



DISCLAIMER:In order to apply the provisions of OG no. 26/2013, OMFP no. 3818/2019 and Law no. 5/2020, regarding the content and format of Budget of revenues and expenses, the estimation of 2019 result, to which budgeted results for 2020 were compared, was made on the basis of accounting records as at 27 January 2020, respectively on the basis of the trial balance as at this date, so the estimation of 2019 result, made on 27 January 2020, does not represent the estimation for the preliminary financial reporting from 26 February 2020. The preliminary financial statements will be published on 26 February 2020, according to the financial calendar, and the final annual financial statements for 2019 will be approved by General Shareholders' Meeting of SNN on 28 April 2020, according to the approved and published financial calendar.

Advised,
Board of Directors
Chairman
Iulian - Robert Tudorache

NOTE

**on substantiating the project of the Revenue and Expenditure Budget of
S.N. Nuclearelectrica S.A. for 2020, in compliance with the note regarding the corrigendum of the
Revenues and Expenses Budget for 2020**

The Revenue and Expenditure Budget ("BVC") of S.N. Nuclearelectrica S.A. ("SNN") for 2020 was prepared according to the provisions of Government Ordinance no. 26/2013 *on enhancing financial discipline on the level of economic operators where the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold majority interest*, as further amended and supplemented, which regulates:

- Art. 6 par. (1[^]1) *The economic operators provided under art. 4 par. (1) let. d), whose shares are allowed for trading on a regulated market and its branches, submit to the general assembly of shareholders according to the law, for approval, after previously consulting the trade unions, the revenue and expenditure budget accompanied by the substantiating annexes, drafted according to the legal provisions in force, within 60 days after the state budget law becomes effective, or after the date on which the local budgets of the communes, cities, municipalities, districts of Bucharest municipality, counties and Bucharest municipality are approved, as the case may be;*
- Art. 7 par. (1) *Annually, the state budget law sets salary policy objectives based on which the economic operators substantiate the indicators from the revenue and expenditure budgets;*
- Art. 9 par. (1) *When substantiating the revenue and expenditure budgets, the economic operators consider, without limitation, the following:*
 - a) *compliance with the Government policies and those of the administrative-territorial*

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- units regarding the improvement of the economic-financial performance of the economic operators;*
- b) *compliance with the salary policy objectives set by the annual state budget law.*

The substantiation of the Revenue and Expenditure Budget of SNN was prepared by complying with the legal provisions comprised in:

- Law no. 5/2020 of the state budget for 2020;
- Government Ordinance no. 26/2013 on enhancing financial discipline on the level of economic operators where the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold majority interest, as further amended and supplemented;
- Ministry of Public Finance Order no. 3818/2019 on approving the format and structure of the Revenue and Expenditure Budget, and its substantiating annexes;
- Government Emergency Ordinance no. 109/2011 on corporate governance, as further amended and supplemented;
- 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, as amended and supplemented;
- Law no. 227/2015 on the Civil Code, as further amended and supplemented;
- Romanian Energy Regulatory Authority Decision no. 2213 dated 23.12.2019 *establishing the regulated price for the electricity delivered and the quantities of electricity sold based on regulated contracts in the period January 1, 2020 - June 30, 2020 by S.N. Nuclearelectrica S.A.;*
- Romanian Energy Regulatory Authority Decision no. 2214 dated 23.12.2019 *on the maximum electricity quantities that may be imposed as sale obligations based on regulated contracts in the period July 1, 2020 - December 31, 2020 for S.N. Nuclearelectrica S.A.;*
- Emergency Ordinance no. 114/2018 on instituting measures in the field of public investments and fiscal-budget measures, amending and supplementing legislative acts and prorogating terms, as further amended and supplemented by Emergency Ordinance no. 1/2020;
- Collective employment contract of the company (“CCM”) valid in 2020;
- Other applicable regulations and laws, in force.

The Revenue and Expenditure Budget for 2020 was subject to financial control according to the provisions of *Government Decision no. 1151/2012* on approving the methodological norms on organizing and exercising the financial administrative inspection, and was approved.

The programs of measures to improve the gross result and to reduce the outstanding payments proposed by the present budget project will be considered when establishing the performance indicators of the company management in case of new future mandate contracts. Currently, the management of the company has performance indicators established through mandate contracts concluded before the drafting of this budget, but these already existing performance indicators measure, by their intrinsic character, the application of measures to improve the gross result and to reduce the outstanding payments, and the level of the economic-financial indicators from the budget was determined taking into account the targets of the performance indicators of the management, as it appears from the management plan, with the management component included and from the

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existing mandate contracts.

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The draft of the Revenue and Expenditure Budget for 2020 sets out a **gross profit of 651,337 thousand RON (+204,176 thousand RON, i.e. +45.7% vs. budgeted for 2019, +10,841 thousand RON, i.e. +1.7% vs. preliminary achieved in 2019) and a net profit of 551,458 thousand RON (+57.5% vs. budgeted for 2019, +1.6% vs. preliminary achieved in 2019)**. The results are obtained based on the total revenues of 2,637,573 thousand RON (+7.2% vs. budget for 2019, +6.1% vs. preliminary achieved in 2019) and of some total expenses of 1,986,236 thousands RON (-1.5% vs. budget for 2019, +7.7% vs. preliminary achieved in 2019), as well as based on the estimate for the income tax amounting to 99,879 thousands RON (+2.84% vs. budget for 2019, +2.06% vs. preliminary achieved in 2019).

The percentage comparisons presented below refer to the amounts budgeted for 2020 in relation to the values preliminary achieved for 2019, being indicated as “+/- x%”, unless specified otherwise.

1. TOTAL REVENUES

The total revenues were estimated at **2,637,573 thousand RON (+6.14%)**, of which operating revenues of **2,578,573 thousand RON (+6.66%)** and financial revenues **59,000 thousand RON (-12.38%)**.

1. Operating revenues (row 2) amounting to 2,578,573 thousand RON comprising revenues from the sold production amounting to **2,547,326 thousand RON (+7.61%) (row 3)**, of which revenues from the sale of products represent **2,545,266 thousand RON (+7.60%) (row 4)** (sale of electricity and thermal energy).

1.1. Revenues from the sale of electricity - 2,539,154 thousand RON, at a quantity scheduled for sale of **10,640 GWh**, resulting an average weighted sale price of **238.63 RON/MWh** (price without Tg).

The premises of the budgetary construction for the revenues from the sale of electricity are as follows:

a. Schedule of the electricity delivery by CNE Cernavoda

The quantity of electricity planned to be **delivered** was estimated based on **the electricity production schedule for 2020 approved** by Resolution no. 213/19.12.2019 of the Board of

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Directors of SNN at the level of **10,383 thousand MWh**. To this value, we added a quantity estimated as needed to be purchased in order to optimize the sale mix, especially during the planned and unplanned outages. The production and delivery schedule was drafted by considering the operation of the nuclear units at a high capacity factor, similar to the levels from the previous years for a multiannual period, a duration of planned outages at Unit 1 of approximately 42 days, as well as unplanned outages at Units 1 and 2, based on long-term historical data. In the nuclear industry, unplanned outages are part of a normal operation of the nuclear units, and the prudential management requires a number of unplanned outage hours depending on multiannual average values.

b. SNN electricity sale schedule

The forecast of revenues was based on a **sale schedule of 10,640 thousand MWh** and on the **contracts already concluded** until the date of drafting the BVC, for deliveries of electricity which shall take place in 2020 on the sale obligations on the **regulated market** (the **21%** according to the detail below), and on the price hypotheses related to the average price on various OPCOM [Romanian Electricity and Gas Market Operator] platforms, for the **quantity remaining to be contracted**.

Government Emergency Ordinance no. 114/2018 *on instituting measures in the field of public investments and fiscal-budget measures, amending and supplementing normative acts and prorogating terms* provides for **March 1, 2019 - February 28, 2022** the provision of electricity to household clients under conditions regulated by ANRE. Thus, ANRE issued two decisions for the two semesters of 2020, namely Decision no. 2.213/23.12.2019 and Decision no. 2214/23.12.2019, by which it established an amount of 2,182 GWh (**21%** of the total quantity) to be sold by SNN, in 2020, of which 1,087 GWh in the first semester, at the price regulated by **188.47 lei/MWh**, without Tg and 1,095 GWh in the second semester, for which the regulated price will be established by ANRE Decision at the beginning of the second semester and for which, for the purpose of determining the budget value for the second semester, the same price was considered regulated of 188.47 lei/MWh.

Thus, from combining the data related to the certain quantities and prices of the concluded sale transactions, with the hypotheses related to the quantities remaining to be sold and the estimated prices, including those on the regulated market, it results that the value of the electricity production forecasted to be sold/delivered in 2020 is **2,539,154 thousand RON**.

c) Obtaining certain revenues, given a limited production capacity

One must mention that in SNN, **the production capacity is limited by the installed power of the two operational nuclear reactors which already operate at a high average capacity factor**, significantly over the industry average value, and by the duration of the planned outages of Unit 1 of 42 days and the number of hours of unplanned outages that was budgeted. Units 1 and 2 are first in the world by the combined factor of using the production capacity after commissioning. The prices on the competition-based market are freely formed, based on the competition, mainly by the ratio between demand and supply. Thus, the predominant element of influence on the operating revenues is represented by the market price of the electricity. **Nevertheless, for 2020, there is a high degree**

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of certainty regarding the achievement of the revenues proposed by this BVC draft, considering the relevant proportion of the already contracted quantity, plus the quantity to be sold on the regulated market in 2020.

1.2. Revenues from the sale of thermal energy - 6,078 thousand RON

The revenues from the sale of thermal energy were estimated by considering a quantity of thermal energy delivered of approximately 70.73 thousand Gcal, at the production and transportation price of 85.93 RON/Gcal.

Thus, the preliminary value to be obtained from the sale of the thermal energy production in 2020 is **6,078 thousand RON**, thus having a low weight in the total operating revenues.

1.3. Revenues from royalties and rents (row 6) were estimated at **972 thousand RON** representing revenues obtained from leasing lands and administrative premises, and **other revenues (row 7)** amounting to **1,088 thousand RON** are represented by various revenues, including revenues from the sale of green certificates.

1.4. Revenues from the sale of commodities (row 8) amounting to **13,498 thousand RON** (+10.56%) represent the value of electricity transportation. The transportation fee set by ANRE order no. 218/11.12.2019 is 1.30 RON/MWh (regulated fee), starting with January 1, 2020, therefore estimated for the entire year of 2020 at this value. This type of revenues has a corresponding value in the cost of the sold commodities, invoiced to SNN clients.

1.5. Revenues related to the cost of the production in progress (row 13) – (1,570) thousand RON, estimated according to the planned production of nuclear fuel bundles at FCN Pitesti.

1.6. Other operating revenues (row 14) amounting to **19,320 thousand RON** (+14.57%), mainly represent revenues from investment subsidies, representing loan reimbursements and interest payments made by the Romanian State to banks, on behalf of SNN, for financing Unit 1; these amounts are taken over as revenues on an annual basis, as the fixed assets financed from such subsidies are amortized. These revenues also estimate revenues from the sale of tangible assets related to amounts estimated to be obtained following the capitalization of some unused assets.

2. Financial revenues, amounting to **59,000 thousand RON** (-12.38%), were estimated based on the forecasts of revenues from various exchange rate differences and interests to be paid by banks at deposits in RON and foreign currencies set up by the company, revenues from interests forecasted on a level below the one realized in the previous year, compared to the average interest rates from the previous year, and the estimated average balance of monetary liquidities.

II. TOTAL EXPENSES

Total expenses amounting to **1,986,236 thousand RON** (+7,7%) include operating expenses of **1,932,157 thousand RON** (+8.51%) and financial expenses of **54,079 thousand RON** (-15.34%).

The expenses were substantiated considering the estimated indexes of inflation and/or the evolution

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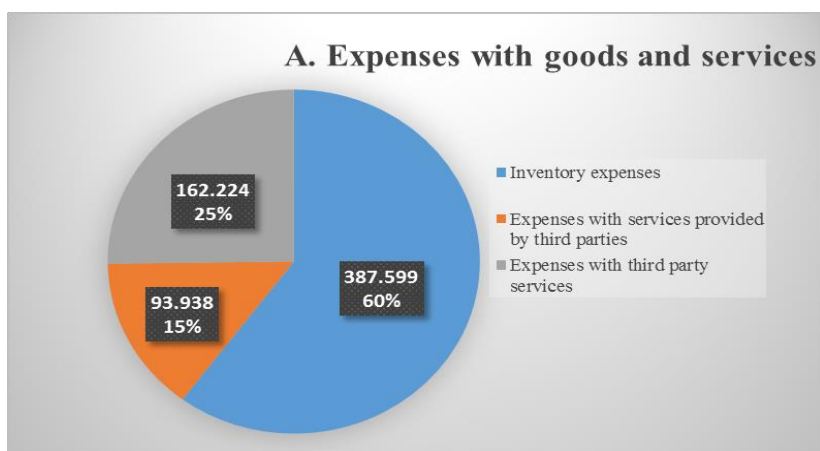
of currency exchange rates estimated according to the winter forecast of the National Forecast Commission, for those costs which by their nature have a relatively linear evolution, adjusted in line with SNN's own expectations and the evolution of the foreign exchange rate.

A nuclear plant can operate under full nuclear security and operational excellence conditions, only by ensuring the financial resources that are necessary for the maintenance, operation and investment activities; thus, on the level of the operation and maintenance expenses, the budget construction philosophy has a "bottom up" approach, namely the activities scheduled on a detail level are those that generate annual and multi-annual needs. This is the manner by which the company ensures the resources that are necessary for reaching the aforementioned objectives, specific to the nuclear industry.

1. Operating expenses amounting to **1,932,157 thousand RON (+8,51% vs. achieved in 2019, -0.30% vs. budgeted for 2019)** are composed of expenses with goods and services, expenses with taxes, duties and assimilated payments, expenses with personnel and other operating expenses.

A. Expenses with goods and services amounting to **643,761 thousand RON (+27.09% vs. achieved in 2019, +2.21% vs. budgeted for 2019)** include the expenses detailed below:

| INDICATORS | | Row no. | Provisions for the previous year 2019 | | 2020 | % | % |
|--------------|--|---------|--|-----------------------------|----------------|-------------|-------------|
| | | | Approved according to OGMS Resolution no. 6/20.05.2019 | Preliminary / Achieved 2019 | | | |
| 0 | | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 |
| A1 | Inventory expenses | 31 | 379.144 | 321.169 | 387.599 | 102% | 121% |
| A2 | Expenses with services provided by third parties | 39 | 105.104 | 76.624 | 93.938 | 89% | 123% |
| A3 | Expenses with third party services | 45 | 145.577 | 108.745 | 162.224 | 111% | 149% |
| Total | | | 629.825 | 506.538 | 643.761 | 102% | 127% |



A1 - Expenses with inventories amounting to **387,599 thousand RON (+20.68% vs. achieved in 2019, +2.23% vs. budgeted for 2019)**, represent the consumption of raw materials and materials necessary for both the current maintenance schedule with the Power Station operational, and for the maintenance schedule provided to be implemented in planned or unplanned outages, namely spare parts, auxiliary materials, other consumables, inventory items and occupational protection equipment, consumption of energy, water and gas, expenses with commodities (electricity purchased from the free market during the outages, purchasing green certificates, tax for introducing the energy in the transportation network paid at

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CN Transelectrica SA – regional transportation fee Tg).

| A1 - Inventory expenses | | Row no. | Provisions for the previous year 2019 | | 2020 | % | % |
|-------------------------|--|---------|---|--------------------------------|----------------|-------------|-------------|
| | | | Approved | Preliminary / Achieved 2019 | | | |
| | | | according to OGMS Resolution no. 6/20.05.2019 | | | | |
| 0 | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 | |
| a) | expenses with raw materials | 32 | 119.608 | 106.241 | 131.311 | 110% | 124% |
| b) | expenses with consumables | 33 | 59.146 | 56.841 | 81.620 | 138% | 144% |
| c) | expenses regarding materials such as inventory items | 36 | 4.692 | 1.521 | 4.175 | 89% | 275% |
| d) | energy and water expenses | 37 | 82.170 | 79.468 | 81.045 | 99% | 102% |
| e) | commodity expenses | 38 | 113.529 | 77.099 | 89.448 | 79% | 116% |
| Total | | | 379.144 | 321.169 | 387.599 | 102% | 121% |

a) Expenses with raw materials amounting to **131,311 thousand RON** (+ 23.60% vs. achieved in 2019, +9.78% vs. budgeted for 2019) represent the consumption of uranium sintering powder, in order to manufacture nuclear fuel. The expenses for 2020 were mainly determined based on the physical production and the estimated costs for purchasing uranium powder and Zircaloy-4 products. The expenses with sintering U powder in UO₂ were calculated by considering the uranium inventory existing on 31.12.2019 and the average of the prices of the latest orders launched to CAMECO Canada and CNU. According to Law no.193/2018, uranium dioxide powder can be purchased only from CNU, at a regulated price. If CNU cannot ensure the necessary powder in the requested quantity and quality, SNN can procure it from the profile market, by organizing a competitive procurement procedure. If the price of the powder, which shall be regulated/contracted, has significant variations compared to the budget estimate (increase/decrease), this budget position must be rectified.

b) Expenses with consumables amounting to **81,620 thousand RON** (+43.59% vs. achieved in 2019, +38.00% vs. budgeted for 2019), are composed of:

- expenses with spare parts (22,177 thousand RON), expenses mainly generated by the programs for the current maintenance, repair and replacement of nuclear units (this expense chapter does not include essential and vital spare parts, and partially critical ones, elements which, given that they have a period of use longer than 1 year, are acknowledged according to IAS 16 in assets, for which the amortization is calculated);
- fuel expenses (4,128 thousand RON), a decrease by approximately 500 thousand RON, justified by the reduction in the light liquid fuel (CLU) for the Startup Thermal Station;
- expenses with other materials and consumables (55,315 thousand RON) represent the consumption of materials for current maintenance and repairs, radio protection and labor protection, administrative, such as: technical and special gas, oils, chemicals, radio protection materials and other consumables. The increase by approximately 19,400 thousand RON is due to the high necessity of consumables for the maintenance of the STA chemical laboratory (state, reagents, acids, resins, filters), and the necessary consumables for controlling contamination, personnel exposure, sample taking etc.

c) Expenses regarding materials such as inventory items amounting to **4,175 thousand RON**. In 2020 we estimated additional expenses amounting to approximately 2,700 thousand RON, designed especially for supporting the activities of the maintenance and repair, radio protection, administrative and physical protection departments, representing ring, fixed, dynamometric wrenches, electric insulated screwdrivers, furniture for the control rooms of units 1 and 2 and the protection equipment necessary for the performance of current activities.

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d) Energy and water expenses amounting to **81,045 thousand RON**, including technological water expenses, the consumption of current water and electricity for the outdoor premises. The expenses with technological water represent expenses for using cooling water from the Danube, which for 2020 are slightly higher mainly because of the necessity to transit higher volumes of water (for 60 days) on race II Danube Black Sea Canal (“CDMN”) for maintenance works on the lane II tunnel and the concrete canal Valea Seimeni, works that are performed once every 10-12 years. The performance time of the works was estimated based on the experience from 2009.

e) Expenses with commodities amounting to **89,448 thousand RON**. This category includes:

- **the equivalent value of the transportation of electricity** at the regulated fee (TG) paid by CN “Transelectrica” SA for injecting the electricity in the electricity transportation network, which is also found in the revenues from commodity sales, at the same values, as it is invoiced and recovered from clients - **13,498 thousand RON**, with a slight increase, following the application of the fee regulated by ANRE by Order 218/11.12.2019, deciding the increase of the fee from 1.18 RON/MWh to 1.30 RON/MWh, as of January 1, 2020;
- **expenses with the electricity estimated to be purchased** from the free market during the outages - **75,950 thousand RON**, especially unplanned outages; this energy is provided for complying with the obligations provided in the contracts for selling electricity concluded with clients, considering the unavailable quantities caused by the outages. The variation from the budgeted level for 2019 comes from the 16% increase, according to the current market conditions and the increase of the estimated average 20% higher than the price budgeted in 2019. The variation to the level achieved for 2019 comes from including the quantity of electricity to be purchased in order to cover the production deficit during the planned or unplanned outages, in order to allow the sale of additional quantities, in order to optimize the sale mix, while the level achieved in 2019 was below the budgeted one, because of performance savings.

This expense chapter can obtain performance savings (such as those achieved in 2019), but only if the number of hours of unplanned outages is significantly lower than the number of hours of budgeted unplanned outages, and the cost of the purchased energy is lower than or equal to the budgeted level.

According to the recommendations formulated by the manufacturer and the standards from the industry, for a CANDU 6 power station approximately 150 hours of unplanned outages a year are estimated for each unit. Prudentially, SNN estimates for 2020 a number of hours of unplanned outages of approximately 300 hours for the two nuclear reactors, however, depending on the actual operation of the power station, the number of hours of unplanned outage actually obtained can be lower or higher than the planned one; for example, in 2019, approximately 300 hours of unplanned outages were budgeted, and approximately 258 hours were achieved. Concomitantly, in the performance, the price at which electricity was purchased in order to cover the deficit during the planned and unplanned outages was lower than the price at which this expense was budgeted (-8%), which cannot be controlled by SNN. Consequently, there can be performance savings, but which cannot be ignored or reduced when the BVC is drafted; on the other hand, exceeding the number of hours of unplanned outages, namely the fluctuation of the purchase price for this energy necessity, can cause the budgeted expenses to be exceeded.

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The expense level is influenced by the necessity of budgeting a quantity of energy to be purchased in the period of planned and unplanned outages, which causes a high level of “commodity expenses” at least to the budgeted level.

Expenses are prudentially substantiated, by keeping the high level of the quality standards that are necessary for operating and maintaining the power stations.

The afore-mentioned aspects have led to the increase of the level estimated for the commodity expenses (a chapter which reflects the electricity purchased for planned and unplanned outages), both to the level budgeted for 2019 and to the level achieved in 2019.

A2 - Expenses regarding services performed by third parties amounting to **93,938 thousand RON** (+22.60% vs. achieved in 2019, -10.62% vs. budgeted for 2019). The estimated level of the services is based on the specific operation requirements, and on the contracts in progress which generally are multi-annual, so the level of the fees from the contracts is certain.

| A2 - Other expenses with services provided by third parties | | Row no. | Provisions for the previous year 2019 | | An 2020 | % | % |
|---|---------------------------------------|---------|--|-----------------------------|---------------|------------|-------------|
| | | | Approved according to OGMS Resolution no. 6/20.05.2019 | Preliminary / Achieved 2019 | | | |
| 0 | | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 |
| a) | expenses with maintenance and repairs | 40 | 90.557 | 63.446 | 78.365 | 87% | 124% |
| b) | rent expenses | 41 | 486 | 476 | 1.911 | 393% | 402% |
| c) | insurance premiums | 44 | 14.060 | 12.702 | 13.662 | 97% | 108% |
| Total | | | 105.104 | 76.624 | 93.938 | 89% | 123% |

a) Expenses with maintenance and repairs (78,365 thousand RON), comprising both the services necessary for the current maintenance program with the power station operational for all the systems of the power station (electrical systems, ventilation systems, mechanical systems, the monitoring of process parameters, of equipment and installations from the fixed front, the sieve room and the pump room, the room for power transformers, for lifting installations, for the “STA” water treatment station, etc.), and the maintenance and repair services of Unit 1 scheduled for the planned outage of May - June 2020 (those repair and maintenance services that does not represent investments, but expenses). The proposed value for this expense chapter is correlated with the maintenance and repair program, included in the Annual Activity Plan. For 2020, under this chapter, the value increased by approx. 23.51% compared to 2019, as a result of certain works required in order to comply with the maintenance program scheduled in 2019 being carried forward from 2019 to 2020, but not performed in 2019, without impacting on the operation of the plant and the maintenance of the necessities for the performance of this program in 2020.

b) Rent expenses are estimated at **1,911 thousand RON** and comprise the expenses regarding leased areas for storing equipment and materials administered by CNE, in the Saligny area, the rent for the nitrogen and hydrogen storage tanks, the rent for the portable multi-gas detectors, the rent for the overhead power line LEA #5606, as well as the rent due for the concession of an area in the hot water drainage channel, located on the land of the Seimeni Commune, Constanta county. The significant increase of RON 1.435 compared to the level achieved is caused by the rent calculated for the operation of the hot water drainage channel.

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c) **Expenses with insurance premiums (13,662 thousand RON)** include the nuclear risk insurance of the Power Station, the liability insurance for the management and administration personnel, the insurance regarding traveling abroad, the insurance for occupational accidents and work-related diseases for the SNN personnel, and other insurance. The level budgeted in 2020 represents the maximal level which can be achieved, under the conditions provided by these types of insurance, higher than the level achieved for 2019, the period in which the company benefited from the reimbursement of an insurance premium from the total equivalent value of the nuclear risk insurance.

A3 - Expenses with other services performed by third parties, amounting to **162,224 thousand RON** (+49.18% vs. achieved in 2019, +11.44% vs. budgeted for 2019) represents: expenses with commissions and fees, hospitality expenses, advertising and promotion expenses, sponsorship expenses, expenses with the transportation of goods and persons, expenses with traveling, secondments, transfers, expenses, expenses with banking services, postal expenses and telecommunications taxes, services of ensuring the security and protection of the units and personnel, services regarding the maintenance of the computing technology, personnel training services, services for managing radioactive waste, etc. Also in case of this expense category, the significant weight is that of services generated by CNE Cernavoda, and it is necessary to budget covering resources for the scheduled activities. On a contractual level, the existence in progress of multiannual service contracts adds certainty to the quantity and value level of these service expenses.

| A3 - Expenses with third party services | | Row no. | Provisions for the previous year 2019 | | 2020 | % | % |
|---|--|---------|--|-----------------------------|----------------|-------------|-------------|
| | | | Approved according to OGMS Resolution no. 6/20.05.2019 | Preliminary / Achieved 2019 | | | |
| 0 | | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 |
| a) | expenses with collaborators | 46 | - | - | - | 0% | 0% |
| b) | expenses with commissions and fees | 47 | 491 | 120 | 342 | 70% | 286% |
| c) | hospitality, promotion and advertising expenses | 49 | 911 | 454 | 881 | 97% | 194% |
| d) | Sponsorship exp. | 56 | 10.856 | 10.839 | 10.000 | 92% | 92% |
| e) | expenses with the transportation of goods and persons | 61 | 4.312 | 4.478 | 5.698 | 132% | 127% |
| f) | expenses with travels, secondments, transfers | 62 | 3.417 | 3.548 | 4.481 | 131% | 126% |
| g) | postal expenses and telecommunications taxes | 66 | 832 | 718 | 820 | 99% | 114% |
| h) | expenses with banking and assimilated services | 67 | 632 | 432 | 532 | 84% | 123% |
| i) | other expenses with services provided by third parties | 68 | 30.584 | 21.917 | 24.783 | 81% | 113% |
| j) | other expenses | 77 | 93.542 | 66.239 | 114.687 | 123% | 173% |
| Total | | | 145.577 | 108.745 | 162.224 | 111% | 149% |

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- **Expenses with commissions and fees (row 47) – 342 thousand RON**, mainly represent expenses with legal consultancy, budgeted for 2019, and according to the estimated on the external necessary consultancy in 2020;

- **Hospitality, promotion and advertising expenses (row 49)** are estimated to amount **881 thousand RON**, as follows:

- Hospitality expenses (473 thousand RON) sized below the deductibility level provided in the Fiscal Code;

- Advertising and promotion expenses (408 thousand RON) consider the increase of the degree of understanding and accepting nuclear energy internally and internationally, maintaining a positive image of SNN, counteracting actions with negative impact on the development of the national energy program, promoting the project for building Units 3 and 4 at Cernavoda, etc.;

- **Sponsorship expenses (row 56) – 10,000 thousand RON**, are foreseen at a lower level than 2019, according to the deductibility level provided in the Fiscal Code. These expenses are granted in compliance with the provisions of Law no. 32/1994 on sponsorship, as further amended and supplemented, and with the express approval of the Board of Directors, with the actions for which the sponsorship is granted being presented for information in the GMS;

- **Expenses with the transportation of goods and persons (row 61) – 5,698 thousand RON**, representing expenses with the transportation of persons and commodities, slightly lower compared to the level of 2019, determined by the increase in the fees charged by some carriers;

- **Expenses with travels, secondments, transfers (row 62) – 4,481 thousand RON**, are slightly higher than the value achieved in 2020, as a result of the increase of the necessities regarding the travels of personnel in the country and abroad;

- **Postal expenses and telecommunications taxes (row 66) - 820 thousand RON**, comprising expenses estimated for telephony and internet services, higher than the level of 2019, according to the necessary activity level and according to the modifications of the fees for landline telephony, mobile telephony and data services;

- **Expenses with banking and assimilated services (row 67)** estimated at **532 thousand RON**, comprising estimated expenses for bank commissions, 23% higher than the level of 2019, following the increase of bank services requested by SNN, mainly for obtaining letters of bank guarantee (performance bonds and payment securities) for electricity sale-purchase contracts;

- **Other expenses with services provided by third parties (row 68) – 24,783 thousand RON**, of which:

a) Insurance and security expenses (3,887 thousand RON) include insurance and security services for the units and the personnel, down by 528 thousand RON compared to the level achieved in 2019. The forecasted reduction is due to the exemption from payment of security and protection services for the units, provided by HG no. 1486/2005, these being provided by the personnel of the Romanian Gendarmerie. The security services for the external units from

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the NPP platform and from outside it record an increase compared to 2019, justified by the need to cover a greater number of security stations, plus the hours for emergency interventions;

b) Expenses on the maintenance and operation of computing technology (17,523 thousand RON), comprising expenses with the maintenance of workstations, servers and HP equipment, the database management systems, and new IT equipment following the expansion and modernization of the computer network. The increase estimated for 2020, + 15%, compared to 2019, is caused by the increase in the expenses with the technical support services for certain licenses and the hardware maintenance services;

c) Expenses with professional training amounting to 3,128 thousand RON. The level of these expenses is determined by the necessity of training the personnel, including the management/coordination, operation, maintenance and technical personnel by experts from external specialized organizations, as well as training the newly hired operating personnel according to the mandatory training program. The increase is estimated as a result of the need to train the personnel in specialized sessions for the maintenance, design, software and hardware activities in the systems specific to the operation of the Plant, as well as the personnel who will participate in the international scholarship and master programs;

d) Expenses with announcements for tender procedures and other announcements (222 thousand RON) are estimated based on the annual values from the contracts concluded with the mass media;

- **Other expenses (row 77) – 114,687 thousand RON**, comprising other operation services, and services for managing radioactive waste, non-radioactive waste and decontamination waste, technical assistance, maintenance of the heating system, the hydrological circuit, cleaning the technological and administrative premises, maintenance of the storage premises, services provided by specialized nuclear organizations regarding the development of common programs.

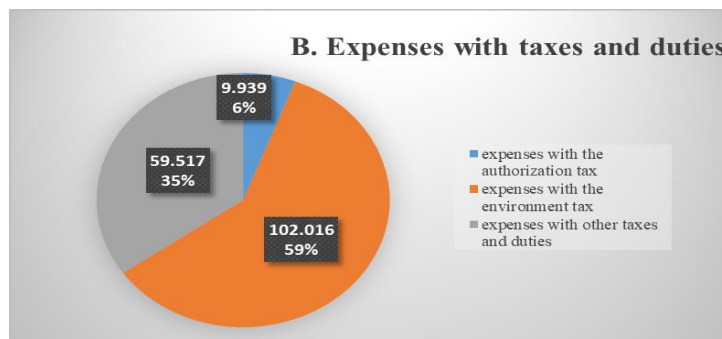
These expenses are 73% higher than the level achieved in 2019, and 23% higher than the level budgeted for the previous year. The 73% increase in this chapter is caused by the additional requirements for engineering services for drafting the earthquake response plan of CNE Cernavoda branch and the program manual of the response plan, technical support services for defining the technical operation limits and conditions (“SOE”), services related to the regular review of the Preliminary Decommissioning Plan for units 1 and 2, maintenance and repair services of the buildings within the accommodation complex of the Cernavoda NPP Branch, COG research & development programs and other services necessary for 2020.

B. Expenses with taxes, duties and assimilated payments amounting to 171,472 thousand RON (+17.38%) comprising expenses with the authorization tax, the environment tax and other taxes and duties (including the ANRE), according to the details below and the representation from the following chart.

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| B - Expenses with taxes, duties and assimilated payments | | Row no. | Provisions for the previous year 2019 | | 2020 | % | % |
|--|---|---------|---|-----------------------------|----------------|------------|------------|
| | | | Approved | Preliminary / Achieved 2019 | | | |
| | | | according to OGMS Resolution no. 6/20.05.2019 | | | | |
| 0 | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 | |
| a) | expenses with the tax for the activity of operating mineral resources | 79 | - | - | - | 0% | 0% |
| b) | expenses with the royalty for the concession of public assets and mineral resources | 80 | - | - | - | 0% | 0% |
| c) | expenses with the license tax | 81 | - | - | - | 0% | 0% |
| d) | expenses with the authorization tax | 82 | 9.932 | 9.920 | 9.939 | 100% | 100% |
| e) | expenses with the environment tax | 83 | 97.712 | 98.317 | 102.016 | 104% | 104% |
| f) | expenses with other taxes and duties | 84 | 99.348 | 99.308 | 59.517 | 60% | 60% |
| Total | | | 206.992 | 207.545 | 171.472 | 83% | 83% |

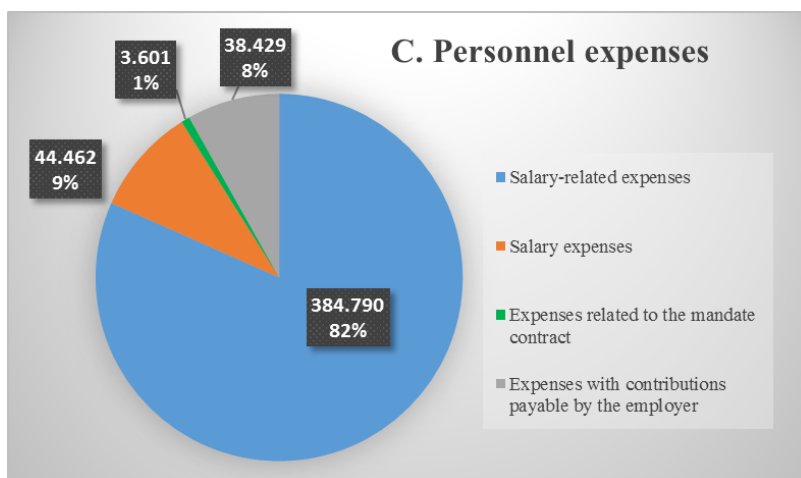


- The expenses with the authorization tax represent **CNCAN [Romanian National Commission for Nuclear Activities Control] taxes and fees** for nuclear security, amounting to **9,939 thousand RON**.
- Expenses with the **environment tax - 102,016 thousand RON**, represent the tax for decommissioning the nuclear units and for the final storage of the radioactive waste representing the contribution of the company to the decommissioning plan by transferring to **ANDR 2 EUR/MWh** net product, according to the legislation in the field: permanent storage of radioactive waste - 1.4 EUR/MWh of net energy produced and delivered in the system and for the decommissioning of nuclear units - 0.6 EUR/MWh of net energy produced and delivered in the system. This tax is set in the EUR foreign currency, while its equivalent value is paid in RON, so the budgeted value for 2020 is considered prudentially, in order to cover any exchange rate differences.
- Expenses with other taxes and duties of **59,517 thousand RON**; the main taxes and duties are:
 - o **Local taxes of 56,539 thousand RON**. According to the change, in 2017, of the manner of applying the Interpretation of the Financial Reporting Standards "IFRIC 21" *Taxes*, according to the explanatory notes included in the financial statements, the tax on buildings, lands and machinery payable for 2020 is reflected in the performance of the year 2019, in December, and respectively the one payable for 2021, was budgeted in December 2020. When estimating these expenses, the new increased rates approved by the Local Councils for the calculation of local taxes were taken into account.
 - o **ANRE tax of 2,561 thousand RON**, representing the contribution estimated to be paid in 2020 by the Company to ANRE. According to ANRE Order no.1/15.01.2020, the cash contribution for 2020 is equal to 0.1% of the turnover achieved in 2019. This tax recorded a significant decrease compared to 2019, from 2% to 0.1%, leading to a decrease from approx. 42.6 million RON to 0.2 million RON.

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C. Personnel expenses amounting to **471,283 thousand RON** (+ 9.89% vs. preliminary achieved in 2019, + 4.34% vs. budgeted for 2019) include: expenses with salaries, bonuses, other personnel expenses, expenses related to the mandate contract and other management and control bodies, commissions and committees, and expenses with social security and social protection, special funds and other legal obligations. These expenses are detailed below and represented in the following chart.



| INDICATORS | Row no. | Provisions for the previous year 2019 | | 2020 | % | % |
|--|---------|--|-----------------------------|---------|-------|-------|
| | | Approved according to OGMS Resolution no. 6/20.05.2019 | Preliminary / Achieved 2019 | | | |
| 0 | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 |
| C Personnel expenses | 85 | 451.679 | 428.872 | 471.283 | 104% | 110% |
| C0 Salary-related expenses | 86 | 408.475 | 393.247 | 429.252 | 105% | 109% |
| C1 Salary expenses | 87 | 360.358 | 360.235 | 384.790 | 107% | 107% |
| C2 Bonuses | 91 | 48.117 | 33.012 | 44.462 | 92% | 135% |
| C3 Other personnel expenses | 99 | - | - | - | 0% | 0% |
| C4 Expenses related to the mandate contract and other management and inspection bodies, commissions and committees | 103 | 6.515 | 3.542 | 3.601 | 55% | 102% |
| C5 Expenses with contributions payable by the employer | 112 | 36.689 | 32.082 | 38.429 | 105% | 120% |

C0) Salary expenses amounting to **429,252 thousand RON** (+9% vs. preliminary achieved in 2019, +5% vs. budgeted for 2019) composed of salary expenses (C1 – 384,790 thousand RON) and bonuses (C2 – 44,462 thousand RON), detailed below.

When determining the salary-related expenses, the need to comply with the level of performance indicators resulted from the management plans elaborated according to the legal provisions was taken into account. The level of salary-related expenses proposed by this note ensures the compliance with the level of the management's performance indicators.

In 2020 there was an increase in the salary-related expenses, complying with the provisions of art. 48 of Law no. 5/2020 of the state budget for 2020. Thus, for 2020, economic operators subject to the application of the provisions of art. 9 par. (1) let. (b) and par. (3) of Government Ordinance no. 26/2013 regarding the strengthening of financial discipline at the level of certain economic operators in which the state or the administrative-territorial units are single or majority shareholders or directly or indirectly hold a majority interest, as further amended and supplemented,

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may provide, in the revenue and expenditure budget, the increase of salary expenses compared to the level planned in the last revenue and expenditure budget approved according to the legal provisions, as follows:

a) the economic operators exceeding in 2019 the level of the outstanding payments scheduled and not achieving the scheduled gross result, may increase salary-related expenses within the limit of the increase index of the average monthly earnings per employee, that may not exceed 70% of the labor productivity increase index calculated in value or physical units, as the case may be, provided they ensure the reduction of outstanding payments by minimum 30% compared to the level achieved in 2019, and the improvement of the gross result achieved in 2019 based on a program to include concrete, quantifiable measures and completion deadlines for the entire year 2020;

b) the economic operators exceeding in 2019 the level of the outstanding payments scheduled and not falling within the limit of the level of the scheduled gross result, may increase salary-related expenses within the limit of the increase index of the average monthly earnings per employee, that may not exceed 80% of the labor productivity increase index calculated in value or physical units, as the case may be, provided they ensure the reduction of outstanding payments by minimum 30% compared to the level achieved in 2019, and at least the retention of the gross result achieved in 2019 based on a program to include concrete, quantifiable measures and completion deadlines for the entire year 2020;

c) the economic operators falling in 2019 within the level of the outstanding payments scheduled, but not achieving the scheduled gross result, may increase salary-related expenses within the limit of the increase index of the average monthly earnings per employee, that may not exceed 90% of the labor productivity increase calculated in physical or value units, as the case may be, as well as provided that in 2020 they schedule no outstanding payments, and if they do, provide their reduction compared to the level achieved the previous year, by at least the level of the increase index of the average monthly earnings per employee, and provide for the improvement of the gross result achieved in 2019 based on a program to include concrete, quantifiable measures and completion deadlines for the entire year 2020;

d) economic operators achieving in 2019 both the gross scheduled result, and the level of the scheduled outstanding payments, may increase salary-related expenses, provided they do not schedule the increase of outstanding payments and the reduction of the gross result compared to the level achieved in 2019.

SNN can provide in the revenue and expenditure budget for 2020 the increase of salary-related expenses compared to the level planned in the budget of 2019, by complying with the provisions of par. (1) **let. (d)** of art. 48 of Law 5/2020, as:

- by the revenue and expenditure budget of 2019, approved by OGMS Resolution no. 6/2019, SNN scheduled a level of outstanding payments equal to 0, respectively made 0 outstanding payments in 2019, so it did not exceed the level of outstanding payments scheduled for the end of 2019;
- by the revenue and expenditure budget of 2019, approved by OGMS Resolution no. 6/2019, SNN scheduled a gross result of 447,161 thousand RON, i.e. it achieved a preliminary gross result of 640,496 thousand RON, therefore the scheduled gross result was achieved, even exceeded;
- by this budget proposal, SNN does not schedule outstanding payments for 2019;
- by this budget proposal, SNN does schedule a gross result for 2020 of 655,208 thousand RON,

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14,712 thousand RON higher than the preliminary gross result of 2019, of 640,496 thousand RON, therefore it does not reduce the gross result compared to the preliminary result achieved in 2019.

Thus, SNN proposes salary-related expenses of 429,252 thousand RON, 20,778 thousand RON up in relation to the level scheduled for the previous year:

| INDICATORS | | Row no. | Provisions for the previous year 2019 | | 2020 | % | % |
|------------|--|---------|--|-----------------------------|---------|-------|-------|
| | | | Approved according to OGMS Resolution no. 6/20.05.2019 | Preliminary / Achieved 2019 | | | |
| 0 | | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 |
| C0 | Salary-related expenses (Row 86 = Row 87 + Row 91) | 86 | 408.475 | 393.247 | 429.252 | 105% | 109% |
| C1 | Salary expenses (Row 87 = Row 88 + Row 89 + Row 90), of which: | 87 | 360.358 | 360.235 | 384.790 | 107% | 107% |
| | a) base salaries | 88 | 246.418 | 260.248 | 266.074 | 108% | 102% |
| | b) bonuses, premiums and other extra payments related to the base salary (according to CCM) | 89 | 92.932 | 86.292 | 97.405 | 105% | 113% |
| | c) other extra payments (according to CCM) | 90 | 21.007 | 13.695 | 21.312 | 101% | 156% |
| C2 | Bonuses Row 91 = Row 92 + Row 95 + Row 96 + Row 97 + Row 98), of which: | 91 | 48.117 | 33.012 | 44.462 | 92% | 135% |
| | a) social expenses provided under art. 25 of Law no. 227/2015 on the fiscal code*), as further amended and supplemented, out of which: | 92 | 18.018 | 6.101 | 8.418 | 47% | 138% |
| | - nursery coupons according to Law 193/2006, as further amended; | 93 | - | - | - | 0% | 0% |
| | - vouchers for social expenses according to Law 193/2006, as further amended; | 94 | - | - | - | 0% | 0% |
| | b) meal coupons; | 95 | 574 | 446 | 691 | 120% | 155% |
| | c) vacation vouchers; | 96 | 4.705 | 4.178 | 5.216 | 111% | 125% |
| | d) expenses with the employees' participation in the profit obtained in the previous year | 97 | 16.000 | 15.951 | 18.700 | 117% | 117% |
| | e) other expenses according to CCM. | 98 | 8.820 | 6.336 | 11.437 | 130% | 181% |

Their details and substantiation are presented below.

C1) Salary expenses amounting to **384,790 thousand RON** (+7% vs. preliminary achieved in 2019, +7% vs. budgeted for 2019)

By fulfilling and complying with the conditions laid down under let. (d), par. (1), art. 48 of Law 5/2020, SNN foresees an increase in **salary expenses** of **24,433 thousand RON** compared to the *level scheduled for 2019* (+7%), i.e. an increase of **24,555 thousand RON** in 2020 compared to the *level preliminary achieved in 2019*.

This increase is reflected in the basic salary expenses (row 88), the expenses with bonuses, premiums and other bonifications related to the basic salary (according to the CCM) (row 89) and within other bonifications (according to CCM) (row 90) proportional to the granting estimates for 2020 of these categories of salary expenses.

The main elements considered when sizing the salary expenses are as follows:

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- the level of salary expenses necessary for the existing personnel at the beginning of the year, taking into account the value of the salary point, for which a 3.2% increase was established in 2019, with effect as of January 1, 2020, as well as the increase in 2019 of the number of points at function level, required to meet mainly the need for the retention of qualified and highly qualified personnel;
- the level of salary expenses necessary for the additional personnel needed to be hired in 2020 on key positions in order to maintain the high degree of expertise and qualification within the nuclear power plant, and to provide the necessary expertise for the new developments and investments needed for the nuclear power plant, a need presented in detail below;
- the increase of expenses with service seniority and loyalty bonuses, as a result of the passage to higher levels of service seniority and seniority, respectively, for the loyalty bonus, according to the provisions of the CCM, as well as the assurance of all the benefits insured under the current CCM;
- setting up an award fund and a fund for advances/promotions for the personnel, in order to increase staff motivation and loyalty.

The indicators related to the number of personnel are as follows:

| INDICATORS | Row no. | Provisions for the previous year 2019 | | 2020 | % | % |
|---|---------|---|--------------------------------|-------|-------|-------|
| | | Approved | Preliminary / Achieved 2019 | | | |
| | | according to OGMS Resolution no. 6/20.05.2019 | | | | |
| 0 | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 |
| No. of employees estimated at the end of the year | 148 | 2.262 | 2.153 | 2.367 | 105% | 110% |
| Average number of employees | 149 | 2.146 | 2.037 | 2.246 | 105% | 110% |

When forecasting the number of employees for 2020, we considered:

- The planned changes on the organizational structure and/or the number of positions (by way of example: organization of preliminary activities regarding the refurbishment of Unit no. 1, as well as of the project of Units 3 and 4 from Cernavoda NPP, organization of the project regarding the Tritium Removal Facility from Cernavoda NPP, reorganization of computer operations within SNN for the unitary computerization of SNN processes and construction of a unique database at the level of SNN etc.);
- Personnel outputs, especially as a result of retirement at the age limit and contribution period, including the termination of CIM for a specified period of time;
- Planned personnel inputs;
- Temporary occupancy of jobs, both as a result of the replacement of employees during the CIM suspension period, as well as for time-bound activities of refurbishment / investment projects, correlated with the stages planned to be implemented, starting from 2019;
- Early training of young specialists to optimize the time dedicated to training and preparing new employees.

In determining the increase in salary expenses, the increase in the seniority and fidelity bonus as a result of higher number of years and seniority in the case of the loyalty bonus were also taken into account in accordance with the provisions of the CCM as well as the establishment of a prize fund and a personnel promotion / advancement fund in order to stimulate meritocracy, in order to increase the motivation and loyalty of the personnel.

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Thus, the budgeted level for 2020 ensures the necessary salary expenses for the existing personnel, the personnel estimated to be employed by the end of the year, possible salary increases, promotions and advancements, and a prize fund, to be determined and awarded in line with the provisions of the CCM in force.

The motivation of the workforce by the salary factor has been identified as necessary in order to ensure in the future a comparable operational performances, as well as to reduce personnel fluctuations, especially from key critical areas.

C2) Bonuses amounting to 44,462 thousand RON

This subchapter provided the following expenses:

- social expenses (row 92) amounting to 8,418 thousand RON, estimated under the limit of a 5% quota applied to the value of personnel salary expenses, i.e. 2.2%, within the limit of the deductibility of these expenses according to Law 227/2015 *on the Fiscal Code*.
- meal vouchers (row 95) - 691 thousand RON; according to the Collective Employment Contract, SNN grants employees meal vouchers at the maximum value stipulated by law. According to the provisions of Order no. 1618/2018 of the Ministry of Labor and Social Justice, SNN increased the value of the meal voucher to 15.18 RON, starting with May 2018. For 2020, according to the provisions of Law no. 165/2018, the maximum value of a meal voucher was maintained at 15.18 RON/voucher;
- holiday vouchers (row 96) amounting to 5,216 thousand RON (2,230 RON/employee, for a maximum estimated number of 2,367 employees), according to the legal provisions. The current CCM provides for the possibility of granting vacation vouchers, depending on the financial possibilities of the company;
- expenses related to the participation of the employees in the profit obtained by the Company in the previous year (row 97) – 18,700 thousand RON, according to the level approved in BVC for 2019, in compliance with the legal provisions;
- expenses on in kind advantages granted to employees (electricity and thermal energy, rents for company-provided apartments) (row 98) - budgeted in the amount of 11,437 thousand RON.

Thus, in Chapter C2 Bonuses, an increase amounting to 2,317 thousand RON is estimated, compared to the level achieved in 2019, i.e. a decrease of -9,600 thousand RON compared to the level budgeted for 2019.

Expenses on bonuses (Chapter C2) are included in salary costs (C0).

C3) Other personnel expenses - this subchapter provides for compensatory payments related to personnel redundancies, expenses with salary rights applicable based on court rulings and salary

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expenses related to restructuring, privatization, receivers, other commissions and committees. In 2020 no amounts are provided for this chapter.

C4) Expenses related to the mandate contract and other management and inspection bodies, commissions and committees amounting to 3,601 thousand RON

| INDICATORS | Row no. | Provisions for the previous year 2019 | | 2020 | % | % |
|--|------------|--|-----------------------------|--------------|-------------|-------------|
| | | Approved according to OGMS Resolution no. 6/20.05.2019 | Preliminary / Achieved 2019 | | | |
| 0 | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 |
| C4 Expenses related to the mandate contract and other management and inspection bodies, commissions and committees (Row 103 = Row 104 + Row 107 + Row 110 + Row 111), of which: | 103 | 6.515 | 3.542 | 3.601 | 55% | 102% |
| a) for managers/management | 104 | 4.884 | 2.037 | 1.970 | 40% | 97% |
| -fixed component | 105 | 1.400 | 1.439 | 1.302 | 93% | 91% |
| -variable component | 106 | 3.484 | 598 | 667 | 19% | 112% |
| b) for the Board of Directors / Supervision Board, of which: | 107 | 1.632 | 1.505 | 1.632 | 100% | 108% |
| -fixed component | 108 | 816 | 786 | 816 | 100% | 104% |
| -variable component | 109 | 816 | 719 | 816 | 100% | 113% |
| c) for auditors | 110 | - | - | - | 0% | 0% |
| d) for other commissions and committees created according to the law | 111 | - | - | - | 0% | 0% |

When ascertaining the level of expenses related to the mandate contracts, the following aspects were considered:

- The provisions of the mandate contracts concluded by the company with the members of the Board of Directors and with the executive managers;
- The provisions of art. 37, 38 and 39 of OUG 109/2011 on corporate governance of public companies and the provisions of HG no. 722/2016 for approving the methodological norms for the application of provisions from Emergency Government Ordinance no. 109/2011.

A. Mandate contracts with the managers (row 104) – 1,970 thousand RON

For 2020, expenses were provided related to the mandate contracts concluded by the Company with the executive managers of 1,970 thousand RON.

The company has concluded mandate contracts with the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer, for a period of 4 years, starting with February 11, 2019. The financial, operational, and corporate governance performance indicators are attached to each mandate contract and are an integral part thereof.

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At the beginning of 2020, the executive management has the following structure:

| Position | BD Appointment Resolution | Term of provisional mandate contract (4 months) | Term of long-term mandate contract (4 years) |
|--------------------------------|--|--|---|
| Chief Executive Officer | BD Resolution no. 176/23.10.2018 for provisional ctr./ BD Resolution no. 2/04.02.2019 for long-term ctr. | 24.10.2018 - 06.03.2019 | 11.02.2019 - 11.02.2023 |
| Deputy Chief Executive Officer | BD Resolution no. 176/23.10.2018for provisional ctr./ BD Resolution no. 3/04.02.2019 for long-term ctr. | 24.10.2018 - 06.03.2019 | 11.02.2019 - 11.02.2023 |
| Chief Financial Officer | BD Resolution no. 176/23.10.2018for provisional ctr./ BD Resolution no. 3/04.02.2019 for long-term ctr. | 24.10.2018 - 06.03.2019 | 11.02.2019 - 11.02.2023 |

On 16.01.2020, the Board of Directors of SNN acknowledged, by Resolution no. 2/16.01.2020, the waiver by the Chief Financial Officer of his mandate starting with 31.03.2020, based on the provisions of the Mandate Contract and approved the termination of mandate contract no. 66/11.02.2019 concluded by SNN with Adrian Gabriel Dumitriu as of 31.03.2020. With the same Resolution, the Board of Directors mandates the Nomination and Remuneration Committee to build the candidate's profile for the position of Chief Financial Officer of the company, to launch the selection procedure based on the provisions of OUG 109/2011. The company estimates that until the termination of the mandate of the current Chief Financial Officer, the selection procedure will be completed.

Thus, for 2020, fixed and variable indemnities were provided for the managers with mandate contracts, as follows:

a) The fixed component of the managers with mandate contract (row 105) – 1,302 thousand RON

We mention that the monthly gross fixed indemnities for managers, stipulated in the mandate contracts signed by the Company with them, are established in compliance with the provisions of art. 38 of OUG no. 109/2011, respectively:

- par. (1): "The remuneration of managers shall be established by the board of directors and may not exceed the level of remuneration established for the executive members of the board of directors. This is the sole form of remuneration for the managers who also fulfil the role of directors.";
- par. (2): "the remuneration shall consist of a monthly fixed indemnity established within the limits provided in art. 37 paragraph (3) and a variable component consisting of a share in the net profit of the company, the granting of shares, stock options or an equivalent scheme, a pension scheme or other form of remuneration based on performance indicators".

Art. 37 par. (3) of OUG 109/2011 provides: "The fixed allowance of the executive members of the

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executive members of the BD (...) is made up of a fixed monthly compensation which 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 and a variable component. The variable component shall be based on financial and non-financial performance indicators, negotiated and approved by the general meeting of shareholders, different to those approved for the non-executive directors, determined in compliance with the methodology (...)"

b) The variable component of the managers with mandate contract (row 106) – 667 thousand RON

The variable allowance provided by the managers' mandate contracts is conditioned by the fulfillment of the performance indicators established by the mandate contracts and approved by the Resolution of the Board of Directors no. 54 / 10.04.2019. For these indicators, annual targets were set for all 4 years of the mandate. These targets are correlated with the administration plan of the Board of Directors, which includes the management component approved by the BD resolution no. 33 / 07.03.2019, according to the provisions of art. 30 par. (1) of OUG no. 109/2011 and the provisions of art. 36 par. (1) of OUG 109/2011.

In determining the level of the variable allowance, the provisions of the mandate contracts were taken into consideration, which established for each Director a gross annual variable component of the remuneration 36 times the average monthly gross salary earnings for the branch of activity from the date of conclusion of the mandate contracts.

Consequently, the Company estimates that in 2020, the variable component of mandate contracts for directors shall be **thousand RON 667**.

The variable component of the remuneration is granted subject to the cumulative fulfillment of key performance indicators set out under the mandate contract, 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 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 below the value of 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;
- c. In order for the variable component to be granted, the following are proposed:
 - The annual variable component shall be granted proportionally in relation to the months of activity in the event that the mandate does not cover the full year of the financial year, for the last year of the mandate;
 - 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

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reporting is closed, and, after 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, within 15 calendar days.

- In the event that, the cumulative achievement percentage of key performance indicators for a quarter lies below 75%, the granting 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;

- The medium-term variable component is calculated and paid for a period of two financial years. 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 from the mandate, indicated in the Annex to the mandate contract, 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.

- 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.

- 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.

d. 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 accordingly, until the last full month of activity during the mandate term;

e. 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 of the year in which the termination of the mandate became effective;

f. Key performance indicators, targets, 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 Expenditure Budget, under the conditions of the law and of the articles of incorporation.

g. 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.

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h. 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 the Annex to the mandate contract.

B. Administrative contracts concluded with the directors (row 107) – 1,632 thousand RON

For 2020, expenses were provided related to the administration contracts concluded by the Company with the members of the Board of Directors amounting to 1,632 thousand RON.

In compliance with the company's Articles of Association, the Board of Directors of SNN is composed of 7 members, of whom, at least 4 members must be independent directors. With GMS Resolution no. 12/28.09.2018, 7 directors were appointed, who concluded mandate contracts with the company, for a term of 4 years. The mandate contract of one director was terminated by the operation of the law on 09.10.2019. Currently, the company has 6 directors who have concluded mandate contracts with the company for a term of 4 years, with the mandate of each director starting on 28.09.2018, according to GMS Resolution no. 12/28.09.2018, of whom an executive director, who also holds the position of Chief Executive Officer. For the Executive Director, the only remuneration to be granted is that of executive director, in compliance with the provisions of art. 38 par. (1) of OUG 109/2011. The contractual period covers the entire year 2020 (12 months).

With the Resolution of the Board of Directors no. 216/19.12.2019, a provisional administrator was appointed, until the general meeting of the shareholders, in compliance with the provisions of art. 137² of Law no. 31/1990.

Furthermore, the Resolution of the Board of Directors no. 231/23.12.2019 approved the "Note on the approval, by the Board of Directors of SNN, in order to submit for approval by the Ordinary General Meeting of Shareholders (convened for 30.01.2020), of: (i) the launch of the procedure for the selection of a new member within the BD of SNN, according to the provisions of OUG no. 109/2011 on the corporate governance of public enterprises, as further amended and supplemented, (ii) the empowerment of the BD of SNN to conduct the procedure for selecting a new member within the BD of SNN, (iii) the election of a provisional director, for a period of 4 months, (iv) the approval of the form of the contract of mandate to be signed by the Company with the provisional director, (v) the proxies of the representative of the Ministry of Economy, Energy and Business Environment within the Ordinary General Meeting of Shareholders to sign, on behalf and on the account of the Company, the mandate contract with the provisional director; (vi) the approval of the monthly gross fixed allowance and a variable component of the remuneration set based on the short-term financial and non-financial performance indicators related to 2020 - as such have been negotiated with the current directors in office of the company and approved by the Ordinary General Meeting of Shareholders and by Resolution no. 3/10.04.2019 for the provisional director of the Board of Directors".

By Resolution no. 12 / 28.09.2018, GAS of SNN established the fixed gross monthly allowance of the directors, according to the provisions of art. 37 par (1) and (2) of OUG 109/2011, equal to two times the average of the last 12 months of the monthly gross average wage 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

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prior to appointment, i.e. RON 11,331. By Resolution no. 3/10.04.2019 the GMS of SNN set the equivalent value corresponding to the annual variable component of non-executive directors amounting to 12 monthly fixed allowances.

Thus, for 2020, fixed and variable allowances were provided for the directors with mandate contracts, as follows:

a) the fixed component of the administration contracts (row 108) – 816 thousand RON, calculated as follows: gross fixed allowance for 6 non-executive directors, for the entire year 2020.

According to the contractual provisions, the monthly fixed indemnity is paid to the directors with mandate contracts on the last day of the month for which it is due, irrespective of the number of meetings in that month.

b) the variable component of the administration contracts (row 109) - 816 thousand RON, according to GMS Resolution no. 3/10.04.2019 and determined according to the provisions of art. 37 par. (2) of OUG no. 109/2011, which stipulates that the level of the variable component of non-executive members cannot exceed a maximum of 12 monthly fixed allowances, i.e. the gross fixed allowance calculated for the entire year 2020, thus at the value of 815,832 RON.

The estimates for 2021 and 2022 of Annex 1, for the entire chapter *C4 Expenses related to the mandate contract and other control authorities, commissions and committees* are determined by considering the fixed and variable allowances detailed above, in full for 12 months of every year, of the net profit estimated for 2021 and 2022, are amounting 3,601 thousand RON.

C5) Expenses with contributions payable by the employer amounting to **38,429 thousand RON.**

This subchapter provides expenses on:

- the mandatory work contribution;
- the social insurance contribution due by the employer for the employees who work under special and difficult working conditions;
- the contribution for people with disabilities not engaged in work;
- the contribution of the unit to the voluntary pension funds.

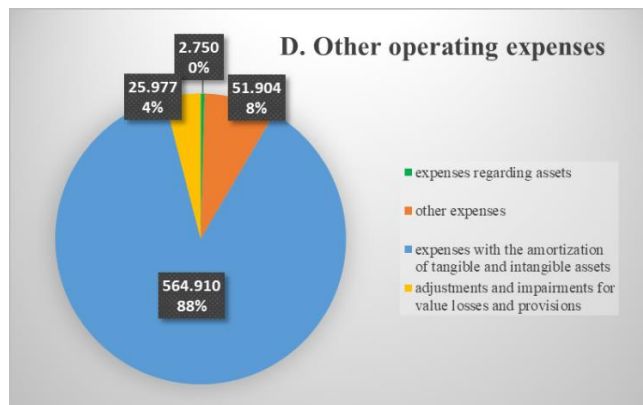
Thus, as a result of the application of the legal provisions, the expenses with the contributions due by the employer are set at the level of 38,429 thousand RON, respectively 5% higher than the level budgeted in 2019, according to the increases estimated for 2020 to the application basis of the percentages of the contributions.

D. Other operating expenses amounting to **645,641 thousand RON (+1.25%)** comprise: expenses on fixed assets, amortization expense for tangible and intangible assets, adjustments and impairments for value losses and provisions (the provision for intermediate storage costs for burned fuel, the provision for radioactive and non-radioactive waste, the pension provision, the provision for the employees' participation in the profit) and other expenses (annual contributions to governmental and non-governmental organizations, the equivalent of electricity for the balanced market etc.).

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| D - Other operating expenses | | Row no. | Provisions for the previous year 2019 | | 2020 | % | % |
|------------------------------|--|---------|--|-----------------------------|----------------|------------|-------------|
| | | | Approved according to OGMS Resolution no. 6/20.05.2019 | Preliminary / Achieved 2019 | | | |
| 0 | | 1 | 2 | 3 | 4 | 5=4/2 | 6=4/3 |
| a) | expenses with increases and penalties | 114 | 60 | 650 | 100 | 0% | 0% |
| b) | expenses regarding assets | 117 | 2.250 | 546 | 2.750 | 0% | 0% |
| c) | expenses related to transfers for personnel payments | 118 | - | - | - | 0% | 0% |
| d) | other expenses | 119 | 44.781 | 23.286 | 51.904 | 116% | 223% |
| e) | expenses with the amortization of tangible and intangible assets | 120 | 553.410 | 547.578 | 564.910 | 102% | 103% |
| f) | adjustments and impairments for value losses and provisions | 121 | 48.923 | 65.600 | 25.977 | 53% | 40% |
| Total | | | 649.424 | 637.661 | 645.641 | 99% | 101% |



The significant weight in this category of expenses is represented by **expenses regarding the amortization of tangible and intangible assets (rd. 120) - 564,910 thousand RON**, i.e. a share of 87%. This expense category shows an estimated increase of +3% given the estimated level of expenses with the amortization correlated with the investments made in previous years with commissioning in 2019 and estimates for 2020.

Chapter D also includes a number of other non-monetary expenses, in particular provisions and adjustments and impairments for value losses (both constitutions and resumptions), so their evolution is influenced by the necessity to constitute or resume them for the compliance with the financial reporting standards.

Adjustments and impairments for value losses and provisions (row 121), amounting to **25,977 thousand RON**, is determined by netting the expenses with adjustments, impairments and provisions of 72,574 thousand RON and the revenues from the resumption of adjustments, impairments and provisions of 46,597 thousand RON.

Expenses estimated at the level of 72,574 thousand RON include:

- provision for the costs of managing low and medium radioactive and non-radioactive waste (4,304 thousand RON);
- provision for the costs of intermediate burnt fuel storage in DICA modules - DICA Modules 14 (11,620 thousand RON);
- adjustments for impairment of fixed assets (12,500 thousand RON), of which for the depreciation of DICA Modules 10 and 11, as the burned fuel was transferred, 11,500 thousand RON;

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- estimating the provision for pensions and other obligations, according to the annual actuarial report (6,000 thousand RON);
- provision for litigations opened by trade unions regarding salary bonuses (16,450 thousand RON);
- provision for the participation of employees in the profit for the year 2020 (21,700 thousand RON), estimated with the compliance with the legal provisions.

Revenues from the cancellation or resumption of adjustments, impairments and provisions totaling 46,597 thousand RON comprising mainly:

- the cancellation of the provision for low and medium radioactive and non-radioactive waste (15,397 thousand RON) insofar as they are managed;
- the cancellation of the provision established for the costs of intermediate burnt fuel storage – DICA Modules 10 and 11 (11,500 thousand RON), as they were filled with bundles of burnt nuclear fuel in 2020;
- the cancellation of adjustments for impairment of fixed assets (1,000 thousand RON);
- the cancellation of the provision regarding the participation of the employees in the profit of 2019 (18,700 thousand RON).

The provision for the employees' participation in the profit for 2020 is calculated at the maximum level provided by the law, namely “no more than the level of a monthly basic average salary obtained on the level of the economic operator in the reference financial year”.

Estimates of the provision for pensions and other obligations amounting to 6,000 thousand RON including the estimated provision for employees' retirement benefits in the form of a share of 1,200 kWh / year of electricity, in accordance with CCM SNN provisions for the period 2018-2020. 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 CCM SNN / 2018.

The effective settlement of retirement aids for the share of electricity will be made from the Social Expense Fund.

Other operating expenses (row 119) from chapter D amounting to **51,904 thousand RON**, represents mainly the equivalent value of daily imbalances prudently estimated for 2020 at the level of 47,000 thousand RON, taking into account the level achieved in 2019; other expenses in this category are: the equivalent of the electricity settled for pensioners based on the normative acts, expenses with the decommissioning of current assets and taxes on the affiliation of the Company to specialized organizations, especially from the nuclear industry.

2. In the substantiation of **financial expenses (row 130)** amounting to **54,079 thousand RON** (+15.34% vs. achieved in 2019, -31.19% vs. budgeted for 2019) the expenses with interest rates and commissions maturing in 2020, the exchange rate differences on external loans contracted for the implementation and commissioning of Unit 2 of CNE Cernavoda, as well as other financial expenses, were considered. The expenses on exchange rate fluctuations can only be estimated, but their level in the performance is influenced by the impact of the unfavorable exchange rate differences realized and unrealized, uncontrolled by the Company.

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Within these expenses we included the amount of 6,574 thousand RON representing expenses for the non-reimbursement risk for the contracted credits for the implementation and commissioning of Unit 2 of CNE Cernavoda paid on the first draw from the credits and which is amortized during the repayment period.

III. GROSS RESULT

For 2020, based on the forecasted revenues and expenditure, results a **gross profit of 651,337 thousand RON**, 45,7% higher than the one budgeted for 2019.

The proposal of the revenue and expenditure budget for 2020 provides for the distribution of 90% of the distributable accounting profit to the shareholders, in compliance with the provisions of O.U.G no. 64/2001, above the minimum level of 50% established by this ordinance.

The gross profit level is determined by the cumulative operating profit and the budgeted financial result. **The operating profit** is estimated at **646,416 thousand RON** (+45,1% vs. budgeted for 2019), and **the financial result** is estimated at the level of **4,921 thousand RON**, significantly higher than the level achieved in 2019, as a result of the expected level of interest rates and the expected monetary market conditions in 2020.

The main factors with significant impact in determining the operating profit in the sense of influencing operating revenues are the estimated sales prices for electricity, and in the sense of influencing the operating expenses, they are estimated at a level sufficient to achieve the activity of the Company, under conditions of ensuring nuclear safety and maintaining a certain level of the amount of electricity available to comply with the electricity sale contracts. Also, the expense level is influenced by the necessity of budgeting a quantity of energy to be purchased in the period of planned and unplanned outages, which causes a high level of “commodity expenses” at least to the budgeted level, prudentially.

Another important determining factor is the provision of a level of expenses that allows for all scheduled repair and maintenance activities for the budgeted year, in accordance with the internal estimates due to the experience and expertise of the personnel qualified to carry out such repair and maintenance plans, and in accordance with applicable regulations and compliance requirements. At the same time, the budgeting exercise takes into account the needs related to the basic activity, which is carried out in order to support it and without which the proper development of the activity is hindered.

IV. INCOME TAX

The income tax expenses (99,879 thousand RON) were determined in compliance with the provisions of the Fiscal Code. The estimates of non-deductible tax expenses and the non-taxable revenues in the calculation of the income tax for the year 2020 were made taking into account the achievements of 2019.

Non-deductible expenses (119,821 thousand RON) comprise mainly the amounts representing the surplus from revaluation under reserves, the amount of spare parts scrap, the amount of the provision

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for the intermediate storage of the burnt fuel, the amount of the provision for radioactive and non-radioactive waste, the value of the provision for the employee benefits, the value of the sponsorships, and the amount of the employees' participation in the profit.

Non-taxable revenues (144,914 thousand RON) comprises mainly revenues from provisioning.

V. SOURCES FOR FINANCING INVESTMENTS for 2020, amounting to 670,575 thousand RON, are represented by own sources, respectively amortization and profit.

VI. INVESTMENT EXPENSES in 2020, amounting to 309,544 thousand RON, plus the amount of 226,544 thousand RON, representing the reimbursement of the instalments related to the credits contracted for the implementation and commissioning of Unit 2, maturing in 2020, resulting in a total investment program of 536,088 thousand RON, were sized according to the investment objectives required in order to be achieved and foreseen in the strategic programs of the Company, structured as follows:

- the amount of 60,479 thousand RON representing the investment program of SNN Headquarters, out of which: 49,710 thousand RON representing studies for the extension of the life cycle of Unit 1 by re-tubing the reactor and refurbishing the main systems;
- the amount of 240,807 thousand RON representing the equivalent value of the investment program of CNE Cernavoda;
- the amount of 8,258 thousand RON representing the equivalent value of the investment program of FCN Pitesti branch.

The investments and payment of the debt service are to be financed from profit and amortization.

Of the 315,414 thousand RON investments foreseen in the BVC for 2020, among the main investments, we can mention:

| Name of investment | Value (thousand RON) |
|---|----------------------------|
| Services associated with the implementation of immobilizing spare parts in OP U1/U2 | 53,045 |
| Extension of the life cycle of Unit 1 by re-tubing the reactor and refurbishing the main systems (studies) | 49,710 |
| Implementation of the fuel channel program (inspection of fuel channels and sampling material in OP U1 / U2) | 23,088 |
| Running the program GA, CR # 30974 (dome inspection, tubular plate washing) | 13,616 |
| Intermediate Dry Storage Spent Fuel Facility (DICA) | 10,053 |
| Modernization and expansion of physical security system | 8,511 |
| Running the Program Feeders CR 28786 (Inspection of Feeders in spare parts for feeder inspection equipment in U1 / U2 OP) | 6,508 |
| Increasing the reliability of the EVA 8000 storage system that ensures the centralized storage of the production data of the computer system of Cernavoda NPP by replacing it | 4,000 |

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Depending on the manner of implementing investments, reallocations can be made between various investment projects, by complying with the total investment expenses approved and respectively the existing financing sources. Also, during the year there can be new necessities for investment expenses, unforeseen, which can be financed within the limit of the existing financing sources.

The investment program is detailed in Annex 4 of the Revenue and Expenditure Budget for 2020, by detailing the fittings in Annex 4.1.

VII. Other substantiation data regarding the Revenue and Expenditure Budget for 2020

For 2020, by proposing the Revenue and Expenditure Budget, outstanding payments were not provided, and the level of outstanding receivables was reduced compared to the level achieved in 2019.

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. The revenue and expenditure budget for 2020 is correlated with the Administration Plan, which contains the management component.

The estimates of the indicators for 2020 and 2021 are linear (except for Annex 4 - Program of investments and expenses with mandate contracts for the managers of the company Chapter C4 Annex 1, detailed at the end of chapter C above), starting from the level of the indicators budgeted for 2020, indexed with the inflation level published by the National Statistics Institute in “Medium-term forecast for 2019-2023 - autumn forecast 2019”, and the indicators detailed for the respective years shall be detailed and substantiated by the annual budgets of 2020 and 2021.

The substantiations of the Revenue and Expenditure Budget for 2020 were approved by the Financial Administration Inspection.

**Chief Executive Officer,
Cosmin Ghita**

**Chief Financial Officer,
Adrian Gabriel Dumitriu**

Annexes:

- Revenue and Expenditure Budget for 2020 and estimates for 2021 and 2022 (Annex no. 1);
- Details of the economic-financial indicators provided in the revenue and expenditure budget and their distribution by quarters (Annex no. 2);
- Total revenue achievement degree (Annex no. 3);
- Investment program (Annex no. 4);
- List of the “Fittings” position for 2020 (Annex no. 4.1);
- Measures for improving the gross result and reducing outstanding payments (Annex no. 5).

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