S.N. Nuclearelectrica S.A.

Consolidated Financial Statements as of and for the year ended on December 31st, 2019

Prepared in accordance with
the Public Finances Minister's Order no. 2.844/2016 on the approval
of the accounting regulations compliant with the
International Financial Reporting Standards adopted by the
European Union (IFRS-EU)

This is a free translation from the Romanian version.
In case of any differences between the Romanian and English version, the Romanian version prevails.

(All amounts are presented in RON, unless otherwise indicated)

	Note		December 31st, 2018 (audited)
Assets			
Non-current assets			
Tangible assets	5	6,201,492,171	6,507,789,378
Intangible assets	6	60,761,185	54,834,581
Financial assets	7	42,836,031	110,474,559
Total non-current assets		**6,305,089,387**	**6,673,098,518**
Current assets			
Inventories	8	405,156,231	368,741,789
Trade receivables and other receivables	9	216,728,004	181,308,809
Prepayments		31,416,822	10,201,321
Bank deposits	10	58,879,494	20,954,979
Cash and cash equivalents	10	1,793,501,617	1,611,958,742
Total current assets		**2,505,682,168**	**2,193,165,640**
Total assets		**8,810,771,555**	**8,866,264,158**
Equity and liabilities			
Equities			
Share capital		3,210,641,253	3,210,641,253
Share premiums		31,474,149	31,474,149
Prepaid reserve		21,553,537	21,553,537
Revaluation reserve		1,820,339,902	1,820,339,902
Retained earnings		2,250,680,741	2,094,981,448
Total equity	11	**7,334,689,593**	**7,178,990,289**
Liabilities			
Long-term debts			
Long term loans	13	499,908,597	683,967,469
Provisions for risks and expenses	15	213,470,997	182,883,283
Deferred revenues		100,412,631	114,757,293
Deferred tax liability		80,743,008	102,644,715
Obligations regarding employees benefits	17	41,621,644	38,617,348
Total long term liabilities		**936,156,877**	**1,122,870,108**
Current liabilities			
Accounts payable and other liabilities	14	220,398,362	197,307,458
The current share of provisions for risks and expenses	15	65,442,649	33,831,052
Owed corporate tax		13,329,182	98,958,158
Deferred revenues		27,863,600	30,913,233
Current portion of long-term loans	13	212,891,292	203,393,860
Total current liabilities		**539,925,085**	**564,403,761**
Total liabilities		**1,476,081,962**	**1,687,273,869**
Total equities and liabilities		**8,810,771,555**	**8,866,264,158**

(All amounts are presented in RON, unless otherwise indicated)

	Note	2019 (audited)	2018 (audited)
Incomes			
Sales of electricity	**18**	2,365,555,997	2,116,984,201
Proceeds from electric power transmission		12,208,626	11,676,332
Total revenues		**2,377,764,623**	**2,128,660,533**
Other revenues	**22**	39,658,214	50,201,968
Operational expenses			
Depreciation and amortization		(555,552,520)	(552,964,849)
Personnel expenses	**19**	(425,597,378)	(388,847,183)
Cost of traded electricity		(84,160,189)	(56,929,750)
Repairs and maintenance		(63,139,508)	(81,425,822)
Electricity transmission expenses		(12,208,626)	(11,676,332)
Cost of spare parts		(16,311,993)	(15,768,637)
Cost of nuclear fuel		(106,122,681)	(101,991,877)
Other operating expenses	**20**	(524,914,499)	(432,728,895)
Total operating expenses		**(1,788,007,394)**	**(1,642,333,345)**
Operating profit		**629,415,443**	**536,529,156**
Financial expenses		(65,487,330)	(58,856,550)
Financial revenues		67,243,861	94,905,462
Net financial result	**21**	**1,756,531**	**36,048,912**
Profit before corporate tax		**631,171,974**	**572,578,068**
Net corporate tax expense	**16**	(95,608,865)	(162,012,099)
Profit for the period		**535,563,109**	**410,565,969**

The Consolidated Financial Statements presented from page 1 to 65 have been signed on March 24th, 2020 by:

Cosmin Ghita
Chief Executive Officer

Adrian Gabriel Dumitriu
Chief Financial Officer

(All amounts are presented in RON, unless otherwise indicated)

	Note	2019 (audited)	2018 (audited)
Profit for the period		**535,563,109**	**410,565,969**
Other comprehensive income			
Items that will never be included in the profit and loss account			
Revenue from revaluation of buildings and land, net		35,013,650	55,471,628
Deferred tax related to the revaluation reserve		(5,602,184)	(8,875,461)
Actuarial gains (loss) on defined benefits plan		(625,400)	(5,393,764)
Other comprehensive income		**28,786,066**	**41,202,404**
Total comprehensive income for the financial year		**564,349,175**	**451,768,373**
Earnings per share			
Basic earnings per share (RON/share)	**12**	**1.78**	**1.36**
Diluted earnings per share (RON/share)	**12**	**1.78**	**1.36**

(All amounts are presented in RON, unless otherwise indicated)

	Share capital	Share premiums	Prepaid reserve	Revaluation reserve	Retained earnings	Total equity
Balance as of January 1st, 2019 (audited)	**3,210,641,253**	**31,474,149**	**21,553,537**	**1,820,339,902**	**2,094,981,447**	**7,178,990,288**
Comprehensive income						
Profit of the financial year					***535,563,109***	***535,563,109***
Other comprehensive income						
Actuarial loss on defined benefits plan					(625,400)	**(625,400)**
Other reserves			*11*			**11**
Result carried forward from other adjustments					(324,104)	**(324,104)**
Total comprehensive income for the financial year			**11**		**534,613,505**	**534,613,616**
Transactions with the shareholders, recognized only in equity						
Distributed dividends					(378,914,311)	(378,914,311)
Transactions with the shareholders, acknowledged only in equity					**(378,914,311)**	**(378,914,311)**
Balance as of December 31st, 2019 (audited)	**3,210,641,253**	**31,474,149**	**21,553,548**	**1,820,339,902**	**2,250,680,741**	**7,334,689,593**

(All amounts are presented in RON, unless otherwise indicated)

	Share capital	Share premiums	Prepaid reserve	Revaluation reserve	Retained earnings	Total equity
Balance as of January 1st, 2018 (audited)	**3,210,641,253**	**31,474,149**	**21,553,537**	**1,773,743,734**	**2,390,637,477**	**7,428,050,150**
Correction of accounting errors					55,971,531	**55,971,531**
Balance as of January 1st, 2018 (audited, restated)	**3,210,641,253**	**31,474,149**	**21,553,537**	**1,773,743,734**	**2,446,609,008**	**7,484,021,681**
Comprehensive income						
Profit of the financial year					***410,565,969***	***410,565,969***
Other comprehensive income						
Actuarial loss on defined benefits plan					(5,393,764)	**(5,393,764)**
Gain from the reevaluation of lands and buildings, net deferred tax				46,596,168	-	**46,596,168**
Total comprehensive income for the financial year				**46,596,168**	**405,172,205**	**451,768,373**
Transactions with the shareholders, recognized only in equity						
Distributed dividends					(756,799,766)	(756,799,766)
Transactions with the shareholders, acknowledged only in equity					**(756,799,766)**	**(756,799,766)**
Balance as of December 31st, 2018 (audited)	**3,210,641,253**	**31,474,149**	**21,553,548**	**1,820,339,902**	**2,094,981,447**	**7,178,990,288**

(All amounts are presented in RON, unless otherwise indicated)

	2019 (audited)	2018 (audited, restated)
Cash flows from operating activities		
Profit before corporate tax	**631,171,974**	**572,578,068**
Adjustments for:		
Impairment and depreciation	555,552,520	552,964,849
Impairment on trade and other receivables	(478,197)	(2,457,228)
Impairment on inventories	(2,367,782)	(2,768,747)
Provisions corresponding to operating liabilities, risks and expenses	62,119,697	45,566,833
Earnings/(Losses) from asset assignment	404,837	877,885
Net financial income/(expenses)	(2,828,768)	(37,637,900)
Changes in:		
Decrease/(Increase) in trade receivables and other receivables	(35,743,594)	(23,063,064)
Increase in inventories	(34,046,660)	(35,425,313)
Variation of deferred income	(17,394,295)	4,237,037
Variation of deferred expense	(21,215,501)	694,216
Increase/(Decrease) of trade liabilities and other liabilities	15,098,868	24,769,071
Cash flows generated from operating activities	**1,150,273,099**	**1,100,335,707**
Corporate tax paid	(203,139,548)	(104,914,822)
Interest received	55,327,173	39,293,695
Interest paid	(9,959,106)	(10,833,434)
Net cash flow from operating activities	**992,501,618**	**1,023,858,046**
Cash flows from investing activities		
Purchase of intangible assets	(24,542,534)	(4,542,282)
Purchases of tangible assets	(227,878,800)	(136,975,697)
Proceeds from sale of tangible assets	141,615	308,150
Increase in bank deposits and financial assets	29,714,013	(22,246,230)
Net cash flow used in investing activities	**(222,565,706)**	**(163,456,059)**
Cash flow from financing activities		
Repayments of borrowings	(216,374,987)	(211,343,883)
Dividend payments	(372,018,050)	(750,956,541)
Net cash flow from financing activities	**(588,393,037)**	**(962,300,424)**
Net (reduction)/ increase in cash and cash equivalents	**181,542,875**	**(101,875,337)**
Cash and cash equivalents as of 1 January (see Note 9)	**1,611,958,742**	**1,713,834,079**
Cash and cash equivalents as of 31 December (see Note 9)	**1,793,501,617**	**1,611,958,742**

1. REPORTING ENTITY

Societatea Nationala Nuclearelectrica S.A. (the "Company" or "SNN") is a national joint-stock company, one-tier management system, having a head office and two branches without legal personality, Cernavoda NPP (Nuclear Power Plant) – with registered office in Constanta County, Cernavoda City, 2 Medgidiei Street, registered with the Trade Register under number J13/3442/2007, and Pitesti NFF (Nuclear Fuel Factory) - with registered office in Arges County, Mioveni City, 1 Campului Street, registered with the Trade Register under number J03/457/1998, respectively. The address of the registered office is Bucharest Municipality, District 1, 65 Polona Street.

The main activity of the parent-company is "Electricity production" - NACE code 3511 and it is recorded in the Trade Register under number J40/7403/1998, fiscal code 10874881, fiscal attribute RO.

As of December 31st, 2019 and December 31st, 2018, the parent-Company holds 100% of Energonuclear S.A. ("Energonuclear"); company with headquarters in Bucharest, District 2, 5-7 Vasile Lascar Street, 3rd floor and registered with the Trade Registry under the number J40/3999/2009, having sole registration number 25344972, tax attribute RO. The main business of Energonuclear consists in "Engineering activities and technical consultancy related to it" – NACE Code 7112.

These Consolidated Financial Statements prepared on and for the year ended on December 31st, 2019 comprise the Financial Statements of the parent- Company and its subsidiary Energonuclear, collectively referred to as the "Group".

The main activity of the Group consists in electricity and thermal energy production by nuclear processes. The main place of business is within the Branch Cernavoda NPP, where the Group owns and operates two operational nuclear reactors (Unit 1 and Unit 2). The two nuclear operational reactors are based on CANDU technology (Canada Deuterium Uranium type PHWR). Besides, at Cernavoda the Group owns two nuclear reactors in the early stages of construction (Unit 3 and Unit 4). The construction of Units 3 and 4 is planned to be completed by the Energonuclear S.A. subsidiary; at present, there is the revised form of the Strategy to continue Units 3 and 4 Project, endorsed by the Board of Directors of SNN and approved by the Extraordinary General Meeting of Shareholders by Decision no. 11 /September 14th, 2018 (for more information, see Note 21).

The Company owns a reactor (Unit 5) for which the Company shareholders approved changing the initial destination in March 2014, namely, the use of Unit 5 for carrying out the activities related to the operation of Units 1 and 2.

In 2020, the International Atomic Energy Agency (IAEA) performed a benchmarking assessment of the design requirements for the investment objective of the On-site Emergency Control Center (CCUA) - Unit 5 and an assessment of the technical requirements regarding equipment qualification for external hazards / events (especially seismic qualification).

At the date of drawing up the present financial statements, the evaluation report is being finalized, following which, after receiving it, the Company will review the solutions and recommendations received and start the procurement procedures for finalizing the investment objective. The company estimates the completion of this project in 2021.

Manufacturing of nuclear fuel bundles CANDU type required for operating the two nuclear operational reactors located in the branch Cernavoda NPP is performed by the Company in the branch Pitesti NFF.

The electricity sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution. The electricity market in Romania was undergoing a process of gradual liberalization up to the end of 2017. Starting with 2018, the Group participated in the electricity market, only on the competitive segment, and starting with 2019, it participates both on the competitive segment, and on the regulated market segment, in which ANRE has set, by means of annual decisions, the quantities of electricity that need to be sold by the Company on the regulated market and the regulated price to be charged, respectively (for further information, see Note 19).

As of December 31st, 2019 the shareholders of the Company are: The Romanian State via the Ministry of Energy which holds 248,736,619 shares, representing 82.4959% of the share capital, Fondul Proprietatea S.A. holding 21,268,355 shares, representing 7.0539% of the share capital and other individuals and legal entities shareholders holding together 31,508,877 shares, representing 10.4502% of the share capital.
Since November 4th, 2013, the shares of the parent-Company have been traded on Bucharest Stock Exchange, under the issuing symbol SNN.

2. BASIS OF PREPARATION

a) Statement of compliance

The Group's Consolidated Financial Statements have been prepared based on the Public Finance Minister's Order no. 2.844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards ("IFRS") ("OMFP 2.844/2016"). As per the OMFP 2.844/2016, the International Financial Reporting Standards represent the standards adopted in accordance with the procedure provided by the European Commission Regulation no. 1.606/2002 of the European Parliament and of the Council dated on 19 July 2002 regarding the application of the international accounting standards.

The accounting records of the branch is kept in RON, in compliance with the Romanian Accounting Regulations (RAR). These accounts have been restated to reflect the differences existent between RAR and IFRS accounts. Accordingly, the outlines according to RAR were adjusted, if necessary, in order to harmonize these financial statements, in all significant aspects, with the IFRS adopted by the European Union.

Apart from the specific consolidation adjustments, the main restatements of the financial information presented in the financial statements prepared in compliance with the Romanian accounting regulations consisted of:

- ✓ grouping several elements into more comprehensive categories;
- ✓ adjustments of asset, debt and equity items, in compliance with IAS 29 "Financial Reporting in Hyperinflationary Economies" due to the fact that the Romanian economy was a hyperinflationary economy until December 31st, 2003;
- ✓ adjustments for the recognition of receivables and liabilities related to the deferred corporate tax, in compliance with IAS 12 "Corporate tax";
- ✓ presentation requirements in compliance with IFRS.

The Consolidated Financial Statements prepared on and for the financial year ended on December 31st, 2019 were audited by an independent auditor.

These Consolidated Financial Statements were authorized for issue and signed on March 24th, 2020 by the management of the Group.

b) Presentation of the financial statements

The consolidated financial statements are presented in compliance with the requirements of IAS 1 "Presentation of the financial statements". The Group adopted a presentation based on liquidity within the consolidated statement of financial position and a presentation of the expenses according to the nature thereof within the consolidated statement of profit or loss and other items of the comprehensive income, considering the fact that these presentation methods provide information that is more relevant than the one that would have been presented based on other methods allowed by IAS 1.

c) Basis of assessment

The Consolidated Financial Statements have been prepared based on the fair value convention for the financial assets held for the sale and the tangible assets of the nature of lands and buildings. Other financial assets and liabilities, as well as other non-financial assets and liabilities are presented at amortized cost or historic cost.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. These consolidated financial statements have been prepared by applying the going concern principle .

d) Functional and presentation currency

The Consolidated Financial Statements are presented in Romanian LEI ("RON" or "LEU"), which is also the functional currency of the Group. All financial information is presented in RON, unless otherwise indicated.

2. BASIS OF PREPARATION (CONTINUED)

e) Subsidiaries

Subsdiaries are entities under the control of the Group. The control exists when the Group has the power to manage, directly or indirectly, the financial and operational policies of an entity, in order to obtain benefits from the activity thereof. Potential or convertible voting rights that are exercisable at that time must also be taken into account when assessing the control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control starts until the date of the ending thereof. The accounting policies of the subsidiaries of the Group have been amended for the alignment thereof with those of the Group.

On December 31st, 2019 and December 31st, 2018, the Group has a single subsidiary, Energonuclear S.A.

Energonuclear S.A. ("Energonuclear") is a company with headquarters in Bucharest, District 2, 5-7, Vasile Lascar Street, 3rd floor and registered with the Trade Registry under the number J40/3999/March 25th, 2009, having sole registration number 25344972, fiscal attribute RO. The main business of Energonuclear consists in "Engineering activities and technical consultancy related to it" – NACE Code 7112.

On December 31st, 2019 and December 31st, 2018, the Company owns 100% of the share capital of EnergoNuclear S.A. The value of participation on December 31st, 2019 and December 31st, 2018 amounts to RON **141,666,101**.

By the Decision of the Prime Minister no. 318 of December 18th, 2018, the Working Group was established for the negotiation of the Intergovernmental Agreement between Romania and the People's Republic of China on the cooperation for the implementation of the Units 3 and 4 Cernavoda NPP Project ("IGA").

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

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

On March 15th, 2019, the discussions regarding the IA in preliminary form, and the AI of JVCo were finalized.

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

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

2. BASIS OF PREPARATION (CONTINUED)

Regarding the activity of Energonuclear S.A.:

- By the EGMS Resolution of SNN no. 4/July 11th, 2017, the shareholders of SNN approved the granting by SNN of a loan convertible in shares amounting to maximum RON 4,000,000 to the Energonuclear S.A. ("EN") branch, in order to finance the maintenance and conservation activities for the site of Units 3 and 4 of Cernavoda NPP; until December 31st, 2019, Energonuclear requested an installment of RON 3,500,000 to be granted from the maximum amount, for which SNN registered an interest of RON 129,787, capitalized.

The management of the company considers realistic the increase of the production capacity, based on the following premises:

- The EU assumes that, by 2050, it will implement a neutral economy in terms of CO_2 emissions;
- Nuclear power is a key contributor to reducing CO_2 emissions. Without the nuclear component, the CO_2 emission reduction program cannot be implemented;
- Romania has to implement a program to support new capacities for generating electricity without CO_2 emissions for the period 2021-2030;
- The nuclear industry is in an advanced stage of identifying some technical solutions that will ensure the flexibility of electricity production, thus having a potential to compensate for the volatility of renewable sources;
- Romania considers energy independence a competitive advantage that must be developed;
- Romania is a country with potential for economic development, with an ascending trend of electricity consumption;
- Financial markets today are characterized by a shortage of financial investments, inducing a low level of interest rates, favoring the launch of major investment projects.

f) Associated entities

Associated entities are those companies in which the Group can exercise significant influence, but not control over the financial and operational policies.

The consolidated financial statements include the share of the Group from the results of the associated entities based on the equivalence method, from the date on which the Group started to exercise significant influence and until the date when such influence ends.

The holdings in which the Group owns between 20% and 50% of the voting rights, but over which it does not exert a significant influence, are classified as financial assets available for sale.

Associated entities are accounted for using the equivalence method and are initially recognized at cost. The investment of the Group includes the goodwill identified upon the purchase, less the accumulated impairment loss. The consolidated financial statements include the Group's share of revenues and expenses and movements in the capital of the associated entities, following the adjustment of the accounting policies with those of the Group, as of the date on which the significant influence begins until such significant influence ends. When the Group's share of the loss is higher than the interest in the entity accounted for by the equivalence method, the carrying amount of this interest (including any long-term investments) is reduced to zero and the recognition of future loss is discontinued, unless the Group has a obligation or made payments on behalf of the entity in which it invested.

On December 31st, 2019 and December 31st, 2018, investments in associated entities were not identified.

g) Transactions eliminated upon consolidation

Settlements and transactions within the Group, as well as unrealized profits resulting from transactions within the Group, are completely removed from the consolidated financial statements. The unrealized profits resulting from the transactions with jointly controlled entities or associates are removed within the limit of the percentage of participation of the Group. The unrealized profits resulting from the transactions with an associate are eliminated as opposed to the investment in the associated entity. Unrealized losses are removed identically as unrealized gains, but only to the extent that there are no impairment indices.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies below have been applied consistently for all periods presented in these consolidated financial statements prepared by the Group.

The Consolidated Financial Statements are prepared on the assumption that the Group will continue to operate in the foreseeable future. To assess the applicability of this assumption, the senior management analyses projections of future cash inflows.

a) Transactions in foreign currencies

Trades in foreign currencies are translated into RON at exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currency at the year-end are expressed in RON at the exchange rate displayed by the National Bank of Romania valid for the last banking day of the year. Gains and losses from exchange rate differences, realized or unrealized, are included in the profit and loss of the year. The exchange rates on December 31st, 2019 and December 31st, 2018 for the major currencies the Group trades in are as follows:

	Average rate		**Reporting date spot rate**	
	2019	**2018**	**December 31st, 2019**	**December 31st, 2018**
RON/EUR	4.7452	4.6535	4.7793	4.6639
RON/USD	4.2379	3.9433	4.2608	4.0736
RON / CAD	3.1948	3.0429	3.2702	2.9925
RON/GBP	5.4113	5.2597	5.6088	5.1931

Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated to the functional currency at the exchange rate on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate valid on the transaction date.

b) Adjustment of hyperinflation effects

In accordance with IAS 29, the financial statements of an entity the functional currency whereof is the currency of a hyperinflationary economy must be presented in the current unit of measure at the end of the reporting period (non-monetary items are restated using a general index of prices on the purchase or contribution date).

According to IAS 29, an economy is considered to be hyperinflationary if, in addition to other factors, the cumulative inflation rate over a three-year period exceeds 100%. The continuous decrease of the inflation rate and other factors related to the characteristics of the economic environment in Romania indicate that the economy the functional currency whereof was adopted by the Company has ceased to be hyperinflationary, with effect on the financial periods starting with January 1st, 2004. Therefore, the provisions of IAS 29 were adopted in the preparation of the financial statements until December 31st, 2003.

In order to prepare the consolidated financial statements on December 31st, 2019, the Group adjusted the following non-monetary items, in order to be expressed in the unit of measure on December 31st, 2003:

- ✓ Share capital (see Note.) ;
- ✓ Tangible assets purchased by December 31st, 2003.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets

Recognition and assessment

Tangible assets are recognized as assets are initially valued at cost. The cost of a tangible asset item consists of the purchase price, including the non-recoverable taxes, after deducting any commercial price discounts and any costs that can be directly attributed to bringing the asset to the location and under the conditions necessary for it to be used for the purpose desired by the management, such as: the expenses with employees that directly result from the construction or purchase of the asset, the costs of setting up the site, the initial costs of delivery and handling, the costs of installation and assembly, the professional fees.

Tangible assets are classified by the Group in the following asset classes of the same nature and with similar uses:

- Lands;
- Constructions;
- Technical equipment, installations and machinery;
- Means of transport;
- Furniture and other tangible assets.

Tangible assets, except for lands and buildings, are stated at cost, less accumulated depreciation and impairment adjustment. Land and buildings are separately valuated at fair value. Thus:

- The land, special constructions, administrative buildings and other buildings including the nuclear power plants are recorded at the revalued amount. On the date of transition to IFRS, they were assessed using the assumed cost method. Thus, the revaluation surplus of the Company according to OMFP 3055/2009 until January 1, 2012, was transferred to the retained earnings in a distinct analytical account. Revaluation reserves arising after the date of transition to IFRSs as a result of revaluations are recorded as such in the financial statements. The revaluation surplus, the one existing on the date of transition to IFRS and the subsequent one, is realized during the depreciation of tangible assets (property, plant and equipment) or at their disposal.
- Machines, equipment and other assets, less buildings and special constructions and other buildings, including nuclear power plant, are recorded at the historical cost minus any accumulated depreciation and any accumulated impairment losses.
- Non-current assets in progress are recorded at the historical cost of acquisition or construction or inflated cost (restated in relation to the measuring unit current on December 31, 2003 for the non-current assets acquired before January 1, 2004) minus any cumulated depreciation losses.

Within non-current assets in progress the buildings and heavy water to be used in the extension of the production capacity are also included since the heavy water is not used and is not chemically impaired; it is evaluated initially and subsequently at cost.

Units 1, 2, 3, 4 and 5 were considered a single project, and therefore the costs incurred before 1990 were not accounted separately for each unit. In 1991, the Group performed a cost allocation for each Unit. This allocation is based on cost of the non-current assets included in the non-current assets in progress (Units 3 4 and 5).

Items such as spare parts, reserve and maintenance equipment are recorded as non-current assets according to IAS 16 when they meet the definition of non-current assets . All other spare parts are recorded as inventories.

The fair value was determined based on the evaluations made by independent external assessors, by using methods of market values and net replacement cost, less the accumulated depreciation and accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c). Tangible assets (continued)

Recognition and assessment (continued)

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined by using the fair value at the end of the reporting period.

The last revaluation of lands and constructions took place on December 31, 2018 by the independent valuer (Primoval SRL, member of the National Association of Certified Assessors in Romania - ANEVAR). Prior to this revaluation, the lands and constructions were revalued on December 31st, 2015, the special constructions were revalued on December 31st,2013, the administrative buildings on December 31st, 2002, and the lands on December 31st, 2009.

If the financial value of an asset is increased as a result of a revaluation, this increase is directly recorded in equity, under the item "Revaluation reserves"; however, the increase shall be recognized in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss.

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit and loss account; the decrease is recognized as well in other comprehensive income elements, to the extent that there is a balance in the revaluation surplus for that asset. However, the decrease shall be recognized in other comprehensive income, to the extent that there is a credit balance in the revaluation surplus for that asset.

Subsequent expenses

Subsequent expenses related to a tangible asset are generally acknowledged as expenses in the period in which they were incurred. Those subsequent expenses or investments made on the tangible assets, having the effect of improving their initial technical parameters and leading to future economic benefits, in addition to the initially estimated ones, are acknowledged and capitalized as a component of the asset. Benefits can be obtained either directly by increasing revenues, or indirectly by reducing the maintenance and operating expenses.

In order to apply the provisions of the International Accounting Standard IAS 16 "Tangible Assets", the general periodic inspections carried out at CNE Cernavoda are capitalized under the category of tangible assets, being subsequently amortized on a linear basis, over a 2-year period. General periodic inspections mostly target the same components of the Units, so the amortization period considered is the 2-year period between two general periodic inspections carried out mostly on the same components, thus substituting each other. The last general inspections were for Unit 1 in 2018 and for Unit 2 in 2019.

Current repairs and maintenance expenses are classified as expenses when they occur.

Amortization

The depreciation of the tangible assets is calculated based on an amortization plan, as of the commissioning date thereof and until the full recovery of the entry value thereof, according to the economic use periods and the conditions of use thereof.

The management of the Group estimates that the lifetimes of the fixed assets stipulated in the Government Decision no. 2139/2004 for the approval of the Catalogue on the classification and the normal durations of operation of the fixed assets correspond to the durations of economic use and the conditions of use of the tangible assets that are part of the corporate assets of the Group.

The amortization of buildings is done based on equal annual rates, in order to amortize the revalued amount thereof over the remaining period of their life. The amortization of the other tangible assets is recorded based on the linear method, over the estimated useful life, as follows:

(All amounts are presented in RON, unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c). Tangible assets (continued)

Amortization (continued)

Asset	Useful life in years
Nuclear power plant – Units 1 and 2	30
Heavy water (loads for Units 1 and 2)	30
Buildings	45 – 50
Inspections and overhauls	2
Other installations, equipment and machinery	3 - 20

Lands are not subject to amortization as they are deemed to have an indefinite useful life.

Tangible assets in progress are not amortized until they are commissioned.

The estimated useful life of Units 1 and 2, respectively 30 years, considers a number of 210.000 designed operating hours per Unit, equivalent to 80% capacity factor over a 30-year period. By December 31st, 2018, the cumulated capacity factor achieved since the commissioning of Unit 1 is 93.86% and 89.18% for Unit 2, being higher than the 80% designed capacity factor. Using these capacity factors extrapolated to the same value for the rest of useful life, it results that the estimated useful life of the units will be 26.4 years for Unit 1 and 25.4 years for Unit 2; however, this is an simplistic linear extrapolation because it is expected that the average capacity factor achieved so far in both units will decrease gradually until the end of the initial useful life due to creep of the fuel channels, namely due to the inherent physical impairment of the units.

The operating experience achieved by other CANDU nuclear power plants that have reached the operating hours designed, indicates that it is possible to extend the initial number of operation hours beyond the designed number of 210,000 hours. The Group contracted specialized services for technical assistance to determine the possibility of extending the number of operating hours designed for Unit 1. Following the study, a work plan was drawn up which sets out the analyzes and evaluations to be carried out to demonstrate the functionality of Unit 1 from Cernavoda NPP to 245,000 actual operating hours. These analyzes and assessments will be the basis for the extension of the Unit 1 operating permit.

The Group's Management truly believes it is possible to successfully increase the number of running hours for Unit 1, by adding a number of hours over the operation hours designed (210.000 hours) which would ensure the operation of Unit 1 until 2026 and therefore would allow to maintain the remaining duration of the estimated life, the estimated useful life for the first cycle of operation being 30 years. Extending the number of hours of initial operation depends on the results of the analyzes and evaluations to be contracted in the third quarter of 2019, influenced predominantly by the technical status of Unit 1, as well as by the Regulator's decision (CNCAN) at the time of the request.

By extrapolating the reasoning and considering the remaining useful life of Unit 2, in conjunction with the capacity factor of Unit 2 in the next period in connection with the life cycle of Unit 2, the life expectancy is maintained in the case of Unit 2. The estimated residual values for both units are void, given the challenges associated with the refurbishment projects of the units after the initial lifetime, which may be extended by another 25 years after refurbishment.

Depending on the actual results related to the extending of the useful life of Unit 1 beyond the initial projected number of hours of operation, the estimates on the lifetime of both units could be reviewed in the subsequent financial years.

The heavy water (loads for Units 1 and 2), buildings and other facilities, equipment and vehicles are presented in Note 5 as "Machinery, equipment and other assets". Inspections and overhauls, capitalized in accordance with IAS 16, are presented in Note 5 and are reflected in the book value of "Nuclear Power Plants".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
c). Tangible assets (continued)
Amortization (continued)

When the elements of a non-current asset have different useful lives, they are recorded as consolidated items (major components) of an asset. The depreciation methods for assets, life duration and residual value are reviewed, and adjusted, if needed, at each reporting date.

The accounting value of the asset is adjusted to the recoverable value if the accounting value is greater than the estimated recoverable value.

Sales gain or loss is determined by the difference between the proceeds from the sale of the asset and its accounting value, being recognized as operational revenue or operational expense in profit and loss account.

The costs of the borrowings for the construction of an element of non-current asset is capitalized in the asset's cost at the current date of the preparation of the asset for its predetermined use or sale.

Sale/discarding of tangible assets
Tangible assets that are discarded or sold are removed from the statement of the financial position along with the corresponding accumulated depreciation. Any profit or loss resulted from such an operation is included in the current profit or loss

d) Non-current assets held for sale

The non-current assets will be classified as held for sale, if the carrying amounts thereof are mainly recovered from a sale transaction rather than by continuous use. Thus, an asset may be classified as held for sale in accordance with IFRS 5, only if the following criteria are met:
- The asset is available for immediate sale in the current state,
- The sale of the asset is highly probable.

In order for the sale to be very probable, all the following criteria must be met:
- The appropriate level of management has undertaken a sales plan;
- An active program for locating a buyer and implementing the plan was initiated;
- The asset is actively traded at a reasonable price in reference to the current fair value thereof;
- Significant changes or withdrawal of the plan are unlikely;
- It is expected that the sale will meet the criteria of derecognition, in order to be registered as a sale within one year.

Valuation before the classification as held for sale

As a first step, immediately prior to the initial classification of an asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRS standards (e.g. ownership, production units and equipment are measured in accordance with IAS 16) including any cumulative impairment and any reduction in the balance sheet value, if applicable. This first step is applicable to a newly acquired asset as well as an existing asset that will be reclassified as held for sale in virtue of this policy.

Valuation upon the initial classification as held for sale

Upon the initial classification as held for sale, the individual asset identified as held for sale is measured at the lower of:
- the carrying amount and
- the fair value thereof less the sale costs.

If the fair value less the sale costs is higher than the carrying amount of the asset, no adjustment is required. Otherwise, an impairment loss as a result of this initial measurement is recorded directly in the profit and loss account and the value of the fixed assets is adjusted accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
d) Non-current assets held for sale (continued)

Subsequent valuation
Upon the subsequent valuation, the fixed assets held for sale are measured at the lower value between the carrying amount and the fair value less the sale costs.

Non-current assets held for sale are not amortized.

Acknowledgment of the loss from depreciation and resumptions

Any initial or subsequent reduction in the carrying amount of an asset (or group intended for assignment) up to the fair value less the costs generated by the sale is recognized as an impairment loss.

The subsequent increase in fair value less the sale costs of an asset is recognized as revenue, without exceeding the cumulative impairment loss that was recognized either in accordance with IFRS 5 or previously in accordance with IAS 36 "Impairment of assets".

Derecognition
If the criteria for classifying an asset or group intended for assignment as held for sale are no longer met, the asset or group intended for assignment will no longer be classified as held for sale.

A fixed asset that is no longer classified as held for sale is measured at the lower of:
- the amount carried forward before being classified as held for sale, adjusted for any impairment, depreciation or revaluation required if the asset or group intended for disposal was not classified as held for sale; and
- the value recoverable on the date of the decision not to sell.

As of December 31st, 2019, the Company holds assets for sale in the amount of RON 2,231,633 (December 31st, 2018: RON 0). No impairment loss was recorded.

e) Leasing

IFRS 16 “Leasing Contracts” enters into force for annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 Leases; IFRIC 4 Determining the extent to which a commitment contains a lease; SIC-15 Operational leasing - Incentives; and SIC-27 Evaluation of the economic fund of transactions involving the legal form of a leasing contract.

Tenant accounting
IFRS 16 introduces a unique accounting model of the lessee and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset has a small value. A tenant must recognize an asset related to the right of use, representing his right to use the underlying asset taken on the lease, and a debt arising from the lease, representing his obligation to make the payments related to the lease.

When entering into a contract, an entity must evaluate whether that contract is, or includes, a lease. A contract is or contains a lease if that contract grants the right to control the use of an identified asset for a certain period of time in exchange for a consideration.

A tenant evaluates the assets related to the right of use similar to other non-financial assets (such as tangible fixed assets), and the debts arising from the lease are valued similarly to other financial debts. Consequently, a lessee recognizes the depreciation of the asset related to the right of use and the interest related to the debt arising from the lease and also classifies the cash repayments of the debt arising from the lease in the part related to the principal and the part related to the interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
e) Leasing (continued)

Assets and liabilities arising from a lease are initially valued based on the present value. The assessment includes payments related to the irrevocable lease (including payments indexed to inflation), as well as payments to be made in the optional periods if the tenant has reasonable certainty that he will exercise an option to extend the lease or that he will not exercise a termination option. of the lease.

The cost of the asset related to the right of use must include:
(a) the value of the initial assessment of the debt arising from the lease;
(b) any leasing payments made on or before the start date, minus any leasing incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of the costs to be borne by the lessee for the dismantling and removal of the support asset, for the restoration of the place where it is located or for bringing the support asset to the condition imposed in the terms and conditions of the leasing contract

Tenant accounting
IFRS 16 takes over, in principle, the provisions regarding the lessor's accounting in IAS 17. Consequently, a lessor continues to classify his lease agreements as operating or financial leasing contracts and to account for these two different types of leasing contracts.

As a lessee, based on the lease agreements, as of December 31, 2019, the Company does not register assets related to the right to use the underlying asset and the lease debts arising from this contract.

As a lessor, the financial statements concluded on December 31, 2019 remain unaffected by the introduction of the new standard. The company will analyze the impact of IFRS 16 at each quarterly, half-yearly and annual reporting period.

f) Intangible assets

Intangible assets are mainly represented by computer applications and licenses. These are stated at historic cost less the accumulated depreciation and the value impairment adjustment.

Research and development

The costs of the research activities conducted in order to gain knowledge or new scientific or technical interpretations are recognized in profit and loss entry when incurred.

Development activities involve a plan or project concerning new or substantially improved products or processes. Development costs are capitalized only if they can be measured reliably, the product or process is feasible technically and commercially, the future economic benefits are probable, and the Company intends and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct personnel costs and administrative costs that are directly attributable to prepare the asset for its intended use and the capitalized loan costs. Other development costs are recognized in profit and loss when incurred.

Capitalized development costs are valued at the cost less the accumulated amortization and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Intangible assets (continued)

Subsequent expenses

Subsequent expenses on intangible assets are capitalized only when they increase the future economic benefits of the asset that they refer to. All other expenses are recognized in the individual statement of profit or loss as they are incurred.

Amortization

Amortization is recorded in the individual statement of profit or loss based on the linear method for the estimated useful life of the intangible asset. Intangible assets are amortized from the date the asset is ready for use, the useful life being determined according to the period over which the asset can be used.

g) Financial assets and liabilities

Classification

The Group adopted IFRS 9 "Financial Instruments".

This standard replaced the provisions of IAS 39 "Financial Instruments: Acknowledgment and Measurement" on the classification and valuation of financial assets and replaces the model for estimating the adjustments for the depreciation of financial assets by a model based on expected loss.

IFRS 9 contains a new approach on the classification and valuation of financial assets reflecting the business model within which assets and cash flow characteristics are managed.

IFRS 9 includes three main categories of classification of financial assets: measured at amortized cost, valued at fair value through other items of the comprehensive income and valued at fair value through profit or loss.

The Group classifies the financial instruments held in the following categories:

Financial assets valuated at the amortized cost

A financial asset is valued at amortized cost if it meets both the conditions set out below and is not designated as being valued at fair value through profit or loss:

- is held within a business model the objective whereof is to keep assets for collecting contractual cash flows; and
- the contractual conditions thereof generate, at certain dates, cash flows that are solely payments of the principal and interest on the due principal.

The standard takes over the provisions of IAS 39 on the recognition and derecognition of financial instruments.

Financial assets at fair value via other items of the comprehensive income

A financial asset is valued at the fair value among other items of the comprehensive income only if it meets both conditions set out below and is not designated at fair value through profit or loss:

- is held within a business model the objective whereof is achieved both by collecting the contractual cash flows and by selling financial assets; and
- the contractual conditions thereof generate, at certain dates, cash flows representing solely payments of the principal and interest on the due principal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and liabilities (continued)

Classification (continued)

Furthermore, upon the initial recognition of an investment in equity instruments that is not held for trading, the Group may irrevocably choose to submit subsequent changes of the fair value in other items of the comprehensive income. These options apply for each instrument, as applicable.

Financial assets at fair value through profit or loss

All financial assets that are not classified as being valued at amortized cost or at fair value through other items of comprehensive income will be valued at fair value through profit or loss. Furthermore, upon the initial recognition, the Group may irrevocably designate that a financial asset, which otherwise meets the requirements to be values at amortized cost or at fair value through other items of comprehensive income, be valued at fair value through profit or loss, if this removes or significantly reduces an accounting inconsistency that would arise, if it were to proceed otherwise.

Acknowledgment

Financial assets and financial liabilities are acknowledged on the date the Group becomes a contractual party under the terms of such instrument. Financial assets and liabilities are measured upon the initial recognition at fair value.

Set offs

Financial assets and liabilities are offset, and the net result is presented in the financial position statement only when there is a legal right to set off and if there is an intention to settle them on a net basis or if it is intended to realize the asset and simultaneously pay off the debt.

Revenues and expenses are presented net only when it is allowed by the accounting standards, or for profit and loss resulted from a group of similar transactions such as those in the trading activity of the Group.

Valuation

Valuation at the amortized cost

The amortized cost of an asset or financial liability represents the amount at which the financial asset or liability is measured after the initial recognition, minus the principal payments, plus or minus the accumulated depreciation up to that moment, using the effective interest method, less the reductions related to impairment losses.

Valuation at fair value

The fair value represents the price that would be received upon the sale of an asset or paid for the settlement of a debt within a normal transaction between the participants on the main market, on the valuation date, or in the absence of the main market, on the most profitable market that the Group has access to on such date.

The Group measures the fair value of a financial instrument using the prices quoted on an active market for that instrument. A financial instrument has an active market if quoted prices are quickly and regularly available for that instrument. The market price used to determine the fair value is the closing price of the market on the last trading day before the valuation date.

In the absence of a price quotation on an active market, the Group uses valuation techniques based on the analysis of updated cash flows and other valuation methods commonly used by the market participants, using as much information as possible on the market, relying as little as possible on the information specific to the company. The Group uses valuation techniques maximizing the use of observable data and minimizing the use of unobservable data.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and liabilities (continued)

Derecognition

The Group derecognizes a financial asset when the rights to receive cash flows from that financial asset expire, or when the Group has transferred the rights to receive the contractual cash flows related to that financial asset in a transaction in which it has significantly transferred all the risks and benefits of ownership.

The Group derecognizes a financial liability when the contractual obligations ended or when the contractual obligations are canceled or expire.

Earnings and loss from asset assignment

The gain or loss related to the assignment of a financial asset or financial liability valued at fair value through profit or loss is acknowledged in current profit or loss.

h) Other financial assets and liabilities

Other financial assets and liabilities are values at amortized cost using the effective interest method, minus any depreciation loss.

i) Investments in branches

Branches are entities under the control of the Group. The control exists when the Group has the power to manage, directly or indirectly, the financial and operational policies of an entity, in order to obtain benefits from the activity thereof. Potential or convertible voting rights that are exercisable at that time are also taken into account when assessing the control.

The Group evaluates the investments in branches at cost in compliance with the provisions of IAS 27 "Separate financial statements".

The branch controlled by the parent-Company is Energonuclear S.A., 100% owned and is presented in Note 8.

j) Depreciation of assets other than the financial ones

The carrying amount of the assets of the Group that are not of a financial nature, other than deferred tax assets, are reviewed on each reporting date, in order to identify the existence of impairment indications. If there are any such indications, the recoverable value of such assets is estimated.

An impairment loss is recognized when the carrying amount of the asset or the cash-generating unit thereof exceeds the recoverable amount of the asset or cash-generating unit. A cash generating unit is the smallest identifiable group generating cash independently of other assets and other asset groups. The impairment loss is stated in the statement on the profit or loss and other items of the comprehensive income.

The recoverable amount of an asset or cash-generating unit is the greater of the value in use and the fair value thereof, less the costs for the sale of such asset or unit. In order to determine the value of use, future cash flows are updated using a pre-tax update rate reflecting the current market conditions and risks specific to such asset.
Impairment losses recognized in prior periods are valued on each reporting date, in order to determine whether they have decreased or no longer exist. Impairment loss is resumed, if there has been a change in the estimates used to determine the recovery value. Impairment loss is resumed only if the carrying amount of the asset does not exceed the accounting value that would have been calculated, net of amortization and depreciation, if the impairment loss had not been acknowledged.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Inventories

Inventories consist of consumables, spare parts that do not meet criteria as tangible assets (property, plant and equipment), safety stock, uranium and other inventories necessary for the activity of the Group. These are recorded as inventories when purchased and then expensed when consumed.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs.

According to the IAS 2 standard on "Inventories" the cost of outgoing inventories shall be determined by applying the first-in, first-out method (FIFO) or the weighted average cost method (WAC). Up to December 31, including 2015, the Group used the FIFO method.

Following the analysis made by the management of the Group it was concluded that the use of WAC method would produce reliable results in the annual financial statements for their users. In this context, starting from the 1st of January 2016 the accounting policy used in order to determine the cost of the inflows inventories was changed from FIFO to WAC method.

In accordance with the requirements for change in the accounting policies stipulated by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the management believes that the WAC method results in financial statements are more relevant and more reliable for users' needs for making economic decisions, as shown in the below analysis of the two methods below:

- The FIFO method assumes that the outflows inventories are to be evaluated with their cost of acquisition or production of the first entry. If the inventories are older and the prices are rising, this method does not produce the most reliable results to be reflected in the statement of the comprehensive income.
- The WAC method involves the cost calculation for every item according to the weighted average cost for similar items included in the inventories at the beginning of the period and for those purchased during the period.

The Group is unable to retroactively apply this change in its accounting policy in accordance with the requirements of IAS 8, because the effects of retroactive application are not determinable since the cumulative impacts on all prior periods cannot be calculated. Therefore, the Group applies the new policy prospectively from 1 January 2016.

l) Trade receivables and other receivables

Trade receivables are initially recorded at the invoiced value and subsequently measured by using the effective interest method less the impaired value. A provision for impairment is established when there is objective evidence that the Group will not be able to collect receivables on time. Significant financial difficulties of the debtor, probability that it enters bankruptcy or financial reorganization, late payments (over 360 days) are considered indicators that these claims may require value adjustments.

An impairment loss related to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the current value of expected updated future cash flows by using the original effective interest rate of the asset. The carrying value is reduced by using an account for depreciation adjustments and the loss is entered into the profit and loss section under "other operating expenses".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Cash and cash equivalents

The "Cash and cash equivalents" item includes petty cash, current accounts and bank deposits without commitments that are subject to an insignificant risk in changing the fair value. By bank deposits without commitments the Group understands the usual bank deposits, to which the Group has access at any time, irrespective of their initial maturity, and whose pre-maturity liquidation, in the event of occurrence of circumstances that determine this need, does not cause any losses.

The "Bank deposits" position in the statement of financial position refer to those bank deposits that have an initial maturity of between 3 and 12 months but have an associated commitment, i.e. they are collateral deposits related to bank guarantee letters issued by banks on behalf of the Group in favor of some clients.
The "Financial assets" position of the financial position statement means the collateral deposits related to warranty letters, but with a maturity of more than 12 months.

n) Share capital

The share capital represents all the shares subscribed and paid up by the shareholders of the parent-Group. The share capital is recorded separately in accounting, based on the documents of incorporation and the supporting documents on capital payments.

The capital increase is achieved by subscribing and issuing new shares, incorporating reserves and other operations, according to the law. The capital decrease is achieved primarily by reducing the number of shares or diminishing the nominal value thereof, as a result of the withdrawal of some shareholders, coverage of the accounting loss from previous years or other operations, according to the law.

The write-off an asset that has contributed to the share capital does not change the share capital. In all cases of amendment of the share capital, this is done based on the decision of the General Meeting of the Shareholders. Gains or losses related to the issue or cancellation of shares are not recognized in the profit and loss account. The equivalent value received or paid as a result of such operations is recognized directly in equity.

o) Legal reserve

Legal reserves are established as follows: 5% comes from the gross profit from the end of the year until the total legal reserves reach 20% of the share capital paid in accordance with the law. These reserves are deductible for corporate tax at the rate specified in the Tax Code and are only distributable in the event of liquidation of the Company. The legal reserve is distributed at the balance sheet date. The legal reserve is found in the entry "retained earnings".

p) Prepaid reserve

The prepaid reserve represents the cash contributions made by the Company's shareholders in respect of the future issuance of shares by the Company. These contributions are recorded on credit in the prepaid reserve, when there is not the possibility that advance payments to be returned, and the Company's obligation is to issue a fixed number of shares.

q) Government grants

Government grants related to the purchase of assets are recorded as deferred revenue at fair value when there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant.

Government grants for the purchase or construction of an asset are recognized in profit and loss account systematically as the related asset is depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Employee Benefits

(i) Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net liabilities in relation to the defined benefits plans are calculated separately for each single plan, by estimating the amount of future benefit that employees have earned in return for the services rendered in the current and prior periods; these benefits are discounted to the present value. Any costs of unrecognized prior services and the fair value of the benefits plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected credit factor method. When the calculation results in a benefit for the Company, the recognized asset is limited to the total of the unrecognized cost of past service and the present value of any economic benefits available in the form of future reimbursements in the plan or some reductions applied to the future contributions to the plan. To calculate the present value of the economic benefits, all minimum financing requirements applicable to any plan of the Group are considered. An economic benefit is available for the Group if it is attainable over the life of the plan or when debts in the plan are settled.

When benefits of a plan are increased, the share of additional benefit for the services provided previously by employees is recognized in profit and loss using the straight-line method over the average period of time until the benefits become effective. To the extent that the benefits become effective immediately, the expense is recognized immediately in profit and loss.

The Group immediately recognizes all actuarial gains and losses arising from the defined benefit plans in other comprehensive income entries and all expenses related to defined benefit plans are determined in profit and loss.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

The gain or loss on the curtailment or settlement shall comprise any resulting change in the present value of the defined benefit liability, any resulting change in the fair value of the assets of the plan, any actuarial gains or losses related to any past service cost associated that had not been previously recognized.

(ii) Other long-term benefits granted to employees

The Group's net liability in respect of long-term benefits granted to employees is the amount of future benefits that employees have earned in return for services rendered in the current period and in the previous one. These benefits are updated in order to determine their fair value, and the fair value of any related asset is deducted. These benefits are estimated using the projected credit factor method. Any gains or losses are recognized in profit and loss in the period in which they arise.

(iii) Short-term benefits granted to employees

Short-term benefit liabilities are valued without being discounted and are recognized as expenses as the services are rendered. A provision is recognized at the estimated amount to be paid for short-term benefits in the form of bonuses or employees participation in profits, only if the Group has a present, legal or constructive obligation to pay this amount for past services rendered by employees and this obligation can be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Provisions for Risks and Expenses

A provision is recognized if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably, and it is likely that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as financial expense.

The provision related to the intermediary storage of spent nuclear fuel is determined as the present value of future expenditure with its storage. The provision for the management of low and medium radioactive waste and the provision for the management of non-radioactive waste are determined as updated value of their future management expenses. The management of low and medium radioactive and non-radioactive waste takes place in a period following the one in which they are generated by the operating activity.

t) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are presented in notes, unless the possibility of an outflow of economic benefits is reduced.

Contingent assets are not acknowledged in the financial statements, but are presented when a profit entry is probable.

u) Acknowledgement of revenues and expenses

Revenues are acknowledged to the extent that the economic benefits are probable, and these benefits can be reliably valued. The following criteria must also be met in order to recognize revenues:

(i) Sales of electricity
Revenues from sale of electricity (generated or acquired by the Company) are recognized when the Group has delivered energy in the electricity transmission network.

(ii) Financial revenues and expenses
Financial revenues mainly includes the interest income on bank deposits and cash, as well as the foreign currency gain. Financial revenues are recognized in the profit and loss on an accrual basis using the effective interest method. The financial expenses mainly comprise the interest expense on loans and foreign currency losses. All cost related to loans that are not directly attributable to the acquisition, construction or production of an asset are recognized in profit and loss using the effective interest method.

(iii) Charges
IFRIC 21 "Taxes" clarifies the manner in which accounting expenses are recognized in taxes. For an entity, the generating event giving rise to a duty to pay a tax is the activity triggering the payment of the tax, identified by law. The obligation to pay a tax is progressively recognized if the generating event takes place over a period of time.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Acknowledgement of revenues and expenses (continued)

(iii) Charges (continued)

The Group implemented the provisions of **IFRIC 21 - Charges** by amending the accounting policies, starting with the annual Financial Statements related to the financial year 2014. Within the scope, the Group identified the tax on special constructions and local duties and taxes. The Group recognized the liability related to such duties and taxes at the time of the occurrence of the activity determining the payment, as it is defined by the relevant legislation. A liability related to duties and taxes is progressively estimated only if the activity that determines the payment occurs over a certain period.

IFRIC 21 is applicable retrospectively to all taxes imposed by the governmental authorities under the legislation, other than cash outflows subject to other standards (e.g.: IAS 12 Corporate Tax), fines and other penalties for violating the law.

IFRIC 21 mentions that this interpretation does not address the means of registration of the counterparty for this debt (respectively asset or cost) and that an asset is acknowledged in case a debt was paid in advance and there is no present payment obligation.

The Group considers that the acknowledging moment for the debt is determined by the existence of assets in its patrimony representing the base of taxes and as a consequence, the debt for the special building tax and local duties and taxes was fully acknowledged on the 1st of January in trade-off with the corresponding expense.

The Group reconsidered the date of occurrence of the generating event in relation to duties and taxes that fall under the scope of IFRIC 21 and concluded that this date is December 31 of each year.

v) Fields of activity

Fields of activity are identified by IFRS 8 « Operating segments »as components of an entity:

- That engages in business activities, which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity;
- Whose operating results are regularly reviewed by the chief operating decision maker to allocate resources and assess its performances; and
- • For which separate financial information is available.

The management of the Group considers all activities as "a single segment".

w) Corporate tax

The corporate tax related to the year comprises the current tax and the deferred tax.

The corporate tax is recognized in the profit or loss statement and in other items of the comprehensive income if the tax is related to the capital items.

The current tax is the tax payable related to the profit made over the current period, determined based on the percentages applied on the date of the financial status statement and of all the adjustments related to the previous periods.

The deferred tax is determined for those temporary differences appearing between the fiscal basis for calculating the tax for assets and liabilities and the carrying amount thereof used for reporting in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
w) Corporate tax (continued)

Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities arising from transactions that are not combinations of enterprises and not affecting the accounting or tax profit and differences arising from investments in branches, provided that they are not resumed in the near future. The deferred tax is calculated based on the tax rates that are expected to be applicable to the temporary differences upon the resumption thereof, based on the applicable law on the reporting date or issued on the reporting date and which will come into force thereafter.

Debts and receivables with the deferred tax are offset only if there is a legally enforceable right to offset the current debts and receivables with the tax and if they are related to the tax levied by the same tax authority for the same entity subject to taxation or for different fiscal entities, and they wish to settle claims and current liabilities with the tax using a net basis or the assets and related liabilities whereof will be simultaneously done.

The deferred tax claim is recognized only insofar as it is probable to obtain future profits that may be used to cover the tax loss. The claim is reviewed at the end of each financial year and is diminished to the extent to which the related tax benefit is unlikely to be realized

For the period ended on December 31st, 2019 and December 31st, 2018, the corporate tax rate was of 16%.

x) Distributable dividends

Dividends are treated as a profit distribution over the period when they were declared and approved by the General Meeting of the Shareholders. Dividends are recognized as a liability in the period in which their distribution is approved.

y) Earnings per share

Earnings per share is calculated by dividing the profit and loss attributable to the Group's shareholders by the weighted average number of ordinary shares outstanding over the period. Weighted average number of ordinary shares outstanding over the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of shares repurchased or issued during the period multiplied by a weighting factor of time.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of some specified conditions. The objective of diluted earnings per share is correlated with the basic earnings per share, and provide specific interests of each ordinary share in the entity's performance.

z) Subsequent Events

The events subsequent to the closure of the reporting period are those favorable and unfavorable events taking place between the end of the reporting period and the date on which the financial statements are authorized for issue.

Subsequent events providing additional information about the position of the Group at the end of the reporting period (events requiring adjustments) are reflected in the financial statements.

Events subsequent to the end of the reporting period that do not require adjustments are stated in the notes, when they are deemed significant.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Related parties

Different entities or individuals considered to be in special relations with the Group and in case one of the parties, either by ownership or by contractual rights, family relationships or other similar situations can directly or indirectly control the other party, or may significantly influence it in making financial or operational decisions. Transactions between related parties represent a transfer of resources or obligations between related parties, regardless of whether they involve a price or not.

Considering the status of majority state-owned company, the Group is subject to specific regulations, having reporting obligations regarding the transactions with affiliated parties. The Group presents in the Financial Statements the transactions with the affiliated parties in compliance with IAS 24 "Related Party Disclosures" (See Note 22)

bb) The implications of new International Financial Reporting Standards (IFRS)

During the current year, the Group has applied all new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant to its operations and are effective for the accounting periods beginning on January 1st, 2019, approved by the European Union.

Upon the date of approval of these financial statements, a number of standards and interpretations issued by the International Accounting Standards Board - IASB apply, but only the European Union adopted some of them. The Group's management expects that the implementation of these accounting standards in future periods will have no material effect on the consolidated financial statements of the Group.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

The Group makes estimates and assumptions affecting the value of the reported assets and liabilities. Estimates and judgments are continually valued and are based on the previous experience and on other factors, including expectations on future events deemed reasonable under the given circumstances.

The management discussed the development, selection, presentation and application of critical accounting policies and estimates. These presentations supplements the comments on financial risk management (see Note 25).

The significant accounting judgments for the application of the accounting policies of the Group include:

Key sources of the uncertainty of estimates

Hierarchy of fair values
Assets and liabilities are measured and presented at fair value in the financial statements, according to the fair value hierarchy in IFRS 13, requiring the classification of valuation methods in the following valuation levels:

The Group uses for the calculation of fair value the following hierarchy of methods:
Level 1: quoted (unadjusted) prices on active markets for identical assets and liabilities
Level 2: inputs other than the quoted prices included in Level 1 that are observable for assets or liabilities, either directly (i.e. prices, prices quoted on markets that are not active) or indirectly (i.e. derived from prices)
Level 3: entries for assets or liabilities that are not based on observable market data (unobservable entries). This category includes all instruments for which the valuation technique includes items that are not based on observable data and for which unobservable input parameters can have a significant effect on the valuation of the instrument. This category includes instruments that are valued based on quoted prices for similar instruments, but for which adjustments are largely based on unobservable data or estimates, in order to reflect the difference between the two instruments.

The Group determines the fair value using primarily the quotations on the active market.

Fair value is the amount for which the financial instrument may be exchanged in usual transactions conducted under objective conditions between willing parties knowingly, other than those determined by the liquidation or forced sale. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. As of December 31, 2019 and December 31, 2018, the management considers that the fair values of cash and cash equivalents, trade receivables and other receivables, trade payables as well as other short-term liabilities approximates their carrying amounts.

Given the business field in which the company operates, corroborated with the specific nature of the financed investments and of the structure of the guarantees, which include a government guarantee, as well as the variable interest rates, the Group's management estimates that the fair value of the loans is approximately equal to their carrying amount. The carrying amount of loans is the amortized cost. Based on these considerations, loans have been classified Level 2.

(All amounts are presented in RON, unless otherwise indicated)

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

	Carrying amount	Fair value	Level
December 31st, 2019 (audited)			
Financial assets			
Financial assets	42,836,031	42,836,031	2
Net trade receivables	216,728,004	216,728,004	2
Cash and cash equivalents	1,793,501,617	1,793,501,617	2
Bank deposits	58,879,494	58,879,494	2
Net other receivables	31,416,822	31,416,822	2
	2,143,361,968	**2,143,361,968**	

	Carrying amount	Fair value	Level
December 31st, 2019 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	499,908,597	499,908,597	2
Provisions for risks and expenses	213,470,997	213,470,997	2
	713,379,594	**713,379,594**	
Short-term financial liabilities			
Accounts payable and other liabilities	220,398,362	220,398,362	2
The current share of provisions for risks and expenses	65,442,649	65,442,649	2
Borrowings, short-term portion of long-term loans	212,891,292	212,891,292	2
Deferred revenues	27,863,600	27,863,600	2
	526,595,903	**526,595,903**	

(All amounts are presented in RON, unless otherwise indicated)

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

	Carrying amount	Fair value	Level
December 31st, 2018 (audited)			
Financial assets			
Financial assets	110,474,559	110,474,559	2
Net trade receivables	181,308,809	181,308,809	2
Cash and cash equivalents	1,611,958,742	1,611,958,742	2
Bank deposits	20,954,979	20,954,979	2
Net other receivables	10,201,321	10,201,321	2
	1,934,898,410	**1,934,898,410**	

	Carrying amount	Fair value	Level
December 31st, 2018 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	683,967,469	683,967,469	2
Provisions for risks and expenses	182,883,283	182,883,283	2
	866,850,752	**866,850,752**	
Short-term financial liabilities			
Accounts payable and other liabilities	197,307,458	197,307,458	2
The current share of provisions for risks and expenses	33,831,052	33,831,052	2
Borrowings, short-term portion of long-term loans	203,393,860	203,393,860	2
Deferred revenues	30,913,233	30,913,233	2
	465,445,603	**465,445,603**	

(All amounts are presented in RON, unless otherwise indicated)

5. TANGIBLE ASSETS

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	TOTAL
Cost					
Balance as of January 1st, 2018 (audited)	**31,534,439**	**5,594,239,417**	**1,947,064,756**	**1,002,091,910**	**8,574,930,523**
Effect of correction		103,990,927			**103,990,927**
Balance as of January 1st, 2018 (audited, restated)	**31,534,439**	**5,698,230,344**	**1,947,064,756**	**1,002,091,910**	**8,678,921,450**
Additions	-	-	13,818,163	117,453,141	**131,271,305**
Revaluation of buildings and land	767,960	20,172,017	35,259,740	-	**56,199,716**
Offset of accumulated depreciation upon revaluation	-	(1,059,894,917)	(60,605,906)	-	**(1,120,500,824)**
Transfers	-	71,734,118	24,051,133	(95,785,251)	**-**
Transfer to inventories	-	-	-	(1,800,278)	**(1,800,278)**
Transfer to intangible assets	-	-	-	(7,852,267)	**(7,852,267)**
Derecognition of U1 inspections	-	(52,473,435)	-	-	**(52,473,435)**
Disposals	-	-	(2,241,701)	(1,257,641)	**(3,499,343)**
Balance as of December 31st, 2018 (audited)	**32,302,399**	**4,677,768,128**	**1,957,346,184**	**1,012,849,615**	**7,680,266,326**
Additions	-	-	24,819,413	196,309,909	221,129,322
Transfers	-	74,616,462	21,485,075	(96,101,537)	-
Inventories transfers	(120,740)	-	(2,159,074)	5,158,567	2,878,753
Spare parts reclassified as fixed assets	-	-	42,735,091	(11,864,683)	30,870,408
Transfer to intangible assets	-	-	-	(2,400,260)	(2,400,260)
Derecognition of U2 inspections	-	(46,771,637)	-	-	(46,771,637)
Derecognition of the drainage investments	-	-	-	(5,040,010)	(5,040,010)
Reclassification of heavy water	-	632,672,849	(632,672,849)	-	
Disposals	-	-	(3,623,763)	-	(3,623,763)
Balance as of December 31st, 2019 (audited)	**32,181,659**	**5,338,285,802**	**1,407,930,078**	**1,098,911,600**	**7,877,309,139**
Depreciation and impairment losses					
Balance as of January 1st, 2018 (audited)	**550,782**	**733,245,253**	**882,117,425**	**149,286,369**	**1,765,199,828**
Effect of correction	-	48,019,397	-		**48,019,397**
Balance as of January 1st, 2018 (audited, restated)	**550,782**	**781,264,650**	**882,117,425**	**149,286,369**	**1,813,219,225**
Depreciation charges	-	414,761,137	110,141,237	-	**524,902,374**
Offset of accumulated depreciation upon revaluation	-	(1,059,894,917)	(60,605,906)	-	**(1,120,500,824)**
Cumulative depreciation of U1 inspections derecognized	-	(52,473,435)	-	-	**(52,473,435)**
Offset of accumulated disposals	-	-	(1,841,771)	-	**(1,841,771)**
Impairment adjustments	-	-	10,077,433	(906,054)	**9,171,379**
Balance as of December 31st, 2018 (audited)	**550,782**	**83,657,435**	**939,888,417**	**148,380,315**	**1,172,476,948**
Depreciation charges	-	419,408,749	106,586,611	-	525,995,360
Cumulative depreciation of U2 inspections derecognized	-	(46,771,637)	-	-	(46,771,637)
Offset of accumulated disposals	-	-	(3,237,033)	-	(3,237,033)
Derecognition of the accumulated amortization of transfers into inventory	-	-	(48,181)	-	(48,181)
Reclassification of heavy water	-	215,583,234	(215,583,234)	-	-
Impairment adjustments	-	-	7,429,167	19,972,344	27,401,511
Balance as of December 31st, 2019 (audited)	**550,782**	**671,877,780**	**835,035,747**	**168,352,659**	**1,675,816,967**
Carrying amount	-				
Balance as of January 1st, 2018 (audited, restated)	**30,983,658**	**4,916,965,695**	**1,064,947,331**	**852,805,541**	**6,865,702,225**
Balance as of December 31st, 2018 (audited, restated)	**31,751,617**	**4,594,110,693**	**1,017,457,767**	**864,469,300**	**6,507,789,378**
Balance as of December 31st, 2019 (audited)	**31,630,877**	**4,666,408,022**	**572,894,331**	**930,558,941**	**6,201,492,171**

5. TANGIBLE ASSETS (CONTINUED)

Nuclear plants, machinery, equipment and other assets

During 2019, the Company reclassified the "heavy water" asset from the "Machinery, equipment and other assets" category into the "Nuclear power plants" category, as a result of considering this asset as part of the power plants. The transferred value is of RON 632,672,849, and the cumulated depreciation is of RON 215,583,234.

The position "Machinery, equipment and other assets" mainly includes administrative buildings with a net carrying amount as of December 31st, 2019 amounting to RON 258,982,893 (December 31st, 2018: RON 277,883,541).

During 2019, the Company purchased 7.8 tons of heavy water from the National Administration of State Reserves and Special Issues (”ANRSPS”) required for Units 1 and 2, amounting to RON 15,763,228 (in 2018, 5.3 tons were purchased, amounting to RON 10,339,066).

In 2019, GMS Resolution 5/ April 23rd, 2019 approved the sale of asset “Singles’ accommodation unit”. Thus, from the “Machinery, equipment and other assets” position and from the “Lands” position, the amounts related to this asset were transferred to assets, namely RON 2,159,074 and RON 120,740, which are reflected in the “Inventory transfer” line. The amounts comprise the building, the related land, the central heating network connection installation, parking fittings, sports land, green areas, located at address: 14, Salciei Street, Cernavoda, Constanta County.

Non-current assets in progress

On December 31st, 2019, the net book value of the assets in progress, amounting to RON 930,558,941, includes the following items:

- Units 3 and 4 with a net book value of RON 652,064,717 (December 31st, 2018: RON 506,035,734);
- Investments related to units 1 and 2, in total amount of RON 278,494,224, the most representative ones being:
    - ✓ D2O tritium removal installation worth RON 63,238,682 (December 31st, 2018: RON 63,238,682);
    - ✓ Construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to RON 25,402,167 (December 31st, 2018: RON 22,729,419);
    - ✓ Improving the Nuclear security systems following the Fukushima event amounting to RON 34,941,782 (December 31st, 2018: RON 19,490,869);
    - ✓ Equipment and materials for ongoing investments amounting to RON 47,683,884 (December 31st, 2018: RON 30,129,379);
    - ✓ Modernization of the physical protection system in value of 16,766,486 RON (December 31st, 2018: RON 7,353,151).

The value of the investment of **Units 3 and 4** amounts to RON 652,064,717, of which the book value of Units 3 and 4 is RON 273,960,000 (December 31st, 2018: RON 273,960,000), the rest representing heavy water purchased for Units 3 and 4, namely approx. 75 tons, whose accounting value as of December 31st, 2019 is RON 159,238,387 (December 31st, 2018: RON 159,238,387), and equipment and other assets for Units 3 and 4, amounting to RON 214,809,343. Before 1991, the nuclear Units 1, 2, 3, 4 and 5 were considered as a single project and therefore the construction costs incurred had not been allocated per unit. Subsequently, the Company allocated the costs for the construction of Units 3 and 4 of the nuclear power plants and for Unit 5.

On December 31st, 2019 the gross accounting value for Unit 5 is RON 137 million (December 31st, 2018: 137 million RON). On December 31st, 2013 the Group recognized a depreciation adjustment of 100% of the Unit 5 since there were no plans to resume its construction. In March 2014, the Company shareholders approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation the result of which will be an asset with a different use than the initial use of Unit 5.

The **main investments commissioned** by the Company in 2019, 1 from the projects in progress related to Units 2 and 2 are represented by: performance of annual inspections conducted during the planned outage of Unit 2 amounting to RON 74.616.462, assembling spare parts on the operated equipment in value of RON 12,192,177, assembling a spectrometer in order to determine the metallic impurities in uranium in value of RON 862,088 and capital repairs on U1 compressors in value of RON 1,797,291.

5. TANGIBLE ASSETS (CONTINUED)

Impairment adjustments

As of December 31, 2019, the Company recorded adjustments for the impairment of assets in the total amount of RON 27,401,511, of which RON 19,369,715 are related to the recalculated spare parts from the financial position "Stocks" to the position "Property, plant and equipment".

As of December 31st, 2019, the Company has fixed assets purchased based on credit from suppliers (commercial credit) amounting to RON 16,166,790 (December 31st, 2018: RON 14,722,450).

Decommissioning of nuclear units

The nuclear power Unit 1 is scheduled to operate until 2026, and Unit 2 until 2037. The Group has not recorded a provision for the decommissioning of the two units because it is not responsible for the decommissioning works. According to Government Decision no. 1080/ 2007, the Nuclear Agency and Radioactive Waste ("ANDR") is responsible for collecting the contributions paid by the Company for the remaining useful life of these units and assume the responsibility for the management of the entire decommissioning process at the end of the useful life of the two units, as well as for the permanent storage of the resulting waste (see Note 19). The Group's contribution to ANDR during the year 2019 amounts to RON 98,249,692 (December 31st, 2018: RON 97,237,720).

Assets pledged as security

As of December 31st, 2019, and December 31st, 2018, the Group has no pledged or mortgaged assets.

(All amounts are presented in RON, unless otherwise indicated)

6. INTANGIBLE ASSETS

	Licenses and software	Power plant software and other intangible assets	TOTAL
Cost			
Balance as of January 1st, 2018 (audited)	**64,216,654**	**185,627,004**	**249,843,658**
Reallocations	122,135,570	(120,135,570)	-
Additions	546,221	3,996,061	4,542,282
Transfers	26,084,953	(26,084,953)	-
Transfer form tangible assets	25,934	7,826,332	7,852,267
Disposals	(384,987)	(34,274)	(419,261)
Balance as of December 31st, 2018 (audited)	**212,624,346**	**49,194,600**	**261,818,946**
Balance as of January 1st, 2019 (audited)	**212,624,346**	**49,194,600**	**261,818,946**
Additions	25,440,407	-	-
Transfers	(9,854,482)	46,949	25,487,356
Transfer form tangible assets	2,400,260	9,854,482	2,400,260
Disposals	(636,739)	(56,376)	(693,115)
Balance as of December 31st, 2019 (audited)	**229,973,790**	**59,039,656**	**289,013,446**
Accumulated amortization			
Balance as of January 1st, 2018 (audited)	**62,324,837**	**124,982,334**	**187,307,171**
Reallocations	100,638,341	(100,638,341)	-
Depreciation charges	15,325,502	4,770,954	20,096,456
Amortization related to disposals	(384,988)	(34,274)	(419,262)
Balance as of December 31st, 2018 (audited)	**177,903,692**	**29,080,673**	**206,984,365**
Balance as of January 1st, 2019 (audited)	**177,903,692**	**29,080,673**	**206,984,365**
Depreciation charges	15,827,403	6,133,608	21,961,011
Amortization related to disposals	(636,739)	(56,376)	(693,115)
Balance as of December 31st, 2019 (audited)	**193,094,356**	**35,157,905**	**228,252,261**
Carrying amount			
Balance as of January 1st, 2018 (audited)	**1,891,817**	**60,644,669**	**62,536,487**
Balance as of December 31st, 2018 (audited)	**34,720,654**	**20,113,927**	**54,834,581**
Balance as of December 31st, 2019 (audited)	**36,879,434**	**23,881,751**	**60,761,185**

As of December 31st, 2019, the position "Licenses and software" includes other intangible assets representing ongoing licenses and software amounting to RON 4,316,960 (December 31st, 2017: RON 3,466,815), items that, during the year 2018, were classified in the position of "Software for the nuclear power plant".

During 2018, the Group analyzed the intangible asset categories for the assignment within the "Licenses and software" and "Power plant software and other intangible assets" categories, both on cost and depreciation, resulting in a net reallocation of RON 21,479,229.

(All amounts are presented in RON, unless otherwise indicated)

7. FINANCIAL ASSETS

On December 31[st], 2019, in the position of "Financial Assets", the Group records the letters of bank guarantee guaranteed by collateral deposit, the maturity whereof is more than 12 months, and also the contribution as a member in: The European Mutual Insurance Association for Civil Liability for Nuclear Damage ("ELINI"), the Romanian Commodity Exchange and the Romanian Atomic Forum - Romatom.

	December 31[st], 2019 (audited)	December 31st, 2018 (audited)
Bank deposits due within 12 months*)	37,780,000	105,418,528
ELINI contribution	5,032,931	5,032,931
Contribution to the Romanian Commodity Exchange**)	23,000	23,000
Romatom contribution**)	100	100
Total	**42,836,031**	**110,474,559**

*) The letters of bank guarantee with collateral deposit are set up in favour of OPCOM, Transelectrica and CIGA Energy.

**) The BRM and Romatom contributions were transferred on December 31[st], 2018 from the position of "Financial investments" to the position of "Financial assets".

8. INVENTORIES

As of December 31st, 2019 and December 31st, 2018, the inventories are as follows:

	December 31[st], 2019 (audited)	December 31st, 2018 (audited)
Spare parts	135,934,179	141,293,048
Consumables and other materials	48,185,789	40,636,148
Nuclear fuel	158,829,051	134,039,382
Uranium	55,554,976	38,490,987
Other inventories	6,652,236	14,282,224
Total	**405,156,231**	**368,741,789**

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

As of December 31st, 2019 and December 31st, 2018, the trade receivables and other receivables are as follows:

	December 31[st], 2019 (audited)	December 31st, 2018 (audited)
Trade receivables	180,489,914	168,522,269
Adjustments for impairment of trade receivables	(10,496,161)	(10,858,933)
Other receivables	20,799,707	20,628,177
Adjustments for impairment of other receivables	(3,074,604)	(3,190,028)
Taxes and duties	29,009,148	6,207,324
Total	**180,489,914**	**181,308,809**

As of December 31st, 2019, the main trade receivables in the balance are from: Electrica Furnizare S.A. - RON 29,966,395 (December 31st, 2018 - RON 21,322,519), E.ON Energie Romania S.A. - RON 19,567,382 (December 31st, 2018 - RON 11,176,963), GEN-I d.o.o. - RON 14,020,156 (December 31st, 2018 - RON 18,411,098), CEZ Vanzare S.A. - RON 13,561,964 (December 31st, 2018 - RON 3,260,654), Enel Energie S.A. - RON 12,740,951 (December 31st, 2018 - RON 7,368,390), Alro S.A. - RON 11,776,349 (December 31st, 2018 - RON 12,650,998).

(All amounts are presented in RON, unless otherwise indicated)

9. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

The sales made during 2019 to: Electrica Furnizare S.A. represented approximately 15% (2018: 9%), Romanian Electricity and Gas Market Operator "OPCOM" S.A. represented approximately 10% (2018: 13%) and E.ON Energie Romania S.A. represented approximately 8% (2018: 7%) of the total revenues of the Group.

The Group's exposure to credit and market risks as well as the allowance for impairment in respect of trade receivables are presented in Note 24.

As of December 31st, 2019, the "Trade receivables" and "Adjustments for impairment of trade receivables" include a net amount of RON 1,285,168 related to receivables from affiliated parties (December 31st, 2018: RON 2,677,987). As of December 31st, 2019, the positions "Other receivables" and "Adjustments for impairment of other receivables" do not include an amount corresponding to affiliated parties (December 31st, 2018: RON 0).

As of December 31st, 2019 the "Duties and Taxes" position represents the VAT to be recovered amounting to RON 26,346,859 (December 31st, 2018: RON 6,207,324).

10. CASH AND CASH EQUIVALENTS, BANK DEPOSITS AND FINANCIAL ASSETS

On December 31st, 2019 and December 31st, 2018, the cash and cash equivalents are as follows:

	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Cash and cash equivalents in RON	1,767,468,529	1,607,697,425
Cash and cash equivalents in foreign currencies	26,033,088	4,261,317
Total cash and cash equivalents	**1,793,501,617**	**1,611,958,742**

The "Cash and cash equivalents" position also includes bank deposits amounting to RON 1,604,778,300 (December 31st, 2018: RON 1,438,730,983), as well as the amount of RON 840,891 representing letters of credit issued in favor of providers of equipment, spare parts, services and technical support (December 31st, 2018: RON 2,945,617).

On December 31st, 2019 and December 31st, 2018, all bank deposits presented under the "Bank deposits" position are in RON.

	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Bank deposits	**58,879,494**	**20,954,979**

As of December 31st, 2019, the Group is in possession of letters of guarantee issued by different banks at the request of the Group in favor of third parties, for a total value of RON 96,659,494 (December 31st, 2018: RON 126,373,507), for which a cash collateral in the form of collateral deposits was established, divided as follows: RON 58,879,494 under the "Bank deposits" position (December 31st, 2018: RON 20,954,979) related to letters of bank guarantee with a maturity of up to one year and RON 37,780,000 under the "Financial assets" position for letters of bank guarantee with a maturity of over one year (December 31st, 2018: RON 105,418,528). These letters of bank guarantee are related to the Group's participation on the electricity market, mostly representing the Group's sales of electricity.

(All amounts are presented in RON, unless otherwise indicated)

11. EQUITY

Share capital

The parent-Company was established through separation from the former RENEL. The share capital represents the State's contribution to the incorporation of the parent-Company on June 30th, 1998 (restated for inflation up to December 31st, 2003) plus subsequent increases.

According to the articles of incorporation, the authorized capital of the parent-Company is RON 3,016,200,000. The subscribed and paid share capital as of December 31st, 2019 is RON 3,015,138,510, under the authorized capital.

As of December 31st, 2019 and December 31st, 2018, the share capital includes the effect of reassessments registered in the previous years required by the application of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The reconciliation of the share capital is as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Subscribed and paid in share capital (nominal value)	3,015,138,510	3,015,138,510
Differences related to the restatement according to IAS 29	195,502,743	195,502,743
Share capital (restated value)	**3,210,641,253**	**3,210,641,253**

As of December 31st, 2019 and December 31st, 2018, the value of the statutory subscribed and paid-off share capital amounts to RON 3,015,138,510, consisting of 301,513,851 ordinary shares having the nominal value of 10 RON each.

The holders of ordinary shares are entitled to receive dividends, as they are reported from time to time, and one vote per share at the General Meetings of Shareholders.

The shareholding structure of the Group on December 31st, 2019 and December 31st, 2018 is as follows:

Shareholders	Number of shares December 31st, 2019	% of the share capital	Number of shares December 31st, 2018	% of the share capital
The Romanian State - Ministry of Energy*)	248,736,619	82.4959%	248,736,619	82.4959%
Fondul Proprietatea S.A.	21,268,355	7.0539%	21,268,355	7.0539%
Other shareholders	31,508,877	10.4502%	31,508,877	10.4502%
Total	**301,513,851**	**100%**	**301,513,851**	**100%**

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

Share premiums

In November 2013, the Company issued 28,100,395 ordinary shares on the Bucharest Stock Exchange through an initial public offering and the exercise of preemptive right by the shareholder Fondul Proprietatea S.A. The amount collected – amounting to RON 312,478,099 - was made up of the share capital increase of RON 281,003,950 and an issue/share premium of RON 31,474,149.

11. EQUITY (CONTINUED)

Prepaid reserve

The prepaid reserves amount to RON 21,553,537 as of December 31, 2019 and December 31, 2018 and represent objectives of public utility at Cernavodă NPP (RON 5,439,321 as of December 31, 2019 and December 31, 2018), budgetary allocations for the period 2007-2011 for the construction of the Training and Recreation Center for Youth and Children in Cernavodă (RON 16,114,216 as of December 31, 2019 and December 31, 2018).

Legal reserves

According to the legal requirements, the Company sets up legal reserves in the amount of 5% of the gross registered profit up to the level of 20% of the share capital. The value of the legal reserve as of December 31st, 2019 is of RON 154,447,897 (December 31st, 2018: RON 122,883,967).

Legal reserves cannot be distributed to the shareholders. The value of the legal reserves was included in the statement of financial status, among the "Retained earnings".

Revaluation reserves

As of December 31st, 2019, the revaluation reserve amounts to RON 1,820,339,902 (December 31st, 2018: RON 1,820,339,902), net of deferred tax related to the revaluation reserve. The last revaluation of lands, buildings and constructions took place on December 31, 2018 by an independent valuer, Primoval SRL, member of the National Association of Certified Assessors in Romania (“ANEVAR“).

Retained earnings

The retained earnings are the cumulated earnings of the Group. The retained earnings are distributed based on the annual financial statements prepared in accordance with the Public Finance Minister’s Order no. 2844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards.

During the financial year ended on December 31st, 2019, the parent- Company declared dividends in the amount of RON 378,914,310 distributed from the net profit of the financial year of 2018, according to the Resolution of the Ordinary General Meeting of the Shareholders no. 5/April 23rd, 2019 (December 31st, 2018: RON 756,799,766, of which RON 271,362,466 distributed from the net profit of the financial year of 2017, according to the Resolution of the Ordinary General Meeting of the Shareholders no. 5/April 25th, 2018 and RON 485,437,300 according to the Resolution of the General Meeting of the Shareholders no. 13/December 10th, 2018, distributed according to the provisions of art. II and art. III of Government Emergency Ordinance no. 29/2017, from "Other reserves representing funds for own financing sources"). Unpaid net dividends as of December 31st, 2019 amounted to RON 655,353 (December 31st, 2018: RON 684,121).

The impact of the correction of accounting errors as of December 31, 2018 on the "Result carried forward" position resulting from the application of IAS 16 on general inspections of nuclear plant units is shown in Note 2 (e).

Dividends

During the financial year ended on December 31st, 2019, the parent- Company declared dividends amounting to RON 378,914,310 (December 31st, 2018: RON 756,799,766), and Energonuclear S.A. branch declared dividends amounting to RON 95 (December 31st, 2018: RON 0).

(All amounts are presented in RON, unless otherwise indicated)

12. EARNINGS PER SHARE

As of December 31st, 2019 and December 31st, 2018, the earnings per share were as follows:

(i) Basic earnings per share

	2019 (audited)	2018 (audited)
Net profit for the year	**535,563,109**	**410,565,969**
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of ordinary shares issued during the period	-	-
Weighted-average number of ordinary shares as of December 31	**301,513,851**	**301,513,851**
Basic earnings per share (RON/share)	**1.78**	**1.36**

(ii) Diluted earnings per share

	2019 (audited)	2018 (audited, restated)
Net profit for the year	**535,563,109**	**410,565,969**
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of shares issued during the period	-	-
Weighted-average number of ordinary shares at the end of the period	301,513,851	301,513,851
Weighted-average number of ordinary shares (diluted) on December 31st	**301,513,851**	**301,513,851**
Diluted earnings per share (RON/share)	**1.78**	**1.36**

(All amounts are presented in RON, unless otherwise indicated)

13. LOANS

Reimbursements of loans during the year ended on December 31st, 2019 were as follows:

	Currency	Interest rate	Value	Year of final maturity
Balance as of January 1st, 2019 (audited)			**909,860,972**	
New issues				
Reimbursements, out of which				
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.7%	(36,624,032)	2022
Societe Generale - AECL BC	CAD	CDOR 6M + 0.375%	(70,051,215)	2022
EURATOM	EUR	EURIBOR 6M + 0.08%	(109,699,740)	2024
Exchange rate differences			**35,374,630**	
Balance as of December 31st, 2019 (audited)			**728,860,615**	

(i) Long term loans

As of December 31st, 2019 and December 31st, 2018, the long-term borrowings are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Societe Generale - ANSALDO BC	91,865,702	125,506,545
Societe Generale - AECL BC	178,660,043	228,883,938
EURATOM	458,334,870	555,470,490
Total long-term loans	**728,860,615**	**909,860,973**
Less: Current portion of long-term loans	(219,090,059)	(209,456,905)
Less: Balance of commitment and insurance fees (long term)	(9,861,959)	(16,436,599)
Total long-term loans net of the short-term portion	**499,908,597**	**683,967,469**

The long-term borrowings are detailed as follows:

a) *The loan granted by Societe Generale – ANSALDO*

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was EUR 115.3 million. The amount due on December 31st, 2019 is EUR 19.22 million (December 31st, 2018: EUR 26.91 million). The reimbursement is divided in 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan is subject to a variable EURIBOR interest rate every six months and a 0,45% margin for the first 15 years and EURIBOR every six months plus a 0,7% margin for the remaining period. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

b) The loan granted by Societe Generale – AECL

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was CAD 327.8 million. The amount due on December 31, 2019 is CAD 54.63 million (December 31, 2018: CAD 76.49 million). The reimbursement is divided in 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan is subject to a variable CDOR interest rate every six months plus a 0.375% margin. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

(All amounts are presented in RON, unless otherwise indicated)

13. LOANS (CONTINUED)

c) The loan granted by EURATOM

The loan was granted by EURATOM to the Group in 2004. The initial value of the loan was EUR 223.5 million. The amount due on December 31, 2019 is EUR 95.90 million (December 31, 2018: EUR 119.10 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 30 million (December 31st, 2018: EUR 40 million); (ii) Second instalment with a balance of EUR 45 million (December 31st, 2018: EUR 54 million) and (iii) Third instalment with a balance of EUR 20.9 million (December 31st, 2018: EUR 25.1 million). Repayment of first instalment will be made in 20 instalments payable during 2013-2022, repayment of second instalment will be made in 20 instalments payable during 2015-2024 and the repayment of third instalment will be made in 16 instalments payable during 2017-2024. The loan is subject to a variable EURIBOR interest rate every six months plus a 0.080% margin for the first 2 instalments and a 0.079% for the third instalment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

The loan agreement includes certain financial clauses: (i) the coverage index for the debt service should be at least 1.5; (ii) indebtedness must not exceed the value 2; (iii) the Group's income should be sufficient to cover the operating and maintenance cost for Units 1 and 2, as well as the interests payments in relation to units 1 and 2.

Financial indicators must be calculated based on the financial statements prepared in accordance with the International Financial Reporting Standards.

As of December 31st, 2019 and December 31st, 2018, the financial indicators required by EURATOM are met. All loans have been contracted to finance the construction of Unit 2.

The Group has not entered into any hedging arrangements against risks in respect of obligations in foreign currency or interest rate exposure. The fair value of long-term loans, which was estimated by discounting the future contractual cash flows using current market interest rate available for similar financial instruments, does not differ significantly from the values mentioned above.

Guarantees

Loans with foreign banks contracted from Societe Generale ("SG") and EURATOM are guaranteed by the Romanian state through the Ministry of Public Finance. Besides, loans by SG are guaranteed by foreign insurers (COFACE) and promissory notes are issued by the Group in favor of the creditor.

(ii) Short-term borrowings

As of December 31st, 2019 and December 31st, 2018, the short-term borrowings are as follows:

	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Current portion of long-term loans	219,090,059	209,456,905
Interests related to the long-term borrowings	375,872	511,595
Short-term transaction costs	(6,574,639)	(6,574,640)
Total short-term loans	**212,891,292**	**203,393,860**

(All amounts are presented in RON, unless otherwise indicated)

14. TRADING AND OTHER LIABILITIES

As of December 31st, 2019 and December 31st, 2018, the suppliers and other obligations are as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited, restated)
Non-current assets suppliers	16,166,790	14,774,344
Trade payables	83,013,147	60,576,536
Obligations related to employee liabilities	20,545,047	24,450,054
Payables to the State	93,621,529	89,315,449
Dividends payables	668,882	4,278,146
Other payables	6,382,967	3,912,931
Total	**220,398,362**	**197,307,460**

On December 31st, 2019, the main balance suppliers, from the "Non-current assets suppliers" and "Suppliers" positions, are: Mate – Fin Bucharest – RON 18,280,923 (December 31st, 2018: RON 2,529,050), Apele Romane Bucharest – RON 11,923,228 (December 31st, 2018- RON 11,951,605), Elcomex I.E.A. S.A. – RON 9,720,914 (December 31st, 2018 – RON 4,600,203), Candu Energy Inc. – RON 7.927.602 (December 31st, 2018 – RON 575,875), General Concrete S.R.L. – RON 3,575,409 (December 31st, 2018 – RON 5,160,292).

As of December 31st, 2019, "Accounts payable and other liabilities" include the amount of RON 31,671,319 (December 31st, 2018: RON 29,081,865) related to liabilities to affiliated parties, of which, under the "Suppliers" and "Non-current assets suppliers" positions, the amount of RON 22,793,340 (December 31st, 2018: RON 20,779,125) and under the position "Payables to the State" the amount of RON 8,868,052 (December 31st, 2018: RON 8,302,740), representing the contribution to ANDR, for the decommissioning of nuclear facilities and the permanent storage of radioactive waste.

As of December 31st, 2019, the "Payables to the State" position includes the debt related to local taxes and duties set by state authorities in 2019, amounting to RON 56,508,340 (December 31st, 2018: RON 56,421,959), which, according to IFRIC 21 - Taxes, is recognized on December 31st. The maturity of these taxes and charges is during the financial year 2019.

(All amounts are presented in RON, unless otherwise indicated)

15. PROVISIONS FOR RISKS AND EXPENSES

As of December 31st, 2019 and December 31st, 2018, respectively, the Group recognized the following provisions, included under the position "Provisions for risks and expense" and the position "Current share of provisions for risks and expenses":

	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Obligations regarding the Intermediary Used Fuel Storage (DICA)	69,361,429	60,633,302
Obligations regarding the low and medium radioactive and non-radioactive waste	97,050,892	97,648,239
Salary increase litigation provision	87,801,325	34,937,153
Employees' participation to the profit	18,700,000	16,000,000
Provisions for litigations	6,000,000	7,495,641
Total	**278,913,646**	**216,714,335**

On December 31st, 2019, the provisions in the total amount of RON 278,913,646 represent long-term and short-term liabilities, as follows:

	Long-term share (> 1 year)	**Current share (< 1 year)**
Obligations regarding the Intermediary Used Fuel Storage (DICA)	37,942,402	31,419,027
Obligations regarding the low and medium radioactive and non-radioactive waste	87,727,270	9,323,622
Salary increase litigation provision	87,801,325	-
Employees' participation to the profit	-	18,700,000
Provisions for litigations	-	6,000,000
Total	**213,470,997**	**65,442,649**

"Salary increase litigation provision" position represents the forecast of the effects of litigations initiated by Unions against the Company, CNE Cernavoda Union and Sindicatul Liber Energetica Nucleara '90 Union, with regard to the allowance for nuclear risk, as a salary increase.

(All amounts are presented in RON, unless otherwise indicated)

16. CORPORATE TAX

The corporate tax recognized in the profit and loss account:

	2019 (audited)	2018 (audited, restated)
Current corporate tax expense	117,510,572	182,146,605
Net (income) from the deferred tax	(21,901,707)	(20,134,506)
Total	**(95,608,865)**	**162,012,099**

Receivables and liabilities related to the deferred taxes are assessed on December 31, 2019 and December 31, 2018 at the 16% effective tax rate, representing the tax rate currently implemented.

Reconciliation of effective tax rate:

	2019 (audited)	2018 (audited)
Profit before corporate tax	**631,278,486**	**572,623,401**
Tax in compliance with the statutory taxation rate of 16% (2018: 16%)	**101,004,558**	**91,619,765**
Effect on the corporate tax of the:		
Legal reserve	(5,050,229)	(4,580,987)
Tax amortization	(1,113,308)	(927,936)
Non-taxable revenues	(8,971,483)	(7,532,465)
Non-deductible expenses	31,904,903	25,475,339
Revaluation reserve gains	11,590,465	10,909,404
Additional dividends distributed from revaluation reserves	-	77,669,968
Temporary differences	(21,901,707)	(20,134,506)
Tax facilities on the broken-down VAT payment	-	(9,605,836)
Sponsoring	(10,897,352)	(364,312)
Reinvested profit	(956,982)	(516,335)
Corporate tax expense	**95,608,865**	**162,012,099**

The deferred tax consists of:

December 31st, 2019 (audited)	**Assets**	**Liabilities**	**Net**
Tangible assets		131,943,299	131,943,299
Intangible assets		867,229	867,229
Inventories	(1,227,867)		(1,227,867)
Trade receivables	(2,146,609)		(2,146,609)
Obligations regarding employees' benefits	(5,513,746)		(5,513,746)
Employees' participation to the profit	(2,992,000)		(2,992,000)
Salary increase provision	(14,048,212)		(14,048,212)
Holiday leaves not taken	(621,990)		(621,990)
Taxes and duties	(9,028,953)		(9,028,953)
Radioactive and non-radioactive waste	(15,528,143)		(15,528,143)
Other provisions	(960,000)		(960,000)
Net tax (asset)/debt	**(52,067,520)**	**132,810,528**	**80,743,008**

December 31st, 2018 (audited)	**Assets**	**Liabilities**	**Net**
Tangible assets		143,913,930	143,913,930
Intangible assets		1,995,784	1,995,784
Inventories	(1,421,116)		(1,421,116)
Trade receivables	(3,410,935)		(3,410,935)
Obligations regarding employees' benefits	(5,133,123)		(5,133,123)
Salary increase provision	(5,589,944)		(5,589,944)
Employees' participation to the profit	(2,560,000)		(2,560,000)
Holiday leaves not taken	(512,778)		(512,778)
Taxes and duties	(9,013,385)		(9,013,385)
Radioactive and non-radioactive waste	(15,623,718)		(15,623,718)
Net tax (asset)/debt	**(43,264,999)**	**145,909,714**	**102,644,715**

(All amounts are presented in RON, unless otherwise indicated)

16. CORPORATE TAX (CONTINUED)

The movement table regarding the deferred taxes debt in 2018 and 2019 is as follows:

	Balance as of December 31st, 2017 (audited, restated)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other comprehensive income	Balance as of December 31st, 2018 (audited)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other comprehensive income	Balance as of December 31st, 2018 (audited)
Tangible assets	139,273,652	(10,579,027)	8,875,461	143,913,930	(11,970,631)	5,602,184	131,943,299
Intangible assets	3,971,298	(1,440,860)	-	1,995,784	(1,128,555)		867,229
Inventories	(1,413,187)	579,839	-	(1,421,116)	193,249		(1,227,867)
Trade receivables	(2,610,712)	(800,223)		(3,410,935)	1,264,325		(2,146,609)
Obligations regarding employees' benefits	(5,149,834)	16,711	-	(5,133,123)	(380,623)		(5,513,746)
Salary increase provision	-	(5,589,944)	-	(5,589,944)	(8,458,268)		(14,048,212)
Employees' participation to the profit	(2,122,400)	(437,600)	-	(2,560,000)	(432,000)		(2,992,000)
Allowances for administrators	(33,048)	33,048	-	-	-		-
Holiday leaves not taken	(382,729)	(130,049)	-	(512,778)	(109,212)		(621,990)
Taxes and duties	(7,237,103)	(1,776,282)	-	(9,013,385)	(15,568)		(9,028,953)
Radioactive and non-radioactive waste	(15,613,600)	(10,119)	-	(15,623,718)	95,576		(15,528,143)
Other provisions	-	-	-	-	(960,000)		(960,000)
Net tax (asset)/debt	**113,903,761**	**(20,134,506)**	**8,875,461**	**102,644,715**	**(21,901,707)**	**5,602,184**	**80,743,008**

17. EMPLOYEE BENEFITS

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Retirement benefits	25,710,198	24,806,444
Anniversary bonuses	5,905,461	5,047,533
Benefits in case of death	910,676	977,098
Retirement benefits in the energy field	9,095,310	7,786,273
Total	**41,621,644**	**38,617,348**

On December 31st, 2019, the Group has the following obligations:

- to pay the employees who are retiring retirement premiums ranging between 2 and 3 basic salaries according to the number of years of seniority in the field of electric, thermal and nuclear energy;
- to pay the employees jubilee premiums according to the number of years of uninterrupted seniority in the field of electric, thermal and nuclear energy;
- to pay the aid to the family of the employee, in the event of his/her death;
- to pay employees who are retiring an energy benefit, representing the equivalent value of 1,200 KWh/year electricity share. The awarding criterion for this benefit is the 15-year-old seniority in the field of energy, of which at least the last 10 years within SNN. This benefit is granted as of April 1st, 2017.

(All amounts are presented in RON, unless otherwise indicated)

17. OBLIGATIONS CONCERNING EMPLOYEES' BENEFITS (CONTINUED)

The following assumptions were taken into account for the application of IAS 19 "Employee Benefits" on December 31st, 2019 and December 31st, 2018.

Assessment date	December 31st, 2019	December 31st, 2018
Number of employees	2,153	2,059
Rate of wage increase	The management of the company estimated a growth of 3.2% in 2020 and with the annual rate of increase of consumer prices communicated by the National Forecast Commission. For 2021 and the following years, we still considered an average wage increase by the annual inflation rate estimated at the annual inflation target of 2.5%.	SNN's management estimated an increase in the annual rate of increase in consumer prices communicated by the National Prognosis Commission. The evolution of the price increase estimated by the Winter Forecast 2018 is: 2.8% in 2019 2.5% in 2020 2.3% in 2021 2.2% in 2022 For 2023 and the following years: average salary increase with the annual inflation rate.
Rate of kWh price increase	The kWh price updated on December 31st, 2019 was of RON 0.6683. For the period 2020-2030, we used the estimates provided by the Company and an evolution in the same trend for the following years.	kWh price updated on December 31st, 2018: RON 0.6629. For 2019-2030: estimates provided by SNN and development on the same trend for the years to come.
Real average productivity	2.05%	2.05%
Mortality tables	Mortality rates in Romania in 2013	Mortality rates in Romania in 2013
Gross average wage	8,392	8,318

The above assumptions have been considered taking into account:

- The actual average efficiency is calculated based on the estimation of the inflation rate and government bonds efficiency on the active market as of December 31st, 2019 and for the residual term to maturity of 1 - 9 years and 12 years.
- Mortality rate used is the one communicated by the National Institute of Statistics.
- A discount rate of 4.25%.

(All amounts are presented in RON, unless otherwise indicated)

18. REVENUES FROM ELECTRICITY SALES

(i) Revenues from electricity sales

	2019 (audited)	2018 (audited)
Sales of electricity on regulated market	259,323,436	-
Sales of electricity on free market	2,099,877,476	2,111,993,904
Sales of thermal energy	6,329,627	4,970,369
Revenues from green certificates	25,458	19,929
Total	**2,365,555,997**	**2,116,984,202**

(ii) The amount of energy sold

	2019 (audited)	2018 (audited)
Quantity of electricity sold on regulated market (MWh)	1,376,963	-
Quantity of electricity sold on free market (MWh)	9,245,123	10,642,623
	10,622,086	**10,642,623**

The Group is a participant in the balancing market, according to the convention of participation in the balancing market concluded with C.N. Transelectrica S.A. and set up a security in the amount of RON 50,000, valid until May 25th, 2020 and is a member of PRE Ciga Energy SA, in virtue of the contract concluded with Ciga Energy S.A. of supply of the representation service as party in charge of balancing (PRE), in reference to which it set up securities amounting to RON 1,450,000, valid until November 27th, 2020.

The quantity of energy sold presented does not include the quantity of energy corresponding to the income from positive unbalances valued on the Balancing Market, amounting 30,137 MWh for the fiscal year ended on December 31st, 2019 (33,556 MWh for the year ended on December 31st, 2018).

The Group is developing the activity of producing thermal energy by exploiting the energetic capacities corresponding to the units for producing electrical and thermal energy consisting in two heat switches with a full thermal power of 40 Gcal/h and 46.51 MW. The Group delivers thermal energy to the local thermal energy distribution company SC Utilitati Publice SA Cernavoda, as well as to other final consumers in the locality Cernavoda – business entities, social-cultural institutions. The sales of thermal energy in 2019 amount to RON 6,329,627 (December 31st, 2018: RON 4,970,369).

In 2019, the Group sold 12,9% energy on the regulated market (2018: 0 %). The total quantity of electricity sold in 2019 was 10,622,086 MWh (2018: 10,642,623 MWh). In the competitive market, in 2019, the Group delivered 86.8% of the energy sold (2018: 99.7%). The average sale price of electricity sold by the Group on this market in 2019 was of 227.13 RON/MWh (2018: 198.45 RON/MWh) value, which does not include Tg.

The electricity sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution. In 2018, the Energy Regulation National Authority ("ANRE") no longer set for manufacturers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the manufacturers based on regulated contracts and electricity quantities from the regulated contracts concluded by the manufacturers with last-instance suppliers, after completing the schedule for gradually removing regulated fees.

Following Government Emergency Ordinance no. 114/28.12.2018, which amends and supplements Electricity and natural gas law no. 123/2012, ANRE issued Order no. 10/01.02.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 326/February 25th, 2019, the quantity assigned to the Group for 2019 for regulated contracts was 1,377 GWh. ANRE established a regulated price for the Group of RON 188.33 /MWh (without Tg).

(All amounts are presented in RON, unless otherwise indicated)

18. REVENUES FROM ELECTRICITY SALES (CONTINUED)

By the Current Report published on December 23rd, 2019, the Group informed the shareholders and the investors about the Decision of the National Energy Regulatory Authority no. 2213/December 23rd,2019, according to which it is bound to sell 2020 MWh on the regulated market in period January 1st, 2020 - June 30th, 2020 a quantity of 1,086,596,545 MWh, representing 10.5% of the total production quantity scheduled for 2020 at the regulated price of 188.47 RON/MWh. This regulated price does not include the electricity transmission fee, in the amount of RON 1.30/MWh (according to the Order of the National Regulatory Authority for Energy No. 218/December 11th, 2019). Also, the National Energy Regulation Authority informed the Group by Resolution no. 2214/December 23rd,2019 on the maximum quantities of electricity that may be imposed as sale obligations based on regulated contracts between July 1st, 2020 and December 31st, 2020. Thus, the maximum electricity quantity related to period July 1st, 2020 - December 31st, 2020 is 1,095,026,028 MWh.

19. PERSONNEL EXPENSES

In 2019, the personnel expenses amounted to RON 425,597,378 (2018: RON 388,847,183), as follows:

	2018 (audited)	**2017 (audited)**
Wages and salaries	393,674,514	359,086,900
Expenditure on social security and assimilated costs	31,922,864	29,760,283
Total expenses on employees	**425,597,378**	**388,847,183**

In 2019, the breakdown by category of employees is as follows:

	2019 (audited)	**2018 (audited)**
Chief officers	158	178
Executive officers	1,995	1,887
Total actual number of employees	**2,153**	**2,065**

20. OTHER OPERATING EXPENSES

	2019 (audited)	**2018 (audited, restated)**
Expenses with third parties' services	89,758,163	80,872,952
Expenses on ANDR	98,249,691	97,237,721
Energy and water expenses	79,490,421	78,040,404
Fuel and other consumables expenses	42,147,140	32,351,528
Expenses on the ANRE contribution	42,501,390	-
Costs of insurance premiums	12,701,686	12,433,430
Transport and telecommunication expenses	8,727,006	6,616,390
Tax on buildings expenses	55,838,095	55,772,410
Expenses related to provisions and impairments, net	55,123,571	38,064,930
Other operating expenses	40,377,336	31,339,130
Total	**524,914,499**	**432,728,895**

(All amounts are presented in RON, unless otherwise indicated)

20. OTHER OPERATING EXPENSES (CONTINUED)

Expenses on ANDR

Starting with 2007, following the Government Decision no. 1080/2007 regarding the safe management of the radioactive waste and the decommissioning of the nuclear installations, the Company is required to make two types of contributions to the ANDR:

- Contribution for the decommissioning of each nuclear unit amounting to 0,6 EUR/MWh of electricity generated and delivered in the system;
- Contribution for the permanent storage of radioactive waste of 1,4 EUR/MWh of electricity produced and generated and delivered in the system.

According to this legislative act, the annual contribution for decommissioning is paid over the projected useful life of both nuclear units, and the direct annual contribution for permanent storage is paid over the operational period of the nuclear units and consequently, ANDR takes responsibility for managing the entire decommissioning process at the end of the useful life of the nuclear plants and the storage of resulting waste.

Expenses related to provisions and impairments

The position "Expenses related to provisions and impairments, net" includes the costs related to the provisions and impairments of the year, as well as income from the reversal of provisions during the year. In 2019, the Group established provisions amounting to RON 87,434,905 (2018: RON 60,795,053) and reversed provisions amounting to RON 32,311,334 (2018: RON 22,730,123). From among the provisions established in 2019, RON 52,864,172 represents the preliminary provision representing the salary increase (December 31st, 2018: RON 34,937,153), RON 14,705,612 represents the update of the provision for the intermediary burnt fuel tank ("DICA") (2018: RON 11,154,521) and RON 13,261,430 represents the update of the provision for low and medium radioactive waste (2018: RON 9,451,819).

Other operating expenses

The position "Other operating expenses" includes the expenses related to the operating authorizations paid to CNCAN Bucharest amounting to RON 9,900,000 (December 31st, 2018: RON 9,900,000), as well as other taxes and contributions paid to governmental and non-governmental organizations amounting to RON 3,570,853 (December 31st, 2018: RON 2,906,417).

21. FINANCIAL INCOMES AND EXPENSES

	2019 (audited)	**2018 (audited)**
Interest income	54,524,205	45,131,081
Foreign exchange gains	12,718,463	49,773,188
Income from dividends	1,193	1,193
Total financial revenues	**67,243,861**	**94,905,462**
Foreign exchange losses	(49,089,307)	(42,195,521)
Interest related expenses	(16,398,023)	(16,661,029)
Total financial expenses	(65,487,330)	**(58,856,550)**
Net financial income/(expense)	**1,756,531**	**36,048,912**

(All amounts are presented in RON, unless otherwise indicated)

22. OTHER INCOMES

	2019 (audited)	2018 (audited)
Income from investment subsidies	14,368,732	14,376,189
Income from compensations, fines and penalties	1,924,538	19,613,133
Other revenues	23,364,944	16,212,646
Total	**39,658,214**	**50,201,968**

The subsidies for investment (long-term deferred income) granted in 2007 consisted of cancellation of penalties and liabilities related to loan contracts. The subsidies are recorded in the profit and loss account as income during 2007-2026, for the remaining useful life of Unit 1.

The "Revenues from penalties and compensation" position includes in 2018 the amount of 13.4 million RON representing compensation collected from S.C. Tess Conex S.A., following a final judgment passed pronounced in the month of January of 2018.

(All amounts are presented in RON, unless otherwise indicated)

23. TRANSACTIONS WITH RELATED-PARTIES

i) Transactions with state-owned companies

The Group operates in an economic environment dominated by companies owned or controlled by the Romanian state through its governmental authorities and agencies, collectively referred to as state-owned companies.

The Group performed significant transactions with other companies owned or controlled by the state including: sales of electricity (OPCOM SA), purchase of heavy water necessary to fill the reserve for Units 1 and 2 of Cernavoda NPP (Administratia Nationala a Rezervelor de Stat si Probleme Speciale), acquisition of electricity transmission and balancing services (CN Transelectrica S.A.), purchase of natural uranium in the form of sinterable powder by UO2 (Compania Nationala a Uraniului S.A.), and payment of the contribution for the management of the decommissioning process of the two units and the final storage of nuclear waste at the end of the useful lifetime of the two units, as well as for the permanent storage of the resulting residues (Nuclear and Radioactive Waste Agency - ANDR).

During its activity, the Group identified the following transactions and balances with the main related parties:

	Sales		**Receivables as of**	
	2019 (audited)	**2018 (audited)**	**December 31st, 2019 (audited)**	**December 31st, 2018 (audited)**
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	236,626,767	301,974,078	610,066	1,811,364
C.N. Transelectrica S.A.	32,639,617	16,487,989	15,103	14,107
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	30,739,320	15,635,081	-	-
Utilitati Publice S.A. Cernavoda	6,411,004	5,040,662	1,248,170	1,484,528
Autonomous Administration of Technologies for Nuclear Energy - CITON	77,956	1,639	-	-
Compania Nationala Administratia Canalelor Navigabile S.A.	6,284	7,541	1,415	2,162
Autonomous Administration of Technologies for Nuclear Energy - ICN	4,034	2,689	-	-
Compania Nationala a Uraniului S.A.	126	53,577	22,679,314	-
Total	**306,505,107**	**339,203,256**	**24,554,068**	**3,312,161**

(All amounts are presented in RON, unless otherwise indicated)

23. TRANSACTIONS WITH RELATED-PARTIES (CONTINUED)

(i) Transactions with state-owned companies (continued)

	Purchases		Payables as of	
	2019 (audited)	**2018 (audited)**	**December 31st, 2019 (audited)**	**December 31st, 2018 (audited)**
Nuclear and Radioactive Waste Agency	98,249,692	97,237,719	8,868,052	8,302,740
Romanian Waters Bucharest	59,530,703	59,451,817	11,923,228	11,951,605
Compania Nationala a Uraniului S.A.	43,127,948	21,449,446	195,757	-
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	42,605,855	22,983,041	12,420	34,683
National Energy Regulatory Authority	42,511,640	1,907,915	-	-
National Administration of States Reserves and Special Matters	15,564,733	10,316,132	-	-
C.N. Transelectrica S.A.	12,436,882	11,804,071	2,673,283	6,895,972
Administratia Bazinala de Apa Dobrogea Litoral	11,208,392	10,835,017	3,165,422	2,526,881
National Commission for Nuclear Activities Control	9,201,100	9,228,265	-	-
Autonomous Administration of Technologies for Nuclear Energy - ICN	6,163,338	4,446,773	2,022,158	975,441
Compania Nationala Administratia Canalelor Navigabile S.A.	5,938,002	1,416,620	1,034,812	512,887
Raja S.A.	3,229,063	3,332,766	578,783	563,274
Autonomous Administration of Technologies for Nuclear Energy - CITON	957,802	2,065,469	821,141	734,774
Utilitati Publice S.A. Cernavoda	468,646	435,423	83,771	100,139
Societatea de distributie a energiei electrice Transilvania Sud S.A.	-	-	-	5,265,958
Total	**351,193,795**	**256,910,474**	**31,378,828**	**37,864,354**

ii) Guarantees received from the Romanian State through the Ministry of Public Finance

All loans are guaranteed by the Romanian State through the Ministry of Public Finance (refer to Note 11).

iii) Compensation to senior management of the Group

The management of the Group is made up of:

- The members of the Board of Directors of the company and the subsidiary Energonuclear who have concluded mandate contracts with the Group;
- The managers of the Group with mandate contracts within the Company;
- Other managers within the Group who have concluded the consolidated employment agreements, under the conditions provided in the collective labour agreements, as applicable.

The members of the Board of Directors have concluded administration contracts (mandate) with the Group, their remuneration being approved by the General Meeting of Shareholders. The managers with mandate contracts are remunerated based on the contractual provisions within the general limits approved by GMS. Detailed information regarding the remuneration of directors and managers are included in the Annual Report of the Nomination and Remuneration Committee, established at the level of the Board of Directors of the Company. The amounts presented are gross remuneration. For the year 2018, the gross remuneration reflected below includes the increases due to the transfer of wage contributions from the employer to the employee, in accordance with the provisions of GEO 79/2017.

	2019 (audited)	**2018 (audited)**
Remuneration of the management of the Group (gross amounts)	9,902,679	9,291,601
	9,902,679	**9,291,601**

24. MANAGEMENT OF SIGNIFICANT RISKS

The main risks that the Group is exposed to are:

- market risk (price risk, interest rate risk and currency risk);
- credit risk;
- liquidity risk;
- taxation risk;
- operational risk.

The general risk management strategy aims to maximize the profit of the Group in reference to the level of risk that it is exposed to and to minimize the potential adverse variations on the financial performance of the Group.

The Group does not have formal arrangements to mitigate financial risks. Despite the fact that no formal arrangements are in place, the financial risks are strictly monitored by the senior management given the financial needs of the Group in order to manage efficiently the risks and opportunities. The financial department prepares on a regular basis forecasts of cash flows, which help the management in making decisions.

a) Market risk

Market risk is defined as the risk of recording a loss or not getting the expected profit, as a result of price fluctuations, interest rates and foreign exchange rates.

The Group is exposed to the following categories of market risk:

(i) Price risk

The Group is exposed to the risk associated with the variation of the electricity price traded on the competitive markets, spot (PZU + PI), as well as on the balancing market. In order to mitigate this risk, the Group transacts most of the electricity produced through the competitive market, by the conclusion of long-term bilateral agreements, with fixed prices and well-defined price formulas.

In 2019, the quantity of electricity sold on the competitive market represented 76.9% of the total volume of electricity sold, and, on the spot market (PZU + PI), an amount of electricity representing 9.9% was sold. The average sale price on bilateral contracts in 2019 was RON 228.01/MWh, with Tg included (December 31st, 2018: RON 200.67/MWh, with Tg included), and, on the spot market (PZU + PI), the average price was RON 225.23/MWh, with Tg included (December 31st, 2018: RON 189.46 /MWh with Tg included).

A positive 10% variation of the price of the sold electricity would lead to an increase in profit after taxation on December 31st, 2019 by RON 237,133,981 (December 31st, 2018: RON 212,364,330), a negative 10% variation having a net impact equal and of opposite sign.

(ii) Interest rate risk

The Group faces the interest rate risk due to the exposure to unfavorable interest rate fluctuations. The change of the interest rates on the market directly influences the revenues and expenditure related to the financial assets and liabilities bearing variable interest rates and the market value of those bearing fixed interests. As of December 31st, 2019 and December 31st, 2018, most assets and liabilities of the Group are interest bearing. As a result, the Group is directly affected by the risk of interest rate fluctuations. Cash and cash equivalents are generally invested at interest rates for up to one year. Nevertheless, the decrease in market returns may affect the valuation value of the assets held by the Company.

Out of the total financial liabilities of the Group, the only liabilities bearing variable interest are long-term bank loans. For more information on the contractual maturity of the interest bearing financial assets and liabilities of the Company, see Note 25 (c) Liquidity risk. The Group does not use derivative financial instruments to protect itself against interest rate fluctuations. The impact on the net profit of the Company of a ± 1.00% change of the interest rate related to the interest-bearing assets and liabilities is of ± RON 7,288,606 (December 31st, 2018: ± RON 9,098,610).

(All amounts are presented in RON, unless otherwise indicated)

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)
a) Market risk (continued)
(ii). Interest rate risk (continued)

	Carrying amount (*)	
	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Fixed rate instruments		
Financial assets	1,701,437,794	1,565,104,490
	1,701,437,794	**1,565,104,490**
Variable rate instruments		
Financial liabilities	(728,860,615)	(909,860,972)
	(728,860,615)	**(909,860,972)**

(*) Gross carrying amount, before deduction of transaction costs.

Sensitivity analysis of cash flows for variable interest rate instruments

A ± 1.00% change in interest rates on the reporting date would have increased (decrease) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss	
	+ 1.00% Increase	**- 1.00% Decrease**
December 31st, 2019		
Variable rate instruments	(7,288,606)	7,288,606
Cash flow sensitivity (net)	**(7,288,606)**	**7,288,606**
December 31st, 2018		
Variable rate instruments	(9,098,610)	9,098,610
Cash flow sensitivity (net)	**(9,098,610)**	**9,098,610**

(iii) Currency risk

Currency risk is the risk of recording some loss or not realizing the estimated profit as a result of the unfavorable fluctuations of the exchange rate. The Group is exposed to the currency exchange rate fluctuations, but it does not have a formalized hedging policy for the currency risk. Most financial assets and liabilities of the Company are expressed in the national currency, the other currencies in which operations are performed being EUR, CAD, USD and GBP.

The Group is exposed to foreign currency risk on cash, cash equivalents, purchases and long-term loans denominated in other currency than the functional currencies of the Group. Long-term loans are denominated in foreign currencies and retranslated to RON, at the exchange rate prevailing on the balance sheet date, as communicated by the National Bank of Romania. The resulting differences are included in the profit and loss account and do not affect cash flows until the settlement of the amount.

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(iii). Currency risk (continued)

The financial assets and liabilities expressed in RON and other currencies on December 31st, 2019 and December 31st, 2018 are presented in the following tables.

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
December 31st, 2019							
Financial assets							
Cash and cash equivalents	1,793,501,617	1,767,542,151	24,817,464	690,940	420,986	29,117	958
Prepayments	23,925,205	23,925,205	-	-	-	-	-
Tangible assets (prepayments)	27,363,148	20,337,435	297,390	1,743,608	4,984,714	-	-
Gross exposure	**1,844,789,971**	**1,811,804,792**	**25,114,855**	**2,434,548**	**5,405,700**	**29,117**	**958**
Financial liabilities							
Trade payables and suppliers of non-current assets	(99,179,938)	(82,037,525)	(3,271,323)	(2,439,833)	(11,429,069)	(2,187)	-
Loans	(728,860,615)	-	(550,200,572)	-	(178,660,043)	-	(728,860,615)
Gross exposure	**(828,040,553)**	**(82,037,525)**	**(553,471,895)**	**(2,439,833)**	**(190,089,112)**	**(2,187)**	**-**
Net exposure in the statement of financial position (audited)	**1,016,749,418**	**1,729,767,267**	**(528,357,041)**	**(5,285)**	**(184,683,412)**	**26,930**	**958**

(*) Gross carrying amount, before deduction of transaction costs.

	Value amount (*)	RON	EUR	USD	CAD	GBP
December 31st, 2018						
Financial assets						
Cash and cash equivalents	1,611,958,742	1,607,698,442	451,714	181,784	3,579,151	47,651
Prepayments	2,716,723	183,069	-	591,405	1,942,249	-
Tangible assets (prepayments)	5,498,136	4,348,026	-	-	1,150,111	-
Gross exposure	**1,620,173,601**	**1,612,229,537**	**451,714**	**773,189**	**6,671,510**	**47,651**
Financial liabilities						
Trade payables and suppliers of non-current assets	(75,350,878)	(62,077,848)	(2,209,980)	(7,318,282)	(3,701,055)	(43,714)
Loans	(910,372,567)	-	(681,131,100)	-	(229,241,467)	-
Gross exposure	**(985,723,445)**	**(62,077,848)**	**(683,341,080)**	**(7,318,282)**	**(232,942,522)**	**(43,714)**
Net exposure in the statement of financial position (audited)	**634,450,156**	**1,550,151,689**	**(682,889,366)**	**(6,545,093)**	**(226,271,012)**	**3,937**

(*) Gross carrying amount, before deduction of transaction costs.

The following exchange rates have been used:

	Average rate		Reporting date spot rate	
	2019	**2018**	**December 31st, 2019**	**December 31st, 2018**
RON/EUR	4.7452	4.6535	4.7793	4.6639
RON/USD	4.2379	3.9433	4.2608	4.0736
RON / CAD	3.1948	3.0429	3.2702	2.9925
RON/GBP	5.4113	5.2597	5.6088	5.1931

(All amounts are presented in RON, unless otherwise indicated)

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(iii). Currency risk (continued)

Sensitivity analysis

A 10% strengthening of the national currency against these foreign currencies on December 31st, 2019 and December 31st, 2018 would have increased the gross profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit 2019 (audited)	Profit 2018 (audited)
EUR	52,835,704	62,288,937
USD	(528)	654,509
CAD	18,468,341	22,627,101
GBP	(2,693)	(394)
Total	**71,301,785**	**91,570,153**

A 10% depreciation of the national currency against the following foreign currencies on December 31st, 2019 and December 31st, 2018 would have had the equal but opposite effect on the amounts shown above, assuming that all other variables remained constant.

	Loss 2019 (audited)	Loss 2018 (audited)
EUR	(52,835,704)	(62,288,937)
USD	(528)	(654,509)
CAD	(18,468,341)	22,627,101
GBP	2,693	394
Total	**(71,301,785)**	**(91,570,153)**

b) Credit risk

Credit risk is the risk of recording loss or failing to realize the estimated profits, as a result of the non-fulfillment of the financial obligations by the counterparty. The Group is exposed to the credit risk as a result of the investments made in other companies, current accounts and bank deposits and receivables.

Sale of electricity to customers is done both on the competitive market, based on the framework established by ANRE and in compliance with the OPCOM market rules. The carrying amount of accounts receivables, net of impairment adjustment represents the maximum amount exposed to credit risk.

On December 31st, 2019, the Group is exposed to a concentrated credit risk, considering the fact that approximately 28% of the trade receivables are towards Electrica Furnizare S.A. and towards E.ON Energie Romania S.A. (Refer to Note 8). The counterparty risk is limited considering the guarantees obtained from clients as bank guarantee letters.

Cash and deposits are placed in different financial institutions (banks), in order to reduce the counterparty risk by limiting the exposure (which would be higher if cash and deposits were placed in a single financial institution). The main financial institutions where the financial assets are placed are shown below:

(All amounts are presented in RON, unless otherwise indicated)

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

b) Credit risk (continued)

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Alpha Bank S.A.	282,014,514	281,760,118
Unicredit Bank S.A.	273,235,001	217,095,215
Garanti Bank S.A.	256,013,619	247,868,716
EximBank S.A.	240,781,847	100,628,726
Credit Agricole Bank S.A.	206,516,355	134,390,000
OTP Bank S.A.	175,926,809	65,128,619
Banca Comerciala Romana S.A.	146,303,362	221,100,290
Libra Internet Bank S.A.	90,382,575	45,156,274
BRD Societe Generale S.A.	78,146,656	92,015,231
Banca Transilvania S.A.	70,796,406	305,472,272
Cec Bank S.A.	68,000,000	-
Trezoreria Municipiului Bucuresti	1,436,571	1,564,388
Citi Bank Romania	80,008	25,095,889
Patria Bank S.A.	-	168
Other	527,388	1,056,343
Total cash, bank deposits and financial assets	**1,890,161,111**	**1,738,332,249**

The maximum exposure to the credit risk on the reporting date was:

	Net value	
	December 31st, 2019 (audited)	**December 31st, 2018 (audited)**
Financial assets		
Trade receivables	216,728,004	157,663,336
Bank deposits	58,879,494	131,406,438
Cash and cash equivalents	1,793,501,617	1,611,958,742
Other receivables	31,416,822	23,645,473
	2,100,525,937	**1,924,673,989**

The ageing of **trade receivables** on the reporting date was:

	Gross value December 31st, 2019 (audited)	Value adjustments as of December 31st, 2019 (audited)	Gross value December 31st, 2018 (audited)	Value adjustments as of December 31st, 2018 (audited)
Not past due	169,522,876	-	157,225,060	-
Past due 1-30 days	445,870	-	417,512	-
Past due 31-90 days	24,792	-	10,270	-
Past due 91-180 days	-	-	10,494	-
Past due 181-270 days	-	-	-	-
Past due 271-365 days	698	-	27,007	(27,007)
Past due more than one year	10,496,161	(10,496,161)	10,831,927	(10,831,927)
Total	**180,490,397**	**(10,496,161)**	**133.486.888**	**(10,858,933)**

(All amounts are presented in RON, unless otherwise indicated)

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

b) Credit risk (continued)

The ageing of **other receivables**, including recoverable VAT on the reporting date was:

	Gross value December 31st, 2019 (audited)	Value adjustments as of December 31st, 2019 (audited)	Gross value December 31st, 2018 (audited)	Value adjustments as of December 31st, 2018 (audited)
Not past due	46,730,314		22,170,365	-
Past due 1-30 days	400		1,467,610	-
Past due 31-90 days	1,193		3,592	-
Past due 91-180 days	1,861		1,946	-
Past due 181-270 days	-		1,961	-
Past due 271-365 days	-		-	-
Past due more than one year	3,074,605	(3,074,604)	3,190,028	(3,190,028)
Total	**49,808,372**	**(3,074,604)**	**29,219,277**	**(3,190,028)**

The evolution of **adjustments for trade receivables impairment** is as follows:

	December 31st, 2019 (audited)	December 31st, 2018 (audited)
Balance on the beginning of the year	**(10,858,933)**	**(13,427,586)**
Recognized impairment adjustments, net of resumptions	362,772	2,568,653
Balance on the end of the year	**(10,496,161)**	**(10,858,933)**

c) Liquidity risk

The liquidity risk represents the risk of recording loss or of not realizing the estimated profits, which results from the impossibility to fulfill at any time the short-term payment liabilities, without this entailing excessive costs or loss that cannot be borne by the Group.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by obtaining financing from various financing sources.

(All amounts are presented in RON, unless otherwise indicated)

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

c) Liquidity risk (continued)

The structure of assets and liabilities was analyzed based on the period remaining from the date of the financial status statement to the contractual date of maturity, both for the period ended on December 31st, 2019, and for the financial year ended on December 31st, 2018, thus:

	Carrying amount December 31st, 2019 (*)	Contractual amount	<12 months	> 1 year	Carrying amount December 31st, 2018
December 31st, 2018					
Financial assets					
Cash and current accounts	1,793,501,617	1,793,501,617	1,793,501,617	-	1,611,958,742
Deposits in banks	96,659,494	96,659,494	-	96,659,494	126,373,507
Trade receivables	216,728,004	216,728,004	216,728,004	-	181,308,809
Other assets	31,416,822	31,416,822	31,416,822	-	10,201,321
Total financial assets	**2,138,305,937**	**2,138,305,937**	**2,041,646,443**	**96,659,494**	**1,929,842,379**
Financial liabilities					
Loans	712,799,889	712,799,889	212,891,292	499,908,596.61	887,361,329
Commercial debts	220,398,362	220,398,362	220,398,362.00	-	197,307,458
Provisions for risks and expenses	278,913,646	278,913,646	65,442,649.00	213,470,997.00	216,714,335
Other payables	128,276,231	128,276,231	27,863,600.00	100.412.631,00	145,670,526
Total financial liabilities	**1,340,388,128**	**1,340,388,128**	**526,595,903**	**813,792,224.61**	**1,447,053,648**
Liquidity surplus	**797,917,809**	**797,917,809**	**1,515,050,539**	**(717,132,731)**	**482,788,731**

*) The liquidity of the Group is not affected on the long run either, due to the fact that it has significantly higher liquidity than the long-term registered liabilities, classified according to the liquidity terms in the short term category (cash and current accounts).

d) Taxation Risk

The Romanian tax law provides for detailed and complex rules undergoing several changes over the recent years. The interpretation of the text and the practical procedures for the implementation of the tax law may vary, with the risk that certain transactions will be interpreted differently by the tax authorities, as compared to the treatment of the Group.

From the perspective of the corporate tax, there is the risk of different interpretations by the tax authorities of the applied tax rules, determined by the Accounting Regulations compliant with IFRS.

The Romanian Government has a number of agencies authorized to conduct the audit (control) of the companies operating on the Romanian territory. These controls are similar to tax audits in other countries, and can cover not only tax issues, but also other legal and regulatory issues that are of interest to these agencies. It is possible that the Group will be subject to tax controls, as new tax regulations are issued.

24 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

e) Operational risk

Operational risk is defined as the risk of recording loss or failing to realize the estimated profits due to internal factors such as the inadequate performance of internal activities, the existence of inadequate personnel or systems or due to external factors such as economic conditions, changes on the capital market, technological advances. The operational risk is inherent to all the activities of the Group.

The operational risk is associated with the Group's ability to provide the electricity quantities undertaken through contracts on the regulated and competitive market, considering both planned and unplanned outages for Units 1 and 2. The management of these risks relates to assessment, maintenance and continuous modernization of the Company's systems as well as to the proper planning and conducting of preventive and corrective maintenance activities for controlling nuclear risks and for reducing the number of hours of downtime.

The policies defined for the management of the operational risk have taken into account each type of events that can generate significant risks and the manners of manifestation thereof, in order to remove or reduce the loss of a financial or reputational nature.

f) Compliance risk

Compliance risk is the risk of financial loss, including fines and penalties, which arise from non-compliance with laws and regulations as result of possible changes in the legislative framework. These changes may relate to the imposition by local and central authorities or by the regulatory authority for energy (ANRE) of new contractual provisions or tax changes. This risk is limited by continuously monitoring and assessing the impact on the Company by legislative changes.

g) Capital adequacy

The policy of the management on capital adequacy is focused on maintaining a solid capital base, in order to support the continuous development of the Group and to achieve the investment objectives.

25. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

(i) Taxation

The Romanian taxation system is in a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of tax legislation. In some cases, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities together with late payment interest and penalties. In Romania tax periods remain open for tax for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated, and they are not aware of any circumstances which may give rise to a potential material liability in this respect.

On February 29, 2016, the National Agency for Fiscal Administration - the General Directorate against Fiscal Fraud completed the control initiated on September 9, 2015, which had the purpose of checking the commercial transactions carried out by the Company in the period 2011 - 2015 with companies Eco Petroleum S.A. and Oil Prod S.R.L. The control authority proceeded to calculate the Company's tax liabilities jointly due to the state budget in relation to the payment of the excise duties on diesel (by attracting the joint liability) and ruled the imposition of precautionary measures for the amount of RON 1,436,176, representing a percentage of 100% of the equivalent amount of the calculated tax liabilities, amount that is seized at the Treasury.

Upon the request of the General Directorate against fiscal fraud the Company was subjected to a partial tax audit by the National Agency for Fiscal Administration (ANAF) aiming the VAT and excises (diesel, biodiesel and electricity) for the period 2011 - 2012; the tax audit was initiated on March 17th, 2016 and completed on March 16th, 2017. According to the preliminary tax audit report no. 292/March 15th, 2017 ANAF established additional payment obligations representing the VAT in amount of RON 273,425, to which accessories are added. The company lodged partial objections to the preliminary inspection report,

On November 17th, 2017, the Company received from ANAF - DGAMC Decision no. 112/November 15th,2017 in response to the appeal filed by the Company, whereby the former ruled the annulment, in part, of the Taxation Decision regarding the main tax liabilities related to the differences of the bases of taxation established during the tax inspection for the amount of RON 194,051, representing additional VAT, with the competent tax inspection authorities subsequently proceeding to a new check of the same period and the same type of tax taking into account the legal provisions applicable in the case in question.

Based on the Tax Audit Notice No. F-MC 16/January 11th, 2018 a control team visited the Company's registered office in order to re-check the VAT for the period January 1st, 2011- December 31st, 2012. The re-verification action ended with the fiscal inspection process F-MC 60/April 4th, 2018 and the decision regarding the modification of the tax base no. F-MC 117/April 4th, 2018, through which no value added tax obligations have been established.

On June 18th, 2019, the Romanian Court of Accounts, based on Delegation no. IV/40.420/June 18th,2016, initiated the "verification of the implementation of the measures ordered by Resolutions no. 14/June 15th,2012 and no. 16/May 11th, 2015".

This action was completed by the «Follow-up report on the implementation of the measures ordered by Resolution no. 14/June 15th,2012 (taken over by Resolution no. 14/April 15th, 2013)», registered with SNN under no. 7506/June 24th,2019. The summary of this Report states that out of the 10 measures ordered by the aforementioned Resolution, 8 measures were implemented, and the 2 remaining ones, which were partially performed, are pending resolution in various courts.

Regarding Resolution no. 16/May 11th, 2015, the "Follow-up report on the implementation of the measures ordered by Resolution no. 16/May 11th, 2015", was drafted, registered with SNN under no. 7787/July 1st, 2019. The summary of the Report shows that SNN implemented 11 measures out of the 13 ordered by the aforementioned Resolution. For the two measures that were partially ordered, SNN submitted objections with CCR under no. SNN 8302/July 12th, 2019. This endeavor is ongoing.

Over the period September 4th - 13th, 2019, the Romanian Court of Accounts proceeded with the "Verification of the implementation of the measures ordered by Decision no. 5/ June 8th, 2018". The verification action was concluded with

25. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(i) Taxation (continued)

"Follow-up Report" no. 10697/September 13th, 2019. From the summary of the aspects resulting following the action of verification of the implementation of the measures ordered by Decision no. 5/JUne 8th, 2019, a total number of 14 measures resulted: 3 measures were canceled, 2 measures were fulfilled and a number of 9 measures were implemented in part, of which 5 measures were granted an extension of the implementation term, by Decision no. 5/2/ October 14th, 2019. Against the Follow-up Report, SNN filed objections registered with SNN under no. 11266 /September 26th, 2019.

(ii) Other check-ups

Over the period January 10th, 2018 - May 4th, 2018, the Romanian Court of Accounts carried out a control on the topic "Control regarding the situation, evolution and manner of administration of the public and private patrimony of the state, as well as the legality of the income earned and the expenses incurred", finalized by the Control Report no. 5.445/May 4th,2018 and issued the Decision no. 5/ June 8th, 2018. The Company filed a complaint against this decision as a result of which the Commission for the settlement of the appeals issued the Decision no. 29 /July 31st, 2018. Currently, the Company is in litigation with the Court of Accounts on the measures ordered by the aforementioned decision.

Over the period March 27th, 2018 - August 24th, 2018 the Prime Minister's Control Body carried out a control with the following objectives: verification of compliance with the legal provisions regarding the organization and functioning of the entity, of the managerial activity regarding the operation of Cernavoda Nuclear Power Plant units 1 and 2, verification of compliance with corporate governance rules, verification of compliance with legal provisions regarding the award, execution and performance of contracts, verification of compliance with legal provisions regarding the income set and earned, and regarding the engagement and incurring of expenses, the status of the litigations pending before the courts of law. This control was finalized with the Inspection report no.127 / January 4th, 2019 to which the Company formulated a point of view by Letter no. 1465/May 2nd, 2019.

On the basis of the FMC Tax Inspection Notice 163 / July 23rd, 2018, on August 23rd, 8.2018, a control team came to the Company's headquarters to audit the corporate tax for the period 2012-2017, the tax on the income earned by non-resident persons in Romania, the income from dividends received in Romania by non-residents and the income from royalties obtained in Romania by non-residents for the period 2015-2017, VAT for the period 2013-2017, tax on interest income obtained in Romania by non-resident persons for the period 2015-2017. The tax inspection ended by RIF no. F-MC_27 /February 18th, 2020, registered with SNN under no. 2621 /February 21st, 2020, and by the TAX DECISION on the main tax liabilities related to the different taxation bases established within the tax inspection no. F-MC_111 /February 18th, debts were established in the amount of RON 2,453,799. For the accessories related to these debts, SNN submitted a Request for cancellation of the accessories to the National Agency for Fiscal Administration, registered with SNN under no. 3164/March 3rd, 2020 and with the National Agency for Fiscal Administration under no. 11264/March 3rd, 2020, by which it requested the cancellation thereof according to art. 27 of the GO no. 6/2019 on the establishment of tax facilities.

On October 14th, 2019, based on address no. 12039/October 14th, 2019, at the headquarters of the SNN, an economic-financial inspection team was present, with the following objective: “Verification of the compliance with the provisions of art. 43 of the Government Emergency Ordinance no. 114/2018 on the establishment of measures in the field of public investments and of fiscal-budgetary measures, the amendment and supplementing of some legislative acts and the extension of some deadlines”. On October 31st, 2019, the inspection team presented the Draft of the Economic-Financial Inspection Report (RIEF), on which SNN formulated a point of view (registered with SNN under no. 13135/November 6th, 2019 and with ANAF-DGAMC under no. 63417/November 6th, 2019) in the sense of the challenge thereof. On the date hereof, SNN awaits the final RIEF.

Based on the letter of the Romanian Court of Audit no. IV.40850/November 4th, 2019, registered with SNN under no. 13076 /November 5th,2019, over the period November 20th, 2019 - December 17th, 2019, a team of external public auditors performed the verification action with the «Verification of aspects registered in the notifications / petitions received by the Court of Audit, on the breach of the legal provisions in the field of public procurements» theme, over the period 2012-2019. The action ended by the elaboration of the Control Report registered with SNN under no. 15112/December 17th, 2019 and with CCR under no.147229 /December 20th, 2019, whereby it was established that both the award of the contracts and the performance thereof were carried out in compliance with the applicable legal provisions.

25. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(iii) Insurance policies

As of December 31st, 2019, the following operational insurance policies are in force:

- Property insurance policy for material damages, all risks, including mechanical and electrical destruction (for CNE Cernavoda Units 1 and 2 and FCN Pitesti). The compensation limit is subject to a maximum of USD 1.560 million per year for all losses.
- Third party liability insurance for nuclear damages. The compensation limit is DST 300 million (for CNE Cernavoda Units 1 and 2)
- Civil / professional liability insurance policy for SNN directors and officers ("D&O") for a liability limit (insured amount of 33 million EUR).

(iv) Environmental issues

The Group recorded no liability as of December 31st, 2019 and December 31st, 2018 for any anticipated costs relating to environmental issues, including legal and consulting fees, site studies, the design and implementation of remediation plans. The responsibility for decommissioning and cleaning-up of nuclear installations was taken over by ANDR (see Note 19). The management considers that the nuclear plant fully complies with the Romanian and international environmental standards and estimates that additional costs associated with environmental compliance on December 31st, 2019 are not significant. Furthermore, the Group is insured against the risk of nuclear accidents, up to the amount of DST 300 million, as described in section (ii) above.

However, enforcement of environmental regulations in Romania is evolving and their application by the government authorities is continuously being reconsidered. The Group periodically assesses its obligations under environmental regulations. The established obligations are acknowledged immediately. Potential liabilities, which might arise because of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be significant. In the current enforcement climate under existing legislation, the Group's management believes that there are no significant liabilities for environmental damage.

(v) Ongoing litigations

During 2019, the Group was involved in a number of legal proceedings arising during its normal course of business. The management of the Group regularly analyses the ongoing litigation sand, after consulting with its legal advisers and lawyers, decides whether to create a provision for the amounts involved or to present them in the financial statements.

In the opinion of the Group's management, there are no current legal actions or claims, which might have significant effects on the financial earnings and the financial position of the Group that has not been presented in these Financial Statements.

(vi) Commitments

On December 31st, 2019, the total amount of commitments is fully reflected under the position *"Trading and other liabilities"*, representing capital and operating expenses.

(vii) Guarantees

Trading of electricity produced on platforms operated by OPCOM, assume that for some transactions the Company must provide letters of guarantee for participation in certain markets such as DAM (Day After Market) and IM (Intra-day Market), auctions (PCSU–Centralized Market for Universal Service) or in favor of clients (PCCB-NC - Centralized Market for Bilateral Contracts with Continuous Negotiation, PCCB-LE - Centralized Market for Bilateral Contracts through Extended Auctions and PCSU - Centralized Market for Universal Service).

25. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(vii) Guarantees (continued)

As of December 31st, 2019, the total value of letters of bank guarantee issued in favor of customers for contracts concluded on PCCB-NC, PCCB-LE and PCSU amounts to RON 96.66 million, and in favor of OPCOM for the participation to DAM and IM amounted to RON 36.28 million.

On December 31st, 2019, the Group also has established letters of guarantee issued in favor of Transelectrica S.A. and Ciga Energy S.A. amounting to RON 1.5 million, with the role of ensuring the liquidity on the Balancing Market, through the establishment by each of Party Responsible for Balancing of a financial guarantee in favor of Transelectrica S.A. and Ciga Energy S.A., respectively, on the account of the Convention of the Party Responsible for the Balancing concluded between the Group as license holder and Transelectrica S.A. and Ciga Energy S.A., respectively.

For all these letters of guarantee, the Company established collateral deposits at banks issuing the letters of guarantee.

On December 31st, 2019 the Company has established a Treasury deposit in the amount of RON 1,436,176, standing for the liens according to the decision made by ANAF - General Directorate against tax fraud.

As of December 31st, 2019, the value of the bank guarantee letters issued by clients in favor of the Group for the contracts concluded on PCCB-NC, PCCB-LE and PCSU is in amount of RON 358,4 million. These guarantees cover the risk of unfulfilling the contractual obligations assumed by the clients through the energy sale contracts.

26. FEES

The Group concluded on July 12st, 2017, a contract for financial auditing services and auditing services with Mazars Romania S.R.L. with a duration of 36 months. The total fees (excluding VAT) for the year 2019 charged for all the services of limited review of the financial statements as of June 30th, 2019, auditing of the financial statements as of December 31st, 2018 and other audit services (analysis, verification and agreed procedures) in 2019 amount to RON 147,844.

The Group also benefited from tax consultancy services under the monthly subscription and transfer pricing services. The services were provided by BDO Tax S.R.L, and the total value of the fees (VAT exclusive) charged during the financial year ended December 31st, 2019 is in the amount of RON 215,439.

27. FURTHER INFORMATION

(i) Details of the Group

The Group is part of a group of companies controlled by the Romanian State represented by the Ministry of Energy.

(ii) Company's Employees

The average number of employees of the Group during 2019 was of 2,017 (2018: 2,009 employees). As of December 31st, 2019 the actual number of employees is 2,161 (2018: 2,065 employees).

As of December 31, 2019, the Group has 159 employees in leadership positions (2018: 178 employees) and 2,002 employees in executive positions (2018: 1,887 employees).

(All amounts are presented in RON, unless otherwise indicated)

28. EVENTS SUBSEQUENT TO THE REPORTING DATE

Share Capital Increase

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

COVID – 19 impact

On March 11, 2020, the World Health Organization decreed that the situation generated by the coronavirus is classified as a pandemic. Several countries in the European Union have taken more measures to spread it.

S.N. Nuclearelectrica S.A. („SNN") initiated the measurement of isolation for the essential operating and production staff from Cernavoda NPP. This measurement will be in place as long as necessary.

The initiation of this additional protection measure is based on the resolution of the National Special Committee for Emergency Situations ("CNSS") no. 9/14.03.2020, which approves the isolation measurement for the essential staff of Cernavoda NPP involved in ensuring the operation of the power plant, as per the measures of the Plan for the continuation of basic activities in case of an epidemic/pandemic. At the level of S.N. Nuclearelectrica S.A. ("SNN") there is an internal plan to ensure the protection of the personnel and the continuity of the operation, which includes the measures established by the Romanian state authorities for all categories of personnel.

The internal plan for the protection of the staff and the assurance of operational activities continuity under safety and normal production conditions was adopted by the management of SNN as an additional measure during the COVID-19 epidemic, in compliance with international standards in the nuclear industry and national provisions on the subject.

SNN informs that all the basic process of the company as carried out within normal parameters, the additional actions and measures being prepared and implemented in cooperation with all the competent state authorities on the matter.

The company currently has and continues to take the necessary measures to ensure a sufficient cash flow to pay its due obligations, both under normal conditions and under stress conditions, without incurring unacceptable losses or endangering the company's reputation.

The company evaluates the events and factors of uncertainty and the potential financial impact of the COVID-19 pandemic, in order to identify the necessary measures to be implemented, following which the investors will be informed accordingly.

Date: March 24th, 2020

Cosmin Ghita	**Adrian Gabriel Dumitriu**
Chief Executive Officer	**Chief Financial Officer**