

**Endorsed,  
by the Board of Directors  
Chairperson  
Iulian-Robert Tudorache**

**NOTE  
on the project base of the Income and Expenditure Budget  
of S.N. "Nuclearelectrica" S.A. for 2018**

The project for the Income and Expenditure Budget („BVC”) of S.N. Nuclearelectrica S.A. („SNN”) for 2018 has been drawn up in compliance with the provisions of GO no. 26/2013 *on the reinforcement of the financial discipline at the economic operator level for which the state or the municipalities are sole shareholders or they have directly or indirectly major shareholding*, with its subsequent changes and completions, made by Ordinance no. 11/2016 and Law no. 154/2016, which regulate:

- Art. 6 para. (1<sup>^</sup>1) *The economic operators provided in art. 4 para. (1) lit. d), whose actions are allowed to the transaction of a regulated market and its subsidiaries, present in front of the Shareholder General Assembly, according to the law, with the view to receive the endorsement, after the prior union consulting, the income and expenditure accompanied by the explanatory annexes, drawn up in accordance with the legal provision in force, within 60 days since the coming into force of the state budget, or since the endorsement of the local budget of villages, towns, municipalities, and the districts of Bucharest, counties and the city of Bucharest, as appropriate;*
- Art. 7 para. (1) *Annually, through the law of the state budget, the objectives of the wage policy are established based on which the economic operators underlie the indicators of the income and expenditure budgets;*
- Art. 9 para. (1) *For the foundation of the income and expenditure budget of the economic operators, the following items are taken into consideration, but not limited to them:*
  - a) *observance of the Government policy and respectively, the policies of the municipalities regarding the improvement of the economic and financial performance of the economic operators;*
  - b) *compliance with the objectives of the wage policies established by the annual law of the state budget.*

The foundation of SNN Income and Expenditure was realized in compliance with the legal provisions in:

- Law no. 2/2018 of the state budget for 2018;
- Law no. 3/2018 of the state social security liabilities for 2018;

- *GO no. 26/2013 on the reinforcement of the financial discipline at the economic operators' level for which the state or municipalities are sole shareholders, or which have directly or indirectly a majority shareholding, with its subsequent changes and completions;*
- Order MFP no. 3145/2017 on the approval of form and structure of the income and expenditure budget, as well as its foundation annexes;
- Accounting Law no.82/1991, with its subsequent changes and completions;
- Law no.31/1990 on companies, with its subsequent changes and modifications;
- Law no.227/2015 on the fiscal code, with its subsequent changes and completions, including those in GEO no. 79/2017;
- GEO no. 109/2011 on the corporate governance, with its subsequent changes and completions;
- GO no.64/2001 on the profit distribution to the national companies, national companies and commercial enterprises fully or predominately stated-owned, as well as the public corporation, approved with its modification by Law no. 769/2001, with its subsequent changes and completions;
- The company collective labor agreement („CCM”), valid in 2018.

The income and expenditure budget for 2018 was subjected to the financial management inspection in accordance with GD no. 1151/2012 on the approval of the detailed rules regarding the organization and performance of the management financial control, being endorsed.

The project of income and expenditure budget for 2018 envisages **total income of 2.143.627 thousands lei**(+18% compared to the budget values for 2017) and **total expenditure of 1.777.802 thousands lei** (+1,8% compared to the budget values for 2017).

The percent comparisons shown below refer to the budget sums for 2018 compared to the budget values approved by Decision AGOA no. 1/29.03.2017 for the previous year indicators(2017), being indicated as „+/- x%”, if it is not specified otherwise, as the preliminary results for the year 2017 will be available from 15.02.2018. The comparative information against the achieved level, preliminary for 2017, will be available after 15.02.2018, Annexes 3 and 5 respectively, according to the Order of MFP no. 3145/2017.

## I. TOTAL INCOME

The total income has been estimated to the value of **2.143.627 thousand lei** (+18%), out of which exploitation income of **2.072.377 thousand lei**(+20,6%) and financial income of **71.250 thousand lei** (-27,2%).

**1. Exploitation income** in value of **2.072.377 thousand lei** consists of revenue from the sold production in value of **2.039.807 thousand lei** (+21,1%), out of which the revenue from the product sold represents **2.038.656 thousand lei** (+21,1%). The latter encompasses the income resulted from the electrical power sale (mostly) and thermal energy sale.

The electrical power quantity forecast to be delivered was estimated based on the **program of electrical energy production for 2018 approved** by Decision no. 197 of SNN Board of Directors on 05.12.2017 (10.406 thousand MWh). In addition, an estimated quantity of electrical power was also added that could be purchase from the market, foreseen to be sold, besides the delivery program, to optimize the selling mix, especially for the planned stop; however, this represents a small part of the entire foreseen quantities, and in order to simplify, the purchase costs were considered to be approximately equal to the re-selling costs, namely having a neuter effect on the results. The production program was drawn up taking into consideration the operation of the nuclear units at high capacity, similarly to the previous years' levels for a multiannual period, a period of the

planned stop at Unit1, of about 33 days, as well as the unplanned stops, at Units 1 and 2, based on the historical data for a prolonged period. In the nuclear industry, unplanned stops are part of normal exploitation of the nuclear units, and the prudent management requires to budget a number of hours for unplanned stops, depending on the multi-annual averages.

Starting with 2018, ANRE does not assign to the producers, energy quantities to be sold on the regulated market. The Order ANRE 120/2017, abolishes starting with 1th January 2018 the Order 83/2013 – Methodology of establishing the costs for the regulated contracts. In these circumstances the electrical market is 100% liberalized starting 2018, the premise that was taken into consideration while building the budget.

The income forecast was based on the agreements already concluded by the date of the BVC elaboration for the electricity deliveries to be made in 2018, as well as on the price assumptions related to the average price on various platforms of the Centralized Market for Bilateral Contracts (PCCB-LE, PCCB -NC), of the Universal Service Centralized Market (PCSU) and the Next Day Market (PZU) for the rest of the year, along with the mix of PCCB, PCSU and PZU sales of the electricity, respectively the sales mix of forward and spot markets.

Thus, from the combination of the data related to the quantities and the prices of the sold sales transactions, with the assumptions regarding the remaining quantities to be sold and the estimated prices, it results that the value of the preliminary electricity production to be sold in 2018 is **2.033.409 million lei**.

For the quantities not yet contracted from the estimated production of 2018, sales prices were estimated, taking into account the market data displayed by OPCOM, including forward prices over the respective 2018 time intervals, and for spot sales estimates based on average prices of previous years.

Last but not least, it should be mentioned that in the case of SNN, **the production capacity is limited by the installed power of the two functional nuclear reactors which already operate at a medium high capacity**, that is significantly above the average of the industry as well as the duration of the planned shutdown of the Unit 1 for 33 days and the number of unplanned shutdown hours budgeted. Units 1 and 2 are the number one in the world after the combined factor of the production capacity use since the startup. **Competitive market prices are freely and competitively priced, mainly through the demand-to-supply ratio.** Thus, **the predominant element of the influence on the operating revenues is the market price of the electricity**; we believe that the assumptions used to substantiate these prices are reasonable and consistent with the existing market data at the date of the BVC.

**The income from the sale of the thermal energy** were estimated by taking into account a quantity of thermal energy delivered of about 61 thousand Gcal, according to the historical data of the local consumption (Cernavoda). The price used for the thermal energy sold to the population is 85,93 lei/Gcal, according to the latest price approval regulated by ANRE (ANRE Notice No. 1/04.01.2018).

Thus, the preliminary value to be obtained from the sale of thermal energy production in 2018 is of **5.247 thousand lei**, thus having a reduced share in the total operating income.

**The income from royalties and rents were estimated at the amount of 769 thousand lei** representing the revenues from the renting of some land and administrative spaces, and **other income** in quantum of **382 thousand lei** are represented by various revenues, including revenues from the sale of green certificates purchased under Law no.134/2012 to meet the regulated obligations for some final consumers on the CNE platform.

**The income from the sale of goods** in amount of **10.926 thousand lei** (-21,8%), include the amount of electricity transport. The transport tariff for the Dobrogea area has been reduced from 1.34 lei/MWh to 1.05 lei/MWh starting July 1, 2017, according to ANRE Order no. 48/22.06.2017. This tariff is not set by SNN, being a regulated tariff. This type of income has a correspondent in the cost of the goods sold because the area transport tariff is borne by the SNN's customers; therefore these items are out of the SNN control. However, it should be mentioned that **the reduction affects only the total income level, and the profitability is not affected because it is a tariff invoiced to the customers at the cost.** It is noted the fact that the 21.8% decrease in the revenues from the sale of goods also affects marginally the total increase level in operating income.

**Other operating revenues**, in amount of **16.867 thousand lei**(+8,1%), are mainly derived from the subsidy proceeds representing repayments of loans and interest payments made by the Romanian State to the banks on behalf of SNN, for the Unit 1 financing; these amounts are reversed annually on revenues, as amortization of the fixed means financed from those grants. In addition, within this income revenues are estimated from the sale of tangible assets related to the amounts expected to be obtained after the capitalization of some unused assets.

**2. Financial Income**, in amount of **71.250 thousand lei** (-27,2%), were estimated on the basis of the forecasted income from exchange rate fluctuations and of the interest to be paid by the banks to the deposits in lei and the currency constituted by the company.

## **II. TOTAL EXPENSES**

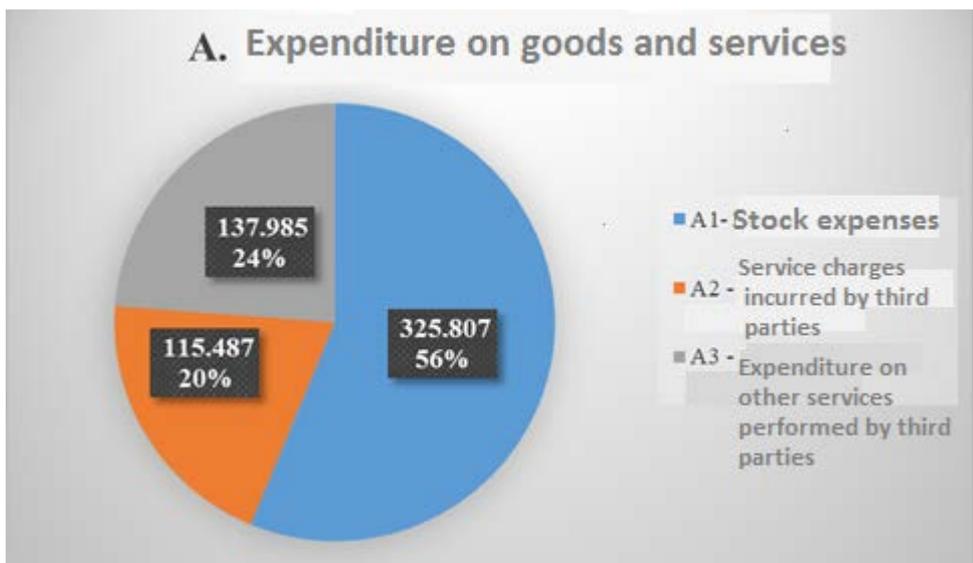
**Total expenses** in amount of **1.777.802 thousand lei** (+1,8%) includes operating costs of **1.709.689 thousand lei** (+4%) and financial expenses of **68.113 thousand lei** (-33,8%).

The fundamental of expenses has been made taking into account the estimated inflation indices and/or the evolution of the exchange rates projected according to 'Medium-term prognosis for 2016-2020 period - 2017 autumn forecast 'of the National Prognosis Commission, for those costs which, by their nature, have a relatively linear evolution.

A nuclear power plant can operate under full nuclear safety and operational excellence, only by providing the necessary financial resources for maintenance, operation and investment activities; thus, at the level of the operational operating and maintenance expenses, the budgeting philosophy has a 'bottom-up' approach, in the sense that the activities planned at the level of detail are those that generate the annual and multi-annual needs. This is how the company provides the resources needed to meet the above-mentioned specific nuclear industry goals.

**1. Expenditure from exploitation** in amount of **1.709.689 thousand lei** (+4%) consists of expenditure on goods and services, tax expenses, assimilated taxes and charges, staff expenses and other operating expenses.

**A. Expenditure on goods and services** in amount of **579.280 thousand lei** (-6,2%) include the detailed below costs and represented in the following graph:



**A1 - Expenditure on stocks** in amount of **325.807 thousand lei**(-4,7%) represents the consumption of the raw materials and materials required for the current maintenance program with the Plant in operation as well as for the maintenance program planned to be done in planned or unplanned shut downs, namely spare parts, auxiliary materials, other consumables, inventory items and labor protection equipment, energy consumption, water and gas, goods expenses (the electricity purchased from the free market during the shutdowns, the acquisition of the green certificates, the charge for the introduction of the energy into the transport network that is paid to CN Transelectrica SA –areal transport tariff Tg).

- **Expenditure on raw materials (113.126 thousand lei)** represents the consumption of sinterisable uranium powder for the manufacture of the nuclear fuel. The expenditures projected for 2018 were mainly determined by physical output and expected acquisition costs of uranium powder. The average unit price for sinterisable uranium powder was calculated taking into account the uranium stock at 31.12.2017 and the average of the prices of the last concluded agreements, used to estimate the consumption of the powder for the remaining quantity to be purchased.

- **Expenditure on spare parts (18.200 thousand lei)** represents mainly expenses generated by the current maintenance, repair and replacement programs of the nuclear units; in 2018, spare parts shall be consumed both from the existing stock at 31.12.2017 and from the planned acquisitions to be made in 2018, and their consumption is correlated with the annual program of activities. As a result of the application of International Financial Reporting Standards (IFRS), the spare parts are periodically analyzed to determine the need for their classification as a replacement for the nature of fixed assets. This expenditure chapter does not include the essential, vital and partially critical spare parts, items that have a service life longer than 1 year and that are recognized under IAS 16 in fixed assets for which the amortization is calculated.

The proposal for the spare parts consumption is estimated on the basis of the needs related to the planned activities to be carried out at CNE Cernavoda both for the current operation of the Plant and for the repair and maintenance program foreseen to be made in the planned or unplanned shut downs.

- **Fuel expenditure** worth **2.958 thousand lei**. In 2018, the fuel expenditure is 5.4 % higher than the budgeted one for 2017 as a result of the increase in the fuel prices.

- **Other consumables (32.149 thousand lei)** represents the consumption of the materials for the current maintenance and repairs, radioprotection and labor protection, administrative, other materials such as: technical and specialty gas, oils, chemicals, radiation protection materials and other consumables.

- **Expenditure on materials of the nature of inventory objects worth 3.872 thousand lei.** Compared to the budgeted level approved for 2017, in 2018 additional expenditures worth approximately 3,200 thousand lei, were designed especially for supporting the activities of the maintenance and repair departments, radioprotection, administrative and physical protection, representing tool kits for electronics, mills, dies, workbenches with drawers, hoists, protective equipment needed for the current activity.

- **Expenditure on energy and water in amount of 81.489 thousand lei,** include technology water, running water and electricity for outdoor spaces. The expenditure on technological water is the cost of using the Danube cooling water, which for the year 2018 shows a slight increase, due to the additional consumption of about 95 thousand cubic meters at a price of 24 lei/mc, estimated for a gradient of 13 C degrees, according to the operating experience of the last three years, different from the gradient of 10 C degrees used in the estimations of the previous periods.

- **Expenditure on goods in amount of 74.014 thousand lei.** This category includes the equivalent of the electricity transport at the areal regulated tariff (TG) paid to CN 'Transelectrica' SA (10,926 thousand lei) for the injection of the electricity in the electricity transport network, which is also found in the proceeds from the sale of the goods at the same value, being invoiced and recovered from the customers. In addition, these expenditures include the electricity costs estimated to be purchased from the free market during the shutdowns (63.088 thousand lei), especially of the unplanned shutdowns; this energy is provided for the fulfillment of the obligations resulting from the agreements for sale of the electricity concluded with the clients, taking into account the unavailable quantities due to the shutdowns. The decrease in expenses representing the equivalent of the electricity transport is canceled by the increase of the purchased energy expenses, caused by the 27% increase, according to the current market conditions, to the estimated average price for the purchase of a quantity of 18% lower than the budget amount canceled by the price used for the budgeted year 2017. The budgeted level for the year 2018 comes from including the amount of electricity that would be purchased to cover the production deficit from the planned or unplanned shutdowns, in order to allow the additional sales in the strap to optimize the sales mix.

Expenditure savings may be made in this expenditure chapter, but only if the number of the unplanned shutdown hours shall be significantly lower than the number of the budgeted unplanned shutdown hours and the cost of the purchased energy is lower than the budgeted level.

According to the manufacturer's recommendations and industry standards, for a CANDU 6-type nuclear power plant it is estimated a number of 150 hours of unplanned shutdowns per year for each unit. Prudential, SNN estimates for the year 2018 a number of unplanned shutdowns of about 300 hours for the two nuclear reactors; however, depending on the effective operation of the power plant, the number of hours of unplanned shutdowns actually achieved may be higher or lower than planned. In execution, the price at which the electricity is purchased to cover the deficit may differ from the price at which this expense is budgeted, which is not within the SNN's control. Consequently, savings in the execution costs can be achieved, but they cannot be ignored or diminished when the BVC is drawn up; on the other hand, the exceeding of the number of the unplanned shutdown hours, respectively the fluctuation of the purchase price of this energy demand, can attract the overrun of the budgeted expenses.

The spending level is influenced by the need to budget a quantity of purchased energy during planned and unplanned shutdowns, which results in a high level of 'commodity expense' at least at a budgeted level.

The expenses are prudently grounded, but with the high level of the quality standards required to operate and maintain the nuclear power plants.

The above-mentioned issues led to maintaining the expenditure on goods level (chapter reflecting the electricity purchased for planned and unplanned shutdowns) at a similar level to the budgeted level for 2017.

**A2 - Expenditure on services performed by third parties** in amount of **115.487 thousand lei** (-20,6%) which represents the services required for the SNN activities (including the services required for the current maintenance program with the plant in operation, as well as the maintenance program foreseen to be carried out in the Planned Shutdown at Unit 1 from CNE Cernavoda). The estimated level of the services is based on the specific operating requirements as well as on the ongoing agreements which are generally multi-annual, so the level of the tariffs in the agreements is certain.

**a) Maintenance and repair expenditure (97.857 thousand lei)**, which includes both the services required for the current maintenance program with the Power Plant in operation for all the Power Plant Systems (electrical, ventilation, mechanical, process parameter monitors, fixtures and installations in the fixed front systems, bolter house and pump house, power transformers, lifting equipment, STA, etc.), as well as the repair and maintenance services of the Unit 1 scheduled for the planned shutdown in May.

The decrease in the budgeted expenditures for 2018, compared to the budgeted level approved in 2017, is due to the reconsideration of the recognition method, according to the International Accounting Standard 'IAS 16' *Tangible assets*, in fixed assets transferred on depreciation costs through amortization, of the expenses regarding the major inspection and major overhaul expenses planned for Unit 1 at steam generators, snubber defective investigations, feeder inspections and HX as well as revision to SDG Diesel, in the sense of recognizing them as fixed assets, taking into account the period during which they shall be repeated (more than 2 years), according to the maintenance programs.

**b) Rental expenditure** are estimated at **566 thousand lei** and includes expenditure on leased surfaces for the storage of the equipment and materials in the CNE's inventory, in the Saligny area, rent for the nitrogen and hydrogen storage tanks, rent of the portable multi-gas detectors and land concession fees in Saligny. The estimated value for 2018 increases by 24% as a result of the increase of the rental rates and the payment of the land concession fee to the Saligny City Hall.

**c) Expenditure on insurance premiums (17.064 thousand lei)** include the Power Plant's nuclear risk insurance, the liability insurance for the management and administration, insurance for travel abroad, insurance for work accidents and occupational diseases for the SNN's staff, as well as other insurances. The budgeted level in 2018 represents the maximum level that can be achieved, under the conditions provided by these types of insurances, higher than the level budgeted for 2017, for which the reimbursement of an insurance premium from the total value of the nuclear risk insurance was considered.

**A3 - Expenditure with other services performed by third parties**, in amount of **137.985 thousand lei** (+19,18%) represents: expenses on commissions and fees, protocol expenses, ads and

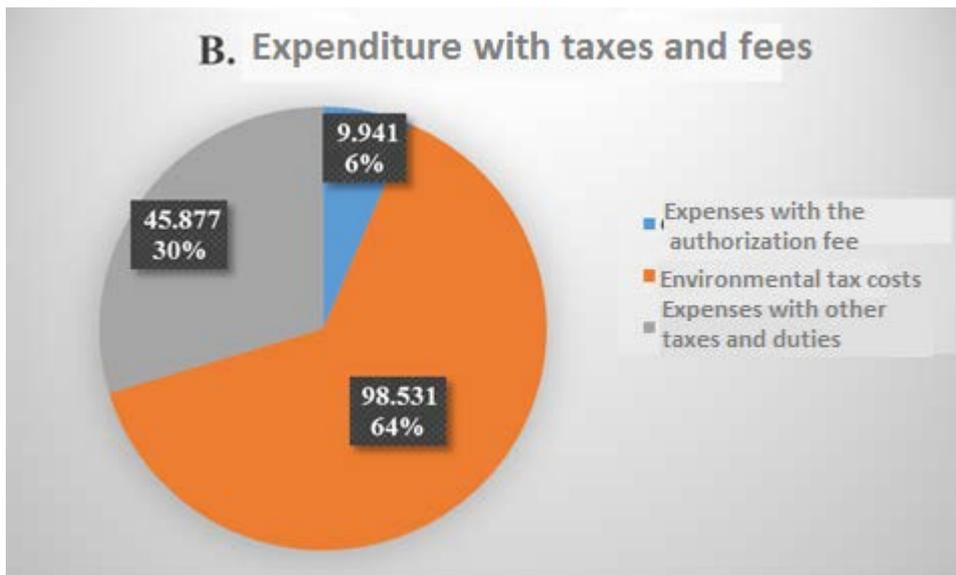
advertising expenses, sponsorship expenses, expenditure on transport of goods and persons, travel, posting, transfer, bank charges, postal charges and telecommunications charges, security and protection services for the aims and personnel, computer maintenance services, personnel training services, expenditure on reevaluation of tangible and intangible assets, radioactive waste management services, etc. Also for this category of the expenditure, the significant share is held by those services that are generated by CNE Cernavoda, being necessary to budget some cover resources for the planned activities. At the contractual level, the existence of ongoing multi-annual service agreements adds certainty to the quantitative and value level of these service costs.

- **Expenditure on commissions and fees (469 thousand lei)** represents mainly legal advice costs; the decrease of this expenditure is due to the reconsideration of the legal and financial consultancy expenses related to the Unit 3 and 4 Project, in order to recognize them as investments (as reflected in Annex 4);
- **Protocol expenditure, commercials and advertising** are estimated at a value of **628 thousand lei**, thus:
  - The protocol expenditure (363 thousand lei) were sized below the level of deductibility provided in the Fiscal Code.
  - The advertising and publicity expenditure (265 thousand lei) are aimed at increasing the level of understanding and acceptance of the nuclear energy internally and internationally, maintaining a positive image for SNN, counteracting actions having a negative impact on the development of the national energy program, promoting the project for the realization of Units 3 and 4 at Cernavoda etc.
- **The sponsorship expenditure (179 thousand lei)** are set at a higher level than the budgeted level for 2017, below the deductibility level foreseen in the Fiscal Code. These expenses are granted in compliance with the provisions of Law no. 32/1994 regarding the sponsorship, with the subsequent modifications and completions and with the express approval of the Board of Directors, the shares for which the sponsorship is granted being presented for information in AGA;
- **The expenditure with transportation of goods and people (3.839 thousand lei)** estimated below the budgeted level of 2017, as following of the estimates for 2018;
- **The expenditure on travel, detachment, transfer (2.627 thousand lei)** are estimated at the level of the needs identified for 2018, at a similar level to budgeted figures last year;
- **The postage and telecommunication expenditure** estimated at **691 thousand lei**, includes estimated telephone and internet services, in decreasing with 12.6% from the budgeted level of 2017, according to the level of the required activity;
- **Other expenditure on services performed by third parties (31.784 thousand lei)**, from which:
  - **Insurance and security expenditure (7.679 thousand lei)** down by -12.4% from budgeted in 2017, according to the estimates for 2018;
  - **Expenditure on the maintenance and operation of the computing technique (22.396 thousand lei)**, includes the maintenance costs for the HP workstations, servers and equipment, database management systems, and new IT equipment as a result of the expansion and upgrading of the computer network;

- **Expenditure on training worth 1.294 thousand lei**, estimated slightly below the level budgeted in the previous year.  
The level of these expenditures is determined by the need to provide staff training; including management/coordination, operation, maintenance and technical staff through experts from external specialist organizations, as well as the preparation of newly employed operating staff according to the compulsory training program.
  - **Expenditure on recruitment and placement of the management personnel** estimated at **350 thousand lei**, the value being determined by the need to recruit in 2018 new CA members, General Manager and Financial Director, in accordance with the applicable provisions of the Government Emergency Ordinance 109/2011;
  - **Expenditure on auctions and other ads (64t housand lei)** are estimated based on the annual values in the concluded agreements with the mass media.
- **Other expenditure (97.435 thousand lei)**, which includes other exploitation services such as radioactive, non-radioactive and decontamination waste management services, technical assistance, maintenance of the heating system, of the hydro-electric circuit, cleaning of the technological and administrative spaces, maintenance of the storage spaces, services provided by nuclear specialists organizations on the development of joint programs.

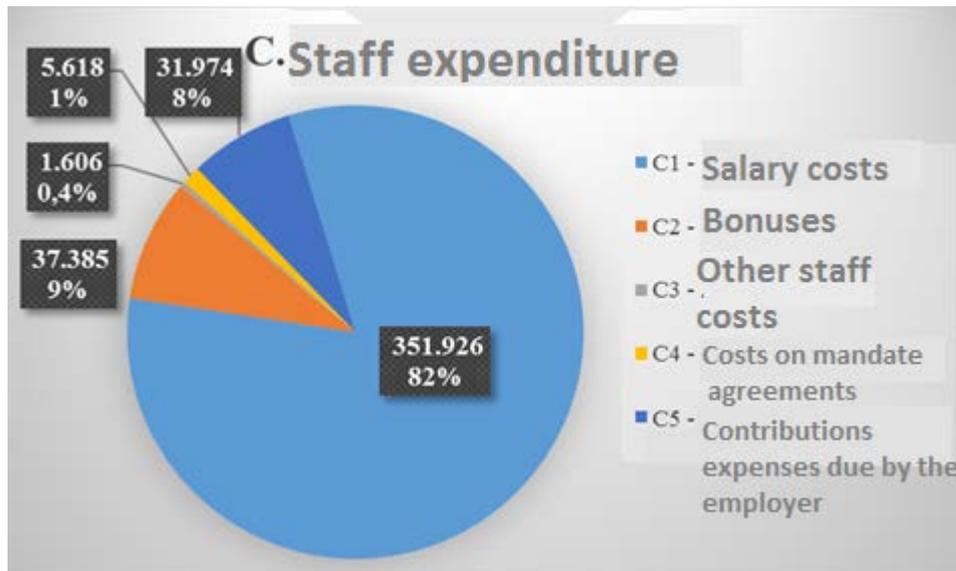
The increase of 20.2% in this chapter is due to the additional requirements for engineering services for the independent evaluation of the fire protection process, technical evaluation services and other necessary technical services in 2018. Some of the storage, handling and warehousing services have exceeded 2018. In addition, the costs of radioactive waste processing show an increase from the budgeted level in 2017 due to an increase in processing capacity from 322 barrels per year to 450 barrels per year. In the category of the expenditures with the processing of radioactive waste are estimated both the waste processing costs obtained during the year from the production process (about 322 barrels), as well as those obtained from the previous years (about 128 barrels). Consequently, the costs of processing the radioactive waste obtained in the previous years are offset by the income from the resumption of the provision recorded in 2017; therefore, the net impact on the result is zero.

**B. The expenditure with taxes, fees and similar charges** in amount of **154.349 thousand lei** (+3,6%) includes the fees for the authorization fee, the environmental tax and other taxes, as detailed below and the representation in the following chart.



- Authorization fees represent CNCAN fees and tariffs for nuclear safety; the environmental tax expense represents the decommissioning fee of the nuclear units and the final disposal of the radioactive waste representing the company's contribution to the decommissioning plan by transferring 2 EUR/MWh net product, according to the legislation in the field to ANDR. This fee is set in the euro currency, while its value is paid in lei, so the budgeted value for 2018 is considered prudently, to cover the eventual exchange rate differences;
- local tax expenses of 45.205 thousand lei. In accordance with the change in the year 2017 regarding how to apply the Interpretation of Financial Reporting Standards 'IFRIC 21' *Taxes*, according to the explanatory notes included in the financial statements, the tax on buildings, land and machinery due for 2018 shall be reflected in the execution of 2017 in December, ie the due one for 2019, was budgeted in December 2018; thus, unlike in 2017, when this tax was reflected in the income and the expenditure budget in the first quarter of 2017, in 2018 it is reflected in the fourth quarter.
- expenses with other taxes include OPCOM fees and tariffs in accordance with the ANRE Order no.106/2016;

**C. Expenditure on staff**, in amount of **428.509 thousand lei** (+32,1%), includes: salary, bonuses, other personnel expenses, expenses related to the mandate contract and other management and control bodies, boards and committees, and insurance and social protection expenses, special funds and other legal obligations. These costs are detailed below and represented in the following graph.



**C0) Wage expenditure** in amount of **389.311 thousand lei** (+59%) are composed of salary expenses (C1 - 351,926 thousand lei) and bonuses (C2 - 37,385 thousand lei), below detailed.

**C1) Expenses with salaries in the amount of 351.926 thousand lei (+ 58%)**

In 2018 there was an increase in salary expenses, taking into account the provisions of art. 58 of Act no. 2/2018 of the state budget for 2018. Thus, for the year 2018, the economic operators applying the provisions of art. 9 paragraph 1(b) and paragraph (3) of the Government Ordinance no. 26/2013 regarding the strengthening of the financial discipline at the level of some economic operators in which the state or the administrative-territorial units are single or majority shareholders or directly or indirectly hold a majority holding, with subsequent amendments and modifications, may foresee, in the budget of revenues and expenditures, the increase of the salary expenditures compared to the level stipulated in the last budget of revenues and expenditures approved according to the legal provisions, as follows:

- a) economic operators exceeding the level of outstanding payments scheduled for the end of 2017 may increase salary expenditure to the limit of the increase in the gross average monthly earnings per employee, which cannot exceed 80% of the labor productivity growth index calculated in units of value or physical value, after case;
- b) economic operators not exceeding the level of outstanding payments scheduled for the end of 2017 may increase wage costs provided that they do not plan outstanding payments in 2018 and if they plan to provide for their reduction compared to the planned level of the previous year, the amount determined by the tutelary public authority according to legal competencies.

SNN may provide in the income and expenditure budget for the year 2018 the increase of the salary expenses according to paragraph 1(b) of art. 58 of Act 2/2018 above, as:

- through the income and expenditure budget of 2017, approved by the OGM Decision no. 1/2017, SNN has provided a level of overdue payments equal to 0 and expects to achieve in 2017 0 arrears, so not overcome is the outstanding payments for the end of 2017;
- with this budget proposal, SNN does not schedule outstanding payments for 2018.

Thus, by fulfilling and observing the conditions stipulated in paragraph 1(b), art. 58 of Act 2/2018, SNN provides for an increase in salary costs of 129.127 thousand lei in 2018 compared to the level budgeted in 2017, determined by:

a) an increase of 1.021 thousand lei resulted from the re-entry of the salary fund as a result of the increase of salaries with 25 salary points for each employee, respectively the increase of the bonuses related to the basic salary according to the Decision no. 48/29.03.2017;

b) increase by 44.558 thousand lei in order to observe the provisions of the collective labor contract valid in 2018 (“CCM”), with the subsequent modifications and completions, including those brought by the supplementary act to the collective labor contract, registered with the Territorial Labor Inspectorate Bucharest no. 6/19.12.2017, as a result of the negotiated negotiations in order to implement the provisions of GEO no. 79/2017, based on art. VII, par. (2) of GEO 82/2017.

c) increase by 20.129 thousand lei due to the increase in the actual number of employees projected for the end of 2018 to 2.200 from 2.050 in 2017, out of which 3.355 thousand lei represents the value of the salary to be granted in order to maintain the net level, under the additional act to CCM (b) detailed above;

In the second part of 2017 it was approved at the level of the headquarters the establishment of a new Division (Investment Development Division). Taking into consideration the advanced stage in the negotiations on the construction of Units 3 and 4 at Cernavoda NPP, the necessity of creating a self-contained structure to manage the increasing volume of the documentation related to the new project appeared. Thus, depending on the evolution of the negotiations, the staffing plan of the U3 and U4 Project Implementation Department would be occupied by employing 7 people.

On the occasion of the approval of GMS SNN to start the first stages related to the Unit 1 refurbishment process at CNE, it was approved the establishment of a Division dedicated to the management of this process. A first iteration took place towards the end of 2017, with the creation of a new dedicated structure. Within this service, representing the new structure, 4 posts are budgeted and their recruitment is expected to be achieved in Q1 2018. As the evolution of the Renewable Project starts, it will be necessary to set up the Renewable Energy Directorate according to the approval of the GMS on the proposed plan. Within the Directorate, an additional employment requirement of 20 people is estimated.

In order to keep the risk of loss of knowledge and skills (predictable/unpredictable personnel) under control, it is necessary to increase the number of staff in 2018, compared to the existing on 31.12.2017 by approx. 119 employees, in addition to the 31 persons, as follows:

- 35 employees to be familiar with the nuclear-specific requirements so that it is possible to transfer to them the knowledge, skills and responsibilities of the nuclear workers who are to retire in the first 6 months of 2019;
- 16 employees to set up a staff reserve to allow the selection, preparation and authorization of a new group of operators for the Nuclear Power Plant's control room, given that 2017 left the unit 13% of the total number of authorized CNCAN control room operators;
- 33 employees to fill the vacancies on December 31, 2017, from the departments with impact on the nuclear safety and the physical protection of the plant;
- 35 employees to cover transfers to the refurbishment organization of Unit 1 of Cernavoda NPP with a view to starting the previous Unit Retechnologization 1.

d) increase by 21.163 thousand lei as a result of the establishment of a prize fund, based on the provisions of art. 6.19 of the CMM valid in 2018, “the CCM negotiating committee protocol is a prize fund for rewarding employees who have made significant contributions to the achievement of the company/unit objectives”, and “how to use and allocate these amounts is established through the protocol of the JCC negotiating committee”. Thus, SNN's JMC, valid at the time of drafting the income and expenditure budget for 2018, allows for the establishment of a prize fund,

so this increase is reflected in the structure of wage expenditures for other bonuses (according to CCM).

- e) increase by 42.257 thousand lei representing salary increases based on the provisions stipulated in paragraph. 1(b), art. 58 of Act 2/2018.

SNN is the only operator of nuclear power plants in Romania, which causes a high degree of difficulty in finding substitutes on key positions, given the existence of competition in other similar projects that are developing in other countries. Even if the number of these key positions is not high, they are vital in terms of the necessary expertise and quality of work. Key positions must be paid with variable remuneration scheme based on performance that require additional resources but which are essential retention programs in the company.

The length of training of the various specialists is high, and for retention for a long period of time it is necessary to give benefits and to shape a clear path in the career that should include advancements/promotions. Without that, the staff lack of motivation is imminent.

By the specific of the nuclear industry and the character of unicity of its activity object, CNE Cernavoda has not the capacity of regenerating the losses of critical staff in the present rithm in the conditions when, for example, the training of an authorized specialist or expert CNCAN is of 5 years for the function of Principal Nuclear Operator Command Room (ONPCC) , or even 7 years for Chief Shift Dispatcher (DST) or an principal engineer specialist in the fields sensible to CNE exploitation. The practice at world level shows us that for the training of an expert, in any field of activity, is applied the rule of the 10,000 hours.man of experience at the level of excellence, respectively, a period of minimum 6 – 7 years.

Work-aging needs to be countered by early employment programs and training of specialized staff as well as staff incentive programs to avoid early retirement in order to keep active specialists for the company by postponing the level of payroll levels of pensions, so the difference between them is enough to keep the most experienced staff in the workplace.

At the same time, rising operational performance must be rewarded (the duration of planned stops is below the number of budgeted days, the number of unplanned stopping hours is declining continuously from one year to the next, Units 1 and 2 are ranked 1 in the world after the combined factor of the use of production capacity since commissioning).

The average monthly earnings per salary, based on the salary fund, increased by an average of 1.94% between 2013 and 2016, while the gross average earnings for the same period, by the “production and supply of electric and thermal energy, gas, hot water and air conditioning,” published by the National Institute of Statistics, recorded a significantly higher increase of 3.54%.

Also, in 2017, through the budget of revenues and expenditures, based on the decision of OG 1/2017, was approved the increase by 8.000 thousand lei of salary expenditures, according to the provisions of Law no. 6/2017 of the state budget for 2017. This increase represented only an increase of 3.7% in 2017 compared to the previous year, although in compliance with the provisions of art. 59, paragraph (7) of the Act no. 6/2017, SNN could provide for an increase in wage costs unrestricted and without limitations provided by law.

In order to preserve the economic efficiency, but also to motivate the employees and increase labor productivity (from 836 thousand lei/person in 2016 and 973 thousand lei/person prepaid in 2017, to 975 thousand lei/person level budgeted in 2018), SNN proposed both for 2017 and for 2018 growth without significant impact in achieving an increase in financial performance.

**Motivation of the labor force by the wage factor has been identified as necessary to ensure future comparable operational performance and to reduce personnel fluctuation, especially in key critical areas. The main risk factor for keeping specialists in the company is the discrepancy between the salary incomes that the company can provide and the possible wage offerings offered to SNN employees, in countries as EAU, Finland, China, Great Britain, Slovakia.**

### **C2) Bonuses amounting to 37.385 thousand lei.**

This subchapter provided the following costs:

- social expenditures in the amount of 12.431 thousand lei, being estimated within the limit of a 3.5% quota applied to the value of personnel salary expenses, keeping the same quota used for budgeting 2017; the limit of deductibility of these expenses according to Act no. 227/2015 regarding the Fiscal Code is 5% starting with 2016, the level of 3.53% proposed for the year 2018 being below the maximum level. The increase is also necessary taking into account the fact that this fund also supports the retirement benefits provided under the CCM correlated with the anticipated high number of pensioners (especially from FCN Pitesti);
- meal vouchers (542 thousand lei) - under art. 1 of Order no. 1852/2017 of the Ministry of Labor and Social Justice, the nominal value of a mass ticket cannot exceed the amount of 15.09 lei starting with November 2017, so SNN increased the ticket value to 15.09 lei starting with the month May 2017, the maximum allowed by law. As a consequence, spending on mass tickets for the year 2018 reflects the maximum allowed by law, increased as a result of the estimation of a higher number of employees in 2018, and in determining it did not take into account the influences stemming from days of employee displacement, medical leave and unpaid leave;
- holiday vouchers, in the amount of 4.180 thousand lei (1900 lei/employee, for a maximum estimated number of 2200 employees), in compliance with the legal provisions. The current CCM provides for the possibility of granting vacation vouchers, depending on the financial possibilities of the company;
- the expenses on the participation of the employees in the profit obtained by the Company in the previous year (13.265 thousand lei), in compliance with the legal provisions;
- expenditures with the advantages in kind granted to the employees (electric and thermal energy, rent of service dwellings), these expenditures being budgeted in the amount of 6.967 thousand lei.

Thus, in Chapter C2 Bonuses an increase of 15.278 thousand lei is expected from the level achieved in 2017.

Expenditure on bonuses (Chapter C2) is included in salary costs (C0).

### **C3) Other personnel expenses in the amount of 1.606 thousand lei.**

This subchapter provided for the 27 members of the Negotiating Commission and the Technical Secretariat to carry out the Project of Units 3 and 4 of Cernavoda NPP (increasing from 21 members in 2017), "Green/Brown Field" project, by setting up an IPP type company, in accordance with the provisions of Decision no. 122 of the Board of Directors of SN Nuclearelectrica SA dated 22.08.2014.

**C4) Expenses related to the mandate contract and other management and control bodies, committees and committees in the amount of 2.550 thousand lei.**

The cumulative amounts related to the fixed indemnities of the directors and directors amounted to 2.550 thousand lei in 2018 (budgeted) compared to 3.514 thousand lei in 2017 (budgeted approved), representing a decrease of approximately 27%.

**a) Mandate contracts with directors**

For the year 2018, the expenses related to the mandate contract for executives of 1.595 thousand lei were provided, decreasing by 22.9% compared to the budgeted level of 2017.

According to art. 143 par. 1 of the Act no. 31/1990 on societies, the Board of Directors may delegate the management of the company to one or more directors, appointing one of them as general manager. At the same time, art. 143 par. 4 of the same law establishes that, in the case of joint stock companies whose annual financial statements are subject to a statutory financial audit obligation, the delegation of the management of the company is mandatory. According to the provisions of art. 20 par. 1 of the SNN Constitutive Act, the Board of Directors delegates the management of the company to one or more directors, appointing one of them the General Manager. Given that SNN falls into the category of companies whose financial statements are subject to the statutory financial auditing obligation, there is a legal obligation for the Board of Directors to delegate the management of the company. Art. 35 par. 1 of GEO no. 109/2011 on Corporate Governance of Public Undertakings establishes that, in the case of companies managed under the unitary system, the Board of Directors delegates the management of the company to one or more directors, appointing one of them the general manager. Directors to whom the Board of Directors delegates management must be selected according to the provisions of GEO no. 109/2011. Within SNN, the management of the company was delegated to the General Manager, the Financial Director and two Deputy General Directors, their attributions being determined by the mandate contracts approved by the Board of Directors, the duration of the mandate being provisional, of 4 months, based on the provisions of art. 64 index 2 par. 1 of GEO no. 109/2011. Regarding the remuneration of the Directors with provisional mandate, according to the provisions of art. 64 index 2 par. 2 corroborated with the provisions of art. 64 par. 3, art. 38 par. 2 and art. 37 paragraph 2 of GEO no. 109/2011, this will be represented by a monthly fixed indemnity that cannot exceed 6 times the average of the last 6 months of the monthly average gross earnings for the activity carried out according to the main object of activity registered by the company at the class according to the classification of the activities of the national economy, communicated by the National Institute of Statistics prior to the appointment. We mention that, as the Director selection procedure was not initiated on the basis of the provisions of GEO no. 109/2011, the Board of Directors also having a provisional mandate of 4 months, performance indicators cannot be established and therefore a variable component of the indemnity cannot be granted. The gross fixed monthly indemnity of each Director was established in compliance with the provisions of GEO no. 109/2011 and in compliance with point 17 of the Ordinary General Meeting of Shareholders Decision no. 2/24.04.2017 approving the general limits of the monthly gross fixed indemnities of the directors between 4 times and 6 times the average for the last 12 months of the average gross monthly earnings in the branch in which the company operates, National Statistics communicated prior to appointment.

Thus, the Company has concluded 4 mandate contracts for a provisional period of 4 months for the General Manager, two Deputy General Managers and Financial Director, each mandate starting with January 3, 2018 (January-April 2018), based on Council Decisions Administration with no. 206/2017, 217/2017 and 218/201, respectively. Directors with a mandate contract for a provisional period benefit from a fixed gross monthly indemnity, established by the decisions of the Board of Directors.

By Decision no. 224/22.12.2017, the Board of Directors of SNN approved, with a view to submitting for approval to the General Meeting of Shareholders, the recalculation of monthly gross fixed indemnities of directors and the limits of directors' remunerations (gross monthly indemnities and any variable components in gross amounts related to the remuneration of directors), stipulated in the company's mandate contracts, with the purpose of maintaining the net monthly indemnity valid at the date of appointment or subsequently amended by additional acts to the mandate contracts, respectively the net level of any variable components related to the directors' remuneration, for the agreement with the new contributions due under Act no. 227/2015, with subsequent amendments and completions, as amended by GEO no. 79/2017 for amending and completing the Act no. 227/2015 regarding the Fiscal Code, the recalculation based on the provisions of art. 18 of GEO no. 90/2017, with the mention that gross fixed indemnities, or any variable components of remuneration due to Directors, will be recalculated starting with the January 2018 salaries inclusive. The Ministry of Energy proposed the following draft decision: "Approval of the modification of the amount of the monthly gross fixed indemnity of the members of the Board of Directors, stipulated in the mandate contracts, following the application of the provisions of GEO no. 79/2017 for amending and completing the Act no. 227/2015 regarding the Fiscal Code and on the basis of art. 18 of GEO no. 90/2017 regarding certain fiscal-budgetary measures, amending and completing some normative acts and extending the terms so that the monthly net compensation of the members of the Board of Directors remains unchanged." The submission for approval is included on the agenda of the General Meeting of Shareholders convening on 31.01.2018.

In 2018 were fixed the allowances provided for directors with mandate contracts amounting to 1.595 thousand lei (rd. 106), including recalculation by multiplying by 1.2, representing growth of 20% gross allowances to offset the effect of changes made by GEO no. 79/2017, to ensure the same net monthly indemnities.

When forecasting the fixed allowances for the period May to December 2018, were taken into account gross income salary for branch "production take and supply of electricity as the thermal, gas, water to warm as the air condition mentioned" NACE 35 in between November 2016 and October 2017 in the amount of 4738 lei; according to the data published by the NIS, based on its gross average earnings for the 12-month period prior to the appointment of directors from May 2018 for new mandate contracts, the basis for calculating the fixed remuneration may be different from the level of 4738 lei, which may require reallocations within category C of staff costs in the structure.

At the date of the drafting of BVC for 2018, the Company has concluded mandate contracts with Board members for a four-month period starting on December 28, 2017. In order to establish a Board of Directors with a long-term mandate, the public tutelary authority, respectively the Ministry of Energy, will take steps in this respect on the basis of point 3 of the Decision of the General Meeting of Shareholders no. 7/28.09.2017 approving the initiation of the selection procedure for the members of the Board of Directors of SNN in accordance with the provisions of GEO no. 109/2011. SNN estimates that as of May 2018, the company will conclude long-term mandates with members of the Board of Directors, thus creating preconditions for the conclusion of long-term mandate contracts and the four directors.

#### **b) Administrative contracts concluded with administrators**

For the year 2018, expenditures related to the administration contract for administration amounted to 955 thousand lei, decreasing by 33.9% compared to the budgeted level of the year 2017.

The Company has concluded 7 management contracts for a provisional period of 4 months, each starting with the 28.12.2017 (January to April 2018). Administrators (non-executive) with a temporary administration contract receive a fixed monthly gross indemnity.

The executive directors (directors who are members of the Board of Directors) cannot also receive remuneration for the membership of the Board of Directors.

For the year 2018 fixed indemnities for administrators with management contracts amounting to 955 thousand lei (row 109) were provided, including their recalculation by multiplying by 1.2, representing the 20% increase of the gross indemnity to compensate for the effect of the modifications brought by GEO no. 79/2017, to ensure the same net monthly indemnities, based on Decision no. 224/22.12.2017 detailed above.

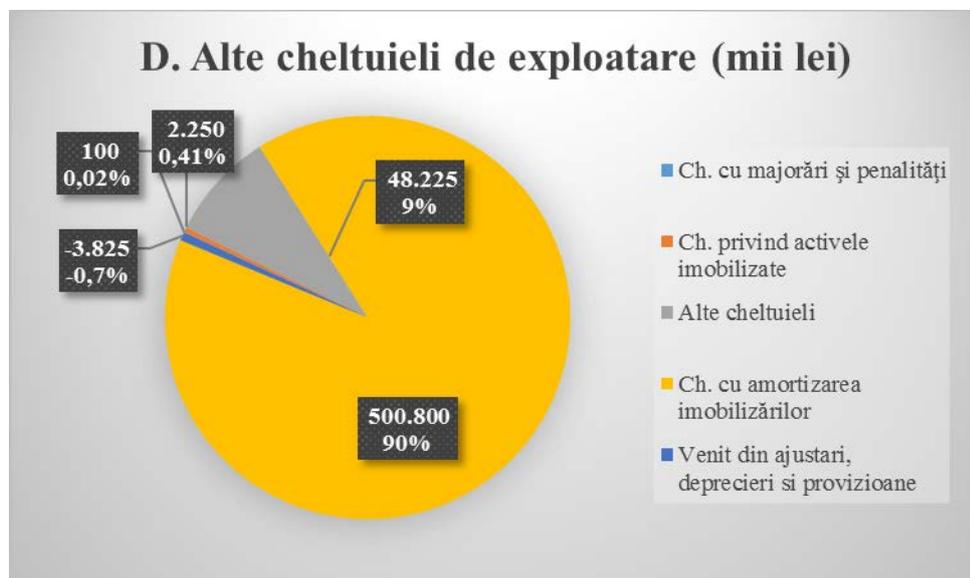
When forecasting the fixed allowances for the period May to December 2018, were taken into account gross income salary for branch “production take and supply of electricity as the thermal, gas, water to warm as the air condition mentioned” NACE 35 in between November 2016 and October 2017 in the amount of 4738 lei; according to the data published by the NIS, based on the gross average earnings for the energy branch for the 12 month period prior to the appointment of the administrators from May 2018 for the new administration contracts, the basis for calculating the fixed remuneration may be different from the level of 4.738 lei, situation where reallocations may be required within the C staff category in the structure.

**C5) Expenses with the contributions due by the employer in the amount of 35042 thousand lei.**

This subchapter provides expenditure on social security contributions, unemployment insurance, social health insurance, special funds related to the salary fund and contribution of the unit to pension schemes, in accordance with the provisions of Act no. 227/2015, with the completions of GEO 79/2017.

Thus, as a result of applying the provisions of GEO 79/2017, the expenditures with the contributions due by the employer decrease by 39845 thousand lei, respectively by 53.20%.

**D. Other operating expenses in the amount of 547.550 thousand lei (- 1%)** include: expenditures on fixed assets, depreciation expense for tangible and intangible assets, adjustments and write-downs for impairment and provisions (provision for intermediate storage costs of burned fuel, provision for radioactive and non-radioactive waste, (annual contribution to governmental and non-governmental organizations, annual contribution to ANRE, the equivalent of electricity for the equilibrium market, etc.).



The largest share in this category of expenditure is the expenditure on monitoring fixed assets (500.800 thousand lei) and a weight of 90%. This expenditure category is expected to increase by + 1.33%, given the estimated depreciation expense that is correlated with investments made in previous years with commissioning in 2017 and estimates for 2018.

This expense category includes a number of other expenses of a non-monetary, in particular the provisions and adjustments and write-downs for impairment losses (both formation and replays) so that their evolution is influenced by the need to build or resuming it to comply with financial reporting standards.

Other expenditures under chapter D, respectively those budgeted at rd. 120, amounting to 48.225 thousand lei represents mainly daily imbalances value (41.000 thousand lei) estimated considering the greater number of hours of unplanned shutdowns considered in program production, the annual contribution by ANRE according to Order no. 126/2017 on approval of tariffs and money contributions collected by ANRE in 2018 (i.e. 0.1% of the turnover, representing approx. 1.880 thousand lei), equivalent electricity to retirees based on laws and taxes regarding the affiliation of the Society to specialized organizations, especially the nuclear industry.

Revenues from adjustments, depreciations and provisions estimated for 2018, which offset the budgeted expenditures by 3.825 thousand lei, result from the netting of expenses on adjustments and provisions (43.426 thousand lei) with the income from provisions and adjustments for depreciation or losses of value (47.251 thousand lei).

Spending on the JUSTAR and provisions mainly include: provision for the costs of managing radioactive waste and non-radioactive (approx. 12.000 thousand lei) provision for costs of storage of spent fuel - Module 13 (8.000 thousand lei), estimate update provisions for pensions and other liabilities (6.000 thousand lei) and a provision for the participation of employees to profit for the year 2018 (16.000 thousand lei).

Income from provisions and adjustments for impairment or loss of value are mainly represented by: cancellation of the provision for radioactive and non-radioactive waste (approximately 20.500 thousand lei), cancellation of the provision for intermediate storage costs of the burned fuel - Module DICA 9 (10.000 thousand lei) and cancellation of the provision on employee participation at profit (13.265 thousand lei).

The provision for the participation of employees in profit for the year 2018 is calculated to the maximum allowed by the law, i.e. “not more than the level of a monthly average monthly salary made at the level of the economic operator in the reference financial exercise”.

Estimate of the provisioning for pensions and other liabilities amounting to 6.000 thousand lei includes the estimated provision for employee benefits retirement in the form of a share of 1200 kWh/year of electricity, in accordance with SNM SNN provisions for the period 2016-2018. The value of the update will be based on the actuarial report made by the actuary employed by SNN and the provision for other employee benefits under CCN SNN/2017.

Effective reimbursement of retirement aid for the share of electricity will be made from the Social Expenditure Fund.

2. In the financing of the **financial expenditures** amounting to **68.113 thousand lei (- 33.8%)** were taken into account the expenditures with the interest and the commissions due in 2018, the exchange differences related to the external credits contracted for the realization and commissioning of Unit 2 of Cernavoda NPP, as well as other financial expenses. They took into account currency exchange rates fall as forecast by the National Commission for Prognosis (e.g. average exchange them lei/euro

of 4.55 lei/euro). Expenditures with negative exchange rate fluctuations can only be estimated, but their level of execution is influenced by the impact of unfavorable exchange rate fluctuations realized and unrealized, uncontrolled by the company.

Within these expenditures was included the amount of 6.575 thousand lei representing expenses with the non-reimbursable risk commission of the contracted loans for the realization and commissioning of Unit 2 from Cernavoda NPP paid on the first drawing from credits and which is amortized during the repayment period.

### **III. GROSS RESULT**

For 2018, based on projected income and expenses resulted in an **operating profit of 362.688** thousand lei, 5 times higher than the budget approved for 2017. Gross profit budgeted, including the financial results in amount of **365.825 thousand lei**, 5 times higher than the approved budgeted gross profit for the previous year.

In accordance with GEO no. 64/2001, the budget proposal for the year 2018 provides for a distribution of 9% of distributable accounting profit to shareholders.

The main factors with significant impact in determining operating profit in the sense of influencing operating revenues are estimated sales prices for electricity (for the year 2018, the weighted average sales price is about 21% higher than the weighted average cost for 2017, and in the sense of influencing operating expenses, they are estimated at a sufficient level necessary to achieve the activity of the company, in conditions of ensuring nuclear safety and maintaining a certain level of the quantity of electricity available for honoring the contracts for sale of electric power. Also, the level of spending is also influenced by the need to budget a quantity of energy to buy during planned and unplanned stoppages, which results in a high level of expenditure on goods at least at a budget, cautious level.

Another important determinant is providing a level of expenditure that allow all activities related to repairs and maintenance planned for budgeted, according to internal estimates due to the experience and expertise of qualified personnel to carry out such plans for repairs and maintenance and in accordance with regulations and compliance requirements. Meanwhile, the budget exercise takes into account the needs of adjacent activity, which is done in order to sustain it without the proper conduct of the activity is hampered.

### **IV. TAX ON PROFIT**

Income tax expenses were determined according to code UI Tax. Estimated tax-deductible expenses and taxable income to calculate the tax on 2018 was made considering the structure of expenditure and revenues budgeted for 2018.

**Deductible expenses** (137.094 thousand lei) comprise mainly amounts representing the revaluation surplus goes to reserves, the cassation of spare parts, allowance for intermediate storage targets spent fuel, the provision on radioactive waste and non-radioactive, and the provision on employee participation in profits.

**Taxable income (61.962 thousand lei)** comprises mainly income from the reversal provisions.

**V. Sources of investment financing** to 2018 in August, amounting to 512.258 thousand lei, are represented by their own sources, i.e. depreciation and profit.

**VI. Investment expenses** in the year 2018 in August, amounting to 244.867 thousand lei, plus the amount of 217.130 thousand lei, representing repayment rates on loans for the realization and operation of Unit 2, due 2018, resulting in an investment program total 461.997 thousand lei, were designed according to the investment objectives needed to be made and fitted in the company's strategic programs, is structured as follows:

- EUR 30.997 thousand lei representing the investment program of the Executive SNN, out of which 10.373 thousand lei representing studies is life extension of Unit 1 by resubbing the main reactor and upgrading systems;
- the amount of 203.226 thousand lei representing the investment program of the CNE;
- EUR 10.645 thousand lei representing the investment program to branch FCN Pitesti.

Investment and debt service to be financed from profits and amortization.

Of 244.867 thousand lei provided in BVC investment in 2018, of the main investments, we can mention:

| Name of investment   | Value (thousand lei) |
|--|----------------------|
| Extending the life of the reactor and resubbing Unit 1 by retrofitting main systems (studies)  | 10.373               |
| Spent Fuel Storage   | 14.177               |
| Modernization and expansion of physical protection system  | 16.600               |
| Increasing operational safety discharge system of Cernavoda power by upgrading power outlet transformers and transformer providing backup for two units  | 4.644                |
| Improving response Cernavoda NPP or nuclear safety functions in case of events outside the design basis as a result of the nuclear accident occurred at the Fukushima 1 nuclear power plant, Japan | 26.241               |
| Land planning and relocation property NPP buildings necessary for the proper functioning of Deposit Seiru territory CNE  | 4.625                |
| Software for integrated management of plant  | 8.000                |
| Increased reliability EVA 8000 storage system that provides centralized data storage for production of system of the CNE by its replacement  | 11.280               |
| Inspection and works to turbo generators – Planned Stop U1   | 15.000               |
| 3 Steam Generator inspection during the Planned Stop of U1   | 10.909               |

Depending on the conduct of investment will be achieved reallocation between various investment projects with total investment costs framing approved and that existing funding sources. Also during the year can lead to new needs for investment expenses, contingencies can be financed within the limits of existing funding sources.

The investment program is detailed in Annex 4 of the budget of revenues and expenditures for 2018.

## **VII. Other data substantiating the budget revenue and expenditure for the year 2018**

For 2018, the budget proposal of income and expenses for 2018 and have not been provided for payments outstanding.

At the time of writing the proposal of revenue and expenditure for 2018, the Board of Directors of the company consists of members with provisional contract term, as there are bound to draw up a management plan.

Indicator estimates for the years 2019 and 2020 are made linear (except Appendix 4 - Investments), from the indicator level budgeted for 2018, indexed to the inflation rate published by the National

Institute of Statistics in “term forecast average for the period 2016 - 2020 - 2017 autumn forecast”, indicators that will provide details for the years to be detailed and substantiated by the annual budgets of the years 2019 and 2020 respectively.

Background budget revenues and expenditures were approved by the financial control management.

**General Manager,  
Cosmin Ghita**

**Financial Manager,  
Adrian Gabriel Dumitriu**

Annexes:

- Budget for income and expenditure for the year 2018 and estimates for the years 2019 and 2020 (Annex no. 1);
- Detailing financial indicators of budgeted income and expenditure and plan quarterly (Annex no. 2);
- The investment program (Annex no. 4).