organizations that operate nuclear installations, NSN 23. Following the implementation of this process, CNCAN notified SNN that Mr. Cristian Dima, a member of the Board of Directors, did not approve the approval of CNCAN. According to the provisions of the Mandate Contract concluded with the non-executive directors of the company, in virtue of art. 13.1, letter k), namely: "if the Director does not pass within 12 months after the mandate start date the verifications of CNCAN provided by Norms NSN 23, the contract shall be terminated when CNCAN / the Director notifies SNN on the fact that the Director has not passed the verifications of CNCAN provided by NSN 23 and in this case SNN will not owe to the Director damages for this termination case". The Mandate Contract of Mr. Cristian Dima was terminated on the date on which the CNCAN notification was received, namely 09.10.2019.

In period 09.10.2019 – 19.12.2019, the Board of Directors of S.N. Nuclearelectrica S.A. had 6 members, and there was a vacancy in this interval.

On 19.12.2019, the Board of Directors of SNN approved, upon the recommendation of the Nomination and Remuneration Committee no. 2019/14958.16.12, the appointment of Mr. Chirica Minodor Teodor as a provisional director, with a mandate duration until the Ordinary General Meeting of Shareholders, according to the provisions of art. 1372 of Law no. 31/1990, considering the experience and professional expertise.

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16. Annex 3 – List of offices

S.N. Nuclearelectrica S.A. has its central headquarters at 65 Polona Street, District 1, Bucharest.

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17. Annex 4 – List of branches

S.N. Nuclearelectrica S.A. has two branches that without legal personality, as follows:

❖ CNE Cernavoda branch, with registered office in Constanta County, Cernavoda City, 2 Medgidiei Street registered with the Trade Register under no. J13/3442/11.10.2007, operating Units 1 and 2, as well as the auxiliary services.

❖ FCN Pitesti Branch, with registered office in Arges County, Mioveni City, 1 Campului Street, registered with the Trade Register under no. J03/457/24.08.1998, where nuclear fuel bundles are being produced, required for the operation of Units 1 and 2 CNE Cernavoda.

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18. Annex 5 – List of subsidiaries

On December 31, 2019, SNN holds interests in only one branch – Energonuclear S.A., with a share of 100%, a company that was incorporated for the purpose of developing and implementing the Implementation Project of Units 3 and 4 of CNE Cernavoda.

Energonuclear S.A. with its main headquarters in 5-7 Vasile Lascar Street, 3rd floor, District 2, offices no. 307, 315, 315A, 315B, 315C, 316 and 317, is registered in the Trade Register under no. J40/3999/25.03.2009, having the Sole Registration Number 25344972.

The main activity of Energonuclear S.A. consists of Engineering and Technical Advice related to them – Cod CAEN 7112.

This company has a second headquarters (place of business) on the site of CNE Cernavoda – Constanta County, the town of Cernavoda.

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19. Annex 6 - List of major litigations in progress on 31.12.2019 (over 500 thousand lei), including those that were not monetarily assessed

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
SNN Executive								
1.	9089/101/2013	Civil Court of Law Mehedinti	Creditor	Autonomous Administration for Nuclear Activities (RAAN)	Insolvency. Winding-up bankruptcy. Claim RON 7,828,405.48	Merits	Procedure in progress. In virtue of art. 107 par. 1 let. c of Law no. 85/2006. Orders the start of the procedure for the bankruptcy of the debtor. In virtue of art. 107 par. 2 of Law no. 85/2006. Appoints as a temporary legal liquidator Euro Insol SPRL.	26.03.2020
2.	873/1259/2008	Civil Court of Law Arges	Creditor	Termoficare 2000 S.A.	Insolvency Bankruptcy. Claim RON 2.713.986,71	Merits	Procedure in progress.	23.06.2020
3.	3793/2/2013	Administrative Court of Appeal High Court of Cassation and Justice	Appellee	Greenpeace CEE Romania	Cancellation of the resolution of the environmental agreement and of the environment agreement related to the Project Units 3 and 4.	Second appeal	Merits Admits the exception of lack of object of the second head of the initial petition (cancellation of the environment agreement regarding the project “Continuation of the construction works and completion of Units 3 and 4”). Rejects head II of the initial petition filed in relation to the cancellation of the environment agreement for the project "Continuation of construction and completion works of Units 3 and 4 Cernavoda NPP", as devoid of object. Overrules the rest of the petition, as it was completed by the additional petition, as ungrounded. Second appeal The Decision No. 2100 dated June 23rd, 2016. Accepts the second appeal filed by the Greenpeace CEE Romania Foundation and the Bankwatch Romania Association against the decision no. 1436 from May 9th, 2014 of the Bucharest Court of Appeal – Section 8th administrative and fiscal department. Reverses the appealed sentence and sends the cause back to the retrial towards the same Court. Final, today, June 23rd, 2016. Retrial merits (CAB) Rejects the summons as ungrounded.	25.03.2020

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							With appeal within 15 days from the intimation. Decision no. 2208/2017. Retrial recourse (ICCJ)	
4.	1794/118/2016	Criminal Court of Law Constanta	Civil party	Bucur Ionel Negulici Elena Olteanu Madalina Encica Ionel Nicola Laurentiu Daramus Victor SC Davy Security S.R.L. as a civil liability party by a legal administrator.	Prejudice EUR 3,471,463.	Merits	Merits In order to continue the judicial investigation.	18.03.2020
5.	3490/121/2015*	Civil Court of Law Galati Court of Appeal Galati ICCJ	Plaintiff	S.C. ArcelorMittal Galati S.A.	Claims RON 8,575,245,78 difference amount energy sale made redundant and other associated expenses.	Second appeal	Merits Rejects the action to oblige the defendant to pay damages deriving from contract no. 207/22.02.2013 as ungrounded. Appeal Approves the appeal filed by plaintiff S.N. Nuclearelectrica S.A. against civil judgment no. 278/20.12.2016 issued by Galati Court of Law - Civil Section II in Case File no. 3490/121/2015. Fully changes the appealed judgment and, in retrial. Partially admits the action. Orders the defendant ArcelorMittal Galati S.A. to pay to the plaintiff S.N. Nuclearelectrica S.A. the amount of RON 8,645,467.52, as damage compensations. Rejects as ungrounded the appeal filed against the resolution of May 26,2016 of the same court. Orders the defendant to pay to the plaintiff the amount of RON 142,132.97, trial expenses - merits and appeal.	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							Judgment no. 227/27.09.2017. Second appeal Admits the appeal of the appellant-defendant S.C. ArcelorMittal Galati S.A. against civil judgment no. 227/A of September 27, 2017 issued by Galati Court of Law - Civil Section I, which it annuls remanding the case for retrial to the same court. Final. Retrial appeal Civil judgment no. 102/A approves the appeal filed by plaintiff S.N. Nuclearelectrica S.A. against civil judgment no. 278/20.12.2016 issued by Galati Court of Law - Civil Section II in Case File no. 3490/121/2015. Fully changes the appealed judgment and, in retrial, partially approves the case. Orders the defendant ArcelorMittal Galati S.A. to pay to the plaintiff S.N. Nuclearelectrica S.A. the amount of RON 8,575,245.78, as damage compensations. Rejected as groundless the appeal filed against the judgment of 26.05.2016 issued by the Court of Law of Galati in file no. 3490/121/2015. Orders the defendant to pay to the plaintiff the amount of RON 142,132.97, trial expenses - merits and appeal. With the right to appeal, which is to be submitted to the Galati Court of Appeal, within 30 days after the issuance. Pronounced today, 26.06.2019, by making the solution available to the parties by the registry of the Court. Judgment no. 102/26.06.2019. Retrial recourse	
6.	4946/2/2015	Administrative Bucharest Court of Appeal	Plaintiff	Court of Accounts Intervener General Concrete	Measure annulment GENERAL CONCRETE	Merits	Merits Admits the request. Partially cancels resolution no. 59/17.07.2015 issued by the defendant, regarding point 5, resolution no. 16/11.05.2015 issued by the defendant, regarding the measure ordered under section II.7 of the resolution, and section 3.3.1 of the Inspection Report No. 4371/ 10.04.2015 issued by the respondent. Admits the request of accessory intervention. With appeal within 15 days from intimation. Judgment no. 68/28.02.2020.	Settled on the merits.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
7.	45494/3/2015**	Bucharest Law Court Civil party Court of Appeal	Plaintiff asked to pay a security	Managers S.N. Nuclearelectric a S.A. and GMS members.	Prejudice RON 708,407. Execution of measure disposed by CC through the 2012 report regarding D&O policies.	Merits	Merits Rejects the exception of the invoked procedure quality by the defendants Grama Mioara, Popescu Lucia -Ioana, Chiriac Cristiana and Serbanescu Cristian Ovidiu. Admits the prescription exception. Dismisses the request, stating as prescribed the right to action. Dismisses the application of calling in warranty as left without object. Compels the plaintiff to pay the following trial expenses: RON 8,226.53 towards the defendant Grama Mioara, RON 7,873.53 towards the defendant Popescu Lucia - Ioana and RON 7,925.79 towards the defendant Chiriac Cristiana. With appeal within 30 de days from the intimation. Judgment no.7583/29.11.2016. Appeal Approves the appeal. Partially cancels the appealed judgment regarding the approval of the exception of prescription of the amount of 6,465 EUR paid on 01.03.2011, of the amount of 3,397 EUR paid on 02.05.2011, of the amount of 39,250 EUR paid on 07.06.2011 and the accessories of these amounts and regarding the granting of trial expenses. Sends the case for retrial to the same court in these limits. Maintains the appealed judgement undecided. With second appeal within 30 days from communication. Pronounced in public session today, 15.12.2017. Second appeal Approves the appeals formulated by defendants Budulan Pompiliu and Teodor Minodor Chirica, Chiriac Cristiana, Grama Mioara, Popescu Lucia Ioana, Serbanescu Cristian - Ovidiu against civil judgment no. 2250 of December 15, 2017 issued by the Bucharest Court of Appeal - Civil Section V, which it cancels and sends the case for retrial to the same court. Final. Retrial merits Dismisses the appeal as reasonless. Obligates the appellant to pay trial expenses to the appellees as follows: for Chirica Minodor Teodor the amount of 22,519 lei, for Budulan Pompiliu the amount of 7,469 lei, for Chiriac Cristina the amount of 21,634 lei, for Grama Mioara the amount of 21,634 lei, for Serbanescu Cristian the amount of 6,354 lei and for Popescu Lucia the amount of 6,805 lei. With the right to	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							appeal. Judgment no. 2215/20.12.2019. Second appeal	
8.	409/2/2016	Bucharest Court of Appeal	Civil Party	Tudor Ion Criminal group House of insolvency Banat liquidator CET Energoterm Resita.	Tax evasion offenses, bribery, corrupt practices RON 580,974.21.	Merits	Procedure in progress.	10.04.2020
9.	41419/3/2016	Civil Court of Law Bucharest S II	Plaintiff-Defendant	Energo Securent S.R.L.	SNN claims: RON 330,074.32 Claims Energo Securent: RON 2,206,539.80	Merits	Merits Management of the evidence with accounting expertise.	10.03.2020
10.	5802/118/2017	Labor Constanta Court	Defendant	CNE Union for 757 employees.	Monetary rights hazardous conditions bonus.	Merits	Merits Pending accounting expertise.	06.03.2020
11.	7036/118/2017	Labor Constanta Court	Defendant	SLEN union for 132 employees 159 plaintiffs on their own behalf.	Monetary rights hazardous conditions bonus.	Merits	Merits Evidence administration.	06.03.2020
12.	26294/3/2018	Civil Bucharest Court of Law Bucharest Court of Appeal	Plaintiff	Davi Comfire	Estimated damage RON 1,915,490 + Legal interest and trial	Merits	Merits Dismisses the application as groundless. Dismisses the application requiring the defendant to pay the trial expenses, as groundless. Compels the plaintiff to pay to the defendant the amount of RON	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
					expenses.		7,000, as trial expenses, representing the lawyer's fee. With appeal within 30 days from the intimation. Judgment no. 1060/22.04.2019. Appeal	
13.	6471/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Accounts	Measure annulment point 1 of the Authentication - Energonuclear loan.	Merits	Merits Admits the action. Partially cancels Resolution no.29/31.07.2018, respectively point.1, and Decision no.5/08.06.2018, respectively the measure ordered at point.I.4 to remove the deviation described in point 4. Compels the defendant to pay the trial expenses. With appeal within 15 days from the intimation. Judgment no. 1229/29.03.2019.	Settled on the merits.
14.	6472/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Accounts	Measure annulment point 4 of the Authentication – Uranium.	Merits	Merits Admits the action. Partially cancels Resolution no.29/31.07.2018, respectively point.4, and Decision no.5/08.06.2018, respectively the measure ordered at point.I.8 to remove the deviation described in point 10. Compels the payment of trial expenses. With appeal within 15 days from the intimation. Judgment no. 1230/29.03.2019.	Settled on the merits.
15.	6479/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Accounts	Measure annulment point 5 in the Decision - ROEL Xerox.	Merits	Merits Partially admits the action. Partially cancels Authentication no. 29/31.07.2018 and judgment no. 5/08.06.2018, both issued by defendant C.C.R. only regarding the establishment of the damage related to the use of the respective equipment at the Ministry of Economy / Energy, only starting with the start date of the activities of the Negotiation commission for the Project of units 3 and 4 of Cernavoda (an order issued under section II.3 of judgment no. 5/08.06.2018, regarding which the administrative appeal was rejected by section 5 of Authentication no. 29/31.07.2018). Rejects the rest of the case. With appeal within 15 days from intimation. Judgment no. 1730/14.05.2019.	Settled on the merits.
16.	6481/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Accounts	Measure annulment point 3 of the Authentication - BVC substantiation.	Merits	Merits Dismisses the action as groundless. With appeal within 15 days from intimation. Judgment no. 05.06.2019.	Settled on the merits.
17.	6487/2/2018	Administrative Bucharest Court of	Plaintiff	Court of Accounts	Measure annulment point 2 of the Authentication -	Merits	Merits Dismisses the action as groundless. With appeal within 15 days from	Settled on the merits.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Appeal			Non-increase of the share capital.		intimation. Judgment dated 05.06.2019.	
18.	34778/3/2018	Labor - Bucharest Court of Law CAB	Defendant	Dima Tatiana	Action for cancelling the GMS Resolution.	Merits	Merits Approves the exception of not stamping the application, invoked ex officio. Cancels the application as unstamped. With appeal within 5 days of the ruling. Pronounced in public session today, 14.11.2018. Judgment no. 3437/14.11.2018. Appeal Approves the appeal. Cancels the appealed decision. Sends the file to the trial court, for retrial. Final. Pronounced in public session today, 26.03.2019. Merits retrial Approves the exception for the absence of the lawsuit status of the plaintiff, invoked by the defendant. Rejects the main application as introduced by a person without lawsuit status. Rejects the accessory intervention application in favor of the plaintiff, as groundless. Rejects the suspension application for the execution of OGMS resolution no. 12/28.09.2018 as without scope. With appeal in 30 days after the notification regarding the main application. With appeal in 5 days after issuance regarding the application for the suspension of the OGMS resolution no. 12/28.09.2018. Judgment no. 3150/31.10.2019.	Finally resolved by non-appeal.
19.	34088/3/2018	Civil Bucharest Court of Law	Defendant	Termogaz Company S.A.	Claims RON 575,391.88 - equivalent value of performed and unsettled works. Youth Center Social Program.	Second appeal	Merits Admits the exception of the material law prescription to the action invoked by the respondent. Dismisses the writ of summons formulated by the claimant S.C. Termogaz Company S.A. through the judicial administrator, Heral Consult IPURL, against the defendant S.N. Nuclearelectrica S.A., as prescribed. With appeal within 30 de days from the intimation. Judgment no. 2454/11.09.2019. Second appeal	05.03.2020
20.	35693/299/2018	Civil County District 1 Civil Section I Bucharest Law	Third party under seizure – SNN Debtor claimant	Ionita St. Barsoianu Theodora in foreclosure case no.	Seizure validation for RON 2,089,042.69.	Merits	Merits Rejects the exception of the operating authority; ruled as groundless. Rejects the exception of the lack of passive procedural quality as groundless. Rejects the application for validating the seizure, as groundless. Subject to appeal within 15 days of communication, the	Settled. Merits.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Court	AAAS Appellee The Ministry of Public Finance.	959/2010 BEJ Draganescu, Ionescu Crafcenco infringed parties FNI.			appeal petition being filed at the Court of Law of District 1, Bucharest. Judgment no. 3733/19.06.2019. Second appeal	
21.	35162/299/2018	Civil – Bucharest District 1 Court Section II Civil	Third party under seizure – SNN Debtor Claimant AAAS Appellee Ionita Stefan.	Ionita Stefan – enforcement file 959/2010 BEJ Draganescu, Ionescu, Crafcenco	Appeal against enforcement RON 2,089,042.69.	Merits	Merits Rejects the exception of the lack of passive procedural quality of the third party under seizure as groundless. Rejects the appeal against the enforcement as groundless. With appeal within 15 days from intimation. Judgment no. 1611/21.03.2019. Second appeal Approves the appeal. Approves the exception of the absence of the mandatory passive lawsuit framework, invoked ex officio. Cancels the judgment and sends the case for retrial to the same court. Final. Pronounced in public session today, 14.01.2020. Document: Judgment no. 7/14.01.2020. Retrial merits	The hearing is next.
22.	7413/299/2019	Civil – Bucharest District 1 Court Section II Civil	Third party under seizure SNN Claimant AAAS Appellee Repair Plant Targu Jiu.	Repair Plant Targu Jiu – enforcement file 233M/2010 of Bej Ad Rem.	Appeal against enforcement RON 3,895,186.86	Merits	Merits Rejects the appeal against the enforcement as groundless. Rejects the application for the cancellation of the foreclosure, as groundless. With appeal within 15 days from the intimation. Judgment no. 6723/17.10.2019.	Settled on the merits.
23.	6632/3/2019	Labor Bucharest Court of Law CMAS Section VIII	Defendant	Botea Ceciliu Lucian	Labor disputes - appeal against dismissal decision	Merits	Merits Cancels dismissal resolution no. 41/08.02.2019 issued by the defendant. Cancels dismissal resolution no. 46/13.02.2019 issued by the defendant. Resumes the parties in the previous situation by reintegrating the plaintiff in the position held before the dismissal. Obligates the defendant to pay to the plaintiff a compensation equal to the indexed salary rights, increased and updated with the other rights	Settled on the merits.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							the plaintiff would have benefitted from in the absence of the dismissal measure, from the dismissal date to the actual reintegration. Orders the defendant to pay to the plaintiff the amount of RON 4,744.80 as trial expenses. Provisionally enforceable. With appeal within 10 days from the intimation. Pronounced by making the solution available to the parties by the record office of the Court today, 15.11.2019.	
24.	5308/2/2019	Administrative Bucharest Court of Appeal	Plaintiff	Court of Accounts.	Cancellation of the findings from the follow-up report no .7787/01.07.2019 regarding measures II.7 and II.9 of Resolution no. 16/11.05.2015.	Merits	Merits	11.03.2020
25.	7086/2/2019	Administrative Bucharest Court of Appeal	Plaintiff	Court of Accounts.	Cancellation of the findings from the follow-up report no. 10697/13.09.2019 regarding measures I.5 and II.11 of Resolution no. 5/08.06.2018.	Merits	Merits	The hearing is next.
26.	31481/3/2019	Civil Bucharest Law Court	Plaintiff	Lulache Daniela, Darie Mihai, Bucur Ionel, Alexe Alexandru, Dragan Ioana, Popescu Dan, Radu Carmen, Sandulescu Alexandru, Stanescu	Finding of the absolute nullity of the addendums to the mandate and administration contracts return of the collected amounts plus the legal interest and the inflation rate.	Merits	Merits	06.03.2020

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
				Nicolae, Tcaciuc Sebastian				
27.	32600/3/2019	Civil Bucharest Law Court	Plaintiff	Ministry of Economy, Energy and Business Environment.	2,217,600 lei plus interest and inflation index - damage representing the difference between the variable indemnification collected by the BoD members and the managers for 2015-2017.	Merits	Merits	The hearing is next.
28.	6572/109/2019	Labor Arges Tribunal	Defendant	Gheba Florin Ovidiu.	Appeal to Resolution no. 344/17.10.2019.	Merits	Merits	11.03.2020
29.	5462/2/2019	Administrative Bucharest Court of Appeal	Plaintiff	General Regional Directorate of Public Finance Bucharest General Directorate for the Administration of Large Taxpayers.	Annulment of fiscal documents.	Merits	Merits	The hearing is next.
30.	28932/302/2019	Civil District 5 Court of Law.	Claimant.	Multipack, Starmill, Micula, Romanian State by the Ministry of Finance.		Merits	Merits	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
31.	7222/2/2019	Administrative Bucharest Court of Appeal.	Plaintiff.	NARE (National Energy Regulatory Authority)	Suspension of administrative order no. 216/11.12.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers and for setting maximum electricity quantities that may be imposed as sale obligations based on regulated contracts.	Merits	Merits The court approved the SNN application and ordered the suspension of the execution of ANRE Order no. 216/11.12.2019 until the merits court issues its judgment. Judgment no. 132/02.03.2020 is legally enforceable and appealable.	Settled on the merits.
32.	97/2/2020	Civil Bucharest Court of Law.	Plaintiff.	NARE (National Energy Regulatory Authority).	Cancellation of administrative order no.216/11.12.2019.	Merits	Merits	The hearing is next.
33.	3083/3/2020	Civil Bucharest Court of Law.	Plaintiff.	National Electricity Transportation Company Transelectrica.	1,472,785 lei	Merits	Merits	The hearing Term.
34.	2929/3/2020	Administrative Bucharest Court of Law.	Respondent.	General Concrete Cernavoda.	Cancellation of the public procurement ascertaining document no. 2865/15.10.2019.	Merits	Merits Approves the exception of the functional non-competence of the Administrative and Fiscal section II of the Bucharest Court of Law. Transfers the case for resolution to the Bucharest Court of Law - Civil Section. Without appeal. Pronounced by making the solution available to the parties through the mediation of the registry of the Court today, 28.02.2020. Document: final order (disinvestment) 28.02.2020.	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
Cernavoda NPP Branch								
1.	3338/118/2016	Civil/ Court of Appeal of Constanta	Appellee defendant.	Employee group Sarman Costel, Dinu Sorin s.a.	Monetary rights radiological risk bonus.	Appeal	Merits Rejects the civil case formulated by Sarman Constantin, Dinu Sorin Stefan, Mitea Ionut Antonel, Cornateanu George, Manole Constantin, Matei Nicusor, Deciu Georgian, Tompe Augustin, Zanfir Bogdan, Mirsu Adrian, Anghel Ene Paul, and others against defendant S.N. Nuclearelectrica S.A., as groundless. With the right to appeal within 10 days after the notification of this Judgment. Judgment no. 2776/13.12.2017. Appeal	31.03.2020
2.	2853/118/2018	Labor/ Constanta Court	Respondent.	Employee group Mihaila Alexandru, Munteanu Nicu and others	Monetary rights radiological risk bonus.	Merits	Merits Rejects the summons as ungrounded. With appeal within 10 days from the intimation. The appeal is to be submitted to the Constanta Court. Pronounced by making the solution available to the parties through the mediation of the registry of the Court today, 04.03.2019. Judgment no. 574/04.03.2019. Appeal Dismisses the appeal as groundless. Final. Judgment no. 446/11.12.2019.	Final settlement.
3.	4133/118/2017	Labor / Constanta Court of Law	Respondent.	Employee group Catrangiu Rica, Bejenaru Alexandru and others	Monetary rights radiological risk bonus.	Merits	Merits Rejects the civil action as groundless. With the right to appeal within 30 days after the notification of this Judgment. Judgment no. 3233/18.12.2019.	Settled on the merits.
4.	3/118/2019	Civil/ Court of Law. Medgidia	Plaintiff.	Cernavoda City Hall.	Claim of land in area of 1,393.62 sq m, in extension of Campus 1.	Merits	Merits Approves the material non-competence exception, invoked ex officio. Rejects the material competence for the resolution of the case in favor of the Court of Law of Medgidia, Constanta County, the court to which the case is returned. Without appeal. Pronounced by making the	04.03.2020

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							solution available to the parties through the mediation of the registry of the Court today, June 14, 2019. Judgment no. 1576/14.06.2019.	
5.	3990/118/2018	Civil / Constanta Court of Law	Plaintiff.	CNE S.A.	The obligation to demolish the building erected on the land owned by SNN in area of 579 sq m.	Merits	Merits Approves the action formulated by plaintiff Nuclearelectrica S.A. against NPP S.A. Cernavoda. Obligates the defendant CNE S.A. Cernavoda to demolish the building Administrative Premises for offices and archive located on the land that belongs to the plaintiff, at No. 2, Medgidiei Street, registered in the land book under no. 100480 - C226. Obligates the defendant CNE S.A. Cernavoda to pay to the plaintiff the amount of 1,020 RON representing trial expenses (20 RON judiciary stamp tax and 1,000 RON expert fee). With the right to appeal within 30 days after the communication, and the appeal is to be submitted to the Court of Law of Constanta. Judgment no. 1993/19.12.2019.	Settled on the merits.
6.	2221/118/2019	Civil / Constanta Court of Law	Plaintiff.	Sorex S.A.	Action on the claim/return of cranes or their equivalent value - Euro 114,000.	Merits	Merits	14.05.2020

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20. Annex 7 - Stage of the implementation of the Corporate Governance Code of the Bucharest Stock Exchange.

Item no.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
A.1	**All companies must have an internal regulation of the Board which shall include the terms of reference/responsibilities of the Council and key management functions of the company, and that applies, inter alia, the General Principles from Section A.**	SNN has an organization and operation Internal Regulation of the Board of Directors and a Corporate Governance Regulation, which contains the terms of reference, the responsibilities of the executive management, the Board of Directors and GMS and key management functions and responsibilities of the Advisory Committees of the Board of Directors in accordance with the General principles in the Corporate Governance Code. These terms of reference/responsibilities are brought to the knowledge of the public through the Organization and Operation Regulations of the Board of Directors and through the Governance Regulations, published on the company's website within the section "Investor Relation/Corporate Governance".			

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Item no.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
A.2	**Provisions for management of conflicts of interest must be included in the Council regulation. In any case, Board members must notify the Council of any conflicts of interest that have arisen or may arise and to refrain from participating in discussions (including by the default, except that the fault would prevent the formation of the quorum) and to vote for the adoption of a resolution concerning the matter which gives birth to the conflict of interest question.**	The provisions regarding the management of conflicts of interests are included in the Organization and Operation Regulations of the Board of Directors and the Corporate Governance Regulations, published on the SNN site. Regarding the management of conflicts of interests, each member of the Board of Directors ensures the avoidance of a direct or indirect conflict of interests with the Company, and in case of occurrence of such conflict it refrains from debates and vote on the respective issues, according to the current legal provisions.			
A.3	**The Board of Directors or the Supervisory Board should be composed of at least five members.**	SNN's Board of Directors consists of 7 members. The information relating to the structure of the BoD is published in the Annual Report, in the Organization and Operation Regulations of the Board of Directors and on the website, under section "Investor Relation/Board of Directors".			
A.4	**The majority of the members of the Board of Directors must not have executive function. At least one member of the Board of Directors or of the Supervisory Board must be independent in case**	SNN is a company in the Premium Category, administered by a Board of Directors with a mandate for 4 years as of 31.12.2019, composed of 7 non-executive members, 2 of the 7 members			

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Item no.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
	of Standard Category Companies. In the case of Premium Category companies, no less than two non-executive members of the Board of Directors or of the Supervisory Board must be independent. Each independent member of the Board of Directors or of the Supervisory Board, as the case may be, must submit an affidavit at the time of his appointment in view of election or re-election, as well as when it occurs any change in its status, indicating elements according to which it is considered that he is independent from the point of view of his character and judgment.	of the Board of Directors are independent according to the criteria from Section A. In 2019, both the members of the Board of Directors appointed for provisional mandates and those appointed with 4-year mandates submitted their independence statements based on the criteria referred to under Art. 138^2 par. 2 of Company Law no.31/1990 and according to the criteria provided under point A4 of the corporate governance Code of the Bucharest Stock Exchange. The Annual Report presents in chapter "Corporate Governance Statement" information relating to the status of independent member of the Board of Directors members. Also this information is published on the website of SNN.			
A.5	**Other professional commitments and obligations relatively permanent of a member of the Council, including executive and non-executive positions in the Board of some companies and non-profit institutions, must be disclosed to shareholders and potential investors prior to appointment and in the course of his mandate.**	The Annual Report presents in the section "corporate governance Statement" information on other professional commitments and obligations of the members of the Board of Directors, including executive and non-executive positions in the Board of other companies. This information is also available on the website of SNN, in the			

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Item no.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
		section "Investor Relation/corporate Governance/Board of Directors".			
A.6	**Any member of the Council must submit to the Council any information relative to any relation with a shareholder who owns shares directly or indirectly representing over 5% of all voting rights. This obligation refers to any relation that may affect the member's position with regard to issues determined by the Council.**	This provision is included in the Organization and Operation Regulation of the Board of Directors. The information regarding the reports with shareholders that own directly and indirectly over 5% of the SNN shares have been checked based on the statements according to the criteria stipulated in Art.138^2 par. 2 of Company Law no.31/1990 and according to the criteria provided under point A4 of the corporate governance Code of the Bucharest Stock Exchange. In 2019, two members of the Board of Directors were employees of the Ministry of Energy, a shareholder that directly owns more than 5% of all voting rights: Iulian-Robert Tudorache and Elena Popescu. Also, Mr. Cristian Gentea is the Chief Executive Officer of RATEN, an entity 100% owned by the Romanian State, the majority shareholder of SNN.			

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Item no.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
A.7	**The company must appoint a Secretary of the Board in charge of supporting the activity of the Council.**	The name of the Secretary of the Board of Directors is published in the SNN Annual Report for 2019, in the section "Corporate Governance Statement".			
A.8	**Statement regarding corporate governance will inform if an assessment has taken place under the leadership of the Chairman of the Council or of the Nomination Committee and, if so, will summarize the key measures and changes resulting. The company should have a policy/guidelines regarding the Committee evaluation including aim, criteria and frequency of the evaluation process.**	According to the legal provisions of GEO 109/2011 on provisional mandates, in 2019 there was no BoD self-assessment based on performance indicators, and these would be set in the BoD Management Plan.	The members of the Board of Directors are assessed based on the performance indicators approved by the General Meeting of Shareholders and reported on a quarterly, half-year and annual basis in the reports of the Board of Directors.		
A.9	**The statement regarding the corporate governance should contain information on the number of meetings of the Council and committees during the last year, the participation of administrators (present and absent) and a report of the Council and the committees with regard to their activities.**	The Annual Report for 2019 contains information about the number of sessions of the Board of Directors in 2019 as well as about the participation of the directors, in the section "Corporate Governance Statement". The reports of the advisory committees created within the Board of Directors are also presented in the Annual Report for 2019.			

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Item no.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
A.10	**The statement regarding the corporate governance shall contain information about the exact number of independent members from the Board of Directors or from the Supervisory Board.**	The Annual Report for 2019 presents the exact number of independent members, in the section "Corporate Governance Statement".			
A.11	**The Council of Premium Category companies must establish a Nominating Committee consisting of persons without executive functions, which will lead the procedure of appointment of new members in the Council and will make recommendations to the Council. The majority of the Nomination Committee members must be independent.**	At the level of SNN there is an Advisory Committee for Nomination and Remuneration established in 2013. The Nominating Committee component is presented on the website and in the Annual Report of the Company. The members of the Advisory Committee for Nomination and Remuneration are non-executive members.	One member of the Nomination and Remuneration Committee is an independent non-executive administrator.		
	The terms of reference of the Nomination Committee shall include a provision that the Nominating Committee will be composed of persons without executive functions, and will lead the nomination procedure for new members in the Council and will make recommendations to the Council.	This provision exists in the Regulation of the Advisory Committee for Nomination and Remuneration. Members of the Nomination Committee are non-executive.			

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Item no.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
B.1	**The Council is required to establish an audit committee in which at least one member must be an independent non-executive administrator. The majority of members, including the Chairman, must prove that they have adequate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have accounting or auditing experience proven and appropriate. In the case of Premium Category Companies, the audit committee must be composed of at least three members and the majority of the audit committee members must be independent.**	At the level of SNN there is an Audit Committee of set up in 2013. The Audit Committee consists of 3 members, all with relevant experience in the field. The Audit Committee's component is published on the website of SNN, at the Corporate Governance section. On 31.12.2019, 2 members are independent non-executive directors, and a job is vacant after the termination of the mandate contract of Mr. Cristian Dima			
B.2	**The Chairman of the audit committee must be a non-executive independent member .**	The Chairman of the Audit Committee is an independent non-executive Member - Mr. Remus Vulpescu. This information is presented in the Annual Report for 2019.			
B.3	**In the framework of its responsibilities, the audit committee must conduct an annual assessment of internal control system.**	This provision is stipulated in the Organization and Functioning Regulation of the Audit Committee published on the website of the SNN in the Corporate Governance section. Information on the annual			

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		assessment of internal control system are set out in the Audit Committee report of the "Statement of corporate governance".			
	If the Audit Committee reviewed the internal control system, taking into account the effectiveness and scope of the internal audit function, the adequacy degree of the risk management and internal control reports and submitted to the Audit Committee of the Board and the promptness and efficiency with which the executive leadership solves the problems or deficiencies identified as a result of its internal control and presented relevant reports submitted to the attention of the Council.	The Annual Report contains information about the work of control and assessment conducted by the Audit Committee.			
B.4	**The assessment must take into account the effectiveness and scope of the internal audit function, the adequacy degree of the risk management and internal control reports submitted to the Audit Committee of the Board, the promptness and efficiency with which the executive leadership solves**	The Annual Report contains information about the work of control and assessment conducted by the Audit Committee (the number of internal audit missions, their subjects, the number of meetings of the Audit Committee, information on the issues discussed, information about the risk management,			

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	the deficiencies or the weaknesses identified as a result of its internal control and the submission of relevant reports to the attention of the Council.	how to solve the identified problems), in accordance with the Organization and Functioning Regulation of the Audit Committee.			
B.5	**The Audit Committee must assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with affiliated parties. Information on the number and value of transactions with affiliated parties.**	This activity is carried out according to the obligation of monitoring the Company's compliance with the provisions of the Articles of Incorporation, legal framework and applicable normative documents concerning transactions with related parties as defined in the Organization and Functioning Regulation of the Audit Committee. In 2019, the Audit Committee assessed the transactions of the Company and found that there were no conflicts of interest, which is stated in the Annual Report for 2019.			
B.6	**The Audit Committee must assess the effectiveness of internal control system and of the risk management system.**	This provision is contained in the Organization and Functioning Regulation of the Audit Committee. The result of evaluating the effectiveness of the internal control system and of the risk's management system is contained in the			

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		Annual Report.			
B.7	**The audit committee must monitor the application of the legal and internal audit standards generally accepted. The audit committee shall be to receive and to assess reports from the internal audit team.**	The audit committee has provided the obligation of applying the legal standards and standards for internal audit as well as evaluation reports of the internal audit team in the Organization and Operation Regulation.			
B.8	**Whenever the Code mentions reports or analyses of Audit Committee, they should be followed by periodic (at least annually) or ad-hoc reports to be forwarded to the Council at a later date.**	The Annual Report contains a list of the documents prepared or verified by the Audit Committee which were submitted for approval to the Board of Directors, in the section "corporate governance Statement".			
B.9	**Any shareholder may not be given preferential treatment over other shareholders in connection with transactions and agreements concluded by the company with shareholders and their affiliates.**	Policy on transactions with affiliated parties displayed on the website of SNN provides equal treatment for all shareholders in connection with the transactions and agreements concluded by the Company with the shareholders or their affiliates.			

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B.10	**The Council is required to adopt a policy to ensure that any transaction of the company with any of the companies with which it has closed relations whose value is equal to or more than 5% of the net assets of the company (according to the latest financial report) is approved by the Council following a mandatory opinion of the Audit Committee of the Board and disclosed to shareholders and potential investors in the right way, insofar as such transactions fall into the category of events which are subjected to reporting requirements.**	The Articles of Incorporation and the Organization and Operation Regulations of the Board of Directors provide for the approval by the Board of Directors of any transaction of the company with any of the companies with which it has close relationships, whose value equals or exceeds 5% of the net assets of the company (according to the latest financial report), following a binding opinion of the Audit Committee of the Board and correctly disclosed to the shareholders and potential investors, insofar as these transactions fall within the category of events that are subject to reporting requirements. For transactions with unaffiliated parties the limit of competence of the Management Board is for contracts over 5 million Euros. According to the Articles of Incorporation, contracts with a value of more than 50 million Euros are approved by the Board of Directors and approved by the AGA. These provisions are included in the policy regarding transactions with affiliated parties displayed on SNN's website.			

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Item no.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
B.11	**Internal audits shall be carried out by a separate structural division (Internal Auditing Department) of the company or by engaging a third independent entity. Descriptive report of the Chairman of the Audit Committee (on the assessment of the Internal Audit Department and the reporting to the designate Director of the Department of Internal Audit).**	SNN has its own Audit Department. The Annual Report contains a section dedicated to the Audit Committee in the context of the "Statement of Corporate Governance" in which it is presented and evaluated the audit activity at the level of the Company.			

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B.12	**In order to ensure the fulfillment of the main functions of the Internal Audit Department, it must report the functional point of view towards the Council through the Audit Committee. For administrative purposes within management's responsibilities to monitor and reduce the risks, it must report directly to the Chief Executive Officer.**	Reporting lines are followed exactly. Audit Department reports to the Chief Executive Officer and to the Management Board.			

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C.1	**The company must publish on its website the remuneration policy and to include a statement in the Annual Report on the implementation of the remuneration policy in the annual period under review. Remuneration policy should be formulated so as to allow shareholders the understanding of the principles and arguments underlying remuneration of Board members and the Chief Executive Officer and the members of the Executive Board in the two-tier system. It must describe how the process and decision making regarding remuneration is done, to detail the components of the remuneration to executive management (such as salaries, annual bonuses, long-term incentives tied to the value of the shares, benefits in nature, pensions and others) and to describe the purpose, principles and the underlying**	The remuneration policy is published on the website of the company and is included in the Annual Report. The Advisory Committee for Nomination and Remuneration performs an annual report that is submitted to the opinion of the Board of Directors and to the approval of the AGA. The Advisory Committee for Nomination and Remuneration Report contains information about the principles and arguments that form the basis of the remuneration of members of the Board of Directors and of the directors, the manner of processing and decision-making regarding the remuneration, the details of the remuneration components. The report also contains information relating to the period of notice and compensation for revocation without a just cause. The Report of the Advisory Committee for Nomination and Remuneration for 2019 is an integral part of the Annual Report.			

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	of each component (including the general criteria for any performance related to any variable remuneration). In addition, the remuneration policy must specify the length of the agreement to the Executive Director and of the period of notice stipulated in the agreement, as well as possible compensation for revocation without a just cause. [...] Any essential change occurred in remuneration policy shall be published in due course on the company's website.	.			
D.1	**The Company must organize an Investor Relation service - made known to the public by the person/persons in charge or as an organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relation, in Romanian and English, with all relevant information of interest for investors, inclusively.**	SNN has a structure specially designed for interacting with investors - Communication and Investor Relation Department within the Legal and Corporate Affairs Department. All materials published on the website of SNN in "Investor Relation" section are translated also in English.			
D.1.1	**Main corporate regulations: articles of incorporation, procedures relating to General Meetings of Shareholders.**	The Articles of Incorporation and the procedure regarding the organization and performance of the General Meetings of Shareholders are published in bilingual form on the SNN site			

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		within the section "Investor Relation/Corporate Governance".			
	The terms of reference of the Board and committees of the Council.	The terms of reference of the Board and Committees of the Council are published on the company's website on the Investor Relation/Corporate governance section.			
	The rules and procedures of the AGA.	Materials published on the company's website in the "Investor Relation-Information about AGA".			
D.1.2	**Professional CVs of the members of the management organs of the company, other professional engagements of Board members, including executive and nonexecutive positions on boards of Directors in companies or non-profit institutions.**	CVs of the members of the Board are published on the company's website. Presentation of the members of the Board of Directors on SNN website and of this Annual Report includes non-executive and executive positions owned by them and other professional commitments owned in other companies.			
D.1.3	**Current reports and periodic reports (quarterly, half-yearly and annual) - at least the ones stipulated in point D.8 -including current reports with detailed information pertaining to non-conformity with this code.**	Current reports including periodic reports (quarterly, half-yearly and annual) are published on the website of SNN, in section Corporate Governance and contain information pertain to this provision. The current report regarding nonconformities and			

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		also the current subsequent reports concerning but the compliance will be published on the site.			
D.1.4	**Information on general meetings of the shareholders: agenda and information materials; the procedure for electing the members of the Council; the arguments that support the proposals for candidates for election into the Council, together with their professional resumes; shareholders inquiries concerning items on the agenda and the company answers, including adopted resolutions .**	Information published on the website in the section "Corporate Governance/information about AGA".			
D.1.5	**Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to acquisition or limitations on rights of a shareholder, including deadlines and principles applied in these operations. The information will be published in a period that will allow investors to adopt investment decisions.**	All this information is published on the company's website in the sections "Investor Relation/Dividends".			

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D.1.6	**The name and contact details of a person who will be able to provide, upon request, relevant information.**	Information is available on the website in the "Investor Relation" section. Information is available in the Annual Report.			
D.1.7	**Company presentations (e.g. presentations for investors, the quarterly results presentations, etc.), financial statements (quarterly, biannually, annually), audit reports and annual reports.**	The presentations made on the occasion of the publication of quarterly and half-yearly financial results and/or during meetings with investors/analysts are published on the site, in the section "Investor Relation/Presentations", accompanied by the audio recordings of the meetings and teleconferences. Half-yearly and annual financial statements are accompanied by an Audit Report.			
D.2	**The company will have an annual distribution of policy dividends or other benefits shareholders, proposed by the Chief Executive Officer or Directorship and adopted by the Board in the form of a set of guidelines which the company intends to follow with respect to the distribution of net profit. Annual policy principles of distribution toward the shareholders will be published on the website of the company.**	SNN does not have a multi annual dividend policy, but it subjects to the approval of the GMS on a yearly basis the proposal regarding the distribution of profits. Information regarding the payment of dividends for years 2013, 2014, 2015, 2016, 2017 and 2018 (additional dividends) are posted on the SNN website, section "Investor Relation". The distribution of the net profit for the previous years is also published on the website of the company in the "Investor			

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		Relation / Information on AGA" section.			
D.3	**The company will adopt a policy in relation to the forecasts, either as they are made public or not. Forecast refers to the quantifiable conclusions of some studies which concerns the establishment of the global impact of a number of factors relating to a future period (so called hypotheses):by its nature, this projection has a high level of uncertainty, the actual results can differ significantly from the initially presented forecasts. Policy regarding the forecasts will set the frequency, timing and content of the actual forecast. If they're published, forecasts may be included only in annually, quarterly or half-yearly reports. Policy regarding the forecasts will be**		SNN does not have a policy regarding forecasts, because input data and estimated related to the development of SNN's financial results depend to a large extent on the evolution of the price on the energy market. SNN is a participant in the energy market, not a price creator, thus the forecasts regarding the evolution of this market and implicitly the financial results and the price of SNN shares would have a high degree of uncertainty.		.

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	published on the website of the company.				

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D.4	**General Meetings of Shareholders rules should not limit the participation of shareholders at general meetings and the exercise of their rights. Rules changes will come into force at the earliest, starting with the next meeting of shareholders. Rules changes will come into force at the earliest, starting the next General Meeting of Shareholders.**	Organization and conduct Regulation of the General Meetings of Shareholders SNN guarantees shareholders' rights according to the relevant legislation and ensures equal treatment thereof. The Regulation is published on the SNN website in the section dedicated to the GSM. Changes to Regulation were posted in the News section to be viewed by a large number of visitors, quickly. The changes took effect at the next General Board, after their approval in SNN Board..			
D.5	**External auditors will be present at the General Meeting of Shareholders when their reports are presented at these meetings.**	At the SNN General Meeting of Shareholders of April 25, 2019 for presenting and approving the Activity Annual Report of the company, the representatives of the SNN auditor were also present.			
D.6	**The Council will present to the annual General Meeting of Shareholders a brief assessment of the internal control systems and management of significant risks and opinions on issues subjected to the decision of the General Board.**	This information is contained in the chapters "Risk management activity" and "Financial reporting, internal control and risk management" in the Annual Report of the Board subdued to AGM approval			

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D.7	**Any specialist, consultant, expert or financial analyst may participate in the shareholders meeting according to a prior invitation from the Council. Accredited journalists can also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.**	These provisions are included in the Regulation for the Organization and Performance of General Meetings of Shareholders of SNN			.
D.8	**Financial quarterly and biannual reports include information both in Romanian and in English on the key factors influencing changes at the level of sales, operating profit, net profit and other relevant financial indicators from a quarter to another and from a year to the next one.**	Financial quarterly and biannual reports include information both in Romanian and in English on the key factors influencing changes at the level of sales, operating profit, net profit and other relevant financial indicators from a quarter to another and from a year to the next one.			
D.9	**A company will organize at least two meetings / teleconferences with analysts and investors every year. Information presented on these occasions will be published in the Investor Relation section of the company website on meetings / teleconferences date.**	SNN organized 4 teleconferences and a face-to-face meeting with the investors, financial analysts, brokers, etc. in 2019. According to the financial calendar for 2020, SNN will organize 5 meetings with the financial analysts, out of which one will be face-to-face.			

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D.10	**If a company supports various forms of artistic and cultural expression, sports, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company are part of its mission and development strategy, will publish the policy on its activity in this area.**	SNN published on its website the statement of corporate social responsibility according to which the company conducts support and development of the local community, cultural activities, young talented, research and scientific activity. Also, the Annual Report contains information on the policy applied by SNN in corporate social responsibility. SNN publishes annually on their website the list of the sponsorship made in the previous year.			

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21. Annex 8 - Report of the Advisory Committee for Nomination and Remuneration for 2019

Introduction

The Advisory Committee for Nomination and Remuneration ("NRC") of the SNN Board of Directors was created by the Board of Directors Resolution no. 7 / April 26, 2013, according to the provisions of Art.140^2 of Law no. 31/1990 republished, on companies, as further amended and supplemented, and according to the provisions of Article 34 of Government Emergency Ordinance no. 109 / 2011 on the corporate governance of public enterprises, corroborated with the provisions of Article 20 par. (2) and par. (5) - (8) of the SNN updated Articles of Incorporation.

NRC is a permanent committee with an advisory capacity, reporting directly to the Board of SNN, with powers of evaluation, consultation and development of proposals in the nomination of Board members, the Company's Directors whom are delegated management responsibilities to, as well as their remuneration in accordance with the legal regulations in force. NRC conducts investigations and prepares recommendations for the Board of Directors regarding the remuneration of directors, managers and staff or for appointment of the candidates for various management positions.

According to the provisions of article 55 par. (2) and (3) of Government Emergency Ordinance no.109/2011, NRC has the obligation to present to the General Meeting of Shareholders an annual report on the remunerations and other benefits granted to managers and directors during the financial year.

Organization

CNR consists of 3 members appointed from the members of the Board of Directors, the mandate of the members of this committee being valid for the period when they are directors in the Board of Directors of SNN.

For the proper performance of the duties incumbent and a good organization, the Advisory Committee for Nomination and Remuneration drafted and approved by Resolution no. 1 / April 26th 2013 its own Organization and Operation Regulation, approved by the Board of Directors' Resolution no .7 / April 26th 2013.

By Resolution no. 30 / March 13th, 2014, the SNN Board approved a single Organization and Functioning Regulation of Consultative Committees.

Decisions in the NRC are taken by simple majority of participating members (or represented) at the meeting and are, for the Board of Directors, as recommendations, not mandatory. Each member of the NRC express a vote, respectively “for”, “against” or “abstain”. For each meeting of CNR, a

resolution is drafted that records at least the following: the recommendation made by the Board of Directors, the arguments that were at the basis of the respective recommendation, the cast votes.

NRC meets whenever necessary. When creating a vacancy in CNR, a new member is appointed by a resolution of the Board of Directors. Board members which are removed from their appointment automatically lose their membership in the Committees they were part of.

At the proposal of the President or members of consultative Committees, the Board may approve the hiring of independent external permanent experts, physical or legal persons, specialists in the fields of activity of the Committees which to assist their members in their work, also establishing the remuneration of these experts.

CNR meetings in 2019

In 2019, CNR from the Board of Directors of SNN met in 8 sessions in which it drafted recommendations to the Board of Directors of SNN on matters within its attributions, as follows:

- Continuation of the process for selecting the candidates who applied for the positions of Chief Executive Officer, Chief Financial Officer and Deputy Chief Executive Officers within SNN by assessing their behaviors and managerial traits, considering the proposal of the independent expert, and of the representatives of Pluri Consultants.

- The recommendation of CNR for the nominations, depending on the total score, for the positions of Chief Executive Officer, Chief Financial Officer and one Deputy Chief Executive Officer, and for the second position of Deputy Chief Executive Officer, the score obtained by the candidate will be analyzed and a decision will be taken by the Board of Directors. Recommendation on the level of the gross monthly fixed indemnification, calculated by complying with the provisions of art. 37 and art. 38 of GEO 109/2011 for: Chief Executive Officer; chief Financial Officer and Deputy Chief Executive Officer; Recommendation that the managers proposed for appointment following the selection process to undergo within 6 months after appointment a test such as Insights Profiles – Basic and Management to be contracted from specialized company Dieter Flieter, a company recommended by experts Pluri Consultants Romania SRL; subsequently, considering the fact that the Managers were to have a psychological examination required for obtaining the exercising permit issued by CNCAN based on the provisions of art. 9 of NSN - 23, CNR drafted the Recommendation on cancelling the provisions of section 5 of BoD resolution no. 2 of 04.02.2019 according to which "The Chief Executive Officer appointed following the selection process will undergo within 6 months a test such as Insights Profiles – Basic and Management to be contracted from specialized company Dieter Flieter, a company recommended by experts Pluri Consultants Romania SRL" and the cancellation of the provisions of section 7 of BoD Resolution no. 3 of 04.02.2019, according to which "The managers appointed following the selection process

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will undergo within 6 months a test such as Insights Profiles – Basic and Management to be contracted from specialized company Dieter Flieter, a company recommended by experts Pluri Consultants Romania SRL".

- The recommendation regarding the approval by BoD, in order to be submitted for approval to the General Meeting of Shareholders of: (1) the financial and non-financial performance indicators that will form the annex to the Contract of Mandate of non-executive directors; (2) the equivalent value corresponding to the annual variable component of the remuneration of the company's non-executive directors in value of 12 monthly fixed payments; (3) the form of the addendum to be concluded to the Contract of Mandate of the company's non-executive directors; (4) the financial and non-financial performance indicators that will form the annex to the Contract of Mandate of executive directors; (5) the form of the addendum to be concluded to the Contract of Mandate of the company's executive directors; (6) granting mandate to the representative of the Ministry of Energy, in order to sign the Addenda to the Contract of Mandates with the company's directors; (7) the general limits of the monthly variable component of the remuneration of the Managers of the Company between 2 and 3 times the monthly gross fixed remuneration set for the Managers.

- Recommendation on the approval by BoD of the annual report of CNR related to 2018;

The recommendation regarding the approval by the BoD of: (i) the annual variable component of the remuneration of the executive Manager / Chief Executive Officer is 36 times the average of the last 12 months of the monthly gross average wage for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment. The value of the short-term, medium-term and long-term component is determined by applying the percentage ratios in annex 3.1, resulting the payable value of the variable component for each year of mandate according to the following algorithm: The variable component for 2019 is paid: 80% for reaching the objectives of 2019 (short term) + 10% for reaching the objectives of 2020 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate); the variable component for 2020 is paid: 80% for reaching the objectives of 2020 (short term) + 10% for reaching the objectives of 2020 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate); the variable component for 2021 is paid: 80% for reaching the objectives of 2021 (short term) + 10% for reaching the objectives of 2022 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate); the variable component for 2022 is paid: 80% for achieving the objectives for 2022 (short term) + 10% for achieving the objectives for 2022 (medium term) + 10% for achieving the objectives for 2022 (long term until the end of the mandate) ; the short-term variable component for the activity period of the mandate related to 2022 is determined according to the provisions under letter b. (ii) The annual variable component of the remuneration for the Deputy Chief Executive Officer, and that of the Chief Financial Officer is 36 times the average of the monthly gross average salary for the activity

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performed according to the main scope of activity recorded by the company on class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment. The short, medium and long term value of the component is determined by applying the percentage levels indicated in annex 3.1, resulting the payable value of the variable component for each year of mandate after the algorithm presented under section 1 for the Chief Executive Officer; (iii) concluding an Addendum to the mandate contracts of SNN Managers following the amendment of letter d) of section 3 of Annex no. 3 to the Addendum no. 1 to the Mandate Contract of the executive directors; (iv) Mandating the Chairman of the Board of Directors of SNN to sign the Addendums to the mandate contracts of the company managers; (v) correcting the material error occurred following the introduction by Addendum no. 1 to the mandate contracts of the company managers of Annex 3 "Financial and non-financial indicators, variable component of the remuneration", and Annex 3 to the mandate contracts of the company managers "Non-compete obligations" to be read as Annex 5.

- The recommendation to appoint Mr. Chirica Minodor Teodor as the provisional director of SNN, according to the provisions of art. 137^2 of Law no. 31/1990, until the general meeting of the shareholders; recommendation regarding the mandate contract form and the indemnification to be paid to Mr. Chirica Minodor Teodor for this position.

- Recommendation regarding the approval for the submittal for approval of the general meeting of shareholders of: (i) initiating the procedure for selecting a member in the Board of Directors of Societatea Nationala Nuclearelectrica S.A., according to the provisions of GEO no. 109/2011, as further amended and supplemented, considering the legal expiry of the mandate of one of the members of the Board of Directors; (ii) mandating the Board of Directors of SNN for implementing the process of selecting a member of the Board of Directors of SNN; (iii) appointing a provisional director, for a period of 4 months as of the appointment by the General Meeting of Shareholders, according to the provisions of art. 64^1 par. (5) of GEO no. 109/2011 as further amended and supplemented; (iv) the mandate contract form to be signed by the company with the provisional director and mandating the representative of the Ministry of Economy, Energy and Business Environment within the General Meeting of Shareholders to sign on behalf of and for the company the mandate contract with the provisional director; (v) approving the monthly gross fixed indemnification for the provisional director of the Board of Directors on the level of 11,331 RON, equal to that of the acting directors and the variable component set based on the short-term financial and non-financial performance indicators for 2020 - as negotiated with the current acting directors of the company and approved by the Ordinary General Meeting of Shareholders by Resolution no. 3/10.04.2019.

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Information according to the provisions of art. 55 par. 2 and 3 of GEO no. 109/2011

According to the provisions of art. 55 par. (2) and (3) of Government Emergency Ordinance no.109/2011, NRC has the obligation to present to the General Meeting of Shareholders an annual report on the remunerations and other benefits granted to managers and directors during the financial year.

The annual report of CNR comprises at least information regarding: (i) the structure of the remuneration, by explaining the weight of the variable component and the fixed component; (ii) the performance criteria that underlie the performance and remuneration; (iii) the considerations that justify any system of annual bonuses or non-monetary advantages; (iv) any additional or anticipated pension systems; (v) information on contract duration, negotiated period of notice, the amount of damage compensations for the unjustifiable dismissal.

(i) The remuneration structure, explaining the share of variable weigh and the fixed component.

SNN managers and directors receive for their work a monthly fixed salary and a variable compensation. The variable allowance is payable depending on the achievement of the indicators and performance criteria established in the mandate contracts. The fixed monthly allowance is set in accordance with the legal provisions, namely Government Emergency Ordinance no.109/2011. The fixed and variable allowance for the BoD members is approved by the SNN GMS.

The general meetings of the manager's allowances (manager according to Art. 143 of Law no. 31/1990) are approved by the GMS; according to such general limits, the BoD establishes the amount of the managers' allowance.

Remuneration of Directors with mandate contract

In January 2019 the company had concluded provisional mandate contracts with the SNN managers, for 4 months, as of 06.11.2018 or until the appointment of a Chief Executive Officer / Deputy Chief Executive Officer / Chief Financial Officer with a 4-year mandate following the completion of the selection procedure according to the provisions of GEO no. 109/2011, approved by law no. 111/2016, as further amended and supplemented.

Thus, the company had concluded the following provisional mandate contracts:

1. Mandate contract no. 60 / 05.11.2018 concluded with Mr. Cosmin Ghita for the position of Chief Executive Officer of the company;
2. Mandate contract no. 61 / 05.11.2018 concluded with Mr. Laurentiu Dan Tudor for the position of Deputy Chief Executive Officer;

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3. Mandate contract no. 62 / 05.11.2018 concluded with Mr. Viorel Lary Toni for the position of Deputy Chief Executive Officer;
4. Mandate contract no. 63 / 05.11.2018 concluded with Mr. Adrian Gabriel Dumitriu for the position of Chief Financial Officer.

By BoD Resolution no. 2/04.02.2019 Mr. Cosmin Ghita was appointed as the Chief Executive Officer of the company, with a 4-year mandate as of 11.02.2019.

By BoD Resolution no. 3/04.02.2019 Mr. Laurentiu Dan Tudor was appointed as Deputy Chief Executive Officer of the company, with a 4-year mandate as of 11.02.2019.

By BoD Resolution no. 3/04.02.2019 Mr. Adrian Gabriel Dumitriu was appointed as Chief Financial Officer of the company, with a 4-year mandate as of 11.02.2019.
According to section 8 of BoD resolution no. 3/04.02.2019, as of 11.02.2019, the attributions of the Deputy Chief Executive Officer who concluded with the company mandate contract no. 62/05.11.2018 (Viorel Lary Toni) were taken over as follows:

- the activities of the Electricity Transaction Division by Mr. Adrian Gabriel Dumitriu appointed Chief Financial Officer for a 4-year mandate;
- the activities of the Investment Development Division by Mr. Laurentiu Dan Tudor appointed Deputy Chief Executive Officer for a 4-year mandate;

According to section 10 of BoD Resolution no. 3/04.02.2019, Mr. Virel Lary Toni, as Deputy Chief Executive Officer, who concluded with the company mandate contract no. 62/05.11.2018, had the obligation in period 11.02.2019 - 06.03.2019 (the period after the appointment of managers with a 4-year mandate and the date of the expiry of mandate contract no. 62/05.11.2018) to transfer the tasks and responsibilities to the Deputy Chief Executive Officer and to the Chief Financial Officer for the proper performance of the activities of the two divisions.

Managers with mandate contracts (with a mandate term of 4 years)

The annual variable component is 36 times the average of the monthly gross average salary earnings for the activities performed according to the main scope of activity registered by the company on class level according to NACE, communicated by the National Statistics Institute prior to the appointment, namely 222,464 RON (36 x 6179.58 RON), according to section 3, Annex no. 3 to Addendum no. 1 to the Mandate Contracts, as amended by Addendum no. 3 to the Mandate Contracts, and is set based on three components: short term, medium term and long term.

The variable short-term component shall be calculated and paid for a financial year, the amount being granted in quarterly installments of 18% of the annual value forecast for the financial year in progress corresponding to the achievement of the indicators over the time elapsed from the financial year, within 10 calendar days of at the date when the quarterly reporting is closed, and, within 15

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days from the date of approval by the General Meeting of Shareholders of the audited annual financial statements, the due amount based on the cumulative achievement percentage of key performance indicators, shall be adjusted, according to section 4 from Annex 3 to Addendum no. 1 to the Mandate Contracts.

According to the provisions of section 3, letter c from Annex 3 to Addendum no. 1 to the Mandate Contracts, the annual variable component shall be granted with a reduced percentage, proportionally to the degree of achievement of the key performance indicators, if these cumulatively meet within the financial year an achievement percentage less than 100%, but not lower than 75%.

The medium-term variable component is calculated and paid for a period of two financial years, based on the percentages set in the mandate contract. The amount is paid in annual instalments of 50% of the estimated medium-term value, within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, and within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements corresponding to the respective year form the mandate, which ends the analysis of the medium-term objectives, and the due amount based on the cumulated implementation percentage of the medium-term key performance indicators will be adjusted.

The long-term variable component is calculated and paid for the entire mandate of four years of activity. The amount is paid in annual instalments of 25% of the estimated medium-term value, within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, and within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, which contains the last months of the mandate, and the due amount based on the cumulated implementation percentage of the medium-term key performance indicators will be adjusted.
The table below shows the managers with mandate contracts in 2019 and the fixed payments related to the mandate contracts for 2019:

Fixed indemnification of managers, according to the mandate contracts:

Directors	Monthly gross fixed payment according to the contract [lei]	Mandate start date	Mandate end date
Ghita Cosmin	34,764	06.11.2018	11.02.2019
Ghita Cosmin	37,077	11.02.2019	N/A
Tudor Laurentiu Dan	33,500	06.11.2018	11.02.2019
Tudor Laurentiu Dan	35,727	11.02.2019	N/A
Toni Viorel Lary	33,500	06.11.2018	06.03.2019
Dumitriu Adrian Gabriel	33,500	06.11.2018	11.02.2019
Dumitriu Adrian Gabriel	35,727	11.02.2019	N/A

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Variable component of Managers set by the mandate contracts for 2019:

Item no.	Directors	Gross average salary on the level of the NACE code [lei]	Variable component for 2019 (36 * NACE code gross average salary) [lei]	Variable component for 2019 related to the mandate period [lei]	Medium term component for 2020 - 10% of the variable component for 2019 related to the mandate period [lei]	Long term component for 2022 - 10% of the variable component for 2019 related to the mandate period [lei]
1	Ghita Cosmin	6,179.58	222,464	199,417	19,942	19,942
2	Tudor Laurentiu Dan	6,179.58	222,464	199,417	19,942	19,942
3	Dumitriu Adrian Gabriel	6,179.58	222,464	199,417	19,942	19,942

The remuneration of non-executive managers

By the resolution of the General Meeting of Shareholders no. 12 of 28.09.2018, the following persons were elected as members of the Board of Directors, with a term of 4 years, by the cumulative voting method: Dima Cristian, Tudorache Iulian Robert, Popescu Elena, Vulpescu Dumitru Remus, Gentea Cristian, Ghita Cosmin (executive director), Anitei Mihai Daniel.

On 09.10.2019, Mandate Contract no. 54/28.09.2018, concluded by Mr. Dima Cristian, was terminated, in virtue of art. 13.1 letter k), according to which the contract is terminated when the director does not pass within 12 months after the start of the mandate the CNCAN verifications provided in NSN norms - 23 and of art. 23 par. (8) of NSN 23 "Nuclear security norms regarding the training, qualification and authorization of the personnel of the organizations that operate nuclear installations" according to which "the members of the Board of Directors and/or of the supervisory board of the authorization holder with attributions and authority for taking decisions with impact on nuclear security must prove that they have the necessary knowledge, skills and attitudes, following the verification by CNCAN, by using the examination objectives and the questions from annexes no. 1 and 2 to these norms, according to the provisions of par. (5)."

Considering the vacancy of a position of member of the Board of Directors, following the legal termination of the mandate contract of Mr. Dima Cristian corroborated with the provisions of art. 137^2 of Law no. 31/1990, whereby in the event of a vacancy in one or more director positions, unless the articles of incorporation stipulate otherwise, the board of directors proceeds to the appointment of provisional directors, until the general meeting of shareholders, on 19.12.2019, by the BoD Resolution no. 219, Mr. Chirica Minodor Teodor was appointed by the BoD of SNN as a provisional director, until the general meeting of shareholders, summoned on 30.01.2020.

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Directors

The annual variable component is 12 gross monthly indemnifications, namely 135,972 RON (12 x 11,331 RON), according to section 3, letter d of Annex no. 3 to Addendum no. 1 to the Mandate Contracts.

The variable short-term component shall be calculated and paid for a financial year, the amount being granted in quarterly installments of 18% of the annual value forecast for the financial year in progress corresponding to the achievement of the indicators over the time elapsed from the financial year, within 10 calendar days of at the date when the quarterly reporting is closed, and, within 15 days from the approval by the General Meeting of Shareholders of the audited annual financial statements, the due amount based on the cumulative achievement percentage of key performance indicators, shall be adjusted, according to section 4 of Annex 3 to Addendum 1 to the Mandate Contracts.

According to the provisions of section 3, letter c from Annex 3 to Addendum no. 1 to the Mandate Contracts, the annual variable component shall be granted with a reduced percentage, proportionally to the degree of achievement of the key performance indicators, if these cumulatively meet within the financial year an achievement percentage less than 100%, but not lower than 75%.

The medium-term variable component is calculated and paid for a period of two financial years, based on the percentages set in the mandate contract. The amount is paid in annual instalments of 50% of the estimated medium-term value, within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, and within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements corresponding to the respective year form the mandate, which ends the analysis of the medium-term objectives, and the due amount based on the cumulated implementation percentage of the medium-term key performance indicators will be adjusted.

The long-term variable component is calculated and paid for the entire mandate of four years of activity. The amount is paid in annual instalments of 25% of the estimated medium-term value, within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, and within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, which contains the last months of the mandate, and the due amount based on the cumulated implementation percentage of the medium-term key performance indicators will be adjusted.

The following table shows the members of the Board of Directors as well as the remunerations related to the mandate contracts for 2019:

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Item no.	Directors	Fixed monthly indemnification [lei]	Variable component 2019 (12 * monthly indemnification) [lei]	Value of the short-term variable component for 2019 (80% of the variable component for 2019) [lei]	Medium term component for 2020 - 10% of the variable component for 2019 [RON]	Long term component for 2022 - 10% of the variable component for 2019 [RON]
1	Tudorache Iulian Robert	11,331	135,972	108,777	13,597	13,597
2	Popescu Elena	11,331	135,972	108,777	13,597	13,597
3	Vulpescu Dumitru Remus	11,331	135,972	108,777	13,597	13,597
4	Gentea Cristian	11,331	135,972	108,777	13,597	13,597
5	Anitei Mihai Daniel	11,331	135,972	108,777	13,597	13,597
6	Dima Cristian	11,331	135,972	108,777	0	0

The mandate contracts concluded by the Company with the members of the Board of Directors for a four-year term stipulate that the directors receive a remuneration consisting of:

(i) a gross monthly fixed remuneration of 11,331 lei approved by the resolution of the Ordinary General Meeting of Shareholders no. 12 / 28.09.2018 for the execution of the entrusted mandate, equal to twice the average for the last 12 months of the average gross monthly salary for the activity carried out according to the main scope of activity registered by the company, at the class level according to the classification of the activities from the national economy, communicated by the National Institute of Statistics prior to the appointment.

(ii) a variable component established based on the financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders, determined by complying with the methodology provided by GR no. 722/2016 and which aim at the long-term sustainability of the Company and ensure the compliance with the principles of good governance.

The variable component of the Director's remuneration is reviewed annually, depending on the level of achievement of the objectives included in the management plan and the degree of achievement of the financial and non-financial performance indicators approved by the General Meeting of Shareholders.

By the Resolution of the General Meeting of Shareholders no. 3/10.04.2019, the following aspects were approved: the form of the addendum to be concluded to the mandate contract of the non-executive directors of the company, in the form proposed by the Ministry of Energy; the financial and non-financial indicators that constitute the Annex to the mandate contract of the non-executive directors in the form proposed in Annexes 3.1 and 3.2.

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(ii) Performance criteria underlying the variable component of the remuneration; relationship between made performance and remuneration.

Financial and non-financial indicators, variable component of the directors' remuneration

1. The financial and non-financial indicators (operational and for corporate governance), distributed over a short, medium and long term, with the related shares and with the indication of their verification tools, are specified in the annex to the mandate contract, as follows:

a. Annex 3.1 - Financial and non-financial indicators broken down per each year corresponding to the mandate period;
b. Annex 3.2 - Financial and non-financial indicators broken down per each quarter of the annual financial period.

2. The Agent shall benefit from the variable component of the remuneration, subject to the cumulative fulfillment of the targets related to the key performance indicators set out in Annex 3.1 and Annex 3.2 to the contract mandate, as follows:

a. The annual variable component shall be granted with a share of 100% if the key performance indicators cumulatively meet an achievement percentage equal to or above 100%;
b. The annual variable component shall be granted proportionally, in relation to the months of activity during the last year of the mandate;
c. The annual variable component shall be granted with a reduced percentage, proportionally to the degree of achievement of the key performance indicators, if these cumulatively meet within the financial year an achievement percentage less than 100%, but not lower than 75%. If key performance indicators cumulatively meet within a financial year an achievement percentage below 75%, the annual variable component shall not be granted. The calculation formula is:

• PrICP = 100% results PrCv = 100%
• 75%≤PrICP <100% results PrCv = PrICP achieved (%)
• PrICP<75% results PrCv = 0%
where: PrICP – achievement percentage of Key Performance Indicator
PrCv – granting percentage of Variable Component

d. The annual variable component of the Director amounts to 12 gross fixed monthly allowances, the short, medium and long term value of the component shall be determined by applying the percentage shares specified in Annex 3.1, resulting in the variable component payment value for each year of the mandate, according to the following algorithm:

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- The var. comp. for 2019 is calculated: 80% for reaching the objectives of 2019 (short term) + 10% for reaching the objectives of 2020 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate);
- The var. comp. for 2020 is calculated: 80% for reaching the objectives of 2020 (short term) + 10% for reaching the objectives of 2020 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate)
- The var. comp. for 2021 is calculated: 80% for reaching the objectives of 2021 (short term) + 10% for reaching the objectives of 2022 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate);
- The var. comp. for 2022 is calculated: 80% for reaching the objectives of 2022 (short term) + 10% for reaching the objectives of 2022 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate).

3. The variable short-term component shall be calculated and paid for a financial year, the amount being granted in quarterly installments of 18% of the annual value forecast for the financial year in progress corresponding to the achievement of the indicators over the time elapsed from the financial year, within 10 calendar days of at the date when the quarterly reporting is closed, and, within 15 days from the date of approval by the General Meeting of Shareholders of the audited annual financial statements, the due amount based on the cumulative achievement percentage of key performance indicators, shall be adjusted.

4. In the event that, the cumulative achievement percentage of key performance indicators for a quarter lies below 75%, the grating of the annual variable component shall be suspended until the end of the financial year, with the difference being subsequently settled within 15 calendar days from the date of approval by the General Meeting of Shareholders of the audited annual financial statements.

5. The medium-term variable component is calculated and paid for a period of two financial years, based on the percentages set in Annex 3.1. The amount is paid in annual instalments of 50% of the estimated medium-term value, within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, and within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements corresponding to the respective year form the mandate, indicated in Annex 3.1, which ends the analysis period of the medium-term objectives, and the due amount based on the cumulated implementation percentage of the medium-term key performance indicators will be adjusted.

6. The long-term variable component is calculated and paid for the entire mandate of four years of activity. The amount is paid in annual instalments of 25% of the estimated medium-term value, within 15 calendar days after the date of the approval by the General Assembly of Shareholders of

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the audited annual financial statements, and within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, which contains the last months of the mandate, and the due amount based on the cumulated implementation percentage of the medium-term key performance indicators will be adjusted.

7. If the key performance indicators record, on the level of the financial year, an implementation percentage lower than 75%, granting the medium and long term variable component rate is ceased until the closure of the financial year of the medium and long mandate period, respectively, and the difference will be adjusted within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, for the medium and long period, respectively, of the mandate.

8. If the mandate ceases before the end of the term of the mandate, for reasons not related to the person of the Director, the variable component shall be granted proportionally, accordingly, until the last full month of activity during the mandate term.

9. If the mandate ceases before the end of the term of the mandate, for reasons related to the person of the Director, the company shall be entitled to claim and the Director undertakes to return the full amount granted during that year, representing the payment of the variable component related to the year in which the termination of the mandate became effective.

10. The key performance indicators, and the achievement degree may be changed, as applicable, in the following situations:

a) Force majeure, as such is defined by law;
b) Other causes not imputable to the directors and which do not affect the achievement of the objectives and targets set for the entire mandate.

Targets may be changed in the event of an approved rectification of the Revenue and Expenses Budget, under the conditions of the law and of the articles of incorporation.

11. The description, verification tool and target values of the key performance indicators are specified in Annex 3.1 and Annex 3.2, respectively, to the mandate contract

12. The financial performance indicators are checked by reference to the obtained values of these indicators, as such are registered in the company's financial records.

13. The method of verification of non-financial indicators is performed by analyzing the state of achievement of these indicators included in Reports / Calculation Formulas indicated in the column "Verification tools" in Annex 3.1, and Annex 3.2, respectively, to the mandate contract.

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(iii) The considerations that justify any scheme of annual bonuses or non-cash benefits.

SNN does not grant bonuses to directors and managers under mandate contracts.

According to the mandate contracts concluded by the Company with the Managers, they benefit from a gross monthly fixed indemnification and a variable component set based on financial and non-financial performance indicators negotiated and approved by the Board of Directors, determined by complying with the methodology provided by GR no. 722/2016, for the implementation of the entrusted mandate, and the following monetary advantages:

1. Professional Liability Insurance, the amount insured being 3 million Euro;
2. The right to reimbursement of travel expenses for work;
3. The right to be considered as seniority and / or in electricity, thermal and nuclear the entire period of time for which he was a Director of the SNN;
4. The benefit, constantly, of a car service (whose cost will be borne entirely by SNN) phone service, laptop, desktop, office equipment, fax machines, logistics, stationery etc. and any other devices/equipment/facilities that are specific for the level of representation of the position of Director;
5. The benefit of an office space, according to its position of Director, with all the appropriate equipment and facilities;
6. The benefit of insurance against accidents at work and occupational diseases at the expense of the Company;
7. The benefit of the services of Secretariat, in which the cost of salaries fulfilling this function will be fully borne by the Company;
8. The right to request mediation, consultancy and / or other protective measures from the Board of Directors, the General Meeting of Shareholders, confederation, federation or employer organization the Company is part of, in resolving conflict situations with trade unions and / or employees' representatives, and other organizations, with the right to receive, in these cases, the necessary legal assistance, on the expense of SNN;
9. The right to have a prize fund protocol approved by the Company's Board of Directors;
10. The right to be ensured an appropriate job for his/her training and work experience within SNN (according to an individual employment contract of indefinite duration, concluded according to the law), and all rights related to this job, according to legal provisions and / or of the Collective Employment Contract applicable to the Company, after the cessation, for any reason, of the mandate contract, or after the dismissal from this position for reasons unrelated to him/her.

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According to the mandate contracts concluded by the Company with the Directors, they benefit from:

- The gross monthly fixed remuneration of RON 11,331 approved by the Resolution of the Ordinary General Meeting of Shareholders no. 12 / 28.09.2018 for the execution of the entrusted mandate, equal to twice the average for the last 12 months of the average gross monthly salary for the activity performed according to the main scope of activity registered by the company at class level according to the classification of activities from the national economy, by the National Institute of Statistics prior to the appointment.
- The variable component established based on the financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders, determined by complying with the methodology provided by GR no. 722/2016 and which aim at the long-term sustainability of the Company and ensure the compliance with the principles of good governance.

The variable component of the Director's remuneration is reviewed annually, depending on the level of achievement of the objectives included in the management plan and the degree of achievement of the financial and non-financial performance indicators approved by the General Meeting of Shareholders.

Any supplementary pension schemes or anticipated. - Not applicable.

Information on agreement duration, notice period negotiated, amount of damage - interests to revoke unjust.

According to the mandate contracts concluded by the company with the SNN managers:
The mandate contracts concluded by the Managers with SNN for a 4-year term provide the right to withdraw from the position of Manager, subject to prior written notice to the Company, at least 90 (ninety) business days prior to the withdrawal; with the Company's agreement, expressed by a Resolution of the Board of Directors, this notice period may be shorter. In case of an unfair or unjustified revocation of a Director, he/she is entitled to receive from the Company damage compensations representing the equivalent value of the gross monthly fixed indemnifications for the uncovered period of the Mandate Contract, irrespective of the date on which the revocation occurs. Damage compensations are paid within 30 business days after the termination of the Mandate Contract concluded with the company.

The damage compensations payable to the Chief Executive Officer according to the aforementioned provisions is the only compensation if the Chief Executive Officer is unjustifiably dismissed.

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According to the mandate contracts concluded by the company with the SNN directors:
The mandate contracts concluded by the members of the Board of Directors with SNN for a 4-year term, the right to withdraw from the position of Director, subject to sending a notice to the Company, at least 30 (thirty) business days prior to the withdrawal; with the Company's approval, expressed by the General Assembly of Shareholders, this notice period may be shorter. In case of the unfair or unjustified revocation of a director, he/she is entitled to receive from the company damage compensations for the uncovered period of the Mandate Contract. If the revocation occurs within the first 3 (three) years of the mandate, the director is entitled to receive damage compensations representing the fixed monthly remunerations for the remaining period not covered by the mandate contract, but not more than 24 fixed monthly remunerations. If the revocation occurs within the last year of the mandate, the director is entitled to receive damage compensations representing the fixed monthly remunerations for the remaining period not covered by the mandate contract, but not more than 6 fixed monthly remunerations. Damage compensations are paid within 30 business days after the termination of the Mandate Contract. The damage compensations payable to the director according to the aforementioned provisions are his/her only compensation if he/she is unfairly dismissed.

Advisory Committee for Nomination and Remuneration,

Remus Vulpescu

Iulian Robert Tudorache

Elena Popescu

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22. Annex 9 - Audited Individual Financial Statements on the date and for the period that ended on 31.12.2019

The Audited Individual Financial Statements on the date and for the financial year ended on December 31, 2019 drafted according to Order of the Minister of Public Finance no. 2844/2016 for approving the accounting regulations according to the International Financial Reporting Standard ("IFRS"), are published on the website of S.N. Nuclearelectrica S.A. (www.nuclearelectrica.ro), section "Investor Relation", and are accompanied by the Report of the independent auditor regarding the Individual Financial Statements.

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23. Annex 10 - Audited Consolidated Financial Statements on the date and for the period that ended on 31.12.2019

The Audited Consolidated Financial Statements on the date and for the financial year ended on December 31, 2019 drafted according to Order of the Minister of Public Finance no. 2844/2016 for approving the accounting regulations according to the International Financial Reporting Standard ("IFRS"), are published on the website of S.N. Nuclearelectrica S.A. (www.nuclearelectrica.ro), section "Investor Relation", and are accompanied by the Report of the independent auditor regarding the Consolidated Financial Statements.

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24. Annex 11 - Non-financial reporting

The non-financial reporting is prepared in compliance with Directive 2014/95/EU of the European Parliament and of the Council, based on the Guidelines on reporting non-financial information (2017/C215/01) and contains non-financial information and information regarding the diversity of the company's activities, relevant, useful and applicable to a producer of nuclear energy such as SN Nuclearelectrica SA, exemplified through performance indicators allowing all interested categories of the public to compare the relevant annual results, through reference to policies, procedures and authorizations applicable and used by SNN.

Given the specific nature of SNN, the production of energy through nuclear procedure and the manufacture of nuclear fuel bundles in order to operate the two Cernavoda NPP units, objectively, not all the indicators specified in the above-mentioned guidelines are applicable to the company.

This non-financial statement includes information and data on the main business that influence both the company and its stakeholders, the environment and the population, and provides a comprehensive description of all impacting factors, the management method and results, with a view of illustrating the company's responsibility towards all these categories of the public and the environment.

1. Business model

1.1.Own organization and structure

SNN is a national joint-stock company, managed in one-tier management system, having its registered office in Bucharest, District 1, Polona Street, No. 65, and two branches without legal personality. The company's main activity is the "Production of electricity" – NACE code 3511, and it is recorded in the Trade Register under no. J40/7403/1998, tax number 10874881, fiscal attribute RO.

SNN was incorporated on July 02, 1998 by Government Resolution no. 365/1998, following the reorganization of the Romanian energy system. Before the reorganization, the nuclear power plant was part of RENEL, national vertically integrated company that was divided in different national companies owned by the state. The Company operates under the Romanian legislation and the Articles of Incorporation.

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Shareholding structure on 31.12.2019:

Shareholder type	Number of shares owned	% share capital ownership
Romanian State - Ministry of Energy*)	248,736,619	82.4959 %
Fondul Proprietatea S.A.	21,268,355	7.0539 %
Other legal entities	18,175,341	6.0280 %
Individuals	13,333,536	4.4221 %
Total	**301,513,851**	**100%**

**) Starting with February 11th, 2020, the shares held by the Romanian State via the Ministry of Energy are transferred to the Romanian State via the Ministry of Economy, Energy and Business Environment, as a result of the implementation of the provisions of the Government Emergency Ordinance no. 68/ November 6th, 2019.*

At present, SNN is the only producer of electricity based on nuclear technology in Romania. Also, SNN produces nuclear fuel bundles, CANDU type, used for the operation of its own nuclear reactors.

CNE branch (Nuclear - Electric Station) Cernavoda, registered office in Cernavoda, 2 Medgidiei Street, registered with the Trade Register under no. J13/3442/11.10.2007, ensures the operation of the two nuclear units, based on CANDU technology type, as well as the administration of all SNN assets in Cernavoda (except for Units 1 and 2 in operation, Units 3 and 4 in different construction stages, Unit 5 for which the shareholders of the Company had approved the change of destination since March 2014, namely, its use for carrying out activities related to the operation of Units 1 and 2, and also the heating system). The two units have a installed capacity around 700 MW each (MWe 706.5 Unit 1 and MWe 704.8 MWe Unit 2).

FCN Branch (Nuclear Fuel Plant) Pitesti, registered office in Mioveni, 1 Campului Street, registered with the Trade Register under no. J03/457/24.08.1998, where CANDU fuel bundles are made for Units 1 and 2 of Cernavoda.

Unit 1 was commissioned in 1996 and Unit 2 in 2007. The two reactors alone ensure about 17% - 18% of the internal energy production of Romania. The nuclear reactors from the two units are 6 CANDU type, design developed in Canada, by Atomic Energy of Canada Ltd. This type of reactors are cooled and moderated with heavy water and use natural uranium as fuel. The initial project envisages the construction of 5 nuclear units CANDU type.

According to the Government initial strategy, the construction of CNE Cernavoda Units 3 and 4 will be completed by Energonuclear S.A., a subsidiary of SNN, incorporated in 2009. Currently, there is a new strategy for the continuation of the Project for Units 3 and 4 approved by the Extraordinary General Meeting of Shareholders of SNN of August 22, 2014, providing for the incorporation of a new project company, into which Energonuclear S.A. will be absorbed. Unit 5 is currently completely depreciated, due to the fact that there is no plan for its construction; in March

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2014, the shareholders of the Company approved the use of Unit 5 for operating activities of Units 1 and 2.

Units 1 and 2 use, on an annual basis, approximately 11.000 nuclear fuel bundles, each containing 19 kg of uranium. In order to produce the necessary fuel, NFP Pitesti operates at maximum capacity. In 2019, NFP Pitesti branch manufactured 11,200 nuclear fuel bundles and delivered to NPP Cernavoda 10,800 nuclear fuel bundles, according to the manufacturing and delivery plan.

1.2.Market on which the company operates

SNN represents a stability factor for the energy market in Romania, both through the base load electricity production and the competitive production cost.

During 2019, electricity was sold based on the manufacturer's license, as follows:

❖ On the competition market by energy sale-purchase contracts on the markets managed by the market operator OPCOM S.A.: mainly PCCB – LE and PCCB - NC (centralized market for bilateral electricity contracts with the method trading contracts by extended tender procedures and the method of trading contracts according to which contracts are distributed by continuous negotiations), PZU (following-day market) and PCSU (universal service centralized market) and PC-OTC (the centralized market with double negotiation of bilateral electricity contracts).

❖ On the balancing market administered by Transelectrica S.A., in case of positive unbalance.

❖ By the energy supply contracts concluded with two consumers supplied directly from the installations of NPP Cernavoda, according to the electricity manufacture license.

The thermal energy produced and sold both in 2019 and 2018, through CNE Cernavoda, was exclusively delivered to the local supplier of thermal power. In Cernavoda, SNN is the only manufacturer that delivers thermal power in a centralized system.

The participants to the Romanian energy market which are certified by ANRE are:

- Energy producers;
- Electricity Transport Company - Transelectrica S.A.;
- Energy distributors;
- Energy suppliers;
- Energy traders.

The supply of electricity was performed in 2019 on the regulated and competition-based market.

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As at the date of this Report, there is no data published by ANRE regarding the electricity market in 2019, on December 31, 2019. According to the ANRE market monitoring report for November, the market share of the manufacturers with dispatch units depending on the electricity delivered in the networks in January-November was for SNN of 19.18%, while the value of the indicator calculated for Hidroelectrica was 28,45% and for C.E. Oltenia 20.96%.

According to the statistical data centralized by Transelectrica S.A. until now, in 2019, the SNN production represented 18.4% of the total electricity produced in Romania (net values for period January - November).

The structure of the gross energy production at national level is as follows:

Structure of the energy production	2018		2017	
	GWh	%	GWh	%
Conventional power plants	26,810	41.6%	28,088	44.1%
Hydro power plants	18,025	28.0%	14,755	23.2%
Nuclear power plants	11,377	17.7%	11,509	18.1%
Wind power plants	6,497	10.1%	7,411	11.6%
Photovoltaic power plants	1,674	2.6%	1,882	3%
Total	**64,383**	**100%**	**63,645**	**100%**

Source: *National Institute of Statistics – Press release no. 35/2019.*

The estimated gross energy production in Romania decreased almost 7.8% in 2019 compared to 2018, while the estimated consumption decreased with 1%. In 2019 the exports on national level decreased by 34.4% compared to the value of the previous year, reaching a value of 3,592.2 GWh, representing 29% from the population consumption, which is 12,393,3 GWh, out of a total national consumption of 55,298.9 GWh (except for own technological consumption in networks and stations).

In 2019, the quantity of electricity sold by SNN was 10,652 GWh (including the quantity sold on the balancing market), while in 2018 the sold quantity was 10,676 GWh (including the quantity sold on the balancing market).

Therefore, while in 2018, SNN sales represented nearly 19.1% of the final energy consumption needs, in 2019, SNN sales represented nearly 19.3 % of the final energy consumption of the national economy, which was 55.298,9 GWh (down by 1% in relation to 2018).

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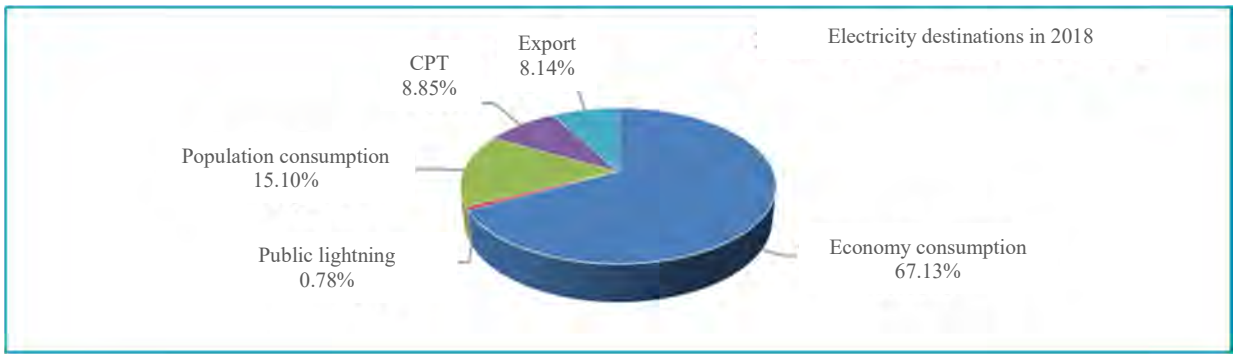
Structure by destinations of the electricity resources in 2018 - 2019:



Source: *National Institute of Statistics – Press release no. 35/2019 (CPT: own technological consumption in networks and stations).*

Source: *National Institute of Statistics – Press release no. 39/2020 (CPT: own technological consumption in networks and stations).*

1.3.Strategic objectives

The company has its mission, goals and values defined in a coherent way. The general goals represent a comprehensive picture of SNN's annual objectives, which in turn are supported and fulfilled by annual plans and specific programs. Alongside the other major producers on the Romanian electricity market, SNN will have the mission to ensure the satisfaction of domestic electricity demand, under specific conditions in terms of the plants' nuclear safety and environment protection, and the safety of the population and of its own staff.

Among the main characteristics of SNN we can recall: the high value of the installed capacity utilization factor, low CO2 emissions, the low dependence on the cost of energy produced by the variations in the price of uranium, the relatively constant and predictable production costs, the high level of technical training of the operating personnel.

The strategic goals are developed based on the national and international context, such as: the support given by the Romanian Government to the nuclear energy sector, the need to rehabilitate the obsolete power generation capacities, the electricity demand synchronized with the evolution of

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the GDP, the tendency for diversification of energy production capacities (the support given to production from renewable energy sources; the impact of petrol price increases), the development of new major power producing companies that will have extensive capacities and will be active at international level.

Objectives and measures to achieve them

Regarding the operation of the nuclear units in safe conditions and nuclear security for the staff, population, environment and production assets:

- Maintaining a degree of maximum availability of technological systems and with security features.
- Improving/maintaining the high level of professional training for the staff operating the two nuclear units.
- Maintaining the volume of radioactivity releases in water and air below the regulated level.
- Maintaining memberships within international organizations in the nuclear energy industry and, if applicable, affiliation to other organizations.
- Ensuring the oversight function.

In order to maintain the power production capacity above the average level in industry:

- Performing the maintenance and repair plans in order to increase the reliability of equipment and systems and the operation of nuclear units under safe and secure conditions.
- Running lifetime management programs for the Cernavoda NPP components and systems (reactor, steam generator, turbo-generator etc.).
- Continuing the programs for the replacement of worn and obsolete components and equipment.
- Performing, on time and under conditions of maximum quality, the mandatory annual inspection programs of the vital nuclear components (fuel channels, heat exchangers, etc.).
- Maintaining the over-average power utilization rate in the nuclear industry.
- Implementing the strategy for diversifying sources of raw material supply needed to produce nuclear fuel.

As regards the fulfillment of the major investment objectives, the following major priority projects have been identified:

- Drafting the nuclear security documentation in order to reauthorize Unit 1 for operating all-through its life cycle. Estimated budget (2019-2022): 34.26 million RON.
- Unit 1 Refurbishment Project: running activities regarding:

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i) the establishment of the volume of works on the basis of the technical status evaluation of the structures, systems and components of Unit 1;
ii) the selection of engineering support services for the beneficiary;
iii) the identification of the storage and management solutions for the radioactive waste generated during the refurbishment period and the infrastructure necessary to run the Refurbishment project;
iv) the elaboration of the feasibility study. Estimated budget (2019-2022): 165 million RON.

- The Intermediary Burnt Fuel Warehouse Project (DICA). The implementation of the measures foreseen in the Long-term revised strategy for the development of the Intermediate Spent Fuel Storage Facility (DICA) and authorization for the extension of the lifetime of Units 1 and 2 harmonized with CNCAN's observations, and those of the Ministry of Environment and Climate Change, respectively, approved by the shareholders of SNN through the Decision no. 8/28.09.2017 of the Ordinary General Meeting of Shareholders. Estimated budget (2019-2022): 50 Million RON.
- Project of Units 3 and 4 of NPP Cernavoda: running the pre-project activities (rechecking the feasibility, evaluating the assets, decision-making on IPC contracting, obtaining authorizations and approvals needed to start work, including support measures and final investment decision). Estimated budget (SNN cash contribution related to the 49% stake in the project company) 2019-2023: 74 million RON.
- Tritium Removal Facility NPP Cernavoda Project: running the activities leading to the implementation of the project (selection of support services for the beneficiary, selecting the IPC contractor, obtaining the approvals and authorizations, structuring the financing, etc.). The total cost of the investment under the Feasibility Study is 896 million RON, and the project will be implemented by the end of 2026.

At the same time, the implementation of some investment projects representing modernization / rehabilitation / reliability improvements of the productive assets with an annual budget effort estimated at 90 million lei.

In order to meet the major investment objectives, it is necessary to adopt the following measures:

- Establishing and monitoring an investment strategy within SNN, in order to provide the support required for the operation of the production units under conditions of nuclear safety and security.
- Establishing a long-term priority order in a realistic manner, correlated with SNN's ability to allocate the technical, human and financial resources required for the projects mentioned.
- Conducting the necessary feasibility studies and commencing the works for the major investment objectives.
- Ensuring the conditions and the specialized personnel for completing the negotiations on the Investment Documents regarding the development, construction, operation and decommissioning of Units 3 and 4 of Cernavoda NPP.

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Regarding the power trading strategy:

- Long time advance contracting to ensure company revenue stability and to lower the risk of electricity price volatility.
- Getting a sale price of more than 180 RON/ MWh for the entire period 2018-2022

Regarding the improvement of the financial performance indicators of the Company and the fulfillment of the three financial indicators mentioned in the contract with EURATOM we are considering:

- Maximizing the use of the company's capabilities with a direct effect in obtaining adequate cost structures, while observing the nuclear safety culture.
- Strengthening the operational cash flows of the company to ensure liquidity needs for current investment projects and to increase the bankability of major investment projects run by SNN.
- Ensuring liquidity requirements for payment of outstanding installments on contracted loans.
- Strengthening the self-financing capacity of the activity (CAF) while observing the nuclear safety standards.

With regard to maintaining a foreseeable / predictable dividend policy of the company:

- Maintaining a dividend rate of at least 60% of the profit after the deduction of the profit tax.

Regarding the optimization and streamlining of the organizational structure of the Company:

- Optimization envisages the implementation of an organizational structure that allows the company's capabilities to be maximized as a fundamental element of sustainability of the competitive advantages.
- Creating an internal resource allocation system to maximize and streamline direct effect uses to achieve cost-effective structures.
- Amid the consolidation of the nuclear safety culture, we plan on implementing an organizational structure based on clearly defined roles, eliminating inadequate redundancy of roles, cascading goals, aligning skills with today's changing demands, based on good corporate governance rules, with a fluent vertical and horizontal communication system.
- Aligning the organizational structure with the other 3 dimensions of the organization: human resource, process system and technology.

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Regarding the observance of the principles of corporate governance and the code of ethics and integrity:

- Compliance with all legal provisions and recommendations of the Romanian capital market institutions regarding the principles of corporate governance.
- Performing a regular benchmarking with entities at international level and adopting international best practices.
- 0 tolerance to deviations in the SNN code of ethics.

Regarding responsible and active involvement in corporate social responsibility actions:

- Involvement in social responsibility actions at local and national level in the following fields: education and research, humanitarian and cultural fields.

In terms of maintaining / attracting highly qualified staff, in the context of a specialized labor market:

- Adopting a strategy for attracting, training and retaining human resources.
- Implementing cooperation programs with the Polytechnic University of Bucharest and technical faculties at national level, especially in SNN operating areas, adapted to the medium- and long-term personnel needs of SNN in order to grant scholarships.
- Implementing national and local information campaigns in high schools to attract young people both for enrolling them in faculties (major in energy) and for attracting vocational school graduates.
- Developing traineeship programs for undergraduates and individual mentoring programs for young employees.
- Adopting specific human resources measures to increase the level of satisfaction of highly qualified staff and its retention in conjunction with the current and long-term needs of SNN.
- Implementing a remuneration system based on individual performance by analyzing individual performance indicators.

In order to develop / improve reporting, control and risk management capabilities, paying increased attention to investor relations, SNN aims at:

- Integrating / correlating corporate risk management processes and mechanisms (other than operational approached by regulatory, standard and practices of the nuclear industry) with the processes and mechanisms for managing the risks associated with the operation of the nuclear power plant in order to ensure a adequate approach to the risks faced by the organization, in the sense of completeness of their management.
- Revising, improving and/or developing (as the case may be) processes and instruments for the management of corporate risk and revising and / or recalibrating / adjusting risk management tools

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periodically (e.g. internal procedures, algorithms and models, assessment scales, risk profile, risk tolerance limit, operational and informational flows).

- Increasing the knowledge of the Company personnel regarding risk management especially by conducting qualification / training sessions for the personnel of the SNN Power Station, NPP Cernavoda and NFP Pitesti.
- Improving information flows to circulate information about risks within the organization, both in order to better manage them in locations where exposure exists, and to better apply the principle of making informed decisions in terms of risks (RIDM - Risk-Informed Decision Making).
- Develop an internal business continuity management (BCM) framework.

In order to use the assets that are not currently generating revenues:

- Completing the Project of Units 3 and 4 from Cernavoda NPP, by capitalizing existing assets of SNN, having a considerable value: land, buildings, equipment etc. - and those of EnergoNuclear S.A. - intangible assets etc., under the terms of the law.

The Strategy for continuing the Project of Units 3 and 4 of Cernavoda NPP by organizing an Investor Selection Procedure (the "Strategy") was approved by the Extraordinary General Meeting of Shareholders of S.N. Nuclearelectrica S.A. dated August 22, 2014.

The strategy provides for the creation of a joint venture ("JV") within the meaning of art. 50 of Law no. 137/2002, between SNN and a selected private investor, i.e. a JV, to which the value invested by SNN in the subsidiary company EnergoNuclear S.A. ("EN") would be transferred. JV represents the company prior to the IPP (Independent Energy Producer - IPP) company, set up for a period of 2 years, duration that may be modified with the agreement of the parties, in order to recheck, under the current conditions, the feasibility of the project, the assessment of asset, taking the decision related to the contracting of engineering, procurement and construction (EPC) works, obtaining the necessary authorizations and approvals for the commencement of the works, including the support measures to be granted to the project under the conditions of the national and Community legislation and taking the final investment decision for the transition to the implementation phase of the Project and subsequently to the IPP stage.

2. Register of risks and main trends and factors that can impact development

SNN established, in the development strategy 2015-2025, the main medium and long term strategies with the main focus of maintaining nuclear safety, the continuous growth and increase of its shareholders' profits, and the analysis of the risks of the activity is important in this context.

Medium and long term, the activity of SNN will be influenced both by the evolution of electricity prices and by the investment projects that the Company will develop: extending the life cycle of

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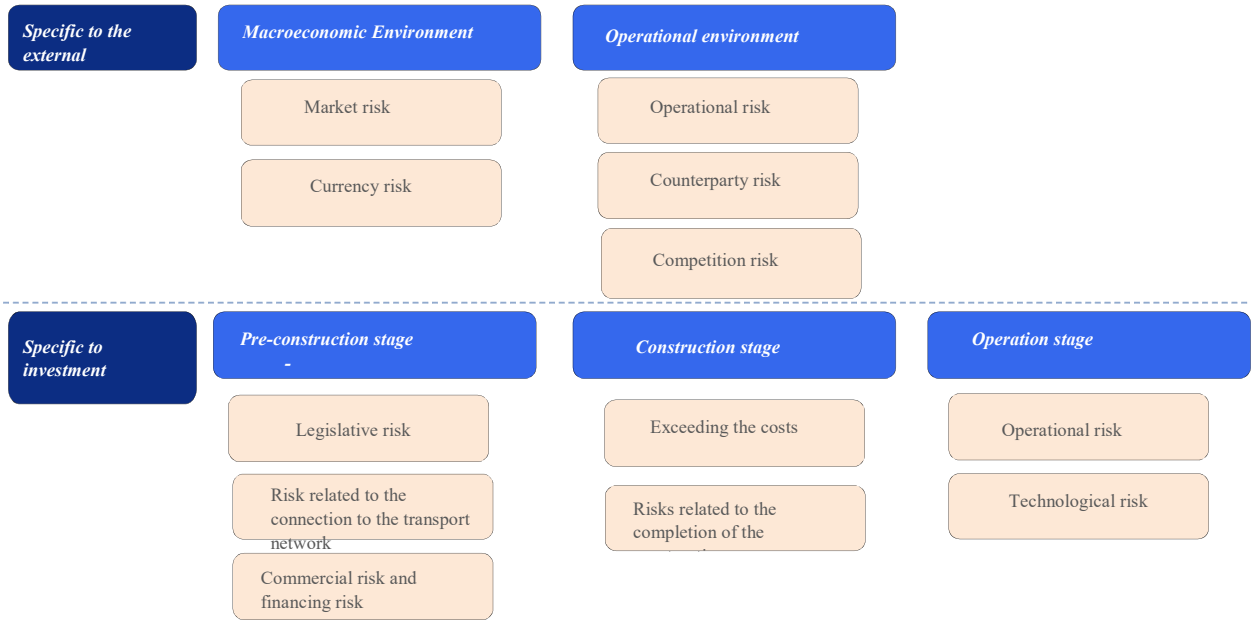
Unit 1, participating in the development of Units 3 and 4, continuing the development of DICA, setting up the funds needed for the solutions for the final storage of burnt fuel and building a tritium removal installation (CTRF - Cernavoda Tritium Removal Facility).

Consequently, the main risks in terms of SNN's activity and goals (market-related risks and project development) were analyzed. The diagram below comprises the overview of the main objectives, the critical elements in relation to the implementation of the strategies and the risks SNN will be faced with.



Source: SNN Analysis

3. Due diligence policy and process

3.1. Unitary management of the Company

Structura. Appointment of members. Eligibility criteria.

The executive body of the company is the Board of Directors and consists of 7 members, one executive member and 6 non-executive members.

On October 10, 2019, the company issued a Current Report according to art. 234, paragraph (1), letter g) of ASF regulation no. 5/2018 informing the shareholders of SNN regarding the notification received from the National Commission for Controlling Nuclear Activities ("CNCAN") on 09.10.2019, whereby the company was notified on the result of the process of granting CNCAN approvals for non-executive directors, based on the nuclear security norm regarding the preparation,

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qualification and authorization of the personnel of the organizations that operate nuclear installations, NSN 23.

Following the implementation of this process, CNCAN notified SNN that Mr. Cristian Dima, a member of the Board of Directors, did not approve the approval of CNCAN. According to the provisions of the Mandate Contract concluded with the non-executive directors of the company, in virtue of art. 13.1 letter k), namely: "if the Director does not pass within 12 months after starting the mandate the verifications of CNCAN provided by the NSN 23 Norms, the contract shall be terminated when CNCAN/the Director notifies SNN on the fact that the Director did not pass the CNCAN verifications provided by NSN 23 and in this case SNN will not owe to the Director damages for this termination case", the Mandate Contract of Mr. Cristian Dima was terminated on the date of the CNCAN notification, namely 09.10.2019.

In period 09.10.2019 – 19.12.2019, the Board of Directors of S.N. Nuclearelectrica S.A. had 6 members, and there was a vacancy in this interval.

On December 19, 2019, the Board of Directors of SNN approved, upon the recommendation of the Nomination and Remuneration Committee no. 14958/16.12.2019, the appointment of Mr. Chirica Minodor Teodor as a provisional director, with a mandate duration until the Ordinary General Meeting of Shareholders, according to the provisions of art. 1372 of Law no. 31/1990, given his experience and professional expertise,

The President of the Board is elected by the Board of Directors from among its members, in the person of Mr Iulian-Robert Tudorache. The President of the Board is appointed for a period that may not exceed the duration of his/her mandate/term as administrator/director and can be dismissed any time by the Board of Directors.

The directors/administrators can be dismissed anytime by the Ordinary General Meeting of Shareholders. Each director/administrator has expressly accepted to fulfil the mandate. The company is obligated to conclude a D&O type insurance. During the mandate fulfillment, the directors/administrators may not conclude an employment contract with the company.

The members of the Board of Directors are obliged to exercise their mandate with prudence and diligence of a good administrator, with loyalty, on behalf of, and to the benefit of the company, and are not allowed to disclose confidential information and business secrets of the company.

Also, the BoD members undertake to provide the avoidance of a direct or indirect conflict of interests with the Company, and in case such conflict occurs, to refrain from discussion and vote on the respective matters, according to the current legal provisions.

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As at 31.12.2019, the directors of the Company are as follows:

First name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of mandate expiration
Iulian - Robert Tudorache	45 years old	Attorney-at-law	18 years old	Chairman of the Board of Directors (non-executive member)	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Cristian Gentea	56 years old	Physician engineer	31 years old	Non-executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Elena Popescu	60 years old	Nuclear station engineer	35 years old	Non-executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Cristian Dima	52 years old	Economist	27 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019) Mandate contract concluded on 09.10.2019,	09.10.2019

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First name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of mandate expiration
					according to the provisions of art. 13.1 letter k) from the Mandate Contract.	
Mihai Daniel Anitei	50 years	Mechanical engineer	22 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Cosmin Ghita	30 years old	Economist	10 years	Executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
Remus Vulpescu	48 years	Legal Adviser	25 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2018)	28.09.2022
					28.12.2017 (temporary mandate according to OGSM Resolution 10/20.12.2017)	28.04.2018
Teodor Minodor Chirica	74 years old	Engineer	51 years old	Non-executive member of the Board of Directors	19.12.2019	30.01.2020

The members of the Board of Directors are appointed by the shareholders, during the Ordinary Meetings of the Shareholders. The company has no knowledge of any agreement, understanding or

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family connections between the administrators and/or other persons, due to whom the respective administrator was appointed.

According to criteria provided at point A4 of the Corporate Governance Code of BSE, the members of the Board of Directors with contractual relations with a shareholder owning over 10% of the voting rights, as at January 1, 2016 are: Iulian-Robert Tudorache (State Secretary within the Energy Ministry until June 2019), Elena Popescu (Chief Executive Officer, General Division of Energy Policies within the Ministry of Energy), Cristian Gentea (Chief Executive Officer of the Administration of Technologies for Nuclear Energy, an entity 100% owned by the Romanian State, a majority shareholder of SNN).

As at 31.12.2019, the members of the Board of Directors have no shares in SNN.

3.2.Attributions of the Board of Directors

The main objectives of the Board of Directors appointed for a 4-year mandate, as of 28.09.2018:

Regarding the operation of the nuclear units in safe conditions and nuclear security for the staff, population, environment and production assets:

- Maintaining a degree of maximum availability of technological systems and with security features.
- Improving/maintaining the high level of professional training for the staff operating the two nuclear units.
- Maintaining the volume of radioactivity releases in water and air below the regulated level.
- Maintaining memberships within international organizations in the nuclear energy industry and, if applicable, affiliation to other organizations.
- Ensuring the oversight function.

In order to maintain the power production capacity above the average level in industry:

- Performing the maintenance and repair plans in order to increase the reliability of equipment and systems and the operation of nuclear units under safe and secure conditions.
- Running lifetime management programs for the Cernavoda NPP components and systems (reactor, steam generator, turbo-generator etc.).
- Continuing the programs for the replacement of worn and obsolete components and equipment.
- Performing, on time and under conditions of maximum quality, the mandatory annual inspection programs of the vital nuclear components (fuel channels, heat exchangers, etc.).
- Maintaining the over-average power utilization rate in the nuclear industry.

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- Implementing the strategy for diversifying sources of raw material supply needed to produce nuclear fuel.

As regards the fulfillment of the major investment objectives, the following major priority projects have been identified:

- Drafting the nuclear security documentation in order to reauthorize Unit 1 for operating all-through its life cycle. Estimated budget (2019-2022): 34.26 million RON.
- Unit 1 Refurbishment Project: running activities regarding:
  i) the establishment of the volume of works on the basis of the technical status evaluation of the structures, systems and components of Unit 1;
  ii) the selection of engineering support services for the beneficiary;
  iii) the identification of the storage and management solutions for the radioactive waste generated during the refurbishment period and the infrastructure necessary to run the Refurbishment project;
  iv) the elaboration of the feasibility study. Estimated budget (2019-2022): 165 million RON.
- The Intermediary Burnt Fuel Warehouse Project (DICA). The implementation of the measures foreseen in the Long-term revised strategy for the development of the Intermediate Spent Fuel Storage Facility (DICA) and authorization for the extension of the lifetime of Units 1 and 2 harmonized with CNCAN's observations, and those of the Ministry of Environment and Climate Change, respectively, approved by the shareholders of SNN through the Decision no. 8/28.09.2017 of the Ordinary General Meeting of Shareholders. Estimated budget (2019-2022): 50 Million RON.
- Project of Units 3 and 4 of NPP Cernavoda: running the pre-project activities (rechecking the feasibility, evaluating the assets, decision-making on IPC contracting, obtaining authorizations and approvals needed to start work, including support measures and final investment decision). Estimated budget (SNN cash contribution related to the 49% stake in the project company) 2019-2023: 74 million RON.
- Tritium Removal Facility NPP Cernavoda Project: running the activities leading to the implementation of the project (selection of support services for the beneficiary, selecting the IPC contractor, obtaining the approvals and authorizations, structuring the financing, etc.). The total cost of the investment under the Feasibility Study is 896 million RON, and the project will be implemented by the end of 2026.

At the same time, the implementation of some investment projects representing modernization / rehabilitation / reliability improvements of the productive assets with an annual budget effort estimated at 90 million lei.

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In order to meet the major investment objectives, it is necessary to adopt the following measures:

- Establishing and monitoring an investment strategy within SNN, in order to provide the support required for the operation of the production units under conditions of nuclear safety and security.
- Establishing a long-term priority order in a realistic manner, correlated with SNN's ability to allocate the technical, human and financial resources required for the projects mentioned.
- Conducting the necessary feasibility studies and commencing the works for the major investment objectives.
- Ensuring the conditions and the specialized personnel for completing the negotiations on the Investment Documents regarding the development, construction, operation and decommissioning of Units 3 and 4 of Cernavoda NPP.

Regarding the power trading strategy:

- Long time advance contracting to ensure company revenue stability and to lower the risk of electricity price volatility.
- Getting a sale price of more than 180 RON/ MWh for the entire period 2018-2022

Regarding the improvement of the financial performance indicators of the Company and the fulfillment of the three financial indicators mentioned in the contract with EURATOM we are considering:

- Maximizing the use of the company's capabilities with a direct effect in obtaining adequate cost structures, while observing the nuclear safety culture.
- Strengthening the operational cash flows of the company to ensure liquidity needs for current investment projects and to increase the bankability of major investment projects run by SNN.
- Ensuring liquidity requirements for payment of outstanding installments on contracted loans.
- Strengthening the self-financing capacity of the activity (CAF) while observing the nuclear safety standards.

With regard to maintaining a foreseeable / predictable dividend policy of the company:

- Maintaining a dividend rate of at least 60% of the profit after the deduction of the profit tax.

Regarding the optimization and streamlining of the organizational structure of the Company:

- Optimization envisages the implementation of an organizational structure that allows the company's capabilities to be maximized as a fundamental element of sustainability of the competitive advantages.

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- Creating an internal resource allocation system to maximize and streamline direct-effect uses to achieve cost-effective structures.
- Amid the consolidation of the nuclear safety culture, we plan on implementing an organizational structure based on clearly defined roles, eliminating inadequate redundancy of roles, cascading goals, aligning skills with today's changing demands, based on good corporate governance rules, with a fluent vertical and horizontal communication system.
- Aligning the organizational structure with the other 3 dimensions of the organization: human resource, process system and technology.

Regarding the observance of the principles of corporate governance and the code of ethics and integrity:

- Compliance with all legal provisions and recommendations of the Romanian capital market institutions regarding the principles of corporate governance.
- Performing a regular benchmarking with entities at international level and adopting international best practices.
- 0 tolerance to deviations in the SNN code of ethics.

Regarding responsible and active involvement in corporate social responsibility actions:

- Involvement in social responsibility actions at local and national level in the following fields: education and research, humanitarian and cultural fields.

In terms of maintaining / attracting highly qualified staff, in the context of a specialized labor market:

- Adopting a strategy for attracting, training and retaining human resources.
- Implementing cooperation programs with the Polytechnic University of Bucharest and technical faculties at national level, especially in SNN operating areas, adapted to the medium- and long-term personnel needs of SNN in order to grant scholarships.
- Implementing national and local information campaigns in high schools to attract young people both for enrolling them in faculties (major in energy) and for attracting vocational school graduates.
- Developing traineeship programs for undergraduates and individual mentoring programs for young employees.
- Adopting specific human resources measures to increase the level of satisfaction of highly qualified staff and its retention in conjunction with the current and long-term needs of SNN.
- Implementing a remuneration system based on individual performance by analyzing individual performance indicators.

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In order to develop / improve reporting, control and risk management capabilities, paying increased attention to investor relations, SNN aims at:

- Integrating / correlating corporate risk management processes and mechanisms (other than operational approached by regulatory, standard and practices of the nuclear industry) with the processes and mechanisms for managing the risks associated with the operation of the nuclear power plant in order to ensure a adequate approach to the risks faced by the organization, in the sense of completeness of their management.
- Revising, improving and/or developing (as the case may be) processes and instruments for the management of corporate risk and revising and / or recalibrating / adjusting risk management tools periodically (e.g. internal procedures, algorithms and models, assessment scales, risk profile, risk tolerance limit, operational and informational flows).
- Increasing the knowledge of the Company personnel regarding risk management especially by conducting qualification / training sessions for the personnel of the SNN Power Station, NPP Cernavoda and NFP Pitesti.
- Improving information flows to circulate information about risks within the organization, both in order to better manage them in locations where exposure exists, and to better apply the principle of making informed decisions in terms of risks (RIDM - Risk-Informed Decision Making).
- Develop an internal business continuity management (BCM) framework.

By the Resolution of the Board of Directors no. 187/29.10.2018, the administration component of the Administration Plan was approved. By the Resolution of the Board of Directors no. 33/07.03.2019, the management component of the Administration Plan and the overall Administration Plan were approved.

By Resolution no. 3/10.04.2019 of the Ordinary General Meeting of Shareholders of SNN no. 3/10.04.2019, the following were approved:

- the financial and non-financial performance indicators that will form the annex to the contract of mandate of non-executive directors;
- the equivalent value corresponding to the annual variable component of the remuneration of non-executive directors of the company, amounting to 12 monthly fixed allowances;
- the form of the addendum to be concluded to the contract of mandate of the company's non-executive directors.

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The Board of Directors has the following responsibilities, that cannot be delegated to the Chief Executive Officer:

- Approval of the Company's main activity and development directions;
- Establishment of the accounting and financial audit system and approval of the financial planning;
- Appointment and revocation of the Managers, as well as the establishment of their remuneration;
- Oversight of the activity of the Chief Executive Officer and of the Managers;
- Preparation of the annual report, organization of the general meeting of shareholders and implementation of the GMS resolution;
- Filing the request for opening the insolvency procedure of the company, as per the Law 85/2006 regarding the insolvency procedure;
- Approval of changing the activity field of the company.

The Board of Directors has also the following responsibilities:

- Exercise control on the way the Chief Executive Officer and the other Managers govern the Company;
- Approves the revenues and expenses budget;
- Approves the management plan prepared by the Chief Executive Officer and/or other Directors;
- Verifies if the activity of the company is compliant with the Law, the Articles of Incorporation and any relevant resolution of the General Meeting of Shareholders;
- Presents to the General Meeting of Shareholders an annual activity report;
- Represents the company in relationship with the Chief Executive Officers and the appointed Managers;
- Checks and approves the quarterly, half-year and annual financial statements of the Company;
- Verifies and approves the Report of the Chief Executive Officer and the reports of the Managers;
- Proposes to the General Meeting of Shareholders the appointment and the revocation of the financial auditor, as well as the minimum duration of the audit contract;
- Approves the mandate contracts of the Chief Executive Officer and of the appointed Managers thus establishing the organization of the activity of the managers;
- Approves the empowered representatives to negotiate the collection work agreement with the unions and/or with the representatives of the employees as well as their negotiation mandate;
- Approves the Company's collective work agreement;
- Approves the Organization and Operation Regulations of the Board of Directors;
- Approves the activity programs (production, research– development, technological engineering, investment, etc);

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- Approves the energy transactions strategy of the Company;
- Approves any transaction of the company with any of the companies with which it has close relations whose value is equal to or higher than 5% of the net assets of the company (according to the latest financial report) following a mandatory opinion of the Audit Committee of the Board and correctly disclosed to shareholders and potential investors, insofar as such transactions fall into the category of events which are subject to reporting requirements;
- Approves the conclusion of any contract/document which raises legal obligations for the Company (acts of acquisition, sell, exchange and pledge as guarantee non-current assets of the Company), the value of which does not exceed, separately and cumulated, during one financial year, 20% of the total non-current assets of the Company less receivables, in compliance with the competence limits provided in the Annexes to the Articles of Incorporation;
- Approves the renting of tangible assets, for a period greater than a year, with an individual and cumulated value for the same contractor or entity involved with the company, which does not exceed 20% of the total value of non-current assets, less receivables at the date of the legal document, as well as the associations for periods greater than 1 year, which do not exceed the same value;
- Approves the mandate of Nuclearelectrica's representatives in the General Meeting of Shareholders of S.C. Energonuclear S.A. for the decisions which fall under the competence of S.C. Energonuclear S.A. with the exception of those for which a resolution of the Company's General Meeting of Shareholders is necessary, in compliance with the provisions of the Articles of Incorporation.

The Board of Directors is responsible for the endorsement/approval of the contracts, credits and different operations at the level of the Company, in compliance with the competence limits provided by the Annexes to the Articles of Incorporation.

In 2019, the Board of Directors of SNN was summoned 39 times in order to take the necessary decisions for the management of the company according to the attributions established by the SNN Articles of Incorporation, by the Corporate Governance Regulation and by the Organization and Development Regulation of the BoD Meetings, 17 meetings took place with the members' attendance, 17 by electronic vote and 5 by teleconference.

3.3.Advisory committees on the level of the Board of Directors

The Advisory Committees have the task to develop analysis and draft recommendations for the Board of Directors, in specific fields, with the obligation to periodically forward activity reports of the Board of Directors members.

The main responsibilities of the Advisory Committees are provided in the Organization and operation Regulations approved by the BoD and available on the SNN site.

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According to the Articles of Incorporation of the Company and in compliance with GEO 109/2011, the Board of Directors of SNN created 4 advisory committees, made up of at least 2 Board members.

The Advisory Committee for Nomination and Remuneration
This committee was established according to Art. 34 of the GEO no. 109/2011 regarding corporate governance of the public companies, by Decision no. 7 of the Board of Directors from 26.04.2013.

The Advisory Audit Committee
This committee was established according to Art. 34 of the GEO no. 109/2011 regarding corporate governance of the public companies, by Decision no. 8 of the Board of Directors from 30.04.2013.

The Advisory Committee for Nuclear Safety
This committee was established according to Art. 34 of the GEO no. 109/2011, by Decision no. 27 of the Board of Directors from 26.08.2013.

The Advisory Committee for Strategy, Development and Large Investment Projects
This committee was established according to Art. 34 of the GEO no. 109/2011, by Decision no. 27 of the Board of Directors from 26.08.2013.

Each Advisory Committee has appointed a secretary and a president.

By the Resolution of the Board of Directors no. 210/06.12.2019, the chairmen of the Consultative Committees are the following directors:

The Advisory Committee for Nomination and Remuneration	Remus Vulpescu
The Advisory Audit Committee	Remus Vulpescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

The Advisory Audit Committee

The role of the Advisory Audit Committee is to assist the BoD in performing its duties related to internal audit and to offer council regarding the strategy and policy of the Company related to the internal and external,control system, evaluation of the conflict of interests, as well as the control over the management of the significant risks.

From the functional point of view, the Advisory Audit Committee reports directly to the BoD. Within SNN, there is an Internal Audit Department responsible for managing the internal audit

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activity of the company, reporting to the BoD, from the functional point of view and to the Chief Executive Officer, from the management point of view.

3.4.Nuclear security policy

SNN developed a nuclear safety policy that was approved by CNCAN, with the purpose of maintaining a high and constant level of nuclear safety in all the phases of the commissioning and operation of nuclear installations. The nuclear safety policy ensures performance warranties for all the significant activities regarding nuclear safety, in all the phases of installation and operation of nuclear facilities. This document confirms the fact that nuclear safety has the maximum priority.

The high level of nuclear safety is ensured by the design, construction and operation of the nuclear installations. Nuclear security includes all technical and organizational measures, as well as the actions taken in a nuclear power plant in order to protect the population and the environment against emissions of radioactive substances.

After the Fukushima accident, the European Commission and the Group of European Regulators of the SNN decided that the nuclear security of nuclear plants in Europe shall be reviewed based on transparent and extended risk evaluations, called „Stress tests". The technical purpose of these stress tests was defined considering the risks pointed out by the events occurred at Fukushima. The following issued were stressed: initiation events, such as earthquakes or floods, the consequences of losing the security functions during such events, as well as management difficulties of severe accidents.

CNE Cernavoda, together with AECL Canada and ANSALDO Italia, issued „The reevaluation report of nuclear security limits". The evaluation performed proves the fact that Units 1 and 2 from CNE Cernavoda comply with the nuclear security requirements established by the project and that they can face severe earthquakes and floods, as well as the total loss of electrical energy and cooling water supply. Moreover, methods and procedures were planned for managing possible severe accidents. Also, were identified methods for preventing and limiting the consequences of accidents which may determine the melting of the active area.

In order to provide a good coordination with the competent Local Public Authorities regarding the response in emergency situations, CNE Cernavoda created two important facilities for Cernavoda and namely: Local Center for emergency Situations of the Cernavoda City Hall and Personnel Decontamination Area, within the Town Hospital from Cernavoda.

In addition, a large number of employees take part in various training courses, evaluations, benchmarking, working groups, seminars both in the country and abroad, especially those of international organizations such as IAEA, WANO, COG, FORATOM, and so on. At the same time,

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the Company is focusing on the continued development of its employees, especially in terms of nuclear security, risk management and quality assurance.

CANDU System:

- Thermal power 2062 MW(t);
- Gross electric power 706.5 MW(e);
- Internal service consumption <8%;
- Number of fuel channels 380;
- Number of loops 2;
- Number of steam generators 4;
- Pressure (D2O) in the primary circuit 9.89 MPa;
- Temperature at the outlet of the primary circuit 310°C
- Saturated steam (H2O) pressure 4.6 MPa;
- Supply water temperature 187.20°C.

The CANDU reactor consumes natural uranium, using heavy nuclear water (isotopic content over 99.75% D2O) as moderator and cooling agent, in two independent, separate, closed-circuit systems.

In the 4 steam generators, the heat in the primary circuit is taken over by the light water from the secondary circuit, by turning it into saturated steam. It expands in the turbine formed from a medium pressure body and 3 low pressure bodies, producing the mechanical energy required to actuate the electric generator.

On exiting the turbine, by extracting the residual heat with the help of cooling water taken from the Danube, the steam is condensed. The circuit is resumed by repumping the condensate in order to supply the steam generators.

3.5.Environment protection activity

Currently, the Company owns certifications for environment protection system, as follows:

Cernavoda NPP Branch

(i) The environment authorization for S.N. Nuclearelectrica S.A. - NPP Cernavoda branch - Unit 1 and Unit 2 of the Nuclear Power Station of Cernavoda issued by Government Resolution no. 84/15.02.2019, published in Official Gazette no. 152/26.02.2019. The Authorization covers all the assets and activities related to the operation of NPP Cernavoda Units 1 and 2, including both the nuclear component of the plant ant the classic one.

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(ii) The Authorization regarding the greenhouse gas emissions no. 83/February 01, 2013, revised on November 06, 2019, issued by the National Agency for Environment Protection for the period 2013-2020, which states that the Startup Thermal plant, the Backup Diesel Groups and the Emergency Diesel Groups of each unit as well as the motor pump of the fire extinguishing system fall under the legislation regarding the reduction of greenhouse gas emissions.

(iii) Water Management Authorization no. 131/18.06.2019, no. 1 on "Water supply and wastewater disposal for Units 1 and 2 of Cernavoda Nuclearelectrica Power Plant" valid until 30.06.2021.

(iv) Water Management Permit no. 230/December 04, 2019 issued by the National Administration "Romanian Waters" on "Cernavoda Spent Fuel Storage Facility (DICA)" valid until 30.06.2022. By means of this permission, the National Administration "Romanian Waters" gave the Company the right to use hydraulic structures and receptors for drainage of rainwater from the surface Repository Spent Fuel and evacuate rainwater Valley Cismelei, provided that quality indicators related to this element radioactive respect the limits set by CNCAN.

FCN Pitesti Branch

Environment authorization - operation of NFP Pitesti branch issued by Government Resolution no. 24/2019 published in the Official Gazette of Romania no. 87bis/04.02.2019.

The Company holds certificates on environmental management system, as follows:

(c) Certificate no. 56 regarding the Environment Management System of SNN - CNE Cernavoda branch for the production of electrical and thermal energy, using nuclear resources as well as for connected activities, as per the provisions of standard SR EN ISO 14001:2015 (ISO 14001:2015), issued by IQNet and SRAC on May 07, 2019, valid until 24.04.2022.

(d) Certificate no. 4309 regarding the Environment Management System of SNN – NFP Pitesti branch for the nuclear fuel processing activity, according to the conditions from the EN ISO 14001:2015 standard, issued by IQNet and SRAC on October 02, 2019, and valid until November 04, 2022.

The impact of the operation of the Power Plant and of the nuclear fuel plant on the environment is constantly monitored and reported in accordance with the requirements of the operation and environment authorizations. For both branches, the Company observed in 2019 the limits for pollutants set in environmental permits.

In 01.01.2019 – 31.12.2019 on the level of SNN and its branches, there were no events with impact on the environment, the population and own and contracting personnel.

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All the environment reports were drafted and sent until the agreed deadlines according to the provisions from authorizations, protocols and additional requests.

According to the Investors Agreement, SNN was responsible for obtaining the environmental approval for the investment "Continuation and completion of works at Units 3 and 4 of CNE Cernavoda". The procedure for obtaining the environmental approval was started in 2006 and ended in September 2013 when the environmental approval was issued. According to the specific environmental legislation for nuclear premises, the environmental approval was issued by Government Resolution no. 737/2013.

The total volume of solid radioactive waste, for both units of NPP Cernavoda, generated in 2019, was 54,8 m^3. In total, until the present, in 1996 - 2019, the total volume of solid radioactive waste, for both units, is of 952,47 m^3.

The waste is stored within the protection fence of CNE Cernavoda, inside the Intermediary Storage for Solid Radioactive Waste.

Cernavoda NPP's policy for managing the fuel used

a) Wet storage in the used fuel pool of the unit for a period of minimum 6 years;
b) Dry storage for spent fuel in intermediate storage for a period of 50 years.

Spent Fuel Storage Facility ("DICA") is on the CNE Cernavoda site, transport being made on an internal road that allows maintenance of physical protection systems integrated.

The deposit is gradually built according to DICA Strategy for long term development. Until now, there are 10 MACSTOR 200 modules, with a capacity of 12,000 bundles per module.

In 2019, 4,200 fuel bundles were transferred to the Intermediary Burnt Fuel Warehouse from Unit 1 and 4,200 bundles from Unit 2.

FCN Pitesti monitors the gaseous radioactive effluents in the atmosphere though the dispersion chimneys as well as the liquid effluents in accordance with the conditions stipulated in the authorizations. As per these conditions, FCN Pitesti may release in the atmosphere a volume of radioactive gaseous effluents of maximum 10^9 m^3/year. The volume of gaseous radioactive effluents released in the atmosphere in 2019 represented 78.5% from the authorized volume.

NFP Pitesti transferred in 2019 a volume of 950 m^3 of liquid radioactive effluents to the Cleaning Station of the Nuclear Research Institute (SE-ICN), which represented 47.5% of the maximum authorized volume.

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A volume of 420 m^3 of radioactive liquid waste was transferred for treatment to the Radioactive Waste Treatment Station of the Nuclear Research Institute (STDR-ICN).

11,582.5 kg of non-burnable radioactive solid waste (DSRN) and 4,862.7 kg of burnable radioactive solid waste (DSRI) were generated. Three transfers of non-burnable radioactive solid waste (DSRN) were performed to the final storage facility for low-level radioactive solid waste from CNU, Feldioara branch, the amount of 13,589.1 kg DSRN. Also, 1,932.7 kg of burnable radioactive solid waste (DSRI) were transferred for treatment by incineration to STDR-ICN Pitesti.

Radiation protection program

The main objective of SNN operational radiation protection program is to maintain professional exposure as low as reasonably achievable in compliance with the ALARA principle.

The efficiency of the NPP Cernavoda's policy regarding the ALARA principle is being monitored by determining, controlling and periodically reporting the performance indicators based on internal and external operational experience.

The Radiation Protection performance indicators show us the efficiency of the Radiation Protection programs in optimizing the personnel exposure to radiations.

The radioactive emissions into water and air were kept quite below the authorized limits for the Station. The actual annual dose for a person from the critical group, due to the radioactive emissions in the environment (Unit 1 and Unit 2) was 0.0058 mSv in 2019, while the annual average dose received by a member of the public is 2.4 mSv. More detailed information on the radiological impact are provided by SNN - "Environment Report"

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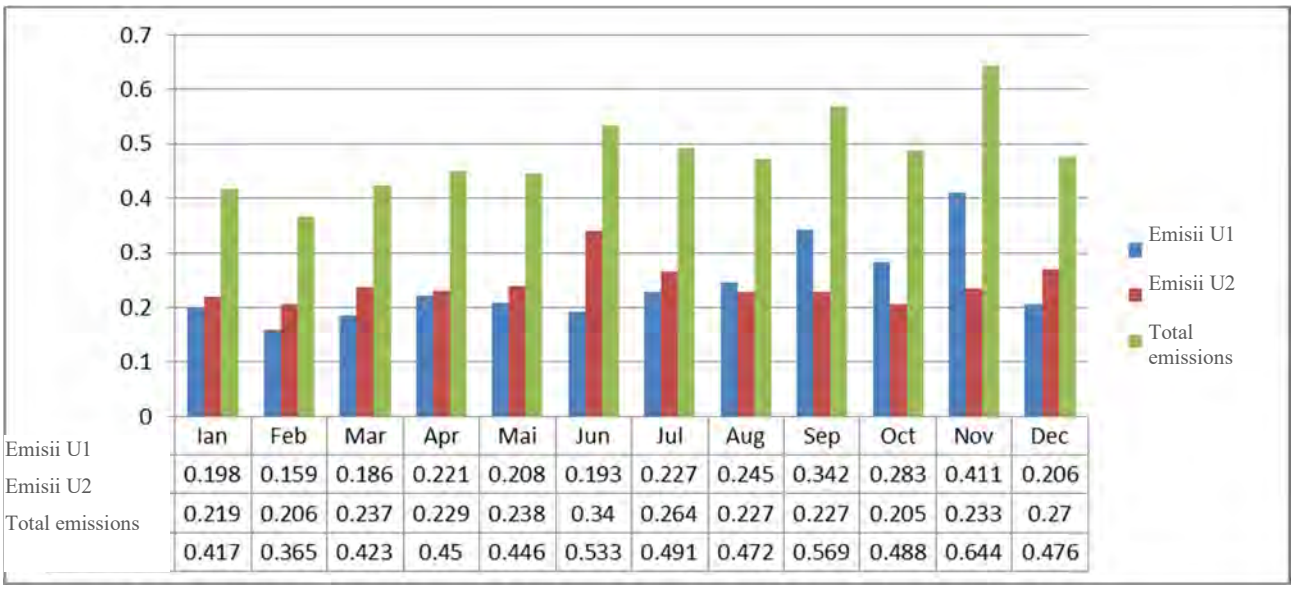
Radioactive emissions in the environment U1 + U2 in 2019 (microSv)



	Ian	Feb	Mar	Apr	Mai	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Emisii U1	0.198	0.159	0.186	0.221	0.208	0.193	0.227	0.245	0.342	0.283	0.411	0.206
Emisii U2	0.219	0.206	0.237	0.229	0.238	0.34	0.264	0.227	0.227	0.205	0.233	0.27
Total emissions	0.417	0.365	0.423	0.45	0.446	0.533	0.491	0.472	0.569	0.488	0.644	0.476

In 2019, the achieved collective dose was 432,63 mSv/employee, the annual average dose for employees with recordable doses was 0.6 mSv, and the individual maximum dose was at 7.23 mSv. The legal limit for the effective dose for the professionally exposed workers is 20 mSv/year, and the administrative level at NPP is 14 mSv/year. Neither of these limits was exceeded.

At the end of 2019 the internal collective dose was at 113,18 mSv/employee, representing 26.16% of the total dose on the level of the Power Plant.

The Radioprotection Department issues regular reports regarding the evolution of the collective doses and of the ALARA performance indicators, thus raising the involvement of the plant's personnel in the control and optimization process for the professional exposure to ionized radiation. The achievement of these objectives is monitored through the ALARA process and the ALARA committees carry on their activity with excellent results. With an average dose per unit of 216,3 mSv/employee, NPP Cernavoda remains, according to the information to date, one of the highest performing power plants in the CANDU group.

The radioprotection program of the NFP Pitesti branch has the objective to maintain a very low exposure to ionized radiation, individual radiological monitoring and of the work environment according to the current law and requirements from the operating permits issued by CNCAN.

For the external exposure to ionizing radiations, the entire personnel of NFP Pitesti is monitored by using Thermal-luminescent Dose-meters (TLDs) measured within the Personal Radiation Protection and Dose-meter Laboratory of NFP (LRDP-NFP), assigned by CNCAN as a certified dose-meter authority with assigning certificate NFP ODD06/2017 valid for the period 24.10.2017 – 23.10.2020.

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In 2019 the collective dose of NFP was 547.094 mSv/employee, out of which the collective dose following the external exposure was 485.762 mSv/employee. The collective dose following the internal exposure (61.332 mSv/person) represented 11.21% of the collective dose of NFP for 2019. The individual average annual dose was 1.478 mSv/year, a dose which represents 9.85% of the administrative control limit for the actual individual annual dose of the professionally exposed personnel imposed by NFP Pitesti (LCA-15 mSv).

NFP Pitesti manufactured in 2019 a volume of 11,200 bundles with natural uranium dioxide. From it, 10.800 bundles were delivered to NPP Cernavoda, for the 2 units in operation, as follows: 5.760 bundles of nuclear fuel to Unit 1 and 5.040 bundles of nuclear fuel to Unit 2.

The nuclear fuel malfunction rate in 2019 was 0% for Unit 1 and 0% for Unit 2. For 2019, the average discharge combustion degree was 169.016 MWh/kg U for Unit 1, and 181.937 MWh/kg U for Unit 2. Thus, the high quality and performance of the nuclear fuel were validated during the operation of the 2 reactors.

FCN Pitesti continued to monitor the personnel and the means of transportation, with the purpose of correlate the doses, and reported the findings to CNCAN, on an annual basis and filled a report after each transport.

3.6.Research and development activity

Although the Company is not directly involved in any research and development activities, it is a member of various organizations and associations.

3.7.Operating authorizations and licenses

The company carries out its activity through its subsidiaries according to the following main categories of specific authorizations, special licenses and rights:

- Site authorization no. I/605/30.09.1978, issued by the State Committee for nuclear energy;
- Authorizations in the nuclear field issued by (CNCAN);
- Licenses issued by (ANRE);
- Other authorizations.

Site authorization no. I/605/30.09.1978, issued by the State Committee for Nuclear Energy

The site authorization was issued for Cernavoda site for the construction of a CANDU-PHWR 4x660 MWe nuclear power plant, made up of 4 nuclear reactors. The authorization was issued according to Law no. 61/1974 and the Nuclear Safety Norms for “Nuclear reactors and nuclear

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power plants" dated in 1975 and provides the main technical characteristics of the nuclear power plant.

Authorizations in the nuclear field issued by CNCAN

Pursuant to art. 8 par. 8 (1) of the Law no. 111/1996, for the development of the activities and/or utilization of the resources that make the object of this law, the operators must obtain specific authorizations issued by CNCAN, by respecting the specific authorization procedure for every type of activity or resource. At the end of 2019, the following authorizations in the nuclear field were valid for SNN:

Authorizations issued by CNCAN in the nuclear field for the CNE Cernavoda Branch:

- Nuclear safety authorization for the operation and maintenance of the Nuclear Power Plant of Cernavoda, Unit 1, authorization no. SNN NPP Cernavoda U1 – 01/2013. The authorization was issued for a period of 10 years, starting with 01.05.2013 until 30.04.2023;
- Nuclear safety authorization for the operation and maintenance of the Nuclear Power Plant of Cernavoda, Unit 2, authorization no. SNN NPP Cernavoda U2 – 02/2013. The authorization was issued for a period of 7 years, starting with 01.05.2013 until 30.04.2020;
- Building permit for Modules 10 and 11 of the Intermediary Burnt Fuel Warehouse, permit no. SNN Construction DICA 04/2018. The authorization is valid until March 25, 2021;
- Nuclear safety authorization for the operation and maintenance of modules 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 of the Intermediary Burnt Fuel Warehouse, authorization no. SNN DICA 05/2019. The authorization was issued on August 03, 2019 and is valid until August 02, 2021;
- Authorization for the quality management system for the operation, design, supply, repair and maintenance and use of software products, in the nuclear field. Authorization no. SNN NPP Cernavoda – 01/2017 is issued for a period of 2 years, from 01.05.2019 to 30.04.2021.

Authorizations issued by CNCAN in the nuclear field for the NFP Pitesti branch:

- The authorization for the Quality Management System in the nuclear field no. 18035 issued according to Art. 24 of Law no. 111/1996, for production activities in the nuclear field, for 2 years, from 18.09.2018 to 17.09.2020;
- 9 authorizations for activities in the nuclear field:
  i. Authorization LP/001/2018 for owning ionizing radiation sources, radiologic installations with ionizing radiation sources, devices generating ionizing radiations, nuclear installations for processing and manufacturing nuclear fuel, nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest, equipment and devices provided in Government Resolution no. 916/2002, valid from 31.01.2018 to 30.01.2020;
  ii. Authorization LP/002/2018 for the use of closed ionizing radiation sources, radiological installations, equipment and devices generating ionizing radiations, valid from 31. 01.2018 to 30.01.2020;

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iii. Authorization LP/003/2018 for handling closed radiation sources, radiological installations with closed sources and radioactive waste, valid from 31.01.2018 to 30.01.2020;

iv. Authorization LP/004/2018 for the processing of nuclear raw materials, valid from 31.01.2018 to 30.01.2020;

v. Authorization LP/005/2018 for the manufacture of nuclear fuel valid from 31.01.2018 to 30.01.2020;

vi. Authorization LP/006/2018 for the temporary storage of nuclear raw materials, nuclear fuel and radioactive waste, valid from 31.01.2018 to 30.01.2020;

vii. Authorization LP/007/2018 for the supply of nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest and double-use materials, valid from 31.01.2018 to 30.01.2020;

viii. Authorization FCN Transport_20/2018 for the transportation of radioactive materials, valid from 10.01.2019 to 09.01.2024;

ix. Authorization AN/081/2017 for ownership of unpublished information, valid from 31.03.2017 to 28.11.2021.

- By Assignment Certificate no. NFP ODD06/06/2017, CNCAN updated the appointment of the Radiation Protection laboratory and dosimeter personnel within NFP Pitesti as Dosimetry Body, valid from 24.10.2017 to 23.10.2020.

Authorizations in the nuclear field for the main office:

- Authorization for the quality management system for management activities in the nuclear field. Authorization no. SNN EX-01/2019 was issued for a period of 2 years, from 01.05.2019 to 30.04.2021;
- Authorization no. PD/205/2018 for ownership of heavy water for Units 3 and 4, valid from 26.10.2018 to 25.10.2023.

CNCAN authorized personnel. For Cernavoda NPP branch, the company holds 14 CNCAN permits for management personnel, 6 CNCAN permits for personnel with specific training positions and 52 CNCAN permits for operational staff in the control rooms of the two Units. For the FCN Pitesti branch, the Company holds 13 permits for nuclear activities, level 2. The company also has 5 permits for management personnel from the Head Office and 4 approvals for members of the Board of Directors.

Licenses issued by ANRE

According to the Regulation for the granting of licenses and authorizations in the electric power sector approved by the Government's Decision no. 540/2004, the supply of electric power, the production of electric and thermal power in cogeneration are performed according to certain licenses issued by ANRE in this respect.

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On the date of the current report, the company holds the following licenses issued by ANRE:

- License no. 5/03.12.1999 for the production of electric power granted through ANRE Decision no. 80/03.12.1999;

- License no. 244/26.03.2001 for the production of thermal power granted by ANRE through the Decision no. 341/26.03.2001;

- License no. 962/21.10.2010 for the supply of electric power granted by ANRE through the Decision no. 2597/21.10.2010.

The company complied, both in previous years and in 2019, with the provisions of the conditions associated to the aforementioned licenses.

License no. 5/03.12.1999 authorizes the company to produce electric power through the commercial operation of the power capacities related to the electric power production units. The license came into force on 03.12.1999 and is valid for 25 years. Through the resolution of ANRE no. 1683/01.11.2007, the license was modified to increase the installed capacity factor of the company from 706.5 MW to 1,413 MW and to approve other conditions associated to the license as well, after the commissioning of NPP Cernavoda Unit 2.

License no. 244/26.03.2001 authorizes the Company to perform the activity of generating thermal energy by the commercial operation of the power capacities related to the units of electrical and heating power generation consisting of two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The license came into force on 26.03.2001 and is valid for 25 years. Through the resolution of ANRE no. 1684/01.11.2007, the license was modified to approve the existing conditions related to the license. SNN delivers thermal power to the local heath distribution company – Public Utilities SA Cernavoda, as well as to some end consumers in Cernavoda town – businesses, social and cultural institutions.

License no. 962/21.10.2010 for the supply of electric power authorizes the company to supply electricity on the energy retail market and come into force on 26.10.2010. By the ANRE Decision no. 2000/23.09.2015, the license was modified for the extension of the validity of the license till 21.10.2020.

Other authorizations

- ISCIR regulatory documents;

- Statements to the National Anti-Drugs Agency;

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- Licenses issued by ANCOM. NPP Cernavoda obtained 3 licenses for the use of electrical radio frequencies from the National Communications Regulating Authority (ANCOM);

- Fire safety authorizations;

- Sanitary authorizations.

4. Integrated management system

SNN developed and maintains a General Management System, which complies with the provisions of Law no. 111/1996, the Quality Management Norms applicable in the nuclear field ("NMC") issued by CNCAN. The Management System of SNN is authorized by CNCAN according to the Law no. 111/1996 by the Authorization of the Quality management system in the nuclear field for management activities; current authorization no. SNN EX - 01/2019 is valid until April 30, 2021.

The Quality Management System, described in the Manual of Quality Management System, identifies the directions of developing and implementing the management system within SNN Executive and it's branches: the NPP Cernavoda and the Nuclear Fuel Plant - Pitesti. The development and evaluation of the Management System (MS) is coordinated by the Department for the Development and Evaluation of the Management Systems (DDESM).

The branches NPP Cernavoda and NFP Pitesti have developed and maintain management systems specific to their activities.

The NPP Cernavoda branch has developed and implemented an integrated Management System that complies with the provisions of Law no. 111/1996, the Norms for Quality Management Systems applicable in the nuclear field issued by CNCAN, the IAEA GS-R standard part 2 and international standards ISO 14001 – "Environment management systems. Usage guideline requirements", ISO 45001 – "Occupational health and security management systems. Usage requirements and guidelines" (replacement standard OHSAS 18001) and ISO/CEI 27001:2005 – "Requirements for the informational security management system". The legal and regulation requirements issued by CNCAN and those from the International Standards, voluntarily applied, are included in the documents of the Integrated Management System of NPP Cernavoda.

The quality management system of NPP Cernavoda is authorized by CNCAN according to the provisions of Law no. 111/1996 for "Activities of operation, design, supply, repair and maintenance, use and maintenance of software products in the nuclear field"; current authorization no. SNN NPP Cernavoda – 01/2019 is valid until April 30, 2021.

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The compliance with the requirements of International Standards ISO 14001 and OHSAS 18001 was recertified by the certification body SRAC in 2019 (validity until 24.04.2022 for the certificate of compliance with ISO 14001:2015 and 11.03.2021 for the certificate of compliance with OHSAS 18001:2007).

NPP Cernavoda received EMAS Registration Certificate no. RO-000017, valid from October 15, 2018 to October 15, 2021. This certificate represents the validation by a system acknowledged by the European Commission, of the environment performance on excellence level of the CNE Cernavoda Branch in relation to the relevant criteria of this process, regulated by Regulation (EC) no. 1221/2009 of the European Parliament and Council of November 25, 2009, amended by Regulation 1505 of August 28, 2017 on the voluntary participation of organizations in an environment management and management community system (EMAS). One of the conditions for this registration is maintaining the compliance certification with standard ISO 14001.

FCN Pitesti Branch has developed and implemented an Integrated Management System which complies with the provisions of Law no. 111/1996, Rules for Systems Management CNCAN, integrating and requirements of Canadian standard CAN 3-Z299.2. The component of the Quality Management System is authorized by CNCAN by Authorization no. 18-035 (valid until 17.09.2020).

The compliance with the requirements of International Standards ISO 14001 and OHSAS 18001 was recertified by the certification body SRAC in 2019 (validity until 04.11.2022 for the certificate of compliance with ISO 14001:2015 and 11.03.2021 for the certificate of compliance with OHSAS 18001:2007).

Besides, other components of the Integrated Management System are developed and implemented as well (for example Physical Protection, Radiological Safety, Nuclear warranties etc.). The development and implementation of the components of NFP Integrated Management System decisively contributed to the nuclear fuel quality proved by a very good combustion degree and zero failure rate.

Considering the firm commitment of the company managers for promoting ethical behavior in professional activities and impeccable conduct regarding the performance of business activities, the company decided to implement standard ISO 37001 - Anti-bribery management system.

This effort is also justified by the fact that most multinational companies and those representative as regards international turnover are extremely selective in terms of choosing their business partners, placing more and more the emphasis on requiring ethical and compliance safeguards to avoid image risks and related costs in case of potential integrity-related incidents.

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The implementation of the ISO 37001 standard involves a number of complex activities, including the integration and harmonization of specific policies, procedures and instructions with those already applicable at the company level, so that the regulatory framework that will result from the completion of the process is coherent, supple, easy to understand and apply by all employees and business partners.

In 2019 several procedures were drafted ensuring the enhancement of safety measures in the anti-corruption field on a higher level, so that the organization would benefit long-term from several advantages, such as:

- promoting an "anti-bribery" organizational culture through staff awareness and ethical values within the organization;
- prevention, detection and resolution of bribery risks;
- avoiding the conflicts of interests;
- reducing the additional costs (financial, material, image) by introducing tools to identify possible deviations at an early stage so that corrective measures can be implemented in a timely manner and the negative effects generated by them are minimal;
- increasing the credibility of the organization in relation to owners, financiers, suppliers and clients;
- reducing the risk of drawing the company's liability in the event of investigations by investigative and prosecution bodies, in the context in which management can provide conclusive evidence that it has taken reasonable steps to prevent and discourage bribery in accordance with good practice at international level.

5. Environment management policy

The environment management process is developed and applied by the Cernavoda NPP to ensure the protection and control of the environment during the performance of activities with direct or indirect potential environmental impact.

Cernavoda NPP has established and implemented specific requirements leading to the mitigation/removal of any potentially negative impact on the environment, as a result of the performance of the activities of the plant.

The requirements set by the Cernavoda NPP derive both from the application of the regulations specific to the nuclear field and the applicable environmental legislation and from the voluntary adherence to the requirements of the ISO 14001: 2015 standard and to Regulation (EC) 1221/2009 on the voluntary participation of organizations in a Community eco-management and audit scheme (EMAS).

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The conclusions of the annual audits carried out by the certification body demonstrate that we have a functional environmental management that is part of the organization's integrated management system, which is continually improving, and it is aligned with international environmental and population protection requirements. The management of Cernavoda NPP pays particular attention to the aspects of communication and transparency towards all stakeholders: staff, population, local authorities, national authorities, NGOs, media, aiming to create and maintain a realistic picture, based on facts and concrete data that will strengthen the positive characteristic of nuclear energy given the insignificant impact on the environment.

Risks associated with the conduct of activities are identified, evaluated, recorded, and measures are provided to prevent / minimize their occurrence by implementing a risk management process.

Cernavoda NPP implements and maintains a deep defense concept, which includes technical and procedural barriers to prevent and mitigate the effects of accidents, response to emergencies, taking into account equipment-related and human performance initiators, as well as credible severe external conditions (earthquakes, floods, bad weather, etc.) that may affect the operation of the plant.

Cernavoda NPP has established clear principles underlying the performance of activities that might have direct or indirect impact on the environment.

Below are listed some of them:

- The preparation and performance of any activity will be analyzed in terms of:
  - Effects on ecosystems;
  - Efficient use of energy and resources;
  - Prevention of pollution.
- Cernavoda NPP ensures:
  - The implementation of environmental legislative requirements in all the processes and activities of the plant;
  - The preparation, encouragement and accountability of the entire personnel for the performance of all activities so as the impact on the environment is reduced as much as possible;
  - The assessment of environmental performance and the continuous and effective communication with the interested civil organizations, the local community and regulatory and control authorities in relation to the continuous improvement of environmental performances;
  - The impact on the environment is established according to the assessment of each activity and for each individual work.

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The first certification of the environmental system was obtained in 2004, maintaining it through the annual approval following the audits and the recertification every 3 years. Maintaining the certification and the EMAS registration obtained in 2018 is the proof and guarantee that the commitments assumed by Cernavoda NPP have been complied with.

Cernavoda NPP promotes the rational use of energy and natural resources, ensuring a balance between environment, energy and economy. It prevents the impact on the environment, and this relates both to its own operating activities and to those of its business partners.

This commitment is translated into:

- Integration of the sustainable development concept into projects and investments;
- Complying with the environment legislation and agreements;
- Continuous improvement of the environment performance.

Partners are assisted in achieving their own environmental goals.

Environmental protection at Cernavoda NPP has been and is a permanent and responsible concern of all staff. Cernavoda NPP has established and implemented specific requirements leading to the mitigation of the impact on the environment, as a result of the performance of the activities of the plant.

Details of activities and results/ environmental performance are contained in the document "Environmental Statement" available to the public on the SNN website.

In 2018, the Level I and II Environmental Balance Sheet and the Balance Sheet Reports were drawn up, the results and conclusions drawn by the developer validating the compliance of Cernavoda NPP Branch with the environmental protection requirements.

5.1.Environmental Monitoring Program at Cernavoda NPP

The Cernavoda Nuclear Power Plant has been developing socio-demographic studies since the early 1980s and has implemented environmental radioactivity monitoring programs.

The choice of the nuclear power plant site was done in line with the specifications of the Republican Nuclear Safety Norms, which provide both the factors to be taken into consideration when establishing the site in terms of nuclear safety, as well as the demographic criteria regarding the areas of exclusion and reduced population.

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The factors that have been considered include, one the one hand, the physical characteristics of the site (seismological, geological, meteorological and hydrological), the socio-demographic and land use characteristics, on the other hand, and the reactor design features and the proposed operating mode (the use and maximum power level, nature and radioactivity inventory, technical norms and standards applied to the reactor design, nuclear security characteristics considered in the technical calculations of the facility and existing barriers in the release of radioactive materials into the environment).

In order to protect the population against the risk of exposure to radiation, around each reactor an exclusion area, with a radius of 1 km and a reduced population area of 2 km have been established.

For the most accurate estimation of the impact of the operation of the power plant on the environment, during the period 1984 - 1994 the pre-operational environmental monitoring program was carried out at the Cernavoda NPP. The measurements made within this program detected the environmental radioactivity changes that occurred following the Chernobyl accident in 1986. Starting with 1990, the values of radionuclide concentrations in the environmental factors returned to the normal values before 1986.

Monitoring the radioactivity of environmental samples

The Nuclear Power Plant has implemented, starting with the commissioning of Unit 1, an environmental radioactivity monitoring program, based on the requirements of the national legislation and internationally validated practices in the nuclear industry. In compliance with international practices, the plant built and fitted its own Environmental Radioactivity Control Laboratory and established a network of sampling points or positioning continuous monitoring stations, in different locations within a radius of 30 km around the plant.
The routine environmental monitoring program elaborated at Cernavoda NPP was approved by CNCAN in 1995, after it was audited by AIEA [International Agency for Atomic Energy]. The implementation of this program commenced in March 1996.

In terms of the content of radioactivity, the following samples are collected and analyzed:

- air (deposit on particle and iodine filters, water vapor in the air; carbon-14 in the air);
- water (water from the Danube, soil infiltration water, deep water, water from the Danube - Black Sea Canal, rainwater, drinking water);
- soil;
- spontaneous vegetation;
- fish sediment;
- meat (chicken, beef, pork);
- milk;

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- vegetables (lettuce, spinach, radishes, cucumbers, tomatoes, green onions, peppers, cabbage, potatoes, green beans, aubergines);
- cereals (wheat, corn);
- fruits (strawberries, cherries, apricots, peaches, grapes);
- eggs;
- wet atmospheric deposits;
- DTLs (thermal-luminescent dosimeters that measure the integrated gamma dose for 3 months).

Approximately 1200 samples from 115 locations are collected annually, in order to determine the radioactivity of the environment in the Cernavoda NPP area.

A network of 62 monitoring points with thermal-luminescent dosimeters (DTL) for the measurement of the gamma dose has been established around the power plant and across an area with a radius of 30 Km around the plant. Gamma spectrometry analyzes, global alpha/beta analyzes and specific assays for the detection of tritium and carbon C-14 were carried out through liquid scintillation spectrometry. Food samples for the analysis are procured from local producers or from the agri-food market in Cernavoda, Seimeni, Medgidia, Satu Nou. The results of the environment's radiological monitoring are compared with the results of the pre-operational environmental monitoring program carried out in the period 1984 – 1996. Up to now no changes in the radioactivity of the environment in the area of Cernavoda city have been detected, in relation to the period prior to the commissioning of the nuclear unit. The Environmental Control Laboratory of Cernavoda SNN is notified by CNCAN through Appointment certificate no. NPP LCM ODN 07/2018 valid until 08.11.2021, as Dosimetric Notified Body and Appointment certificate no. NPP LCM LI – 03/ 2019 valid until 31.05.2022 as a Testing Laboratory on environmental sample measurements.

Inter-comparisons

CNCAN and in order to demonstrate the credibility of the environment measurements, the Environmental Control Laboratory participates in international intercomparison exercises.

The Environmental Control Laboratory is a member of the PROCORAD Association of France (Association for Radiotoxicological Measurements) and has been participating with good and very good results in intercomparison exercises for radioactivity measurements since 2002.

In 2005, the Environmental Control Laboratory was nominated by CNCAN as a member of IAEA's ALMERA Network (Analytical Laboratories for the Measurement of Environmental Radioactivity) and since 2006 it has participated annually in the performance tests organized within the network.

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The Environment Control Laboratory participates in inter-comparison exercises periodically organized by the European Commission by the Joint Research Center laboratories.

In 2019, the Environment Control Laboratory participated in the International Intercomparative Exercises organized by COG at the Chalk River Laboratories in Canada, for dosimetry readings, and obtained very good results for the Laboratory of Individual Dosimetry, successfully meeting the acceptance criteria imposed by national and international standards.

Cernavoda NPP is authorized (through Water Management Permit) to use water from the Danube River as cooling water, through the Danube - Black Sea Canal, pool I. The hot water is usually returned to the Danube via the Seimeni Canal or, by way of exception, to the Danube-Black Sea Canal, pool II.

For the chemical control of water in the secondary circuit of NPP, U1 and U2 specific chemicals are being used: hydrazine, morpholine, cyclohexylamine for the chemical conditioning of systems, hydrochloric acid, sodium hydroxide, ferric chloride, lime, Praestol and Nalco in the technological process for obtaining demineralised water in the Chemical Water Treatment Plant and bioacid as control/removal agent for the macrobiological load in the technological process water.

5.2.Liquid effluent physical-chemical monitoring program

This program was designed and applied to check and control the quality of the water discharged from Cernavoda NPP and to demonstrate the observance of the requirements of the Environment Authorization and Water Management Authorization.

- According to this program, all chemicals used for the chemical conditioning of the power plant systems are monitored in the liquid effluent.
- The treatments with control agent of the macrobiological load are carried out locally, only on the technological process water circuit, having the purpose of limiting the fixation and growth of shells in pipelines and equipment.
- The chemicals used to obtain demineralised water are monitored and neutralized prior to the discharge into the effluent.

The concentrations of all these substances in the liquid effluent fall below the authorized discharge limit.

Studies have been conducted regarding the thermal impact of the discharge of hot water into the Danube and the Danube - Black Sea Canal and the temperature of the hot water discharged is measured so that it is within the limits set in the Water Management Authorization.

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The non-radioactive gaseous effluent physical-chemical monitoring program is designed to allow for the determination of the concentrations of pollutants (other than radioactive ones) in environmental factors. This requirement is specific only to periods of continuous operation longer than 5 days for the Stoppage Thermal Power Plant (according to the ABADL Protocol). In the impact area of the emissions, the following pollutants are determined: carbon dioxide, sulfur oxides, nitrogen oxides, suspended particulates.

The purpose of this program is to provide accurate data on non-radioactive gaseous effluent quality to CTP chimneys to demonstrate compliance with applicable legal limits.

Emissions of carbon dioxide from EU-ETS facilities falling under the greenhouse gas emissions trading scheme, according to the GES Authorization and the related Measures Plan are determined by calculation according to the applicable regulations.

Emissions of pollutants from chimneys of combustion facilities (similar to EU-ETS facilities) are determined on a monthly basis to pay fees to the Environment Fund.

Radioactive effluent monitoring program at Cernavoda NPP

Independent of the Environment Radioactivity Monitoring Program, a Liquid and Gaseous Radioactive Effluent Monitoring Program is implemented at Cernavoda NPP, which ensures the control and monitoring of the radioactive emissions at the point of discharge by means of measuring systems: Liquid Effluent Monitor and Gaseous Effluent Monitor. These systems ensure the continuous monitoring of the potential radioactive effluent emissions and the provision of representative samples necessary to assess the radiological impact on the environment.

The results of the Liquid and Gaseous Radioactive Effluent Monitoring Program in the period 1996-2017 confirm a much lower emission level compared to the legal limits and the constraints set by the regulatory body (CNCAN).

5.3.Monitoring potentially radioactive gaseous and liquid effluents

Any potentially contaminated air discharge is directed towards the discharge shaft, which disperses it into the environment. The air is monitored on an on-going basis and based on the results of the analyzes, estimates of the additional dose that a person in the population could receive due to these discharges are made. Each year approximately 1500 filters are measured at every unit in order to determine the radioactive gas emissions.

The discharge of potentially radioactive water is done in the condenser cooling water canal, ensuring a dilution of minimum 1:2900 (generally the dilution is 1:7000). During the discharge,

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waters are permanently monitored by the monitor of radioactive liquid effluents, which stops the discharge if an alarm occurs. The radioactivity measuring performed on the potentially radioactive water samples are used for estimating the additional dose a person from the population could receive because of these discharges. Annually, for the monitoring of potentially radioactive liquid effluents coming from a unit, about 1500 samples of water from a unit are analyzed in the laboratory.

Throughout the 19 years of operation of Unit 1 and Unit 2, the annual effective radiation dose collected by a person in the critical group of the population from the area of Cernavoda, caused by radioactive emissions from the nuclear power plant, including tritium, have not exceed 10 microSv, being hundreds of times smaller than the dose produced by the natural radiation source, which, for Romania has an average value of 2,400 microSv/year.

Working in a radiation field

In order to control the work in a radiation field, procedures are developed to ensure the assessment and identification of radiological hazards and the adequate protection measures for the performance and management of the works.

a) A radiation field work permit (authorization) system is in place to ensure that all the activities in a radiation field are checked and approved at an appropriate hierarchical level before they are carried out. The level of approval increases proportionally with the increase of hazards.
b) For works in fields with high levels of radiation, a rigorous work planning process is established, which demonstrates that all necessary factors have been taken into consideration, and that the radiation doses will be consistent with the ALARA* principle.
c) The personnel of the Radiation Protection Department is involved in the planning, approval and management of works with high radiological risk.

* ALARA = As Low As Reasonably Achievable This process includes measurements of radiation fields, protection equipment, contamination and irradiation control, use of special tools, work procedures, training facilities, worker qualification and training, as well as surveillance.

Dose limits

The dose limits used at Cernavoda NPP are in line with the Rules on Radiological Safety Base Requirements (CNCAN Order 138/2018) and the recommendations of the International Commission on Radiological Protection (ICRP) set out in publication 60.

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The targets for individual and collective doses are set on an annual basis. Dose-limiting objectives are set for certain works and teams of workers, depending on the existing situation, as a measure of intermediate control.

Furthermost, there is a system in place for controlling the collected doses, identifying problematic areas and taking corrective measures in due time.

Monitoring work premises. Contamination control.

The radiologically controlled area is an area subject to special rules with the purpose of protection against ionizing radiation and of preventing the dissemination of radioactive contamination, and where the access is controlled.

From this point of view, RD-01364-RP009 "Radiation Protection Policy, Principles and Regulations at Cernavoda NPP", together with RD-01364-RP002, the “Control of personnel radiation exposure” process cover a main element: they establish the work areas to be monitored, in order to provide information on the radiological hazards in the plant.

The nature and frequency of work premises monitoring are set so as to allow:

- the assessment of radiological conditions in all work premises;
- the estimation of exposures in the controlled area.

Routine monitoring of work premises has the purpose of confirming the satisfactory conditions of the working environment for the performance of activities and of underlining the changes that may require the review of work procedures.
The monitoring related to certain activities has the purpose of providing information about the radiological conditions in the areas in which they are to be carried out and is the basis for the immediate decisions that are being taken for their performance.

The following are being monitored:

- Radiological conditions in work premises;
- Contamination of the personnel;
- Contamination of materials and equipment;

The communication and recording of monitoring results are carried out in compliance with the procedures developed by the Radiation Protection Department.

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Personnel training in the field of Radiation Protection

A key element in the safe operation of a nuclear power plant is its personnel. Employees and external workers are selected and trained with the purpose of ensuring their capacity to safely perform the tasks they have received.

The training program provides the theoretical and practical training in Radiation Protection for a sufficient number of employees within the Power Plant and external contractors, at a level that allows for their own radiation protection and their accountability for the protection of other people.

Personnel Dosimetry

Cernavoda NPP has the responsibility to ensure the radiological monitoring of the working environment for the professionally exposed workers and visitors during the performance of its authorized activities.

The correct measurement and recording of the doses collected by the professionally exposed staff of Cernavoda NPP and by contractors is a very important element of the "Control of personnel radiation exposure" process.

The dosimetry program of Cernavoda NPP is based on the requirements of the applicable national legislation and on the latest recommendations of the International Commission for Radiological Protection.

The dosimetry program, including the methods used and their technical justification, is developed by the Radiation Protection Department.

The doses collected by the personnel professionally exposed at Cernavoda NPP are due to the external and internal exposures characteristic of a CANDU-type reactor.

External exposure represents the exposure to radioactive sources located outside the human body.

The main source for external irradiation in a CANDU type power plant is gamma radiation.

The measurement of the individual gamma dose is carried out using a thermal-luminescent detector dosimeter (TLD). Wearing the dosimeter is mandatory throughout the activity carried out in the radiologically controlled area.

Thermal-luminescent dosimeters are also used to measure the dose on the extremities, the thermal-luminescent pills being attached in the areas with the highest irradiation (fingers, wrists, ankles).

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In a CANDU power plant, the neutron doses have a small contribution to external irradiation and are monitored in turn using a neutron flowmeter.

Internal exposure (contamination) is the process of penetration into the body of radioactive materials by means of inhalation, ingestion or through the skin.

The main source for indoor exposure in a CANDU-type power plant is heavy tritiated water vapors.

The internal dose due to this source is determined by analyzing urine samples based on the liquid scintillator detection technique. The frequency of sample measurement depends on the concentration of tritium in the urine from the last measured sample. The more the concentration of tritium in the urine increases, the interval between the supply of two biological samples decreases, ranging from monthly to daily.

Internal doses due to other sources are determined through direct measurement of the personnel at the Human Body Counter, with a frequency that depends on the nature of the activity performed. Measurements with the human body counter are carried out monthly, quarterly, annually, or once every three years.

Recording the doses

For the correct recording and retrieval of doses, a recording system in electronic format (database type) and on paper is in place. In addition to the evidence of the collected doses, the system also keeps records of the analytical results of all samples.

Maintaining the organization's commitment for the reduction of personnel exposure has led to top results regarding the collective doses collected, which have placed both units in the top 25% of power plants evaluated by WANO.
Inter-comparisons

For the validation of the working methods in compliance with ISO 17025 and the CNCAN NSR 06/2002 norms and in order to demonstrate the credibility of the dose measurements for the personnel and the population, the Individual Dosimetry Laboratory participates in international inter-comparison exercises.

The Individual Dosimetry Laboratory is a member of the French Association PROCORAD (Association for Radiotoxic Measurements) and participates in inter-comparison exercises on internal dosimetry measurements since 2001.

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For external dosimetry measurements, the laboratory participated in 1999 in an exercise organized by IAEA, and, as of 2007 is participating in the inter-comparison exercises (Performance Tests for Dosimetry Systems with TLD used in CANDU power plants) organized by COG.

The results obtained in the inter-comparison exercises in the period 2001 - 2018 were good and very good. The results obtained in the "Tritium measurement in urine" category, where the dosimetry laboratory qualified as reference laboratory in the years 2004, 2006, 2007 and in the category "C-14 measurements in the urine" where it qualified in "Top 4" best performing laboratories of PROCORAD Association in the years 2001, 2004, 2006, 2007, 2008 and 2009, 2010, 2012, 2013 should be noted and in category "C14&H3 measurements in urine" where it qualified as a Reference laboratory in 2012 and 2018.

In the International Intercomparative Exercises organized by COG in period 2007-2018 at Chalk River Laboratories in Canada, they have shown good and very good results for the Laboratory of Individual Dosimetry, successfully meeting the acceptance criteria imposed by national and international standards.

5.4.Radioactive waste management

Management policies and principles observe the national and international requirements regarding radioactive waste. Cernavoda NPP has the facilities required for the intermediate storage of radioactive waste, in secure installations for the personnel, as well as for the population and the environment.

Radioactive waste is the result of day-to-day maintenance activities, repairs, scheduled or unscheduled power plant outages, and is managed completely separately from conventional waste.

The radioactive waste generated as a result of these activities is represented by:

- solids (plastic, cellulose, glass, wood, purification filters, filters from ventilation systems etc.);
- organic liquids (oil, solvent, scintillator liquid);
- flammable solid-liquid mixtures.

Their collection and sorting is carried out by qualified personnel, following rules and criteria specified by procedures. The sorting activity applies to all types of radioactive waste.

For each type of radioactive waste (solids, organic liquids and flammable solid-liquid mixtures, different criteria are being followed:

- source of origin (service building, reactor building)

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- type of material (plastic, cellulose, metal, wood, oil, solvents etc.)
- content of radionuclide (short, medium or long lifetime)
- contact dose rate (weak active, medium active).

After the sorting, radioactive waste is stored in special stainless-steel containers.

Organic liquid radioactive waste is stored in the service building and is subsequently solidified in order to eliminate potential flammability hazards.

Radioactive waste management aims at identifying and controlling all radioactive waste produced and maintaining the generation of radioactive waste at the minimum practicable level.

The reduction of the volume of waste produced is achieved by compaction (using a hydraulic press) by unconditionally releasing the waste from under the CNCAN authorization regime, by treating radioactive waste, on streams established on nuclear systems, by incinerating and melting some solid waste to authorized external operators.

The storage of solid or solidified radioactive waste is ensured throughout the period of operation of the power plant under optimum security and conservation conditions. The final disposal of these types of waste will only take place after the consolidation in solid, safe matrices, which would ensure that at least for 300 years these shall not have a negative impact on the environment.

Cernavoda NPP's policy for managing used fuel is as follows:

- wet storage in the used fuel pool of the reactor for a period of minimum 6 years;
- dry storage for used fuel in the intermediate dry storage for a period of 50 years.

The intermediary storage is located at the Cernavoda NPP site, at approx. 700 m away from Unit 1, the transport being carried out on an internal road that allows the maintenance of an integrated physical protection system.

The storage will be carried out in stages, including 27 storage modules with a capacity of 12.000 bundles/module, which will ensure the storage of used fuel resulted from the operation of Cernavoda NPP, Units 1 and 2 for 50 years. To date, 9 modules have been built.

Environmental Protection Activity at NFP Pitesti

Within NFP-Pitesti there is a constant concern for the nuclear security policy to be in line with the context in which Romania has committed itself to observe the international documents to which it has adhered (treaties, agreements, conventions, arrangements etc.). For environmental protection,

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NFP-Pitesti has implemented its own program in compliance with the Romanian and European legislation. Environment management procedures are developed in compliance with the SR EN ISO 14001:2015 standard and are the result of applying within NFP the Environment Management System that is part of NFP's Integrated Management System.

The Environmental Policy is an integral part of *NFP's Policy on Nuclear Security, Quality, Environment, Safety and Health at Work*, and NFP has also set *its own Environmental Goals and Targets.*

The Environmental Authorization issued for the operation of the "Nuclear Fuel Plant" branch of Pitesti within the National Society "Nuclearelectrica" SA through Government Decision no. 1061/2011 and published in the Official Gazette no. 793 dated 09.11.2011 seeks to keep under control all the elements resulting from the activities carried out and which could have an impact on the environmental factors and the population.

NFP-Pitesti carries out the external communication with interested parties according to the legal requirements for reporting, situations, records, statistics, announcements, notifications, memos etc. to the environmental authorities (Ministry of Environment and Climate Change and the subordinated institutions, the National Commission for Nuclear Activities Control, the Nuclear Agency and Radioactive Waste etc.)

NFP-Pitesti has developed and implemented environmental monitoring programs providing measurements for the radioactivity of the environment and for non-radioactive elements on environmental factors: air, water, groundwater, soil, vegetation, dose and dose rates, noise, but also for emissions into the atmosphere of radioactive gaseous effluents and radioactive effluents from NFP at the Treatment Station of the Nuclear Research Institute in Pitesti. Following the monitoring operations, monitoring reports are being elaborated, which are submitted periodically to the Arges Environmental Protection Agency, the National Environmental Protection Agency and CNCAN in compliance with the Communication Protocol concluded between SNN SA and the Ministry of Environment and Climate Changes regarding the method for achieving the special conditions and other requirements included in the "Environmental Authorization for the Operation of the Nuclear Fuel Plant Branch of Pitesti". Furthermore, NFP-Pitesti is reporting online, in compliance with the Integrated Monitoring System the emissions of noxious emissions from motor vehicles and used oil waste.

Within the waste management program set out in the Radiological Security Manual of NFP, periodic reports are being submitted to CNCAN, APM and ANDR for radioactive solid and liquid waste.

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For investments in terms of environmental protection, packaging, radioactive and non-radioactive waste, recyclable waste and materials, environment fund etc. NFP-Pitesti drafts reports and situations on a periodic basis, which it submits to ANPM, GNM CJ Arges, APM Arges, ANDR, SNN SA.

The environmental monitoring for the NFP-ICN platform and in its vicinity is performed by ICN-Pitesti with the contribution of NFP, in compliance with the environment radioactivity monitoring program of the ICN-NFP Pitesti platform, approved by CNCAN.

NFP-Pitesti carries out the measurements and monitors all transports of radioactive materials in the form of UO_2 sintering powder, nuclear fuel bundles, weak active radioactive solid waste from/to CNU Feldioara and Cernavoda NPP, respectively.

The Environmental monitoring report and the Environment radioactivity monitoring report are being elaborated on an annual basis, reports that are posted on the site.

Radiological security activity at NFP Pitesti

The activity of protection against ionizing radiation (radiological protection and radiological security) in NFP is carried out according to Law 111/1996 on the safe deployment, regulation and control of nuclear activities, republished, the specific norms elaborated by the National Commission for Nuclear Activities Control (CNCAN) and the regulations imposed by the Ministry of Health and Family (MSF), as amended and supplemented. At the same time, the protection activity against ionizing radiation is designed according to the radiological risks characteristic for a CANDU nuclear fuel plant based on natural and depleted uranium. Pursuant to them, within the NFP, as nuclear goal, only personnel professionally exposed to ionizing radiation is working, with the NFP managing establishing and maintaining a radiation protection program adequate for the specific nature of the plant. For the application of the radiation protection program, NFP has developed domain-specific documents: Radiological Security Manual, Radiation Protection Control Plans, Radiation Protection Procedures, Specific Programs, and obtained operating licenses every two years from CNCAN for all the activities that is performing in the nuclear field: possession, use, handling, processing , production, temporary storage, supply, transport of radioactive materials etc. It has also obtained, once every two years, the sanitary authorization for operation in the nuclear field from the Arges Public Health Department.

For the measurement of individual external doses within NFP, the Laboratory of Radiation Protection and Personnel Dosimetry, appointed by CNCAN as a dosimetric body in 2017 (ODA06 / 2017) is operating. Dosimetric and Radiation Protection measurements are also being carried out in the Laboratory of Radiation Protection and Personnel Dosimetry, with apparatuses, equipment, devices, devices and sources of radiation included in the operating authorizations of NFP-Pitesti.

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For the validation of the working methods in compliance with ISO 17025 and the CNCAN NSR 06/2002 norms and in order to demonstrate the credibility of the dose measurements for the personnel and the population, the Personnel Radioprotection and Dosimetry Laboratory participates in international inter-comparison exercises, with the latest taking place in 2018 (with EURADOS).

The radiological security activity takes place within the Radiation Protection, Nuclear Security and Environmental Protection Service, the Radiation Protection and Personnel Dosimetry Laboratory.

Radiation protection means within NFP

In order to achieve the protection of NFP personnel and to minimize to the extent possible the risk of ionizing radiation contamination and occupational exposure, employees are provided, free of charge, with a wide range of personal protective equipment and personal protective equipment against ionizing radiation. Furthermore, NFP has under its own endowment collective radiation protective equipment and a modern ventilation system.

In the same context, within NFP, appropriate measures have been taken in compliance with the law, for the protection against ionizing radiation during interventions, emergency situations, during pregnancy, or removal for medical reasons from working in a field of radiations.

Radiological monitoring of the working environment

- Monitoring airborne particulate matter with uranium/radioactive aerosols

It takes place in NFP areas where work with open radiation sources is being carried out: UO2 powders, crude and sintered UO2 pills. Daily air samples are taken with the Central Aerosol Sampling System or using manual pumps and are radiometrically measured in an automatic or manual system within the LRDP.

Monitoring the radioactive contamination of surfaces

Total surface contamination (fixed and unfixed) is measured by means of direct beta measurements and unfixed contamination by wiping the surface with special materials (smears) and measuring their alpha radioactivity in LRDP.

Monitoring the radiation fields (dose rates and doses)

The measurement of dose rates and doses is carried out in particular at workplaces where significant quantities of nuclear material (containers with UO_2 powder, crude and sintered pills of UO_2, nuclear

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fuel elements and bundles) are present, but also within the perimeter of NFP by means of direct measurements or by thermal-luminescent dosimetric (TLD) systems.

Individual radiological monitoring

❖ Measuring, assessing, recording and evidence of individual external doses

The entire personnel of NFP is systematically monitored with a monthly frequency for the *individual external dose* received, using the TLD as a means of individual monitoring. TLDs must be worn throughout the entire working time. TLDs are measured within the LRDP, where the interpretation and recording of the *individual external doses* measured takes place.

❖ Assessing, recording and evidence of individual internal doses

The individual internal dose is determined only for the personnel exposed directly to open sources of radiation, using the results of the Central Aerosol Sampling System. By summing up the *annual individual internal dose* with the *annual individual external dose*, *the total annual individual dose is obtained.*

The average annual total individual dose collected by NFP's professionally exposed personnel is around 1.2-1.5 mSv/year in relation to the maximum allowable dose limit of 20 mSv/year, according to the law and the limit of 15 mSv/year imposed by NFP as of 01.01.2015, according to the ALARA principle.

❖ Monitoring internal contamination

This is carried out for the personnel directly exposed to open sources of radiation, by analyzing the uranium and beryllium in urine based on an established program.

Reporting

The results of the radiological monitoring of the working environment and of the individual radiological monitoring are periodically reported to CNCAN and DSP Arges, according to the requirements set out under the authorizations. All monitoring records are maintained and archived in the Nuclear Security Document Archive for the periods provided for by the law. For the individual monitoring of employees, the records are kept in individual dossiers with exposure to ionizing radiation until the age of 75 but not less than 30 years after leaving NFP.

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Training the personnel professionally exposed within NFP in the field of radiological security

The activity takes place in compliance with the provisions of the CNCAN norms based on a procedure-led system. The radiological security course takes place at the beginning of each year and is followed by the verification of the knowledge and the issuing of the activity exercise permit in the nuclear field of level 1, for the domain of Nuclear Raw Materials, specialist area Manufacture of Fuel Elements. The entire personnel of NFP holds Permits for exercising the activity in the nuclear field of level 1, issued by NFP. These are endorsed annually and renewed every 5 years.

A number of 13 employees hold permits to exercise activities in the nuclear field of level 2, issued by CNCAN in the domain of Nuclear Raw Materials, specialist area Manufacture of Fuel Elements, Activities with open and closed sources of radiation, Generators of radiation and Transport of Radioactive Materials. In accordance with NSR-07, 7 NFP employees have extended their Level 2 Nuclear Exploitation Permits to MPN-FEC, SD-AASD, SI-AASI, GR-AFX, and TM-MRN fields following the exam they took and passed at the CNCAN headquarters on 25.06.2018.

NFP-Pitesti provides the regular training of persons with responsibilities in the field of radiological security assurance by means of refreshing courses in the field of radioactive protection, held once every 5 years. The last two courses took place based on the approvals issued by CNCAN in the periods 12.05-16.05.2008 (13 persons) and 16-20.09.2013 (20 persons) at the registered office of NFP-Pitesti with lecturers from the National Center for Training and Specialization in the Nuclear Domain IFIN Magurele.

6. Results and key performance indicators

6.1.Production of electric and thermal energy

During the reporting period, the process of production of electricity and heat was carried out under normal conditions.

- At U1, the monthly capacity factor was 101,6%, with an annual average of 93,86% and 487.829 MWh were delivered, with a net annual total of 5,292,668 MWh.
- At U2, the monthly capacity factor was 100,01%, with an annual average of 89,18% and 483,579 MWh were delivered, with a net annual total of 5,075,542 MWh.

The refueling program at U1 was achieved 100% (65/65).

The refueling program at U2 was achieved 100% (62/62).

The main indicators of the production activity are shown in the following graphics.

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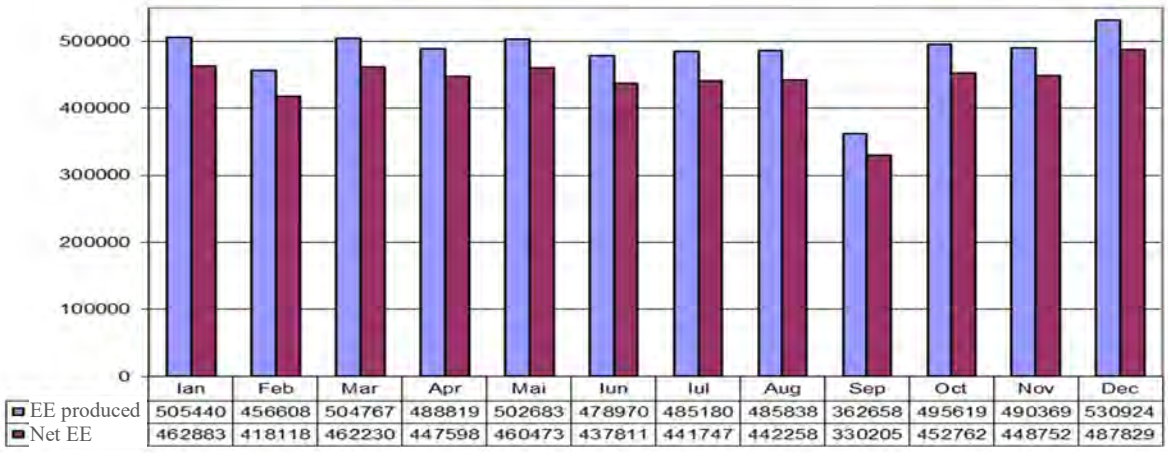
Produced/net electricity U1 (MWh)



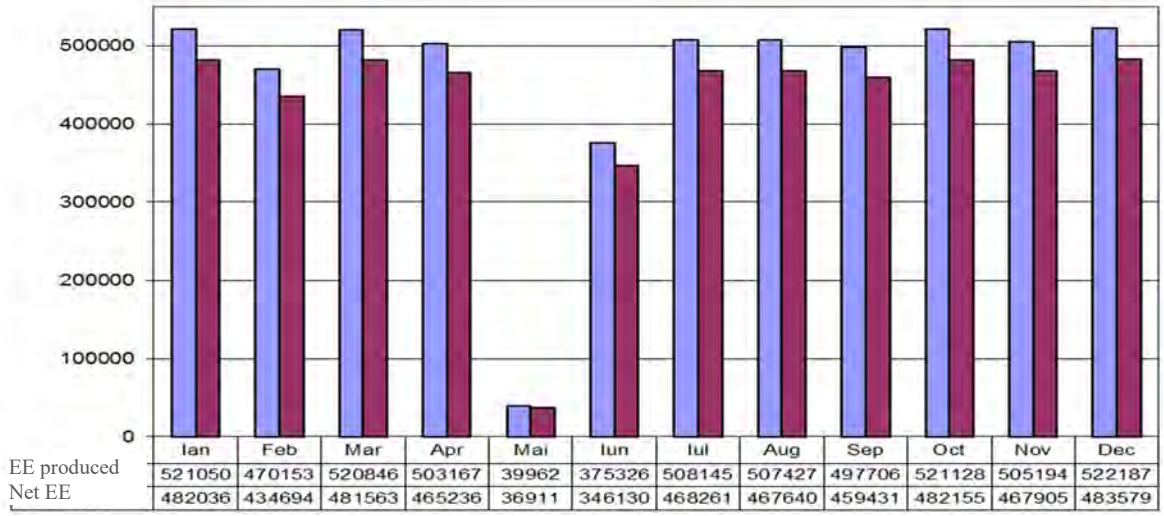
	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
EE produced	505440	456608	504767	488819	502683	478970	485180	485838	362658	495619	490369	530924
Net EE	462883	418118	462230	447598	460473	437811	441747	442258	330205	452762	448752	487829

Total 2019

E produced	Net E
5,787,876	5,292,668

Own average technological consumption**:** 8.57%

Produced/net electrical energy U2 (MWh)



	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
EE produced	521050	470153	520846	503167	39962	375326	508145	507427	497706	521128	505194	522187
Net EE	482036	434694	481563	465236	36911	346130	468261	467640	459431	482155	467905	483579

Total 2019

E produced	Net E
5,492,291	5,075,542

Own average technological consumption**:** 7.60%

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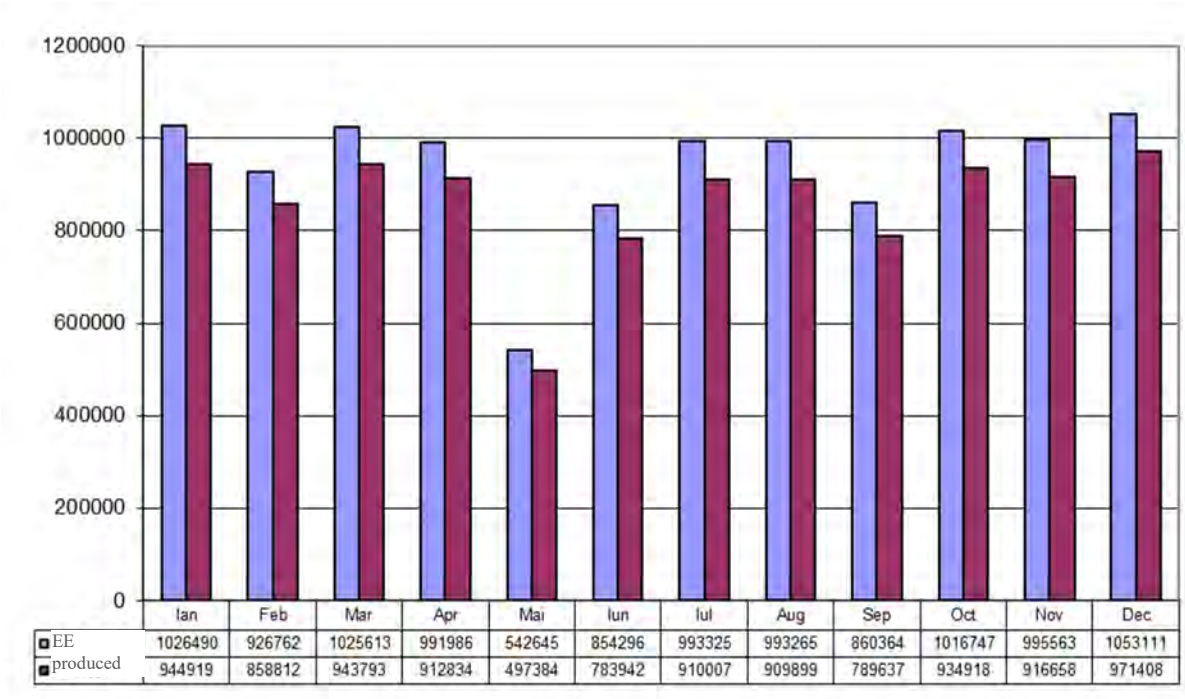
Produced/net electrical energy U1 + U2 (MWh)



	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
EE	1026490	926762	1025613	991986	542645	854296	993325	993265	860364	1016747	995563	1053111
produced	944919	858812	943793	912834	497384	783942	910007	909899	789637	934918	916658	971408

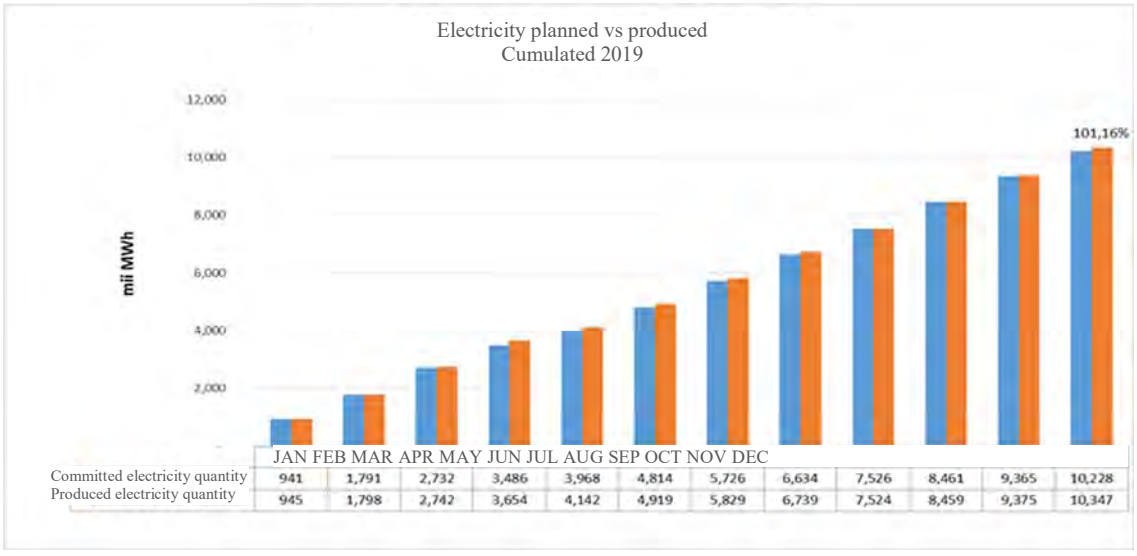
Total 2019

E produced	Net E
11,280,167	10,368,211

Own technological consumption of electricity

Accomplished cumulatively in 2019: 8.08% Provided in the project: max. 10.00%

Quantity of electricity scheduled/produced
(for sale) (thousand MWh)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Committed electricity quantity	941	1,791	2,732	3,486	3,968	4,814	5,726	6,634	7,526	8,461	9,365	10,228
Produced electricity quantity	945	1,798	2,742	3,654	4,142	4,919	5,829	6,739	7,524	8,459	9,375	10,347

Achievement percentage: 101.16%

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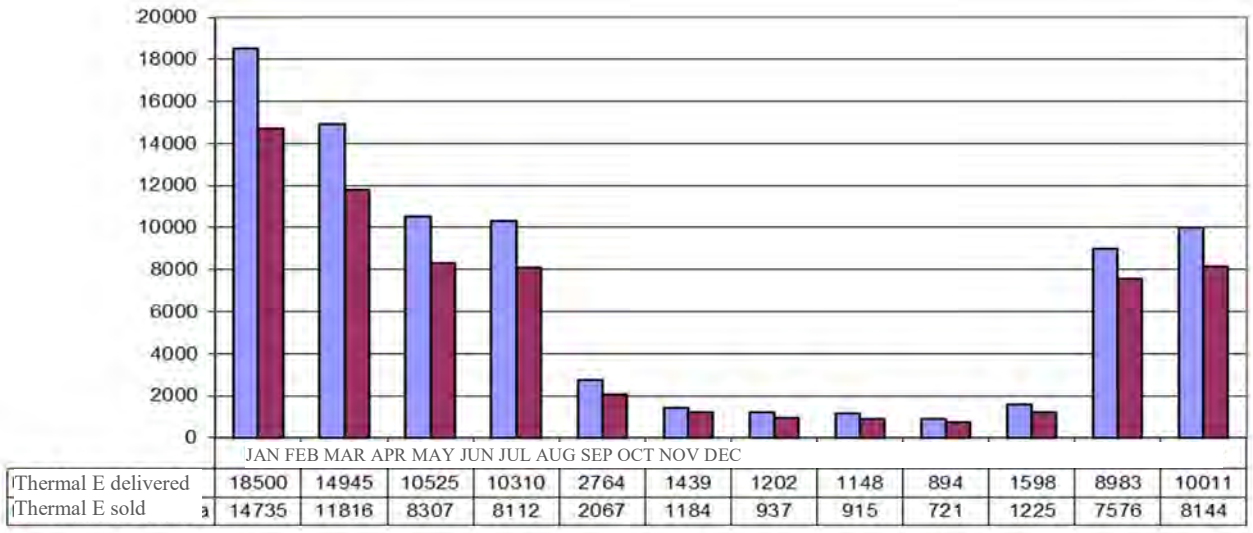
Thermal energy delivered to the district heating/ sold (Gcal)

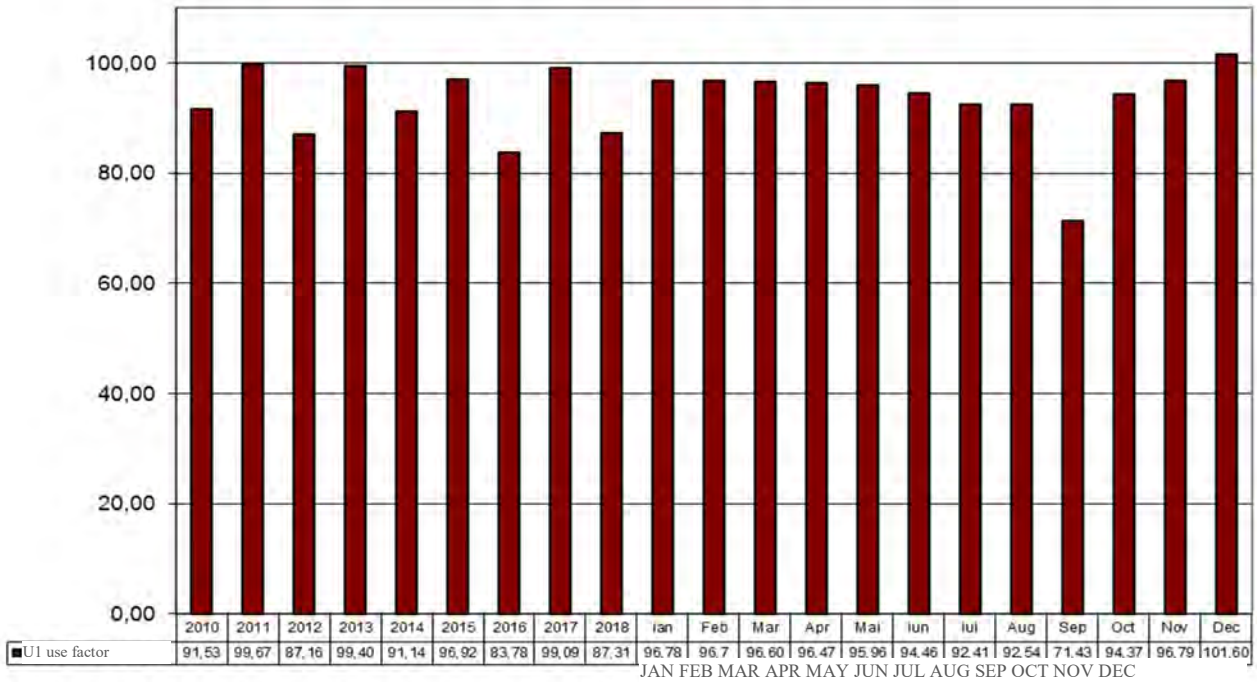


	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Thermal E delivered	18500	14945	10525	10310	2764	1439	1202	1148	894	1598	8983	10011
Thermal E sold	14735	11816	8307	8112	2067	1184	937	915	721	1225	7576	8144

Total 2019

Thermal E delivered	Thermal E sold
82,320	65,737

Installed capacity factor U1 (%)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	Jan	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
U1 use factor	91,53	99,67	87,16	99,40	91,14	96,92	83,78	99,09	87,31	96,78	96,7	96,60	96,47	95,96	94,46	92,41	92,54	71,43	94,37	96,79	101,60

Expected	Cumulated 2019 U1
92 (internal NPP target)	93.86

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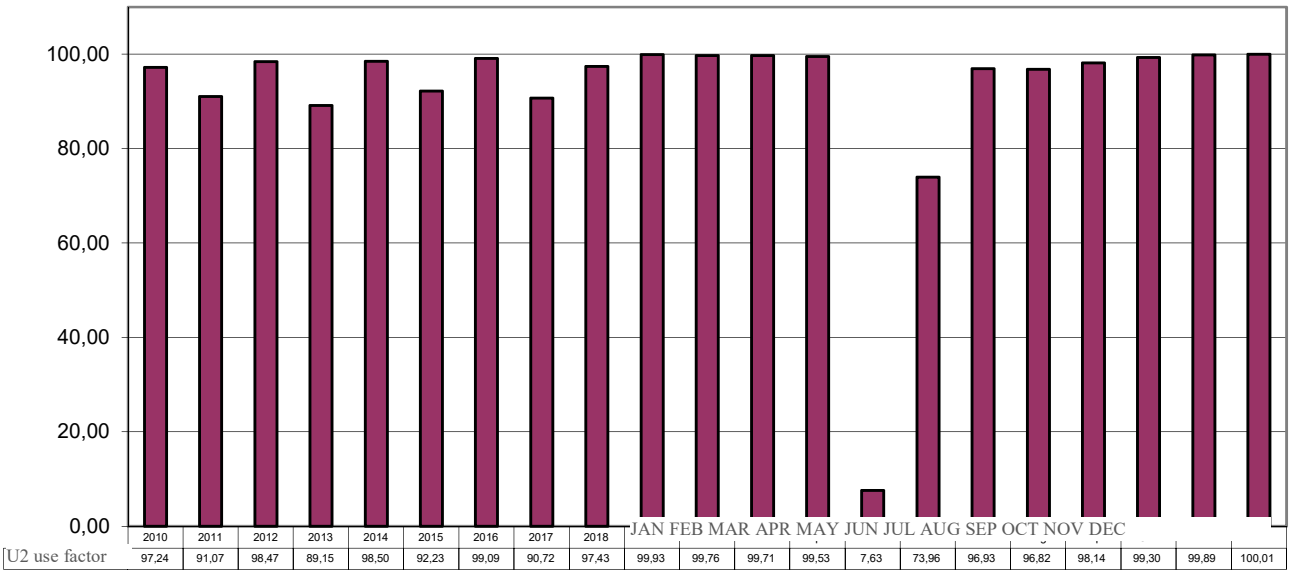
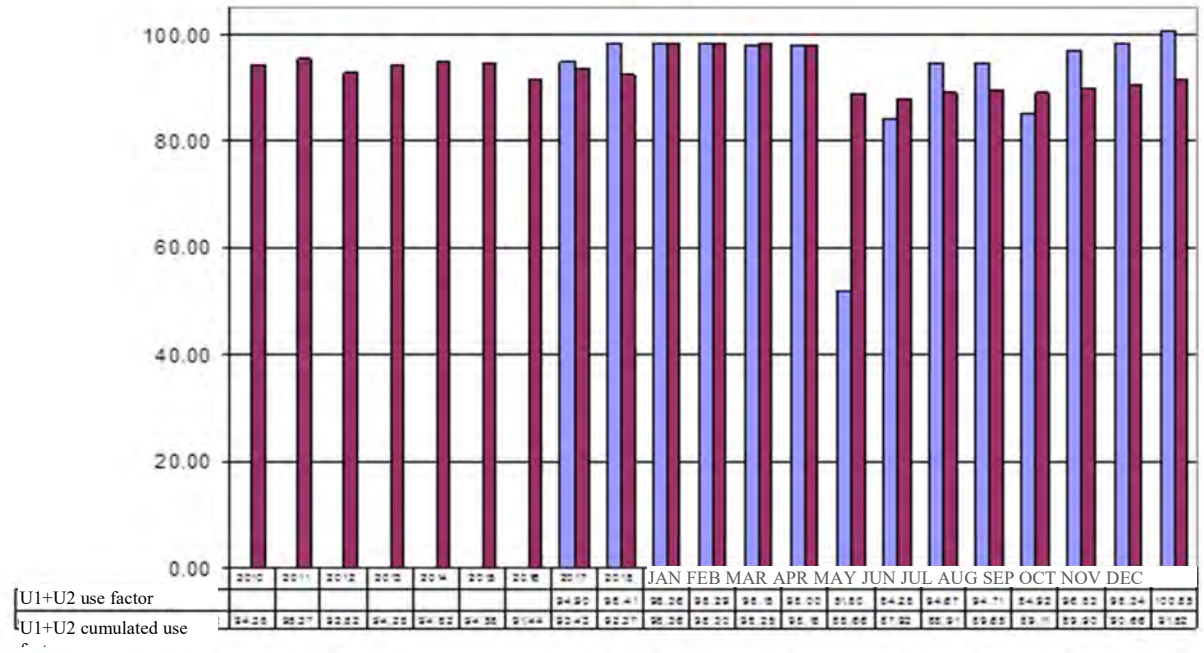
Installed capacity factor U2 (%)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
U2 use factor	97,24	91,07	98,47	89,15	98,50	92,23	99,09	90,72	97,43	99,93	99,76	99,71	99,53	7,63	73,96	96,93	96,82	98,14	99,30	99,89	100,01

Expected	Cumulated 2019 U2
90 (internal NPP target)	89.18

Installed capacity factor U1 + U2 (%)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
U1+U2 use factor												
U1+U2 cumulated use												

Cumulated 2019: 91.52 Expected 2019: 91

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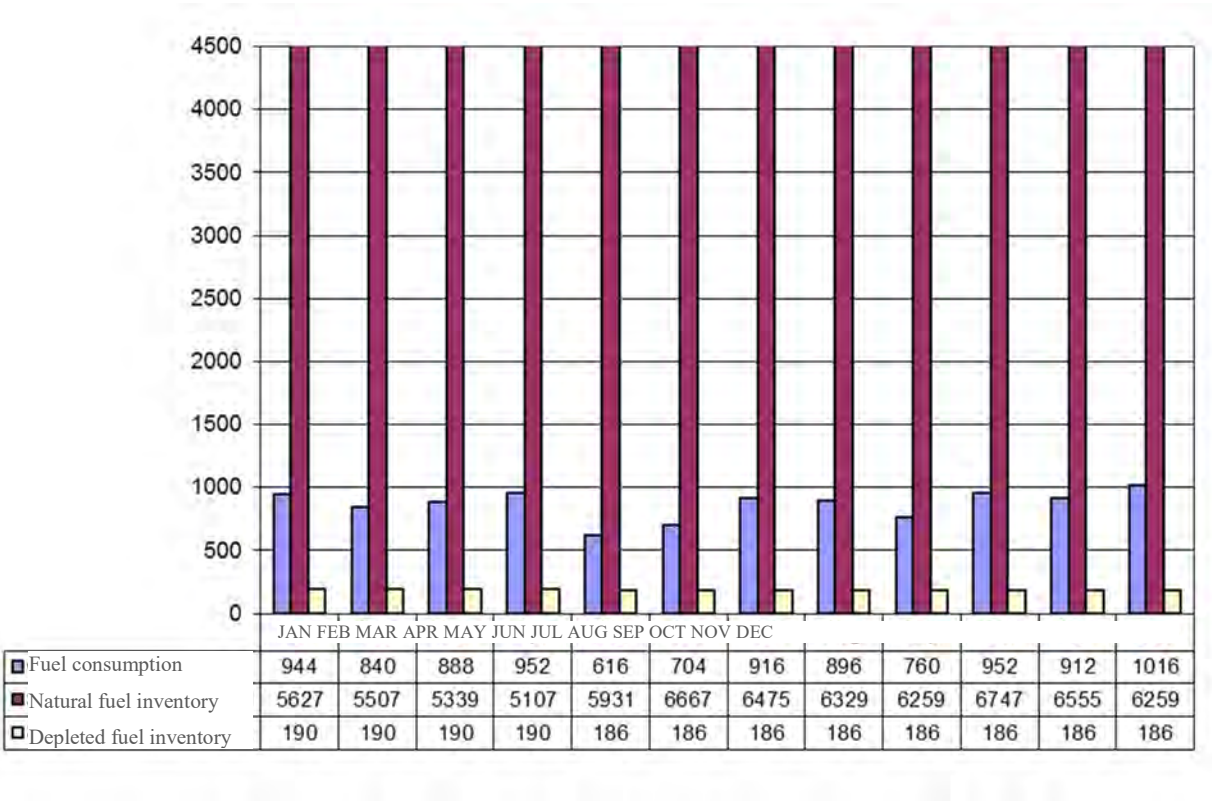
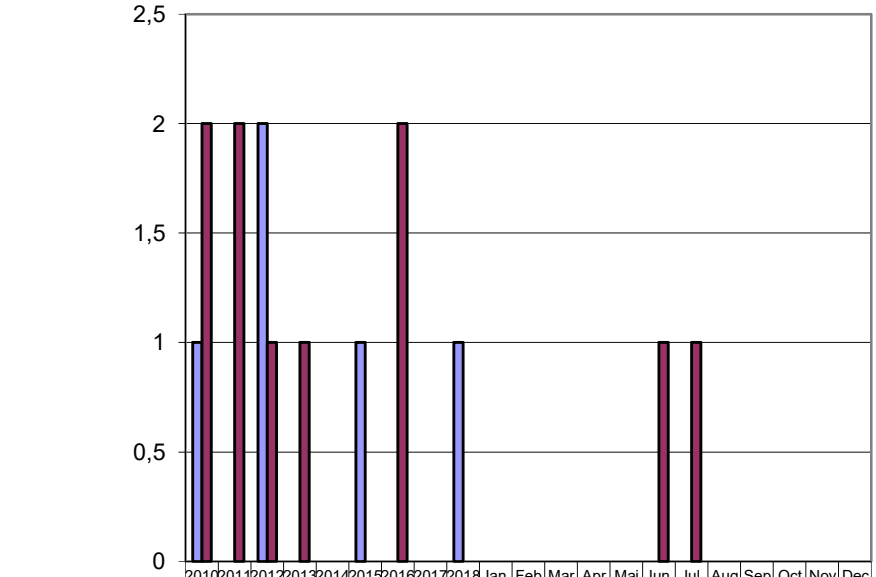
Fuel consumption U1 + U2/ Fuel stock (bundles)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Fuel consumption	944	840	888	952	616	704	916	896	760	952	912	1016
Natural fuel inventory	5627	5507	5339	5107	5931	6667	6475	6329	6259	6747	6555	6259
Depleted fuel inventory	190	190	190	190	186	186	186	186	186	186	186	186

Cumulated consumption 2019: 10,396

Fuel defects confirmed U1/ U2 (#)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
U1 fuel defects	1	0	2	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
U2 fuel defects	2	2	1	1	0	0	2	0	0	0	0	0	0	0	1	1	0	0	0	0	0

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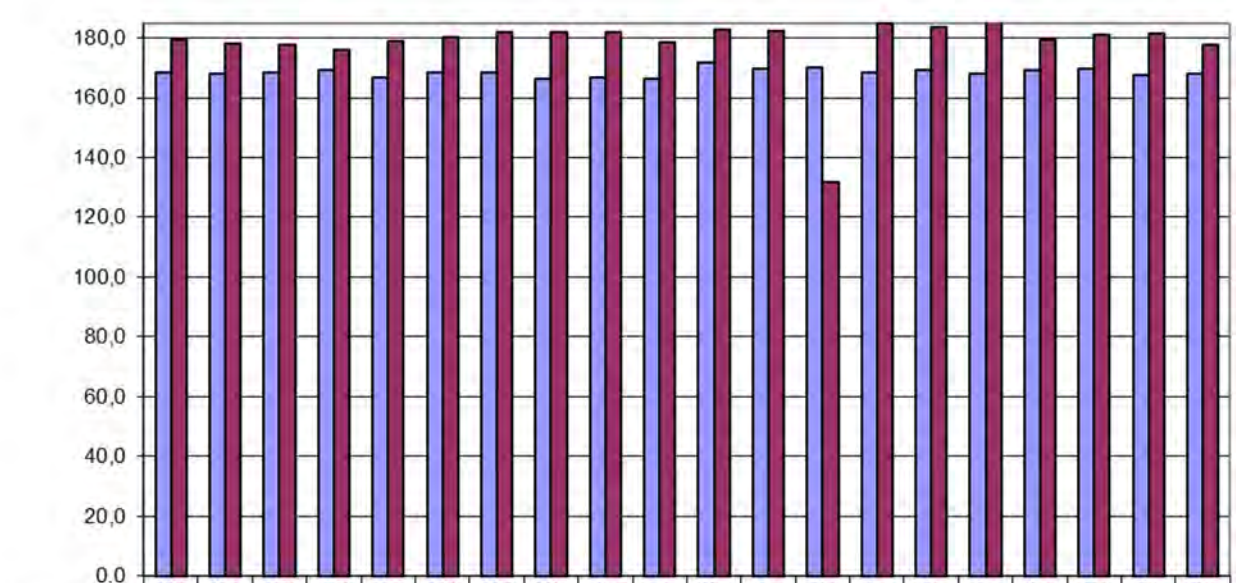
Nuclear fuel burn up degree (MWh/KgU)



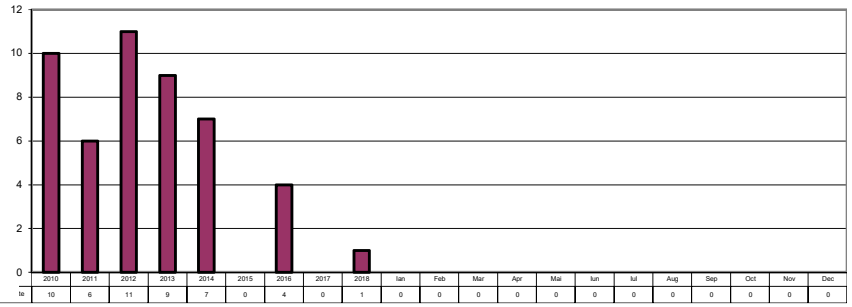
	2010	2011	2012	2013	2014	2015	2016	2017	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
U1 monthly burning degree	168,5	168,2	168,6	169,1	166,9	168,5	168,5	166,4	166,75	166,5	172,0	169,7	170,2	168,7	169,3	168,1	169,2	169,8	167,6	167,9
U2 monthly burning degree	179,3	178,0	177,6	175,9	178,9	180,4	181,8	181,8	182,12	178,4	182,8	182,3	131,8	185,1	183,7	186,6	179,6	181,3	181,7	177,7

7. Nuclear security aspects

The operation activity was conducted without events with impact on nuclear safety, upon the own personnel, population and environment.

During the reporting period, no reportable operating event was recorded exceeding Level 1 on the international scale of nuclear events, regarding the degradation of deep defense barriers, impact on site or outside (indicator 1) and no human error leading to an event with consequences.

Number of reportable events



	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
No. of events	10	6	11	9	7	0	4	0	1	0	0	0	0	0	0	0	0	0	0	0	0

Classification on the ines scale (indicator 1):

Level 0: 0/ Level 1: 0 Limit 2019: 1

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Radiation protection of personnel, population and environment

No special events have been recorded regarding the radiation protection of personnel, the population and the environment.

The dose for a representative person in the population, collected from the radioactive emissions is about 2.000 times lower than the legal dose limit.

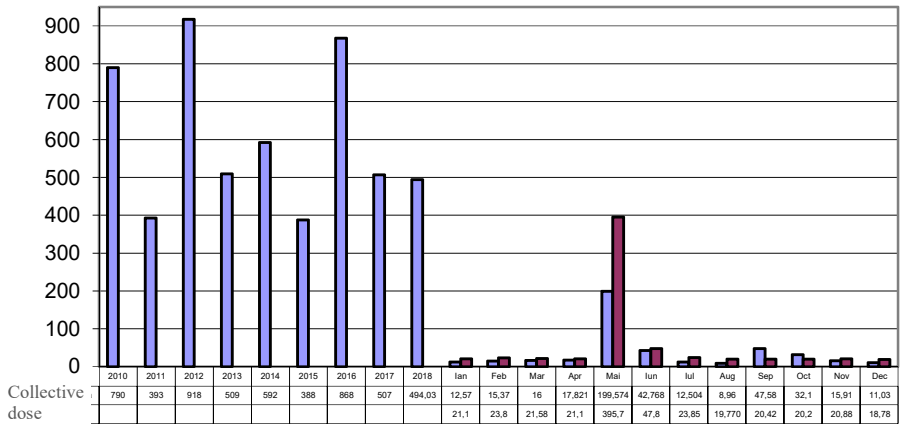
During December 2019, the routine individual dosimetry surveillance was ensured for 2,254 professionally exposed workers (NPP employees and contractors) and 2,709 biological samples were analyzed

Information on monitoring and controlling individual doses

(for professionally exposed personnel)

Registration no.	ALARA Indicator	Measuring Unit	Value
1	Maximum legal limit of the individual dose	mSv/an	20
2	Maximum administrative limit of the individual dose	mSv/an	14
3	2019 target for the maximum individual dose	mSv/an	7
4	Maximum individual dose cumulated since the beginning of 2019	mSv	7.23

Collective dose per power plant, U1 + U2 (Om*mSv)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
Collective dose	790	393	918	509	592	388	868	507	494,03	12,57	15,37	16	17,821	199,574	42,768	12,504	8,96	47,58	32,1	15,91	11,03
										21,1	23,8	21,58	21,1	395,7	47,8	23,85	19,770	20,42	20,2	20,88	18,78

Cumulated 2019: Annual limit:

432.6 655

NB: The collective dose per the power plant, cumulated from the beginning of the year is calculated as the sum of individual doses.

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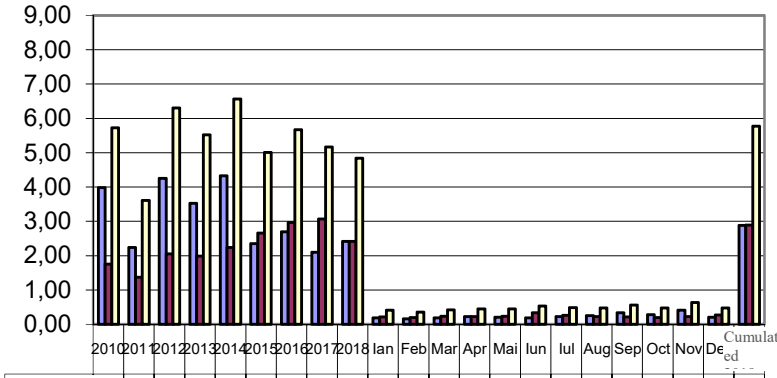
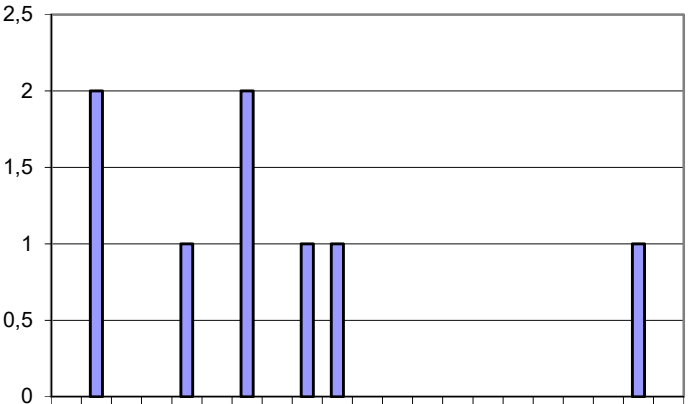
Radioactive emissions in the environment U1+U2 (microSv)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	De	Cumulated
Emisii U1	3,9	2,2	4,2	3,5	4,3	2,3	2,7	2,1	2,4	0,1	0,1	0,1	0,2	0,2	0,1	0,2	0,2	0,3	0,2	0,4	0,2	2,8
Emisii U2	1,7	1,3	2,0	1,9	2,2	2,6	2,9	3,0	2,4	0,2	0,2	0,2	0,2	0,2	0,3	0,2	0,2	0,2	0,2	0,2	0,2	2,8
Total	5,7	3,6	6,3	5,5	6,5	5,0	5,6	5,1	4,8	0,4	0,3	0,4	0,4	0,4	0,5	0,4	0,4	0,5	0,4	0,6	0,4	5,7

Dose restriction for Cernavoda NPP = 100 microSv/year/unit + 50 microSv/year DICA
Legal limit for the population (according to the Fundamental Radiation Protection Norm NSR01) = 1,000 microSv / year

Occupational safety and health / fire safety
Work accidents



	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
No. of work accidents	0	2	0	0	1	0	2	0	1	1	0	0	0	0	0	0	0	0	0	1	0

NB: The cause for the occurrence of accidents is lack of attention while traveling.

There were no fires or fire starts from 2007 to the present.

8. Main risks and their management

The main objectives of SNN on medium and long term are maintaining nuclear safety and increase company performance, risk management becoming an important activity in this context. By the complex nature of the activities undertaken (manufacturing of nuclear fuel, electricity and heat production by operating nuclear units, power sales, procurement, stock activity etc.), the Company is exposed to various risks for which the management take all necessary steps to minimize them at an acceptable level.

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According to best practices and the requirements of OSGG 600/2018, SNN implements the model of "3 defense lines", where:

- The first line is represented by the operational management, responsible for the daily management of the activities and current inspections;
- The second line of defense is represented by the structures that have assessment and inspection attributions in ensuring that the first line of defense is adequate, implemented, and operates properly. These Departments have some degree of independence from the first line of defense, and can also intervene directly in modifying and developing the inspection and risk management systems;
- The third line of defense, ensuring internal independence - internal audit - must provide to the Board of Directors / the Audit Committee and the Executive Management with an independent and objective assurance on the operation of the internal inspection and risk management system within the Company.

The internal management inspection system is essentially an inspection of the obtained performance and it is adequate to best cover the interests pursued by the public entity in achieving its objectives.

Regarding and perceived as a management function, the internal management inspection is the responsibility of the managers of the public entities, who have the obligation to design, implement and develop it continuously.

The establishment of the internal management inspection system is under the responsibility of the public entity managers and must be based on internal inspection standards that are grouped into five components of internal management inspection:

• Inspection environment - groups the matters related to organization, human resources management, ethics, deontology and integrity;
• Performance and risk management - addresses management issues related to objective setting, planning (multi-annual planning), scheduling (management plan), performance (performance monitoring) and risk management;
• Inspection activities - refers to the drafting of procedures, the continuity of processes and activities, the separation of duties, supervision;
• Information and communication - this section groups matters related to the creation of an adequate informational system and a system of reports regarding the implementation of the management plan, the budget, the use of resources and the management of documents;
• The assessment of the internal management inspection system and internal audit - the issue addressed by this group of standards refers to the development of the capacity to assess the internal management inspection, in order to ensure the continuity of the process of its improvement.

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In order to monitor, coordinate and methodologically guide the implementation and development of the internal management inspection system, the Chief Executive Officer of SN Nuclearelectrica SA ordered by a resolution the creation of a Monitoring Commission that coordinates the process of updating the general and specific objectives, the procedural activities, the risk management process, the performance monitoring system, the status of the procedures and of the monitoring and reporting system, respectively notifications to the manager of the public entity.

Risk management

The risk management process is under the responsibility of the Chairman of the Monitoring Committee, and considering the size, complexity and environment specific to nuclear activities, the responsibilities regarding risk management are performed / fulfilled by the Risk Management Service together with risk managers and the SNN staff.

In fulfilling its attributions, the Internal management inspection monitoring commission analyzes the risk management process based on the Risk Management Reports issued by SMR and prioritizes the significant risks that may affect the achievement of the objectives, by establishing the risk profile and the risk tolerance limit, annually, approved by the managers of the company. It also analyzes the "Plan to implement inspection measures for significant risks on SNN level" in order to submit it to the Chief Executive Officer for approval.

Risk analysis regarding the current activities and business strategy

The general objective of the Energy Strategy of Romania is to "meet the energy needs both in the present and medium and long term, at a price that is as low as possible, adequate to a modern market economy and a civilized standard of living, under safe conditions, food safety, by complying with the principles of durable development", consequently pursuing three strategic directions: energy security, durable development and competitiveness.

Consequently, SNN as a company of national importance whose shares are listed on the stock exchange, has defined a business strategy ("Strategy of Societatea Nationala Nuclearelectrica SA for 2015-2025"), in which business, corporate governance and social responsibility objectives are combined in order to fulfill the mission and goals mandated by AGA, as well as the role assumed in society.

SNN established, in the development strategy 2015-2025, the main medium and long term strategies with the main focus of maintaining nuclear safety, the continuous growth and increase of its shareholders' profits, and the analysis of the risks of the activity is important in this context.

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Medium and long term, the activity of SNN will be influenced both by the evolution of electricity prices and by the investment projects that the Company will develop: extending the life cycle of Unit 1, participating in the development of Units 3 and 4, continuing the development of DICA, setting up the funds needed for the solutions for the final storage of burnt fuel and building a tritium removal installation (CTRF - Cernavoda Tritium Removal Facility).

Consequently, the main risks in terms of SNN's activity and goals (market-related risks and project development) were analyzed. The diagram below comprises the overview of the main objectives, the critical elements in relation to the implementation of the strategies and the risks SNN will be faced with.

Main specific risks of SNN

Macroeconomic Environment

The future profitability of the operations of the Company and the feasibility of its projects depend on the market conditions from Romania and those from the countries with which it performs commercial operations, especially in the European Union. The main risk factors associated with the macroeconomic environment are grouped into the following three categories:

Market risk

The market risk category includes general market risks and risks associated with the Romanian electricity market. This risk combines the effects of macroeconomic performance, the evolution of the electricity market and the volatility of the electricity price, being generated by the fluctuation of the electricity price and the fluctuation of the prices of raw materials and materials, the reduced number of suppliers or commercial partners and the lack of long-term contracts. The materialization of the market risk has a direct impact on the overall performance of the Company.

Legislative/regulation risk

Legislative risk is represented by changes that may occur in the legislative framework of Romania and/or the European Union with direct applicability, without the necessity of transposing it into the national legislation. Possible changes may refer to imposing new taxes or setting standards and/or requirements for nuclear security by community, local and central authorities, and/or by the authority that regulates the nuclear energy field. The effect of the legislative risk may be the un-estimated increase of production costs, which may determine the drop of profit margins.

Besides the individual risk that can be generated by a single regulation (regulation, directives, law, ordinance, etc.), the Company is exposed to legislative / regulation risk and from the perspective of the high number of national and international regulation and / or inspection entities and / or professional associations, which address the activities of the Company, in this context there is the possibility that the regulations issued by various authorities are contradictory.

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Currency risk

The currency risk is determined by the current activities of the Company considering that some of them involve transactions in foreign currency. These transactions include the repayment of loans contracted in order to fund Unit 2 (in EUR, USD and CAD), technical support and contributions for decommissioning the two units.

Operational environment

The Company's current operations are influenced by various additional risk factors that have a major impact on current profitability. The main categories of risks are the following:

Operational risk

Operational risk is associated with the risk of loss risk resulting either from the use of inadequate processes, people, or internal systems or which have not fulfilled their function properly, or from external events, and includes legal risk.

Operational risks are intrinsically associated with the activities of the Company, with its capacity to generate revenues and maintain the competitive operational margin and are closely related to the market position, the identification and assessment of investments, generated profits / losses, potential fines, penalties, sanctions, a deficient establishment or management of contractual obligations. These risks depend on the Company's capacity of providing the necessary quantities of electricity that it has undertaken to provide under the contracts concluded on the regulated market and competitive market, considering both planned and unplanned outages for Units 1 and 2.

The occurrence of operational risks can be materialized in equipment malfunctions, human errors, the defective operation of operational processes, which can ultimately lead to unplanned outages.

Similarly, prolonged and extreme drought or other external events (e.g. powerful storms, extreme cold, failure of the electricity transmission network of Transelectrica) may have a major impact on the production and/or distribution of electricity.

One of the measures that may mitigate these risks is to consider the negotiation of long-term contracts with predefined prices and specific commercial terms on liquidation and damages, in order to reduce the volatility of the collection period by providing the cash flow that is necessary for operations and investments. Other measures that may mitigate operational risk may be represented by the ability of the Company to plan activity interruptions in the periods when the price of electricity decreases or the ability of the Company to conclude contracts to compensate for unrealized production when the units do not produce enough electricity because of unplanned activity outages.

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Counterparty risk

Counterparty risk is the risk of business partners not acting according to the terms and conditions specified in the concluded contracts, as a result of the failure, intentional (refusal to pay) or unintentional (inability to pay) to pay a debt to SNN, judicial reorganization, bankruptcy or the voluntary winding-up of a SNN counterparty.

SNN has commercial partners both as a seller and as a buyer of electricity, as well as a buyer of the goods, equipment and services that are necessary for performing its current activities.

In the context of market liberalization, SNN will seek to conclude predominantly long-term electricity sales contracts for most of its production capacity, this being a condition for ensuring the cash flow imposed by credit institutions, especially considering the additional funding that is needed to perform the investments. In order to mitigate this risk, the Company has a policy for selecting commercial partners based on their credit risk, seeking to conclude such contracts only with solvent traders.

Competitive risk

Competition risk must be analyzed in the context of aligning the day-ahead market ("PZU") of Romania, in compliance with the price coupling mechanism of the markets from the Czech Republic, Slovakia and Hungary, and the Company is exposed to increased regional competition generated by future improvements, refurbishment, extensions and new constructions expected to be made by the manufacturers on the respective electricity markets. At the same time, renewable energy projects are very volatile in terms of production, due to the lack of forecasts on the availability of fuel sources (e.g. wind, solar energy).

Risk associated to investment/maintenance/refurbishment works

This risk is manifested in close connection to the funds of the Company, the procurement and maintenance plan, conducting studies and the analyses that are necessary for substantiating the plans, structure and training of the personnel, equipment / installations suppliers.

Risk associated to the absence of specialized workforce

This risk is manifested both in relation to the losses of specialized knowledge as a result of the retirement of the specialists of the Company, as well as in relation to specialists leaving for other better paid jobs, and also in the absence of programs for attracting qualified young people, to be trained and specialized both in the field of operation and maintenance, and in the fields related to the implementation of the proposed investment program.

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Analysis of Company-specific risk factors

No.	Risk category	Level	Impact	Mitigation method
1. Macroeconomic Environment				
1.1	Market risk	Environment	High	Long-term bilateral contracts, with fixed prices or well-defined price formulas.
1.2	Legislative/regulation risk	Environment	Moderate	Using the best technologies that ensure environment durability. Continuous communication with the authorities
1.3	Currency risk	Environment	High	Negotiating price conditions that include currency risk.
2. Operational environment				
2.1	Operational risk	Low	High	Maintaining high operation and production standards.
2.2	Counterparty risk	Environment	High	Well-designed and detailed long-term contracts Applying a rating system for the parties with whom bilateral contracts are concluded. Securities (cash in Company accounts, letters of guarantee, insurance policies, commitment letters, security accounts).
2.3	Competition risk	Environment	Moderate	Continuously monitoring markets. Applying a cost control policy.
The "level" of the risk category defines the probability of occurrence: high, medium and low. The "impact" of the risk category defines the potential monetary impact on the company performance: strong, moderate, weak.				

Improving the risk management internal framework

In order to develop and improve its reporting, inspection and risk management capabilities, the Company intends to continuously improve its risk management framework, and the analysis measures include:

- Increasing the degree of collecting risk information and using it in taking informed decisions, risk-wise;
- Reducing the times for circulating risk information (risk management), including by computerizing support instruments;
- Periodically revising the counterparty risk for the counterparties on the energy markets;
- Increasing the level of Company personnel knowledge on risk management;
- Reviewing and/or recalibrating / periodically adjusting risk management instruments

Internal inspection system consolidation

- Reviewing internal financial-accounting inspections.
- Monitoring the adequacy of the Internal Inspection System focusing on the inspection environment, the managers' attitude and the management of the implemented inspections.
- Reviewing the compliance with internal regulations, the legal framework and the Code of Ethics assuring the Board of Directors that SNN implements inspection and support activities in order to maintain a compliant behavior.
- Reviewing SNN policies on fraud risk management, ensuring that fraud reporting and investigation systems are implemented.

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- Granting the Board of Directors trust in the statement from the Annual Report regarding the adequacy of the internal inspection and the risk management framework.
- Regularly receiving reports on the results of the internal inspection system testing, conducted by internal and external auditors.
- Supervising, on request, certain transactions for which support from the Board of Directors is required by the executive management.

Starting with 2019, the prevention activity was also supported by a training program performed and implemented on the level of the Headquarters and of the Branches, whereby the SNN personnel was informed and trained on the compliance with specific procedures of ethics, integrity, anti-fraud and anti-corruption. Moreover, the improvement of the existing procedures with the best practices in the field, the lessons learnt and the adaptation to the requirements of the legislation in force shall be continued.

Also in 2019, SNN started implementing the anti-bribery standard, and shall become one of the first companies in Romania to have specific monitoring policies, procedures and methods in the field.

On SNN SA level, the managers shall continue to define and establish a set of principles and values that guide the daily activities of its employees. The results of SNN, the image we build and consolidate within the business environment, the trust of our shareholders and partners and, last but not least, our well-being depend on the way the company succeeds in complying with these principles, and the way in which they are continually improved. We all must be aware of the fact that certain values we appreciate universally to those around us, like integrity, professionalism, responsibility, respect, loyalty, are surely requirements and expectations of our co-workers, partners and even of our community to in terms of how we perform our own activity.

The way we work, behave and interact with other persons is defining for establishing a healthy, responsible and efficient work environment. For this purpose, the Business Ethics and Code of Conduct was developed, and it is applicable to all management staff members, employees, advisors, the personnel of our partners who work in SNN, in order to present the basic values which must be observed and promote the adopting of a fair attitude, so that by complying with these criteria we are able to build a prosperous business, which relies on healthy, honest and transparent principles. The basic values that guide our business are universally valid principles of our company, and these must be known and unconditionally applied by all employees. They are meant to support and promote the vision and culture of our organization.

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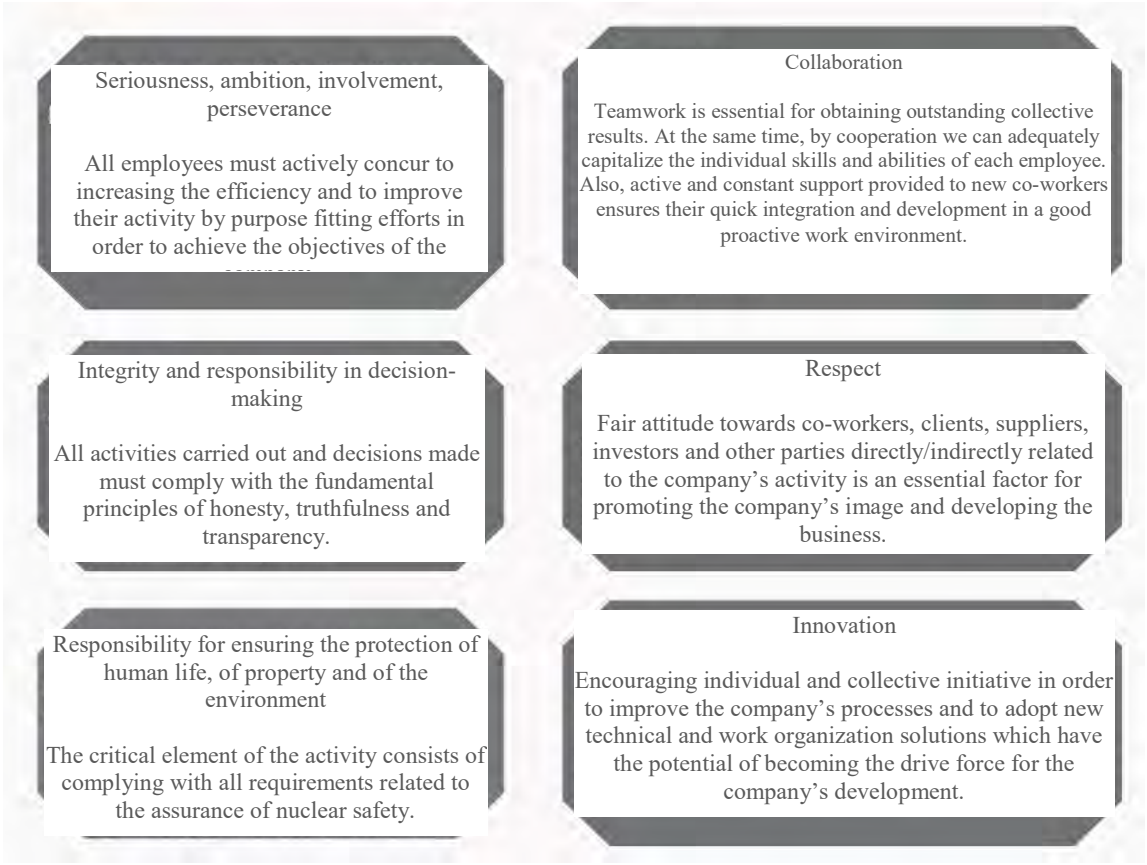

SNN has adhered to the basic values, principles, goals and monitoring mechanism of the National Anti-corruption Strategy for 2016-2020, to this end expressing its resolute decision to:

- condemn corruption in all its forms and to states its commitment to fight against this phenomenon by all legal means at its disposal;
- take corruption prevention actions as elements of the management plans and to assess them regularly as part of management performance in order to increase the institutional integrity;
- support and promote the implementation of anti-corruption legal framework, which is mainly targeted at preventing corruption, increasing the level of anti-corruption awareness, fighting against corruption based on administrative actions, approving the integrity plans and developing the related monitoring and assessment system;
- strengthen the operational independence of internal inspection and audit structures and boost the implementation of internal/management inspection systems;
- perform a regular self-assessment of the level of mandatory prevention action implementation;
- adopting all the actions required to avoid the conflicts of interests and incompatibilities, as well as to put the public interest above any other interest, by complying with the transparency principle applied to the decision-making process and free access to public interest information.

With the help of the compliance activity, SNN employees shall be trained on how they should not use the attributions within the company in order to obtain undue patrimonial or non-patrimonial

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benefits for themselves, their families or other close persons, as well as the risks they face and assume if they get involved in such activities.

Risk Insurance

Significant risk insurance policies on SNN level are as follows:

4) Property Insurance Policy - Units 1 and 2 CNE Cernavoda and FCN Pitesti - all types of risks, including mechanical and electrical destruction, for a cumulated liability limit (insured amount) of USD 1,560,000.
5) Third party liability insurance policy for nuclear damage with a liability limit (insured amount) of DST 300,000,000.
6) Civil / professional liability insurance policy for SNN directors and managers ("D&O") for a liability limit (insured amount of EUR 33,000,000).

Besides these insurance, the Company has concluded RCA policies, CASCO policies (voluntary motor insurance) and an insurance policy against work accidents and occupational diseases for employees.

Annual assessment of the internal management inspection system

In order to ascertain the degree of implementing the internal inspection standards as of December 31, 2019, the company performed the annual self-assessment and carried out the following actions:

- Debating in the work session of initiating the operation of self-assessing the implementation degree of the internal/management inspection standards, and following the discussions the company agreed on the action performance schedule, based on the notification drafted by the Technical Secretariat within the Financial and Managerial Inspection Department.
- Implementing the self-assessment function and assessing the implementation degree of the internal inspection / management standards by the registered Resolution of the Chief Executive Officer of S.N. Nuclearelectrica S.A., namely:
  a) Supplementing, based on the principle of truth and managerial responsibility on the accuracy of data and information, of the “Questionnaire for self-assessing the implementation degree of internal inspection / management standards as of December 31, 2019” form, by the managers of the organizational structures from the organizational chart of S.N. Nuclearelectrica S.A., including from the organizational charts of subunits.
  b) Issuing the annual report on the internal inspection / management system on branch level, by assuming the responsibility of subunit management.
  c) Centralizing, drafting the consolidated synthetic report on the level of S.N. Nuclearelectrica S.A.

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- The Commission for monitoring the internal management system approved the documentation and results of the annual self-assessment operation for the implementation stage of the internal inspection / management standards on the level of SNN, namely:
  - Centralizing report on the stage of implementing and developing the internal inspection / management system as of December 31, 2019;
  - Implementation stage of the internal inspection / management standards, according to the results of the self-assessment as of December 31, 2019;
  - Report on the internal inspection / management system as of December 31, 2019 with the "Synthetic report on the results of the self-assessment";
  - The Internal Management Inspection System Development Program 2020.

The self-assessment operation showed that S.N. Nuclearelectrica S.A. has an internal inspection / management system whose design and application allows the managers and, as the case may be, the Board of Directors, to provide reasonable assurance that the resources allocated to achieving the general and specific objectives were used legally, regularly, effectively, efficiently and in an economical manner.

Thus, by *"Report on the internal management system as of December 31, 2019"*, drafted in virtue of art. 4 par. (3) of Government Ordinance no. 119/1999 on the internal/management inspection and preventive financial inspection (republished), as further amended and supplemented, and according to the Instructions annexed to Order no. 600/2018, the Chief Executive Officer of SNN states that the result of the self-assessment *"is based on a realistic, fair, complete and trustworthy assessment of the internal inspection / management system, formulated based on its self-assessment based on the principle of truth and assuming responsibility by the managers. The internal inspection / management system comprises inspection mechanisms, and the application of the measures for increasing its effectiveness is based on the assessment of risks"*.

Regarding the characteristics of the specific internal inspection / management system of the organization, the annual report on the internal inspection / management system as of December 31, 2019 ascertained the following aspects:

✓ The Commission for monitoring the internal inspection / management system is operational

The Commission for monitoring the internal inspection / management system (CM-SCIM) is updated and operational, and its activity is performed according to procedure *CM-00-01 - "Organization and Operation Regulation of the Commission for Monitoring the Implementation and Development of the Internal Inspection / Management System"*.

In 2019, according to the organizational modifications, by resolutions of the Chief Executive Officer of S.N. Nuclearelectrica S.A., the component of the commission for monitoring the internal inspection / management system (CM-SCIM) was updated.

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Also, in order to comply with the provisions of Order no. 600/2018, *the organization and operation organization of Societatea Nationala "Nuclearelectrica" S.A.* integrates the responsibilities and attributions of the monitoring commission.

✓ The program for the development of the internal inspection / management system is partially implemented and updated annually and whenever it is necessary.
The Internal Management Inspection System Development Program in 2019 was implemented 90%, as follows: out of the total of 31 actions, 28 were implemented, one action was partially implemented, and 2 actions were not implemented, given the reorganization of the business activity and the centralization of the IT function on company level.

✓ The risk management process is organized and monitored
In 2019 the company reviewed and updated procedure *MR-00-01–"Risk management within S.N. "Nuclearelectrica" S.A."*. The Commission for monitoring the internal inspection / management system (CM-SCIM) analyzes the performance of the risk management process based on the quarterly drafted risk report, subject to the approval of the Chief Executive Officer of SNN. Also, annually, CM-SCIM sets the risk profile and the risk tolerance limit, which are approved by the company managers.

✓ The documented procedures are drafted, inventorying procedural activities and updating the procedures represent permanent activities, and a continuous process in which every functional structure of SNN is involved, as follows:

- Within the headquarters of SNN from Bucharest, the processed and activities are structured as follows:

  - 22 processes documented in process charts;
  - 142 procedures that describe specific, procedure-based activities.

  The issued documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.
- Within the NFP Pitesti branch, the processed and activities are structured as follows:

  - 24 processes documented in process charts;
  - 52 system procedures;
  - 63 general procedures;
  - other 721 documents representing: technical procedures, guarantee inspection, environment, radioprotection, occupational health and safety, fire protection, physical protection, etc., radioprotection manual) that regulate operation, technological, inspection and control activities.

  Documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.
- Within the NPP Cernavoda branch, the processed and activities are structured as follows:

  - 31 RD procedures – also called Reference Documents - describing the 28 processes of the head office plus other 3 reference documents which do not describe processes, as they are procedures

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specifying the operating policies and principles or the radio protection regulation – RD-01364-L001, RD-01364-RP009 and RD-01364-P007;
- 153 SI procedures - also referred to as Instructions of the Power Plant - detailing the sub-processes and activities within the processes;
- 245 SI procedures - specific process procedures - indicating the performance of process segments and presenting the interface with other processes;
- Other documents: IDP (internal departmental procedures), OM (operating manuals), OI (operating instructions), IR (information reports), OMT (Operational Maintenance Testing), AOP (abnormal operating procedures), SOS (standard operating sequences), etc.
Documents are analyzed with preset frequencies (every 3 or 5 years depending on the type of the document) in order to determine the adequacy to work practices and / or the necessity to update them.

- The performance monitoring system is established and assessed for the objectives and activities of the entity, by performance indicators.

In 2019 the company drafted the procedure on *"Setting and monitoring objectives within SNN S.A."* with the following goals:
- Setting general objectives, objectives by SNN subunits, cascaded into specific (departmental) objectives, with related indicators and targets;
- Monitoring and reporting the implementation stage of general and specific objectives by quantitative and/or qualitative key performance indicators (KPI), including regarding the economical nature, efficiency and effectiveness.

Thus, the self-assessment showed that as of December 31, 2019, the internal inspection / management system of SN Nuclearelectrica SA is according to the standards comprised in the internal inspection / management code, and all 16 inspection standards are implemented.

Administration financial inspection

The Financial and Management Control of S.N. Nuclearelectrica S.A. is organized and implemented in compliance with the provisions of Government Emergency Ordinance no. 94/2011 regarding the organization and operation of the economic-financial inspection, approved by Law no. 107/2012 and GR no. 1151/2012 on the approval of the Methodological norms related to the organization and implementation of the administration financial inspection, covering all the structures from the organizational chart of the company.

The organization of the administration financial inspection within S.N. Nuclearelectrica S.A. is based on the necessity that on the level of the company there is an efficient inspection system, ensuring the integrity of the patrimony; the enhancement of the budget and economic-financial

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discipline; the compliance with the legal provisions applicable to the activity, the internal regulations and decisions; increasing efficiency in using the allocated resources.

The Administration Financial Inspection is an economic instrument that serves the interests of SNN by:

- actions of preventing and/or detecting dysfunctions;
- verification actions, namely granting the preventive inspection approval for the revenue and expense draft.

Development and improvement of the financial administration inspection enhances the quality, performance and responsibility of financial management in the process of using the resources of the entity.

The objectives of the administration financial inspection are:

- Ensuring the integrity of the patrimony as a monetary expression of the economic means with their financing sources, and the financial results of the economic activity;
- Increasing the efficiency of using the allocated resources by verifying the legality, regularity and compliance of operations, identifying the weaknesses of the internal inspection system that generated errors or allowed the occurrence of fraud, inadequate or fraudulent administration;
- Enhancing budgetary and economic-financial discipline;
- Complying with the legal provisions, regulations and internal decisions.

The goal of the administration financial inspection is to inform the Board of Directors of S.N. Nuclearelectrica S.A. and communicate to the Chief Executive Officer performance information, and information regarding:

- performing operations in an orderly, ethical, economic and efficient manner;
- complying with responsibility obligations; compliance with the applicable laws and internal regulations;
- protecting resources against losses, abuses and damages;
- enhancing the internal inspection system, in order to efficiently prevent irregularities and recover the losses caused by irregularities or fraud.

Within S.N. Nuclearelectrica S.A. the organization of the administration financial inspection complies with the segregation principles, and the Department of Financial and Management Inspection (DCFM) is responsible for performing the administration financial inspection (CFG) in all subunits of SNN (head office, Cernavoda NPP branch, NFP Pitesti branch) and has operational independence by being directly subordinated to the Chief Executive Officer.

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Also, according to the legal provisions, the Board of Directors is quarterly informed on the implementation and results of the financial administration inspection.

Within SNN, the administration financial inspection is performed based on the annual activity schedule and half-year schedules approved by the Chief Executive Officer of the Company, based on its own specific procedures, issued according to the legal provisions applicable to the activity - GEO no. 94/2011 on the organization and operation of economic-financial inspection, approved by Law no. 107/2012 and GR no. 1151/2012 for approving the Methodological norms regarding the manner of organizing and exercising administration financial inspection and by assimilating the best practices in the field.

The main internal procedures according to which the administration financial inspection operates are as follows:

- Organizing and exercising the administration financial inspection - methodology for planning, preparing, implementing and completing the administration financial inspection;
- Verification, guidance, optimization of the internal inspection.

In 2019, the specific objectives of the financial administration inspection activity were achieved, the approved activity program (26 inspection missions) was entirely implemented, and all the 3 subunits, the Headquarters, the CNE Cernavoda Branch and the FCN Pitesti Branch, were included in the verifications.

Also, in 2019, besides the approved inspection program, 11 unannounced / thematic operations were performed, ordered by the Chief Executive Officer of SN Nuclearelectrica SA, in addition to the activity program, actions of verification, guidance and optimization of internal inspection activities, according to the provisions of the internal procedures regarding assistance and guidance activities, which serve the managers and the interests of SNN by actions designed to optimize and prevent or detect dysfunctions in order to substantiate decisions, assimilate best practices, implement actions for increasing efficiency and improving performance.

In summary, the inspection activities targeted the following general objectives:

1. Complying with the legal provisions in substantiating the draft of revenues and expenses of SNN and the drafts of revenues and expenses of the subunits from its structure;
2. Verifying the investments included in the investment programs approved in 2015-2017, of the implementation degree of ongoing investments and implemented investments, indicated in the accounting records, in order to identify the unimplemented / partially implemented investments;
3. Obtaining revenues from sold production, budgeted for 2018 on the level of the NPP Cernavoda branch;

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4. Monitoring the implementation of the measures indicated in the reports of the Court of Accounts following the verifications performed in 2018;
5. Extending and deepening the analysis of records, substantiating documents and reports regarding the random checks regarding the status of the hours actually worked by the employees from the SNN headquarters, completed by operational reports to the Chief Executive Officer, written down in the synthesis note of actions performed in 2018 by DCFM, registered under no. 2734/06.03.2019.
6. Monitoring the implementation of the measures set following the administration financial inspection, asking for plans of measures, checking the compliance with the set deadlines and the accuracy of the notifications regarding the implementation of the measures approved by the inspection reports and the analysis notes drafted based on internal procedure code AIMP-00-01 - "Actions of verifying, guiding and optimizing internal inspection activities";
7. Compliance with the legal provisions and the internal regulations in performing procurements; checking the manner in which the primary, accounting and technical-operational documents are complied with;
8. The manner of applying and complying with the provisions regarding the records, the document circuit and the communications performed by the NFP Pitesti branch, in the relations with Raten - ICN, regarding the delivery - reception of the archive regarding the former ICN employees;
9. Complying with the legal provisions and internal regulations regarding the manner of obtaining and capitalizing the results of the annual inventory of assets, debts and equity (related to financial year 2018) - executive SNN and the two branches;
10. Complying with the legal provisions in the implementation of the revenue and expense budget - Half-year I of 2019;
11. Complying with the legal provisions and internal regulations on the acknowledgment of fixed assets, determining their book value and expenses with amortization and losses from their depreciation - SNN headquarters and the two branches;
12. Complying with the legal provisions and internal regulations regarding collections and payments in RON and foreign currency in cash by the cash department: checking the manner of making cash payments (business trips, small purchases); checking the manner of drafting and using substantiating documents regarding payments in cash in RON and foreign currency; checking the manner in which the accounting records are managed regarding payments and collections in cash (in RON and foreign currency) - Cernavoda NPP branch;
13. The manner of complying with the legal provisions and internal regulations on initiating procurements, granting and implementing Framework Agreement no. 1087/29.11.2010 concluded between SNN SA and SC Elcomex IEA S.A. for providing services for refurbishing power evacuation transformers, including the supply of a new power evacuation transformer with its related services;
14. The manner of complying with the legal provisions and internal regulations regarding the implementation of Service Contract no. 551/16.06.2017 concluded between SNN S.A. and S.C.

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General Concrete Cernavoda S.R.L. for providing services of manual and mechanized handling of products in the warehouses of NPP Cernavoda.

The deficiencies found by the inspection acts approved by the managers of SNN represent non-compliance cases, deviations from the legal acts or internal procedures in force, for which 67 corrective measures were established, deadlines and responsibilities to find solutions or responsibilities or to extend and enhance the analyses and the verifications on the level of the subunit/division.
The deficiencies found by the inspection acts approved by the management of the Company represent non-compliance cases, deviations from the compliance with legal acts or internal procedures in force, for which 67 corrective measures, deadlines and responsibilities for resolution were established.

Perspective Elements

As it concerns the perspective of energy sales on medium and long term (up to three years) we consider, based on the data related to more developed European energy markets, that the price competitive market will not undergone any significant changes in terms of increasing or decreasing ample.

The new electricity market context leads to the necessity to identify new investment opportunities including by diversifying the activity portfolio in activities included in the electricity value chain, for reducing the business risk and assuring a proper efficiency adequate to the own capital.

Continuation and development of Project Units 3 and 4 NPP Cernavoda may create favorable perspectives on long term for SNN, both regarding the recovery of the assets already invested in the project and some additional incomes which may be obtained from services (operation), namely goods supply (supply of nuclear fuel bundles).

Equally, the project for the refurbishment of Unit 1 is an essential project on whose success maintaining the production capacity in the future at a level similar to that of today depends.

Factors that may influence liquidity

Among the factors that may affect the company's liquidity in the future, we mention:

- Energy prices on the competitive market sale;
- The price of the main raw materials used by the company in the current activity;
- Fluctuations in interest rates and the exchange;
- The volume of investments to maintain and those to develop;

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- The level of taxation, including the introduction of new taxes.

There are many internal and external factors that may influence the company's liquidity, but on short and even medium term, the company has a very good liquidity.

Thematic aspects: environment matters

Significant information regarding the prevention and control of pollution

Cernavoda NPP ensures the observance of the fundamental principles regarding the management of radioactive waste and radioactive emissions resulting from the operation of the plant.

Radioactive effluents are discharged into the environment only if:

– Radioactive emissions are within the limits authorized by CNCAN;
– The emissions are controlled;
– The control of radioactive emissions is optimized according to the ALARA principle.

The Radiation Protection Department identifies all radioactive effluent release routes.

All significant routes of release of radioactive effluents are monitored based on approved procedures using appropriate measuring equipment and methods.

The effluent samples are analyzed within the Cernavoda NPP laboratories or the laboratories accredited by CNCAN in order to determine the quantities of radioactive materials discharged.

Actual discharges of liquid and gaseous effluents are controlled by careful operation of the power plant systems in compliance with the operating procedures.

The operating characteristics of the power plant systems are carefully checked by the responsible personnel according to the power plant processes, in order to ensure that the systems are operating according to the design.

The operation objectives are set so that the doses collected by the population as a result of gaseous and liquid effluent discharges comply with the limits and restrictions approved by CNCAN (200 microSv / year 100 microSv / year / unit) and the internal administrative limits (8.5 microSv/year 4.5 microSv/year/U1, 4 microSv/year/U2). According to the performance indicator for the monitoring of the radiological impact on the environment and the population, the radioactive emissions from U1 and U2, expressed in dose units (microSv) for one person in the critical group were recorded a lot under the dose restriction approved by CNCAN.

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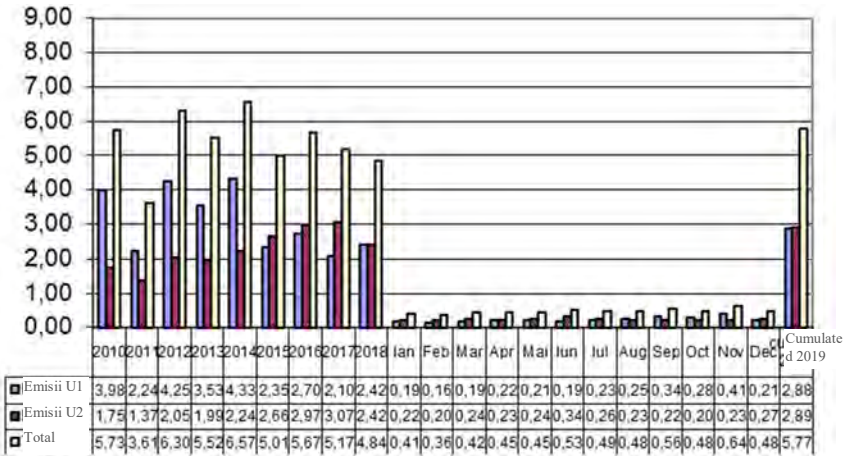
Radioactive emissions in the environment (mSv) (U1 + U2):



The monitoring of the radioactivity of environmental factors is carried out in compliance with the requirements of the national and European legislation and the recommendations of international agencies, with the purpose of assessing the potential changes in the level of radioactivity in the environmental factors specific to the area and of confirming the minimal impact of the operation of the Cernavoda NPP on the population and the environment.

Waste Management Strategy at Cernavoda NPP

In compliance with the Law 111/1996 on the safe deployment, regulation, authorization and control of nuclear activities, and with the Fundamental Norms for the safe management of radioactive waste, issued by the Order of the President of CNCAN no. 56 of March 25, 2004, the Norms regarding the classification of radioactive waste, issued by the Order of the President of CNCAN no. 156/2005, the safety rules for radioactive waste pre-storage activities, used closed sources and spent nuclear fuel, issued through CNCAN Order no. 148/2017, NPP Cernavoda is responsible for managing the radioactive waste generated by its own activity and has the following obligations:

a) Collection, segregation, characterization, treatment and intermediate storage of radioactive waste under safe conditions;

b) Treatment and conditioning of radioactive waste for final disposal in compliance with the acceptance criteria to be established issued by AN&DR and authorized by CNCAN;

c) Release, under the CNCAN authorization regime, of the wastes meeting the release requirements in order to reduce the total volume of waste to be conditioned for final disposal;

d) Monitoring the total radioactivity activity that accumulates in the Solid Radioactive Waste Intermediate Storage for falling within the limits of the operating authorization;

e) Reporting of radioactive waste specific information regarding the volume produced and their characteristics to CNCAN and AN&DR according to the requirements of the mentioned norms, in force, for filling in the national database.

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The total volume of solid radioactive waste, for both units of NPP Cernavoda, generated in 2019, was 54.8 m3. In total, until the present, in 1996 - 2019, the total volume of solid radioactive waste, for both units, is of 952.47 m3.

The production of energy through nuclear processes does not lead to the release of CO2 emissions. On the contrary, through the operation of the two CANDU reactors at Cernavoda NPP, the release into the atmosphere of 12 million tons of CO2 per year is avoided.

Thematic aspects: social and workforce aspects

The rights and obligations of employees are stipulated in the Collective Employment Agreement ("CCM") of SNN, in individual employment contracts ("CIM") and Internal Regulations of the Company. The rights and obligations of employees stipulated in the CCM are formulated in full compliance with human rights, the right to work in accordance with applicable law, employees benefiting from equal treatment, without discrimination, corresponding to the international standards of the nuclear industry, in conjunction with the legislation and motivational packages tailored to the macro- and micro-economic specificity in Romania.

The employees carry on their activity in accordance with the established working schedule, the job description as well as the Rules for Organization and Operation ("ROF"). The main activities, attributions, responsibilities as well as the relationships between the departments of the company are presented in the rules for the organization and operation of the company. The manner of applying legal provisions and internal normative provisions regarding work discipline is set by the Internal Regulations, reviewed in November 2018, and updated in the last period of 2019, applicable as of 10.02.2020.

The normative act that governs the labor relationships in the Company is the Labor Code - Law no. 53/2003, as further amended and supplemented, according to which, during 2019, between the Company's Board of Directors and its employees, represented by the Cernavoda NPP Union - union which is representative at unit level with legal personality, addenda to the CCM have been signed and registered with the Bucharest Territorial Labor Inspectorate.

The company currently uses a standardized individual work agreement both for the employees hired for a determined period of time and for the employees hired on undetermined term. The standardized individual work agreement respects the provisions of the Order no. 64/2003, regarding the individual work contract.

The company evaluates its employees according to an internal procedure, annually or periodically, at an interval of 3 - 6 months (in the case of some personnel members who are under observation).

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The Internal Regulations applicable at Company level, contain all the provision categories provided by the Labor Code. The internal regulations was communicated to the employees by the website of the company and as of the notification it produces full effects for the employees. The social and work-related aspects are transposed into the Collective Labor Agreement (“CLA") of SNN and in the Internal Regulations ("IR") of SNN.

The Collective Labor Agreement within the organization includes all the rights and obligations of the parties, in compliance with the Internal Regulations, the Code of Conduct and are transposed into the Individual Labor Agreements concluded with no discrimination.

The employment is done following the selection and recruitment process, which is based on the provisions of the Labor Code, the Collective Labor Agreement negotiated between the representatives of the management and the representative trade unions according to Law no. 62/2011, Law on Social Dialogue and the internal procedures in force.

The relationship with the trade unions is permanent and consists in meetings/consultations with them, and the provisions of the SNN CLA are negotiated following permanent consultations of the Commission appointed by the management, as well as by the trade unions.

As far as the human capital management is concerned, the company is involved and constantly invests in the quality of workers, through continuous training and preparation and by promoting the meritocracy as component part of the motivation system documented and implemented within SNN S.A.

SNN maintains a tradition regarding the attention to the training of young specialists and the support of university study programs by supporting professional practice programs and involving the students in approaching current topics and of interest for SNN SA in practical academic works and those for taking the bachelor or master degree exams.

The management team of SNN SA intends to develop the collaboration with the university environment through a greater involvement regarding the training of practical skills of young people, becoming familiarized with their expectations and needs, and adapting their own existing programs mainly as part of the company’s operating activities adapted thereto, in order to increase the attractiveness of SNN and the recognition of the employer brand. Upon the passing of Law no. 177 of July 19, 2018 on internship, SNN SA appreciated the significant contribution of this legal provision in increasing professional quality, both informal and formative one, of young specialists, by their attraction, motivation and active involvement within the company, and in 2019 NPP Cernavoda implemented an internship program with 5 interns, who at the end of the program and after completing their university studies were integrated within the company.

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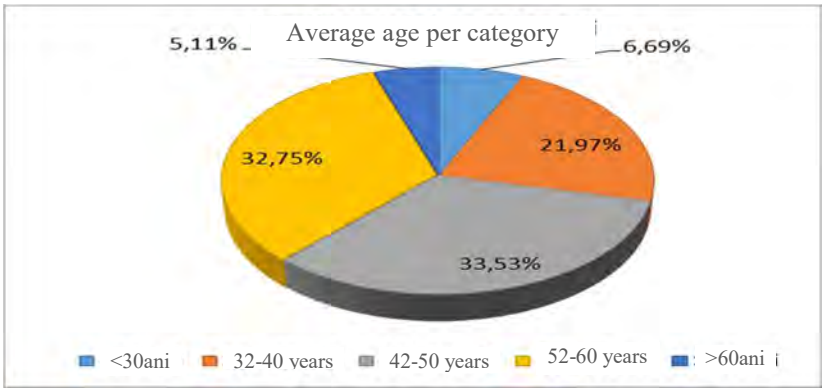
The company's management is fully involved in the organizational development, the creation of a culture adapted to the current economic environment, the increasing challenges the labor market is faced with, and combating the phenomenon of migration. In this regard, a complex program of organizational diagnostics was accessed, run with the support of a specialized consultant and with relevant expertise in this field, in order to highlight the strengths and weaknesses in the way SNN SA is conducting its business, as well as to identify the causes generating them, for organizational development by exploiting opportunities and removing dysfunctionalities.

SNN SA meets all the premises of a brand of employer, credible inside and attractive outside, with any campaign for the attraction and retention of personnel starting from the clear establishment of the objectives, the identification of talents and their development, models of working as part of a team and individually, allowing for the valorization of the abilities of every employee.

9. Centralized Key Performance Indicators (KPI) within SNN

Personnel structure	
Age groups	**Average age/category**
< 30 years	6.69%
31-40 years old	21.97%
41 – 50 years old	33.53%
51 – 60 years old	32.75%
>60 years old	5.11%



Employees entitled to parental leave, per gender

The average of those who are raising children/genders

NPP	**NFP**	**SNN Head Office**	**Average**	
0.73%	1.10%	6.16%	1.16%	Women raising children
0.12%	0.00%	0.00%	0.09%	Men raising children

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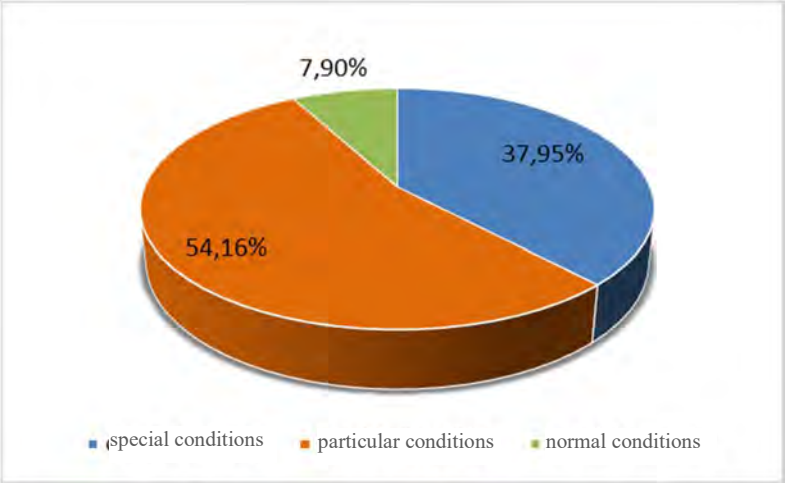
Employment based on working conditions



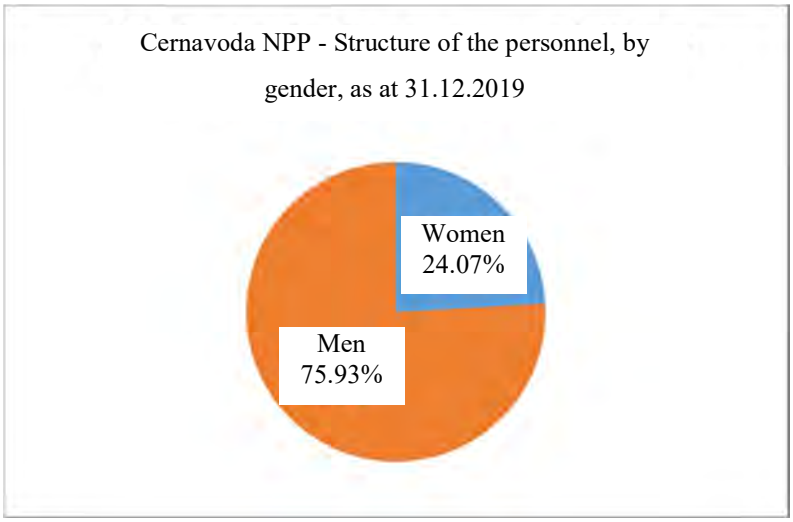
Personnel fluctuation rate - 3.8% on average

Share of employees working with temporary contracts, per gender - Very low =1.63 %

The average number of training hours per year for each employee, per gender - The degree of continuous and initial training in a nuclear power plant is a mandatory requirement and reaches an average of 134.6 h /worker.

Employee consultation processes - Consultations with the trade unions on topics related to nuclear security (in CSSM).

Key Performance Indicators (KPIs) related to the Cernavoda NPP Branch



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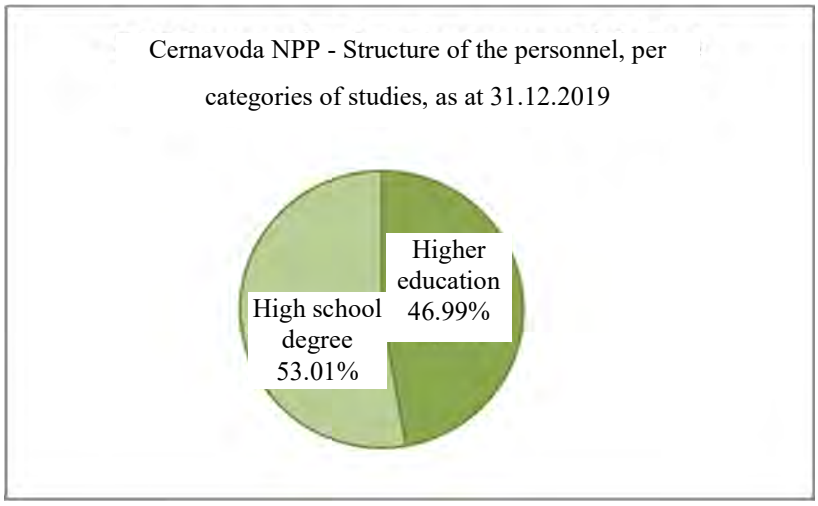
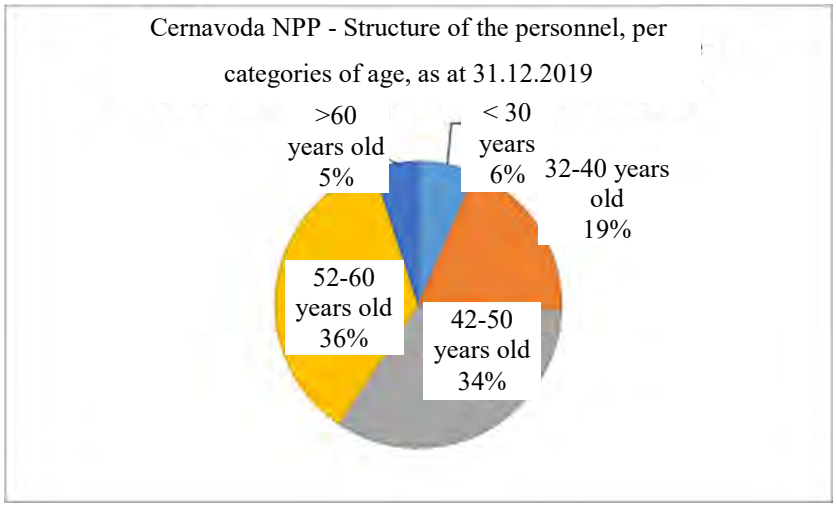
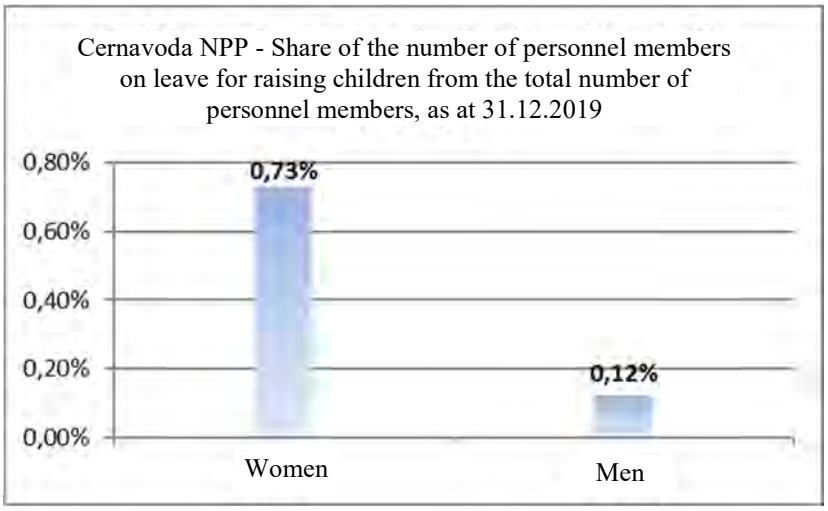




Employees entitled to parental leave, per gender.



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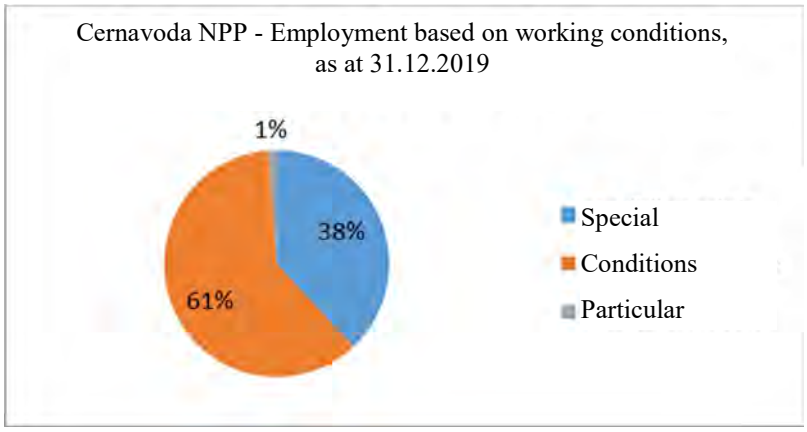
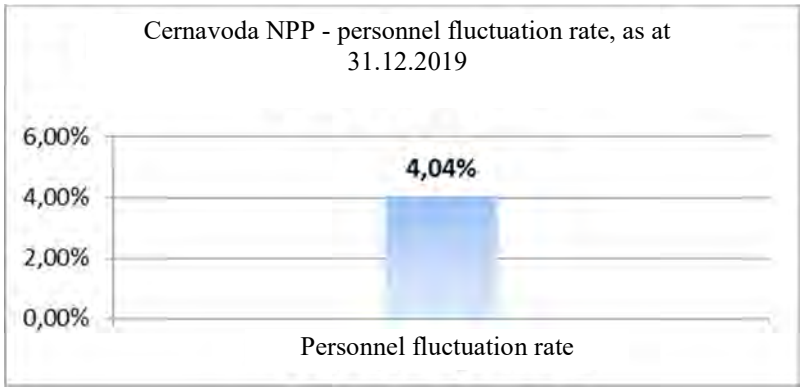
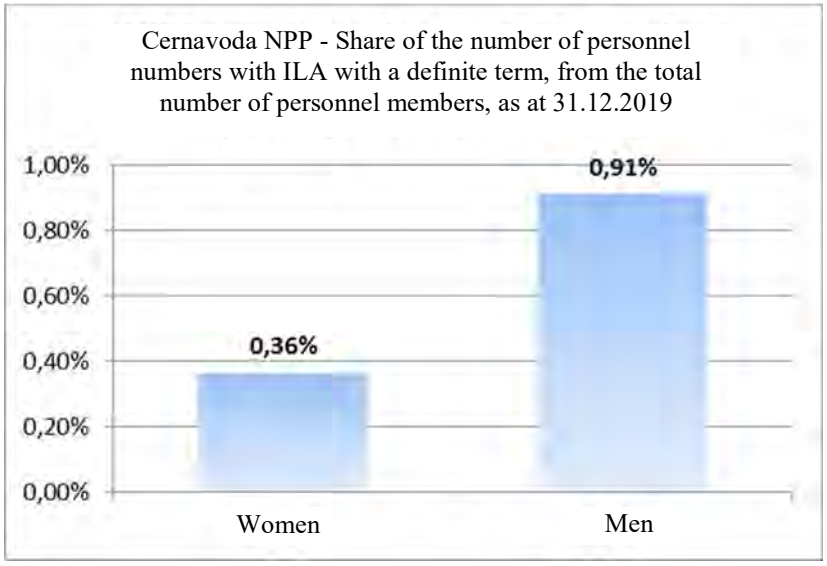
Employees participating in activities with a high risk of accidents or specific diseases.



Personnel fluctuation rate



Weight of employees working with temporary contracts, per gender.



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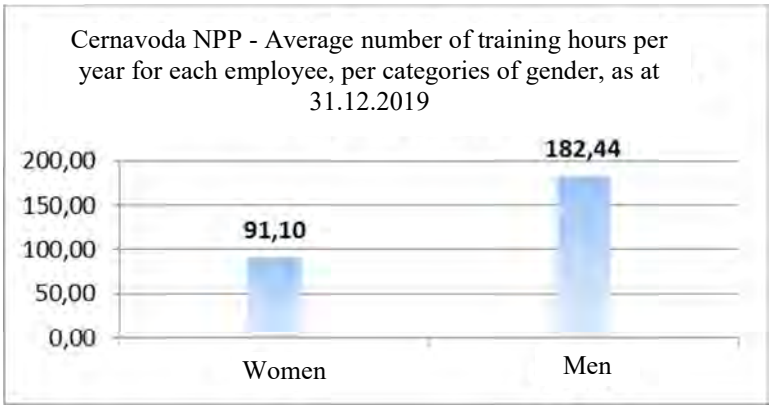
Average number of training hours per year for each employee, per gender.



CSSM, Consultation with trade unions representing employees.

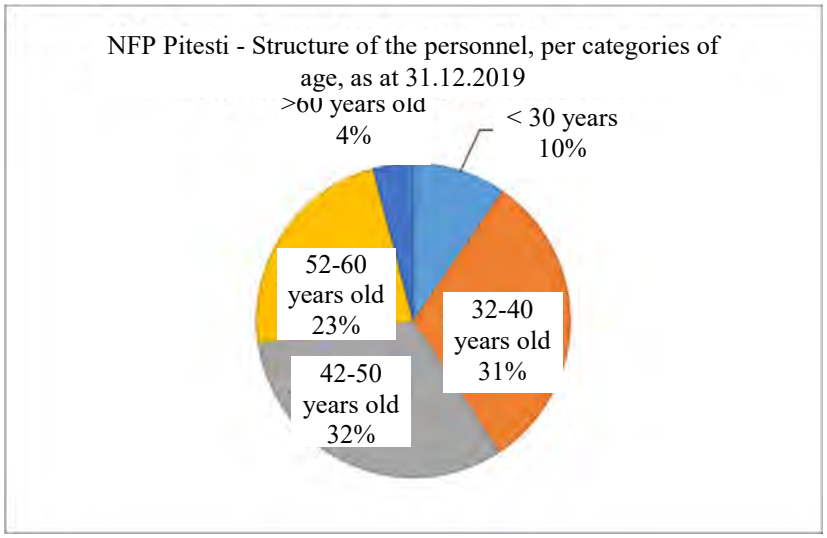
PSP-A008-011 Reporting the Staff's Concerns

Regarding Nuclear Security

Number of people with disabilities employed 11

Key Performance Indicators (KPIs) related to the NFP Pitesti Branch

Gender diversity and other aspects related to diversity.



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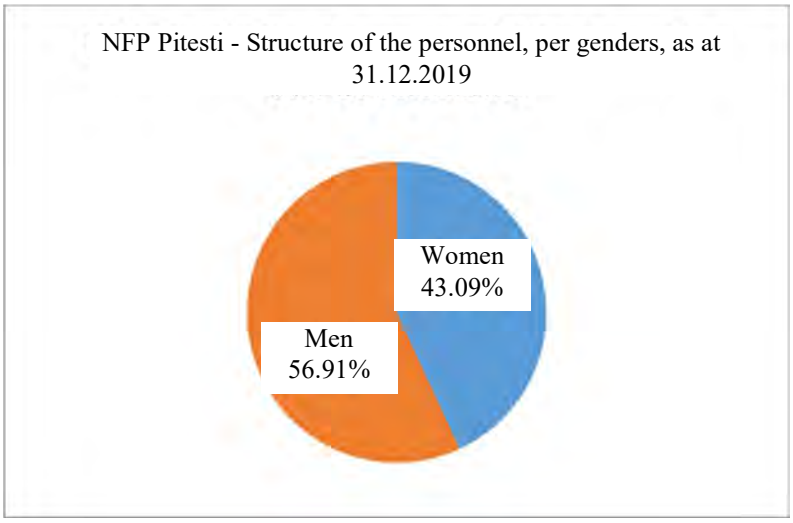

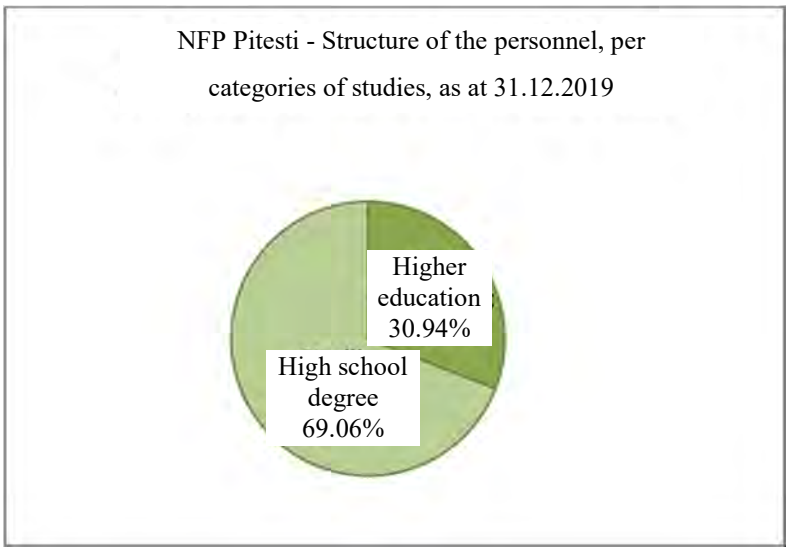

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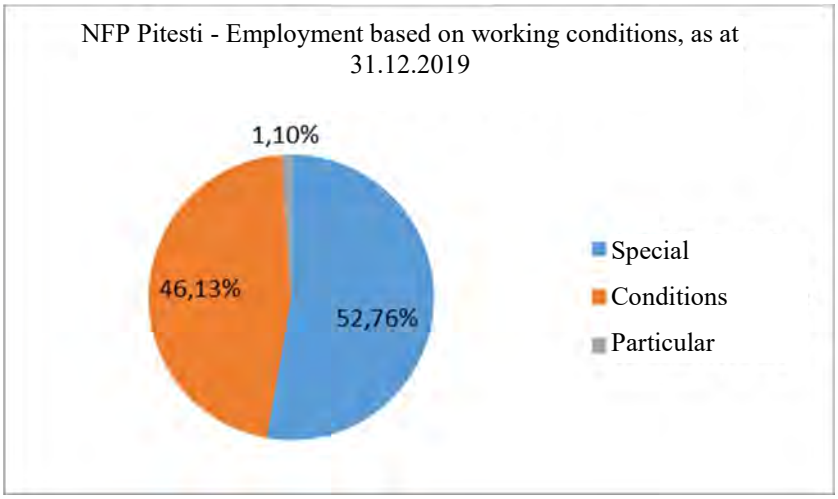

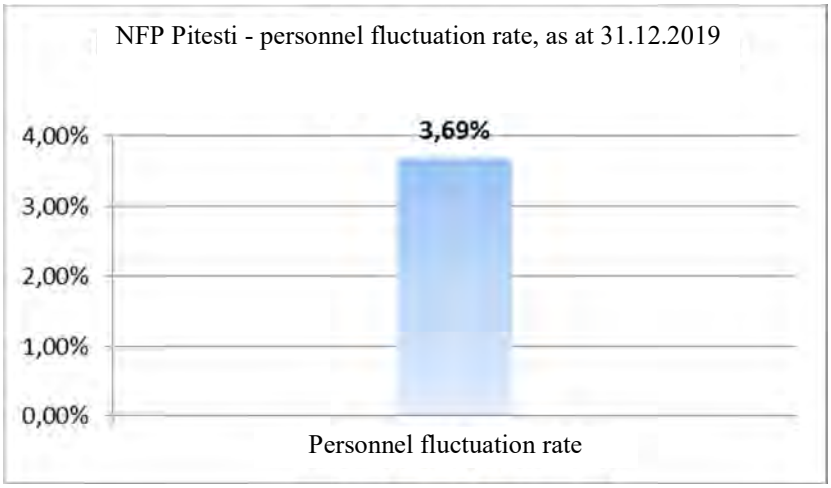

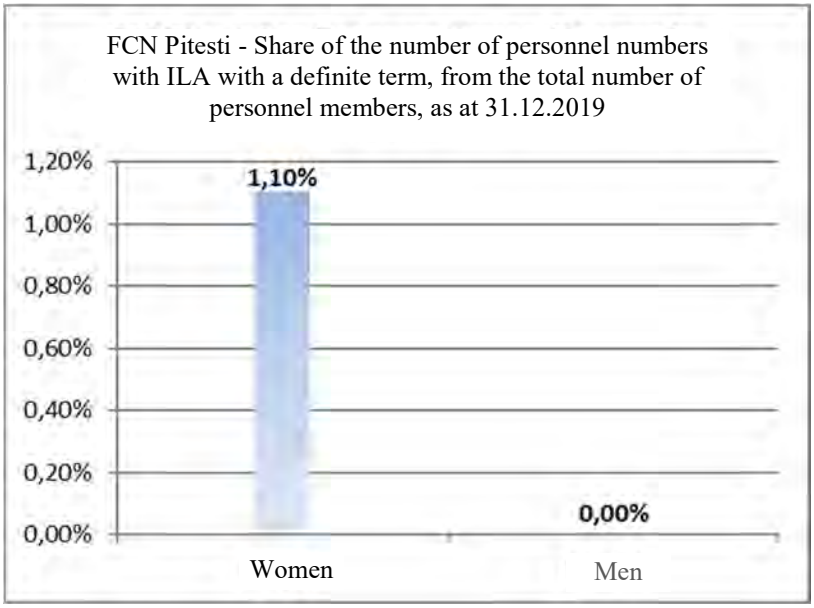

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Number of work accidents, types of injuries or occupational diseases

In 2019, NFP did not record any work accidents, and did not record any occupational diseases.

Personnel fluctuation rate 3.69%.

In 2019, 13 people left NFP and 17 people entered the organization.

Share of employees working with temporary contracts, per gender

Within NFP, the share of employees working with temporary labor contracts is low. As at this date, there is only one definite period contract.

Number of people with disabilities employed: NFP does not have any people with disabilities employed.

10. Observance of human rights

The human resources strategies and policies, the action directions of the administrative and executive management, aim for the observance of human rights in compliance with the international and national legislation. In this regard, Nuclearelectrica pays attention through its policies and strategies to: the principle of equality of rights and equality of chances, the right to life, health protection and the right to a healthy environment, the right to defense and non-discriminatory access to justice, individual freedom and the right of free circulation, freedom of expression, freedom of information, the right to elect and be elected, the right to work and the right to strike, the right to association, the protection of people with disabilities, the right to petition, the right to legislative initiatives, the protection of children and youth.

SNN recorded no cases with a major impact on human rights in relation to the current activity or the decisions adopted. The admission and settlement of any complaints, the mitigation of cases of human rights breached and the adoption of settlement measures are carried out according to the Ethics Commission Regulations.

Through SNN's CLA, the Internal Regulations of SNN SA, Procedure RD-01364-HR001 Human Resources and Organizational Development, SNN manages issues that are related to the observance of human rights, including the freedom of association.

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11. Fight against corruption and bribery

Compliance, ethics and integrity

SNN continued the process of optimizing the internal procedural framework regarding the compliance, prevention and integrity warnings, and performed, in parallel, sustained activities of familiarizing the entire personnel with the principles and provisions of the related procedural framework.

Besides the online advertising and promotion of all the modifications to the procedural framework, SNN organized and implemented several training sessions, in which approximately 200 employees participated.

The anti-bribery management system developed on the level of SNN is adapted to the requirements of the standard ISO 37001: 2016 and especially considers the following processes:

- Declaring presents and other benefits;
- Avoiding conflicts of interests;
- Mandate of the ethics adviser and of the compliance officer;
- Protection of the integrity whistleblower;
- Prevention measures for managing sensitive functions;
- Sponsorships, donations and other charitable activities;
- Employee deductions.

In order to ensure the integration of the requirements of the anti-bribery management systems in the processes of the company, the internal normative anticorruption framework was consolidated and developed by drafting new operational policies, procedures and instructions, namely:

- The Anticorruption policy, designed to encourage and facilitate the activity of preventing and fighting corruption deeds, setting anticorruption principles for all employees, setting up a framework for setting, reviewing and achieving anticorruption objectives adopted by the company by joining the National Anticorruption Strategy.
- The procedure "Manner of complying with the Anticorruption policy" which regulates the field and structure of the compliance function established in order to ensure the compliance with the principles set in the Anticorruption Policy.
- The procedure regarding the "Implementation of financial and non-financial anticorruption compliance inspections" that describes the manner of implementing relevant inspections for preventing, detecting and investigating corruption risks.
- The procedure for assessing business partners from the perspective of the risks associated to the anticorruption compliance system which describes the manner in which the analysis of commercial

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partners is performed in order to minimize the risks generated by the transactions performed by SNN S.A.

12. Consolidated non-financial statement

Group presentation

SNN has one branch, namely Energonuclear S.A. (''EN''), with an interest in the share capital of 100% on December 31, 2019. It enters within the consolidation perimeter.

History and presentation

The establishment of Energonuclear S.A., company whose mission is the development of the execution project for the Units 3 and 4 from Cernavoda Nuclear Power Plant, was achieved by promoting a shareholding structure, where SNN holds a participation share of 51% of the share capital (according to the Government Resolution no. 643/2007, as it was amended by the Government Resolution no. 691/2008). According to the Investment Agreement, according to which the EN was founded, signed on December 25th, 2008 and approved by the Government Resolution no. 1565/2008, the shareholding initial structure was: SNN 51%, RWE, GDF Suez, ENEL and CEZ each with 9,15%, and ArcelorMittal and Iberdrola each with 6,2%.

After the withdrawal from the Project of the CEZ shareholders (as at December 30th, 2010) and RWE, GDF Suez and Iberdrola (as at February 28th, 2011), Enel (January 16th, 2014) and ArcelorMittal (January 17th, 2014), SNN acquired,by share transfer agreements, the cumulated share held by them within EN, managing, as a result of these operations, to hold as at January 17, 2014 a share of 100% in the share capital of EN.

The share capital of EN on December 31, 2019 is 146,152,998.73 lei, representing the equivalent of 35,000,000 euros. The share capital is divided into 37,105,029 ordinary nominative shares with a nominal value of 3.9389 lei per share.

The headquarters of the company EN is in Bucharest, 5-7 Vasile Lascar st., 3rd floor, District 2, offices no. 307, 315, 315A, 315B, 315C, 316, 317. The running number in the Trade Register is J40/3999/2009, and the Unique Registration Code is 25344972.

Articles of incorporation

The Articles of Incorporation of EN was amended, and the amendments were approved by Resolutions of the Extraordinary General Meeting of Shareholders, within the program for limiting the activities of Energonuclear S.A. initiated by HEGMS no. 1/30.01.2015, and accommodated successive reductions of personnel and successive reductions of premises, and the last amendment

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was ordered by the Resolution of the Extraordinary General Meeting of Shareholders no. 2 of January 18, 2017, which decided to relocate the registered office of EnergoNuclear to the aforementioned address.

Documents of appointment/revocation of directors

Energonuclear is managed in a unitary system. The Board of Directors consists of 3 directors appointed by the General Meeting of Shareholders. The Chairman of the Management Board is appointed with the unanimous consent of the shareholders, on the proposal of each shareholder, for a period of maximum 2 years.

In period 01.01.2019 - 18.06.2019 the Board of Directors of Energonuclear was as follows:

- Elena Popescu: Chairman;
- Ion Sarbulescu: Member;
- Liviu - George Fotache: Member

The Board of Directors of Energonuclear had the following members at the end of 2019:

- Anca Dobrica: Chairman;
- Ion Sarbulescu: Member;
- Liviu - George Fotache: Member.

The decisions regarding the structure of the Board of Directors of Energonuclear in period 19.06.2019 - 31.12.2019 were taken by the following resolutions of the Ordinary General Assembly of Shareholders: OGMS resolution no. 1/18.06.2019, OGMS Resolution no. 4/08.10.2019 and OGMS Resolution no. 5/09.12.2019.

The management of Energonuclear

The executive managers of Energonuclear was ensured, in 2019, by Mr. Nicolae Capatina: Technical Service Manager - as at November 16, 2018 (Individual Employment Contract concluded for an indeterminate period as chief engineer at the Technical Service, dated May 7, 2012) by temporarily taking over the duties of the Chief Executive Officer (as at November 16, 2018) according to HCA no. 8/16.11.2018, HCA no. 3/28.02.2019, HCA no. 5/31.05.2019 and HCA no. 6/01.07.2019.

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Description of activity

In 2019, Energonuclear performed activities that targeted actions necessary for continuing the implementation of the project for Units 3 and 4 NPP Cernavoda, out of which the most important were:

❖ Maintenance and operation services for the temporary low-voltage installation at the location of Units 3 and 4 of the NPP. The company drafted Tender Books, Substantiating Notes of Necessities and Estimated Values, public procurement documentations for services and works. in the first half-year of 2019, the services were provided by Energotech. In the 2nd half-year of 2019, the SEAP procedure of service procurements was resumed, after which the winner was Cosnel Electrocons Business S.R.L. of Cernavoda. Actually used installations were periodically checked and maintained from the work schedule agreed.

❖ Services of removal/hygienization (including water draining/discharge) for the structures outside and inside the buildings within the protected area at the location of Units 3 and 4 of NPP Cernavoda. In the first half-year of 2019 the company implemented the contract concluded in 2018 with Pegas Impex S.R.L. In the second half-year of 2019, Energonuclear drafted a Tender Book for remival/hygienization services and a Tender Book for Water drainage/discharge services. Following the implementation of the SEAP public procurement process, Stizo Nuclear S.A. of Cernavoda was declared the winner for Removal/hygienization services, and Cosnel Electrocons Business S.R.L. of Cernavoda was appointed the winner for water drainage/discharge services. The contracts were implemented by complying with the contractual requirements.

❖ Providing electricity to Units 3 and 4 of NPP Cernavoda, necessary for the performance by Energonuclear and its contractors of activities of maintenance and conservation of the assets of the two units. The contract for supplying electricity was implemented in 2018. Addendums were issued for the implementation also in 2019 of the contract for which Necessity substantiating notes were drafted.

❖ Works for preserving embedded, penetrating and non-penetrating parts. The company drafted Tender Books, Substantiating Notes of Necessities and Estimated Values, public procurement documentations for services and works. Stizo Nuclear S.A. of Cernavoda was appointed the winner - SEAP public procurement. The works were not completed in 2019 and they will be continued in the first quarter of 2020, by an addendum.

❖ Works for improving occupational safety at the location of Units 3 and 4 of NPP Cernavoda. The company drafted Tender Books, Substantiating Notes of Necessities and Estimated Values, public procurement documentations for services and works. Following the implementation of the

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SEAP public procurement process, Nimb Consmetal SRL of Cernavoda was declared the winner. The works were performed according to the contract and were completed in December 2019.

❖ Services for supervising works/services, including QC/QS, related to the contracts concluded with Energonuclear. The company drafted Tender Books, Substantiating Notes of Necessities and Estimated Values, public procurement documentations for services and works. The contract concluded with "PFA Florian Militaru - site inspector" was performed under adequate conditions and was completed in 2019.

❖ Consulting the Energonuclear documentation under custody at NPP Cernavoda according to the protocol of 2018, concluded with NPP Cernavoda, in order to prepare the support documentations that were necessary for the aforementioned activities. Drafting the Inspection Report regarding the state of the documents under custody at NPP Cernavoda and the manner in which the access of the Energonuclear personnel to this documentation is ensured.

❖ Monitoring the state of the site and of the structures of Units 3 and 4 NPP Cernavoda and pursuing the corrective actions recommended by CNCAN.

❖ Participating in the annual inspection of CNCAN at the location of Units 3 and 4 of NPP Cernavoda, according to CNCAN Protocol no. 16183/22.11.2019.

❖ Drafting the Energonuclear Informative Report code 83-15000-IR-005, Rev. 0 on the status of the locations of Units 3 and 4 of NPP Cernavoda.

❖ Activities related to the loan contract granted to Energonuclear by SNN. The support documentations of the financing applications from the loan were drafted, depending on the needs of the company. In 2019, according to the contractual clauses, a single draw was made from the loan on 13.07.2019, of 1,000,000 RON. The total amount drawn within the loan was 3,500,000 RON.

❖ Performance of all the necessary activities for the proper operation of the inspection action of the economic-financial inspection team at the General Inspection Division of the Ministry of Public Finance.

❖ Insurance of the technical assistance for the Negotiation Committee (''CN''), as a part of the ''SNN Team'' during the negotiations with the selected investor regarding the Investor Agreement and Articles of Incorporation of the new mixed company.

❖ Drafting information reports for the Ministry of Energy, the Ministry of Public Finance, the Board of Directors of Energonuclear, GMS Energonuclear, etc.

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❖ Managing the current activities of the company(administrative, financial-accounting, current contract management, human resources, legal, procurement, etc.).

❖ Concluding contracts / monitoring the service provision for:

- External auditor;
- Accounting;
- Specialized assistance in the design, implementation, monitoring and improvement of the Internal Management Inspection System;
- Supplying spare / wear parts, consumables, fuel, etc.;
- Communications (telephony, internet);
- Banking services;
- Leasing of premises and furniture.

The resources of Energonuclear mainly come from the draws from the shareholder loan contract concluded by SNN with Energonuclear, and from cash contributions historically made by shareholders.

On December 31, 2019, Energonuclear had 8 employees working up to 40 hours a week.

Litigations

In 2019 Energonuclear continued the litigation with a former employee who asked for a free share of electricity and the deduction of the equivalent value of this electricity share for a past period at the Court of Appeal of Bucharest, a litigation which was won by Energonuclear.

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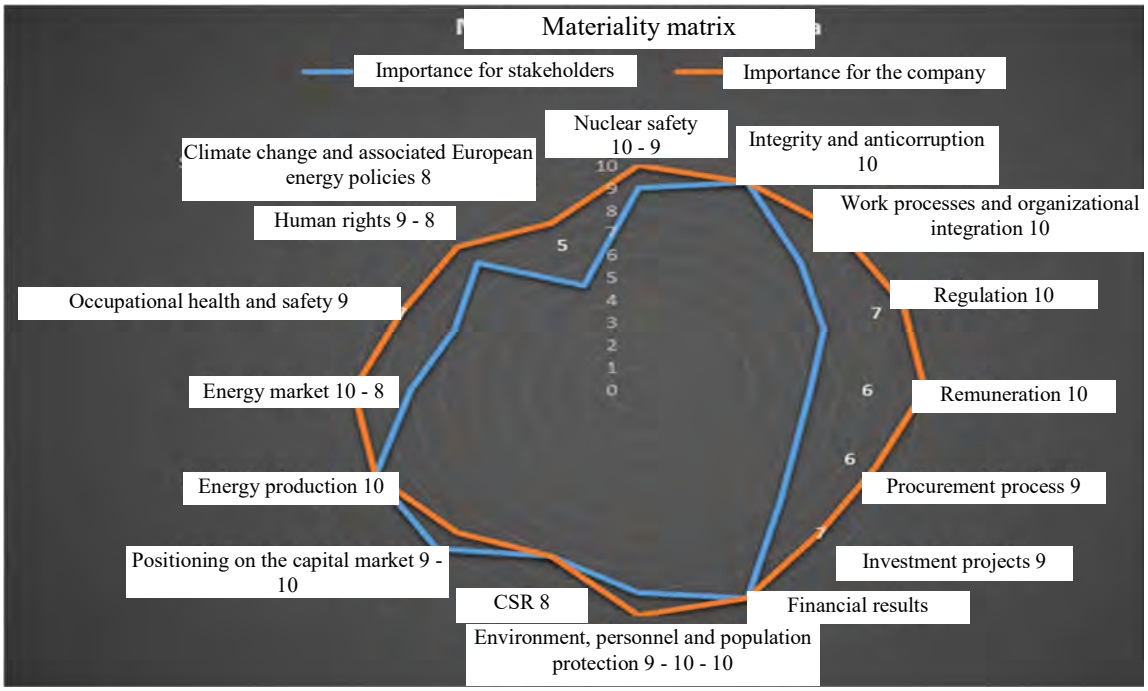

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S.N. Nuclearelectrica S.A.

Individual Financial Statements as at and for the year ended on December 31, 2019

Prepared in compliance with
the Public Finance Minister's Order no. 2844/2016 on the approval
of the accounting regulations compliant with the
International Financial Reporting Standards adopted by the
European Union (IFRS-EU)

This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.

	Note	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Assets			
Non-current assets			
Tangible assets	**5**	6,056,697,319	6,364,461,135
Intangible assets	**6**	60,760,656	54,834,052
Financial assets	**7**	42,836,031	110,474,559
Financial investments	**8**	141,666,101	141,666,101
Total non-current assets		**6,301,960,107**	**6,671,435,847**
Current assets			
Inventories	**9**	405,167,792	368,742,400
Trade receivables and other receivables	**10**	220,284,169	183,694,590
Prepayments		31,416,822	10,201,321
Bank deposits	**11**	58,879,494	20,954,979
Cash and cash equivalents	**11**	1,793,145,389	1,611,175,766
Total current assets		**2,508,893,666**	**2,194,769,056**
Total assets		**8,810,853,773**	**8,866,204,903**
Equity and liabilities			
Equities			
Share capital, out of which:		3,210,641,253	3,210,641,253
Subscribed and paid in share capital		*3,015,138,510*	*3,015,138,510*
Inflation adjustments to the share capital		*195,502,743*	*195,502,743*
Share premiums		31,474,149	31,474,149
Prepaid reserve		21,553,537	21,553,537
Revaluation reserve		227,996,066	257,407,532
Retained earnings		3,843,269,056	3,658,054,141
Total equity	**12**	**7,334,934,061**	**7,179,130,612**
Liabilities			
Long-term debts			
Long term loans	**14**	499,908,597	683,967,469
Provisions for risks and expenses	**16**	213,470,997	182,883,283
Deferred revenues		100,412,631	114,757,293
Deferred tax liability	**17**	80,743,008	102,644,715
Obligations regarding employees' benefits		41,621,644	38,617,348
Total long-term liabilities		**936,156,877**	**1,122,870,108**
Current liabilities			
Accounts payable and other liabilities	**15**	220,236,112	197,107,880
The current share of provisions for risks and expenses	**16**	65,442,649	33,831,052
Owed corporate tax	**17**	13,329,182	98,958,158
Deferred revenues		27,863,600	30,913,233
Current portion of long-term loans	**14**	212,891,292	203,393,860
Total current liabilities		**539,762,835**	**564,204,183**
Total liabilities		**1,475,919,712**	**1,687,074,291**
Total equities and liabilities		**8,810,853,773**	**8,866,204,903**

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	Note	2019 (audited)	2018 (audited)
Incomes			
Sales of electricity	**19**	2,365,563,574	2,116,991,679
Proceeds from electric power transmission		12,208,626	11,676,332
Total revenues		**2,377,772,200**	**2,128,668,011**
Other revenues	**23**	39,660,952	50,205,424
Operational expenses			
Depreciation and amortization		(555,552,520)	(552,964,849)
Personnel expenses	**20**	(425,597,378)	(388,847,183)
Cost of traded electricity		(84,160,189)	(56,929,750)
Repairs and maintenance		(63,139,508)	(81,425,822)
Electricity transmission expenses		(12,208,626)	(11,676,332)
Cost of spare parts		(16,311,993)	(15,768,637)
Cost of nuclear fuel		(106,122,681)	(101,991,877)
Other operating expenses	**21**	(524,914,494)	(432,728,895)
Total operating expenses		**(1,788,007,389)**	**(1,642,333,345)**
Operating profit		**629,425,763**	**536,540,090**
Financial expenses		(65,486,790)	(58,855,609)
Financial revenues		67,336,735	94,938,793
Net financial result	**22**	**1,849,945**	**36,083,184**
Profit before corporate tax		**631,275,708**	**572,623,274**
Net corporate tax expense	**17**	(95,608,444)	(162,012,059)
Profit for the period		**535,667,264**	**410,611,215**

The Individual Financial Statements presented on page 1 to 65 have been signed on March 24th, 2020 by:

Cosmin Ghita
Chief Executive Officer

Adrian Gabriel Dumitriu
Chief Financial Officer

	Note	2018 (audited)	2017 (audited, restated)
Profit for the period		**535,667,264**	**410,611,215**
Comprehensive income			
Revenue from revaluation of buildings and land, net		35,013,650	55,471,628
Deferred tax related to the revaluation reserve		(5,602,184)	(8,875,461)
Actuarial gains (loss) on defined benefits plan		(625,400)	(5,393,764)
Comprehensive income		**28,786,066**	**41,202,404**
Total comprehensive income for the financial year		**564,453,330**	**451,813,619**
Earnings per share			
Basic earnings per share (RON/share)	**13**	**1.78**	**1.36**
Diluted earnings per share (RON/share)	**13**	**1.78**	**1.36**

		Share capital	Share premiums	Prepaid reserve	Revaluation reserve	Retained earnings	Total equity
Balance as of January 1st, 2019 (audited)		**3,210,641,253**	**31,474,149**	**21,553,537**	**257,407,532**	**3,658,054,141**	**7,179,130,612**
Comprehensive income							
Profit of the financial year						***535,667,264***	***535,667,264***
Other comprehensive income							
Actuarial loss on defined benefits plan						(625,400)	**(625,400)**
Transfer of the revaluation reserve to the result carried forward	**12**				(29,411,466)	29,411,466	-
Result carried forward from other adjustments						(324,104)	**(324,104)**
Total comprehensive income for the financial year					**(29,411,466)**	**564,129,226**	**534,717,760**
Transactions with the shareholders, recognized only in equity							
Distributed dividends	**12**					(378,914,311)	(378,914,311)
Transactions with the shareholders, acknowledged only in equity						**(378,914,311)**	**(378,914,311)**
Balance as of December 31st, 2019 (audited)		**3,210,641,253**	**31,474,149**	**21,553,548**	**227,996,066**	**3,843,269,056**	**7,334,934,061**

		Share capital	Share premiums	Prepaid reserve	Revaluation reserve	Retained earnings	Total equity
Balance as of January 1st, 2018 (audited)		**3,210,641,253**	**31,474,149**	**21,553,537**	**236,534,798**	**3,927,941,491**	**7,428,145,228**
Correction of accounting errors						55,971,531	**55,971,531**
Balance as of January 1st, 2018 (audited, restated)		**3,210,641,253**	**31,474,149**	**21,553,537**	**236,534,798**	**3,983,913,022**	**7,484,116,759**
Comprehensive income							
Profit of the financial year						***410,611,215***	***410,611,215***
Other comprehensive income							
Actuarial loss on defined benefits plan						(5,393,764)	**(5,393,764)**
Gain from the reevaluation of lands and buildings, net deferred tax					46,596,168	-	**46,596,168**
Transfer of the revaluation reserve to the result carried forward	**12**				(25.723.433)	25,723,433	-
Total comprehensive income for the financial year					**20,872,735**	**430,940,884**	**451,813,619**
Transactions with the shareholders, recognized only in equity							
Distributed dividends	**12**					(756,799,766)	(756,799,766)
Transactions with the shareholders, acknowledged only in equity						**(756,799,766)**	**(756,799,766)**
Balance as of December 31st, 2018 (audited)		**3,210,641,253**	**31,474,149**	**21,553,548**	**257,407,532**	**3,658,054,141**	**7,179,130,612**

	2019 (audited)	2018 (audited)
Cash flows from operating activities		
Profit before income tax	**631,275,708**	**572,623,274**
Adjustments for:		
Depreciation and amortization	555,552,520	552,964,849
Impairment on trade and other receivables	(478,197)	(2,457,228)
Impairment on inventories	(2,367,782)	(2,768,747)
Provisions corresponding to operating liabilities, risks and expenses	62,119,697	45,566,833
Earnings/(Losses) from asset assignment	404,837	877,885
Net financial (revenues)/expenses	(2,921,805)	(37,671,061)
Changes in:		
(Increase)/Decrease in trade receivables and other receivables	(36,913,978)	(24,956,524)
Increase in inventories	(34,057,610)	(35,425,313)
Variation of deferred income	(17,394,295)	4,237,037
Variation of deferred expense	(21,215,501)	694,216
Increase/(Decrease) of trade liabilities and other liabilities	15,163,567	25,744,753
Cash flows generated from operating activities	**1,149,167,161**	**1,099,429,974**
Corporate tax paid	(203,139,127)	(104,914,782)
Interest received	55,421,404	39,328,049
Interest paid	(9,959,106)	(10,833,434)
Net cash flow from operating activities	**991,490,332**	**1,022,986,707**
Cash flows from investing activities		
Purchase of intangible assets	(24,542,534)	(4,542,282)
Purchases or tangible assets	(226,440,766)	(136,403,070)
Proceeds from sale of tangible assets	141,615	308,150
Increase in bank deposits and financial assets	29,714,013	(22,246,230)
Cash flow used in investing activities	**(221,127,672)**	**(162,883,432)**
Cash flow from financing activities		
Repayments of borrowings	(216,374,987)	(211,343,883)
Dividends	(372,018,050)	(750,956,541)
Net cash flow from financing activities	**(588,393,037)**	**(962,300,424)**
Net increase in cash and cash equivalents	**181,969,623**	**(102,174,049)**
Cash and cash equivalents as at 1 January (see Note 10)	**1,611,175,766**	**1,713,349,815**
Cash and cash equivalents as at 31 December (see Note 10)	**1,793,145,389**	**1,611,175,766**

1. REPORTING ENTITY

Societatea Nationala Nuclearelectrica S.A. (the "Company" or "SNN") is a national joint-stock company, one-tier management system, having a head office and two branches without legal personality, Cernavoda NPP (Nuclear Power Plant) – with registered office in Constanta County, Cernavoda City, 2 Medgidiei Street, registered with the Trade Register under number J13/3442/2007, and Pitesti NFF (Nuclear Fuel Factory) - with registered office in Arges County, Mioveni City, 1 Campului Street, registered with the Trade Register under number J03/457/1998, respectively. The address of the registered office is Bucharest Municipality, District 1, 65 Polona Street.

The main activity of the company is "Electricity production" - NACE code 3511 and it is recorded in the Trade Register under number J40/7403/1998, fiscal code 10874881, fiscal attribute RO.

The main activity of the company consists in electricity and thermal energy production by nuclear processes. The main place of business is within the Branch Cernavoda NPP, where the Company owns and operates two operational nuclear reactors (Unit 1 and Unit 2). The two nuclear operational reactors are based on CANDU technology (Canada Deuterium Uranium type PHWR). Besides, at Cernavoda the Company owns two nuclear reactors in the early stages of construction (Unit 3 and Unit 4). The construction of Units 3 and 4 is planned to be completed by the Energonuclear S.A. subsidiary; at present, there is the revised form of the Strategy to continue Units 3 and 4 Project, endorsed by the Board of Directors of SNN and approved by the Extraordinary General Meeting of Shareholders by Decision no. 11 /September 14th, 2018 (for more information, see Note 8).

The Company owns a reactor (Unit 5) for which the Company shareholders approved changing the initial destination in March 2014, namely, the use of Unit 5 for carrying out the activities related to the operation of Units 1 and 2.

In 2020, the International Atomic Energy Agency (IAEA) performed a benchmarking assessment of the design requirements for the investment objective of the On-site Emergency Control Center (CCUA) - Unit 5 and an assessment of the technical requirements regarding equipment qualification for external hazards / events (especially seismic qualification).

At the date of drawing up the present financial statements, the evaluation report is being finalized, following which, after receiving it, the Company will review the solutions and recommendations received and start the procurement procedures for finalizing the investment objective. The company estimates the completion of this project in 2021.

Manufacturing of nuclear fuel bundles CANDU type required for operating the two nuclear operational reactors located in the branch Cernavoda NPP is performed by the Company in the branch Pitesti NFF.

The electricity sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution. The electricity market in Romania was undergoing a process of gradual liberalization up to the end of 2017. Starting with 2018, the Company participated in the electricity market, only on the competitive segment, and starting with 2019, it participates both on the competitive segment, and on the regulated market segment, in which ANRE has set, by means of annual decisions, the quantities of electricity that need to be sold by the Company on the regulated market and the regulated price to be charged, respectively (for further information, see Note 19).

As of December 31, 2019 the Company's shareholders are: The Romanian State via the Ministry of Energy which holds 248,736,619 shares, representing 82.4959% of the share capital, Fondul Proprietatea S.A. holding 21,268,355 shares, representing 7.0539% of the share capital and other individuals and legal entities shareholders holding together 31,508,877 shares, representing 10.4502% of the share capital.

Since November 4th, 2013, the shares of the Company have been traded on Bucharest Stock Exchange, under the issuing symbol SNN.

2. BASIS OF PREPARATION

a) Statement of compliance

The individual financial statements have been prepared based on the Public Finance Minister's Order no. 2844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards ("IFRS") ("OMFP 2844/2016"). As per the OMFP 2844/2016, the International Financial Reporting Standards represent the standards adopted in accordance with the procedure provided by the European Commission Regulation no. 1606/2002 of the European Parliament and of the Council dated on 19 July 2002 regarding the application of the international accounting standards.

The Individual financial statements prepared on and for the financial year ended on December 31, 2019 were audited by an independent auditor.

These Individual Financial Statements were authorized for issue and signed on March 24, 2020 by the Company's management.

b) Basis of assessment

The individual financial statements have been prepared under the historical cost, except for some categories of property, plant and equipment which are measured at fair value, as shown in the accounting policies (refer to Note 3c).

c) Functional and presentation currency

The financial statements are presented in Romanian LEI ("RON" or "LEU"), which is the functional currency of the Company. All financial information is presented in RON, unless otherwise indicated.

d) Use of estimates and professional judgments

The preparation of the individual financial statements in conformity with IFRS requires the management to use professional judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses, useful life of non-current assets (refer to Note 3c), assumptions used in determining the fair value (refer to Note 4), assumptions made in determining the fair value of tangible assets (property, plant and equipment) (refer to Note 5), the transfer to tangible assets (property, plant and equipment) of those spare parts which meet the recognition criteria required by IAS 16 (refer to Note 5), the recoverability of trade receivables (refer to Note 9), assumptions regarding the net recoverable value of inventories (refer to Note 8), assumptions regarding the calculation of employee benefits (refer to Note 18), the period on which the governmental grants are transferred to the profit and loss account (refer to Note 3p and Note 21), estimates regarding the radioactive and non-radioactive waste management obligations (Note 16). Actual results may differ from the estimated values.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are acknowledged in the period in which the estimates are revised and in any future periods affected.

Information about assumptions that have a significant risk of resulting in a material adjustment within the next financial years is included in Note 7.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies below have been applied consistently for all periods presented in these individual financial statements prepared by the Company.

The individual financial statements are prepared on the assumption that the Company will continue its operations in the foreseeable future. To assess the applicability of this assumption, the senior management analyzes projections of future cash inflows.

a) Transactions in foreign currencies

Trades in foreign currencies are translated into RON at exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currency at the year-end are expressed in RON at the exchange rate displayed by the National Bank of Romania valid for the last banking day of the year. Gains and losses from exchange rate differences, realized or unrealized, are included in the profit and loss of the year. The exchange rates on December 31, 2019 and December 31, 2018 for the main currencies used by the Company in its transactions are as follows:

	Average rate		Reporting date spot rate	
	2019	2018	December 31st, 2019	December 31st, 2018
RON/EUR	4.7452	4.6535	4.7793	4.6639
RON/USD	4.2379	3.9433	4.2608	4.0736
RON / CAD	3.1948	3.0429	3.2702	2.9925
RON/GBP	5.4113	5.2597	5.6088	5.1931

Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated to the functional currency at the exchange rate on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate valid on the transaction date.

b) Adjustment of hyperinflation effects

In accordance with IAS 29, the financial statements of an entity the functional currency whereof is the currency of a hyperinflationary economy must be presented in the current unit of measure at the end of the reporting period (non-monetary items are restated using a general index of prices on the purchase or contribution date).

According to IAS 29, an economy is considered to be hyperinflationary if, in addition to other factors, the cumulative inflation rate over a three-year period exceeds 100%. The continuous decrease of the inflation rate and other factors related to the characteristics of the economic environment in Romania indicate that the economy the functional currency whereof was adopted by the Company has ceased to be hyperinflationary, with effect on the financial periods starting with January 1st, 2004. Therefore, the provisions of IAS 29 were adopted in the preparation of the financial statements until December 31st, 2003.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets

Recognition and assessment

Tangible assets are recognized as assets are initially valued at cost. The cost of a tangible asset item consists of the purchase price, including the non-recoverable taxes, after deducting any commercial price discounts and any costs that can be directly attributed to bringing the asset to the location and under the conditions necessary for it to be used for the purpose desired by the management, such as: the expenses with employees that directly result from the construction or purchase of the asset, the costs of setting up the site, the initial costs of delivery and handling, the costs of installation and assembly, the professional fees.

Tangible assets are classified by the Company in the following asset classes of the same nature and with similar uses:

- Lands;
- Constructions;
- Technical equipment, installations and machinery;
- Means of transport;
- Furniture and other tangible assets.

Tangible assets, except for lands and buildings, are stated at cost, less accumulated depreciation and impairment adjustment. Land and buildings are separately valuated at fair value. Thus:

- The land, special constructions, administrative buildings and other buildings including the nuclear power plants are recorded at the revalued amount. On the date of transition to IFRS, they were assessed using the assumed cost method. Thus, the revaluation surplus of the Company according to OMFP 3055/2009 until January 1, 2012, was transferred to the retained earnings in a distinct analytical account. Revaluation reserves arising after the date of transition to IFRSs as a result of revaluations are recorded as such in the financial statements. The revaluation surplus, the one existing on the date of transition to IFRS and the subsequent one, is realized during the depreciation of tangible assets (property, plant and equipment) or at their disposal.
- Machines, equipment and other assets, less buildings and special constructions and other buildings, including nuclear power plant, are recorded at the historical cost minus any accumulated depreciation and any accumulated impairment losses.
- Non-current assets in progress are recorded at the historical cost of acquisition or construction or inflated cost (restated in relation to the measuring unit current on December 31, 2003 for the non-current assets acquired before January 1, 2004) minus any cumulated depreciation losses.

Within non-current assets in progress the buildings and heavy water to be used for the extension of the production capacity are also included since the heavy water is not used and is not chemically impaired; it is evaluated initially and subsequently at cost.

Units 1, 2, 3, 4 and 5 were considered a single project, and therefore the costs incurred before 1990 were not accounted separately for each unit. In 1991, the Company conducted a cost allocation for each unit. This allocation is based on cost of the non-current assets included in the non-current assets in progress.

Items such as spare parts, reserve and maintenance equipment are recorded as non-current assets according to IAS 16 when they meet the definition of non-current assets . All other spare parts are recorded as inventories.

The fair value was determined based on the evaluations made by independent external assessors, by using methods of market values and net replacement cost, less the accumulated depreciation and accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets (continued)

Recognition and assessment (continued)

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined by using the fair value at the end of the reporting period.

The last revaluation of lands and constructions took place on December 31, 2018 by the independent valuer (Primoval SRL, member of the National Association of Certified Assessors in Romania - ANEVAR). Prior to this revaluation, the lands and constructions were revalued on December 31st, 2015, the special constructions were revalued on December 31st,2013, the administrative buildings on December 31st, 2002, and the lands on December 31st, 2009.

If the financial value of an asset is increased as a result of a revaluation, this increase is directly recorded in equity, under the item "Revaluation reserves"; however, the increase shall be recognized in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss.

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit and loss account; the decrease is recognized as well in other comprehensive income elements, to the extent that there is a balance in the revaluation surplus for that asset. However, the decrease shall be recognized in other comprehensive income, to the extent that there is a credit balance in the revaluation surplus for that asset.

Subsequent expenses

Subsequent expenses related to a tangible asset are generally acknowledged as expenses in the period in which they were incurred. Those subsequent expenses or investments made on the tangible assets, having the effect of improving their initial technical parameters and leading to future economic benefits, in addition to the initially estimated ones, are acknowledged and capitalized as a component of the asset. Benefits can be obtained either directly by increasing revenues, or indirectly by reducing the maintenance and operating expenses.

In order to apply the provisions of the International Accounting Standard IAS 16 "Tangible Assets", the general periodic inspections carried out at CNE Cernavoda are capitalized under the category of tangible assets, being subsequently amortized on a linear basis, over a 2-year period. General periodic inspections mostly target the same components of the Units, so the amortization period considered is the 2-year period between two general periodic inspections carried out mostly on the same components, thus substituting each other. The last general inspections were for Unit 1 in 2018 and for Unit 2 in 2019.

Current repairs and maintenance expenses are classified as expenses when they occur.

Amortization

The depreciation of the tangible assets is calculated based on an amortization plan, as of the commissioning date thereof and until the full recovery of the entry value thereof, according to the economic use periods and the conditions of use thereof.

The management of the Company estimates that the lifetimes of the fixed assets stipulated in the Government Decision no. 2139/2004 for the approval of the Catalogue on the classification and the normal durations of operation of the fixed assets correspond to the durations of economic use and the conditions of use of the tangible assets that are part of the corporate assets of the Company.

The amortization of buildings is done based on equal annual rates, in order to amortize the revalued amount thereof over the remaining period of their life. The amortization of the other tangible assets is recorded based on the linear method, over the estimated useful life, as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets (continued)

Amortization (continued)

Asset	Useful life in years
Nuclear power plant – Units 1 and 2	30
Heavy water (loads for Units 1 and 2)	30
Buildings	45 – 50
Inspections and overhauls	2
Other installations, equipment and machinery	3 - 20

Lands are not subject to amortization as they are deemed to have an indefinite useful life.

Tangible assets in progress are not amortized until they are commissioned.

The estimated useful life of Units 1 and 2, respectively 30 years, considers a number of 210.000 designed operating hours per Unit, equivalent to 80% capacity factor over a 30-year period. By December 31st, 2019, the cumulated capacity factor achieved since the commissioning of Unit 1 is 93.86% and 89.18% for Unit 2, being higher than the 80% designed capacity factor. Using these capacity factors extrapolated to the same value for the rest of useful life, it results that the estimated useful life of the units will be 26.4 years for Unit 1 and 25.4 years for Unit 2; however, this is an simplistic linear extrapolation because it is expected that the average capacity factor achieved so far in both units will decrease gradually until the end of the initial useful life due to creep of the fuel channels, namely due to the inherent physical impairment of the units.

The operating experience achieved by other CANDU nuclear power plants that have reached the operating hours designed, indicates that it is possible to extend the initial number of operation hours beyond the designed number of 210,000 hours. The Company contracted specialized services for technical assistance to determine the possibility of extending the number of operating hours designed for Unit 1. Following the study, a work plan was drawn up which sets out the analyzes and evaluations to be carried out to demonstrate the functionality of Unit 1 from Cernavoda NPP to 245,000 actual operating hours. These analyzes and assessments will be the basis for the extension of the Unit 1 operating permit.

The Company's Management truly believes it is possible to successfully increase the number of running hours for Unit 1, by adding a number of hours over the operation hours designed (210,000 hours) which would ensure the operation of Unit 1 until 2026 and therefore would allow to maintain the remaining duration of the estimated useful life, the estimated useful life for the first cycle of operation being 30 years. Extending the number of hours of initial operation depends on the results of the analyzes and evaluations to be contracted in the third quarter of 2019, influenced predominantly by the technical status of Unit 1, as well as by the Regulator's decision (CNCAN) at the time of the request.

By extrapolating the reasoning and considering the remaining useful life of Unit 2, in conjunction with the capacity factor of Unit 2 in the next period in connection with the life cycle of Unit 2, the life expectancy is maintained in the case of Unit 2. The estimated residual values for both units are void, given the challenges associated with the refurbishment projects of the units after the initial lifetime, which may be extended by another 25 years after refurbishment.

Depending on the actual results related to the extending of the useful life of Unit 1 beyond the initial projected number of hours of operation, the estimates on the lifetime of both units could be reviewed in the subsequent financial years.

The heavy water (loads for Units 1 and 2), buildings and other facilities, equipment and vehicles are presented in Note 5 as "Machinery, equipment and other assets". Inspections and overhauls, capitalized in accordance with IAS 16, are presented in Note 5 and are reflected in the book value of "Nuclear Power Plants".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets (continued)

Amortization (continued)

When the elements of a non-current asset have different useful lives, they are recorded as consolidated items (major components) of an asset. The depreciation methods for assets, life duration and residual value are reviewed, and adjusted, if needed, at each reporting date.

The accounting value of the asset is adjusted to the recoverable value if the accounting value is greater than the estimated recoverable value.

Sales gain or loss is determined by the difference between the proceeds from the sale of the asset and its accounting value, being recognized as operational revenue or operational expense in profit and loss account.

The costs of the borrowings for the construction of an element of non-current asset is capitalized in the asset's cost at the current date of the preparation of the asset for its predetermined use or sale.

Sale/discarding of tangible assets

Tangible assets that are discarded or sold are removed from the statement of the financial position along with the corresponding accumulated depreciation. Any profit or loss resulted from such an operation is included in the current profit or loss

d) Non-current assets held for sale

The non-current assets will be classified as held for sale, if the carrying amounts thereof are mainly recovered from a sale transaction rather than by continuous use. Thus, an asset may be classified as held for sale in accordance with IFRS 5, only if the following criteria are met:

- The asset is available for immediate sale in the current state,
- The sale of the asset is highly probable.

In order for the sale to be very probable, all the following criteria must be met:

- The appropriate level of management has undertaken a sales plan;
- An active program for locating a buyer and implementing the plan was initiated;
- The asset is actively traded at a reasonable price in reference to the current fair value thereof;
- Significant changes or withdrawal of the plan are unlikely;
- It is expected that the sale will meet the criteria of derecognition, in order to be registered as a sale within one year.

Valuation before the classification as held for sale

As a first step, immediately prior to the initial classification of an asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRS standards (e.g. ownership, production units and equipment are measured in accordance with IAS 16) including any cumulative impairment and any reduction in the balance sheet value, if applicable. This first step is applicable to a newly acquired asset as well as an existing asset that will be reclassified as held for sale in virtue of this policy.

Valuation upon the initial classification as held for sale

Upon the initial classification as held for sale, the individual asset identified as held for sale is measured at the lower of:

- the carrying amount and
- the fair value thereof less the sale costs.

If the fair value less the sale costs is higher than the carrying amount of the asset, no adjustment is required. Otherwise, an impairment loss as a result of this initial measurement is recorded directly in the profit and loss account and the value of the fixed assets is adjusted accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Non-current assets held for sale (continued)

Subsequent valuation

Upon the subsequent valuation, the fixed assets held for sale are measured at the lower value between the carrying amount and the fair value less the sale costs.

Non-current assets held for sale are not amortized.

Acknowledgment of the loss from depreciation and resumptions

Any initial or subsequent reduction in the carrying amount of an asset (or group intended for assignment) up to the fair value less the costs generated by the sale is recognized as an impairment loss.

The subsequent increase in fair value less the sale costs of an asset is recognized as revenue, without exceeding the cumulative impairment loss that was recognized either in accordance with IFRS 5 or previously in accordance with IAS 36 "Impairment of assets".

Derecognition

If the criteria for classifying an asset or group intended for assignment as held for sale are no longer met, the asset or group intended for assignment will no longer be classified as held for sale.

A fixed asset that is no longer classified as held for sale is measured at the lower of:

- the amount carried forward before being classified as held for sale, adjusted for any impairment, depreciation or revaluation required if the asset or group intended for disposal was not classified as held for sale; and
- the value recoverable on the date of the decision not to sell.

As of December 31st, 2019, the Company holds assets for sale in the amount of RON 2,231,633 (December 31st, 2018: RON 0). No impairment loss was recorded.

e) Leasing

IFRS 16 “Leasing Contracts” enters into force for annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 Leases; IFRIC 4 Determining the extent to which a commitment contains a lease; SIC-15 Operational leasing - Incentives; and SIC-27 Evaluation of the economic fund of transactions involving the legal form of a leasing contract.

Tenant accounting

IFRS 16 introduces a unique accounting model of the lessee and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset has a small value. A tenant must recognize an asset related to the right of use, representing his right to use the underlying asset taken on the lease, and a debt arising from the lease, representing his obligation to make the payments related to the lease.

When entering into a contract, an entity must evaluate whether that contract is, or includes, a lease. A contract is or contains a lease if that contract grants the right to control the use of an identified asset for a certain period of time in exchange for a consideration.

A tenant evaluates the assets related to the right of use similar to other non-financial assets (such as tangible fixed assets), and the debts arising from the lease are valued similarly to other financial debts. Consequently, a lessee recognizes the depreciation of the asset related to the right of use and the interest related to the debt arising from the lease and also classifies the cash repayments of the debt arising from the lease in the part related to the principal and the part related to the interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Leasing (continued)

Assets and liabilities arising from a lease are initially valued based on the present value. The assessment includes payments related to the irrevocable lease (including payments indexed to inflation), as well as payments to be made in the optional periods if the tenant has reasonable certainty that he will exercise an option to extend the lease or that he will not exercise a termination option. of the lease.

The cost of the asset related to the right of use must include:
(a) the value of the initial assessment of the debt arising from the lease;
(b) any leasing payments made on or before the start date, minus any leasing incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of the costs to be borne by the lessee for the dismantling and removal of the support asset, for the restoration of the place where it is located or for bringing the support asset to the condition imposed in the terms and conditions of the leasing contract

Tenant accounting
IFRS 16 takes over, in principle, the provisions regarding the lessor's accounting in IAS 17. Consequently, a lessor continues to classify his lease agreements as operating or financial leasing contracts and to account for these two different types of leasing contracts.

As a lessee, based on the lease agreements, as of December 31, 2019, the Company does not register assets related to the right to use the underlying asset and the lease debts arising from this contract.

As a lessor, the financial statements concluded on December 31, 2019 remain unaffected by the introduction of the new standard. The company will analyze the impact of IFRS 16 at each quarterly, half-yearly and annual reporting period.

f) Intangible assets

Intangible assets are mainly represented by computer applications and licenses. These are stated at historic cost less the accumulated depreciation and the value impairment adjustment.

Research and development

The costs of the research activities conducted in order to gain knowledge or new scientific or technical interpretations are recognized in profit and loss entry when incurred.

Development activities involve a plan or project concerning new or substantially improved products or processes. Development costs are capitalized only if they can be measured reliably, the product or process is technically and commercially feasible, the future economic benefits are probable, and the Company intends and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct personnel costs and administrative costs that are directly attributable to prepare the asset for its intended use and the capitalized loan costs. Other development costs are recognized in profit and loss when incurred.
Capitalized development costs are valued at the cost less the accumulated amortization and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
f) Intangible assets (continued)

Subsequent expenses

Subsequent expenses on intangible assets are capitalized only when they increase the future economic benefits of the asset that they refer to. All other expenses are recognized in the individual statement of profit or loss as they are incurred.

Amortization
Amortization is recorded in the individual statement of profit or loss based on the linear method for the estimated useful life of the intangible asset. Intangible assets are amortized from the date the asset is ready for use, the useful life being determined according to the period over which the asset can be used.

g) Financial assets and liabilities

Classification
The company adopted IFRS 9 "Financial Instruments".

This standard replaced the provisions of IAS 39 "Financial Instruments: Acknowledgment and Measurement" on the classification and valuation of financial assets and replaces the model for estimating the adjustments for the depreciation of financial assets by a model based on expected loss.

IFRS 9 contains a new approach on the classification and valuation of financial assets reflecting the business model within which assets and cash flow characteristics are managed.

IFRS 9 includes three main categories of classification of financial assets: measured at amortized cost, valued at fair value through other items of the comprehensive income and valued at fair value through profit or loss.

The company classifies the financial instruments held in the following categories:

Financial assets valuated at the amortized cost

A financial asset is valued at amortized cost if it meets both the conditions set out below and is not designated as being valued at fair value through profit or loss:
- is held within a business model the objective whereof is to keep assets for collecting contractual cash flows; and
- the contractual conditions thereof generate, at certain dates, cash flows that are solely payments of the principal and interest on the due principal.

The standard takes over the provisions of IAS 39 on the recognition and derecognition of financial instruments.

Financial assets at fair value via other items of the comprehensive income

A financial asset is valued at the fair value among other items of the comprehensive income only if it meets both conditions set out below and is not designated at fair value through profit or loss:
- is held within a business model the objective whereof is achieved both by collecting the contractual cash flows and by selling financial assets; and
- the contractual conditions thereof generate, at certain dates, cash flows representing solely payments of the principal and interest on the due principal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and liabilities (continued)

Classification (continued)

Furthermore, upon the initial recognition of an investment in equity instruments that is not held for trading, the Company may irrevocably choose to submit subsequent changes of the fair value in other items of the comprehensive income. These options apply for each instrument, as applicable.

Financial assets at fair value through profit or loss

All financial assets that are not classified as being valued at amortized cost or at fair value through other items of comprehensive income will be valued at fair value through profit or loss. Furthermore, upon the initial recognition, the Company may irrevocably designate that a financial asset, which otherwise meets the requirements to be values at amortized cost or at fair value through other items of comprehensive income, be valued at fair value through profit or loss, if this removes or significantly reduces an accounting inconsistency that would arise, if it were to proceed otherwise.

Acknowledgment

Financial assets and financial liabilities are acknowledged on the date the Company becomes a contractual party under the terms of such instrument. Financial assets and liabilities are measured upon the initial recognition at fair value.

Set offs

Financial assets and liabilities are offset, and the net result is presented in the financial position statement only when there is a legal right to set off and if there is an intention to settle them on a net basis or if it is intended to realize the asset and simultaneously pay off the debt.

Revenues and expenses are presented net only when it is allowed by the accounting standards, or for profit and loss resulted from a group of similar transactions such as those in the trading activity of the Company.

Valuation

Valuation at the amortized cost

The amortized cost of an asset or financial liability represents the amount at which the financial asset or liability is measured after the initial recognition, minus the principal payments, plus or minus the accumulated depreciation up to that moment, using the effective interest method, less the reductions related to impairment losses.

Valuation at fair value

The fair value represents the price that would be received upon the sale of an asset or paid for the settlement of a debt within a normal transaction between the participants on the main market, on the valuation date, or in the absence of the main market, on the most profitable market that the Company has access to on such date.

The company measures the fair value of a financial instrument using the prices quoted on an active market for that instrument. A financial instrument has an active market if quoted prices are quickly and regularly available for that instrument. The market price used to determine the fair value is the closing price of the market on the last trading day before the valuation date.

In the absence of a price quotation on an active market, the Company uses valuation techniques based on the analysis of updated cash flows and other valuation methods commonly used by the market participants, using as much information as possible on the market, relying as little as possible on the information specific to the company. The company uses valuation techniques maximizing the use of observable data and minimizing the use of unobservable data.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and liabilities (continued)

Derecognition

The Company derecognizes a financial asset when the rights to receive cash flows from that financial asset expire, or when the Company has transferred the rights to receive the contractual cash flows related to that financial asset in a transaction in which it has significantly transferred all the risks and benefits of ownership.

The Company derecognizes a financial liability when the contractual obligations ended or when the contractual obligations are canceled or expire.

Earnings and loss from asset assignment

The gain or loss related to the assignment of a financial asset or financial liability valued at fair value through profit or loss is acknowledged in current profit or loss.

h) Other financial assets and liabilities

Other financial assets and liabilities are values at amortized cost using the effective interest method, minus any depreciation loss.

i) Investments in subsidiaries

Subsidiaries are entities under the control of the Company. The control exists when the Company has the power to manage, directly or indirectly, the financial and operational policies of an entity, in order to obtain benefits from the activity thereof. Potential or convertible voting rights that are exercisable at that time are also taken into account when assessing the control.

The company evaluates the investments in branches at cost in compliance with the provisions of IAS 27 "Separate financial statements".

The subsidiary controlled by the Company is Energonuclear S.A., 100% owned and is presented in Note 8.

j) Depreciation of assets other than the financial ones

The carrying amount of the assets of the Company that are not of a financial nature, other than deferred tax assets, are reviewed on each reporting date, in order to identify the existence of impairment indications. If there are any such indications, the recoverable value of such assets is estimated.

An impairment loss is recognized when the carrying amount of the asset or the cash-generating unit thereof exceeds the recoverable amount of the asset or cash-generating unit. A cash generating unit is the smallest identifiable group generating cash independently of other assets and other asset groups. The impairment loss is stated in the statement on the profit or loss and other items of the comprehensive income.

The recoverable amount of an asset or cash-generating unit is the greater of the value in use and the fair value thereof, less the costs for the sale of such asset or unit. In order to determine the value of use, future cash flows are updated using a pre-tax update rate reflecting the current market conditions and risks specific to such asset.
Impairment losses recognized in prior periods are valued on each reporting date, in order to determine whether they have decreased or no longer exist. Impairment loss is resumed, if there has been a change in the estimates used to determine the recovery value. Impairment loss is resumed only if the carrying amount of the asset does not exceed the accounting value that would have been calculated, net of amortization and depreciation, if the impairment loss had not been acknowledged.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Inventories

Inventories consist of consumables, spare parts that do not qualify for recognition as non-current assets , safety stock, uranium and other stocks necessary for the activity of the Company. These are recorded as inventories when purchased and then expensed when consumed.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs.

According to the IAS 2 standard on "Inventories" the cost of outgoing inventories shall be determined by applying the first-in, first-out method (FIFO) or the weighted average cost method (WAC). By December 31, 2015 inclusively, the company used the FIFO method.

Following the analysis made by the management of the company it was concluded that the use of WAC method would produce credible results in the annual financial statements for their users. In this context, starting from the 1st of January 2016 the accounting policy used in order to determine the cost of the inflows inventories was changed from FIFO to WAC method.

In compliance with the requirements for changing the accounting policies stipulated by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the management believes that the WAC method results in financial statements which are more relevant and more reliable for users' needs by making economic decisions, as shown in the analysis of the two methods below:

- The FIFO method assumes that the outflows inventories are to be evaluated with their cost of acquisition or production of the first entry. If the inventories are older and the prices are rising, this method does not produce the most reliable results to be reflected in the statement of the comprehensive income.
- The WAC method involves the cost calculation for every item according to the weighted average cost for similar items included in the inventories at the beginning of the period and for those purchased during the period.

The Company is unable to retroactively apply this change in its accounting policy in accordance with the requirements of IAS 8, because the effects of retroactive application are not determinable since the cumulative impacts on all prior periods cannot be calculated. Therefore, the Company applies the new policy prospectively, starting from January 1st, 2016.

l) Trade receivables and other receivables

Trade receivables are initially recorded at the invoiced value and subsequently measured by using the effective interest method less the impaired value. An impairment provision for is established when there is objective evidence that the Company will not be able to collect receivables on time. Significant financial difficulties of the debtor, probability that it enters bankruptcy or financial reorganization, late payments (over 360 days) are considered indicators that these claims may require value adjustments.

An impairment loss related to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the current value of expected updated future cash flows by using the original effective interest rate of the asset. The carrying value is reduced by using an account for depreciation adjustments and the loss is entered into the profit and loss section under "other operating expenses".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Cash and cash equivalents

The "Cash and cash equivalents" item includes petty cash, current accounts and bank deposits without commitments that are subject to an insignificant risk in changing the fair value. By bank deposits without commitments the Company understands the usual bank deposits, to which the Company has access at any time, irrespective of their initial maturity, and whose pre-maturity liquidation, in the event of occurrence of circumstances that determine this need, does not cause any losses.

The "Bank deposits" position in the statement of financial position refer to those bank deposits that have an initial maturity of between 3 and 12 months but have an associated commitment, i.e. they are collateral deposits related to bank guarantee letters issued by banks on behalf of the Company in favor of some clients.
The "Financial assets" position of the financial position statement means the collateral deposits related to warranty letters, but with a maturity of more than 12 months.

n) Share capital

The share capital represents all the shares subscribed and paid up by the shareholders of the company. The share capital is recorded separately in accounting, based on the documents of incorporation and the supporting documents on capital payments.

The capital increase is achieved by subscribing and issuing new shares, incorporating reserves and other operations, according to the law. The capital decrease is achieved primarily by reducing the number of shares or diminishing the nominal value thereof, as a result of the withdrawal of some shareholders, coverage of the accounting loss from previous years or other operations, according to the law.

The write-off an asset that has contributed to the share capital does not change the share capital. In all cases of amendment of the share capital, this is done based on the decision of the General Meeting of the Shareholders. Gains or losses related to the issue or cancellation of shares are not recognized in the profit and loss account. The equivalent value received or paid as a result of such operations is recognized directly in equity.

o) Legal reserve

Legal reserves are established as follows: 5% comes from the gross profit from the end of the year until the total legal reserves reach 20% of the share capital paid in accordance with the law. These reserves are deductible on corporate tax calculation at the rate specified in the Tax Code and are only distributable in the event of liquidation of the Company. The legal reserve is distributed at the balance sheet date. The legal reserve is found in the entry "retained earnings".

p) Prepaid reserve

The prepaid reserve represents the cash contributions made by the shareholders of the Company for future issuance of shares by the Company. These contributions are recorded on credit in prepaid reserve, when there is no possibility that advance payments to be returned, and the Company is only obliged to issue a fixed number of shares.

q) Government grants

Government grants related to the purchase of assets are recorded as deferred revenue at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions related to the grant.

Government grants for the purchase or construction of an asset are recognized in profit and loss account systematically as the related asset is depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Employee Benefits

(i) Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net liabilities in relation to the defined benefits plans are calculated separately for each single plan, by estimating the amount of future benefit that employees have earned in return for the services rendered in the current and prior periods; these benefits are discounted to the present value. Any costs of unrecognized prior services and the fair value of the benefits plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected credit factor method. When the calculation results in a benefit for the Company, the recognized asset is limited to the total of the unrecognized cost of past service and the present value of any economic benefits available in the form of future reimbursements in the plan or some reductions applied to the future contributions to the plan. To calculate the present value of the economic benefits, all minimum financing requirements applicable to any plan of the Company are considered. An economic benefit is available for the Company if it is attainable over the life of the plan or when debts in the plan are settled.

When benefits of a plan are increased, the share of additional benefit for the services provided previously by employees is recognized in profit and loss using the straight-line method over the average period of time until the benefits become effective. To the extent that the benefits become effective immediately, the expense is recognized immediately in profit and loss.

The Company immediately recognizes all actuarial gains and losses arising from the defined benefit plans in other comprehensive income entries and all expenses related to defined benefit plans are determined in profit and loss.

The Company recognizes gains or losses related to the decrease or settlement of a defined benefit plan such decrease or settlement occurs.

The gain or loss on the curtailment or settlement shall comprise any resulting change in the present value of the defined benefit liability, any resulting change in the fair value of the assets of the plan, any actuarial gains or losses related to any past service cost associated that had not been previously recognized.

(ii) Other long-term benefits granted to employees

The Company's net liability in respect of long-term benefits granted to employees is the amount of future benefits that employees have earned in return for services rendered in the current period and in the previous one. These benefits are updated in order to determine their fair value, and the fair value of any related asset is deducted. These benefits are estimated using the projected credit factor method. Any gains or losses are recognized in profit and loss in the period in which they arise.

(iii) Short-term benefits granted to employees

Short-term benefit liabilities are valued without being discounted and are recognized as expenses as the services are rendered. A provision is recognized at the estimated amount to be paid for short-term benefits in the form of bonuses or employees participation in profits, only if the Company has a present, legal or constructive obligation to pay this amount for past services rendered by employees and this obligation can be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Provisions for Risks and Expenses

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 likely that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows by using a pre-tax discount 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 financial expense.

The provision related to the intermediary storage of spent nuclear fuel is determined as the present value of future expenditure with its storage. The provision for the management of low and medium radioactive waste and the provision for the management of non-radioactive waste are determined as updated value of their future management expenses. The management of low and medium radioactive and non-radioactive waste takes place in a period following the one in which they are generated by the operating activity.

t) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are presented in notes, unless the possibility of an outflow of economic benefits is reduced.

Contingent assets are not acknowledged in the financial statements, but are presented when a profit entry is probable.

u) Acknowledgement of revenues and expenses

Revenues are acknowledged to the extent that the economic benefits are probable and these benefits can be reliably valued. The following criteria must also be met in order to recognize revenues:

(i) Sales of electricity

Revenues from sale of electricity (generated or acquired by the Company) are recognized when the Company has delivered energy in the electricity transmission network.

(ii) Financial revenues and expenses

Financial revenues mainly includes the interest income on bank deposits and cash, as well as the foreign currency gain. Financial revenues are recognized in the profit and loss on an accrual basis using the effective interest method. The financial expenses mainly comprise the interest expense on loans and foreign currency losses. All cost related to loans that are not directly attributable to the acquisition, construction or production of an asset are recognized in profit and loss using the effective interest method.

(iii) Charges

IFRIC 21 "Taxes" clarifies the manner in which accounting expenses are recognized in taxes. For an entity, the generating event giving rise to a duty to pay a tax is the activity triggering the payment of the tax, identified by law. The obligation to pay a tax is progressively recognized if the generating event takes place over a period of time.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Acknowledgement of revenues and expenses (continued)

(iii) Charges (continued)

The Company implemented the provisions of **IFRIC 21 - Charges** by amending the accounting policies, starting with the annual Financial Statements related to the financial year 2014. Within the scope, the Company identified the tax on special constructions and local duties and taxes. The Company recognized the liability related to such duties and taxes at the time of the occurrence of the activity determining the payment, as such is defined by the relevant legislation. A liability related to duties and taxes is progressively estimated only if the activity that determines the payment occurs over a certain period.

IFRIC 21 is applicable retrospectively to all taxes imposed by the governmental authorities under the legislation, other than cash outflows subject to other standards (e.g.: IAS 12 Corporate Tax), fines and other penalties for violating the law.

IFRIC 21 mentions that this interpretation does not address the means of registration of the counter-party for this debt (respectively asset or cost) and that an asset is acknowledged in case a debt was paid in advance and there is no present payment obligation.

The Company considered that the acknowledging moment for the debt is determined by the existence of assets in its patrimony representing the base of taxes and as a consequence, the debt for the special building tax and local duties and taxes was fully acknowledged on the 1st of January in trade-off with the corresponding expense.

The Company reconsidered the date of occurrence of the generating event in relation to duties and taxes that fall under the scope of IFRIC 21 and concluded that this date is December 31 of each year.

v) Fields of activity

Fields of activity are identified by IFRS 8 « Operating segments »as components of an entity:

- That engages in business activities, which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity;
- Whose operating results are regularly reviewed by the chief operating decision maker to allocate resources and assess its performances; and
- • For which separate financial information is available.

The Company's senior management considers its operations in their entirety as "one segment".

w) Corporate tax

The corporate tax related to the year comprises the current tax and the deferred tax.

The corporate tax is recognized in the profit or loss statement and in other items of the comprehensive income if the tax is related to the capital items.

The current tax is the tax payable related to the profit made over the current period, determined based on the percentages applied on the date of the financial status statement and of all the adjustments related to the previous periods.

The deferred tax is determined for those temporary differences appearing between the fiscal basis for calculating the tax for assets and liabilities and the carrying amount thereof used for reporting in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Corporate tax (continued)

Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities arising from transactions that are not combinations of enterprises and not affecting the accounting or tax profit and differences arising from investments in branches, provided that they are not resumed in the near future. The deferred tax is calculated based on the tax rates that are expected to be applicable to the temporary differences upon the resumption thereof, based on the applicable law on the reporting date or issued on the reporting date and which will come into force thereafter.

Debts and receivables with the deferred tax are offset only if there is a legally enforceable right to offset the current debts and receivables with the tax and if they are related to the tax levied by the same tax authority for the same entity subject to taxation or for different fiscal entities, and they wish to settle claims and current liabilities with the tax using a net basis or the assets and related liabilities whereof will be simultaneously done.

The deferred tax claim is recognized only insofar as it is probable to obtain future profits that may be used to cover the tax loss. The claim is reviewed at the end of each financial year and is diminished to the extent to which the related tax benefit is unlikely to be realized

For the period ended on December 31st, 2019 and December 31st, 2018, the corporate tax rate was of 16%.

x) Distributable dividends

Dividends are treated as a profit distribution over the period when they were declared and approved by the General Meeting of the Shareholders. Dividends are recognized as a liability in the period in which their distribution is approved.

y) Earnings per share

Earnings per share is calculated by dividing the profit and loss attributable to (a) the Company's shareholders at the weighted average of ordinary shares outstanding during the period. Weighted average number of ordinary shares outstanding over the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of shares repurchased or issued during the period multiplied by a weighting factor of time.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of some specified conditions. The objective of diluted earnings per share is correlated with the basic earnings per share, and provide specific interests of each ordinary share in the entity's performance.

z) Subsequent Events

The events subsequent to the closure of the reporting period are those favorable and unfavorable events taking place between the end of the reporting period and the date on which the financial statements are authorized for issue.

Subsequent events providing additional information about the position of the Company at the end of the reporting period (events requiring adjustments) are reflected in the financial statements.

Events subsequent to the end of the reporting period that do not require adjustments are stated in the notes, when they are deemed significant.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Related parties

Different entities or individuals considered to be in special relations with the Company and in case one of the parties, either by ownership or by contractual rights, family relationships or other similar situations can directly or indirectly control the other party, or may significantly influence it in making financial or operational decisions. Transactions between related parties represent a transfer of resources or obligations between related parties, regardless of whether they involve a price or not.

Considering the status of majority state-owned company, the Company is subject to specific regulations, having reporting obligations regarding the transactions with affiliated parties. The Company presents in the Financial Statements the transactions with the affiliated parties in compliance with IAS 24 "Related Party Disclosures" (See Note 22).

bb) The implications of new International Financial Reporting Standards (IFRS)

During the current year, the Company has applied all new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant to its operations and are effective for the accounting periods beginning on January 1st, 2019, approved by the European Union.

On the date of approval of these financial statements, a number of standards and interpretations issued by the International Accounting Standards Board (IASB) apply, but only some of them were adopted by the European Union. The management of the Company expects that the implementation of these accounting standards in future periods will have no material effect on the financial statements of the Company.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

The company makes estimates and assumptions affecting the value of the reported assets and liabilities. Estimates and judgments are continually valued and are based on the previous experience and on other factors, including expectations on future events deemed reasonable under the given circumstances.

The management discussed the development, selection, presentation and application of critical accounting policies and estimates. These presentations supplements the comments on financial risk management (see Note 25).

The significant accounting judgments for the application of the accounting policies of the Company include:

Key sources of the uncertainty of estimates

Hierarchy of fair values
Assets and liabilities are measured and presented at fair value in the financial statements, according to the fair value hierarchy in IFRS 13, requiring the classification of valuation methods in the following valuation levels:

The company uses for the calculation of fair value the following hierarchy of methods:
Level 1: quoted (unadjusted) prices on active markets for identical assets and liabilities
Level 2: inputs other than the quoted prices included in Level 1 that are observable for assets or liabilities, either directly (i.e. prices, prices quoted on markets that are not active) or indirectly (i.e. derived from prices)
Level 3: entries for assets or liabilities that are not based on observable market data (unobservable entries). This category includes all instruments for which the valuation technique includes items that are not based on observable data and for which unobservable input parameters can have a significant effect on the valuation of the instrument. This category includes instruments that are valued based on quoted prices for similar instruments, but for which adjustments are largely based on unobservable data or estimates, in order to reflect the difference between the two instruments.

The company determines the fair value using primarily the quotations on the active market.

Fair value is the amount for which the financial instrument may be exchanged in usual transactions conducted under objective conditions between willing parties knowingly, other than those determined by the liquidation or forced sale. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. As of December 31, 2019 and December 31, 2018, the management considers that the fair values of cash and cash equivalents, trade receivables and other receivables, trade payables as well as other short-term liabilities approximates their carrying amounts.

Given the business field in which the Company operates, corroborated with the specific nature of the financed investments and of the structure of the guarantees which include a government guarantee, as well as the variable interest rates, the Company's management estimates that the fair value of the loans is approximately equal to their carrying amount. The carrying amount of loans is the amortized cost. Based on these considerations, loans have been classified Level 2.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

	Carrying amount	Fair value	Level
December 31st, 2019 (audited)			
Financial assets			
Financial assets	42,836,031	42,836,031	2
Net trade receivables	220,284,169	220,284,169	2
Cash and cash equivalents	1,793,145,389	1,793,145,389	2
Bank deposits	58,879,494	58,879,494	2
Net other receivables	31,416,822	31,416,822	2
	2,146,561,905	**2,146,561,905**	

	Carrying amount	Fair value	Level
December 31st, 2019 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	499,908,597	499,908,597	2
Provisions for risks and expenses	213,470,997	213,470,997	2
	713,379,594	**713,379,594**	
Short-term financial liabilities			
Accounts payable and other liabilities	220,236,112	220,236,112	2
The current share of provisions for risks and expenses	65,442,649	65,442,649	2
Borrowings, short-term portion of long-term loans	212,891,292	212,891,292	2
Deferred revenues	27,863,600	27,863,600	2
	526,433,653	**526,433,653**	

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

	Carrying amount	Fair value	Level
December 31st, 2018 (audited)			
Financial assets			
Financial assets	110,474,559	110,474,559	2
Net trade receivables	183,694,590	183,694,590	2
Cash and cash equivalents	1,611,175,766	1,611,175,766	2
Bank deposits	20,954,979	20,954,979	2
Net other receivables	10,201,321	10,201,321	2
	1,936,501,215	**1,936,501,215**	

	Carrying amount	Fair value	Level
December 31st, 2018 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	683,967,469	683,967,469	2
Provisions for risks and expenses	182,883,283	182,883,283	2
	866,850,752	**866,850,752**	
Short-term financial liabilities			
Accounts payable and other liabilities	197,107,880	197,107,880	2
The current share of provisions for risks and expenses	33,831,052	33,831,052	2
Borrowings, short-term portion of long-term loans	203,393,860	203,393,860	2
Deferred revenues	30,913,233	30,913,233	2
	465,246,025	**465,246,025**	

5. TANGIBLE ASSETS

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	TOTAL
Cost					
Balance as of January 1st, 2018 (audited)	**31,534,439**	**5,594,239,417**	**1,611,461,143**	**851,807,266**	**8,089,042,265**
Effect of correction		103,990,927			**103,990,927**
Balance as of January 1st, 2018 (audited, restated)	**31,534,439**	**5,698,230,344**	**1,611,461,143**	**851,807,266**	**8,193,033,192**
Additions	-	-	13,818,163	115,752,495	**129,570,658**
Revaluation of buildings and land	767,960	20,172,017	35,259,740	-	**56,199,716**
Offset of accumulated depreciation upon revaluation	-	(1,059,894,917)	(60,605,906)	-	**(1,120,500,824)**
Transfers	-	71,734,118	24,051,133	(95,785,251)	-
Transfer to inventories	-	-	-	(1,800,278)	**(1,800,278)**
Transfer to intangible assets	-	-	-	(7,852,267)	**(7,852,267)**
Derecognition of U1 inspections	-	(52,473,435)	-	-	**(52,473,435)**
Disposals	-	-	(2,241,701)	(1,257,641)	**(3,499,343)**
Balance as of December 31st, 2018 (audited)	**32,302,399**	**4,677,768,128**	**1,621,742,571**	**860,864,324**	**7,192,677,421**
Balance as of January 1st, 2019 (audited)	**32,302,399**	**4,677,768,128**	**1,621,742,571**	**860,864,324**	**7,192,677,421**
Additions	-	-	24,819,413	194,842,745	219,662,158
Transfers	-	74,616,462	21,485,075	(96,101,537)	-
Transfer to intangible assets	-	-	-	(2,400,260)	(2,400,260)
Transfer in assets held for sale	(120,740)		(2,159,074)	-	(2,279,814)
Transfer to inventories	-	-	5,158,567	-	5,158,567
Spare parts reclassified as fixed assets	-	42,735,091	(11,864,683)	-	30,870,408
Derecognition of U2 inspections	-	(46,771,637)	-	-	(46,771,637)
Derecognition of the drainage investments	-	-	-	(5,040,010)	(5,040,010)
Reclassification of heavy water	-	632,672,849	(632,672,849)	-	-
Disposals	-	-	(3,623,763)	-	(3,623,763)
Balance as of December 31st, 2019 (audited)	**32,181,659**	**5,338,285,801**	**1,072,326,466**	**945,459,145**	**7,388,253,071**
Depreciation and impairment losses					
Balance as of January 1st, 2018 (audited)	**550,782**	**733,245,253**	**546,513,811**	**140,629,875**	**1,420,939,720**
Effect of correction	-	48,019,397	-		**48,019,397**
Balance as of January 1st, 2018 (audited, restated)	**550,782**	**781,264,650**	**546,513,811**	**140,629,875**	**1,468,959,117**
Depreciation charges	-	414,761,137	110,140,683	-	**524,901,820**
Offset of accumulated depreciation upon revaluation	-	(1,059,894,917)	(60,605,906)	-	**(1,120,500,824)**
Cumulative depreciation of U1 inspections derecognized	-	(52,473,435)	-	-	**(52,473,435)**
Offset of accumulated disposals	-	-	(1,841,771)	-	**(1,841,771)**
Impairment adjustments	-	-	10,077,433	(906,054)	**9,171,379**
Balance as of December 31st, 2018 (audited)	**550,782**	**83,657,435**	**604,284,249**	**139,723,821**	**828,216,287**
Balance as of January 1st, 2019 (audited)	**550,782**	**83,657,435**	**604,284,249**	**139,723,821**	**828,216,287**
Depreciation charges	-	419,408,749	106,586,058	-	525,994,807
Accumulated amortization for U2 inspections	-	(46,771,637)		-	(46,771,637)
Offset of accumulated disposals	-	-	(3,237,033)	-	(3,237,033)
Derecognition of the accumulated amortization of transfers into inventory	-	-	(48,181)	-	(48,181)
Reclassification of heavy water	-	215,583,234	(215,583,234)	-	-
Impairment adjustments	-	-	7,429,167	19,972,344	27,401,511
Balance as of December 31st, 2019 (audited)	**550,782**	**671,877,780**	**499,431,025**	**159,969,165**	**1,331,555,752**
Carrying amount					
Balance as of December 31st, 2018 (audited)	**31,751,617**	**4,594,110,693**	**1,017,458,322**	**721,140,502**	**6,364,461,135**
Balance as of December 31st, 2019 (audited)	**31,630,877**	**4,666,408,021**	**572,895,440**	**785,762,980**	**6,056,697,319**

5. TANGIBLE ASSETS (CONTINUED)

Nuclear plants, machinery, equipment and other assets

During 2019, the Company reclassified the "heavy water" asset from the "Machinery, equipment and other assets" category into the "Nuclear power plants" category, as a result of considering this asset as part of the power plants. The transferred value is of RON 632,672,849, and the cumulative depreciation value is of RON 215,583,234.

The position "Machinery, equipment and other assets" mainly includes administrative buildings with a net carrying amount as of December 31th, 2019 amounting to RON 258,982,893 (December 31st, 2018: RON 277,883,541).

During 2019, the Company purchased 7.8 tons of heavy water from the National Administration of State Reserves and Special Issues (”ANRSPS”) required for Units 1 and 2, amounting to RON 15,763,228 (in 2018, 5.3 tons were purchased, amounting to RON 10,339,066).

In 2019, GMS Resolution 5/ April 23rd, 2019 approved the sale of asset “Singles’ accommodation unit”. Thus, from the “Machinery, equipment and other assets” position and from the “Lands” position, the amounts related to this asset were transferred to assets, namely RON 2,159,074 and RON 120,740, which are reflected in the “Transfer in assets held for sale” line. The amounts comprise the building, the related land, the central heating network connection installation, parking fittings, sports land, green areas, located at address: 14, Salciei Street, Cernavoda, Constanta County.

Non-current assets in progress

On December 31st, 2019, the net book value of the assets in progress, amounting to RON 785,762,980, includes the following items:

- Units 3 and 4 with a net book value of RON 507,128,812 (December 31st, 2018: RON 506,035,734);
- Investments related to units 1 and 2, in total amount of RON 278,634,169, the most representative ones being:
  - ✓ D2O tritium removal installation worth RON 63,238,682 (December 31st, 2018: RON 63,238,682);
  - ✓ Construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to RON 25,402,167 (December 31st, 2018: RON 22,729,419);
  - ✓ Improving the Nuclear security systems following the Fukushima event amounting to RON 34,941,782 (December 31st, 2018: RON 19,490,869);
  - ✓ Equipment and materials for ongoing investments amounting to RON 47,683,884 (December 31st, 2018: RON 30,129,379);
  - ✓ Modernization of the physical protection system in value of 16,766,486 RON (December 31st, 2018: RON 7,353,151).

The value of the investment of **Units 3 and 4** amounts to RON 508,827,379, of which the book value of Units 3 and 4 is RON 273,960,000 (December 31st, 2018: RON 273,960,000), the rest representing heavy water purchased for Units 3 and 4, namely approx. 75 tons, whose accounting value as of December 31st, 2019 is RON 159,238,387 (December 31st, 2018: RON 159,238,387), and equipment and other assets for Units 3 and 4, amounting to RON 75,628,992. Before 1991, the nuclear Units 1, 2, 3, 4 and 5 were considered as a single project and therefore the construction costs incurred had not been allocated per unit. Subsequently, the Company allocated the costs for the construction of Units 3 and 4 of the nuclear power plant and for Unit 5.

On December 31st, 2019 the gross accounting value for Unit 5 is RON 137 million (December 31st, 2018: 137 million RON). On December 31st, 2013 the Group recognized a depreciation adjustment of 100% of the Unit 5 since there were no plans to resume its construction. In March 2014, the Company shareholders approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation the result of which will be an asset with a different use than the initial use of Unit 5.

The **main investments commissioned** by the Company in 2019, 1 from the projects in progress related to Units 2 and 2 are represented by: performance of annual inspections conducted during the planned outage of Unit 2 amounting to RON 74.616.462, assembling spare parts on the operated equipment in value of RON 12,192,177, assembling a spectrometer in order to determine the metallic impurities in uranium in value of RON 862,088 and capital repairs on U1 compressors in value of RON 1,797,291.

5. TANGIBLE ASSETS (CONTINUED)

Impairment adjustments

As of December 31, 2019, the Company recorded adjustments for the impairment of assets in the total amount of RON 27,401,511, of which RON 19,369,715 are related to the recalculated spare parts from the financial position "Stocks" to the position "Property, plant and equipment".

As of December 31st, 2019, the Company has fixed assets purchased based on credit from suppliers (commercial credit) amounting to RON 16,166,790 (December 31st, 2018: RON 14,722,450).

Decommissioning of nuclear units

The nuclear power Unit 1 is scheduled to operate until 2026, and Unit 2 until 2037. The Company has not recorded a provision for the decommissioning of the two units because it is not responsible for the decommissioning works. According to Government Decision no. 1080/ 2007, the Nuclear Agency and Radioactive Waste ("ANDR") is responsible for collecting the contributions paid by the Company for the remaining useful life of these units and assume the responsibility for the management of the entire decommissioning process at the end of the useful life of the two units, as well as for the permanent storage of the resulting waste (see Note 15). The Company's contribution to ANDR during the year 2019 amounts to RON 98,249,692 (December 31, 2018: RON 97,237,719).

Assets pledged as security

As of December 31st, 2019, and December 31st, 2018 the Company has no pledged or mortgaged assets.

6. INTANGIBLE ASSETS

	Licenses and software	Software for the nuclear plant	TOTAL
Cost			
Balance as of January 1st, 2018 (audited)	**63,908,923**	**185,630,128**	**249,539,051**
Reallocations	122,135,570	(122,135,570)	**-**
Additions	546,221	3,996,061	**4,542,282**
Transfers	26,084,953	(26,084,953)	**-**
Transfer form tangible assets	25,934	7,826,332	**7,852,267**
Disposals	(384,987)	(34,274)	**(419,261)**
Balance as of December 31st, 2018 (audited)	**212,316,615**	**49,197,724**	**261,514,339**
Balance as of January 1st, 2019 (audited)	**212,316,615**	**49,197,724**	**261,514,339**
Additions	25,440,407	46,949	25,487,356
Transfers and reallocations	3,547,314	(3,547,314)	-
Transfer form tangible assets	2,400,260	-	2,400,260
Disposals	(636,739)	(56,376)	(693,115)
Balance as of December 31st, 2019 (audited)	**233,213,373**	**55,495,466**	**288,708,839**
Accumulated amortization			
Balance as of January 1st, 2018 (audited)	**62,187,283**	**124,815,811**	**187,003,093**
Reallocations	100,638,341	(100,638,341)	**-**
Depreciation charges	15,325,502	4,770,954	**20,096,456**
Amortization related to disposals	(384,988)	(34,274)	**(419,262)**
Balance as of December 31st, 2018 (audited)	**177,766,138**	**28,914,150**	**206,680,287**
Balance as of January 1st, 2019 (audited)	**177,766,138**	**28,914,150**	**206,680,287**
Depreciation charges	15,827,403	6,133,608	21,961,011
Amortization related to disposals	(636,739)	(56,376)	(693,115)
Balance as of December 31st, 2019 (audited)	**192,956,802**	**34,991,382**	**227,948,183**
Carrying amount			
Balance as of January 1, 2018	**1,721,640**	**60,814,318**	**62,535,957**
Balance as of December 31st, 2018 (audited)	**34,550,447**	**20,283,574**	**54,834,052**
Balance as of December 31st, 2019 (audited)	**20,375,234**	**40,385,421**	**60,760,656**

As of December 31st, 2019, the position "Licenses and software" includes other intangible assets representing ongoing licenses and software amounting to RON 4,316,960 (December 31st, 2018: RON 3,466,815), items that, during the year 2018, were classified in the position of "Software for the nuclear power plant".

During 2018, the Company analyzed the intangible asset categories for the assignment within the "Licenses and software" and "Power plant software and other intangible assets" categories, both on cost and depreciation, resulting in a net reallocation of RON 21,479,229.

7. FINANCIAL ASSETS

On December 31st, 2019, in the position of "Financial Assets", the Company records the letters of bank guarantee guaranteed by collateral deposit, the maturity whereof is more than 12 months, and also the contribution as a member in: The European Mutual Insurance Association for Civil Liability for Nuclear Damage ("ELINI"), the Romanian Commodity Exchange and the Romanian Atomic Forum - Romatom.

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Bank deposits due within 12 months*)	37,780,000	105,418,528
ELINI contribution	5,032,931	5,032,931
Contribution to the Romanian Commodity Exchange**)	23,000	23,000
Romatom contribution**)	100	100
Total	**42,836,031**	**110,474,559**

*) The letters of bank guarantee with collateral deposit are set up in favour of OPCOM, Transelectrica and CIGA Energy.

**) The BRM and Romatom contributions were transferred on December 31st, 2019 from the position of "Financial investments" to the position of "Financial assets".

8. FINANCIAL INVESTMENTS

On December 31st, 2019, the Company records in the position of "Financial investments" the investment held in the subsidiary Energonuclear SA.

Financial investments - Business continuity for Energonuclear S.A. and the Project of Units 3 and 4

Financial investments are mainly represented by the investment in Energonuclear S.A. ("Energonuclear"). company with headquarters in Bucharest, District 2, 5-7, Vasile Lascar Street, 3rd floor and registered with the Trade Registry under the number J40/3999/March 25th, 2009, having sole registration number 25344972, fiscal attribute RO. The main business of Energonuclear consists in "Engineering activities and technical consultancy related to it" – NACE Code 7112.

On December 31st, 2019 and December 31st, 2018, the Company owns 100% of the share capital of EnergoNuclear S.A. The value of participation on December 31st, 2019 and December 31st, 2018 amounts to **RON 141,666,101**.

By the Decision of the Prime Minister no. 318 of December 18th, 2018, the Working Group was established for the negotiation of the Intergovernmental Agreement between Romania and the People's Republic of China on the cooperation for the implementation of the Units 3 and 4 Cernavoda NPP Project ("IGA").

Over the period January 21st - 23rd, 2019, a meeting of the mixed work group Romania - China took place regarding IGA, and the following actions were identified: (1) the JVCO establishment as soon as possible to support the implementation of CfD in Romania, ongoing process; (2) the Romanian party to finalize the preparatory technical measures in view of submitting to the Romanian Parliament and to the European Commission the legislative amendments and updates associated with the adoption of the CfD mechanism; (3) SNN and CGN to resume negotiations on the Investors Agreement ("IA") in preliminary form.

During the meeting held on February 4th, 2019, the SNN Board of Directors approved the revised mandate of the SNN Negotiating Committee to negotiate the IA and the Articles of Incorporation ("AI") in a preliminary form to allow the establishment of JVCo by initial minimal cash contribution, calibrated to the development needs of the Project.

8. FINANCIAL INVESTMENTS (CONTINUED)

On March 15th, 2019, the discussions regarding the IA in preliminary form, and the AI of JVCo were finalized.

On May 8th, 2019, SN Nuclearelectrica SA and China General Nuclear Power Corporation and CGN Central and Eastern Europe Investment signed the Preliminary Form of the Investors Agreement regarding the continuation of the Units 3 and 4 Cernavoda NPP Project.

Resolution no. 9/July 29th, 2019 of the Extraordinary General Assembly of Shareholders approved the endorsement of the SNN Board of Directors to approve the modification of the deadlines / due dates provided in the preliminary form of the Investors' Agreement related to the Project for Units 3 and 4 of CNE Cernavoda.

Regarding the activity of Energonuclear S.A.:

- By the EGMS Resolution of SNN no. 4/July 11th, 2017, the shareholders of SNN approved the granting by SNN of a loan convertible in shares amounting to maximum RON 4,000,000 to the Energonuclear S.A. ("EN") branch, in order to finance the maintenance and conservation activities for the site of Units 3 and 4 of Cernavoda NPP; until December 31st, 2019, Energonuclear requested an installment of RON 3,500,000 to be granted from the maximum amount, for which SNN registered an interest of RON 129,787, capitalized.

The management of the company considers realistic the increase of the production capacity, based on the following premises:

- The EU assumes that, by 2050, it will implement a neutral economy in terms of CO2 emissions;
- Nuclear power is a key contributor to reducing CO2 emissions. Without the nuclear component, the CO2 emission reduction program cannot be implemented;
- Romania has to implement a program to support new capacities for generating electricity without CO2 emissions for the period 2021-2030;
- The nuclear industry is in an advanced stage of identifying some technical solutions that will ensure the flexibility of electricity production, thus having a potential to compensate for the volatility of renewable sources;
- Romania considers energy independence a competitive advantage that must be developed;
- Romania is a country with potential for economic development, with an ascending trend of electricity consumption;
- Financial markets today are characterized by a shortage of financial investments, inducing a low level of interest rates, favoring the launch of major investment projects.

9. INVENTORIES

As of December 31st, 2019 and December 31st, 2018, the inventories are as follows:

	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Spare parts	135,934,179	141,293,048
Consumables and other materials	48,185,789	40,636,148
Nuclear fuel	158,829,051	134,039,382
Uranium	55,554,976	38,490,987
Other inventories*)	6,663,797	14,282,835
Total	**405,167,792**	**368,742,400**

*) The assets held for sale, in the amount of RON 2,231,633, are included in the category of "Other inventories" (for more details, see Note 5)

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

As of December 31st, 2019 and December 31st, 2018, the trade receivables and other receivables are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Trade receivables	180,490,398	168,524,274
Adjustments for impairment of trade receivables	(10,496,161)	(10,858,933)
Other receivables	24,414,556	23,029,979
Adjustments for impairment of other receivables	(3,074,604)	(3,190,028)
Taxes and duties	28,949,980	6,189,298
Total	**220,284,169**	**183,694,590**

As of December 31st, 2019, the main trade receivables in the balance are from: Electrica Furnizare S.A. - RON 29,966,395 (December 31st, 2018 - RON 21,322,519), E.ON Energie Romania S.A. - RON 19,567,382 (December 31st, 2018 - RON 11,176,963), GEN-I d.o.o. - RON 14,020,156 (December 31st, 2018 - RON 18,411,098), CEZ Vanzare S.A. - RON 13,561,964 (December 31st, 2018 - RON 3,260,654), Enel Energie S.A. - RON 12,740,951 (December 31st, 2018 - RON 7,368,390), Alro S.A. - RON 11,776,349 (December 31st, 2018 - RON 12,650,998).

The sales made during 2019 to: Electrica Furnizare S.A. represented approximately 15% (2018: 9%), Romanian Electricity and Gas Market Operator "OPCOM" S.A. represented approximately 10% (2018: 13%) and E.ON Energie Romania S.A. represented approximately 8% (2018: 7%) of the total revenues of the Company.

The Company's exposure to credit and market risks as well as the value adjustments related to trade receivables are presented in Note 25.

As of December 31st, 2019, the "Trade receivables" and "Adjustments for impairment of trade receivables" include a net amount of RON 1,286,285 related to receivables from affiliated parties (December 31st, 2018: RON 2,680,295). As of December 31st, 2019, the positions "Other receivables" and "Adjustments for impairment of other receivables" include a net amount of RON 3,629,787 related to receivables from affiliated parties (December 31st, 2018: RON 2,535,503), of which RON 3,629,787 represent the loan granted to the Energonuclear S.R.L. branch, including capitalized interest.

As of December 31st, 2019 the "Duties and Taxes" position represents the VAT to be recovered amounting to RON 26,287,786 (December 31st, 2018: RON 6,189,298).

11. CASH AND CASH EQUIVALENTS, BANK DEPOSITS AND FINANCIAL ASSETS

On December 31st, 2018 and December 31st, 2017, the cash and cash equivalents are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Cash and cash equivalents in RON	1,767,134,755	1,606,936,087
Cash and cash equivalents in foreign currencies	26,010,634	4,239,679
Total cash and cash equivalents	**1,793,145,389**	**1,611,175,766**

The "Cash and cash equivalents" position also includes bank deposits amounting to RON 1,604,778,300 (December 31st, 2018: RON 1,438,730,983), as well as the amount of RON 840,891 representing letters of credit issued in favor of providers of equipment, spare parts, services and technical support (December 31st, 2018: RON 2,945,617).

On December 31st, 2019 and December 31st, 2018, all bank deposits presented under the "Bank deposits" position are in RON.

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Bank deposits	**58,879,494**	**20,954,979**

On December 31st, 2019, the Company holds letters of guarantee issued by different banks at the request of the Company in favor of third parties, with a total value of RON 96,659,494 (December 31st, 2018: RON 126,373,507), for which a cash collateral in the form of collateral deposits was established, divided as follows: RON 58,879,494 under the "Bank deposits" position (December 31st, 2018: RON 20,954,979) related to letters of bank guarantee with a maturity of up to one year and RON 37,780,000 under the "Financial assets" position for letters of bank guarantee with a maturity of over one year (December 31st, 2018: RON 105,418,528). These letters of bank guarantee are related to the Company's participation on the electricity market, mostly representing the Company's sales of electricity.

12. EQUITY

Share capital

The Company was established through separation from the former Autonomous Electricity Administration ("RENEL"). The share capital represents the State's contribution to the establishment of the Company on June 30st, 1998 (restated with inflation up to December 31st, 2003) plus subsequent increases.

According to the articles of incorporation, the authorized capital of the Company is RON 3,016,200,000. The subscribed and paid share capital as of December 31st, 2019 is RON 3,015,138,510, under the authorized capital.

As of December 31st, 2019 and December 31st, 2018, the share capital includes the effect of reassessments registered in the previous years required by the application of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The reconciliation of the share capital is as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Subscribed and paid in share capital (nominal value)	3,015,138,510	3,015,138,510
Differences related to the restatement according to IAS 29	195,502,743	195,502,743
Share capital (restated value)	**3,210,641,253**	**3,210,641,253**

As of December 31st, 2019 and December 31st, 2018, the value of the statutory subscribed and paid-off share capital amounts to RON 3,015,138,510, consisting of 301,513,851 ordinary shares having the nominal value of 10 RON each.

The holders of ordinary shares are entitled to receive dividends, as they are reported from time to time, and one vote per share at the General Meetings of Shareholders.

The shareholding structure on December 31st, 2019 and December 31st, 2018 is as follows:

Shareholders	Number of shares December 31st, 2019	% of the share capital	Number of shares December 31st, 2018	% of the share capital
The Romanian State - Ministry of Energy*)	248,736,619	82.4959%	248,736,619	82.4959%
Fondul Proprietatea S.A.	21,268,355	7.0539%	21,268,355	7.0539%
Other shareholders	31,508,877	10.4502%	31,508,877	10.4502%
Total	**301,513,851**	**100%**	**301,513,851**	**100%**

**) Starting with February 11th, 2020, the shares held by the Romanian State via the Ministry of Energy are transferred to the Romanian State via the Ministry of Economy, Energy and Business Environment, as a result of the implementation of the provisions of the Government Emergency Ordinance no. 68/ November 6th, 2019.*

Share premiums

In November 2013, the Company issued 28,100,395 ordinary shares on the Bucharest Stock Exchange through an initial public offering and the exercise of preemptive right by the shareholder Fondul Proprietatea S.A. The amount collected – amounting to RON 312,478,099 - was made up of the share capital increase of RON 281,003,950 and an issue/share premium of RON 31,474,149.

Prepaid reserve

The prepaid reserves amount to RON 21,553,537 as of December 31, 2019 and December 31, 2018 and represent objectives of public utility at Cernavodă NPP (RON 5,439,321 as of December 31, 2019 and December 31, 2018), budgetary allocations for the period 2007-2011 for the construction of the Training and Recreation Center for Youth and Children in Cernavodă (RON 16,114,216 as of December 31, 2019 and December 31, 2018).

12. EQUITY (CONTINUED)

Legal reserves

According to the legal requirements, the Company sets up legal reserves in the amount of 5% of the gross registered profit up to the level of 20% of the share capital. The value of the legal reserve as of December 31st, 2019 is of RON 154,157,757 (December 31st, 2018: RON 122,593,972).

Legal reserves cannot be distributed to the shareholders. The value of the legal reserves was included in the statement of financial status, among the "Retained earnings".

Revaluation reserves

As of December 31st, 2019, the revaluation reserve amounts to RON 227,996,066 (December 31st, 2018: RON 257,407,532), net of deferred tax related to the revaluation reserve. The last revaluation of lands, buildings and constructions took place on December 31, 2018 by an independent valuer, Primoval SRL, member of the National Association of Certified Assessors in Romania ("ANEVAR").

During 2019, the Company recognized a decrease of the revaluation reserve amounting to RON 35,013,650 following its transfer into the reported result (2018: RON 25,723,433).

Retained earnings

The retained earnings are the cumulated earnings of the Company. The retained earnings are distributed based on the annual financial statements prepared in accordance with the Public Finance Minister's Order no. 2844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards.

During the financial year ended on December 31st, 2019, the Company declared dividends in the amount of RON 378,914,310 distributed from the net profit of the financial year of 2018, according to the Resolution of the Ordinary General Meeting of the Shareholders no. 5/April 23rd, 2019 (December 31st, 2018: RON 756,799,766, of which RON 271,362,466 distributed from the net profit of the financial year of 2017, according to the Resolution of the Ordinary General Meeting of the Shareholders no. 5/April 25th, 2018 and RON 485,437,300 according to the Resolution of the General Meeting of the Shareholders no. 13/December 10th, 2018, distributed according to the provisions of art. II and art. III of Government Emergency Ordinance no. 29/2017, from "Other reserves representing funds for own financing sources"). Unpaid net dividends as of December 31st, 2019 amounted to RON 655,353 (December 31st, 2018: RON 684,121).

The impact of the correction of accounting errors as of December 31, 2018 on the "Result carried forward" position resulting from the application of IAS 16 on general inspections of nuclear plant units is shown in Note 2 (e).

Dividends and Profit Distribution

In compliance with the statutory and legal provisions in force, the Ordinary General Meeting of Shareholders approves and sets dividends. The Board of Directors of the Company proposed the following distribution of net profit to shareholders.

Net profit to be distributed for the financial year of 2019	**535,667,264**
Legal reserves	31,563,785
Other reserves representing tax facilities stipulated by law	5,682,083
Dividends	498,421,396
Profit remained undistributed	**-**

12. EQUITY (CONTINUED)

Dividends and Profit Distribution (continued)

The proposal for allocating the net profit complies with the disposals provided by the Government Ordinance no. 64/2001 regarding the profit distribution within national companies and companies with total or majority state capital, and the Autonomous Administrations, as amended and supplemented.

The amounts proposed to be distributed in the form of "employee participation in profits" are up to 10% of the net profit, but no more than the level of an average monthly basic salary per employee in 2018 and taking into account the average number of employees in 2019. The profit-sharing obligation has been established by the income and expenditure budget approved for 2018 so that the provisions of art. 1 par. 1 let. e) of the Government Ordinance no. 64/2001 are complied with. The amounts representing the employee's participation in profits is not a direct distribution of the net profit, which is provisioned at the end of the financial year and distributed in the next financial year after approval of the net profit distribution. Therefore, the net income of the financial year 2019 includes a provision for employees' participation in profits (derived from the accounting profit) in the amount of RON 18.7 million.

The amounts allocated to the legal reserve shall be determined under the provisions of art. 183 of Law no. 31/1990 according to which "at least 5% from the company profit shall be taken every year for the formation of the reserve fund, until it reaches at least one fifth of the share capital". The amount allocated to the legal reserve was taken in the end of the financial year, representing the mandatory allocation amounting to RON 31,563,785.

Other reserves representing tax facilities provided by law (RON 5,682,083) are allocated based on art. 22 para. (1) of Law no. 227/2015 regarding the Fiscal Code amended and supplemented; they relate to corporate tax exempted related to the profit invested in technological equipment, computers and peripherals, machinery and home appliances, control and billing equipment, as well as produced and/or purchased software, as stipulated in subgroup 2.1 class 2.2.9 in the "Catalogue on classification and the normal useful life of fixed assets" used for business purposes. The amount allocated to reserves is the amount of the profit invested in this equipment, net of legal reserve (5%).

The proposed gross dividends (RON 498,421,396) were calculated as the difference between the net profit of the financial year (RON 535,67,264) and the amounts deducted as a legal reserve (RON 31,563,785) and the reserves accounting for fiscal facilities (RON 5,682,083) resulting in a 100% distribution.

The proposal for allocating the net profit is presented in detail in the note relating to point 5 on the agenda of the General Meeting of Shareholders that is going to take place on April 27th, 2020.

13. EARNINGS PER SHARE

As of December 31st, 2019 and December 31st, 2018, the earnings per share were as follows:

(i) Basic earnings per share

	2019 (audited)	2018 (audited)
Net profit for the year	**535,667,264**	**410,611,215**
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of ordinary shares issued during the period	-	-
Weighted-average number of ordinary shares as of December 31	**301,513,851**	**301,513,851**
Basic earnings per share (RON/share)	**1.78**	**1.36**

(ii) Diluted earnings per share

	2019 (audited)	2018 (audited, restated)
Net profit for the year	**535,667,264**	**410,611,215**
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of shares issued during the period	-	-
Weighted-average number of ordinary shares at the end of the period	301,513,851	301,513,851
Weighted-average number of ordinary shares (diluted) on December 31st	**301,513,851**	**301,513,851**
Diluted earnings per share (RON/share)	**1.78**	**1.36**

14. LOANS

Reimbursements of borrowings during the year ended on December 31, 2019 were as follows:

	Currency	Interest rate	Value	Year of final maturity
Balance as of January 1st, 2019 (audited)			**909,860,972**	
New issues				
Reimbursements, out of which				
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.7%	(36,624,032)	2022
Societe Generale - AECL BC	CAD	CDOR 6M + 0.375%	(70,051,215)	2022
EURATOM	EUR	EURIBOR 6M + 0.08%	(109,699,740)	2024
Exchange rate differences			**35,374,630**	
Balance as of December 31st, 2019 (audited)			**728,860,615**	

(i) Long term loans

As of December 31st, 2019 and December 31st, 2018, the long-term borrowings are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Societe Generale - ANSALDO BC	91,865,702	125,506,545
Societe Generale - AECL BC	178,660,043	228,883,938
EURATOM	458,334,870	555,470,490
Total long-term loans	**728,860,615**	**909,860,973**
Less: Current portion of long-term loans	(219,090,059)	(209,456,905)
Less: Balance of commitment and insurance fees (long term)	(9,861,959)	(16,436,599)
Total long-term loans net of the short-term portion	**499,908,597**	**683,967,469**

The long-term borrowings are detailed as follows:

a) *The loan granted by Societe Generale – ANSALDO*

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was EUR 115.3 million. The amount due on December 31st, 2019 is EUR 19.22 million (December 31st, 2018: EUR 26.91 million). The reimbursement is divided in 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan is subject to a variable EURIBOR interest rate every six months and a 0,45% margin for the first 15 years and EURIBOR every six months plus a 0,7% margin for the remaining period. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

b) The loan granted by Societe Generale – AECL

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was CAD 327.8 million. The amount due on December 31, 2019 is CAD 54.63 million (December 31, 2018: CAD 76.49 million). The reimbursement is divided in 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan is subject to a variable CDOR interest rate every six months plus a 0.375% margin. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

12. LOANS (CONTINUED)

c) The loan granted by EURATOM

The loan was granted by EURATOM to the Company in 2004. The initial value of the loan was EUR 223.5 million. The amount due on December 31, 2019 is EUR 95.90 million (December 31, 2018: EUR 119.10 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 30 million (December 31st, 2018: EUR 40 million); (ii) Second instalment with a balance of EUR 45 million (December 31st, 2018: EUR 54 million) and (iii) Third instalment with a balance of EUR 20.9 million (December 31st, 2018: EUR 25.1 million). Repayment of first instalment will be made in 20 instalments payable during 2013-2022, repayment of second instalment will be made in 20 instalments payable during 2015-2024 and the repayment of third instalment will be made in 16 instalments payable during 2017-2024. The loan is subject to a variable EURIBOR interest rate every six months plus a 0.080% margin for the first 2 instalments and a 0.079% for the third instalment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

The loan agreement includes certain financial clauses: (i) the coverage index for the debt service should be at least 1.5; (ii) indebtedness must not exceed the value 2; (iii) the Group's income should be sufficient to cover the operating and maintenance cost for Units 1 and 2, as well as the interests payments in relation to units 1 and 2.

Financial indicators must be calculated based on the financial statements prepared in accordance with the International Financial Reporting Standards.

As of December 31st, 2019 and December 31st, 2018, the financial indicators required by EURATOM are met. All loans have been contracted to finance the construction of Unit 2.

The Company has not entered into any hedging arrangements against risks in respect of obligations in foreign currency or interest rate exposure. The fair value of long-term loans, which was estimated by discounting the future contractual cash flows using current market interest rate available for similar financial instruments, does not differ significantly from the values mentioned above.

Guarantees

Loans with foreign banks contracted from Societe Generale ("SG") and EURATOM are guaranteed by the Romanian state through the Ministry of Public Finance. Besides, loans by SG are guaranteed by foreign insurers (COFACE) and promissory notes are issued by the Company in favor of the creditor.

(ii) Short-term borrowings

As of December 31, 2019 and December 31, 2018, the short-term borrowings are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Current portion of long-term loans	219,090,059	209,456,905
Interests related to the long-term borrowings	375,872	511,595
Short-term transaction costs	(6,574,639)	(6,574,640)
Total short-term loans	**212,891,292**	**203,393,860**

15. TRADING AND OTHER LIABILITIES

As of December 31st, 2019 and December 31st, 2018, trading and other liabilities are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Non-current assets suppliers	16,086,321	14,722,450
Trade payables	82,971,731	60,462,083
Obligations related to employee liabilities	20,531,067	24,440,168
Payables to the State	93,595,144	89,292,102
Gross dividends payable	668,882	4,278,146
Other payables	6,382,967	3,912,931
Total	**220,236,112**	**197,107,880**

On December 31st, 2019, the main balance suppliers, from the "Non-current assets suppliers" and "Suppliers" positions, are: Mate – Fin Bucharest – RON 18,280,923 (December 31st, 2018: RON 2,529,050), Apele Romane Bucharest – RON 11,923,228 (December 31st, 2018- RON 11,951,605), Elcomex I.E.A. S.A. – RON 9,720,914 (December 31st, 2018 – RON 4,600,203), Candu Energy Inc. – RON 7.927.602 (December 31st, 2018 – RON 575,875), General Concrete S.R.L. – RON 3,575,409 (December 31st, 2018 – RON 5,160,292).

As of December 31st, 2019, "Accounts payable and other liabilities" include the amount of RON 31,671,319 (December 31st, 2018: RON 29,081,865) related to liabilities to affiliated parties, of which, under the "Suppliers" and "Non-current assets suppliers" positions, the amount of RON 22,793,340 (December 31st, 2018: RON 20,779,125) and under the position "Payables to the State" the amount of RON 8,868,052 (December 31st, 2018: RON 8,302,740), representing the contribution to ANDR, for the decommissioning of nuclear facilities and the permanent storage of radioactive waste.

As of December 31st, 2019, the "Payables to the State" position includes the debt related to local taxes and duties set by state authorities in 2019, amounting to RON 56,508,340 (December 31st, 2018: RON 56,421,959), which, according to IFRIC 21 - Taxes, is recognized on December 31st. The maturity of these taxes and charges is during the financial year 2020.

16. PROVISIONS FOR RISKS AND EXPENSES

On December 31st, 2019 and December 31st, 2018, respectively, the Company confirmed the following provisions, included under the position "Provisions for risks and expense" and the position "Current share of provisions for risks and expenses":

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Obligations regarding the Intermediary Used Fuel Storage (DICA)	69,361,429	60,633,302
Obligations regarding the low and medium radioactive and non-radioactive waste	97,050,892	97,648,239
Salary increase litigation provision	87,801,325	34,937,153
Employees' participation to the profit	18,700,000	16,000,000
Provisions for litigations	6,000,000	7,495,641
Total	**278,913,646**	**216,714,335**

On December 31st, 2019, the provisions in the total amount of RON 278,913,646 represent long-term and short-term liabilities, as follows:

	Long-term share (> 1 year)	Current share (< 1 year)
Obligations regarding the Intermediary Used Fuel Storage (DICA)	37,942,402	31,419,027
Obligations regarding the low and medium radioactive and non-radioactive waste	87,727,270	9,323,622
Salary increase litigation provision	87,801,325	-
Employees' participation to the profit	-	18,700,000
Provisions for litigations	-	6,000,000
Total	**213,470,997**	**65,442,649**

"Salary increase litigation provision" position represents the forecast of the effects of litigations initiated by Unions against the Company, CNE Cernavoda Union and Sindicatul Liber Energetica Nucleara '90 Union, with regard to the allowance for nuclear risk, as a salary increase.

17. CORPORATE TAX

The corporate tax recognized in the profit and loss account:

	2019 (audited)	2018 (audited)
Current corporate tax expense	117,510,151	182,146,565
Net (income) from the deferred tax	(21,901,707)	(20,134,506)
Total	**95,608,444**	**162,012,059**

Receivables and liabilities related to the deferred taxes are assessed on December 31, 2019 and December 31, 2018 at the 16% effective tax rate, representing the tax rate currently implemented.

Reconciliation of effective tax rate:

	2019 (audited)	2018 (audited)
Profit before corporate tax	**631,275,708**	**572,623,274**
Tax in compliance with the statutory taxation rate of 16% (2018: 16%)	**101,004,113**	**91,619,724**
Effect on the corporate tax of the:		
Legal reserve	(5,050,206)	(4,580,986)
Tax amortization	(1,113,308)	(927,936)
Non-taxable revenues	(8,971,483)	(7,532,465)
Non-deductible expenses	31,904,903	25,475,339
Revaluation reserve gains	11,590,465	10,909,404
Additional dividends distributed from revaluation reserves	-	77,669,968
Temporary differences	(21,901,707)	(20,134,506)
Tax facilities on the broken-down VAT payment	-	(9,605,836)
Sponsoring	(10,897,352)	(364,312)
Reinvested profit	(956,982)	(516,335)
Corporate tax expense	**95,608,444**	**162,012,059**

The deferred tax consists of:

December 31st, 2019 (audited)	Assets	Liabilities	Net
Tangible assets		131,943,299	131,943,299
Intangible assets		867,229	867,229
Inventories	(1,227,867)		(1,227,867)
Trade receivables	(2,146,609)		(2,146,609)
Obligations regarding employees' benefits	(5,513,746)		(5,513,746)
Employees' participation to the profit	(2,992,000)		(2,992,000)
Salary increase provision	(14,048,212)		(14,048,212)
Holiday leaves not taken	(621,990)		(621,990)
Taxes and duties	(9,028,953)		(9,028,953)
Radioactive and non-radioactive waste	(15,528,143)		(15,528,143)
Other provisions	(960,000)		(960,000)
Net tax (asset)/debt	**(52,067,520)**	**132,810,528**	**80,743,008**

December 31st, 2018 (audited)	Assets	Liabilities	Net
Tangible assets		143,913,930	143,913,930
Intangible assets		1,995,784	1,995,784
Inventories	(1,421,116)		(1,421,116)
Trade receivables	(3,410,935)		(3,410,935)
Obligations regarding employees' benefits	(5,133,123)		(5,133,123)
Salary increase provision	(5,589,944)		(5,589,944)
Employees' participation to the profit	(2,560,000)		(2,560,000)
Holiday leaves not taken	(512,778)		(512,778)
Taxes and duties	(9,013,385)		(9,013,385)
Radioactive and non-radioactive waste	(15,623,718)		(15,623,718)
Net tax (asset)/debt	**(43,264,999)**	**145,909,714**	**102,644,715**

17. CORPORATE TAX (CONTINUED)

The movement table regarding the deferred taxes debt in 2018 and 2019 is as follows:

	Balance as of December 31st, 2017 (audited, restated)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other comprehensive income	Balance as of December 31st, 2018 (audited)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other comprehensive income	Balance as of December 31st, 2018 (audited)
Tangible assets	139,273,652	(10,579,027)	8,875,461	143,913,930	(11,970,631)	5,602,184	131,943,299
Intangible assets	3,971,298	(1,440,860)	-	1,995,784	(1,128,555)		867,229
Inventories	(1,413,187)	579,839	-	(1,421,116)	193,249		(1,227,867)
Trade receivables	(2,610,712)	(800,223)		(3,410,935)	1,264,325		(2,146,609)
Obligations regarding employees' benefits	(5,149,834)	16,711	-	(5,133,123)	(380,623)		(5,513,746)
Salary increase provision	-	(5,589,944)	-	(5,589,944)	(8,458,268)		(14,048,212)
Employees' participation to the profit	(2,122,400)	(437,600)	-	(2,560,000)	(432,000)		(2,992,000)
Allowances for administrators	(33,048)	33,048	-	-	-		-
Holiday leaves not taken	(382,729)	(130,049)	-	(512,778)	(109,212)		(621,990)
Taxes and duties	(7,237,103)	(1,776,282)	-	(9,013,385)	(15,568)		(9,028,953)
Radioactive and non-radioactive waste	(15,613,600)	(10,119)	-	(15,623,718)	95,576		(15,528,143)
Other provisions	-	-	-	-	(960,000)		(960,000)
Net tax (asset)/debt	**113,903,761**	**(20,134,506)**	**8,875,461**	**102,644,715**	**(21,901,707)**	5,602,184	**80,743,008**

18. EMPLOYEE BENEFITS

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Retirement benefits	25,710,198	24,806,444
Anniversary bonuses	5,905,461	5,047,533
Benefits in case of death	910,676	977,098
Retirement benefits in the energy field	9,095,310	7,786,273
Total	**41,621,644**	**38,617,348**

On December 31st, 2019, the Company has the following obligations:

- to pay the employees who are retiring retirement premiums ranging between 2 and 3 basic salaries according to the number of years of seniority in the field of electric, thermal and nuclear energy;
- to pay the employees jubilee premiums according to the number of years of uninterrupted seniority in the field of electric, thermal and nuclear energy;
- to pay the aid to the family of the employee, in the event of his/her death;
- to pay employees who are retiring an energy benefit, representing the equivalent value of 1,200 KWh/year electricity share. The awarding criterion for this benefit is the 15-year-old seniority in the field of energy, of which at least the last 10 years within SNN. This benefit is granted as of April 1st, 2017.

18. OBLIGATIONS CONCERNING EMPLOYEES' BENEFITS (CONTINUED)

The following assumptions were taken into account for the application of IAS 19 "Employee Benefits" on December 31st, 2019 and December 31st, 2018.

Assessment date	December 31st, 2019	December 31st, 2018
Number of employees	2,153	2,059
Rate of wage increase	The management of the company estimated a growth of 3.2% in 2020 and with the annual rate of increase of consumer prices communicated by the National Forecast Commission. For 2021 and the following years, we still considered an average wage increase by the annual inflation rate estimated at the annual inflation target of 2.5%.	SNN's management estimated an increase in the annual rate of increase in consumer prices communicated by the National Prognosis Commission. The evolution of the price increase estimated by the Winter Forecast 2018 is: 2.8% in 2019 2.5% in 2020 2.3% in 2021 2.2% in 2022 For 2023 and the following years: average salary increase with the annual inflation rate.
Rate of kWh price increase	The kWh price updated on December 31st, 2019 was of RON 0.6683. For the period 2020-2030, we used the estimates provided by the Company and an evolution in the same trend for the following years.	kWh price updated on December 31st, 2018: RON 0.6629. For 2019-2030: estimates provided by SNN and development on the same trend for the years to come.
Real average productivity	2.05%	2.05%
Mortality tables	Mortality rates in Romania in 2013	Mortality rates in Romania in 2013
Gross average wage	8,392	8,318

The above assumptions have been considered taking into account:

- The actual average efficiency is calculated based on the estimation of the inflation rate and government bonds efficiency on the active market as of December 31st, 2019 and for the residual term to maturity of 1 - 9 years and 12 years.
- Mortality rate used is the one communicated by the National Institute of Statistics.
- A discount rate of 4.25%.

19. REVENUES FROM ELECTRICITY SALES

(i) Revenues from electricity sales

	2019 (audited)	2018 (audited)
Sales of electricity on regulated market	259,323,436	-
Sales of electricity on free market	2,099,883,595	2,112,000,139
Sales of thermal energy	6,329,627	4,970,369
Revenues from green certificates	26,916	21,171
Total	**2,365,563,574**	**2,116,991,679**

(ii) The amount of energy sold

	2019 (audited)	2018 (audited)
Quantity of electricity sold on regulated market (MWh)	1,376,963	-
Quantity of electricity sold on free market (MWh)	9,245,123	10,642,623
	10,622,086	**10,642,623**

The Company is a participant in the balancing market, according to the convention of participation in the balancing market concluded with C.N. Transelectrica S.A. and set up a security in the amount of RON 50,000, valid until May 25th, 2020 and is a member of PRE Ciga Energy SA, in virtue of the contract concluded with Ciga Energy S.A. of supply of the representation service as party in charge of balancing (PRE), in reference to which it set up securities amounting to RON 1,450,000, valid until November 27th, 2020.

The quantity of energy sold presented does not include the quantity of energy corresponding to the income from positive unbalances valued on the Balancing Market, amounting 30,137 MWh for the fiscal year ended on December 31st, 2019 (33,556 MWh for the year ended on December 31st, 2018).

The Company is developing the activity of producing thermal energy by exploiting the energetic capacities corresponding to the units for producing electrical and thermal energy consisting in two heat switches with a full thermal power of 40 Gcal/h and 46.51 MW. The Company delivers thermal energy to the local thermal energy distribution company SC Utilitati Publice SA Cernavoda, as well as to other final consumers in the locality Cernavoda – business entities, social-cultural institutions. The sales of thermal energy in 2019 amount to RON 6,329,627 (December 31st, 2018: RON 4,970,369).

In 2019, the Company sold 12,9% energy on the regulated market (2018: 0 %). The total quantity of electricity sold in 2019 was 10,622,086 MWh (2018: 10,642,623 MWh). On the competitive market, in 2019, the Company delivered 86.8% of the energy sold (2018: 99.7%). The average sale price of electricity sold by the Company on this market in 2019 was 227.13 RON/MWh (2018: 198.45 RON/MWh) value, which does not include Tg.

The electricity sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution. In 2018, the Energy Regulation National Authority ("ANRE") no longer set for manufacturers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the manufacturers based on regulated contracts and electricity quantities from the regulated contracts concluded by the manufacturers with last-instance suppliers, after completing the schedule for gradually removing regulated fees.

Following Government Emergency Ordinance no. 114/28.12.2018, which amends and supplements Electricity and natural gas law no. 123/2012, ANRE issued Order no. 10/01.02.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 326/February 25th, 2019, the quantity assigned to SNN for 2019 for regulated contracts was 1,377 GWh. ANRE established a regulated price for SNN of RON 188.33 /MWh (without Tg).

19. REVENUES FROM ELECTRICITY SALES (CONTINUED)

By the Current Report published on December 23rd, 2019, S.N. Nuclearelectrica S.A. informs the shareholders and the investors about the Decision of the National Energy Regulatory Authority no. 2213/December 23rd,2019, according to which S.N. Nuclearelectrica S.A. has the obligation to sell 2020 MWh on the regulated market in period January 1st, 2020 - June 30th, 2020 a quantity of 1,086,596,545 MWh, representing 10.5% of the total production quantity scheduled for 2020 at the regulated price of 188.47 RON/MWh. This regulated price does not include the electricity transmission fee, in the amount of RON 1.30/MWh (according to the Order of the National Regulatory Authority for Energy No. 218/December 11th, 2019). Also, the National Energy Regulation Authority informed SNN by Resolution no. 2214/December 23rd,2019 on the maximum quantities of electricity that may be imposed as sale obligations based on regulated contracts between July 1st, 2020 and December 31st, 2020. Thus, the maximum electricity quantity related to period July 1st, 2020 - December 31st, 2020 is 1,095,026,028 MWh, following that the regulated price for this period will be decided by ANRE decision.

20. PERSONNEL EXPENSES

In 2019, the personnel expenses amounted to RON 425,597,378 (2018: RON 388,847,183), as follows:

	2019 (audited)	2018 (audited)
Wages and salaries	393,674,514	359,086,900
Expenditure on social security and assimilated costs	31,922,864	29,760,283
Total expenses on employees	**425,597,378**	**388,847,183**

In 2019, the breakdown by category of employees is as follows:

	2019 (audited)	2018 (audited)
Chief officers	158	177
Executive officers	1,995	1.881
Total actual number of employees	**2,153**	**2,058**

21. OTHER OPERATING EXPENSES

	2019 (audited)	2018 (audited)
Expenses with third parties services	89,758,160	80,872,954
Expenses on ANDR	98,249,692	97,237,719
Energy and water expenses	79,490,421	78,040,404
Fuel and other consumables expenses	42,147,140	32,351,528
Expenses on the ANRE contribution	42,501,390	1,899,916
Costs of insurance premiums	12,701,686	12,433,430
Transport and telecommunication expenses	8,727,006	6,616,390
Tax on buildings expenses	55,838,095	55,772,410
Expenses related to provisions and impairments, net	55,123,571	38,064,930
Other operating expenses	40,377,333	29,439,214
Total	**524,914,494**	**432,728,895**

21. OTHER OPERATING EXPENSES (CONTINUED)

Expenses on ANDR

Starting with 2007, following the Government Decision no. 1080/2007 regarding the safe management of the radioactive waste and the decommissioning of the nuclear installations, the Company is required to make two types of contributions to the ANDR:

- Contribution for the decommissioning of each nuclear unit amounting to 0,6 EUR/MWh of electricity generated and delivered in the system;
- Contribution for the permanent storage of radioactive waste of 1,4 EUR/MWh of electricity produced and generated and delivered in the system.

According to this legislative act, the annual contribution for decommissioning is paid over the projected useful life of both nuclear units, and the direct annual contribution for permanent storage is paid over the operational period of the nuclear units and consequently, ANDR takes responsibility for managing the entire decommissioning process at the end of the useful life of the nuclear plants and the storage of resulting waste.

Expenses related to provisions and impairments

The position "Expenses related to provisions and impairments, net" includes the costs related to the provisions and impairments of the year, as well as income from the reversal of provisions during the year. In 2019, the Company established provisions amounting to RON 87,434,905 (2018: RON 60,795,053) and reversed provisions amounting to RON 32,311,334 (2018: RON 22,730,123). From among the provisions established in 2019, RON 52,864,172 represents the preliminary provision representing the salary increase (December 31st, 2018: RON 34,937,153), RON 14,705,612 represents the update of the provision for the intermediary burnt fuel tank ("DICA") (2018: RON 11,154,521) and RON 13,261,430 represents the update of the provision for low and medium radioactive waste (2018: RON 9,451,819).

Other operating expenses

The position "Other operating expenses" includes the expenses related to the operating authorizations paid to CNCAN Bucharest amounting to RON 9,900,000 (December 31st, 2018: RON 9,900,000), as well as other taxes and contributions paid to governmental and non-governmental organizations amounting to RON 3,570,853 (December 31st, 2018: RON 2,906,417).

22. FINANCIAL INCOMES AND EXPENSES

	2019 (audited)	2018 (audited)
Interest income	54,618,436	45,165,435
Foreign exchange gains	12,717,011	49,772,165
Income from dividends	1,288	1,193
Total financial revenues	**67,336,735**	**94,938,793**
Foreign exchange losses	(49,088,767)	(42,194,580)
Interest related expenses	(16,398,023)	(16,661,029)
Total financial expenses	(65,486,790)	**(58,855,609)**
Net financial expenses	**1,849,945**	**36,083,184**

23. OTHER INCOMES

	2019 (audited)	2018 (audited)
Income from investment subsidies	14,368,732	14,376,189
Income from compensations, fines and penalties	1,924,537	19,613,132
Other revenues	23,367,683	16,216,103
Total	**39,660,952**	**50,205,424**

The subsidies for investment (long-term deferred income) granted in 2007 consisted of cancellation of penalties and liabilities related to loan contracts. The subsidies are recorded in the profit and loss account as income during 2007-2026, for the remaining useful life of Unit 1.

The "Revenues from penalties and compensation" position includes in 2018 the amount of 13.4 million RON representing compensation collected from S.C. Tess Conex S.A., following a final judgment passed pronounced in the month of January of 2018.

24. TRANSACTIONS WITH RELATED-PARTIES

(i) Transactions with state-owned companies

The company operates in an economic environment dominated by companies owned or controlled by the Romanian state through its governmental authorities and agencies, collectively referred to as state-owned companies.

The company performed significant transactions with other companies owned or controlled by the state including: sales of electricity (OPCOM SA), purchase of heavy water necessary to fill the reserve for Units 1 and 2 of Cernavoda NPP (Administratia Nationala a Rezervelor de Stat si Probleme Speciale), acquisition of electricity transmission and balancing services (CN Transelectrica S.A.), purchase of natural uranium in the form of sinterable powder by UO2 (Compania Nationala a Uraniului S.A.), and payment of the contribution for the management of the decommissioning process of the two units and the final storage of nuclear waste at the end of the useful lifetime of the two units, as well as for the permanent storage of the resulting residues (Nuclear and Radioactive Waste Agency - ANDR).

During its activity, the Company identified the following transactions and balances with the main related parties:

	Sales		Receivables as of	
	2019 (audited)	2018 (audited)	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	236,626,146	301,974,078	610,066	1,811,364
C.N. Transelectrica S.A.	32,639,617	16,487,989	15,103	14,107
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	30,739,320	15,635,081	-	-
Utilitati Publice S.A. Cernavoda	6,411,004	5,040,662	1,248,170	1,484,528
Energonuclear S.A.	106,555	45,400	3,630,903	2,537,812
Autonomous Administration of Technologies for Nuclear Energy - CITON	77,956	1,639	-	-
Compania Nationala Administratia Canalelor Navigabile S.A.	6,284	7,541	1,415	2,162
Autonomous Administration of Technologies for Nuclear Energy - ICN	4,034	2,689	-	-
Compania Nationala a Uraniului S.A.	126	53,577	22,679,314	-
Total	**306,611,040**	**339,248,656**	**28,184,972**	**5,849,973**

24. TRANSACTIONS WITH RELATED-PARTIES (CONTINUED)

(i). Transactions with state-owned companies (continued)

	Purchases		Payables as of	
	2019 (audited)	2018 (audited)	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Nuclear and Radioactive Waste Agency	98,249,692	97,237,719	8,868,052	8,302,740
Romanian Waters Bucharest	59,530,703	59,451,817	11,923,228	11,951,605
Compania Nationala a Uraniului S.A.	43,127,948	21,449,446	195,757	-
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	42,605,855	22,983,041	12,420	34,683
National Energy Regulatory Authority	42,511,640	1,907,915	-	-
National Administration of States Reserves and Special Matters	15,564,733	10,316,132	-	-
C.N. Transelectrica S.A.	12,436,882	11,804,071	2,673,283	6,895,972
Administratia Bazinala de Apa Dobrogea Litoral	11,208,392	10,835,017	3,165,422	2,526,881
National Commission for Nuclear Activities Control	9,201,100	9,228,265	-	-
Autonomous Administration of Technologies for Nuclear Energy - ICN	6,163,338	4,446,773	2,022,158	975,441
Compania Nationala Administratia Canalelor Navigabile S.A.	5,938,002	1,416,620	1,034,812	512,887
Raja S.A.	3,229,063	3,332,766	578,783	563,274
Autonomous Administration of Technologies for Nuclear Energy - CITON	957,802	2,065,469	821,141	734,774
Utilitati Publice S.A. Cernavoda	468,646	435,423	83,771	100,139
Societatea de distributie a energiei electrice Transilvania Sud S.A.	-	-	-	5,265,958
Total	**351,193,795**	**256,910,474**	**31,378,828**	**37,864,354**

The balance of debts to affiliated parties as of December 31st, 2019 presented above included the advance payments received from customers, affiliated parties, presented in the Individual Statement of the Financial Position as of December 31st, 2019 within the group "Current Liabilities" under the position "Short-term Deferred Income" (December 31st, 2018: RON 9,511,296).

(ii) Guarantees received from the Romanian State through the Ministry of Public Finance

All loans are guaranteed by the Romanian State through the Ministry of Public Finance (refer to Note12).

(iii) Compensation to senior management of the Company

The management of the Company is made up of:

- The members of the Board of Directors who have concluded mandate contracts with the Company;
- The managers of the Company with mandate contracts within the Company;
- Other managers within the Company who have concluded individual labor agreements, under the conditions provided in the collective labor agreements, as applicable.

The members of the Board of Directors have concluded administration (mandate) contracts with the Company, their remuneration being approved by the General Meeting of Shareholders. The managers with mandate contracts are remunerated based on the contractual provisions within the general limits approved by GMS. Detailed information regarding the remuneration of directors and managers are included in the Annual Report of the Nomination and Remuneration Committee, established at the level of the Board of Directors of the Company. The amounts presented are gross remuneration. For the year 2019, the gross remuneration reflected below includes the increases due to the transfer of wage contributions from the employer to the employee, in accordance with the provisions of GEO 79/2017.

	2019 (audited)	2018 (audited)
Remuneration of the management of the Company (gross amounts)	9,800,079	9,189,001
	9,800,079	**9,189,001**

25. MANAGEMENT OF SIGNIFICANT RISKS

The main risks that the Company is exposed to are:

- market risk (price risk, interest rate risk and currency risk);
- credit risk;
- liquidity risk;
- taxation risk;
- operational risk.

The general risk management strategy aims to maximize the profit of the Company in reference to the level of risk that it is exposed to and to minimize the potential adverse variations on the financial performance of the Company.

The Company does not have formal arrangements to mitigate financial risks. Despite the fact that no formal arrangements are in place, the financial risks are strictly monitored by the senior management given the financial needs of the Company in order to manage efficiently the risks and opportunities. The financial department prepares on a regular basis forecasts of cash flows, which help the management in making decisions.

a) Market risk

Market risk is defined as the risk of recording a loss or not getting the expected profit, as a result of price fluctuations, interest rates and foreign exchange rates.

The company is exposed to the following categories of market risk:

(i) Price risk

The company is exposed to the risk associated with the variation of the electricity price traded on the competitive markets, spot (PZU + PI), as well as on the balancing market. In order to mitigate this risk, the Company transacts most of the electricity produced through the competitive market, by the conclusion of long-term bilateral agreements, with fixed prices and well-defined price formulas.

In 2019, the quantity of electricity sold on the competitive market represented 76.9% of the total volume of electricity sold, and, on the spot market (PZU + PI), an amount of electricity representing 9.9% was sold. The average sale price on bilateral contracts in 2019 was RON 228.01/MWh, with Tg included (December 31st, 2018: RON 200.67/MWh, with Tg included), and, on the spot market (PZU + PI), the average price was RON 225.23/MWh, with Tg included (December 31st, 2018: RON 189.46 /MWh with Tg included).

A positive 10% variation of the price of the sold electricity would lead to an increase in profit after taxation on December 31st, 2019 by RON 237,133,981 (December 31st, 2018: RON 212,364,330), a negative 10% variation having a net impact equal and of opposite sign.

(ii) Interest rate risk

The company faces the interest rate risk due to the exposure to unfavorable interest rate fluctuations. The change of the interest rates on the market directly influences the revenues and expenditure related to the financial assets and liabilities bearing variable interest rates and the market value of those bearing fixed interests. As of December 31st, 2019 and December 31st, 2018, most assets and liabilities of the Company are interest bearing. As a result, the Company is directly affected by the risk of interest rate fluctuations. Cash and cash equivalents are generally invested at interest rates for up to one year. Nevertheless, the decrease in market returns may affect the valuation value of the assets held by the Company.

Out of the total financial liabilities of the Company, the only liabilities bearing variable interest are long-term bank loans. For more information on the contractual maturity of the interest-bearing financial assets and liabilities of the Company, see Note 25 (c) Liquidity risk. The company does not use derivative financial instruments to protect itself against interest rate fluctuations. The impact on the net profit of the Company of a ± 1.00% change of the interest rate related to the interest-bearing assets and liabilities is of ± RON 7,288,606 (December 31st, 2018: ± RON 9,098,610).

25 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(ii). Interest rate risk (continued)

	Carrying amount (*)	
	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Fixed rate instruments		
Financial assets	1,701,437,794	1,565,104,490
	1,701,437,794	**1,565,104,490**
Variable rate instruments		
Financial liabilities	(728,860,615)	(909,860,972)
	(728,860,615)	**(909,860,972)**

(*) Gross carrying amount, before deduction of transaction costs.

Sensitivity analysis of cash flows for variable interest rate instruments

A ± 1.00% change in interest rates on the reporting date would have increased (decrease) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss	
	+ 1.00% Increase	**- 1.00% Decrease**
December 31st, 2019		
Variable rate instruments	(7,288,606)	7,288,606
Cash flow sensitivity (net)	**(7,288,606)**	**7,288,606**
December 31st, 2018		
Variable rate instruments	(9,098,610)	9,098,610
Cash flow sensitivity (net)	**(9,098,610)**	**9,098,610**

(iii) Currency risk

Currency risk is the risk of recording some loss or not realizing the estimated profit as a result of the unfavorable fluctuations of the exchange rate. The company is exposed to the currency exchange rate fluctuations, but it does not have a formalized hedging policy for the currency risk. Most financial assets and liabilities of the Company are expressed in the national currency, the other currencies in which operations are performed being EUR, CAD, USD and GBP.

The Company is exposed to foreign currency risk on cash, cash equivalents, purchases and long-term loans denominated in a currency other than the functional one of the Company. Long-term loans are denominated in foreign currencies and retranslated to RON, at the exchange rate prevailing on the balance sheet date, as communicated by the National Bank of Romania. The resulting differences are included in the profit and loss account and do not affect cash flows until the settlement of the amount.

25 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(iii). Currency risk (continued)

The financial assets and liabilities expressed in RON and other currencies on December 31st, 2019 and December 31st, 2018 are presented in the following tables.

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
December 31st, 2019							
Financial assets							
Cash and cash equivalents	1,793,145,389	1,767,208,377	24,804,479	686,083	417,286	28,206	958
Prepayments	23,925,205	23,925,205	-	-	-	-	-
Tangible assets (prepayments)	27,363,148	20,337,435	297,390	1,743,608	4,984,714	-	-
Gross exposure	**1,844,433,743**	**1,811,471,017**	**25,101,869**	**2,429,691**	**5,402,000**	**28,206**	**958**
Financial liabilities							
Trade payables and suppliers of non-current assets	(99,058,052)	(81,915,639)	(3,271,323)	(2,439,833)	(11,429,069)	(2,187)	(99,058,052)
Loans	(728,860,615)	-	(550,200,572)	-	(178,660,043)	-	(728,860,615)
Gross exposure	**(827,918,667)**	**(81,915,639)**	**(553,471,895)**	**(2,439,833)**	**(190,089,112)**	**(2,187)**	**-**
Net exposure in the statement of financial position (audited)	**1,016,515,076**	**1,729,555,379**	**(528,370,026)**	**(10,142)**	**(184,687,112)**	**26,019**	**958**

(*) Gross carrying amount, before deduction of transaction costs.

	Value amount (*)	RON	EUR	USD	CAD	GBP
December 31st, 2018						
Financial assets						
Cash and cash equivalents	1,611,175,766	1,606,937,105	438,949	177,140	3,575,765	46,808
Prepayments	2,716,723	183,069	-	591,405	1,942,249	-
Tangible assets (prepayments)	5,498,136	4,348,026	-	-	1,150,111	-
Gross exposure	**1,619,390,626**	**1,611,468,199**	**438,949**	**768,545**	**6,668,125**	**46,808**
Financial liabilities						
Trade payables and suppliers of non-current assets	(75,184,535)	(61,911,505)	(2,209,980)	(7,318,282)	(3,701,055)	(43,714)
Loans	(910,372,567)	-	(681,131,100)	-	(229,241,467)	-
Gross exposure	**(985,557,102)**	**(61,911,505)**	**(683,341,080)**	**(7,318,282)**	**(232,942,522)**	**(43,714)**
Net exposure in the statement of financial position (audited)	**633,833,524**	**1,549,556,695**	**(682,902,131)**	**(6,549,737)**	**(226,274,397)**	**3,094**

(*) Gross carrying amount, before deduction of transaction costs.

The following exchange rates have been used:

	Average rate		Reporting date spot rate	
	2019	2018	December 31st, 2019	December 31st, 2018
RON/EUR	4.7452	4.6535	4.7793	4.6639
RON/USD	4.2379	3.9433	4.2608	4.0736
RON / CAD	3.1948	3.0429	3.2702	2.9925
RON/GBP	5.4113	5.2597	5.6088	5.1931

25 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(iii). Currency risk (continued)

Sensitivity analysis

A 10% strengthening of the national currency against these foreign currencies on December 31st, 2019 and December 31st, 2018 would have increased the gross profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit 2019 (audited)	Profit 2018 (audited)
EUR	52,837,003	68,290,213
USD	1,014	654,974
CAD	18,468,711	22,627,440
GBP	(2,602)	(309)
Total	**71,304,030**	**91,572,317**

A 10% depreciation of the national currency against the following foreign currencies on December 31st, 2019 and December 31st, 2018 would have had the equal but opposite effect on the amounts shown above, assuming that all other variables remained constant.

	Loss 2019 (audited)	Loss 2018 (audited)
EUR	(52,837,003)	(68,290,213)
USD	(1,014)	(654,974)
CAD	(18,468,711)	(22,627,440)
GBP	2,602	309
Total	**(71,304,030)**	**(91,572,317)**

b) Credit risk

Credit risk is the risk of recording loss or failing to realize the estimated profits, as a result of the non-fulfillment of the financial obligations by the counterparty. The company is exposed to the credit risk as a result of the investments made in other companies, current accounts and bank deposits and receivables.

Sale of electricity to customers is done both on the competitive market, based on the framework established by ANRE and in compliance with the OPCOM market rules. The carrying amount of accounts receivables, net of impairment adjustment represents the maximum amount exposed to credit risk.

On December 31st, 2019, the Company is exposed to a concentrated credit risk, considering the fact that approximately 28% of the trade receivables are towards Electrica Furnizare S.A. and towards E.ON Energie Romania S.A. (Refer to Note 10). The counterparty risk is limited considering the guarantees obtained from clients as bank guarantee letters.

Cash and deposits are placed in different financial institutions (banks), in order to reduce the counterparty risk by limiting the exposure (which would be higher if cash and deposits were placed in a single financial institution). The main financial institutions where the financial assets are placed are shown below:

25 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

b) Credit risk (continued)

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Alpha Bank S.A.	282,014,514	281,760,118
Unicredit Bank S.A.	273,235,001	217,095,215
Garanti Bank S.A.	256,013,619	247,868,716
EximBank S.A.	240,781,847	100,628,726
Banca Transilvania S.A.	70,796,406	305,472,272
Credit Agricole Bank S.A.	206,516,355	134,390,000
OTP Bank S.A.	175,926,809	65,128,619
Banca Comerciala Romana S.A.	146,303,362	221,100,290
Libra Internet Bank S.A.	90,382,575	45,156,274
BRD Societe Generale S.A.	77,796,807	91,237,523
CEC Bank S.A.	68,000,000	-
Treasury of Bucharest Municipality	1,436,571	1,564,388
Citi Bank Romania	80,008	25,095,889
Patria Bank S.A.	-	168
Other	521,009	1,051,075
Total cash, bank deposits and financial assets	**1,889,804,883**	**1,737,549,273**

The maximum exposure to the credit risk on the reporting date was:

	Net value	
	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Financial assets		
Trade receivables	220,284,169	157,665,341
Bank deposits	58,879,494	20,954,979
Cash and cash equivalents	1,793,145,389	1,611,175,766
Other receivables	31,416,822	19,839,951
	2,103,725,874	**1,809,636,037**

The ageing of **trade receivables** on the reporting date was:

	Gross value December 31st, 2019 (audited)	Value adjustments as of December 31st, 2019 (audited)	Gross value December 31st, 2018 (audited)	Value adjustments as of December 31st, 2018 (audited)
Not past due	169,522,876		157,227,064	-
Past due 1-30 days	445,870		417,512	-
Past due 31-90 days	24,792		10,270	-
Past due 91-180 days	-		10,494	-
Past due 181-270 days	-		-	-
Past due 271-365 days	698		27,007	(27,007)
Past due more than one year	10,496,161	(10,496,161)	10,831,927	(10,831,927)
Total	**180,490,397**	**(10,496,161)**	**168,524,274**	**(10,858,933)**

25 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

b) Credit risk (continued)

The ageing of **other receivables**, including recoverable VAT on the reporting date was:

	Gross value December 31st, 2019 (audited)	Value adjustments as of December 31st, 2019 (audited)	Gross value December 31st, 2018 (audited)	Value adjustments as of December 31st, 2018 (audited)
Not past due	50,286,478		24,554,140	-
Past due 1-30 days	400		1,467,610	-
Past due 31-90 days	1,193		3,592	-
Past due 91-180 days	1,861		1,946	-
Past due 181-270 days	-		1,961	-
Past due 271-365 days	-		-	-
Past due more than one year	3,074,604	(3,074,604)	3,190,028	(3,190,028)
Total	**53,364,536**	**(3,074,604)**	**29,219,277**	**(3,190,028)**

The evolution of **adjustments for trade receivables impairment** is as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Balance on the beginning of the year	**(10,858,933)**	**(13,427,586)**
Recognized impairment adjustments, net of resumptions	362,772	2,568,653
Balance on the end of the year	**(10,496,161)**	**(10,858,933)**

c) Liquidity risk

The liquidity risk represents the risk of recording loss or of not realizing the estimated profits, which results from the impossibility to fulfill at any time the short-term payment liabilities, without this entailing excessive costs or loss that cannot be borne by the Company.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Company aims to maintain flexibility in funding by obtaining financing from various financing sources.

25 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

c) Liquidity risk (continued)

The structure of assets and liabilities was analyzed based on the period remaining from the date of the financial status statement to the contractual date of maturity, both for the period ended on December 31st, 2019, and for the financial year ended on December 31st, 2018, thus:

	Carrying amount December 31st, 2019 (*)	Contractual amount	<12 months	> 1 year	Carrying amount December 31st, 2018
December 31st, 2018					
Financial assets					
Cash and current accounts	1,793,145,389	1,793,145,389	1,793,145,389	-	1,611,175,766
Deposits in banks	96,659,494	96,659,494	-	96,659,494	126,373,507
Trade receivables	220,284,169	220,284,169	220,284,169	-	183,694,590
Other assets	31,416,822	31,416,822	31,416,822	-	10,201,321
Total financial assets	**2,141,505,874**	**2,141,505,874**	**2,044,846,380**	**96,659,494**	**1,931,445,184**
Financial liabilities					
Loans	712,799,889	712,799,889	212,891,292	499,908,597	887,361,329
Commercial debts	220,236,112	220,236,112	220,236,112		197,107,880
Provisions for risks and expenses	278,913,646	278,913,646	65,442,649	213,470,997	216,714,335
Other payables	128,276,231	128,276,231	27,863,600	100,412,631	145,670,526
Total financial liabilities	**1,340,225,878**	**1,340,225,878**	**526,433,653**	**813,792,225**	**1,446,854,070**
Liquidity surplus	**801,279,996**	**801,279,996**	**1,518,412,727**	**(717,132,731)*)**	**484,591,114**

*) The liquidity of the Company is not affected on the long run either, due to the fact that it has significantly higher liquidity than the long-term registered liabilities, classified according to the liquidity terms in the short term category (cash and current accounts).

d) Taxation Risk

The Romanian tax law provides for detailed and complex rules undergoing several changes over the recent years. The interpretation of the text and the practical procedures for the implementation of the tax law may vary, with the risk that certain transactions will be interpreted differently by the tax authorities, as compared to the treatment of the Company.

From the perspective of the corporate tax, there is the risk of different interpretations by the tax authorities of the applied tax rules, determined by the Accounting Regulations compliant with IFRS.

The Romanian Government has a number of agencies authorized to conduct the audit (control) of the companies operating on the Romanian territory. These controls are similar to tax audits in other countries, and can cover not only tax issues, but also other legal and regulatory issues that are of interest to these agencies. It is possible that the Company will be subject to tax controls, as new tax regulations are issued.

25 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

e) Operational risk

Operational risk is defined as the risk of recording loss or failing to realize the estimated profits due to internal factors such as the inadequate performance of internal activities, the existence of inadequate personnel or systems or due to external factors such as economic conditions, changes on the capital market, technological advances. The operational risk is inherent to all the activities of the Company.

The operational risk is associated with the Company's ability to provide the electricity quantities undertaken through contracts on the regulated and competitive market, considering both planned and unplanned outages for Units 1 and 2. The management of these risks relates to assessment, maintenance and continuous modernization of the Company's systems as well as to the proper planning and conducting of preventive and corrective maintenance activities for controlling nuclear risks and for reducing the number of hours of downtime.

The policies defined for the management of the operational risk have taken into account each type of events that can generate significant risks and the manners of manifestation thereof, in order to remove or reduce the loss of a financial or reputational nature.

f) Compliance risk

Compliance risk is the risk of financial loss, including fines and penalties, which arise from non-compliance with laws and regulations as result of possible changes in the legislative framework. These changes may relate to the imposition by local and central authorities or by the regulatory authority for energy (ANRE) of new contractual provisions or tax changes. This risk is limited by continuously monitoring and assessing the impact on the Company by legislative changes.

g) Capital adequacy

The policy of the management on capital adequacy is focused on maintaining a solid capital base, in order to support the continuous development of the Company and to achieve the investment objectives.

26. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

(i) Taxation

The Romanian taxation system is in a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of tax legislation. In some cases, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities together with late payment interest and penalties. In Romania tax periods remain open for tax for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated, and they are not aware of any circumstances which may give rise to a potential material liability in this respect.

On February 29, 2016, the National Agency for Fiscal Administration - the General Directorate against Fiscal Fraud completed the control initiated on September 9, 2015, which had the purpose of checking the commercial transactions carried out by the Company in the period 2011 - 2015 with companies Eco Petroleum S.A. and Oil Prod S.R.L. The control authority proceeded to calculate the Company's tax liabilities jointly due to the state budget in relation to the payment of the excise duties on diesel (by attracting the joint liability) and ruled the imposition of precautionary measures for the amount of RON 1,436,176, representing a percentage of 100% of the equivalent amount of the calculated tax liabilities, amount that is seized at the Treasury.

Upon the request of the General Directorate against fiscal fraud the Company was subjected to a partial tax audit by the National Agency for Fiscal Administration (ANAF) aiming the VAT and excises (diesel, biodiesel and electricity) for the period 2011 - 2012; the tax audit was initiated on March 17th, 2016 and completed on March 16th, 2017. According to the preliminary tax audit report no. 292/March 15th, 2017 ANAF established additional payment obligations representing the VAT in amount of RON 273,425, to which accessories are added. The company lodged partial objections to the preliminary inspection report,

On November 17th, 2017, the Company received from ANAF - DGAMC Decision no. 112/November 15th,2017 in response to the appeal filed by the Company, whereby the former ruled the annulment, in part, of the Taxation Decision regarding the main tax liabilities related to the differences of the bases of taxation established during the tax inspection for the amount of RON 194,051, representing additional VAT, with the competent tax inspection authorities subsequently proceeding to a new check of the same period and the same type of tax taking into account the legal provisions applicable in the case in question.

Based on the Tax Audit Notice No. F-MC 16/January 11th, 2018 a control team visited the Company's registered office in order to re-check the VAT for the period January 1st, 2011- December 31st, 2012. The re-verification action ended with the fiscal inspection process F-MC 60/April 4th, 2018 and the decision regarding the modification of the tax base no. F-MC 117/April 4th, 2018, through which no value added tax obligations have been established.

On June 18th, 2019, the Romanian Court of Accounts, based on Delegation no. IV/40.420/June 18th,2016, initiated the “verification of the implementation of the measures ordered by Resolutions no. 14/June 15th,2012 and no. 16/May 11th, 2015".

This action was completed by the «Follow-up report on the implementation of the measures ordered by Resolution no. 14/June 15th,2012 (taken over by Resolution no. 14/April 15th, 2013)», registered with SNN under no. 7506/June 24th,2019. The summary of this Report states that out of the 10 measures ordered by the aforementioned Resolution, 8 measures were implemented, and the 2 remaining ones, which were partially performed, are pending resolution in various courts.

Regarding Resolution no. 16/May 11th, 2015, the "Follow-up report on the implementation of the measures ordered by Resolution no. 16/May 11th, 2015", was drafted, registered with SNN under no. 7787/July 1st, 2019. The summary of the Report shows that SNN implemented 11 measures out of the 13 ordered by the aforementioned Resolution. For the two measures that were partially ordered, SNN submitted objections with CCR under no. SNN 8302/July 12th, 2019. This endeavor is ongoing.

26. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(i) Taxation (continued)

Over the period September 4th - 13th, 2019, the Romanian Court of Accounts proceeded with the "Verification of the implementation of the measures ordered by Decision no. 5/ June 8th, 2018". The verification action was concluded with "Follow-up Report" no. 10697/September 13th, 2019. From the summary of the aspects resulting following the action of verification of the implementation of the measures ordered by Decision no. 5/June 8th, 2019, a total number of 14 measures resulted: 3 measures were canceled, 2 measures were fulfilled and a number of 9 measures were implemented in part, of which 5 measures were granted an extension of the implementation term, by Decision no. 5/2/ October 14th, 2019. Against the Follow-up Report, SNN filed objections registered with SNN under no. 11266 /September 26th, 2019.

(ii) Other check-ups

Over the period January 10th, 2018 - May 4th, 2018, the Romanian Court of Accounts carried out a control on the topic "Control regarding the situation, evolution and manner of administration of the public and private patrimony of the state, as well as the legality of the income earned and the expenses incurred", finalized by the Control Report no. 5.445/May 4th,2018 and issued the Decision no. 5/ June 8th, 2018. The Company filed a complaint against this decision as a result of which the Commission for the settlement of the appeals issued the Decision no. 29 /July 31st, 2018. Currently, the Company is in litigation with the Court of Accounts on the measures ordered by the aforementioned decision.

Over the period March 27th, 2018 - August 24th, 2018 the Prime Minister's Control Body carried out a control with the following objectives: verification of compliance with the legal provisions regarding the organization and functioning of the entity, of the managerial activity regarding the operation of Cernavoda Nuclear Power Plant units 1 and 2, verification of compliance with corporate governance rules, verification of compliance with legal provisions regarding the award, execution and performance of contracts, verification of compliance with legal provisions regarding the income set and earned, and regarding the engagement and incurring of expenses, the status of the litigations pending before the courts of law. This control was finalized with the Inspection report no.127 / January 4th, 2019 to which the Company formulated a point of view by Letter no. 1465/May 2nd, 2019.

On the basis of the FMC Tax Inspection Notice 163 / July 23rd, 2018, on August 23rd, 8.2018, a control team came to the Company's headquarters to audit the corporate tax for the period 2012-2017, the tax on the income earned by non-resident persons in Romania, the income from dividends received in Romania by non-residents and the income from royalties obtained in Romania by non-residents for the period 2015-2017, VAT for the period 2013-2017, tax on interest income obtained in Romania by non-resident persons for the period 2015-2017. The tax inspection ended by RIF no. F-MC_27 /February 18th, 2020, registered with SNN under no. 2621 /February 21st, 2020, and by the TAX DECISION on the main tax liabilities related to the different taxation bases established within the tax inspection no. F-MC_111 /February 18th, debts were established in the amount of RON 2,453,799. For the accessories related to these debts, SNN submitted a Request for cancellation of the accessories to the National Agency for Fiscal Administration, registered with SNN under no. 3164/March 3rd, 2020 and with the National Agency for Fiscal Administration under no. 11264/March 3rd, 2020, by which it requested the cancellation thereof according to art. 27 of the GO no. 6/2019 on the establishment of tax facilities.

On October 14th, 2019, based on address no. 12039/October 14th, 2019, at the headquarters of the SNN, an economic-financial inspection team was present, with the following objective: “Verification of the compliance with the provisions of art. 43 of the Government Emergency Ordinance no. 114/2018 on the establishment of measures in the field of public investments and of fiscal-budgetary measures, the amendment and supplementing of some legislative acts and the extension of some deadlines”. On October 31st, 2019, the inspection team presented the Draft of the Economic-Financial Inspection Report (RIEF), on which SNN formulated a point of view (registered with SNN under no. 13135/November 6th, 2019 and with ANAF-DGAMC under no. 63417/November 6th, 2019) in the sense of the challenge thereof. On the date hereof, SNN awaits the final RIEF.

26. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(ii) Other check-ups (continued)

Based on the letter of the Romanian Court of Audit no. IV.40850/November 4th, 2019, registered with SNN under no. 13076 /November 5th,2019, over the period November 20th, 2019 - December 17th, 2019, a team of external public auditors performed the verification action with the «Verification of aspects registered in the notifications / petitions received by the Court of Audit, on the breach of the legal provisions in the field of public procurements» theme, over the period 2012-2019. The action ended by the elaboration of the Control Report registered with SNN under no. 15112/December 17th, 2019 and with CCR under no.147229 /December 20th, 2019, whereby it was established that both the award of the contracts and the performance thereof were carried out in compliance with the applicable legal provisions.

(i) Insurance policies

As of December 31st, 2019, the following operational insurance policies are in force:

- Property insurance policy for material damages, all risks, including mechanical and electrical destruction (for CNE Cernavoda Units 1 and 2 and FCN Pitesti). The compensation limit is subject to a maximum of USD 1.560 million per year for all losses.
- Third party liability insurance for nuclear damages. The compensation limit is DST 300 million (for CNE Cernavoda Units 1 and 2)
- Civil / professional liability insurance policy for SNN directors and officers ("D&O") for a liability limit (insured amount of 33 million EUR).

(ii) Environmental issues

The Company recorded no liability as of December 31st, 2019 and December 31st, 2018 for any anticipated costs relating to environmental issues, including legal and consulting fees, site studies, the design and implementation of remediation plans. The responsibility for decommissioning of nuclear installations was taken over by ANDR (see Notes 4 and 15). The management considers that the nuclear plant fully complies with the Romanian and international environmental standards and estimates that additional costs associated with environmental compliance on December 31st, 2019 are not significant.

However, enforcement of environmental regulations in Romania is evolving and their application by the government authorities is continuously being reconsidered. The Group periodically assesses its obligations under environmental regulations. The established obligations are acknowledged immediately. Potential liabilities, which might arise because of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be significant. In the current enforcement climate under existing legislation, the Group's management believes that there are no significant liabilities for environmental damage.

(iii) Ongoing litigations

During 2019, the Company was involved in a number of legal proceedings arising during its normal course of business. The management of the Group regularly analyses the ongoing litigation sand, after consulting with its legal advisers and lawyers, decides whether to create a provision for the amounts involved or to present them in the financial statements.

In the opinion of the Company's management, there are no current legal actions or claims, which might have significant effects on the financial earnings and the financial position of the Company that has not been presented in these individual financial statements.

(iv) Commitments

On December 31st, 2019, the total amount of commitments is fully reflected under the position *"Trading and other liabilities"*, representing capital and operating expenses.

26. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(v) Guarantees

Trading of electricity produced on platforms operated by OPCOM, assume that for some transactions the Company must provide letters of guarantee for participation in certain markets such as DAM (Day After Market) and IM (Intra-day Market), auctions (PCSU–Centralized Market for Universal Service) or in favor of clients (PCCB-NC - Centralized Market for Bilateral Contracts with Continuous Negotiation, PCCB-LE - Centralized Market for Bilateral Contracts through Extended Auctions and PCSU - Centralized Market for Universal Service).

As of December 31st, 2019, the total value of letters of bank guarantee issued in favor of customers for contracts concluded on PCCB-NC, PCCB-LE and PCSU amounts to RON 96.66 million, and in favor of OPCOM for the participation to DAM and IM amounted to RON 36.28 million.

Moreover, on December 31st, 2019, the Company has established letters of guarantee issued in favor of Transelectrica S.A. and Ciga Energy S.A. amounting to RON 1.5 million, with the role of ensuring the liquidity on the Balancing Market, through the establishment by each of Party Responsible for Balancing of a financial guarantee in favor of Transelectrica S.A. and Ciga Energy S.A., respectively, on the account of the Convention of the Party Responsible for the Balancing concluded between the Company as license holder and Transelectrica S.A. and Ciga Energy S.A., respectively.

For all these letters of guarantee, the Company established collateral deposits at banks issuing the letters of guarantee.

On December 31st, 2019 the Company has established a Treasury deposit in the amount of RON 1,436,176, standing for the liens according to the decision made by ANAF - General Directorate against tax fraud.

As of December 31st, 2019, the value of the bank guarantee letters issued by clients in favor of the Company for the contracts concluded on PCCB-NC, PCCB-LE and PCSU is in amount of RON 358,4 million. These guarantees cover the risk of unfulfilling the contractual obligations assumed by the clients through the energy sale contracts.

27. FEES

The Company concluded on July 12st, 2017, a contract for financial auditing services and auditing services with Mazars Romania S.R.L. with a duration of 36 months. The total fees (excluding VAT) for the year 2019 charged for all the services of limited review of the financial statements as of June 30th, 2019, auditing of the financial statements as of December 31st, 2018 and other audit services (analysis, verification and agreed procedures) in 2019 amount to RON 147,844.

The Company also benefited from tax consultancy services under the monthly subscription and transfer pricing services. The services were provided by BDO Tax S.R.L, and the total value of the fees (VAT exclusive) charged during the financial year ended December 31st, 2019 is in the amount of RON 215,439.

28. FURTHER INFORMATION

(i) Details of the group of companies

The Company is part of a group of companies controlled by the Romanian State represented by the Ministry of Energy. The Company does not belong as a subsidiary of another group of companies for which consolidated annual financial statements are prepared.

(ii) Employees of the Company

The average number of employees of the Company during 2019 was of 2,038 (2018: 2,002 employees). As of December 31st, 2019 the actual number of employees is 2,058 (2018: 2,058 employees).

As of December 31st, 2019, the company has 158 employees in leadership positions (2018: 177 employees) and 1,995 employees in executive positions (2018: 1,881 employees).

29. EVENTS SUBSEQUENT TO THE REPORTING DATE

Share Capital Increase

By the Current Report published on February 24th, 2020, S.N. Nuclearelectrica S.A. informed its shareholders and investors on the approval of the increase of the share capital of SNN by the Board of Directors, with an in-kind and cash contribution in total maximum amount of RON 1,380,150, from the current value of RON 3,015,138,510 to the value of RON 3,016,518,660, by the issue of a maximum number of 138,015 new dematerialized registered shares, at a price of RON 10/share, equal to the nominal value (without the premium share).

COVID – 19 impact

On March 11, 2020, the World Health Organization decreed that the situation generated by the coronavirus is classified as a pandemic. Several countries in the European Union have taken more measures to spread it.

S.N. Nuclearelectrica S.A. („SNN") initiated the measurement of isolation for the essential operating and production staff from Cernavoda NPP. This measurement will be in place as long as necessary.

The initiation of this additional protection measure is based on the resolution of the National Special Committee for Emergency Situations ("CNSS") no. 9/14.03.2020, which approves the isolation measurement for the essential staff of Cernavoda NPP involved in ensuring the operation of the power plant, as per the measures of the Plan for the continuation of basic activities in case of an epidemic/pandemic. At the level of S.N. Nuclearelectrica S.A. ("SNN") there is an internal plan to ensure the protection of the personnel and the continuity of the operation, which includes the measures established by the Romanian state authorities for all categories of personnel.

The internal plan for the protection of the staff and the assurance of operational activities continuity under safety and normal production conditions was adopted by the management of SNN as an additional measure during the COVID-19 epidemic, in compliance with international standards in the nuclear industry and national provisions on the subject.

SNN informs that all the basic process of the company as carried out within normal parameters, the additional actions and measures being prepared and implemented in cooperation with all the competent state authorities on the matter.

The company currently has and continues to take the necessary measures to ensure a sufficient cash flow to pay its due obligations, both under normal conditions and under stress conditions, without incurring unacceptable losses or endangering the company's reputation.

The company evaluates the events and factors of uncertainty and the potential financial impact of the COVID-19 pandemic, in order to identify the necessary measures to be implemented, following which the investors will be informed accordingly.

Date: March 24th, 2020

Cosmin Ghita	**Adrian Gabriel Dumitriu**
Chief Executive Officer	**Chief Financial Officer**

MAZARS

Independent Auditor's Report*

To the shareholders of S.N. NUCLEARELECTRICA S.A.

Report on the Audit of the Separate Financial Statements

Qualified Opinion

1. We have audited the accompanying separate financial statements of **S.N. NUCLEARELECTRICA S.A.** ("the Company"), with registered office in 65 Polona Street, 1st district, Bucharest, Romania, registered with the Bucharest Trade Registry under no. J40/7403/1998 and having fiscal identification code RO10874881, which comprise the separate statement of financial position as at 31 December 2019, the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the financial year then ended, and explanatory notes to the separate financial statements, including a summary of significant accounting policies, presenting the following:

   - Net Assets / Total equity and reserves: RON 7,334,934,061
   - Net result of the year: RON 535,667,264 (profit)

2. In our opinion, except for the possible effect of the matter described in the below paragraph 3, the accompanying separate financial statements of the Company present fairly, in all material respects, the separate financial position of the Company as at 31 December 2019, and its separate financial performance and its separate cash flows for the year then ended, in accordance with the provisions of the Order of the Ministry of Public Finance 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, as subsequently amended ("OMFP 2844/2016") and as described in the accounting policies presented in the notes to the separate financial statements.

Basis for Qualified Opinion

3. As stated in the Note 5 to the accompanying separate financial statements, as at 31 December 2019, the Company has recorded tangible assets in progress with a book value of RON 273,960,000 (RON 273,960,000 as at 31 December 2018), comprising capitalized items for Units 3 and 4 of Cernavoda nuclear power plant. Before 1991, nuclear units 1, 2, 3, 4 and 5 were considered a single project and therefore, the realized constructions costs were not allocated at the level of each unit. Subsequently, the Company has done the allocation of the construction costs for the Units 3 and 4 of the nuclear power plant. We could not obtain sufficient and appropriate audit evidence in relation with the accuracy of this split, which has effect on the valuation of these assets. These limitations have impact as well on the deferred tax liability allocated for the Units 3 and 4 as at 31 December 2019 in amount of RON 43,524,186 (RON 43,524,186 as at 31 December 2018). Consequently, we were not able to determine if adjustments are needed on the fixed assets, deferred tax liability and retained earnings as at 31 December 2019 and therefore on the depreciation and amortization, profit tax and net profit for the year then ended.

4. We conducted our audit in accordance with the International Standards on Auditing ("ISA"), the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 537/2014") and with the Law 162/2017 ("Law"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and in accordance with all other ethical requirements relevant for the audit of separate financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of matter

5. Without further qualifying our opinion in this respect, we draw attention to the Note 8 of the separate financial statements, which describe aspects with regard to the going concern of the subsidiary Energonuclear S.A and Units 3 and 4 Project. The total estimated recoverable amount of the investment in Units 3 and 4 of Cernavoda, including also all capitalized individual elements of the Company, was determined by the management based on certain assumptions, professional judgments, expectations regarding future events, which are believed to be reasonable under the circumstances, and other factors under the assumption that the current negotiations between the management of the Company and the selected investor will be successfully concluded. In the event that any of the assumptions, professional judgments, expectations of future events and other factors do not materialize, this may cause a material adjustment to the carrying amounts of the individual Company's assets, liabilities and results within the current or the following financial year, the impact of which cannot be reasonably estimated as of the date of the issue of these separate financial statements.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	**Audit procedures performed to address the key audit matter**
Provisions for risk and charges	
As disclosed in Note 16 to the individual financial statements, the Company has in balance at 31 December 2019 total Provisions for risk and charges in amount of RON 278,913,646, out of which long-term provisions in amount of RON 213,470,997. Estimating a provision involves significant professional judgment from the Company's management with regard to the probable outcome of the relevant events and the quantification of the related probable liability. Due to the importance of the amounts reported	In order to obtain reasonable assurance regarding Provisions for risk and charges we have performed the following procedures: • We have reviewed the Company's current obligations under which provisions were recognized; • We have reviewed the professional judgment used by the management of the Company in order to determine the probable outcome of the relevant events and the quantification of the related probable liability; • We have obtained and analysed the answers received from the internal and external legal

Key audit matter	Audit procedures performed to address the key audit matter
in the Provisions and the fact that, by their nature, the provisions imply a significant degree of professional judgment, we consider that Provisions for risk and charges represent a key audit matter for the 2019 audit.	advisors of the Company, regarding the probability of settling disputes in progress, as well as the best estimate of the consideration necessary to settle the probable liability arising from these disputes; • We have analysed the maturity of the obligations that have generated the provisions and their classification in the short and long term; • We have evaluated if the information disclosed in the notes to the separate financial statements regarding Provisions for risk and charges are in compliance with the applicable financial reporting standards.

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

7. The Management of the Company is responsible for the preparation and fair presentation of these separate financial statements in accordance with OMFP 2844/2016 and with the accounting policies presented in the notes to the separate financial statements, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

10. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our

opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Conformity of the Administrators' Report with the Separate Financial Statements

The Company's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is presented as an Annual Report, and is not part of the Company's separate financial statements.

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

In connection with our audit of the separate financial statements of the Company as at 31 December 2019, we have read the Administrators' Report attached to the separate financial statements and we report the following:

a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements;

b) the Administrators' Report identified above includes, in all material respects, the information required by articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016;

c) the Administrators' Report identified above includes the non-financial declaration requested in art. 39 of the Accounting Regulations approved by OMFP 2844/2016;

d) based on our knowledge and understanding acquired during the audit of the separate financial statements for the year ended 31 December 2019 regarding the Company and its environment, except for the possible effect of the matter described in paragraph 3 above, we have not identified in the Administrators' Report any information that would be significantly misstated.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Company through the Decision no. 3/11 July 2017 of the General Meeting of Shareholders ("GMS") to audit the separate and consolidated financial statements of the Company for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2017 until 31 December 2019.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 23 March 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014.

Provision of Non-audit Services

We hereby confirm that no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No. 537/2014, were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate financial statements.

Bucharest, 24 March 2020

Ella Chilea

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

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

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

S.N. Nuclearelectrica S.A.

Consolidated Financial Statements as of and for the year ended on December 31st, 2019

Prepared in accordance with
the Public Finances Minister's Order no. 2.844/2016 on the approval
of the accounting regulations compliant with the
International Financial Reporting Standards adopted by the
European Union (IFRS-EU)

This is a free translation from the Romanian version.
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	Note		December 31st, 2018 (audited)
Assets			
Non-current assets			
Tangible assets	**5**	6,201,492,171	6,507,789,378
Intangible assets	**6**	60,761,185	54,834,581
Financial assets	**7**	42,836,031	110,474,559
Total non-current assets		**6,305,089,387**	**6,673,098,518**
Current assets			
Inventories	**8**	405,156,231	368,741,789
Trade receivables and other receivables	**9**	216,728,004	181,308,809
Prepayments		31,416,822	10,201,321
Bank deposits	**10**	58,879,494	20,954,979
Cash and cash equivalents	**10**	1,793,501,617	1,611,958,742
Total current assets		**2,505,682,168**	**2,193,165,640**
Total assets		**8,810,771,555**	**8,866,264,158**
Equity and liabilities			
Equities			
Share capital		3,210,641,253	3,210,641,253
Share premiums		31,474,149	31,474,149
Prepaid reserve		21,553,537	21,553,537
Revaluation reserve		1,820,339,902	1,820,339,902
Retained earnings		2,250,680,741	2,094,981,448
Total equity	**11**	**7,334,689,593**	**7,178,990,289**
Liabilities			
Long-term debts			
Long term loans	**13**	499,908,597	683,967,469
Provisions for risks and expenses	**15**	213,470,997	182,883,283
Deferred revenues		100,412,631	114,757,293
Deferred tax liability		80,743,008	102,644,715
Obligations regarding employees benefits	**17**	41,621,644	38,617,348
Total long term liabilities		**936,156,877**	**1,122,870,108**
Current liabilities			
Accounts payable and other liabilities	**14**	220,398,362	197,307,458
The current share of provisions for risks and expenses	**15**	65,442,649	33,831,052
Owed corporate tax		13,329,182	98,958,158
Deferred revenues		27,863,600	30,913,233
Current portion of long-term loans	**13**	212,891,292	203,393,860
Total current liabilities		**539,925,085**	**564,403,761**
Total liabilities		**1,476,081,962**	**1,687,273,869**
Total equities and liabilities		**8,810,771,555**	**8,866,264,158**

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	Note	2019 (audited)	2018 (audited)
Incomes			
Sales of electricity	**18**	2,365,555,997	2,116,984,201
Proceeds from electric power transmission		12,208,626	11,676,332
Total revenues		**2,377,764,623**	**2,128,660,533**
Other revenues	**22**	39,658,214	50,201,968
Operational expenses			
Depreciation and amortization		(555,552,520)	(552,964,849)
Personnel expenses	**19**	(425,597,378)	(388,847,183)
Cost of traded electricity		(84,160,189)	(56,929,750)
Repairs and maintenance		(63,139,508)	(81,425,822)
Electricity transmission expenses		(12,208,626)	(11,676,332)
Cost of spare parts		(16,311,993)	(15,768,637)
Cost of nuclear fuel		(106,122,681)	(101,991,877)
Other operating expenses	**20**	(524,914,499)	(432,728,895)
Total operating expenses		**(1,788,007,394)**	**(1,642,333,345)**
Operating profit		**629,415,443**	**536,529,156**
Financial expenses		(65,487,330)	(58,856,550)
Financial revenues		67,243,861	94,905,462
Net financial result	**21**	**1,756,531**	**36,048,912**
Profit before corporate tax		**631,171,974**	**572,578,068**
Net corporate tax expense	**16**	(95,608,865)	(162,012,099)
Profit for the period		**535,563,109**	**410,565,969**

The Consolidated Financial Statements presented from page 1 to 65 have been signed on March 24th, 2020 by:

Cosmin Ghita
Chief Executive Officer

Adrian Gabriel Dumitriu
Chief Financial Officer

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	Note	2019 (audited)	2018 (audited)
Profit for the period		**535,563,109**	**410,565,969**
Other comprehensive income			
Items that will never be included in the profit and loss account			
Revenue from revaluation of buildings and land, net		35,013,650	55,471,628
Deferred tax related to the revaluation reserve		(5,602,184)	(8,875,461)
Actuarial gains (loss) on defined benefits plan		(625,400)	(5,393,764)
Other comprehensive income		**28,786,066**	**41,202,404**
Total comprehensive income for the financial year		**564,349,175**	**451,768,373**
Earnings per share			
Basic earnings per share (RON/share)	**12**	**1.78**	**1.36**
Diluted earnings per share (RON/share)	**12**	**1.78**	**1.36**

	Share capital	Share premiums	Prepaid reserve	Revaluation reserve	Retained earnings	Total equity
Balance as of January 1st, 2019 (audited)	**3,210,641,253**	**31,474,149**	**21,553,537**	**1,820,339,902**	**2,094,981,447**	**7,178,990,288**
Comprehensive income						
Profit of the financial year					***535,563,109***	***535,563,109***
Other comprehensive income						
Actuarial loss on defined benefits plan					(625,400)	**(625,400)**
Other reserves			***11***			**11**
Result carried forward from other adjustments					(324,104)	**(324,104)**
Total comprehensive income for the financial year			**11**		**534,613,505**	**534,613,616**
Transactions with the shareholders, recognized only in equity						
Distributed dividends					(378,914,311)	(378,914,311)
Transactions with the shareholders, acknowledged only in equity					**(378,914,311)**	**(378,914,311)**
Balance as of December 31st, 2019 (audited)	**3,210,641,253**	**31,474,149**	**21,553,548**	**1,820,339,902**	**2,250,680,741**	**7,334,689,593**

	Share capital	Share premiums	Prepaid reserve	Revaluation reserve	Retained earnings	Total equity
Balance as of January 1st, 2018 (audited)	**3,210,641,253**	**31,474,149**	**21,553,537**	**1,773,743,734**	**2,390,637,477**	**7,428,050,150**
Correction of accounting errors					55,971,531	**55,971,531**
Balance as of January 1st, 2018 (audited, restated)	**3,210,641,253**	**31,474,149**	**21,553,537**	**1,773,743,734**	**2,446,609,008**	**7,484,021,681**
Comprehensive income						
Profit of the financial year					***410,565,969***	***410,565,969***
Other comprehensive income						
Actuarial loss on defined benefits plan					(5,393,764)	**(5,393,764)**
Gain from the reevaluation of lands and buildings, net deferred tax				46,596,168	-	**46,596,168**
Total comprehensive income for the financial year				**46,596,168**	**405,172,205**	**451,768,373**
Transactions with the shareholders, recognized only in equity						
Distributed dividends					(756,799,766)	(756,799,766)
Transactions with the shareholders, acknowledged only in equity					**(756,799,766)**	**(756,799,766)**
Balance as of December 31st, 2018 (audited)	**3,210,641,253**	**31,474,149**	**21,553,548**	**1,820,339,902**	**2,094,981,447**	**7,178,990,288**

	2019 (audited)	2018 (audited, restated)
Cash flows from operating activities		
Profit before corporate tax	**631,171,974**	**572,578,068**
Adjustments for:		
Impairment and depreciation	555,552,520	552,964,849
Impairment on trade and other receivables	(478,197)	(2,457,228)
Impairment on inventories	(2,367,782)	(2,768,747)
Provisions corresponding to operating liabilities, risks and expenses	62,119,697	45,566,833
Earnings/(Losses) from asset assignment	404,837	877,885
Net financial income/(expenses)	(2,828,768)	(37,637,900)
Changes in:		
Decrease/(Increase) in trade receivables and other receivables	(35,743,594)	(23,063,064)
Increase in inventories	(34,046,660)	(35,425,313)
Variation of deferred income	(17,394,295)	4,237,037
Variation of deferred expense	(21,215,501)	694,216
Increase/(Decrease) of trade liabilities and other liabilities	15,098,868	24,769,071
Cash flows generated from operating activities	**1,150,273,099**	**1,100,335,707**
Corporate tax paid	(203,139,548)	(104,914,822)
Interest received	55,327,173	39,293,695
Interest paid	(9,959,106)	(10,833,434)
Net cash flow from operating activities	**992,501,618**	**1,023,858,046**
Cash flows from investing activities		
Purchase of intangible assets	(24,542,534)	(4,542,282)
Purchases of tangible assets	(227,878,800)	(136,975,697)
Proceeds from sale of tangible assets	141,615	308,150
Increase in bank deposits and financial assets	29,714,013	(22,246,230)
Net cash flow used in investing activities	**(222,565,706)**	**(163,456,059)**
Cash flow from financing activities		
Repayments of borrowings	(216,374,987)	(211,343,883)
Dividend payments	(372,018,050)	(750,956,541)
Net cash flow from financing activities	**(588,393,037)**	**(962,300,424)**
Net (reduction)/ increase in cash and cash equivalents	**181,542,875**	**(101,875,337)**
Cash and cash equivalents as of 1 January (see Note 9)	**1,611,958,742**	**1,713,834,079**
Cash and cash equivalents as of 31 December (see Note 9)	**1,793,501,617**	**1,611,958,742**

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1. REPORTING ENTITY

Societatea Nationala Nuclearelectrica S.A. (the "Company" or "SNN") is a national joint-stock company, one-tier management system, having a head office and two branches without legal personality, Cernavoda NPP (Nuclear Power Plant) – with registered office in Constanta County, Cernavoda City, 2 Medgidiei Street, registered with the Trade Register under number J13/3442/2007, and Pitesti NFF (Nuclear Fuel Factory) - with registered office in Arges County, Mioveni City, 1 Campului Street, registered with the Trade Register under number J03/457/1998, respectively. The address of the registered office is Bucharest Municipality, District 1, 65 Polona Street.

The main activity of the parent-company is "Electricity production" - NACE code 3511 and it is recorded in the Trade Register under number J40/7403/1998, fiscal code 10874881, fiscal attribute RO.

As of December 31st, 2019 and December 31st, 2018, the parent-Company holds 100% of Energonuclear S.A. ("Energonuclear"); company with headquarters in Bucharest, District 2, 5-7 Vasile Lascar Street, 3rd floor and registered with the Trade Registry under the number J40/3999/2009, having sole registration number 25344972, tax attribute RO. The main business of Energonuclear consists in "Engineering activities and technical consultancy related to it" – NACE Code 7112.

These Consolidated Financial Statements prepared on and for the year ended on December 31st, 2019 comprise the Financial Statements of the parent- Company and its subsidiary Energonuclear, collectively referred to as the "Group".

The main activity of the Group consists in electricity and thermal energy production by nuclear processes. The main place of business is within the Branch Cernavoda NPP, where the Group owns and operates two operational nuclear reactors (Unit 1 and Unit 2). The two nuclear operational reactors are based on CANDU technology (Canada Deuterium Uranium type PHWR). Besides, at Cernavoda the Group owns two nuclear reactors in the early stages of construction (Unit 3 and Unit 4). The construction of Units 3 and 4 is planned to be completed by the Energonuclear S.A. subsidiary; at present, there is the revised form of the Strategy to continue Units 3 and 4 Project, endorsed by the Board of Directors of SNN and approved by the Extraordinary General Meeting of Shareholders by Decision no. 11 /September 14th, 2018 (for more information, see Note 21).

The Company owns a reactor (Unit 5) for which the Company shareholders approved changing the initial destination in March 2014, namely, the use of Unit 5 for carrying out the activities related to the operation of Units 1 and 2.

In 2020, the International Atomic Energy Agency (IAEA) performed a benchmarking assessment of the design requirements for the investment objective of the On-site Emergency Control Center (CCUA) - Unit 5 and an assessment of the technical requirements regarding equipment qualification for external hazards / events (especially seismic qualification).

At the date of drawing up the present financial statements, the evaluation report is being finalized, following which, after receiving it, the Company will review the solutions and recommendations received and start the procurement procedures for finalizing the investment objective. The company estimates the completion of this project in 2021.

Manufacturing of nuclear fuel bundles CANDU type required for operating the two nuclear operational reactors located in the branch Cernavoda NPP is performed by the Company in the branch Pitesti NFF.

The electricity sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution. The electricity market in Romania was undergoing a process of gradual liberalization up to the end of 2017. Starting with 2018, the Group participated in the electricity market, only on the competitive segment, and starting with 2019, it participates both on the competitive segment, and on the regulated market segment, in which ANRE has set, by means of annual decisions, the quantities of electricity that need to be sold by the Company on the regulated market and the regulated price to be charged, respectively (for further information, see Note 19).

As of December 31st, 2019 the shareholders of the Company are: The Romanian State via the Ministry of Energy which holds 248,736,619 shares, representing 82.4959% of the share capital, Fondul Proprietatea S.A. holding 21,268,355 shares, representing 7.0539% of the share capital and other individuals and legal entities shareholders holding together 31,508,877 shares, representing 10.4502% of the share capital.
Since November 4th, 2013, the shares of the parent-Company have been traded on Bucharest Stock Exchange, under the issuing symbol SNN.

2. BASIS OF PREPARATION

a) Statement of compliance

The Group's Consolidated Financial Statements have been prepared based on the Public Finance Minister's Order no. 2.844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards ("IFRS") ("OMFP 2.844/2016"). As per the OMFP 2.844/2016, the International Financial Reporting Standards represent the standards adopted in accordance with the procedure provided by the European Commission Regulation no. 1.606/2002 of the European Parliament and of the Council dated on 19 July 2002 regarding the application of the international accounting standards.

The accounting records of the branch is kept in RON, in compliance with the Romanian Accounting Regulations (RAR). These accounts have been restated to reflect the differences existent between RAR and IFRS accounts. Accordingly, the outlines according to RAR were adjusted, if necessary, in order to harmonize these financial statements, in all significant aspects, with the IFRS adopted by the European Union.

Apart from the specific consolidation adjustments, the main restatements of the financial information presented in the financial statements prepared in compliance with the Romanian accounting regulations consisted of:

- ✓ grouping several elements into more comprehensive categories;
- ✓ adjustments of asset, debt and equity items, in compliance with IAS 29 "Financial Reporting in Hyperinflationary Economies" due to the fact that the Romanian economy was a hyperinflationary economy until December 31st, 2003;
- ✓ adjustments for the recognition of receivables and liabilities related to the deferred corporate tax, in compliance with IAS 12 "Corporate tax";
- ✓ presentation requirements in compliance with IFRS.

The Consolidated Financial Statements prepared on and for the financial year ended on December 31st, 2019 were audited by an independent auditor.

These Consolidated Financial Statements were authorized for issue and signed on March 24th, 2020 by the management of the Group.

b) Presentation of the financial statements

The consolidated financial statements are presented in compliance with the requirements of IAS 1 "Presentation of the financial statements". The Group adopted a presentation based on liquidity within the consolidated statement of financial position and a presentation of the expenses according to the nature thereof within the consolidated statement of profit or loss and other items of the comprehensive income, considering the fact that these presentation methods provide information that is more relevant than the one that would have been presented based on other methods allowed by IAS 1.

c) Basis of assessment

The Consolidated Financial Statements have been prepared based on the fair value convention for the financial assets held for the sale and the tangible assets of the nature of lands and buildings. Other financial assets and liabilities, as well as other non-financial assets and liabilities are presented at amortized cost or historic cost.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. These consolidated financial statements have been prepared by applying the going concern principle .

d) Functional and presentation currency

The Consolidated Financial Statements are presented in Romanian LEI ("RON" or "LEU"), which is also the functional currency of the Group. All financial information is presented in RON, unless otherwise indicated.

2. BASIS OF PREPARATION (CONTINUED)

e) Subsidiaries

Subsdiaries are entities under the control of the Group. The control exists when the Group has the power to manage, directly or indirectly, the financial and operational policies of an entity, in order to obtain benefits from the activity thereof. Potential or convertible voting rights that are exercisable at that time must also be taken into account when assessing the control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control starts until the date of the ending thereof. The accounting policies of the subsidiaries of the Group have been amended for the alignment thereof with those of the Group.

On December 31st, 2019 and December 31st, 2018, the Group has a single subsidiary, Energonuclear S.A.

Energonuclear S.A. ("Energonuclear") is a company with headquarters in Bucharest, District 2, 5-7, Vasile Lascar Street, 3rd floor and registered with the Trade Registry under the number J40/3999/March 25th, 2009, having sole registration number 25344972, fiscal attribute RO. The main business of Energonuclear consists in "Engineering activities and technical consultancy related to it" – NACE Code 7112.

On December 31st, 2019 and December 31st, 2018, the Company owns 100% of the share capital of EnergoNuclear S.A. The value of participation on December 31st, 2019 and December 31st, 2018 amounts to RON **141,666,101**.

By the Decision of the Prime Minister no. 318 of December 18th, 2018, the Working Group was established for the negotiation of the Intergovernmental Agreement between Romania and the People's Republic of China on the cooperation for the implementation of the Units 3 and 4 Cernavoda NPP Project ("IGA").

Over the period January 21st - 23rd, 2019, a meeting of the mixed work group Romania - China took place regarding IGA, and the following actions were identified: (1) the JVCO establishment as soon as possible to support the implementation of CfD in Romania, ongoing process; (2) the Romanian party to finalize the preparatory technical measures in view of submitting to the Romanian Parliament and to the European Commission the legislative amendments and updates associated with the adoption of the CfD mechanism; (3) SNN and CGN to resume negotiations on the Investors Agreement ("IA") in preliminary form.

During the meeting held on February 4th, 2019, the SNN Board of Directors approved the revised mandate of the SNN Negotiating Committee to negotiate the IA and the Articles of Incorporation ("AI") in a preliminary form to allow the establishment of JVCo by initial minimal cash contribution, calibrated to the development needs of the Project.

On March 15th, 2019, the discussions regarding the IA in preliminary form, and the AI of JVCo were finalized.

On May 8th, 2019, SN Nuclearelectrica SA and China General Nuclear Power Corporation and CGN Central and Eastern Europe Investment signed the Preliminary Form of the Investors Agreement regarding the continuation of the Units 3 and 4 Cernavoda NPP Project.

Resolution no. 9/July 29th, 2019 of the Extraordinary General Assembly of Shareholders approved the endorsement of the SNN Board of Directors to approve the modification of the deadlines / due dates provided in the preliminary form of the Investors' Agreement related to the Project for Units 3 and 4 of CNE Cernavoda.

2. BASIS OF PREPARATION (CONTINUED)

Regarding the activity of Energonuclear S.A.:

- By the EGMS Resolution of SNN no. 4/July 11th, 2017, the shareholders of SNN approved the granting by SNN of a loan convertible in shares amounting to maximum RON 4,000,000 to the Energonuclear S.A. ("EN") branch, in order to finance the maintenance and conservation activities for the site of Units 3 and 4 of Cernavoda NPP; until December 31st, 2019, Energonuclear requested an installment of RON 3,500,000 to be granted from the maximum amount, for which SNN registered an interest of RON 129,787, capitalized.

The management of the company considers realistic the increase of the production capacity, based on the following premises:

- The EU assumes that, by 2050, it will implement a neutral economy in terms of CO2 emissions;
- Nuclear power is a key contributor to reducing CO2 emissions. Without the nuclear component, the CO2 emission reduction program cannot be implemented;
- Romania has to implement a program to support new capacities for generating electricity without CO2 emissions for the period 2021-2030;
- The nuclear industry is in an advanced stage of identifying some technical solutions that will ensure the flexibility of electricity production, thus having a potential to compensate for the volatility of renewable sources;
- Romania considers energy independence a competitive advantage that must be developed;
- Romania is a country with potential for economic development, with an ascending trend of electricity consumption;
- Financial markets today are characterized by a shortage of financial investments, inducing a low level of interest rates, favoring the launch of major investment projects.

f) Associated entities

Associated entities are those companies in which the Group can exercise significant influence, but not control over the financial and operational policies.

The consolidated financial statements include the share of the Group from the results of the associated entities based on the equivalence method, from the date on which the Group started to exercise significant influence and until the date when such influence ends.

The holdings in which the Group owns between 20% and 50% of the voting rights, but over which it does not exert a significant influence, are classified as financial assets available for sale.

Associated entities are accounted for using the equivalence method and are initially recognized at cost. The investment of the Group includes the goodwill identified upon the purchase, less the accumulated impairment loss. The consolidated financial statements include the Group's share of revenues and expenses and movements in the capital of the associated entities, following the adjustment of the accounting policies with those of the Group, as of the date on which the significant influence begins until such significant influence ends. When the Group's share of the loss is higher than the interest in the entity accounted for by the equivalence method, the carrying amount of this interest (including any long-term investments) is reduced to zero and the recognition of future loss is discontinued, unless the Group has a obligation or made payments on behalf of the entity in which it invested.

On December 31st, 2019 and December 31st, 2018, investments in associated entities were not identified.

g) Transactions eliminated upon consolidation

Settlements and transactions within the Group, as well as unrealized profits resulting from transactions within the Group, are completely removed from the consolidated financial statements. The unrealized profits resulting from the transactions with jointly controlled entities or associates are removed within the limit of the percentage of participation of the Group. The unrealized profits resulting from the transactions with an associate are eliminated as opposed to the investment in the associated entity. Unrealized losses are removed identically as unrealized gains, but only to the extent that there are no impairment indices.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies below have been applied consistently for all periods presented in these consolidated financial statements prepared by the Group.

The Consolidated Financial Statements are prepared on the assumption that the Group will continue to operate in the foreseeable future. To assess the applicability of this assumption, the senior management analyses projections of future cash inflows.

a) Transactions in foreign currencies

Trades in foreign currencies are translated into RON at exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currency at the year-end are expressed in RON at the exchange rate displayed by the National Bank of Romania valid for the last banking day of the year. Gains and losses from exchange rate differences, realized or unrealized, are included in the profit and loss of the year. The exchange rates on December 31st, 2019 and December 31st, 2018 for the major currencies the Group trades in are as follows:

	Average rate		Reporting date spot rate	
	2019	2018	December 31st, 2019	December 31st, 2018
RON/EUR	4.7452	4.6535	4.7793	4.6639
RON/USD	4.2379	3.9433	4.2608	4.0736
RON / CAD	3.1948	3.0429	3.2702	2.9925
RON/GBP	5.4113	5.2597	5.6088	5.1931

Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated to the functional currency at the exchange rate on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate valid on the transaction date.

b) Adjustment of hyperinflation effects

In accordance with IAS 29, the financial statements of an entity the functional currency whereof is the currency of a hyperinflationary economy must be presented in the current unit of measure at the end of the reporting period (non-monetary items are restated using a general index of prices on the purchase or contribution date).

According to IAS 29, an economy is considered to be hyperinflationary if, in addition to other factors, the cumulative inflation rate over a three-year period exceeds 100%. The continuous decrease of the inflation rate and other factors related to the characteristics of the economic environment in Romania indicate that the economy the functional currency whereof was adopted by the Company has ceased to be hyperinflationary, with effect on the financial periods starting with January 1st, 2004. Therefore, the provisions of IAS 29 were adopted in the preparation of the financial statements until December 31st, 2003.

In order to prepare the consolidated financial statements on December 31st, 2019, the Group adjusted the following non-monetary items, in order to be expressed in the unit of measure on December 31st, 2003:

- ✓ Share capital (see Note.) ;
- ✓ Tangible assets purchased by December 31st, 2003.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets

Recognition and assessment

Tangible assets are recognized as assets are initially valued at cost. The cost of a tangible asset item consists of the purchase price, including the non-recoverable taxes, after deducting any commercial price discounts and any costs that can be directly attributed to bringing the asset to the location and under the conditions necessary for it to be used for the purpose desired by the management, such as: the expenses with employees that directly result from the construction or purchase of the asset, the costs of setting up the site, the initial costs of delivery and handling, the costs of installation and assembly, the professional fees.

Tangible assets are classified by the Group in the following asset classes of the same nature and with similar uses:

- Lands;
- Constructions;
- Technical equipment, installations and machinery;
- Means of transport;
- Furniture and other tangible assets.

Tangible assets, except for lands and buildings, are stated at cost, less accumulated depreciation and impairment adjustment. Land and buildings are separately valuated at fair value. Thus:

- The land, special constructions, administrative buildings and other buildings including the nuclear power plants are recorded at the revalued amount. On the date of transition to IFRS, they were assessed using the assumed cost method. Thus, the revaluation surplus of the Company according to OMFP 3055/2009 until January 1, 2012, was transferred to the retained earnings in a distinct analytical account. Revaluation reserves arising after the date of transition to IFRSs as a result of revaluations are recorded as such in the financial statements. The revaluation surplus, the one existing on the date of transition to IFRS and the subsequent one, is realized during the depreciation of tangible assets (property, plant and equipment) or at their disposal.
- Machines, equipment and other assets, less buildings and special constructions and other buildings, including nuclear power plant, are recorded at the historical cost minus any accumulated depreciation and any accumulated impairment losses.
- Non-current assets in progress are recorded at the historical cost of acquisition or construction or inflated cost (restated in relation to the measuring unit current on December 31, 2003 for the non-current assets acquired before January 1, 2004) minus any cumulated depreciation losses.

Within non-current assets in progress the buildings and heavy water to be used in the extension of the production capacity are also included since the heavy water is not used and is not chemically impaired; it is evaluated initially and subsequently at cost.

Units 1, 2, 3, 4 and 5 were considered a single project, and therefore the costs incurred before 1990 were not accounted separately for each unit. In 1991, the Group performed a cost allocation for each Unit. This allocation is based on cost of the non-current assets included in the non-current assets in progress (Units 3 4 and 5).

Items such as spare parts, reserve and maintenance equipment are recorded as non-current assets according to IAS 16 when they meet the definition of non-current assets . All other spare parts are recorded as inventories.

The fair value was determined based on the evaluations made by independent external assessors, by using methods of market values and net replacement cost, less the accumulated depreciation and accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c). Tangible assets (continued)

Recognition and assessment (continued)

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined by using the fair value at the end of the reporting period.

The last revaluation of lands and constructions took place on December 31, 2018 by the independent valuer (Primoval SRL, member of the National Association of Certified Assessors in Romania - ANEVAR). Prior to this revaluation, the lands and constructions were revalued on December 31st, 2015, the special constructions were revalued on December 31st,2013, the administrative buildings on December 31st, 2002, and the lands on December 31st, 2009.

If the financial value of an asset is increased as a result of a revaluation, this increase is directly recorded in equity, under the item "Revaluation reserves"; however, the increase shall be recognized in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss.

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit and loss account; the decrease is recognized as well in other comprehensive income elements, to the extent that there is a balance in the revaluation surplus for that asset. However, the decrease shall be recognized in other comprehensive income, to the extent that there is a credit balance in the revaluation surplus for that asset.

Subsequent expenses

Subsequent expenses related to a tangible asset are generally acknowledged as expenses in the period in which they were incurred. Those subsequent expenses or investments made on the tangible assets, having the effect of improving their initial technical parameters and leading to future economic benefits, in addition to the initially estimated ones, are acknowledged and capitalized as a component of the asset. Benefits can be obtained either directly by increasing revenues, or indirectly by reducing the maintenance and operating expenses.

In order to apply the provisions of the International Accounting Standard IAS 16 "Tangible Assets", the general periodic inspections carried out at CNE Cernavoda are capitalized under the category of tangible assets, being subsequently amortized on a linear basis, over a 2-year period. General periodic inspections mostly target the same components of the Units, so the amortization period considered is the 2-year period between two general periodic inspections carried out mostly on the same components, thus substituting each other. The last general inspections were for Unit 1 in 2018 and for Unit 2 in 2019.

Current repairs and maintenance expenses are classified as expenses when they occur.

Amortization

The depreciation of the tangible assets is calculated based on an amortization plan, as of the commissioning date thereof and until the full recovery of the entry value thereof, according to the economic use periods and the conditions of use thereof.

The management of the Group estimates that the lifetimes of the fixed assets stipulated in the Government Decision no. 2139/2004 for the approval of the Catalogue on the classification and the normal durations of operation of the fixed assets correspond to the durations of economic use and the conditions of use of the tangible assets that are part of the corporate assets of the Group.

The amortization of buildings is done based on equal annual rates, in order to amortize the revalued amount thereof over the remaining period of their life. The amortization of the other tangible assets is recorded based on the linear method, over the estimated useful life, as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c). Tangible assets (continued)

Amortization (continued)

Asset	Useful life in years
Nuclear power plant – Units 1 and 2	30
Heavy water (loads for Units 1 and 2)	30
Buildings	45 – 50
Inspections and overhauls	2
Other installations, equipment and machinery	3 - 20

Lands are not subject to amortization as they are deemed to have an indefinite useful life.

Tangible assets in progress are not amortized until they are commissioned.

The estimated useful life of Units 1 and 2, respectively 30 years, considers a number of 210.000 designed operating hours per Unit, equivalent to 80% capacity factor over a 30-year period. By December 31st, 2018, the cumulated capacity factor achieved since the commissioning of Unit 1 is 93.86% and 89.18% for Unit 2, being higher than the 80% designed capacity factor. Using these capacity factors extrapolated to the same value for the rest of useful life, it results that the estimated useful life of the units will be 26.4 years for Unit 1 and 25.4 years for Unit 2; however, this is an simplistic linear extrapolation because it is expected that the average capacity factor achieved so far in both units will decrease gradually until the end of the initial useful life due to creep of the fuel channels, namely due to the inherent physical impairment of the units.

The operating experience achieved by other CANDU nuclear power plants that have reached the operating hours designed, indicates that it is possible to extend the initial number of operation hours beyond the designed number of 210,000 hours. The Group contracted specialized services for technical assistance to determine the possibility of extending the number of operating hours designed for Unit 1. Following the study, a work plan was drawn up which sets out the analyzes and evaluations to be carried out to demonstrate the functionality of Unit 1 from Cernavoda NPP to 245,000 actual operating hours. These analyzes and assessments will be the basis for the extension of the Unit 1 operating permit.

The Group's Management truly believes it is possible to successfully increase the number of running hours for Unit 1, by adding a number of hours over the operation hours designed (210.000 hours) which would ensure the operation of Unit 1 until 2026 and therefore would allow to maintain the remaining duration of the estimated life, the estimated useful life for the first cycle of operation being 30 years. Extending the number of hours of initial operation depends on the results of the analyzes and evaluations to be contracted in the third quarter of 2019, influenced predominantly by the technical status of Unit 1, as well as by the Regulator's decision (CNCAN) at the time of the request.

By extrapolating the reasoning and considering the remaining useful life of Unit 2, in conjunction with the capacity factor of Unit 2 in the next period in connection with the life cycle of Unit 2, the life expectancy is maintained in the case of Unit 2. The estimated residual values for both units are void, given the challenges associated with the refurbishment projects of the units after the initial lifetime, which may be extended by another 25 years after refurbishment.

Depending on the actual results related to the extending of the useful life of Unit 1 beyond the initial projected number of hours of operation, the estimates on the lifetime of both units could be reviewed in the subsequent financial years.

The heavy water (loads for Units 1 and 2), buildings and other facilities, equipment and vehicles are presented in Note 5 as "Machinery, equipment and other assets". Inspections and overhauls, capitalized in accordance with IAS 16, are presented in Note 5 and are reflected in the book value of "Nuclear Power Plants".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c). Tangible assets (continued)

Amortization (continued)

When the elements of a non-current asset have different useful lives, they are recorded as consolidated items (major components) of an asset. The depreciation methods for assets, life duration and residual value are reviewed, and adjusted, if needed, at each reporting date.

The accounting value of the asset is adjusted to the recoverable value if the accounting value is greater than the estimated recoverable value.

Sales gain or loss is determined by the difference between the proceeds from the sale of the asset and its accounting value, being recognized as operational revenue or operational expense in profit and loss account.

The costs of the borrowings for the construction of an element of non-current asset is capitalized in the asset's cost at the current date of the preparation of the asset for its predetermined use or sale.

Sale/discarding of tangible assets

Tangible assets that are discarded or sold are removed from the statement of the financial position along with the corresponding accumulated depreciation. Any profit or loss resulted from such an operation is included in the current profit or loss

d) Non-current assets held for sale

The non-current assets will be classified as held for sale, if the carrying amounts thereof are mainly recovered from a sale transaction rather than by continuous use. Thus, an asset may be classified as held for sale in accordance with IFRS 5, only if the following criteria are met:

- The asset is available for immediate sale in the current state,
- The sale of the asset is highly probable.

In order for the sale to be very probable, all the following criteria must be met:

- The appropriate level of management has undertaken a sales plan;
- An active program for locating a buyer and implementing the plan was initiated;
- The asset is actively traded at a reasonable price in reference to the current fair value thereof;
- Significant changes or withdrawal of the plan are unlikely;
- It is expected that the sale will meet the criteria of derecognition, in order to be registered as a sale within one year.

Valuation before the classification as held for sale

As a first step, immediately prior to the initial classification of an asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRS standards (e.g. ownership, production units and equipment are measured in accordance with IAS 16) including any cumulative impairment and any reduction in the balance sheet value, if applicable. This first step is applicable to a newly acquired asset as well as an existing asset that will be reclassified as held for sale in virtue of this policy.

Valuation upon the initial classification as held for sale

Upon the initial classification as held for sale, the individual asset identified as held for sale is measured at the lower of:

- the carrying amount and
- the fair value thereof less the sale costs.

If the fair value less the sale costs is higher than the carrying amount of the asset, no adjustment is required. Otherwise, an impairment loss as a result of this initial measurement is recorded directly in the profit and loss account and the value of the fixed assets is adjusted accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Non-current assets held for sale (continued)

Subsequent valuation

Upon the subsequent valuation, the fixed assets held for sale are measured at the lower value between the carrying amount and the fair value less the sale costs.

Non-current assets held for sale are not amortized.

Acknowledgment of the loss from depreciation and resumptions

Any initial or subsequent reduction in the carrying amount of an asset (or group intended for assignment) up to the fair value less the costs generated by the sale is recognized as an impairment loss.

The subsequent increase in fair value less the sale costs of an asset is recognized as revenue, without exceeding the cumulative impairment loss that was recognized either in accordance with IFRS 5 or previously in accordance with IAS 36 "Impairment of assets".

Derecognition

If the criteria for classifying an asset or group intended for assignment as held for sale are no longer met, the asset or group intended for assignment will no longer be classified as held for sale.

A fixed asset that is no longer classified as held for sale is measured at the lower of:

- the amount carried forward before being classified as held for sale, adjusted for any impairment, depreciation or revaluation required if the asset or group intended for disposal was not classified as held for sale; and
- the value recoverable on the date of the decision not to sell.

As of December 31st, 2019, the Company holds assets for sale in the amount of RON 2,231,633 (December 31st, 2018: RON 0). No impairment loss was recorded.

e) Leasing

IFRS 16 "Leasing Contracts" enters into force for annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 Leases; IFRIC 4 Determining the extent to which a commitment contains a lease; SIC-15 Operational leasing - Incentives; and SIC-27 Evaluation of the economic fund of transactions involving the legal form of a leasing contract.

Tenant accounting

IFRS 16 introduces a unique accounting model of the lessee and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset has a small value. A tenant must recognize an asset related to the right of use, representing his right to use the underlying asset taken on the lease, and a debt arising from the lease, representing his obligation to make the payments related to the lease.

When entering into a contract, an entity must evaluate whether that contract is, or includes, a lease. A contract is or contains a lease if that contract grants the right to control the use of an identified asset for a certain period of time in exchange for a consideration.

A tenant evaluates the assets related to the right of use similar to other non-financial assets (such as tangible fixed assets), and the debts arising from the lease are valued similarly to other financial debts. Consequently, a lessee recognizes the depreciation of the asset related to the right of use and the interest related to the debt arising from the lease and also classifies the cash repayments of the debt arising from the lease in the part related to the principal and the part related to the interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Leasing (continued)

Assets and liabilities arising from a lease are initially valued based on the present value. The assessment includes payments related to the irrevocable lease (including payments indexed to inflation), as well as payments to be made in the optional periods if the tenant has reasonable certainty that he will exercise an option to extend the lease or that he will not exercise a termination option. of the lease.

The cost of the asset related to the right of use must include:
(a) the value of the initial assessment of the debt arising from the lease;
(b) any leasing payments made on or before the start date, minus any leasing incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of the costs to be borne by the lessee for the dismantling and removal of the support asset, for the restoration of the place where it is located or for bringing the support asset to the condition imposed in the terms and conditions of the leasing contract

Tenant accounting
IFRS 16 takes over, in principle, the provisions regarding the lessor's accounting in IAS 17. Consequently, a lessor continues to classify his lease agreements as operating or financial leasing contracts and to account for these two different types of leasing contracts.

As a lessee, based on the lease agreements, as of December 31, 2019, the Company does not register assets related to the right to use the underlying asset and the lease debts arising from this contract.

As a lessor, the financial statements concluded on December 31, 2019 remain unaffected by the introduction of the new standard. The company will analyze the impact of IFRS 16 at each quarterly, half-yearly and annual reporting period.

f) Intangible assets

Intangible assets are mainly represented by computer applications and licenses. These are stated at historic cost less the accumulated depreciation and the value impairment adjustment.

Research and development

The costs of the research activities conducted in order to gain knowledge or new scientific or technical interpretations are recognized in profit and loss entry when incurred.

Development activities involve a plan or project concerning new or substantially improved products or processes. Development costs are capitalized only if they can be measured reliably, the product or process is feasible technically and commercially, the future economic benefits are probable, and the Company intends and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct personnel costs and administrative costs that are directly attributable to prepare the asset for its intended use and the capitalized loan costs. Other development costs are recognized in profit and loss when incurred.

Capitalized development costs are valued at the cost less the accumulated amortization and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
f) Intangible assets (continued)

Subsequent expenses

Subsequent expenses on intangible assets are capitalized only when they increase the future economic benefits of the asset that they refer to. All other expenses are recognized in the individual statement of profit or loss as they are incurred.

Amortization
Amortization is recorded in the individual statement of profit or loss based on the linear method for the estimated useful life of the intangible asset. Intangible assets are amortized from the date the asset is ready for use, the useful life being determined according to the period over which the asset can be used.

g) Financial assets and liabilities

Classification
The Group adopted IFRS 9 "Financial Instruments".

This standard replaced the provisions of IAS 39 "Financial Instruments: Acknowledgment and Measurement" on the classification and valuation of financial assets and replaces the model for estimating the adjustments for the depreciation of financial assets by a model based on expected loss.

IFRS 9 contains a new approach on the classification and valuation of financial assets reflecting the business model within which assets and cash flow characteristics are managed.

IFRS 9 includes three main categories of classification of financial assets: measured at amortized cost, valued at fair value through other items of the comprehensive income and valued at fair value through profit or loss.

The Group classifies the financial instruments held in the following categories:

Financial assets valuated at the amortized cost

A financial asset is valued at amortized cost if it meets both the conditions set out below and is not designated as being valued at fair value through profit or loss:
- is held within a business model the objective whereof is to keep assets for collecting contractual cash flows; and
- the contractual conditions thereof generate, at certain dates, cash flows that are solely payments of the principal and interest on the due principal.

The standard takes over the provisions of IAS 39 on the recognition and derecognition of financial instruments.

Financial assets at fair value via other items of the comprehensive income

A financial asset is valued at the fair value among other items of the comprehensive income only if it meets both conditions set out below and is not designated at fair value through profit or loss:
- is held within a business model the objective whereof is achieved both by collecting the contractual cash flows and by selling financial assets; and
- the contractual conditions thereof generate, at certain dates, cash flows representing solely payments of the principal and interest on the due principal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and liabilities (continued)

Classification (continued)

Furthermore, upon the initial recognition of an investment in equity instruments that is not held for trading, the Group may irrevocably choose to submit subsequent changes of the fair value in other items of the comprehensive income. These options apply for each instrument, as applicable.

Financial assets at fair value through profit or loss

All financial assets that are not classified as being valued at amortized cost or at fair value through other items of comprehensive income will be valued at fair value through profit or loss. Furthermore, upon the initial recognition, the Group may irrevocably designate that a financial asset, which otherwise meets the requirements to be values at amortized cost or at fair value through other items of comprehensive income, be valued at fair value through profit or loss, if this removes or significantly reduces an accounting inconsistency that would arise, if it were to proceed otherwise.

Acknowledgment

Financial assets and financial liabilities are acknowledged on the date the Group becomes a contractual party under the terms of such instrument. Financial assets and liabilities are measured upon the initial recognition at fair value.

Set offs

Financial assets and liabilities are offset, and the net result is presented in the financial position statement only when there is a legal right to set off and if there is an intention to settle them on a net basis or if it is intended to realize the asset and simultaneously pay off the debt.

Revenues and expenses are presented net only when it is allowed by the accounting standards, or for profit and loss resulted from a group of similar transactions such as those in the trading activity of the Group.

Valuation

Valuation at the amortized cost

The amortized cost of an asset or financial liability represents the amount at which the financial asset or liability is measured after the initial recognition, minus the principal payments, plus or minus the accumulated depreciation up to that moment, using the effective interest method, less the reductions related to impairment losses.

Valuation at fair value

The fair value represents the price that would be received upon the sale of an asset or paid for the settlement of a debt within a normal transaction between the participants on the main market, on the valuation date, or in the absence of the main market, on the most profitable market that the Group has access to on such date.

The Group measures the fair value of a financial instrument using the prices quoted on an active market for that instrument. A financial instrument has an active market if quoted prices are quickly and regularly available for that instrument. The market price used to determine the fair value is the closing price of the market on the last trading day before the valuation date.

In the absence of a price quotation on an active market, the Group uses valuation techniques based on the analysis of updated cash flows and other valuation methods commonly used by the market participants, using as much information as possible on the market, relying as little as possible on the information specific to the company. The Group uses valuation techniques maximizing the use of observable data and minimizing the use of unobservable data.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and liabilities (continued)

Derecognition

The Group derecognizes a financial asset when the rights to receive cash flows from that financial asset expire, or when the Group has transferred the rights to receive the contractual cash flows related to that financial asset in a transaction in which it has significantly transferred all the risks and benefits of ownership.

The Group derecognizes a financial liability when the contractual obligations ended or when the contractual obligations are canceled or expire.

Earnings and loss from asset assignment

The gain or loss related to the assignment of a financial asset or financial liability valued at fair value through profit or loss is acknowledged in current profit or loss.

h) Other financial assets and liabilities

Other financial assets and liabilities are values at amortized cost using the effective interest method, minus any depreciation loss.

i) Investments in branches

Branches are entities under the control of the Group. The control exists when the Group has the power to manage, directly or indirectly, the financial and operational policies of an entity, in order to obtain benefits from the activity thereof. Potential or convertible voting rights that are exercisable at that time are also taken into account when assessing the control.

The Group evaluates the investments in branches at cost in compliance with the provisions of IAS 27 "Separate financial statements".

The branch controlled by the parent-Company is Energonuclear S.A., 100% owned and is presented in Note 8.

j) Depreciation of assets other than the financial ones

The carrying amount of the assets of the Group that are not of a financial nature, other than deferred tax assets, are reviewed on each reporting date, in order to identify the existence of impairment indications. If there are any such indications, the recoverable value of such assets is estimated.

An impairment loss is recognized when the carrying amount of the asset or the cash-generating unit thereof exceeds the recoverable amount of the asset or cash-generating unit. A cash generating unit is the smallest identifiable group generating cash independently of other assets and other asset groups. The impairment loss is stated in the statement on the profit or loss and other items of the comprehensive income.

The recoverable amount of an asset or cash-generating unit is the greater of the value in use and the fair value thereof, less the costs for the sale of such asset or unit. In order to determine the value of use, future cash flows are updated using a pre-tax update rate reflecting the current market conditions and risks specific to such asset.
Impairment losses recognized in prior periods are valued on each reporting date, in order to determine whether they have decreased or no longer exist. Impairment loss is resumed, if there has been a change in the estimates used to determine the recovery value. Impairment loss is resumed only if the carrying amount of the asset does not exceed the accounting value that would have been calculated, net of amortization and depreciation, if the impairment loss had not been acknowledged.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Inventories

Inventories consist of consumables, spare parts that do not meet criteria as tangible assets (property, plant and equipment), safety stock, uranium and other inventories necessary for the activity of the Group. These are recorded as inventories when purchased and then expensed when consumed.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs.

According to the IAS 2 standard on "Inventories" the cost of outgoing inventories shall be determined by applying the first-in, first-out method (FIFO) or the weighted average cost method (WAC). Up to December 31, including 2015, the Group used the FIFO method.

Following the analysis made by the management of the Group it was concluded that the use of WAC method would produce reliable results in the annual financial statements for their users. In this context, starting from the 1st of January 2016 the accounting policy used in order to determine the cost of the inflows inventories was changed from FIFO to WAC method.

In accordance with the requirements for change in the accounting policies stipulated by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the management believes that the WAC method results in financial statements are more relevant and more reliable for users' needs for making economic decisions, as shown in the below analysis of the two methods below:

- The FIFO method assumes that the outflows inventories are to be evaluated with their cost of acquisition or production of the first entry. If the inventories are older and the prices are rising, this method does not produce the most reliable results to be reflected in the statement of the comprehensive income.
- The WAC method involves the cost calculation for every item according to the weighted average cost for similar items included in the inventories at the beginning of the period and for those purchased during the period.

The Group is unable to retroactively apply this change in its accounting policy in accordance with the requirements of IAS 8, because the effects of retroactive application are not determinable since the cumulative impacts on all prior periods cannot be calculated. Therefore, the Group applies the new policy prospectively from 1 January 2016.

l) Trade receivables and other receivables

Trade receivables are initially recorded at the invoiced value and subsequently measured by using the effective interest method less the impaired value. A provision for impairment is established when there is objective evidence that the Group will not be able to collect receivables on time. Significant financial difficulties of the debtor, probability that it enters bankruptcy or financial reorganization, late payments (over 360 days) are considered indicators that these claims may require value adjustments.

An impairment loss related to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the current value of expected updated future cash flows by using the original effective interest rate of the asset. The carrying value is reduced by using an account for depreciation adjustments and the loss is entered into the profit and loss section under "other operating expenses".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Cash and cash equivalents

The "Cash and cash equivalents" item includes petty cash, current accounts and bank deposits without commitments that are subject to an insignificant risk in changing the fair value. By bank deposits without commitments the Group understands the usual bank deposits, to which the Group has access at any time, irrespective of their initial maturity, and whose pre-maturity liquidation, in the event of occurrence of circumstances that determine this need, does not cause any losses.

The "Bank deposits" position in the statement of financial position refer to those bank deposits that have an initial maturity of between 3 and 12 months but have an associated commitment, i.e. they are collateral deposits related to bank guarantee letters issued by banks on behalf of the Group in favor of some clients.
The "Financial assets" position of the financial position statement means the collateral deposits related to warranty letters, but with a maturity of more than 12 months.

n) Share capital

The share capital represents all the shares subscribed and paid up by the shareholders of the parent-Group. The share capital is recorded separately in accounting, based on the documents of incorporation and the supporting documents on capital payments.

The capital increase is achieved by subscribing and issuing new shares, incorporating reserves and other operations, according to the law. The capital decrease is achieved primarily by reducing the number of shares or diminishing the nominal value thereof, as a result of the withdrawal of some shareholders, coverage of the accounting loss from previous years or other operations, according to the law.

The write-off an asset that has contributed to the share capital does not change the share capital. In all cases of amendment of the share capital, this is done based on the decision of the General Meeting of the Shareholders. Gains or losses related to the issue or cancellation of shares are not recognized in the profit and loss account. The equivalent value received or paid as a result of such operations is recognized directly in equity.

o) Legal reserve

Legal reserves are established as follows: 5% comes from the gross profit from the end of the year until the total legal reserves reach 20% of the share capital paid in accordance with the law. These reserves are deductible for corporate tax at the rate specified in the Tax Code and are only distributable in the event of liquidation of the Company. The legal reserve is distributed at the balance sheet date. The legal reserve is found in the entry "retained earnings".

p) Prepaid reserve

The prepaid reserve represents the cash contributions made by the Company's shareholders in respect of the future issuance of shares by the Company. These contributions are recorded on credit in the prepaid reserve, when there is not the possibility that advance payments to be returned, and the Company's obligation is to issue a fixed number of shares.

q) Government grants

Government grants related to the purchase of assets are recorded as deferred revenue at fair value when there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant.

Government grants for the purchase or construction of an asset are recognized in profit and loss account systematically as the related asset is depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Employee Benefits

(i) Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net liabilities in relation to the defined benefits plans are calculated separately for each single plan, by estimating the amount of future benefit that employees have earned in return for the services rendered in the current and prior periods; these benefits are discounted to the present value. Any costs of unrecognized prior services and the fair value of the benefits plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected credit factor method. When the calculation results in a benefit for the Company, the recognized asset is limited to the total of the unrecognized cost of past service and the present value of any economic benefits available in the form of future reimbursements in the plan or some reductions applied to the future contributions to the plan. To calculate the present value of the economic benefits, all minimum financing requirements applicable to any plan of the Group are considered. An economic benefit is available for the Group if it is attainable over the life of the plan or when debts in the plan are settled.

When benefits of a plan are increased, the share of additional benefit for the services provided previously by employees is recognized in profit and loss using the straight-line method over the average period of time until the benefits become effective. To the extent that the benefits become effective immediately, the expense is recognized immediately in profit and loss.

The Group immediately recognizes all actuarial gains and losses arising from the defined benefit plans in other comprehensive income entries and all expenses related to defined benefit plans are determined in profit and loss.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

The gain or loss on the curtailment or settlement shall comprise any resulting change in the present value of the defined benefit liability, any resulting change in the fair value of the assets of the plan, any actuarial gains or losses related to any past service cost associated that had not been previously recognized.

(ii) Other long-term benefits granted to employees

The Group's net liability in respect of long-term benefits granted to employees is the amount of future benefits that employees have earned in return for services rendered in the current period and in the previous one. These benefits are updated in order to determine their fair value, and the fair value of any related asset is deducted. These benefits are estimated using the projected credit factor method. Any gains or losses are recognized in profit and loss in the period in which they arise.

(iii) Short-term benefits granted to employees

Short-term benefit liabilities are valued without being discounted and are recognized as expenses as the services are rendered. A provision is recognized at the estimated amount to be paid for short-term benefits in the form of bonuses or employees participation in profits, only if the Group has a present, legal or constructive obligation to pay this amount for past services rendered by employees and this obligation can be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Provisions for Risks and Expenses

A provision is recognized if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably, and it is likely that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows by using a pre-tax discount 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 financial expense.

The provision related to the intermediary storage of spent nuclear fuel is determined as the present value of future expenditure with its storage. The provision for the management of low and medium radioactive waste and the provision for the management of non-radioactive waste are determined as updated value of their future management expenses. The management of low and medium radioactive and non-radioactive waste takes place in a period following the one in which they are generated by the operating activity.

t) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are presented in notes, unless the possibility of an outflow of economic benefits is reduced.

Contingent assets are not acknowledged in the financial statements, but are presented when a profit entry is probable.

u) Acknowledgement of revenues and expenses

Revenues are acknowledged to the extent that the economic benefits are probable, and these benefits can be reliably valued. The following criteria must also be met in order to recognize revenues:

(i) Sales of electricity

Revenues from sale of electricity (generated or acquired by the Company) are recognized when the Group has delivered energy in the electricity transmission network.

(ii) Financial revenues and expenses

Financial revenues mainly includes the interest income on bank deposits and cash, as well as the foreign currency gain. Financial revenues are recognized in the profit and loss on an accrual basis using the effective interest method. The financial expenses mainly comprise the interest expense on loans and foreign currency losses. All cost related to loans that are not directly attributable to the acquisition, construction or production of an asset are recognized in profit and loss using the effective interest method.

(iii) Charges

IFRIC 21 "Taxes" clarifies the manner in which accounting expenses are recognized in taxes. For an entity, the generating event giving rise to a duty to pay a tax is the activity triggering the payment of the tax, identified by law. The obligation to pay a tax is progressively recognized if the generating event takes place over a period of time.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Acknowledgement of revenues and expenses (continued)

(iii) Charges (continued)

The Group implemented the provisions of **IFRIC 21 - Charges** by amending the accounting policies, starting with the annual Financial Statements related to the financial year 2014. Within the scope, the Group identified the tax on special constructions and local duties and taxes. The Group recognized the liability related to such duties and taxes at the time of the occurrence of the activity determining the payment, as it is defined by the relevant legislation. A liability related to duties and taxes is progressively estimated only if the activity that determines the payment occurs over a certain period.

IFRIC 21 is applicable retrospectively to all taxes imposed by the governmental authorities under the legislation, other than cash outflows subject to other standards (e.g.: IAS 12 Corporate Tax), fines and other penalties for violating the law.

IFRIC 21 mentions that this interpretation does not address the means of registration of the counterparty for this debt (respectively asset or cost) and that an asset is acknowledged in case a debt was paid in advance and there is no present payment obligation.

The Group considers that the acknowledging moment for the debt is determined by the existence of assets in its patrimony representing the base of taxes and as a consequence, the debt for the special building tax and local duties and taxes was fully acknowledged on the 1st of January in trade-off with the corresponding expense.

The Group reconsidered the date of occurrence of the generating event in relation to duties and taxes that fall under the scope of IFRIC 21 and concluded that this date is December 31 of each year.

v) Fields of activity

Fields of activity are identified by IFRS 8 « Operating segments »as components of an entity:

- That engages in business activities, which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity;
- Whose operating results are regularly reviewed by the chief operating decision maker to allocate resources and assess its performances; and
- • For which separate financial information is available.

The management of the Group considers all activities as "a single segment".

w) Corporate tax

The corporate tax related to the year comprises the current tax and the deferred tax.

The corporate tax is recognized in the profit or loss statement and in other items of the comprehensive income if the tax is related to the capital items.

The current tax is the tax payable related to the profit made over the current period, determined based on the percentages applied on the date of the financial status statement and of all the adjustments related to the previous periods.

The deferred tax is determined for those temporary differences appearing between the fiscal basis for calculating the tax for assets and liabilities and the carrying amount thereof used for reporting in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Corporate tax (continued)

Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities arising from transactions that are not combinations of enterprises and not affecting the accounting or tax profit and differences arising from investments in branches, provided that they are not resumed in the near future. The deferred tax is calculated based on the tax rates that are expected to be applicable to the temporary differences upon the resumption thereof, based on the applicable law on the reporting date or issued on the reporting date and which will come into force thereafter.

Debts and receivables with the deferred tax are offset only if there is a legally enforceable right to offset the current debts and receivables with the tax and if they are related to the tax levied by the same tax authority for the same entity subject to taxation or for different fiscal entities, and they wish to settle claims and current liabilities with the tax using a net basis or the assets and related liabilities whereof will be simultaneously done.

The deferred tax claim is recognized only insofar as it is probable to obtain future profits that may be used to cover the tax loss. The claim is reviewed at the end of each financial year and is diminished to the extent to which the related tax benefit is unlikely to be realized

For the period ended on December 31st, 2019 and December 31st, 2018, the corporate tax rate was of 16%.

x) Distributable dividends

Dividends are treated as a profit distribution over the period when they were declared and approved by the General Meeting of the Shareholders. Dividends are recognized as a liability in the period in which their distribution is approved.

y) Earnings per share

Earnings per share is calculated by dividing the profit and loss attributable to the Group's shareholders by the weighted average number of ordinary shares outstanding over the period. Weighted average number of ordinary shares outstanding over the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of shares repurchased or issued during the period multiplied by a weighting factor of time.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of some specified conditions. The objective of diluted earnings per share is correlated with the basic earnings per share, and provide specific interests of each ordinary share in the entity's performance.

z) Subsequent Events

The events subsequent to the closure of the reporting period are those favorable and unfavorable events taking place between the end of the reporting period and the date on which the financial statements are authorized for issue.

Subsequent events providing additional information about the position of the Group at the end of the reporting period (events requiring adjustments) are reflected in the financial statements.

Events subsequent to the end of the reporting period that do not require adjustments are stated in the notes, when they are deemed significant.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Related parties

Different entities or individuals considered to be in special relations with the Group and in case one of the parties, either by ownership or by contractual rights, family relationships or other similar situations can directly or indirectly control the other party, or may significantly influence it in making financial or operational decisions. Transactions between related parties represent a transfer of resources or obligations between related parties, regardless of whether they involve a price or not.

Considering the status of majority state-owned company, the Group is subject to specific regulations, having reporting obligations regarding the transactions with affiliated parties. The Group presents in the Financial Statements the transactions with the affiliated parties in compliance with IAS 24 "Related Party Disclosures" (See Note 22)

bb) The implications of new International Financial Reporting Standards (IFRS)

During the current year, the Group has applied all new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant to its operations and are effective for the accounting periods beginning on January 1st, 2019, approved by the European Union.

Upon the date of approval of these financial statements, a number of standards and interpretations issued by the International Accounting Standards Board - IASB apply, but only the European Union adopted some of them. The Group's management expects that the implementation of these accounting standards in future periods will have no material effect on the consolidated financial statements of the Group.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

The Group makes estimates and assumptions affecting the value of the reported assets and liabilities. Estimates and judgments are continually valued and are based on the previous experience and on other factors, including expectations on future events deemed reasonable under the given circumstances.

The management discussed the development, selection, presentation and application of critical accounting policies and estimates. These presentations supplements the comments on financial risk management (see Note 25).

The significant accounting judgments for the application of the accounting policies of the Group include:

Key sources of the uncertainty of estimates

Hierarchy of fair values
Assets and liabilities are measured and presented at fair value in the financial statements, according to the fair value hierarchy in IFRS 13, requiring the classification of valuation methods in the following valuation levels:

The Group uses for the calculation of fair value the following hierarchy of methods:
Level 1: quoted (unadjusted) prices on active markets for identical assets and liabilities
Level 2: inputs other than the quoted prices included in Level 1 that are observable for assets or liabilities, either directly (i.e. prices, prices quoted on markets that are not active) or indirectly (i.e. derived from prices)
Level 3: entries for assets or liabilities that are not based on observable market data (unobservable entries). This category includes all instruments for which the valuation technique includes items that are not based on observable data and for which unobservable input parameters can have a significant effect on the valuation of the instrument. This category includes instruments that are valued based on quoted prices for similar instruments, but for which adjustments are largely based on unobservable data or estimates, in order to reflect the difference between the two instruments.

The Group determines the fair value using primarily the quotations on the active market.

Fair value is the amount for which the financial instrument may be exchanged in usual transactions conducted under objective conditions between willing parties knowingly, other than those determined by the liquidation or forced sale. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. As of December 31, 2019 and December 31, 2018, the management considers that the fair values of cash and cash equivalents, trade receivables and other receivables, trade payables as well as other short-term liabilities approximates their carrying amounts.

Given the business field in which the company operates, corroborated with the specific nature of the financed investments and of the structure of the guarantees, which include a government guarantee, as well as the variable interest rates, the Group's management estimates that the fair value of the loans is approximately equal to their carrying amount. The carrying amount of loans is the amortized cost. Based on these considerations, loans have been classified Level 2.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

	Carrying amount	Fair value	Level
December 31st, 2019 (audited)			
Financial assets			
Financial assets	42,836,031	42,836,031	2
Net trade receivables	216,728,004	216,728,004	2
Cash and cash equivalents	1,793,501,617	1,793,501,617	2
Bank deposits	58,879,494	58,879,494	2
Net other receivables	31,416,822	31,416,822	2
	2,143,361,968	**2,143,361,968**	

	Carrying amount	Fair value	Level
December 31st, 2019 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	499,908,597	499,908,597	2
Provisions for risks and expenses	213,470,997	213,470,997	2
	713,379,594	**713,379,594**	
Short-term financial liabilities			
Accounts payable and other liabilities	220,398,362	220,398,362	2
The current share of provisions for risks and expenses	65,442,649	65,442,649	2
Borrowings, short-term portion of long-term loans	212,891,292	212,891,292	2
Deferred revenues	27,863,600	27,863,600	2
	526,595,903	**526,595,903**	

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

	Carrying amount	Fair value	Level
December 31st, 2018 (audited)			
Financial assets			
Financial assets	110,474,559	110,474,559	2
Net trade receivables	181,308,809	181,308,809	2
Cash and cash equivalents	1,611,958,742	1,611,958,742	2
Bank deposits	20,954,979	20,954,979	2
Net other receivables	10,201,321	10,201,321	2
	1,934,898,410	**1,934,898,410**	

	Carrying amount	Fair value	Level
December 31st, 2018 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	683,967,469	683,967,469	2
Provisions for risks and expenses	182,883,283	182,883,283	2
	866,850,752	**866,850,752**	
Short-term financial liabilities			
Accounts payable and other liabilities	197,307,458	197,307,458	2
The current share of provisions for risks and expenses	33,831,052	33,831,052	2
Borrowings, short-term portion of long-term loans	203,393,860	203,393,860	2
Deferred revenues	30,913,233	30,913,233	2
	465,445,603	**465,445,603**	

5. TANGIBLE ASSETS

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	TOTAL
Cost					
Balance as of January 1st, 2018 (audited)	**31,534,439**	**5,594,239,417**	**1,947,064,756**	**1,002,091,910**	**8,574,930,523**
Effect of correction		103,990,927			**103,990,927**
Balance as of January 1st, 2018 (audited, restated)	**31,534,439**	**5,698,230,344**	**1,947,064,756**	**1,002,091,910**	**8,678,921,450**
Additions	-	-	13,818,163	117,453,141	**131,271,305**
Revaluation of buildings and land	767,960	20,172,017	35,259,740	-	**56,199,716**
Offset of accumulated depreciation upon revaluation	-	(1,059,894,917)	(60,605,906)	-	**(1,120,500,824)**
Transfers	-	71,734,118	24,051,133	(95,785,251)	**-**
Transfer to inventories	-	-	-	(1,800,278)	**(1,800,278)**
Transfer to intangible assets	-	-	-	(7,852,267)	**(7,852,267)**
Derecognition of U1 inspections	-	(52,473,435)	-	-	**(52,473,435)**
Disposals	-	-	(2,241,701)	(1,257,641)	**(3,499,343)**
Balance as of December 31st, 2018 (audited)	**32,302,399**	**4,677,768,128**	**1,957,346,184**	**1,012,849,615**	**7,680,266,326**
Additions	-	-	24,819,413	196,309,909	221,129,322
Transfers	-	74,616,462	21,485,075	(96,101,537)	-
Inventories transfers	(120,740)	-	(2,159,074)	5,158,567	2,878,753
Spare parts reclassified as fixed assets	-	-	42,735,091	(11,864,683)	30,870,408
Transfer to intangible assets	-	-	-	(2,400,260)	(2,400,260)
Derecognition of U2 inspections	-	(46,771,637)	-	-	(46,771,637)
Derecognition of the drainage investments	-	-	-	(5,040,010)	(5,040,010)
Reclassification of heavy water	-	632,672,849	(632,672,849)	-	
Disposals	-	-	(3,623,763)	-	(3,623,763)
Balance as of December 31st, 2019 (audited)	**32,181,659**	**5,338,285,802**	**1,407,930,078**	**1,098,911,600**	**7,877,309,139**
Depreciation and impairment losses					
Balance as of January 1st, 2018 (audited)	**550,782**	**733,245,253**	**882,117,425**	**149,286,369**	**1,765,199,828**
Effect of correction	-	48,019,397	-		**48,019,397**
Balance as of January 1st, 2018 (audited, restated)	**550,782**	**781,264,650**	**882,117,425**	**149,286,369**	**1,813,219,225**
Depreciation charges	-	414,761,137	110,141,237	-	**524,902,374**
Offset of accumulated depreciation upon revaluation	-	(1,059,894,917)	(60,605,906)	-	**(1,120,500,824)**
Cumulative depreciation of U1 inspections derecognized	-	(52,473,435)	-	-	**(52,473,435)**
Offset of accumulated disposals	-	-	(1,841,771)	-	**(1,841,771)**
Impairment adjustments	-	-	10,077,433	(906,054)	**9,171,379**
Balance as of December 31st, 2018 (audited)	**550,782**	**83,657,435**	**939,888,417**	**148,380,315**	**1,172,476,948**
Depreciation charges	-	419,408,749	106,586,611	-	525,995,360
Cumulative depreciation of U2 inspections derecognized	-	(46,771,637)	-	-	(46,771,637)
Offset of accumulated disposals	-	-	(3,237,033)	-	(3,237,033)
Derecognition of the accumulated amortization of transfers into inventory	-	-	(48,181)	-	(48,181)
Reclassification of heavy water	-	215,583,234	(215,583,234)	-	-
Impairment adjustments	-	-	7,429,167	19,972,344	27,401,511
Balance as of December 31st, 2019 (audited)	**550,782**	**671,877,780**	**835,035,747**	**168,352,659**	**1,675,816,967**
Carrying amount	-				
Balance as of January 1st, 2018 (audited, restated)	**30,983,658**	**4,916,965,695**	**1,064,947,331**	**852,805,541**	**6,865,702,225**
Balance as of December 31st, 2018 (audited, restated)	**31,751,617**	**4,594,110,693**	**1,017,457,767**	**864,469,300**	**6,507,789,378**
Balance as of December 31st, 2019 (audited)	**31,630,877**	**4,666,408,022**	**572,894,331**	**930,558,941**	**6,201,492,171**

5. TANGIBLE ASSETS (CONTINUED)

Nuclear plants, machinery, equipment and other assets

During 2019, the Company reclassified the "heavy water" asset from the "Machinery, equipment and other assets" category into the "Nuclear power plants" category, as a result of considering this asset as part of the power plants. The transferred value is of RON 632,672,849, and the cumulated depreciation is of RON 215,583,234.

The position "Machinery, equipment and other assets" mainly includes administrative buildings with a net carrying amount as of December 31st, 2019 amounting to RON 258,982,893 (December 31st, 2018: RON 277,883,541).

During 2019, the Company purchased 7.8 tons of heavy water from the National Administration of State Reserves and Special Issues ("ANRSPS") required for Units 1 and 2, amounting to RON 15,763,228 (in 2018, 5.3 tons were purchased, amounting to RON 10,339,066).

In 2019, GMS Resolution 5/ April 23rd, 2019 approved the sale of asset "Singles' accommodation unit". Thus, from the "Machinery, equipment and other assets" position and from the "Lands" position, the amounts related to this asset were transferred to assets, namely RON 2,159,074 and RON 120,740, which are reflected in the "Inventory transfer" line. The amounts comprise the building, the related land, the central heating network connection installation, parking fittings, sports land, green areas, located at address: 14, Salciei Street, Cernavoda, Constanta County.

Non-current assets in progress

On December 31st, 2019, the net book value of the assets in progress, amounting to RON 930,558,941, includes the following items:

- Units 3 and 4 with a net book value of RON 652,064,717 (December 31st, 2018: RON 506,035,734);
- Investments related to units 1 and 2, in total amount of RON 278,494,224, the most representative ones being:
  - ✓ D2O tritium removal installation worth RON 63,238,682 (December 31st, 2018: RON 63,238,682);
  - ✓ Construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to RON 25,402,167 (December 31st, 2018: RON 22,729,419);
  - ✓ Improving the Nuclear security systems following the Fukushima event amounting to RON 34,941,782 (December 31st, 2018: RON 19,490,869);
  - ✓ Equipment and materials for ongoing investments amounting to RON 47,683,884 (December 31st, 2018: RON 30,129,379);
  - ✓ Modernization of the physical protection system in value of 16,766,486 RON (December 31st, 2018: RON 7,353,151).

The value of the investment of **Units 3 and 4** amounts to RON 652,064,717, of which the book value of Units 3 and 4 is RON 273,960,000 (December 31st, 2018: RON 273,960,000), the rest representing heavy water purchased for Units 3 and 4, namely approx. 75 tons, whose accounting value as of December 31st, 2019 is RON 159,238,387 (December 31st, 2018: RON 159,238,387), and equipment and other assets for Units 3 and 4, amounting to RON 214,809,343. Before 1991, the nuclear Units 1, 2, 3, 4 and 5 were considered as a single project and therefore the construction costs incurred had not been allocated per unit. Subsequently, the Company allocated the costs for the construction of Units 3 and 4 of the nuclear power plants and for Unit 5.

On December 31st, 2019 the gross accounting value for Unit 5 is RON 137 million (December 31st, 2018: 137 million RON). On December 31st, 2013 the Group recognized a depreciation adjustment of 100% of the Unit 5 since there were no plans to resume its construction. In March 2014, the Company shareholders approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation the result of which will be an asset with a different use than the initial use of Unit 5.

The **main investments commissioned** by the Company in 2019, 1 from the projects in progress related to Units 2 and 2 are represented by: performance of annual inspections conducted during the planned outage of Unit 2 amounting to RON 74.616.462, assembling spare parts on the operated equipment in value of RON 12,192,177, assembling a spectrometer in order to determine the metallic impurities in uranium in value of RON 862,088 and capital repairs on U1 compressors in value of RON 1,797,291.

5. TANGIBLE ASSETS (CONTINUED)

Impairment adjustments

As of December 31, 2019, the Company recorded adjustments for the impairment of assets in the total amount of RON 27,401,511, of which RON 19,369,715 are related to the recalculated spare parts from the financial position "Stocks" to the position "Property, plant and equipment".

As of December 31st, 2019, the Company has fixed assets purchased based on credit from suppliers (commercial credit) amounting to RON 16,166,790 (December 31st, 2018: RON 14,722,450).

Decommissioning of nuclear units

The nuclear power Unit 1 is scheduled to operate until 2026, and Unit 2 until 2037. The Group has not recorded a provision for the decommissioning of the two units because it is not responsible for the decommissioning works. According to Government Decision no. 1080/ 2007, the Nuclear Agency and Radioactive Waste ("ANDR") is responsible for collecting the contributions paid by the Company for the remaining useful life of these units and assume the responsibility for the management of the entire decommissioning process at the end of the useful life of the two units, as well as for the permanent storage of the resulting waste (see Note 19). The Group's contribution to ANDR during the year 2019 amounts to RON 98,249,692 (December 31st, 2018: RON 97,237,720).

Assets pledged as security

As of December 31st, 2019, and December 31st, 2018, the Group has no pledged or mortgaged assets.

6. INTANGIBLE ASSETS

	Licenses and software	Power plant software and other intangible assets	TOTAL
Cost			
Balance as of January 1st, 2018 (audited)	**64,216,654**	**185,627,004**	**249,843,658**
Reallocations	122,135,570	(120,135,570)	-
Additions	546,221	3,996,061	4,542,282
Transfers	26,084,953	(26,084,953)	-
Transfer form tangible assets	25,934	7,826,332	7,852,267
Disposals	(384,987)	(34,274)	(419,261)
Balance as of December 31st, 2018 (audited)	**212,624,346**	**49,194,600**	**261,818,946**
Balance as of January 1st, 2019 (audited)	**212,624,346**	**49,194,600**	**261,818,946**
Additions	25,440,407	-	-
Transfers	(9,854,482)	46,949	25,487,356
Transfer form tangible assets	2,400,260	9,854,482	2,400,260
Disposals	(636,739)	(56,376)	(693,115)
Balance as of December 31st, 2019 (audited)	**229,973,790**	**59,039,656**	**289,013,446**
Accumulated amortization			
Balance as of January 1st, 2018 (audited)	**62,324,837**	**124,982,334**	**187,307,171**
Reallocations	100,638,341	(100,638,341)	-
Depreciation charges	15,325,502	4,770,954	20,096,456
Amortization related to disposals	(384,988)	(34,274)	(419,262)
Balance as of December 31st, 2018 (audited)	**177,903,692**	**29,080,673**	**206,984,365**
Balance as of January 1st, 2019 (audited)	**177,903,692**	**29,080,673**	**206,984,365**
Depreciation charges	15,827,403	6,133,608	21,961,011
Amortization related to disposals	(636,739)	(56,376)	(693,115)
Balance as of December 31st, 2019 (audited)	**193,094,356**	**35,157,905**	**228,252,261**
Carrying amount			
Balance as of January 1st, 2018 (audited)	**1,891,817**	**60,644,669**	**62,536,487**
Balance as of December 31st, 2018 (audited)	**34,720,654**	**20,113,927**	**54,834,581**
Balance as of December 31st, 2019 (audited)	**36,879,434**	**23,881,751**	**60,761,185**

As of December 31st, 2019, the position "Licenses and software" includes other intangible assets representing ongoing licenses and software amounting to RON 4,316,960 (December 31st, 2017: RON 3,466,815), items that, during the year 2018, were classified in the position of "Software for the nuclear power plant".

During 2018, the Group analyzed the intangible asset categories for the assignment within the "Licenses and software" and "Power plant software and other intangible assets" categories, both on cost and depreciation, resulting in a net reallocation of RON 21,479,229.

7. FINANCIAL ASSETS

On December 31st, 2019, in the position of "Financial Assets", the Group records the letters of bank guarantee guaranteed by collateral deposit, the maturity whereof is more than 12 months, and also the contribution as a member in: The European Mutual Insurance Association for Civil Liability for Nuclear Damage ("ELINI"), the Romanian Commodity Exchange and the Romanian Atomic Forum - Romatom.

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Bank deposits due within 12 months*)	37,780,000	105,418,528
ELINI contribution	5,032,931	5,032,931
Contribution to the Romanian Commodity Exchange**)	23,000	23,000
Romatom contribution**)	100	100
Total	**42,836,031**	**110,474,559**

*) The letters of bank guarantee with collateral deposit are set up in favour of OPCOM, Transelectrica and CIGA Energy.

**) The BRM and Romatom contributions were transferred on December 31st, 2018 from the position of "Financial investments" to the position of "Financial assets".

8. INVENTORIES

As of December 31st, 2019 and December 31st, 2018, the inventories are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Spare parts	135,934,179	141,293,048
Consumables and other materials	48,185,789	40,636,148
Nuclear fuel	158,829,051	134,039,382
Uranium	55,554,976	38,490,987
Other inventories	6,652,236	14,282,224
Total	**405,156,231**	**368,741,789**

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

As of December 31st, 2019 and December 31st, 2018, the trade receivables and other receivables are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Trade receivables	180,489,914	168,522,269
Adjustments for impairment of trade receivables	(10,496,161)	(10,858,933)
Other receivables	20,799,707	20,628,177
Adjustments for impairment of other receivables	(3,074,604)	(3,190,028)
Taxes and duties	29,009,148	6,207,324
Total	**180,489,914**	**181,308,809**

As of December 31st, 2019, the main trade receivables in the balance are from: Electrica Furnizare S.A. - RON 29,966,395 (December 31st, 2018 - RON 21,322,519), E.ON Energie Romania S.A. - RON 19,567,382 (December 31st, 2018 - RON 11,176,963), GEN-I d.o.o. - RON 14,020,156 (December 31st, 2018 - RON 18,411,098), CEZ Vanzare S.A. - RON 13,561,964 (December 31st, 2018 - RON 3,260,654), Enel Energie S.A. - RON 12,740,951 (December 31st, 2018 - RON 7,368,390), Alro S.A. - RON 11,776,349 (December 31st, 2018 - RON 12,650,998).

9. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

The sales made during 2019 to: Electrica Furnizare S.A. represented approximately 15% (2018: 9%), Romanian Electricity and Gas Market Operator "OPCOM" S.A. represented approximately 10% (2018: 13%) and E.ON Energie Romania S.A. represented approximately 8% (2018: 7%) of the total revenues of the Group.

The Group's exposure to credit and market risks as well as the allowance for impairment in respect of trade receivables are presented in Note 24.

As of December 31st, 2019, the "Trade receivables" and "Adjustments for impairment of trade receivables" include a net amount of RON 1,285,168 related to receivables from affiliated parties (December 31st, 2018: RON 2,677,987). As of December 31st, 2019, the positions "Other receivables" and "Adjustments for impairment of other receivables" do not include an amount corresponding to affiliated parties (December 31st, 2018: RON 0).

As of December 31st, 2019 the "Duties and Taxes" position represents the VAT to be recovered amounting to RON 26,346,859 (December 31st, 2018: RON 6,207,324).

10. CASH AND CASH EQUIVALENTS, BANK DEPOSITS AND FINANCIAL ASSETS

On December 31st, 2019 and December 31st, 2018, the cash and cash equivalents are as follows:

	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Cash and cash equivalents in RON	1,767,468,529	1,607,697,425
Cash and cash equivalents in foreign currencies	26,033,088	4,261,317
Total cash and cash equivalents	**1,793,501,617**	**1,611,958,742**

The "Cash and cash equivalents" position also includes bank deposits amounting to RON 1,604,778,300 (December 31st, 2018: RON 1,438,730,983), as well as the amount of RON 840,891 representing letters of credit issued in favor of providers of equipment, spare parts, services and technical support (December 31st, 2018: RON 2,945,617).

On December 31st, 2019 and December 31st, 2018, all bank deposits presented under the "Bank deposits" position are in RON.

	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Bank deposits	**58,879,494**	**20,954,979**

As of December 31st, 2019, the Group is in possession of letters of guarantee issued by different banks at the request of the Group in favor of third parties, for a total value of RON 96,659,494 (December 31st, 2018: RON 126,373,507), for which a cash collateral in the form of collateral deposits was established, divided as follows: RON 58,879,494 under the "Bank deposits" position (December 31st, 2018: RON 20,954,979) related to letters of bank guarantee with a maturity of up to one year and RON 37,780,000 under the "Financial assets" position for letters of bank guarantee with a maturity of over one year (December 31st, 2018: RON 105,418,528). These letters of bank guarantee are related to the Group's participation on the electricity market, mostly representing the Group's sales of electricity.

11. EQUITY

Share capital

The parent-Company was established through separation from the former RENEL. The share capital represents the State's contribution to the incorporation of the parent-Company on June 30th, 1998 (restated for inflation up to December 31st, 2003) plus subsequent increases.

According to the articles of incorporation, the authorized capital of the parent-Company is RON 3,016,200,000. The subscribed and paid share capital as of December 31st, 2019 is RON 3,015,138,510, under the authorized capital.

As of December 31st, 2019 and December 31st, 2018, the share capital includes the effect of reassessments registered in the previous years required by the application of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The reconciliation of the share capital is as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Subscribed and paid in share capital (nominal value)	3,015,138,510	3,015,138,510
Differences related to the restatement according to IAS 29	195,502,743	195,502,743
Share capital (restated value)	**3,210,641,253**	**3,210,641,253**

As of December 31st, 2019 and December 31st, 2018, the value of the statutory subscribed and paid-off share capital amounts to RON 3,015,138,510, consisting of 301,513,851 ordinary shares having the nominal value of 10 RON each.

The holders of ordinary shares are entitled to receive dividends, as they are reported from time to time, and one vote per share at the General Meetings of Shareholders.

The shareholding structure of the Group on December 31st, 2019 and December 31st, 2018 is as follows:

Shareholders	Number of shares December 31st, 2019	% of the share capital	Number of shares December 31st, 2018	% of the share capital
The Romanian State - Ministry of Energy*)	248,736,619	82.4959%	248,736,619	82.4959%
Fondul Proprietatea S.A.	21,268,355	7.0539%	21,268,355	7.0539%
Other shareholders	31,508,877	10.4502%	31,508,877	10.4502%
Total	**301,513,851**	**100%**	**301,513,851**	**100%**

**) Starting with February 11th, 2020, the shares held by the Romanian State via the Ministry of Energy are transferred to the Romanian State via the Ministry of Economy, Energy and Business Environment, as a result of the implementation of the provisions of the Government Emergency Ordinance no. 68/ November 6th, 2019.*

Share premiums

In November 2013, the Company issued 28,100,395 ordinary shares on the Bucharest Stock Exchange through an initial public offering and the exercise of preemptive right by the shareholder Fondul Proprietatea S.A. The amount collected – amounting to RON 312,478,099 - was made up of the share capital increase of RON 281,003,950 and an issue/share premium of RON 31,474,149.

11. EQUITY (CONTINUED)

Prepaid reserve

The prepaid reserves amount to RON 21,553,537 as of December 31, 2019 and December 31, 2018 and represent objectives of public utility at Cernavodă NPP (RON 5,439,321 as of December 31, 2019 and December 31, 2018), budgetary allocations for the period 2007-2011 for the construction of the Training and Recreation Center for Youth and Children in Cernavodă (RON 16,114,216 as of December 31, 2019 and December 31, 2018).

Legal reserves

According to the legal requirements, the Company sets up legal reserves in the amount of 5% of the gross registered profit up to the level of 20% of the share capital. The value of the legal reserve as of December 31st, 2019 is of RON 154,447,897 (December 31st, 2018: RON 122,883,967).

Legal reserves cannot be distributed to the shareholders. The value of the legal reserves was included in the statement of financial status, among the "Retained earnings".

Revaluation reserves

As of December 31st, 2019, the revaluation reserve amounts to RON 1,820,339,902 (December 31st, 2018: RON 1,820,339,902), net of deferred tax related to the revaluation reserve. The last revaluation of lands, buildings and constructions took place on December 31, 2018 by an independent valuer, Primoval SRL, member of the National Association of Certified Assessors in Romania ("ANEVAR").

Retained earnings

The retained earnings are the cumulated earnings of the Group. The retained earnings are distributed based on the annual financial statements prepared in accordance with the Public Finance Minister's Order no. 2844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards.

During the financial year ended on December 31st, 2019, the parent- Company declared dividends in the amount of RON 378,914,310 distributed from the net profit of the financial year of 2018, according to the Resolution of the Ordinary General Meeting of the Shareholders no. 5/April 23rd, 2019 (December 31st, 2018: RON 756,799,766, of which RON 271,362,466 distributed from the net profit of the financial year of 2017, according to the Resolution of the Ordinary General Meeting of the Shareholders no. 5/April 25th, 2018 and RON 485,437,300 according to the Resolution of the General Meeting of the Shareholders no. 13/December 10th, 2018, distributed according to the provisions of art. II and art. III of Government Emergency Ordinance no. 29/2017, from "Other reserves representing funds for own financing sources"). Unpaid net dividends as of December 31st, 2019 amounted to RON 655,353 (December 31st, 2018: RON 684,121).

The impact of the correction of accounting errors as of December 31, 2018 on the "Result carried forward" position resulting from the application of IAS 16 on general inspections of nuclear plant units is shown in Note 2 (e).

Dividends

During the financial year ended on December 31st, 2019, the parent- Company declared dividends amounting to RON 378,914,310 (December 31st, 2018: RON 756,799,766), and Energonuclear S.A. branch declared dividends amounting to RON 95 (December 31st, 2018: RON 0).

12. EARNINGS PER SHARE

As of December 31st, 2019 and December 31st, 2018, the earnings per share were as follows:

(i) Basic earnings per share

	2019 (audited)	2018 (audited)
Net profit for the year	**535,563,109**	**410,565,969**
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of ordinary shares issued during the period	-	-
Weighted-average number of ordinary shares as of December 31	**301,513,851**	**301,513,851**
Basic earnings per share (RON/share)	**1.78**	**1.36**

(ii) Diluted earnings per share

	2019 (audited)	2018 (audited, restated)
Net profit for the year	**535,563,109**	**410,565,969**
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of shares issued during the period	-	-
Weighted-average number of ordinary shares at the end of the period	301,513,851	301,513,851
Weighted-average number of ordinary shares (diluted) on December 31st	**301,513,851**	**301,513,851**
Diluted earnings per share (RON/share)	**1.78**	**1.36**

13. LOANS

Reimbursements of loans during the year ended on December 31st, 2019 were as follows:

	Currency	Interest rate	Value	Year of final maturity
Balance as of January 1st, 2019 (audited)			**909,860,972**	
New issues				
Reimbursements, out of which				
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.7%	(36,624,032)	2022
Societe Generale - AECL BC	CAD	CDOR 6M + 0.375%	(70,051,215)	2022
EURATOM	EUR	EURIBOR 6M + 0.08%	(109,699,740)	2024
Exchange rate differences			**35,374,630**	
Balance as of December 31st, 2019 (audited)			**728,860,615**	

(i) Long term loans

As of December 31st, 2019 and December 31st, 2018, the long-term borrowings are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Societe Generale - ANSALDO BC	91,865,702	125,506,545
Societe Generale - AECL BC	178,660,043	228,883,938
EURATOM	458,334,870	555,470,490
Total long-term loans	**728,860,615**	**909,860,973**
Less: Current portion of long-term loans	(219,090,059)	(209,456,905)
Less: Balance of commitment and insurance fees (long term)	(9,861,959)	(16,436,599)
Total long-term loans net of the short-term portion	**499,908,597**	**683,967,469**

The long-term borrowings are detailed as follows:

a) *The loan granted by Societe Generale – ANSALDO*

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was EUR 115.3 million. The amount due on December 31st, 2019 is EUR 19.22 million (December 31st, 2018: EUR 26.91 million). The reimbursement is divided in 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan is subject to a variable EURIBOR interest rate every six months and a 0,45% margin for the first 15 years and EURIBOR every six months plus a 0,7% margin for the remaining period. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

b) The loan granted by Societe Generale – AECL

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was CAD 327.8 million. The amount due on December 31, 2019 is CAD 54.63 million (December 31, 2018: CAD 76.49 million). The reimbursement is divided in 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan is subject to a variable CDOR interest rate every six months plus a 0.375% margin. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

13. LOANS (CONTINUED)

c) The loan granted by EURATOM

The loan was granted by EURATOM to the Group in 2004. The initial value of the loan was EUR 223.5 million. The amount due on December 31, 2019 is EUR 95.90 million (December 31, 2018: EUR 119.10 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 30 million (December 31st, 2018: EUR 40 million); (ii) Second instalment with a balance of EUR 45 million (December 31st, 2018: EUR 54 million) and (iii) Third instalment with a balance of EUR 20.9 million (December 31st, 2018: EUR 25.1 million). Repayment of first instalment will be made in 20 instalments payable during 2013-2022, repayment of second instalment will be made in 20 instalments payable during 2015-2024 and the repayment of third instalment will be made in 16 instalments payable during 2017-2024. The loan is subject to a variable EURIBOR interest rate every six months plus a 0.080% margin for the first 2 instalments and a 0.079% for the third instalment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

The loan agreement includes certain financial clauses: (i) the coverage index for the debt service should be at least 1.5; (ii) indebtedness must not exceed the value 2; (iii) the Group's income should be sufficient to cover the operating and maintenance cost for Units 1 and 2, as well as the interests payments in relation to units 1 and 2.

Financial indicators must be calculated based on the financial statements prepared in accordance with the International Financial Reporting Standards.

As of December 31st, 2019 and December 31st, 2018, the financial indicators required by EURATOM are met. All loans have been contracted to finance the construction of Unit 2.

The Group has not entered into any hedging arrangements against risks in respect of obligations in foreign currency or interest rate exposure. The fair value of long-term loans, which was estimated by discounting the future contractual cash flows using current market interest rate available for similar financial instruments, does not differ significantly from the values mentioned above.

Guarantees

Loans with foreign banks contracted from Societe Generale ("SG") and EURATOM are guaranteed by the Romanian state through the Ministry of Public Finance. Besides, loans by SG are guaranteed by foreign insurers (COFACE) and promissory notes are issued by the Group in favor of the creditor.

(ii) Short-term borrowings

As of December 31st, 2019 and December 31st, 2018, the short-term borrowings are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Current portion of long-term loans	219,090,059	209,456,905
Interests related to the long-term borrowings	375,872	511,595
Short-term transaction costs	(6,574,639)	(6,574,640)
Total short-term loans	**212,891,292**	**203,393,860**

14. TRADING AND OTHER LIABILITIES

As of December 31st, 2019 and December 31st, 2018, the suppliers and other obligations are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited, restated)
Non-current assets suppliers	16,166,790	14,774,344
Trade payables	83,013,147	60,576,536
Obligations related to employee liabilities	20,545,047	24,450,054
Payables to the State	93,621,529	89,315,449
Dividends payables	668,882	4,278,146
Other payables	6,382,967	3,912,931
Total	**220,398,362**	**197,307,460**

On December 31st, 2019, the main balance suppliers, from the "Non-current assets suppliers" and "Suppliers" positions, are: Mate – Fin Bucharest – RON 18,280,923 (December 31st, 2018: RON 2,529,050), Apele Romane Bucharest – RON 11,923,228 (December 31st, 2018- RON 11,951,605), Elcomex I.E.A. S.A. – RON 9,720,914 (December 31st, 2018 – RON 4,600,203), Candu Energy Inc. – RON 7.927.602 (December 31st, 2018 – RON 575,875), General Concrete S.R.L. – RON 3,575,409 (December 31st, 2018 – RON 5,160,292).

As of December 31st, 2019, "Accounts payable and other liabilities" include the amount of RON 31,671,319 (December 31st, 2018: RON 29,081,865) related to liabilities to affiliated parties, of which, under the "Suppliers" and "Non-current assets suppliers" positions, the amount of RON 22,793,340 (December 31st, 2018: RON 20,779,125) and under the position "Payables to the State" the amount of RON 8,868,052 (December 31st, 2018: RON 8,302,740), representing the contribution to ANDR, for the decommissioning of nuclear facilities and the permanent storage of radioactive waste.

As of December 31st, 2019, the "Payables to the State" position includes the debt related to local taxes and duties set by state authorities in 2019, amounting to RON 56,508,340 (December 31st, 2018: RON 56,421,959), which, according to IFRIC 21 - Taxes, is recognized on December 31st. The maturity of these taxes and charges is during the financial year 2019.

15. PROVISIONS FOR RISKS AND EXPENSES

As of December 31st, 2019 and December 31st, 2018, respectively, the Group recognized the following provisions, included under the position "Provisions for risks and expense" and the position "Current share of provisions for risks and expenses":

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Obligations regarding the Intermediary Used Fuel Storage (DICA)	69,361,429	60,633,302
Obligations regarding the low and medium radioactive and non-radioactive waste	97,050,892	97,648,239
Salary increase litigation provision	87,801,325	34,937,153
Employees' participation to the profit	18,700,000	16,000,000
Provisions for litigations	6,000,000	7,495,641
Total	**278,913,646**	**216,714,335**

On December 31st, 2019, the provisions in the total amount of RON 278,913,646 represent long-term and short-term liabilities, as follows:

	Long-term share (> 1 year)	Current share (< 1 year)
Obligations regarding the Intermediary Used Fuel Storage (DICA)	37,942,402	31,419,027
Obligations regarding the low and medium radioactive and non-radioactive waste	87,727,270	9,323,622
Salary increase litigation provision	87,801,325	-
Employees' participation to the profit	-	18,700,000
Provisions for litigations	-	6,000,000
Total	**213,470,997**	**65,442,649**

"Salary increase litigation provision" position represents the forecast of the effects of litigations initiated by Unions against the Company, CNE Cernavoda Union and Sindicatul Liber Energetica Nucleara '90 Union, with regard to the allowance for nuclear risk, as a salary increase.

16. CORPORATE TAX

The corporate tax recognized in the profit and loss account:

	2019 (audited)	2018 (audited, restated)
Current corporate tax expense	117,510,572	182,146,605
Net (income) from the deferred tax	(21,901,707)	(20,134,506)
Total	**(95,608,865)**	**162,012,099**

Receivables and liabilities related to the deferred taxes are assessed on December 31, 2019 and December 31, 2018 at the 16% effective tax rate, representing the tax rate currently implemented.

Reconciliation of effective tax rate:

	2019 (audited)	2018 (audited)
Profit before corporate tax	**631,278,486**	**572,623,401**
Tax in compliance with the statutory taxation rate of 16% (2018: 16%)	**101,004,558**	**91,619,765**
Effect on the corporate tax of the:		
Legal reserve	(5,050,229)	(4,580,987)
Tax amortization	(1,113,308)	(927,936)
Non-taxable revenues	(8,971,483)	(7,532,465)
Non-deductible expenses	31,904,903	25,475,339
Revaluation reserve gains	11,590,465	10,909,404
Additional dividends distributed from revaluation reserves	-	77,669,968
Temporary differences	(21,901,707)	(20,134,506)
Tax facilities on the broken-down VAT payment	-	(9,605,836)
Sponsoring	(10,897,352)	(364,312)
Reinvested profit	(956,982)	(516,335)
Corporate tax expense	**95,608,865**	**162,012,099**

The deferred tax consists of:

December 31st, 2019 (audited)	Assets	Liabilities	Net
Tangible assets		131,943,299	131,943,299
Intangible assets		867,229	867,229
Inventories	(1,227,867)		(1,227,867)
Trade receivables	(2,146,609)		(2,146,609)
Obligations regarding employees' benefits	(5,513,746)		(5,513,746)
Employees' participation to the profit	(2,992,000)		(2,992,000)
Salary increase provision	(14,048,212)		(14,048,212)
Holiday leaves not taken	(621,990)		(621,990)
Taxes and duties	(9,028,953)		(9,028,953)
Radioactive and non-radioactive waste	(15,528,143)		(15,528,143)
Other provisions	(960,000)		(960,000)
Net tax (asset)/debt	**(52,067,520)**	**132,810,528**	**80,743,008**

December 31st, 2018 (audited)	Assets	Liabilities	Net
Tangible assets		143,913,930	143,913,930
Intangible assets		1,995,784	1,995,784
Inventories	(1,421,116)		(1,421,116)
Trade receivables	(3,410,935)		(3,410,935)
Obligations regarding employees' benefits	(5,133,123)		(5,133,123)
Salary increase provision	(5,589,944)		(5,589,944)
Employees' participation to the profit	(2,560,000)		(2,560,000)
Holiday leaves not taken	(512,778)		(512,778)
Taxes and duties	(9,013,385)		(9,013,385)
Radioactive and non-radioactive waste	(15,623,718)		(15,623,718)
Net tax (asset)/debt	**(43,264,999)**	**145,909,714**	**102,644,715**

16. CORPORATE TAX (CONTINUED)

The movement table regarding the deferred taxes debt in 2018 and 2019 is as follows:

	Balance as of December 31st, 2017 (audited, restated)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other comprehensive income	Balance as of December 31st, 2018 (audited)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other comprehensive income	Balance as of December 31st, 2018 (audited)
Tangible assets	139,273,652	(10,579,027)	8,875,461	143,913,930	(11,970,631)	5,602,184	131,943,299
Intangible assets	3,971,298	(1,440,860)	-	1,995,784	(1,128,555)		867,229
Inventories	(1,413,187)	579,839	-	(1,421,116)	193,249		(1,227,867)
Trade receivables	(2,610,712)	(800,223)		(3,410,935)	1,264,325		(2,146,609)
Obligations regarding employees' benefits	(5,149,834)	16,711	-	(5,133,123)	(380,623)		(5,513,746)
Salary increase provision	-	(5,589,944)	-	(5,589,944)	(8,458,268)		(14,048,212)
Employees' participation to the profit	(2,122,400)	(437,600)	-	(2,560,000)	(432,000)		(2,992,000)
Allowances for administrators	(33,048)	33,048	-	-	-		-
Holiday leaves not taken	(382,729)	(130,049)	-	(512,778)	(109,212)		(621,990)
Taxes and duties	(7,237,103)	(1,776,282)	-	(9,013,385)	(15,568)		(9,028,953)
Radioactive and non-radioactive waste	(15,613,600)	(10,119)	-	(15,623,718)	95,576		(15,528,143)
Other provisions	-	-	-	-	(960,000)		(960,000)
Net tax (asset)/debt	**113,903,761**	**(20,134,506)**	**8,875,461**	**102,644,715**	**(21,901,707)**	**5,602,184**	**80,743,008**

17. EMPLOYEE BENEFITS

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Retirement benefits	25,710,198	24,806,444
Anniversary bonuses	5,905,461	5,047,533
Benefits in case of death	910,676	977,098
Retirement benefits in the energy field	9,095,310	7,786,273
Total	**41,621,644**	**38,617,348**

On December 31st, 2019, the Group has the following obligations:

- to pay the employees who are retiring retirement premiums ranging between 2 and 3 basic salaries according to the number of years of seniority in the field of electric, thermal and nuclear energy;
- to pay the employees jubilee premiums according to the number of years of uninterrupted seniority in the field of electric, thermal and nuclear energy;
- to pay the aid to the family of the employee, in the event of his/her death;
- to pay employees who are retiring an energy benefit, representing the equivalent value of 1,200 KWh/year electricity share. The awarding criterion for this benefit is the 15-year-old seniority in the field of energy, of which at least the last 10 years within SNN. This benefit is granted as of April 1st, 2017.

17. OBLIGATIONS CONCERNING EMPLOYEES' BENEFITS (CONTINUED)

The following assumptions were taken into account for the application of IAS 19 "Employee Benefits" on December 31st, 2019 and December 31st, 2018.

Assessment date	December 31st, 2019	December 31st, 2018
Number of employees	2,153	2,059
Rate of wage increase	The management of the company estimated a growth of 3.2% in 2020 and with the annual rate of increase of consumer prices communicated by the National Forecast Commission. For 2021 and the following years, we still considered an average wage increase by the annual inflation rate estimated at the annual inflation target of 2.5%.	SNN's management estimated an increase in the annual rate of increase in consumer prices communicated by the National Prognosis Commission. The evolution of the price increase estimated by the Winter Forecast 2018 is: 2.8% in 2019 2.5% in 2020 2.3% in 2021 2.2% in 2022 For 2023 and the following years: average salary increase with the annual inflation rate.
Rate of kWh price increase	The kWh price updated on December 31st, 2019 was of RON 0.6683. For the period 2020-2030, we used the estimates provided by the Company and an evolution in the same trend for the following years.	kWh price updated on December 31st, 2018: RON 0.6629. For 2019-2030: estimates provided by SNN and development on the same trend for the years to come.
Real average productivity	2.05%	2.05%
Mortality tables	Mortality rates in Romania in 2013	Mortality rates in Romania in 2013
Gross average wage	8,392	8,318

The above assumptions have been considered taking into account:

- The actual average efficiency is calculated based on the estimation of the inflation rate and government bonds efficiency on the active market as of December 31st, 2019 and for the residual term to maturity of 1 - 9 years and 12 years.
- Mortality rate used is the one communicated by the National Institute of Statistics.
- A discount rate of 4.25%.

18. REVENUES FROM ELECTRICITY SALES

(i) Revenues from electricity sales

	2019 (audited)	2018 (audited)
Sales of electricity on regulated market	259,323,436	-
Sales of electricity on free market	2,099,877,476	2,111,993,904
Sales of thermal energy	6,329,627	4,970,369
Revenues from green certificates	25,458	19,929
Total	**2,365,555,997**	**2,116,984,202**

(ii) The amount of energy sold

	2019 (audited)	2018 (audited)
Quantity of electricity sold on regulated market (MWh)	1,376,963	-
Quantity of electricity sold on free market (MWh)	9,245,123	10,642,623
	10,622,086	**10,642,623**

The Group is a participant in the balancing market, according to the convention of participation in the balancing market concluded with C.N. Transelectrica S.A. and set up a security in the amount of RON 50,000, valid until May 25th, 2020 and is a member of PRE Ciga Energy SA, in virtue of the contract concluded with Ciga Energy S.A. of supply of the representation service as party in charge of balancing (PRE), in reference to which it set up securities amounting to RON 1,450,000, valid until November 27th, 2020.

The quantity of energy sold presented does not include the quantity of energy corresponding to the income from positive unbalances valued on the Balancing Market, amounting 30,137 MWh for the fiscal year ended on December 31st, 2019 (33,556 MWh for the year ended on December 31st, 2018).

The Group is developing the activity of producing thermal energy by exploiting the energetic capacities corresponding to the units for producing electrical and thermal energy consisting in two heat switches with a full thermal power of 40 Gcal/h and 46.51 MW. The Group delivers thermal energy to the local thermal energy distribution company SC Utilitati Publice SA Cernavoda, as well as to other final consumers in the locality Cernavoda – business entities, social-cultural institutions. The sales of thermal energy in 2019 amount to RON 6,329,627 (December 31st, 2018: RON 4,970,369).

In 2019, the Group sold 12,9% energy on the regulated market (2018: 0 %). The total quantity of electricity sold in 2019 was 10,622,086 MWh (2018: 10,642,623 MWh). In the competitive market, in 2019, the Group delivered 86.8% of the energy sold (2018: 99.7%). The average sale price of electricity sold by the Group on this market in 2019 was of 227.13 RON/MWh (2018: 198.45 RON/MWh) value, which does not include Tg.

The electricity sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution. In 2018, the Energy Regulation National Authority ("ANRE") no longer set for manufacturers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the manufacturers based on regulated contracts and electricity quantities from the regulated contracts concluded by the manufacturers with last-instance suppliers, after completing the schedule for gradually removing regulated fees.

Following Government Emergency Ordinance no. 114/28.12.2018, which amends and supplements Electricity and natural gas law no. 123/2012, ANRE issued Order no. 10/01.02.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 326/February 25th, 2019, the quantity assigned to the Group for 2019 for regulated contracts was 1,377 GWh. ANRE established a regulated price for the Group of RON 188.33 /MWh (without Tg).

18. REVENUES FROM ELECTRICITY SALES (CONTINUED)

By the Current Report published on December 23rd, 2019, the Group informed the shareholders and the investors about the Decision of the National Energy Regulatory Authority no. 2213/December 23rd,2019, according to which it is bound to sell 2020 MWh on the regulated market in period January 1st, 2020 - June 30th, 2020 a quantity of 1,086,596,545 MWh, representing 10.5% of the total production quantity scheduled for 2020 at the regulated price of 188.47 RON/MWh. This regulated price does not include the electricity transmission fee, in the amount of RON 1.30/MWh (according to the Order of the National Regulatory Authority for Energy No. 218/December 11th, 2019). Also, the National Energy Regulation Authority informed the Group by Resolution no. 2214/December 23rd,2019 on the maximum quantities of electricity that may be imposed as sale obligations based on regulated contracts between July 1st, 2020 and December 31st, 2020. Thus, the maximum electricity quantity related to period July 1st, 2020 - December 31st, 2020 is 1,095,026,028 MWh.

19. PERSONNEL EXPENSES

In 2019, the personnel expenses amounted to RON 425,597,378 (2018: RON 388,847,183), as follows:

	2018 (audited)	2017 (audited)
Wages and salaries	393,674,514	359,086,900
Expenditure on social security and assimilated costs	31,922,864	29,760,283
Total expenses on employees	**425,597,378**	**388,847,183**

In 2019, the breakdown by category of employees is as follows:

	2019 (audited)	2018 (audited)
Chief officers	158	178
Executive officers	1,995	1,887
Total actual number of employees	**2,153**	**2,065**

20. OTHER OPERATING EXPENSES

	2019 (audited)	2018 (audited, restated)
Expenses with third parties' services	89,758,163	80,872,952
Expenses on ANDR	98,249,691	97,237,721
Energy and water expenses	79,490,421	78,040,404
Fuel and other consumables expenses	42,147,140	32,351,528
Expenses on the ANRE contribution	42,501,390	-
Costs of insurance premiums	12,701,686	12,433,430
Transport and telecommunication expenses	8,727,006	6,616,390
Tax on buildings expenses	55,838,095	55,772,410
Expenses related to provisions and impairments, net	55,123,571	38,064,930
Other operating expenses	40,377,336	31,339,130
Total	**524,914,499**	**432,728,895**

20. OTHER OPERATING EXPENSES (CONTINUED)

Expenses on ANDR

Starting with 2007, following the Government Decision no. 1080/2007 regarding the safe management of the radioactive waste and the decommissioning of the nuclear installations, the Company is required to make two types of contributions to the ANDR:

- Contribution for the decommissioning of each nuclear unit amounting to 0,6 EUR/MWh of electricity generated and delivered in the system;
- Contribution for the permanent storage of radioactive waste of 1,4 EUR/MWh of electricity produced and generated and delivered in the system.

According to this legislative act, the annual contribution for decommissioning is paid over the projected useful life of both nuclear units, and the direct annual contribution for permanent storage is paid over the operational period of the nuclear units and consequently, ANDR takes responsibility for managing the entire decommissioning process at the end of the useful life of the nuclear plants and the storage of resulting waste.

Expenses related to provisions and impairments

The position "Expenses related to provisions and impairments, net" includes the costs related to the provisions and impairments of the year, as well as income from the reversal of provisions during the year. In 2019, the Group established provisions amounting to RON 87,434,905 (2018: RON 60,795,053) and reversed provisions amounting to RON 32,311,334 (2018: RON 22,730,123). From among the provisions established in 2019, RON 52,864,172 represents the preliminary provision representing the salary increase (December 31st, 2018: RON 34,937,153), RON 14,705,612 represents the update of the provision for the intermediary burnt fuel tank ("DICA") (2018: RON 11,154,521) and RON 13,261,430 represents the update of the provision for low and medium radioactive waste (2018: RON 9,451,819).

Other operating expenses

The position "Other operating expenses" includes the expenses related to the operating authorizations paid to CNCAN Bucharest amounting to RON 9,900,000 (December 31st, 2018: RON 9,900,000), as well as other taxes and contributions paid to governmental and non-governmental organizations amounting to RON 3,570,853 (December 31st, 2018: RON 2,906,417).

21. FINANCIAL INCOMES AND EXPENSES

	2019 (audited)	2018 (audited)
Interest income	54,524,205	45,131,081
Foreign exchange gains	12,718,463	49,773,188
Income from dividends	1,193	1,193
Total financial revenues	**67,243,861**	**94,905,462**
Foreign exchange losses	(49,089,307)	(42,195,521)
Interest related expenses	(16,398,023)	(16,661,029)
Total financial expenses	(65,487,330)	**(58,856,550)**
Net financial income/(expense)	**1,756,531**	**36,048,912**

22. OTHER INCOMES

	2019 (audited)	2018 (audited)
Income from investment subsidies	14,368,732	14,376,189
Income from compensations, fines and penalties	1,924,538	19,613,133
Other revenues	23,364,944	16,212,646
Total	**39,658,214**	**50,201,968**

The subsidies for investment (long-term deferred income) granted in 2007 consisted of cancellation of penalties and liabilities related to loan contracts. The subsidies are recorded in the profit and loss account as income during 2007-2026, for the remaining useful life of Unit 1.

The "Revenues from penalties and compensation" position includes in 2018 the amount of 13.4 million RON representing compensation collected from S.C. Tess Conex S.A., following a final judgment passed pronounced in the month of January of 2018.

23. TRANSACTIONS WITH RELATED-PARTIES

i) Transactions with state-owned companies

The Group operates in an economic environment dominated by companies owned or controlled by the Romanian state through its governmental authorities and agencies, collectively referred to as state-owned companies.

The Group performed significant transactions with other companies owned or controlled by the state including: sales of electricity (OPCOM SA), purchase of heavy water necessary to fill the reserve for Units 1 and 2 of Cernavoda NPP (Administratia Nationala a Rezervelor de Stat si Probleme Speciale), acquisition of electricity transmission and balancing services (CN Transelectrica S.A.), purchase of natural uranium in the form of sinterable powder by UO2 (Compania Nationala a Uraniului S.A.), and payment of the contribution for the management of the decommissioning process of the two units and the final storage of nuclear waste at the end of the useful lifetime of the two units, as well as for the permanent storage of the resulting residues (Nuclear and Radioactive Waste Agency - ANDR).

During its activity, the Group identified the following transactions and balances with the main related parties:

	Sales		Receivables as of	
	2019 (audited)	**2018 (audited)**	**December 31st, 2019 (audited)**	**December 31st, 2018 (audited)**
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	236,626,767	301,974,078	610,066	1,811,364
C.N. Transelectrica S.A.	32,639,617	16,487,989	15,103	14,107
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	30,739,320	15,635,081	-	-
Utilitati Publice S.A. Cernavoda	6,411,004	5,040,662	1,248,170	1,484,528
Autonomous Administration of Technologies for Nuclear Energy - CITON	77,956	1,639	-	-
Compania Nationala Administratia Canalelor Navigabile S.A.	6,284	7,541	1,415	2,162
Autonomous Administration of Technologies for Nuclear Energy - ICN	4,034	2,689	-	-
Compania Nationala a Uraniului S.A.	126	53,577	22,679,314	-
Total	**306,505,107**	**339,203,256**	**24,554,068**	**3,312,161**

23. TRANSACTIONS WITH RELATED-PARTIES (CONTINUED)

***(i)* Transactions with state-owned companies (continued)**

	Purchases		Payables as of	
	2019 (audited)	**2018 (audited)**	**December 31st, 2019 (audited)**	**December 31st, 2018 (audited)**
Nuclear and Radioactive Waste Agency	98,249,692	97,237,719	8,868,052	8,302,740
Romanian Waters Bucharest	59,530,703	59,451,817	11,923,228	11,951,605
Compania Nationala a Uraniului S.A.	43,127,948	21,449,446	195,757	-
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	42,605,855	22,983,041	12,420	34,683
National Energy Regulatory Authority	42,511,640	1,907,915	-	-
National Administration of States Reserves and Special Matters	15,564,733	10,316,132	-	-
C.N. Transelectrica S.A.	12,436,882	11,804,071	2,673,283	6,895,972
Administratia Bazinala de Apa Dobrogea Litoral	11,208,392	10,835,017	3,165,422	2,526,881
National Commission for Nuclear Activities Control	9,201,100	9,228,265	-	-
Autonomous Administration of Technologies for Nuclear Energy - ICN	6,163,338	4,446,773	2,022,158	975,441
Compania Nationala Administratia Canalelor Navigabile S.A.	5,938,002	1,416,620	1,034,812	512,887
Raja S.A.	3,229,063	3,332,766	578,783	563,274
Autonomous Administration of Technologies for Nuclear Energy - CITON	957,802	2,065,469	821,141	734,774
Utilitati Publice S.A. Cernavoda	468,646	435,423	83,771	100,139
Societatea de distributie a energiei electrice Transilvania Sud S.A.	-	-	-	5,265,958
Total	**351,193,795**	**256,910,474**	**31,378,828**	**37,864,354**

ii) Guarantees received from the Romanian State through the Ministry of Public Finance

All loans are guaranteed by the Romanian State through the Ministry of Public Finance (refer to Note 11).

iii) Compensation to senior management of the Group

The management of the Group is made up of:

- The members of the Board of Directors of the company and the subsidiary Energonuclear who have concluded mandate contracts with the Group;
- The managers of the Group with mandate contracts within the Company;
- Other managers within the Group who have concluded the consolidated employment agreements, under the conditions provided in the collective labour agreements, as applicable.

The members of the Board of Directors have concluded administration contracts (mandate) with the Group, their remuneration being approved by the General Meeting of Shareholders. The managers with mandate contracts are remunerated based on the contractual provisions within the general limits approved by GMS. Detailed information regarding the remuneration of directors and managers are included in the Annual Report of the Nomination and Remuneration Committee, established at the level of the Board of Directors of the Company. The amounts presented are gross remuneration. For the year 2018, the gross remuneration reflected below includes the increases due to the transfer of wage contributions from the employer to the employee, in accordance with the provisions of GEO 79/2017.

	2019 (audited)	**2018 (audited)**
Remuneration of the management of the Group (gross amounts)	9,902,679	9,291,601
	9,902,679	**9,291,601**

24. MANAGEMENT OF SIGNIFICANT RISKS

The main risks that the Group is exposed to are:

- market risk (price risk, interest rate risk and currency risk);
- credit risk;
- liquidity risk;
- taxation risk;
- operational risk.

The general risk management strategy aims to maximize the profit of the Group in reference to the level of risk that it is exposed to and to minimize the potential adverse variations on the financial performance of the Group.

The Group does not have formal arrangements to mitigate financial risks. Despite the fact that no formal arrangements are in place, the financial risks are strictly monitored by the senior management given the financial needs of the Group in order to manage efficiently the risks and opportunities. The financial department prepares on a regular basis forecasts of cash flows, which help the management in making decisions.

a) Market risk

Market risk is defined as the risk of recording a loss or not getting the expected profit, as a result of price fluctuations, interest rates and foreign exchange rates.

The Group is exposed to the following categories of market risk:

(i) Price risk

The Group is exposed to the risk associated with the variation of the electricity price traded on the competitive markets, spot (PZU + PI), as well as on the balancing market. In order to mitigate this risk, the Group transacts most of the electricity produced through the competitive market, by the conclusion of long-term bilateral agreements, with fixed prices and well-defined price formulas.

In 2019, the quantity of electricity sold on the competitive market represented 76.9% of the total volume of electricity sold, and, on the spot market (PZU + PI), an amount of electricity representing 9.9% was sold. The average sale price on bilateral contracts in 2019 was RON 228.01/MWh, with Tg included (December 31st, 2018: RON 200.67/MWh, with Tg included), and, on the spot market (PZU + PI), the average price was RON 225.23/MWh, with Tg included (December 31st, 2018: RON 189.46 /MWh with Tg included).

A positive 10% variation of the price of the sold electricity would lead to an increase in profit after taxation on December 31st, 2019 by RON 237,133,981 (December 31st, 2018: RON 212,364,330), a negative 10% variation having a net impact equal and of opposite sign.

(ii) Interest rate risk

The Group faces the interest rate risk due to the exposure to unfavorable interest rate fluctuations. The change of the interest rates on the market directly influences the revenues and expenditure related to the financial assets and liabilities bearing variable interest rates and the market value of those bearing fixed interests. As of December 31st, 2019 and December 31st, 2018, most assets and liabilities of the Group are interest bearing. As a result, the Group is directly affected by the risk of interest rate fluctuations. Cash and cash equivalents are generally invested at interest rates for up to one year. Nevertheless, the decrease in market returns may affect the valuation value of the assets held by the Company.

Out of the total financial liabilities of the Group, the only liabilities bearing variable interest are long-term bank loans. For more information on the contractual maturity of the interest bearing financial assets and liabilities of the Company, see Note 25 (c) Liquidity risk. The Group does not use derivative financial instruments to protect itself against interest rate fluctuations. The impact on the net profit of the Company of a ± 1.00% change of the interest rate related to the interest-bearing assets and liabilities is of ± RON 7,288,606 (December 31st, 2018: ± RON 9,098,610).

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(ii). Interest rate risk (continued)

	Carrying amount (*)	
	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Fixed rate instruments		
Financial assets	1,701,437,794	1,565,104,490
	1,701,437,794	**1,565,104,490**
Variable rate instruments		
Financial liabilities	(728,860,615)	(909,860,972)
	(728,860,615)	**(909,860,972)**

(*) Gross carrying amount, before deduction of transaction costs.

Sensitivity analysis of cash flows for variable interest rate instruments

A ± 1.00% change in interest rates on the reporting date would have increased (decrease) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss	
	+ 1.00% Increase	**- 1.00% Decrease**
December 31st, 2019		
Variable rate instruments	(7,288,606)	7,288,606
Cash flow sensitivity (net)	**(7,288,606)**	**7,288,606**
December 31st, 2018		
Variable rate instruments	(9,098,610)	9,098,610
Cash flow sensitivity (net)	**(9,098,610)**	**9,098,610**

(iii) Currency risk

Currency risk is the risk of recording some loss or not realizing the estimated profit as a result of the unfavorable fluctuations of the exchange rate. The Group is exposed to the currency exchange rate fluctuations, but it does not have a formalized hedging policy for the currency risk. Most financial assets and liabilities of the Company are expressed in the national currency, the other currencies in which operations are performed being EUR, CAD, USD and GBP.

The Group is exposed to foreign currency risk on cash, cash equivalents, purchases and long-term loans denominated in other currency than the functional currencies of the Group. Long-term loans are denominated in foreign currencies and retranslated to RON, at the exchange rate prevailing on the balance sheet date, as communicated by the National Bank of Romania. The resulting differences are included in the profit and loss account and do not affect cash flows until the settlement of the amount.

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(iii). Currency risk (continued)

The financial assets and liabilities expressed in RON and other currencies on December 31st, 2019 and December 31st, 2018 are presented in the following tables.

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
December 31st, 2019							
Financial assets							
Cash and cash equivalents	1,793,501,617	1,767,542,151	24,817,464	690,940	420,986	29,117	958
Prepayments	23,925,205	23,925,205	-	-	-	-	-
Tangible assets (prepayments)	27,363,148	20,337,435	297,390	1,743,608	4,984,714	-	-
Gross exposure	**1,844,789,971**	**1,811,804,792**	**25,114,855**	**2,434,548**	**5,405,700**	**29,117**	**958**
Financial liabilities							
Trade payables and suppliers of non-current assets	(99,179,938)	(82,037,525)	(3,271,323)	(2,439,833)	(11,429,069)	(2,187)	-
Loans	(728,860,615)	-	(550,200,572)	-	(178,660,043)	-	(728,860,615)
Gross exposure	**(828,040,553)**	**(82,037,525)**	**(553,471,895)**	**(2,439,833)**	**(190,089,112)**	**(2,187)**	**-**
Net exposure in the statement of financial position (audited)	**1,016,749,418**	**1,729,767,267**	**(528,357,041)**	**(5,285)**	**(184,683,412)**	**26,930**	**958**

(*) Gross carrying amount, before deduction of transaction costs.

	Value amount (*)	RON	EUR	USD	CAD	GBP
December 31st, 2018						
Financial assets						
Cash and cash equivalents	1,611,958,742	1,607,698,442	451,714	181,784	3,579,151	47,651
Prepayments	2,716,723	183,069	-	591,405	1,942,249	-
Tangible assets (prepayments)	5,498,136	4,348,026	-	-	1,150,111	-
Gross exposure	**1,620,173,601**	**1,612,229,537**	**451,714**	**773,189**	**6,671,510**	**47,651**
Financial liabilities						
Trade payables and suppliers of non-current assets	(75,350,878)	(62,077,848)	(2,209,980)	(7,318,282)	(3,701,055)	(43,714)
Loans	(910,372,567)	-	(681,131,100)	-	(229,241,467)	-
Gross exposure	**(985,723,445)**	**(62,077,848)**	**(683,341,080)**	**(7,318,282)**	**(232,942,522)**	**(43,714)**
Net exposure in the statement of financial position (audited)	**634,450,156**	**1,550,151,689**	**(682,889,366)**	**(6,545,093)**	**(226,271,012)**	**3,937**

(*) Gross carrying amount, before deduction of transaction costs.

The following exchange rates have been used:

	Average rate		Reporting date spot rate	
	2019	2018	December 31st, 2019	December 31st, 2018
RON/EUR	4.7452	4.6535	4.7793	4.6639
RON/USD	4.2379	3.9433	4.2608	4.0736
RON / CAD	3.1948	3.0429	3.2702	2.9925
RON/GBP	5.4113	5.2597	5.6088	5.1931

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(iii). Currency risk (continued)

Sensitivity analysis

A 10% strengthening of the national currency against these foreign currencies on December 31st, 2019 and December 31st, 2018 would have increased the gross profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit 2019 (audited)	Profit 2018 (audited)
EUR	52,835,704	62,288,937
USD	(528)	654,509
CAD	18,468,341	22,627,101
GBP	(2,693)	(394)
Total	**71,301,785**	**91,570,153**

A 10% depreciation of the national currency against the following foreign currencies on December 31st, 2019 and December 31st, 2018 would have had the equal but opposite effect on the amounts shown above, assuming that all other variables remained constant.

	Loss 2019 (audited)	Loss 2018 (audited)
EUR	(52,835,704)	(62,288,937)
USD	(528)	(654,509)
CAD	(18,468,341)	22,627,101
GBP	2,693	394
Total	**(71,301,785)**	**(91,570,153)**

b) Credit risk

Credit risk is the risk of recording loss or failing to realize the estimated profits, as a result of the non-fulfillment of the financial obligations by the counterparty. The Group is exposed to the credit risk as a result of the investments made in other companies, current accounts and bank deposits and receivables.

Sale of electricity to customers is done both on the competitive market, based on the framework established by ANRE and in compliance with the OPCOM market rules. The carrying amount of accounts receivables, net of impairment adjustment represents the maximum amount exposed to credit risk.

On December 31st, 2019, the Group is exposed to a concentrated credit risk, considering the fact that approximately 28% of the trade receivables are towards Electrica Furnizare S.A. and towards E.ON Energie Romania S.A. (Refer to Note 8). The counterparty risk is limited considering the guarantees obtained from clients as bank guarantee letters.

Cash and deposits are placed in different financial institutions (banks), in order to reduce the counterparty risk by limiting the exposure (which would be higher if cash and deposits were placed in a single financial institution). The main financial institutions where the financial assets are placed are shown below:

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

b) Credit risk (continued)

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Alpha Bank S.A.	282,014,514	281,760,118
Unicredit Bank S.A.	273,235,001	217,095,215
Garanti Bank S.A.	256,013,619	247,868,716
EximBank S.A.	240,781,847	100,628,726
Credit Agricole Bank S.A.	206,516,355	134,390,000
OTP Bank S.A.	175,926,809	65,128,619
Banca Comerciala Romana S.A.	146,303,362	221,100,290
Libra Internet Bank S.A.	90,382,575	45,156,274
BRD Societe Generale S.A.	78,146,656	92,015,231
Banca Transilvania S.A.	70,796,406	305,472,272
Cec Bank S.A.	68,000,000	-
Trezoreria Municipiului Bucuresti	1,436,571	1,564,388
Citi Bank Romania	80,008	25,095,889
Patria Bank S.A.	-	168
Other	527,388	1,056,343
Total cash, bank deposits and financial assets	**1,890,161,111**	**1,738,332,249**

The maximum exposure to the credit risk on the reporting date was:

	Net value	
	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Financial assets		
Trade receivables	216,728,004	157,663,336
Bank deposits	58,879,494	131,406,438
Cash and cash equivalents	1,793,501,617	1,611,958,742
Other receivables	31,416,822	23,645,473
	2,100,525,937	**1,924,673,989**

The ageing of **trade receivables** on the reporting date was:

	Gross value December 31st, 2019 (audited)	Value adjustments as of December 31st, 2019 (audited)	Gross value December 31st, 2018 (audited)	Value adjustments as of December 31st, 2018 (audited)
Not past due	169,522,876	-	157,225,060	-
Past due 1-30 days	445,870	-	417,512	-
Past due 31-90 days	24,792	-	10,270	-
Past due 91-180 days	-	-	10,494	-
Past due 181-270 days	-	-	-	-
Past due 271-365 days	698	-	27,007	(27,007)
Past due more than one year	10,496,161	(10,496,161)	10,831,927	(10,831,927)
Total	**180,490,397**	**(10,496,161)**	**133.486.888**	**(10,858,933)**

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

b) Credit risk (continued)

The ageing of **other receivables**, including recoverable VAT on the reporting date was:

	Gross value December 31st, 2019 (audited)	Value adjustments as of December 31st, 2019 (audited)	Gross value December 31st, 2018 (audited)	Value adjustments as of December 31st, 2018 (audited)
Not past due	46,730,314		22,170,365	-
Past due 1-30 days	400		1,467,610	-
Past due 31-90 days	1,193		3,592	-
Past due 91-180 days	1,861		1,946	-
Past due 181-270 days	-		1,961	-
Past due 271-365 days	-		-	-
Past due more than one year	3,074,605	(3,074,604)	3,190,028	(3,190,028)
Total	**49,808,372**	**(3,074,604)**	**29,219,277**	**(3,190,028)**

The evolution of **adjustments for trade receivables impairment** is as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Balance on the beginning of the year	**(10,858,933)**	**(13,427,586)**
Recognized impairment adjustments, net of resumptions	362,772	2,568,653
Balance on the end of the year	**(10,496,161)**	**(10,858,933)**

c) Liquidity risk

The liquidity risk represents the risk of recording loss or of not realizing the estimated profits, which results from the impossibility to fulfill at any time the short-term payment liabilities, without this entailing excessive costs or loss that cannot be borne by the Group.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by obtaining financing from various financing sources.

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

c) Liquidity risk (continued)

The structure of assets and liabilities was analyzed based on the period remaining from the date of the financial status statement to the contractual date of maturity, both for the period ended on December 31st, 2019, and for the financial year ended on December 31st, 2018, thus:

	Carrying amount December 31st, 2019 (*)	Contractual amount	<12 months	> 1 year	Carrying amount December 31st, 2018
December 31st, 2018					
Financial assets					
Cash and current accounts	1,793,501,617	1,793,501,617	1,793,501,617	-	1,611,958,742
Deposits in banks	96,659,494	96,659,494	-	96,659,494	126,373,507
Trade receivables	216,728,004	216,728,004	216,728,004	-	181,308,809
Other assets	31,416,822	31,416,822	31,416,822	-	10,201,321
Total financial assets	**2,138,305,937**	**2,138,305,937**	**2,041,646,443**	**96,659,494**	**1,929,842,379**
Financial liabilities					
Loans	712,799,889	712,799,889	212,891,292	499,908,596.61	887,361,329
Commercial debts	220,398,362	220,398,362	220,398,362.00	-	197,307,458
Provisions for risks and expenses	278,913,646	278,913,646	65,442,649.00	213,470,997.00	216,714,335
Other payables	128,276,231	128,276,231	27,863,600.00	100.412.631,00	145,670,526
Total financial liabilities	**1,340,388,128**	**1,340,388,128**	**526,595,903**	**813,792,224.61**	**1,447,053,648**
Liquidity surplus	**797,917,809**	**797,917,809**	**1,515,050,539**	**(717,132,731)**	**482,788,731**

*) The liquidity of the Group is not affected on the long run either, due to the fact that it has significantly higher liquidity than the long-term registered liabilities, classified according to the liquidity terms in the short term category (cash and current accounts).

d) Taxation Risk

The Romanian tax law provides for detailed and complex rules undergoing several changes over the recent years. The interpretation of the text and the practical procedures for the implementation of the tax law may vary, with the risk that certain transactions will be interpreted differently by the tax authorities, as compared to the treatment of the Group.

From the perspective of the corporate tax, there is the risk of different interpretations by the tax authorities of the applied tax rules, determined by the Accounting Regulations compliant with IFRS.

The Romanian Government has a number of agencies authorized to conduct the audit (control) of the companies operating on the Romanian territory. These controls are similar to tax audits in other countries, and can cover not only tax issues, but also other legal and regulatory issues that are of interest to these agencies. It is possible that the Group will be subject to tax controls, as new tax regulations are issued.

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

e) Operational risk

Operational risk is defined as the risk of recording loss or failing to realize the estimated profits due to internal factors such as the inadequate performance of internal activities, the existence of inadequate personnel or systems or due to external factors such as economic conditions, changes on the capital market, technological advances. The operational risk is inherent to all the activities of the Group.

The operational risk is associated with the Group's ability to provide the electricity quantities undertaken through contracts on the regulated and competitive market, considering both planned and unplanned outages for Units 1 and 2. The management of these risks relates to assessment, maintenance and continuous modernization of the Company's systems as well as to the proper planning and conducting of preventive and corrective maintenance activities for controlling nuclear risks and for reducing the number of hours of downtime.

The policies defined for the management of the operational risk have taken into account each type of events that can generate significant risks and the manners of manifestation thereof, in order to remove or reduce the loss of a financial or reputational nature.

f) Compliance risk

Compliance risk is the risk of financial loss, including fines and penalties, which arise from non-compliance with laws and regulations as result of possible changes in the legislative framework. These changes may relate to the imposition by local and central authorities or by the regulatory authority for energy (ANRE) of new contractual provisions or tax changes. This risk is limited by continuously monitoring and assessing the impact on the Company by legislative changes.

g) Capital adequacy

The policy of the management on capital adequacy is focused on maintaining a solid capital base, in order to support the continuous development of the Group and to achieve the investment objectives.

25. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

(i) Taxation

The Romanian taxation system is in a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of tax legislation. In some cases, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities together with late payment interest and penalties. In Romania tax periods remain open for tax for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated, and they are not aware of any circumstances which may give rise to a potential material liability in this respect.

On February 29, 2016, the National Agency for Fiscal Administration - the General Directorate against Fiscal Fraud completed the control initiated on September 9, 2015, which had the purpose of checking the commercial transactions carried out by the Company in the period 2011 - 2015 with companies Eco Petroleum S.A. and Oil Prod S.R.L. The control authority proceeded to calculate the Company's tax liabilities jointly due to the state budget in relation to the payment of the excise duties on diesel (by attracting the joint liability) and ruled the imposition of precautionary measures for the amount of RON 1,436,176, representing a percentage of 100% of the equivalent amount of the calculated tax liabilities, amount that is seized at the Treasury.

Upon the request of the General Directorate against fiscal fraud the Company was subjected to a partial tax audit by the National Agency for Fiscal Administration (ANAF) aiming the VAT and excises (diesel, biodiesel and electricity) for the period 2011 - 2012; the tax audit was initiated on March 17th, 2016 and completed on March 16th, 2017. According to the preliminary tax audit report no. 292/March 15th, 2017 ANAF established additional payment obligations representing the VAT in amount of RON 273,425, to which accessories are added. The company lodged partial objections to the preliminary inspection report,

On November 17th, 2017, the Company received from ANAF - DGAMC Decision no. 112/November 15th,2017 in response to the appeal filed by the Company, whereby the former ruled the annulment, in part, of the Taxation Decision regarding the main tax liabilities related to the differences of the bases of taxation established during the tax inspection for the amount of RON 194,051, representing additional VAT, with the competent tax inspection authorities subsequently proceeding to a new check of the same period and the same type of tax taking into account the legal provisions applicable in the case in question.

Based on the Tax Audit Notice No. F-MC 16/January 11th, 2018 a control team visited the Company's registered office in order to re-check the VAT for the period January 1st, 2011- December 31st, 2012. The re-verification action ended with the fiscal inspection process F-MC 60/April 4th, 2018 and the decision regarding the modification of the tax base no. F-MC 117/April 4th, 2018, through which no value added tax obligations have been established.

On June 18th, 2019, the Romanian Court of Accounts, based on Delegation no. IV/40.420/June 18th,2016, initiated the "verification of the implementation of the measures ordered by Resolutions no. 14/June 15th,2012 and no. 16/May 11th, 2015".

This action was completed by the «Follow-up report on the implementation of the measures ordered by Resolution no. 14/June 15th,2012 (taken over by Resolution no. 14/April 15th, 2013)», registered with SNN under no. 7506/June 24th,2019. The summary of this Report states that out of the 10 measures ordered by the aforementioned Resolution, 8 measures were implemented, and the 2 remaining ones, which were partially performed, are pending resolution in various courts.

Regarding Resolution no. 16/May 11th, 2015, the "Follow-up report on the implementation of the measures ordered by Resolution no. 16/May 11th, 2015", was drafted, registered with SNN under no. 7787/July 1st, 2019. The summary of the Report shows that SNN implemented 11 measures out of the 13 ordered by the aforementioned Resolution. For the two measures that were partially ordered, SNN submitted objections with CCR under no. SNN 8302/July 12th, 2019. This endeavor is ongoing.

Over the period September 4th - 13th, 2019, the Romanian Court of Accounts proceeded with the "Verification of the implementation of the measures ordered by Decision no. 5/ June 8th, 2018". The verification action was concluded with

25. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(i) Taxation (continued)

"Follow-up Report" no. 10697/September 13th, 2019. From the summary of the aspects resulting following the action of verification of the implementation of the measures ordered by Decision no. 5/JUne 8th, 2019, a total number of 14 measures resulted: 3 measures were canceled, 2 measures were fulfilled and a number of 9 measures were implemented in part, of which 5 measures were granted an extension of the implementation term, by Decision no. 5/2/ October 14th, 2019. Against the Follow-up Report, SNN filed objections registered with SNN under no. 11266 /September 26th, 2019.

(ii) Other check-ups

Over the period January 10th, 2018 - May 4th, 2018, the Romanian Court of Accounts carried out a control on the topic "Control regarding the situation, evolution and manner of administration of the public and private patrimony of the state, as well as the legality of the income earned and the expenses incurred", finalized by the Control Report no. 5.445/May 4th,2018 and issued the Decision no. 5/ June 8th, 2018. The Company filed a complaint against this decision as a result of which the Commission for the settlement of the appeals issued the Decision no. 29 /July 31st, 2018. Currently, the Company is in litigation with the Court of Accounts on the measures ordered by the aforementioned decision.

Over the period March 27th, 2018 - August 24th, 2018 the Prime Minister's Control Body carried out a control with the following objectives: verification of compliance with the legal provisions regarding the organization and functioning of the entity, of the managerial activity regarding the operation of Cernavoda Nuclear Power Plant units 1 and 2, verification of compliance with corporate governance rules, verification of compliance with legal provisions regarding the award, execution and performance of contracts, verification of compliance with legal provisions regarding the income set and earned, and regarding the engagement and incurring of expenses, the status of the litigations pending before the courts of law. This control was finalized with the Inspection report no.127 / January 4th, 2019 to which the Company formulated a point of view by Letter no. 1465/May 2nd, 2019.

On the basis of the FMC Tax Inspection Notice 163 / July 23rd, 2018, on August 23rd, 8.2018, a control team came to the Company's headquarters to audit the corporate tax for the period 2012-2017, the tax on the income earned by non-resident persons in Romania, the income from dividends received in Romania by non-residents and the income from royalties obtained in Romania by non-residents for the period 2015-2017, VAT for the period 2013-2017, tax on interest income obtained in Romania by non-resident persons for the period 2015-2017. The tax inspection ended by RIF no. F-MC_27 /February 18th, 2020, registered with SNN under no. 2621 /February 21st, 2020, and by the TAX DECISION on the main tax liabilities related to the different taxation bases established within the tax inspection no. F-MC_111 /February 18th, debts were established in the amount of RON 2,453,799. For the accessories related to these debts, SNN submitted a Request for cancellation of the accessories to the National Agency for Fiscal Administration, registered with SNN under no. 3164/March 3rd, 2020 and with the National Agency for Fiscal Administration under no. 11264/March 3rd, 2020, by which it requested the cancellation thereof according to art. 27 of the GO no. 6/2019 on the establishment of tax facilities.

On October 14th, 2019, based on address no. 12039/October 14th, 2019, at the headquarters of the SNN, an economic-financial inspection team was present, with the following objective: “Verification of the compliance with the provisions of art. 43 of the Government Emergency Ordinance no. 114/2018 on the establishment of measures in the field of public investments and of fiscal-budgetary measures, the amendment and supplementing of some legislative acts and the extension of some deadlines”. On October 31st, 2019, the inspection team presented the Draft of the Economic-Financial Inspection Report (RIEF), on which SNN formulated a point of view (registered with SNN under no. 13135/November 6th, 2019 and with ANAF-DGAMC under no. 63417/November 6th, 2019) in the sense of the challenge thereof. On the date hereof, SNN awaits the final RIEF.

Based on the letter of the Romanian Court of Audit no. IV.40850/November 4th, 2019, registered with SNN under no. 13076 /November 5th,2019, over the period November 20th, 2019 - December 17th, 2019, a team of external public auditors performed the verification action with the «Verification of aspects registered in the notifications / petitions received by the Court of Audit, on the breach of the legal provisions in the field of public procurements» theme, over the period 2012-2019. The action ended by the elaboration of the Control Report registered with SNN under no. 15112/December 17th, 2019 and with CCR under no.147229 /December 20th, 2019, whereby it was established that both the award of the contracts and the performance thereof were carried out in compliance with the applicable legal provisions.

25. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(iii) Insurance policies

As of December 31st, 2019, the following operational insurance policies are in force:

- Property insurance policy for material damages, all risks, including mechanical and electrical destruction (for CNE Cernavoda Units 1 and 2 and FCN Pitesti). The compensation limit is subject to a maximum of USD 1.560 million per year for all losses.
- Third party liability insurance for nuclear damages. The compensation limit is DST 300 million (for CNE Cernavoda Units 1 and 2)
- Civil / professional liability insurance policy for SNN directors and officers ("D&O") for a liability limit (insured amount of 33 million EUR).

(iv) Environmental issues

The Group recorded no liability as of December 31st, 2019 and December 31st, 2018 for any anticipated costs relating to environmental issues, including legal and consulting fees, site studies, the design and implementation of remediation plans. The responsibility for decommissioning and cleaning-up of nuclear installations was taken over by ANDR (see Note 19). The management considers that the nuclear plant fully complies with the Romanian and international environmental standards and estimates that additional costs associated with environmental compliance on December 31st, 2019 are not significant. Furthermore, the Group is insured against the risk of nuclear accidents, up to the amount of DST 300 million, as described in section (ii) above.

However, enforcement of environmental regulations in Romania is evolving and their application by the government authorities is continuously being reconsidered. The Group periodically assesses its obligations under environmental regulations. The established obligations are acknowledged immediately. Potential liabilities, which might arise because of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be significant. In the current enforcement climate under existing legislation, the Group's management believes that there are no significant liabilities for environmental damage.

(v) Ongoing litigations

During 2019, the Group was involved in a number of legal proceedings arising during its normal course of business. The management of the Group regularly analyses the ongoing litigation sand, after consulting with its legal advisers and lawyers, decides whether to create a provision for the amounts involved or to present them in the financial statements.

In the opinion of the Group's management, there are no current legal actions or claims, which might have significant effects on the financial earnings and the financial position of the Group that has not been presented in these Financial Statements.

(vi) Commitments

On December 31st, 2019, the total amount of commitments is fully reflected under the position *"Trading and other liabilities"*, representing capital and operating expenses.

(vii) Guarantees

Trading of electricity produced on platforms operated by OPCOM, assume that for some transactions the Company must provide letters of guarantee for participation in certain markets such as DAM (Day After Market) and IM (Intra-day Market), auctions (PCSU–Centralized Market for Universal Service) or in favor of clients (PCCB-NC - Centralized Market for Bilateral Contracts with Continuous Negotiation, PCCB-LE - Centralized Market for Bilateral Contracts through Extended Auctions and PCSU - Centralized Market for Universal Service).

25. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(vii) Guarantees (continued)

As of December 31st, 2019, the total value of letters of bank guarantee issued in favor of customers for contracts concluded on PCCB-NC, PCCB-LE and PCSU amounts to RON 96.66 million, and in favor of OPCOM for the participation to DAM and IM amounted to RON 36.28 million.

On December 31st, 2019, the Group also has established letters of guarantee issued in favor of Transelectrica S.A. and Ciga Energy S.A. amounting to RON 1.5 million, with the role of ensuring the liquidity on the Balancing Market, through the establishment by each of Party Responsible for Balancing of a financial guarantee in favor of Transelectrica S.A. and Ciga Energy S.A., respectively, on the account of the Convention of the Party Responsible for the Balancing concluded between the Group as license holder and Transelectrica S.A. and Ciga Energy S.A., respectively.

For all these letters of guarantee, the Company established collateral deposits at banks issuing the letters of guarantee.

On December 31st, 2019 the Company has established a Treasury deposit in the amount of RON 1,436,176, standing for the liens according to the decision made by ANAF - General Directorate against tax fraud.

As of December 31st, 2019, the value of the bank guarantee letters issued by clients in favor of the Group for the contracts concluded on PCCB-NC, PCCB-LE and PCSU is in amount of RON 358,4 million. These guarantees cover the risk of unfulfilling the contractual obligations assumed by the clients through the energy sale contracts.

26. FEES

The Group concluded on July 12st, 2017, a contract for financial auditing services and auditing services with Mazars Romania S.R.L. with a duration of 36 months. The total fees (excluding VAT) for the year 2019 charged for all the services of limited review of the financial statements as of June 30th, 2019, auditing of the financial statements as of December 31st, 2018 and other audit services (analysis, verification and agreed procedures) in 2019 amount to RON 147,844.

The Group also benefited from tax consultancy services under the monthly subscription and transfer pricing services. The services were provided by BDO Tax S.R.L, and the total value of the fees (VAT exclusive) charged during the financial year ended December 31st, 2019 is in the amount of RON 215,439.

27. FURTHER INFORMATION

(i) Details of the Group

The Group is part of a group of companies controlled by the Romanian State represented by the Ministry of Energy.

(ii) Company's Employees

The average number of employees of the Group during 2019 was of 2,017 (2018: 2,009 employees). As of December 31st, 2019 the actual number of employees is 2,161 (2018: 2,065 employees).

As of December 31, 2019, the Group has 159 employees in leadership positions (2018: 178 employees) and 2,002 employees in executive positions (2018: 1,887 employees).

28. EVENTS SUBSEQUENT TO THE REPORTING DATE

Share Capital Increase

By the Current Report published on February 24th, 2020, S.N. Nuclearelectrica S.A. informed its shareholders and investors on the approval of the increase of the share capital of SNN by the Board of Directors, with an in-kind and cash contribution in total maximum amount of RON 1,380,150, from the current value of RON 3,015,138,510 to the value of RON 3,016,518,660, by the issue of a maximum number of 138,015 new dematerialized registered shares, at a price of RON 10/share, equal to the nominal value (without the premium share).

COVID – 19 impact

On March 11, 2020, the World Health Organization decreed that the situation generated by the coronavirus is classified as a pandemic. Several countries in the European Union have taken more measures to spread it.

S.N. Nuclearelectrica S.A. („SNN") initiated the measurement of isolation for the essential operating and production staff from Cernavoda NPP. This measurement will be in place as long as necessary.

The initiation of this additional protection measure is based on the resolution of the National Special Committee for Emergency Situations ("CNSS") no. 9/14.03.2020, which approves the isolation measurement for the essential staff of Cernavoda NPP involved in ensuring the operation of the power plant, as per the measures of the Plan for the continuation of basic activities in case of an epidemic/pandemic. At the level of S.N. Nuclearelectrica S.A. ("SNN") there is an internal plan to ensure the protection of the personnel and the continuity of the operation, which includes the measures established by the Romanian state authorities for all categories of personnel.

The internal plan for the protection of the staff and the assurance of operational activities continuity under safety and normal production conditions was adopted by the management of SNN as an additional measure during the COVID-19 epidemic, in compliance with international standards in the nuclear industry and national provisions on the subject.

SNN informs that all the basic process of the company as carried out within normal parameters, the additional actions and measures being prepared and implemented in cooperation with all the competent state authorities on the matter.

The company currently has and continues to take the necessary measures to ensure a sufficient cash flow to pay its due obligations, both under normal conditions and under stress conditions, without incurring unacceptable losses or endangering the company's reputation.

The company evaluates the events and factors of uncertainty and the potential financial impact of the COVID-19 pandemic, in order to identify the necessary measures to be implemented, following which the investors will be informed accordingly.

Date: March 24th, 2020

Cosmin Ghita	**Adrian Gabriel Dumitriu**
Chief Executive Officer	**Chief Financial Officer**

MAZARS

Independent Auditor's Report*

To the shareholders of S.N. NUCLEARELECTRICA S.A.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

1. We have audited the accompanying consolidated financial statements of **S.N. NUCLEARELECTRICA S.A.** ("the Company") and its subsidiaries (together "the Group"), with registered office in 65 Polona Street, 1st district, Bucharest, Romania, registered with the Bucharest Trade Registry under no. J40/7403/1998 and having fiscal identification code RO10874881, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies, presenting the following:

    - Net Assets / Total equity and reserves: RON 7,334,689,593
    - Net result of the year: RON 535,563,109 (profit)

2. In our opinion, except for the possible effect of the matter described in the below paragraph 3, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the provisions of the Order of the Ministry of Public Finance 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, as subsequently amended ("OMFP 2844/2016") and as described in the accounting policies presented in the notes to the consolidated financial statements.

Basis for Qualified Opinion

3. As stated in the Note 5 to the accompanying consolidated financial statements, as at 31 December 2019, the Group has recorded tangible assets in progress with the book value of RON 273,960,000 (RON 273,960,000 as at 31 December 2018), comprising capitalized items for Units 3 and 4 of Cernavoda nuclear power plant. Before 1991, nuclear units 1, 2, 3, 4 and 5 were considered a single project and therefore, the realized constructions costs were not allocated at the level of each unit. Subsequently, the Group has done the allocation of the construction costs for the Units 3 and 4 of the nuclear power plant. We could not obtain sufficient and appropriate audit evidence in relation with the accuracy of this split, which has effect on the valuation of these assets. These limitations have impact as well on the deferred tax liability allocated for the Units 3 and 4 as at 31 December 2019 in amount of RON 43,524,186 (RON 43,524,186 as at 31 December 2018). Consequently, we were not able to determine if adjustments are needed on the fixed assets, deferred tax liability and retained earnings as at 31 December 2019 and, therefore, on the depreciation and amortization, profit tax and net profit for the year then ended.

4. We conducted our audit in accordance with the International Standards on Auditing ("ISA"), the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 537/2014") and with the Law 162/2017 ("Law"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and in accordance with all other ethical requirements relevant for the audit of the consolidated financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of matter

5. Without further qualifying our opinion in this respect, we draw attention to the Note 2 e) of the consolidated financial statements, which describe aspects with regard to the going concern of the subsidiary Energonuclear S.A and Units 3 and 4 Project. The total estimated recoverable amount of the investment in Units 3 and 4 of Cernavoda, including also all capitalized individual elements of the Group, was determined by the management based on certain assumptions, professional judgments, expectations regarding future events, which are believed to be reasonable under the circumstances, and other factors under the assumption that the current negotiations between the management of the Group and the selected investor will be successfully concluded. In the event that any of the assumptions, professional judgments, expectations of future events and other factors do not materialize, this may cause a material adjustment to the carrying amounts of the consolidated Group's assets, liabilities and results within the current or the following financial year, the impact of which cannot be reasonably estimated as of the date of the issue of these consolidated financial statements.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	**Audit procedures performed to address the key audit matter**
Provisions for risk and charges	
As disclosed in Note 15 to the consolidated financial statements, the Company has in balance at 31 December 2019 total Provisions for risk and charges in amount of RON 278,913,646, out of which long-term provisions in amount of RON 213,470,997. Estimating a provision involves significant professional judgment from the Company's management with regard to the probable outcome of the relevant events and the quantification of the related probable liability. Due to the importance of the amounts reported	In order to obtain reasonable assurance regarding Provisions for risk and charges we have performed the following procedures: • We have reviewed the Company's current obligations under which provisions were recognized; • We have reviewed the professional judgment used by the management of the Company in order to determine the probable outcome of the relevant events and the quantification of the related probable liability; • We have obtained and analysed the answers received from the internal and external legal

Key audit matter	Audit procedures performed to address the key audit matter
in the Provisions and the fact that, by their nature, the provisions imply a significant degree of professional judgment, we consider that Provisions for risk and charges represent a key audit matter for the 2019 audit.	advisors of the Company, regarding the probability of settling disputes in progress, as well as the best estimate of the consideration necessary to settle the probable liability arising from these disputes; • We have analysed the maturity of the obligations that have generated the provisions and their classification in the short and long term; • We have evaluated if the information disclosed in the notes to the separate financial statements regarding Provisions for risk and charges are in compliance with the applicable financial reporting standards.

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

7. The Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with OMFP 2844/2016 and with the accounting policies presented in the notes to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the consolidated financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

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

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    • Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive

to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or any of its subsidiaries' internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The Group's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 26-27 from the Accounting Regulations approved by OMFP 2844/2016, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is not part of the Group's consolidated financial statements. The Group decided to present the Administrators' Report and the consolidated Administrators' Report as one single report, entitled Annual Report.

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

In connection with our audit of the consolidated financial statements of the Company as at 31 December 2019, we have read the Administrators' Report attached to the consolidated financial statements and we report the following:

a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements;

b) the Administrators' Report identified above includes, in all material respects, the information required by articles 26-27 from the Accounting Regulations approved by OMFP 2844/2016;

c) the Administrators' Report identified above includes the non-financial declaration requested in art. 39 of the Accounting Regulations approved by OMFP 2844/2016;

d) based on our knowledge and understanding acquired during the audit of the consolidated financial statements for the year ended 31 December 2019 regarding the Group and its environment, except for the possible effect of the matter described in paragraph 3 above, we have not identified in the Administrators' Report any information that would be significantly misstated.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Company and of the Group through the Decision no. 3/11 July 2017 of the General Meeting of Shareholders ("GMS") of the Company to audit the separate and consolidated financial statements of the Company for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2017 until 31 December 2019.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 23 March 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014.

Provision of Non-audit Services

We hereby confirm that no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No. 537/2014, were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Group and which have not been disclosed in the financial statements.

Bucharest, 24 March 2020

Ella Chilea

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

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

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