



**Approved,  
Board of Directors  
Chairman  
Teodor Minodor Chirica**

**NOTE  
on substantiating the draft of the Revenue and Expense Budget  
of S.N. "Nuclearelectrica" S.A. for year 2021**

The revenue and expenditure budget ("BVC") of S.N. Nuclearelectrica S.A. ("SNN") for 2021 was drafted according to the provisions of OG [Government Ordinance] 26/2013 on enhancing financial discipline on the level of economic operators where the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold majority interest, as further amended and supplemented, which regulates:

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

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

- Law No. 15/2021 of the state budget for 2021;
- GO 26/2013 on enhancing financial discipline on the level of economic operators where the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold majority interest, as further amended and supplemented;
- MFP [Ministry of Public Finance] Order No. 3.818/2019 on approving the format and structure of the revenue and expenditure budget, and its substantiating annexes;

- OUG [Government Emergency Ordinance] 109/2011 on corporate governance, as further amended and supplemented;
- Government Ordinance No. 64/2001 regarding the distribution of profit at national entities, national companies and commercial companies with full or majority state capital, and at autonomous administrations, as further amended and supplemented;
- Law No. 227/2015 on the Civil Code, as further amended and supplemented;
- Collective employment contract of the company (“CCM”) valid in 2021;
- other applicable regulations and laws, in force.

The revenue and expenditure budget for 2021 was subject to a financial administrative inspection according to the provisions of HG [Government Decision] No. 1151/2012 on approving the methodological norms on organizing and exercising the financial administrative inspection and was approved.

The programs of measures to improve the gross result and to reduce outstanding payments proposed by this budget draft shall be considered when establishing the performance indicators of the company’s management for new future mandate contracts. Currently, the company’s management has performance indicators established by mandate contracts concluded prior the drafting of this budget, but these already existing performance indicators measure, through their intrinsic nature, the application of measures to improve the gross result and to reduce outstanding payments, and the level of economic-financial indicators in the budget was determined considering the management’s targeted performance indicators, as it results from the management plan, with the management composition included and from the existing mandate contracts.

The Revenue and Expenditure Budget Draft for 2021 sets out **a gross profit of 663,087 thousand RON (+11,750 thousand RON, i.e., +1.8% vs. budgeted for 2020, -152,321 thousand RON, i.e. -18.7% vs. achieved in 2020) and a net profit of 561,950 thousand RON (+1.9% vs. budgeted for 2020, -19.6% vs. achieved in 2020)**. The results are obtained based on total revenues of 2,740,197 thousand RON (+3.9% vs. budgeted for 2020, +6.0% vs. achieved in 2020) and total expenses of 2,077,109 thousand RON (+4.6% vs. budgeted for 2020, +17.3% vs. achieved in 2020), and based on the estimation of the income tax for the value of 101,138 thousand RON (+1.3% vs. budgeted for 2020, -12.9% vs. achieved in 2020).

*The percentage comparisons presented below refer to the amounts budgeted for 2021 in relation to the values achieved in 2020, being indicated as “+/- x%”, unless specified otherwise.*

## **I. TOTALE REVENUES**

The total revenues were estimated at **2,740,197 thousand RON (+6.0%)**, of which operating revenues of **2,682,021 thousand RON (+7.2%)** and financial revenues **58,176 thousand RON (-31.2%)**.

**1. Operating revenues (row 2)** amounting to **2,682,021 thousand RON** comprising revenues from the sold production amounting to **2,614,421 thousand RON (+7.4%) (row 3)**, of which revenues from the sale of products represent **2,613,381 thousand RON (+7.4%) (row 4)** (sale of electricity and thermal energy).

**1.1. Revenues from the sale of electricity - 2,607,373 thousand RON**, at a quantity scheduled for sale of **10,875 GWh**, resulting an average weighted sale price of **239.76 RON/MWh** (price without Tg)

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

**a. Schedule of the electricity delivery by Cernavoda NPP**

The quantity of electricity planned to be **delivered** was estimated based on **the electricity production schedule for 2021 approved** by Resolution No. 108/15.06.2020 of the Board of Directors of SNN at the level of **10,377 thousand MWh**. To this value, we added a quantity estimated as needed to be purchased in order to optimize the sale mix, especially during the planned and unplanned outages. The production and delivery schedule were drafted by considering the operation of the nuclear units at a high capacity factor, similar to the levels from the previous years for a multiannual period, a duration of planned outages at Unit 2 of approximately 40 days, as well as unplanned outages at Units 1 and 2, based on long-term historical data. In the nuclear industry, unplanned outages are part of a normal operation of the nuclear units, and the prudential management requires a number of unplanned outage hours depending on multiannual average values.

**b. SNN electricity sale schedule**

The forecast of revenues was based on a **sale schedule of 10,875 thousand MWh** and on the **contracts already concluded** until the date of drafting the BVC, for deliveries of electricity which shall take place in 2021, on the sale obligations on the **regulated market** (360.719 MWh according to the detail below), as well as on the price hypotheses related to the average price on various OPCOM [*Romanian Electricity and Gas Market Operator*] platforms, for the **quantity remaining to be contracted**.

For the second semester of 2020, based on the Methodology for the establishment of the regulated fees and prices charged by the last resort providers to the end clients for the period July 1<sup>st</sup> - December 31<sup>st</sup>, 2020, approved by ANRE Order 88/2020, by Decision 1077/29.06.2020, the quantity assigned to SNN on regulated contracts is 1,095 GWh, out of which 395 GWh in the third quarter and 700 GWh in the fourth quarter. For the second semester of 2020, ANRE established a regulated price for SNN of RON 182.63/MWh (without T<sub>g</sub>), the last hour of delivery being the first of 2021 (360.719 MWh).

Thus, from combining the data related to the certain quantities and prices of the concluded sale transactions, with the hypotheses related to the quantities remaining to be sold and the estimated prices, including those on the regulated market, it results that the value of the electricity production forecasted to be sold/delivered in 2021 is **2,607,373 thousand RON** (without TG).

**c. Obtaining certain revenues, given a limited production capacity**

One must mention that in SNN, **the production capacity is limited by the installed power of the two operational nuclear reactors which already operate at a high average capacity factor**, significantly over the industry average value, and by the duration of the planned outages of Unit 2 of 40 days and the number of hours of unplanned outages that was budgeted. Units 1 and 2 are first in the world by the combined factor of using the production capacity after commissioning. The prices on the competition-based market are freely formed, based on the competition, by the ratio between demand and supply. Thus, the predominant element of influence on the operating revenues is represented by the market price of the electricity. Nevertheless, for 2021, there is a high degree of certainty regarding the achievement of the revenues proposed by this BVC draft, considering the relevant proportion of the already contracted quantity, plus the quantity to be sold on the regulated market in 2021 (306.719 MWh).

## **1.2. Revenues from the sale of thermal energy - 6,008 thousand RON**

The revenues from the sale of thermal energy were estimated by considering a quantity of thermal energy delivered of approximately 69.92 thousand Gcal, at the production and transportation price of 85.93 RON/Gcal.

Thus, the forecasted value to be obtained from the sale of thermal energy in 2021 is **6,008 thousand RON**, therefore a low weight in the total operating revenues.

**1.3. Revenues from royalties and rents (row 6)** were estimated at **654 thousand RON** representing revenues obtained from leasing lands and administrative premises, and **other revenues (row 7)** amounting to **385 thousand RON** are represented by various revenues, including revenues from the sale of green certificates.

**1.4. Revenues from the sale of commodities (row 8)** amounting to **13,373 thousand RON** (+2.6%) represent the value of electricity transportation. The transportation fee set by ANRE order No. 214/2020 is 1.30 RON/MWh (regulated fee), starting with January 01, 2021, therefore estimated for the entire year of 2021 at this value. This type of revenues has a corresponding value in the cost of the sold commodities, invoiced to SNN clients.

**1.5. Revenues from the production of non-current assets (row 12)** amounting to **27,743 thousand RON** represent the capitalized value of the costs regarding the personnel assigned to the projects for the Refurbishment of Unit 1 and the Tritium Removal Facility (CTRF), projects developed according to the SNN Investment Strategy for the period July 1, 2020 - July 1, 2025 and carried out through the Cernavoda NPP Branch. For more details regarding the budgeted amounts, see the information outlined in Chapter C.

**16. Revenues related to the cost of the production in progress (row 13) – 6,010 thousand RON**, estimated according to the planned production of nuclear fuel bundles at Pitesti NFP.

**1.7. Other operating revenues (row 14)** amounting to **20,474 thousand RON** (+15.0%), mainly represent revenues from investment subsidies, representing loan reimbursements and interest payments made by the Romanian State to banks, on behalf of SNN, for financing Unit 1; these amounts are taken over as revenues on an annual basis, as the fixed assets financed from such subsidies are amortized. These revenues also estimate revenues from the sale of tangible assets expected to be obtained following the capitalization of some unused assets.

**2. Financial revenues**, amounting to **58,176 thousand RON** (-31.2%), were estimated based on the forecasts of revenues from various exchange rate differences and interests to be paid by banks at deposits in RON and foreign currencies set up by the company, revenues from interests forecasted on a level below the one realized in the previous year, compared to the average interest rates from the previous year, and the estimated average balance of monetary liquidities.

## II. TOTAL EXPENSES

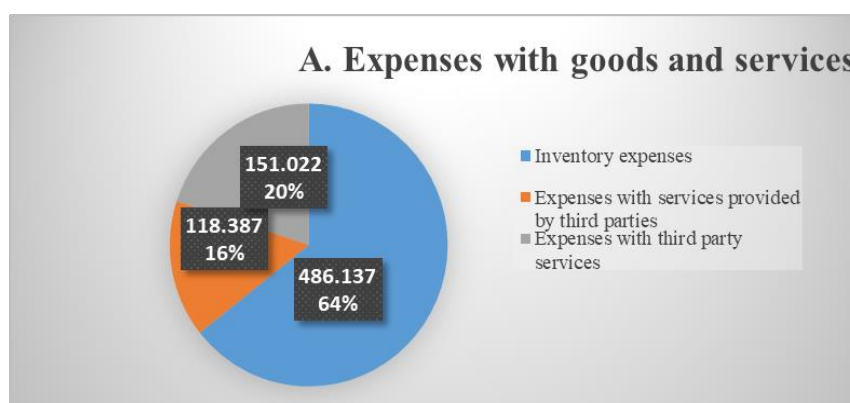
**Total expenses of 2,077,109 thousand RON (+17,3%)** include operating expenses of **2,042,425 thousand RON (+18,1%)** and financial expenses of **34,684 thousand RON (+14.4%)**.

The expenses were substantiated considering the estimated indexes of inflation and/or the evolution of currency exchange rates estimated according to the autumn forecast of the National Forecast Commission, for those costs which by their nature have a relatively linear evolution, adjusted in line with SNN's own expectations related to the evolution of the foreign exchange rate.

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

**1. Operating expenses** amounting to **2,042,425 thousand RON (+18,1% vs. achieved in 2020, +5.7% vs. budgeted for 2020)** are composed of expenses with goods and services, expenses with taxes, duties and assimilated payments, expenses with personnel and other operating expenses.

**A. Expenses with goods and services** amounting to **755,546 thousand RON (+44.7% vs. achieved in 2020, +17.4% vs. budgeted for 2020)** include the expenses detailed below:



INDICATORS	Row no.	Provisions for the previous year 2020			2021	%	%
		Approved		Achieved 2020			
		according to OGMS Resolution no. 3/05.03.2020					
0	1	2	3	4	5=4/2	6=4/3	
A1	Inventory expenses	31	387.599	333.522	486.137	125%	146%
A2	Expenses with services provided by third parties	39	93.938	79.077	118.387	126%	150%
A3	Expenses with third party services	45	162.224	109.471	151.022	93%	138%
<b>Total</b>			<b>643.761</b>	<b>522.070</b>	<b>755.546</b>	<b>117%</b>	<b>145%</b>

**A1 - Expenses with inventories** amounting to **486,137 thousand RON** (+45.8% vs. achieved in 2020, +25.4% vs. budgeted for 2020), represent the consumption of raw materials and materials necessary for both the current maintenance schedule with the Power Station operational, and for the maintenance schedule provided to be implemented in planned or unplanned outages, namely spare parts, auxiliary materials, other consumables, inventory items and occupational protection equipment, consumption of energy, water and gas, expenses with commodities (electricity purchased from the free market during the outages, purchasing green certificates, tax for introducing the energy in the transportation network paid at CN Transelectrica SA – regional transportation fee Tg).

A1 - Inventory expenses	Row no.	Provisions for the previous year 2020			%	%
		Approved	Achieved 2020	2021		
		according to OGMS Resolution no. 3/05.03.2020				
0	1	2	3	4	5=4/2	6=4/3
a) expenses with raw materials	32	131.311	132.766	144.397	110%	109%
b) expenses with consumables	33	81.620	63.865	86.964	107%	136%
c) expenses regarding materials such as inventory items	36	4.175	1.596	3.403	82%	213%
d) energy and water expenses	37	81.045	80.010	89.164	110%	111%
e) commodity expenses	38	89.448	55.286	162.210	181%	293%
<b>Total</b>		<b>387.599</b>	<b>333.522</b>	<b>486.137</b>	<b>125%</b>	<b>146%</b>

**a) Expenses with raw materials** amounting to **144,397 thousand RON** (+ 8.8% vs. achieved in 2020, +10.0% vs. budgeted for 2020) represent the consumption of uranium sintering powder, in order to manufacture nuclear fuel. The expenses for 2021 were mainly determined based on the physical production and the estimated costs for purchasing uranium powder and Zircaloy-4 products. The expenses with sintering U powder in UO2 were calculated by considering the uranium inventory existing on 31.12.2020 and the average of the prices of the latest orders launched to CAMECO Canada and CNU. If the price of the powder, which shall be regulated/contracted, has significant variations compared to the budget estimate (increase/decrease), this budget position must be rectified.

**b) Expenses with consumables** amounting to **86,964 thousand RON** (+36.2% vs. achieved in 2020, +6.5% vs. budgeted for 2020), are composed of:

- expenses with spare parts (24,881 thousand RON), expenses mainly generated by the programs for the current maintenance, repair and replacement of nuclear units (this expense chapter does not include essential and vital spare parts, and critical ones, elements which, given that they have a period of use longer than 1 year, are acknowledged according to IAS 16 in assets, for which the amortization is calculated);
- fuel expenses (3,322 thousand RON), an increase by approximately 837 thousand RON, justified by the increase in the light liquid fuel (CLU) for the Startup Thermal Station;
- expenses with other materials and consumables (58,761 thousand RON) represent the consumption of materials for current maintenance and repairs, radio protection and labor protection, administrative, such as: technical and special gas, oils, chemicals, radio protection materials and other consumables for the maintenance and operation of the plant. An increase of approximately 7,632 thousand RON is represented by the increase in expenses with protection food according to the CCM provisions valid in 2021.

**c) Expenses regarding materials such as inventory items** amounting to **3,403 thousand RON**. In 2021 we estimated additional expenses amounting to approximately 1,807 thousand RON, intended especially for supporting the activities of the maintenance and repair, radio protection, administrative and physical protection departments, representing ring, fixed, dynamometric wrenches, electric insulated screwdrivers, individual equipment required for emergency response (protective helmets, boots, masks, helmets and firefighter gloves) requested by the Radio Protection Department, as well as furniture necessary to equip the control rooms of Units 1 and 2, the Refurbishing U1 department, as a result of the number of positions in the organizational chart being supplemented.

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**d) Energy and water expenses** amounting to **89,164 thousand RON** (11.4% vs. achieved in 2020, +10.0% vs. budgeted for 2020), including technological water expenses, the consumption of current water and electricity for the outdoor premises. The expenses with technological water represent expenses for using cooling water from the Danube, which for 2021 are significantly higher mainly due to the increase in the rate from 24 RON/thousand cm to 25.58 RON/thousand cm, according to the provisions of Law No. 122/2020 amending and supplementing Law No. 107/1996, and the necessity to transit higher volumes of water on canal pool I Danube Black Sea Canal (“CDMN”).

**e) Expenses with commodities** amounting to **162,210 thousand RON**. This category includes:

- **the equivalent value of the transportation of electricity** at the regulated fee (TG) paid by CN “Transelectrica” SA for injecting the electricity in the electricity transportation network, which is also found in the revenues from commodity sales, at the same values, as it is invoiced and recovered from clients - **13,373 thousand RON**, with the rate charged being 1.30 RON/MWh, as of January 1, 2021, according to ANRE Order No. 214/2020;

- **expenses with the electricity estimated to be purchased** from the free market during the outages - **148,837 thousand RON**, especially unplanned outages. This quantity is provided for complying with the obligations resulting from the contracts for selling electricity concluded with clients, considering the unavailable quantities caused by the outages. The variation in relation to the level achieved in 2020 comes from including the quantity of electricity to be purchased in order to cover the production deficit during the planned or unplanned outages, in order to allow the sale of additional quantities, in order to optimize the sale mix. In January 2021, the Company incurred an unscheduled outage for Unit 1.

This expense chapter can obtain performance savings (such as those achieved in 2020), but only if the number of hours of unplanned outages is significantly lower than the number of hours of budgeted unplanned outages, and the cost of the purchased energy is lower than or equal to the budgeted level.

According to the recommendations formulated by the manufacturer and the standards from the industry, for a CANDU 6 power station approximately 150 hours of unplanned outages a year are estimated for each unit. Prudentially, SNN estimates for 2021 a number of hours of unplanned outages of approximately 268 hours for the two nuclear reactors, however, depending on the actual operation of the power station, the number of hours of unplanned outage actually obtained can be lower or higher than the planned one; for example, in 2020, approximately 300 hours of unplanned outages were budgeted, and approximately 112 hours were achieved. Concomitantly, in the performance, the price at which electricity was purchased in order to cover the deficit during the planned and unplanned outages was lower than the price at which this expense was budgeted (-45%), which cannot be controlled by SNN. Consequently, there can be performance savings, but which cannot be ignored or reduced when the BVC is drafted; on the other hand, exceeding the number of hours of unplanned outages, namely the fluctuation of the purchase price for this energy necessity, can cause the budgeted expenses to be exceeded.

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

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

The afore-mentioned aspects have led to the increase of the level estimated for the commodity expenses (a chapter which reflects the electricity purchased for planned and unplanned outages), both to the level budgeted for 2020 and to the level achieved in 2020.

**A2 - Expenses regarding services performed by third parties** amounting to **118,387 thousand RON** (+49.7% vs. achieved in 2020, 26.0% vs. budgeted for 2020). The estimated level of the services is based on the specific operation requirements, and on the contracts in progress which generally are multi-annual, so the level of the fees from the contracts is certain.

A2 - Other expenses with services provided by third parties		Row no.	Provisions for the previous year 2020			%	%
			according to OGMS Resolution no. 3/05.03.2020	Achieved 2020	2021		
0		1	2	3	4	5=4/2	6=4/3
a)	expenses with maintenance and repairs	40	78.365	66.178	104.803	134%	158%
b)	rent expenses	41	1.911	369	421	22%	114%
c)	insurance premiums	44	13.662	12.530	13.162	96%	105%
<b>Total</b>			<b>93.938</b>	<b>79.077</b>	<b>118.387</b>	<b>126%</b>	<b>150%</b>

**a) Expenses with maintenance and repairs (104,803 thousand RON)**, comprising both the services necessary for the current maintenance program with the power station operational for all the systems of the power station (electrical systems, ventilation systems, mechanical systems, the monitoring of process parameters, of equipment and installations from the fixed front, the sieve room and the pump room, the room for power transformers, for lifting installations, for the “STA” water treatment station, etc.), and the maintenance and repair services of Unit 2 scheduled for the planned outage of May - June 2021 (those repair and maintenance services that does not represent investments, but expenses). The proposed value for this expense chapter is correlated with the maintenance and repair program, included in the Annual Activity Plan. For 2021, under this chapter, the value increased by approx. 58% in relation to what was achieved in 2020, both as the result of the failure to perform certain activities from the maintenance program of 2020, and the continued needs to perform this program in 2021, as well as due to new activities, such as: rotor remedy amounting to approximately 9,700 thousand RON, service and maintenance services for diesel groups of approximately 4,000 thousand RON, transformer investigation, repair, testing and conservation services of approximately 4,064 thousand RON etc.

**b) Rent expenses** are estimated at **421 thousand RON** and comprise the expenses regarding leased areas for storing equipment and materials administered by the NPP, in the Saligny area, the rent for the nitrogen and hydrogen storage tanks, the rent for the portable multi-gas detectors, the rent for the overhead power line LEA #5606. The significant decrease in relation to what was budgeted for 2020 is determined by the adoption of IFRS 16 which recognizes asset lease and land concession agreements as assets representing rights to use underlying assets under a financial leasing agreement. The effect of IFRS 16 is found in the financial expenses.

**c) Expenses with insurance premiums (13,162 thousand RON)** include the nuclear risk insurance of the Power Station, the liability insurance for the management and administration personnel, the insurance regarding traveling abroad, the insurance for occupational accidents and work-related diseases for the SNN personnel, and other insurance. The level budgeted in 2021 represents the maximal level which can be achieved, under the conditions provided by these types of insurance, higher than the level achieved for 2020, the period in which the company benefited from the reimbursement of an insurance premium from the total equivalent value of the nuclear risk insurance.

**A3 - Expenses with other services performed by third parties**, amounting to **151,022 thousand RON** (+38.0% vs. achieved in 2020, -6.9% vs. budgeted for 2020) represent: expenses with commissions and fees, hospitality expenses, advertising and promotion expenses, sponsorship expenses, expenses with the transportation of goods and persons, expenses with traveling, secondments, transfers, expenses, expenses with banking services, postal expenses and telecommunications taxes, services of ensuring the security and protection of the units and personnel, services regarding the maintenance of the computing technology, personnel training services, services for managing radioactive waste, etc. Also, in case of this expense category, the significant weight is that of services generated by Cernavoda NPP, and it is necessary to budget covering resources for the scheduled activities. On a contractual level, the existence in progress of multiannual service contracts adds certainty to the quantity and value level of these service expenses.



A3 - Expenses with third party services		Row no.	Provisions for the previous year 2020		2021	%	%
			Approved				
			according to OGMS Resolution no. 3/05.03.2020	Achieved 2020			
0		1	2	3	4	5=4/2	6=4/3
a)	expenses with collaborators	46	-	-	-	0%	0%
b)	expenses with commissions and fees	47	342	52	278	81%	532%
c)	hospitality, promotion and advertising expenses	49	881	198	777	88%	392%
d)	Sponsorship exp.	56	10.000	9.500	10.000	100%	105%
e)	expenses with the transportation of goods and persons	61	5.698	5.748	6.633	116%	115%
f)	expenses with travels, secondments, transfers	62	4.481	919	3.401	76%	370%
g)	postal expenses and telecommunications taxes	66	820	604	862	105%	143%
h)	expenses with banking and assimilated services	67	532	262	262	49%	100%
i)	other expenses with services provided by third parties	68	24.783	19.319	24.347	98%	126%
j)	other expenses	77	114.687	72.869	104.462	91%	143%
<b>Total</b>			<b>162.224</b>	<b>109.471</b>	<b>151.022</b>	<b>93%</b>	<b>138%</b>

- **Expenses with commissions and fees (row 47) – 278 thousand RON**, mainly represent expenses with legal consultancy according to the estimates on the external necessary consultancy in 2021;
- **Hospitality, promotion and advertising expenses (row 49)** are estimated to amount to **777 thousand RON**, as follows:
  - Hospitality expenses (369 thousand RON) sized below the deductibility level provided in the Fiscal Code;
  - Advertising and promotion expenses (408 thousand RON) consider the increase of the degree of understanding and accepting nuclear energy internally and internationally, maintaining a positive image of SNN, counteracting actions with negative impact on the development of the national energy program, promoting the projects to be performed by SNN;
- **Sponsorship expenses (row 56) – 10,000 thousand RON**, are foreseen at the same level as that budgeted for 2020, according to the deductibility level provided in the Fiscal Code. These expenses are granted in compliance with the provisions of Law No. 32/1994 on sponsorship, as further amended and supplemented, and with the express approval of the Board of Directors, with the actions for which the sponsorship is granted being presented for information in the GMS;
- **Expenses with the transportation of goods and persons (row 61) - 6,633 thousand RON**, representing expenses with the transportation of persons and commodities, slightly higher compared to the level of 2020, determined by the increase in the fees charged by some carriers;
- **Expenses with travels, secondments, transfers (row 62) – 3,401 thousand RON**, are higher than the value achieved in 2020, as a result of the increase of the necessities regarding the travels of personnel in the country and abroad;
- **Postal expenses and telecommunications taxes (row 66) - 862 thousand RON**, comprising expenses estimated for telephony and internet services, higher than the level of 2020, according to the necessary activity level and according to the modifications of the fees for landline telephony, mobile telephony and data services;

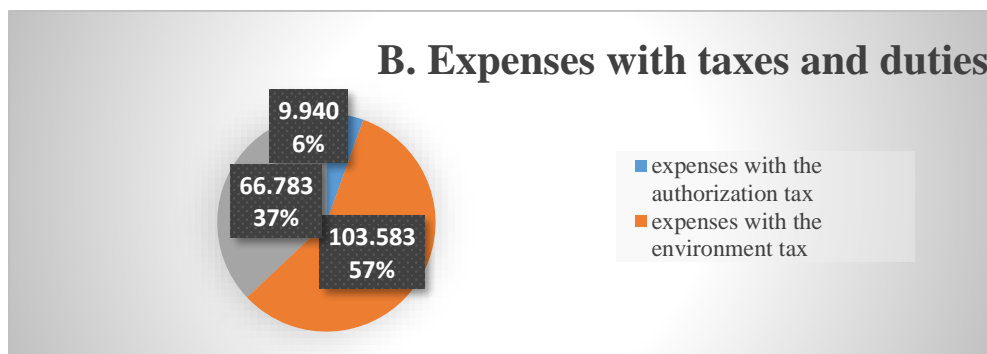
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- **Expenses with banking and assimilated services (row 67)** estimated at **262 thousand RON**, include estimated expenses for bank commissions, at the same value as the level achieved in 2020;
- **Other expenses with services provided by third parties (row 68) – 24,347 thousand RON**, of which:
  - a) **Insurance and security expenses (3,000 thousand RON)** include insurance and security services for the units and the personnel, up by 683 thousand RON compared to the level achieved in 2020. The security services for the external units from the NPP platform and from outside it records an increase compared to 2020, justified by the need to cover a greater number of security stations, plus the hours for emergency interventions;
  - b) **Expenses on the maintenance and operation of computing technology (18,641 thousand RON)**, comprising expenses with the maintenance of workstations, servers and HP equipment, the database management systems, and new IT equipment following the expansion and modernization of the computer network. The increase estimated for 2021, + 15.8%, compared to 2020, is caused by the increase in the expenses with the technical support services for certain licenses and the hardware maintenance services;
  - c) **Expenses with professional training amounting to 2,318 thousand RON.** The level of these expenses is determined by the necessity of training the personnel, including the management/coordination, operation, maintenance and technical personnel by experts from external specialized organizations, as well as training the newly hired operating personnel according to the mandatory training program. The increase is estimated as a result of the need to train the personnel in specialized sessions for the maintenance, design, software and hardware activities in the systems specific to the operation of the Plant, as well as the personnel who will participate in the international scholarship and master programs;
  - d) **Expenses with announcements for tender procedures and other announcements (223 thousand RON)** are estimated based on the annual values from the contracts concluded with the mass media;
- **Other expenses (row 77) – 104,462 thousand RON**, comprising other operation services, and services for managing radioactive waste, non-radioactive waste and decontamination waste, technical assistance, maintenance of the heating system, the hydrological circuit, cleaning the technological and administrative premises, maintenance of the storage premises, services provided by specialized nuclear organizations regarding the development of common programs.

These expenses are +43.4% higher than the level achieved in 2020, and -8.9% lower than the level budgeted for the previous year. The +43.4% increase in this chapter is mainly due to the additional requirements for operating services (district heating systems, water supply systems from drills, chlorination station and STA), radioactive and non-radioactive waste management and decontamination services (in 2020 only waste characterization services have been performed, for 2021 both waste characterization and incineration services have been budgeted), COG research & development programs and other services necessary in 2021.

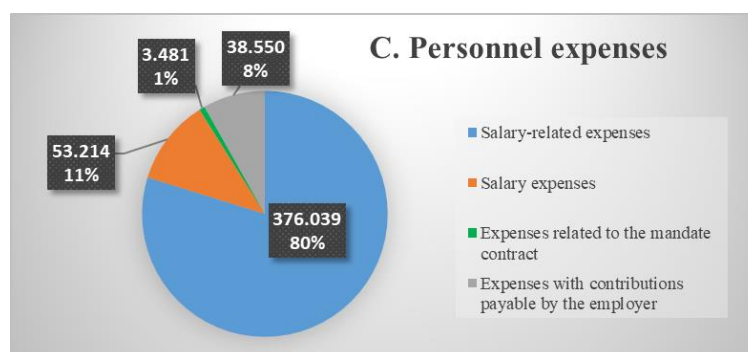
**B. Expenses with taxes, duties and assimilated payments** amounting to **180,306 thousand RON** (-1.3% vs. achieved in 2020, +5.2% vs. budgeted for 2020) include expenses with the authorization tax, the environment tax and other taxes and duties (including the ANRE fee), according to the details below and the representation from the following chart.



B - Expenses with taxes, duties and assimilated payments		Row no.	Provisions for the previous year 2020			%	%
			Approved		Achieved 2020		
			according to OGMS Resolution no. 3/05.03.2020				
0		1	2	3	4	5=4/2	6=4/3
a)	expenses with the tax for the activity of operating mineral resources	79	-	-	-	0%	0%
b)	expenses with the royalty for the concession of public assets and mineral resources	80	-	-	-	0%	0%
c)	expenses with the license tax	81	-	-	-	0%	0%
d)	expenses with the authorization tax	82	9.939	9.932	9.940	100%	100%
e)	expenses with the environment tax	83	102.016	102.345	103.583	102%	101%
f)	expenses with other taxes and duties	84	59.517	70.416	66.783	112%	95%
<b>Total</b>			<b>171.472</b>	<b>182.693</b>	<b>180.306</b>	<b>105%</b>	<b>99%</b>

- The expenses with the authorization tax represent **CNCAN [Romanian National Commission for Nuclear Activities Control] taxes and fees** for nuclear security, amounting to **9,940 thousand RON**.
- Expenses with the environment tax - **103,583 thousand RON**, represent the tax for decommissioning the nuclear units and for the final storage of the radioactive waste representing the contribution of the company to the decommissioning plan by transferring to ANDR 2 EUR/MWh net product, according to the legislation in the field: permanent storage of radioactive waste - 1.4 EUR/MWh of net energy produced and delivered in the system and for the decommissioning of nuclear units - 0.6 EUR/MWh of net energy produced and delivered in the system. This tax is set in the EUR foreign currency, while its equivalent value is paid in RON, so the budgeted value for 2021 is considered prudentially, in order to cover any exchange rate differences.
- Expenses with other taxes and duties of **66,783 thousand RON**; the main taxes and duties are:
  - **Local taxes of 64,033 thousand RON**. According to the change, in 2017, of the manner of applying the Interpretation of the Financial Reporting Standards "IFRIC 21" *Taxes*, according to the explanatory notes included in the financial statements, the tax on buildings, lands and machinery payable for 2021 is reflected in the performance of the year 2020, in December, and respectively the one payable for 2022, was budgeted in December 2021. When estimating these expenses, the new increased rates approved by the Local Councils for the calculation of local taxes were taken into account. This tax has seen a significant increase of approximately 13% compared to the level achieved in 2020, as a result of the increase in local taxes for the assets held by Cernavoda NPP.
  - The **ANRE tax of 2,448 thousand RON** represents the contribution estimated to be paid in 2021 by the Company to ANRE. According to ANRE Order No. 223/09.12.2020, the cash contribution for 2021 is equal to 0.1% of the turnover achieved in 2020.

**C. Personnel expenses** amounting to **471,283 thousand RON** (+3.9% vs. achieved in 2020, 0.0,% vs. budgeted for 2020) include: expenses with salaries, bonuses, other personnel expenses, expenses related to the mandate contract and other management and control bodies, commissions and committees, and expenses with social security and social protection, special funds and other legal obligations. These expenses are detailed below and represented in the following chart.



INDICATORS	Row no.	Provisions for the previous year 2020			%	%
		Approved		Achieved 2020		
		according to OGMS Resolution no. 3/05.03.2020	2021			
0	1	2	3	4	5=4/2	6=4/3
<b>C Personnel expenses</b>	<b>85</b>	<b>471.283</b>	<b>453.790</b>	<b>471.283</b>	<b>100%</b>	<b>104%</b>
C0 Salary-related expenses	86	429.252	415.654	429.252	100%	103%
C1 Salary expenses	87	384.790	370.411	376.039	98%	102%
C2 Bonuses	91	44.462	45.243	53.214	120%	118%
C3 Other personnel expenses	99	-	-	-	0%	0%
C4 Expenses related to the mandate contract and other management and inspection bodies, commissions and committees	103	3.601	3.505	3.481	97%	99%
C5 Expenses with contributions payable by the employer	112	38.429	34.631	38.550	100%	111%

**C0) Salary expenses** amounting to **429,252 thousand RON** (+3,3% vs. achieved in 2020, +0,0% vs. budgeted for 2020) are composed of salary expenses (C1 – 376,039 thousand RON) and bonuses (C2 – 53,214 thousand RON), detailed below.

According to art. 48 par. (1) of Law No. 15/2021 of the *state budget for 2021*, for 2021, economic operators subject to the application of the provisions of art. 9 par. (1) let. (b) and par. (3) of Government Ordinance No. 26/2013 regarding the strengthening of financial discipline at the level of certain economic operators in which the state or the administrative-territorial units are single or majority shareholders or directly or indirectly hold a majority interest, as further amended and supplemented, **may provide, in the revenue and expenditure budget, the increase of salary expenses compared to the level planned in the last revenue and expenditure budget approved according to the legal provisions, as follows:**

- with the amounts representing increases of the gross average earnings per employee due to the increase of the minimum gross base salary guaranteed for payment at national level, and other salary-related expenses, pursuant to the provisions of Government Decision No. 4/2021 establishing the minimum gross salary guaranteed for payment at national level;
- with the amounts representing increases in salary expenses related to their reinstatement, for the entire year 2021, determined as a result of granting salary increases and/or the number of staff members in 2020;
- with the amounts representing increases of salary expenses related to their reinstatement, for the entire year 2021, determined as a result of the decrease, in 2020, of the average number of active employees,

pursuant to the Annex to Government Decision No. 124/2020 on the approval of the maximum average number of staff for 2020 for economic operators in the national defense industry, operating according to the provisions of art. 24 of Law No. 232/2016 on the national defense industry, as well as amending and supplementing some normative acts, as further amended, and only for economic operators who have reduced with these amounts the salary-related expenditure approved in 2020, by rectifying the revenue and expenditure budget according to the legal provisions;

- d) with the amounts representing increases in salary expenses related to their reinstatement, for the entire year 2021, determined as a result of granting from the unemployment insurance budget the allowance of 75% of the base salary, or as a result of settling part of the salary of employees who have benefited from technical unemployment, representing 41.5% of the gross base salary corresponding to the job held, but not more than 41.5% of the gross average salary earnings laid down by Law No. 6/2020 on the state social insurance budget for 2020, as further amended and supplemented, but only for economic operators who have reduced with these amounts the salary-related expenditure approved in 2020, by rectifying the revenue and expenditure budget according to the legal provisions;
- e) with the amounts representing increases of salary expenses related to the increase in the number of staff members in 2021, as a result of the diversification/extension of the activity laid down by normative acts.

In order to comply with the provisions of art. 48 par. (1) of Law No. 15/2021 *of the state budget for 2021*, the Company has **not** foreseen in 2021 an increase in salary expenses (C0) compared to the level scheduled in the last revenue and expenditure budget approved according to the legal provisions, as it doesn't fall within any of the points listed under art. 48 par. (1) let. a)-e).

Thus, SNN proposes salary expenses of 429,252 thousand RON, at the same value with the level scheduled for the previous year:

INDICATORS		Row no.	Provisions for the previous year 2020			%	%	
			Approved		Achieved 2020			2021
			according to OGMS Resolution no. 3/05.03.2020					
0	1	2	3	4	5=4/2	6=4/3		
C0	Salary-related expenses (Row 86 = Row 87 + Row 91)	86	429.252	415.654	429.252	100%	103%	
C1	Salary expenses (Row 87 = Row 88 + Row 89 + Row 90), of which:	87	384.790	370.411	376.039	98%	102%	
	a) base salaries	88	266.074	256.720	267.020	100%	104%	
	b) bonuses, premiums and other extra payments related to the base salary (according to CCM)	89	97.405	101.641	97.793	100%	96%	
	c) other extra payments (according to CCM)	90	21.312	12.051	11.226	53%	93%	
C2	Bonuses Row 91 = Row 92 + Row 95 + Row 96 + Row 97 + Row 98), of which:	91	44.462	45.243	53.214	120%	118%	
	a) social expenses provided under art. 25 of Law no. 227/2015 on the fiscal code*), as further amended and supplemented, out of which:	92	8.418	10.562	12.048	143%	114%	
	- nursery coupons according to Law 193/2006, as further amended;	93	-	-	-	0%	0%	
	- vouchers for social expenses according to Law 193/2006, as further amended;	94	-	-	-	0%	0%	
	b) meal coupons;	95	691	603	714	103%	118%	
	c) vacation vouchers;	96	5.216	4.322	5.180	99%	120%	
	d) expenses with the employees' participation in the profit obtained in the previous year	97	18.700	18.652	21.326	114%	114%	
	e) other expenses according to CCM.	98	11.437	11.104	13.945	122%	126%	

This a free translation from the Romanian version.

In case of any differences between the Romanian and English version, the Romanian version prevails.

Their details and substantiation are presented below.

**C1) Salary expenses of 376,039 thousand RON** (+1.5% vs. achieved in 2020, -2.3% vs. budgeted for 2020)

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

- the level of salary expenses necessary for the existing personnel at the beginning of the year, taking into account the value of the salary point, unchanged compared to 2020;
- the level of salary expenses necessary for the additional personnel needed to be hired in 2021 on key positions in order to maintain the high degree of expertise and qualification within the nuclear power plant, and to provide the necessary expertise for the new developments and investments needed for the nuclear power plant, a need presented in detail below;
- the level of expenses with service seniority and loyalty bonuses, as a result of the passage to higher levels of service seniority and seniority, respectively, for the loyalty bonus, according to the provisions of the CCM, as well as the assurance of all the benefits insured under the current CCM.

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

INDICATORS	Row no.	Provisions for the previous year 2020			%	%
		Approved	Achieved 2020	2021		
		according to OGMS Resolution no. 3/05.03.2020				
0	1	2	3	4	5=4/2	6=4/3
No. of employees estimated at the end of the year	148	2.367	2.011	2.458	104%	122%
Average number of employees	149	2.246	2.028	2.198	98%	108%

When forecasting the number of employees for 2021, we considered:

- The planned changes on the organizational structure and/or the number of positions (by way of example: organization of preliminary activities regarding the refurbishment of Unit No. 1, as well as of the project of Units 3 and 4 from Cernavoda NPP, organization of the project regarding the Tritium Removal Facility from Cernavoda NPP, reorganization of computer operations within SNN for the unitary computerization of SNN processes and construction of a unique database at the level of SNN etc.);
- Personnel outputs, especially as a result of retirement at the age limit and contribution period, including the termination of CIM for a specified period of time;
- Planned personnel inputs;
- Temporary occupancy of jobs, both as a result of the replacement of employees during the CIM suspension period, as well as for time-bound activities of refurbishment/investment projects, correlated with the stages planned to be implemented, starting from 2021;
- Early training of young specialists to optimize the time dedicated to training and preparing new employees.

Starting with 2021, according to SNN's Investment Strategy for the period July 1, 2020 - July 1, 2025, SNN decided to capitalize the personnel costs related to the projects regarding the Refurbishment of Unit 1 and the Tritium Removal Facility (CTRF), projects carried out exclusively by the Company. These costs are capitalized per investments (included in Annex 4 of the BVC) and are presented both under the position Personnel expenses (Row 85 from Annex 2) and Revenues from the production of non-current assets (row 12 of Annex 2), with zero effect on the gross profit of the Company. The total value of the capitalized personnel costs amounts to 27,743 thousand RON.

Thus, the budgeted level for 2021 ensures the necessary salary expenses for the existing personnel, the personnel estimated to be employed by the end of the year, possible salary increases, promotions and advancements to be determined and awarded in line with the provisions of the CCM in force.

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

### **C2) Bonuses amounting to 53,214 thousand RON**

This subchapter provided the following expenses:

- social expenses (row 92) amounting to 12,048 thousand RON, estimated at the limit of a 5% quota applied to the value of personnel salary expenses, within the limit of the deductibility of these expenses according to Law 227/2015 *on the Fiscal Code*.
- meal vouchers (row 95) - 714 thousand RON; according to the Collective Employment Contract, SNN grants employees meal vouchers at the maximum value stipulated by law. According to the provisions of Joint Order No. 2876/1452/2020 of the Ministry of Finances and Ministry of Labor, SNN increased the value of the meal voucher to RON 20.01, starting with October 2020. For 2021, according to the provisions of Law No. 165/2018, the maximum value of a meal voucher was maintained at 20.01 RON/voucher;
- holiday vouchers (row 96) amounting to 5,180 thousand RON (2,230 RON/employee, for a maximum estimated number of 2,458 employees), according to the legal provisions. The current CCM provides for the possibility of granting vacation vouchers, depending on the financial possibilities of the company;
- expenses related to the participation of the employees in the profit obtained by the Company in the previous year (row 97) - 21,326 thousand RON, according to the level approved in BVC for 2020, in compliance with the legal provisions;
- expenses on in kind advantages granted to employees (electricity and thermal energy, rents for company-provided apartments) (row 98) - budgeted in the amount of 13,945 thousand RON.

Thus, in Chapter C2 Bonuses, an increase amounting to 7,971 thousand RON is estimated, compared to the level achieved in 2020, i.e. an increase of 8,752 thousand RON compared to the level budgeted for 2020.

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

**C3) Other personnel expenses** - this subchapter provides for compensatory payments related to personnel redundancies, expenses with salary rights applicable based on court rulings and salary expenses related to restructuring, privatization, receivers, other commissions and committees. In 2021 no amounts are provided for this chapter.



**C4) Expenses related to the mandate contract and other management and inspection bodies, commissions and committees amounting to 3,481 thousand RON**

INDICATORS	Row no.	Provisions for the previous year 2020			2021	%	%
		Approved		Achieved 2020			
		according to OGMS Resolution no. 3/05.03.2020					
0	1	2	3	4	5=4/2	6=4/3	
C4 Expenses related to the mandate contract and other management and inspection bodies, commissions and committees (Row 103 = Row 104 + Row 107 + Row 110 + Row 111), of which:	103	3.601	3.505	3.481	97%	99%	
a) for managers/management	104	1.970	2.025	1.986	101%	98%	
-fixed component	105	1.302	1.395	1.319	101%	95%	
-variable component	106	667	631	667	100%	106%	
b) for the Board of Directors / Supervision Board, of which:	107	1.632	1.480	1.495	92%	101%	
-fixed component	108	816	771	906	111%	117%	
-variable component	109	816	708	589	72%	83%	
c) for auditors	110	-	-	-	0%	0%	
d) for other commissions and committees created according to the law	111	-	-	-	0%	0%	

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

- The provisions of the mandate contracts concluded by the company with the members of the Board of Directors and with the executive managers;
- The provisions of art. 37, 38 and 39 of OUG 109/2011 on the corporate governance of public enterprises and the provisions of HG No. 722/2016 for the approval of the Methodological Norms for the application of certain provisions of OUG No. 109/2011.

**A. Mandate contracts with the managers (row 104) – 1.986 thousand RON**

For 2021, expenses were provided related to the mandate contracts concluded by the Company with the executive managers of 1,986 thousand RON.

The company has concluded mandate contracts with the Chief Executive Officer and the Deputy Chief Executive Officer for a period of 4 years, starting with February 11, 2019, and with the Chief Financial Officer, for a period of 4 years, starting with July 29, 2020. The financial, operational, and corporate governance performance indicators are attached to each mandate contract and are an integral part thereof.

At the beginning of 2021, the executive management has the following structure:

Position	BD Appointment Resolution	Term of provisional mandate contract (4 months)	Term of long-term mandate contract (4 years)
Chief Executive Officer	BD Resolution No. 2/04.02.2019	-	11.02.2019 - 11.02.2023
Deputy Chief Executive Officer	BD Resolution No. 3/04.02.2019	-	11.02.2019 - 11.02.2023
Chief Financial Officer	BD Resolution No. 70/27.03.2020 for the provisional contract BD Resolution No. 158/23.07.2020 for long-term contract	01.04.2020 – 31.07.2020	01.08.2020 – 31.07.2024

On 16.01.2020, the Board of Directors of SNN acknowledged, by Resolution No. 2/16.01.2020, the waiver by the Chief Financial Officer of his mandate starting with 31.03.2020, based on the provisions of the Mandate Contract and approved the termination of mandate contract No. 66/11.02.2019 concluded by SNN with Mr. Adrian Gabriel Dumitriu as of 31.03.2020. With the same Resolution, the Board of Directors mandates the



Nomination and Remuneration Committee to build the candidate's profile for the position of Chief Financial Officer of the company, to launch the selection procedure based on the provisions of OUG 109/2011. The Board of Directors of SNN decides the temporary suspension of the selection procedure, for the period of establishment of the state of emergency on the territory of Romania. In order to ensure business continuity within SNN, under the best conditions, at the recommendation of the Nomination and Remuneration Committee, the Board of Directors of SNN approved, by Resolution No. 70/27.03.2020, the appointment of Mr. Paul Ichim in the position of Chief Financial Office, with a provisional mandate of 4 months as of 01.04.2020 until 31.07.2020, with the possibility of its extension, for another 2 months until 30.09.2020. Subsequently, the Board of Directors of SNN decided to initiate the selection and recruitment procedure for the position of Chief Financial Officer of SNN, in compliance with the provisions of OUG 109/2011, based on the recommendation of the Nomination and Remuneration Committee, for a 4-year mandate. With Resolution No. 158/23.07.2020 of the Board of Directors, the appointment of Mr. Paul Ichim in the position of Chief Financial Officer of SNN was approved, with a mandate for a period of 4 years, as of 01.08.2020.

Thus, for 2021, fixed and variable allowances were provided for the managers with mandate contracts, as follows:

**a) the fixed component of the managers with mandate contract (row 105) – 1,319 thousand RON**

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

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

Art. 37 par. (3) of OUG 109/2011 provides: "The fixed allowance of the executive members of the executive members of the BD (...) is made up of a fixed monthly compensation which cannot exceed 6 times the average of the last 12 months of the monthly gross average wage for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment and a variable component. The variable component shall be based on financial and non-financial performance indicators, negotiated and approved by the general meeting of shareholders, different to those approved for the non-executive directors, determined in compliance with the methodology (...)"

Therefore, the gross fixed allowance shall be paid for a number of 3 managers, for all 12 months of 2021, at the level of 1,319 thousand RON.

<b>Position</b>	<b>Fixed component/month</b>	<b>Fixed component/year</b>
Chief Executive Officer	37,077	12 months x RON 37,077 = RON 444,930
Deputy Chief Executive Officer	35,727	12 months x RON 35,727 = RON 428,724
Chief Financial Officer	37,077	12 months x RON 37,077 = RON 444,930
<b>TOTAL</b>		<b>1,318,584</b>

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

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

In determining the level of the variable allowance, the provisions of the mandate contracts were taken into consideration, which established for each Director a gross annual variable component of the remuneration 36 times the average monthly gross salary earnings for the branch of activity from the date of conclusion of the mandate contracts, i.e.  $36 \times \text{RON } 6,179,58 = \text{RON } 222,465$  gross/manager, therefore  $3 \times \text{RON } 222,465 = \text{RON } 667,393$ .

The variable component of the remuneration is granted subject to the cumulative fulfillment of key performance indicators set out under the mandate contract, as follows:

- a. The annual variable component shall be granted with a share of 100% if the key performance indicators cumulatively meet an achievement percentage equal to or above 100%;
- b. The annual variable component shall be granted with a reduced percentage, proportionally to the degree of achievement of the key performance indicators, if these cumulatively meet within the financial year an achievement percentage below the value of 100%, but not lower than 75%. If key performance indicators cumulatively meet within a financial year an achievement percentage below 75%, the annual variable component shall not be granted;
- c. In order for the variable component to be granted, the following are proposed:
  - The annual variable component shall be granted proportionally in relation to the months of activity in the event that the mandate does not cover the full year of the financial year, for the last year of the mandate;
  - The variable short-term component shall be calculated and paid for a financial year, the amount being granted in quarterly installments of 18% of the annual value forecast for the financial year in progress corresponding to the achievement of the indicators over the time elapsed from the financial year, within 10 calendar days of at the date when the quarterly reporting is closed, and, after the date of approval by the General Meeting of Shareholders of the audited annual financial statements, the due amount based on the cumulative achievement percentage of key performance indicators, shall be adjusted, within 15 calendar days.
  - In the event that, the cumulative achievement percentage of key performance indicators for a quarter lies below 75%, the granting of the annual variable component shall be suspended until the end of the financial year, with the difference being subsequently settled within 15 calendar days from the date of approval by the General Meeting of Shareholders of the audited annual financial statements;
  - The medium-term variable component is calculated and paid for a period of two financial years. The amount is paid in annual instalments of 50% of the estimated medium-term value, within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements, and within 15 calendar days after the date of the approval by the General Assembly of Shareholders of the audited annual financial statements corresponding to the respective year from the mandate, indicated in the Annex to the mandate contract, which ends the analysis period of the medium-term objectives, and the due amount based on the cumulated implementation percentage of the medium-term key performance indicators will be adjusted.
  - The long-term variable component is calculated and paid for the entire mandate of four years of activity. The amount is paid in annual instalments of 25% of the estimated medium-term value, within 15 calendar days after the date of the approval by the General Meeting of Shareholders of the audited annual financial statements, and within 15 calendar days after the date of the approval by the General Meeting of Shareholders of the audited annual financial statements, which contains the last months of the mandate,

and the due amount based on the cumulated implementation percentage of the medium-term key performance indicators will be adjusted.

- If the key performance indicators record, on the level of the financial year, an implementation percentage lower than 75%, granting the medium and long term variable component rate is ceased until the closure of the financial year of the medium and long mandate period, respectively, and the difference will be adjusted within 15 calendar days after the date of the approval by the General Meeting of Shareholders of the audited annual financial statements, for the medium and long period, respectively, of the mandate.
- d. If the mandate ceases before the end of the term of the mandate, for reasons not related to the person of the manager, the variable component shall be granted accordingly, until the last full month of activity during the mandate term;
- e. If the mandate ceases before the end of the term of the mandate, for reasons related to the person of the manager, the company shall be entitled to claim and the manager undertakes to return the full amount granted during that year, representing the payment of the variable component of the year in which the termination of the mandate became effective;
- f. Key performance indicators, targets, and the achievement degree may be changed, as applicable, in the following situations:
  - a) Force majeure, as such is defined by law;
  - b) Other causes not imputable to the managers and not affecting the achievement of the goals and targets set for the entire mandate.

Targets may be changed in the event of an approved rectification of the Revenue and Expenditure Budget, under the conditions of the law and of the articles of incorporation.

- g. The financial performance indicators are checked by reference to the obtained values of these indicators, as such are registered in the company's financial records.
- h. The method of verification of non-financial indicators is performed by analyzing the state of achievement of these indicators included in Reports/Calculation Formulas indicated in the column "Verification tools" in the Annex to the mandate contract.

## **B. Mandate contracts with the directors (row 107) – 1,495 thousand RON**

For 2021, expenses were provided related to the administration contracts concluded by the Company with the members of the Board of Directors amounting to 1,495 thousand RON.

Resolution No. 216/19.12.2019 of the Board of Directors approved the recommendation of the Nomination and Remuneration Committee regarding the appointment by the Board of Directors of a temporary member of the Board of Directors of SNN until the General Meeting of Shareholders, GMS, summoned for 30.01.2020.

Resolution No. 1/30.01.2020 of the Ordinary General Meeting of Shareholders of SNN approved the appointment of a temporary member of the Board of Directors of SNN, with a 4-month term mandate, for the period 30.01.2020 – 30.05.2020, in compliance with the provisions of OUG 109/2011.

Resolution 6/28.05.2020 of the Ordinary General Meeting of Shareholders of SNN approved the extension of the director's mandate term, which was ending on 30.05.2020, with a period of 2 months, as of 31.05.2020, in compliance with the provisions of OUG 109/2011, or until the date when a director appointed in compliance with the provisions of OUG 109/2011 would accept the mandate if the selection is completed before the aforementioned term.

One of the directors resigned from his mandate contract as of 24.08.2020.

Resolution No. 9/27.07.2020 of the Ordinary General Meeting of Shareholders of SNN approved the election of a new member of the Board of Directors of SNN, with a mandate term until 28.09.2022, date when the mandate of the directors in office ends.

The mandate contract of one director was terminated by the operation of the law as of 19.11.2020.

By Resolution No. 1/27.01.2021 of the Ordinary General Meeting of Shareholders of SNN, the following were approved:

- approving the initiation of the procedure for the selection of two members in the Board of Directors of SNN, according to the provisions of OUG No. 109/2011 on the corporate governance of public enterprises, as further amended and supplemented;
- approving the empowerment of the Board of Directors of SNN for the implementation of the procedure for selecting two members in the Board of Directors.

Currently, the company has 5 directors who have concluded mandate contracts with the company until 28.09.2022, of whom an executive director, who also holds the position of Chief Executive Officer. For the Executive Director, the only remuneration to be granted is that of executive director, in compliance with the provisions of art. 38 par. (1) of OUG 109/2011.

By Resolution No. 1/27.01.2021 of the Ordinary General Meeting of Shareholders of SNN, the following were approved:

- approving the initiation of the procedure for the selection of two members in the Board of Directors of SNN, according to the provisions of OUG No. 109/2011;
- approving the empowerment of the Board of Directors of SNN for the implementation of the procedure for selecting two members in the Board of Directors.

The contractual period covers the entire year 2021 (12 months for the 5 directors with whom the company has concluded mandate contracts, and 10 months for the 2 vacancies for directors).

By Resolution No. 12/28.09.2018, GAS of SNN established the fixed gross monthly indemnity of the directors, according to the provisions of art. 37 par. (1) and (2) of OUG 109/2011, equal to 2 times the average of the last 12 months of the monthly gross average wage for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment. By Resolution No. 3/10.04.2019 the GMS of SNN set the equivalent value corresponding to the annual variable component of non-executive directors amounting to 12 monthly fixed allowances.

Thus, for 2021, fixed and variable allowances were provided for the directors with mandate contracts, as follows:

- a) **fixed component of the mandate contracts concluded with directors (row 108) – 906 thousand RON**, calculated as follows:

RON 906,240 = RON 11,331 x 3 non-executive directors x 12 months + 15,882 x 2 non-executive directors\*10 months + 15,057 x 1 non-executive director\*12 months - gross fixed allowance for 6 non-executive directors, for the entire year 2021.

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

- b) variable component of the mandate contracts concluded with directors (row 109) - 589 thousand RON**, according to GMS Resolution No. 3/10.04.2019 and determined according to the provisions of art. 37 par. (2) of OUG No. 109/2011, which stipulates that the level of the variable component of non-executive members cannot exceed a maximum of 12 monthly fixed allowances, i.e. the gross fixed allowance calculated for the entire year 2021.

The value of the variable component, recorded under Row 109 of Annex 2, was determined for the 4 members of the Board of Directors, in office at the date when the BVC 2021 was drawn up, as follows:

$$\text{RON } 588,600 = 11,331 \times 3 \times 12 + 15,057 \times 1 \times 12$$

The value of the variable component for the 2 (two) vacancies within the Board of Directors was recorded under Row 124 of Annex 2 "Provisions in relation to the mandate contract", because these two positions are not, at the date when the BVC 2021 was drawn up, subject to OUG 109/2011. The value of the variable component for these two vacancies amounts to 318 thousand RON, and was determined as follows:

$$317,640 = 15,882 \times 2 \times 10 \text{ months}$$

**The estimates for 2022 and 2023** of Annex 1, for the entire chapter *C4 Expenses related to the mandate contract and other management and inspection bodies, commissions and committees* are determined by considering the fixed and variable allowances detailed above, in full for 12 months of every year, i.e., 3,925 thousand RON.

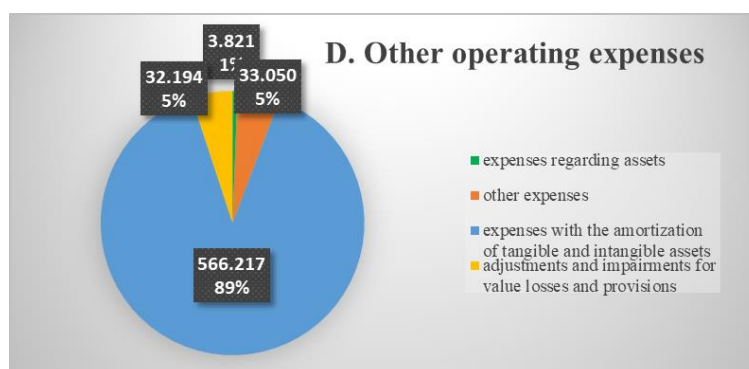
**C5) Expenses with contributions payable by the employer amounting to 38,550 thousand RON.**

This subchapter provides expenses on:

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

Thus, as a result of the application of the legal provisions, the expenses with the contributions due by the employer are set at the level of 38,550 thousand RON, i.e., 11,3% higher than the level achieved in 2020.

**D. Other operating expenses** amounting to **635,290 thousand RON** (+ 11.2% vs. achieved in 2020, -1.6% vs. budgeted for 2020) include: expenses on fixed assets, amortization expense for tangible and intangible assets, adjustments and impairments for value losses and provisions (the provision for intermediate storage costs for burned fuel, the provision for radioactive and non-radioactive waste, the pension provision, the provision for the employees' participation in the profit) and other expenses (annual contributions to governmental and non-governmental organizations, the equivalent of electricity for the balanced market etc.).



D - Other operating expenses	Row no.	Provisions for the previous year 2020			2021	%	%
		Approved		Preliminary / Achieved 2020			
		according to OGMS Resolution no. 3/05.03.2020					
0	1	2	3	4	5=4/2	6=4/3	
a) expenses with increases and penalties	114	100	3	7	0%	0%	
b) expenses regarding assets	117	2.750	5	3.821	0%	0%	
c) expenses related to transfers for personnel payments	118	-	-	-	0%	0%	
d) other expenses	119	51.904	21.505	33.050	64%	154%	
e) expenses with the amortization of tangible and intangible assets	120	564.910	534.612	566.217	100%	106%	
f) adjustments and impairments for value losses and provisions	121	25.977	15.294	32.194	124%	211%	
<b>Total</b>		<b>645.641</b>	<b>571.419</b>	<b>635.290</b>	<b>98%</b>	<b>111%</b>	

The significant weight in this category of expenses is represented by **expenses regarding the amortization of tangible and intangible assets (rd. 120) - 566,217 thousand RON**, i.e. a share of 89%. This expense category shows an estimated increase of +5,9% given the estimated level of expenses with the amortization correlated with the investments made in previous years with commissioning in 2020 and estimates for 2021.

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

**Other operating expenses (row 119)** from chapter D amounting to **33,050 thousand RON**, represents mainly the equivalent value of daily imbalances prudently estimated for 2021 at the level of 26,982 thousand RON, taking into account the level achieved in 2020; other expenses in this category are: the equivalent of the electricity settled for pensioners based on the normative acts, expenses with the decommissioning of current assets and taxes on the affiliation of the Company to specialized organizations, especially from the nuclear industry.

**Adjustments and impairments for value losses and provisions (row 121)**, amounting to **32,194 thousand RON**, is determined by netting the expenses with adjustments, impairments and provisions of 75,825 thousand RON and the revenues from the resumption of adjustments, impairments and provisions of 43,631 thousand RON.

Expenses estimated at the level of 75,825 thousand RON include:

- provision for the costs of managing low and medium radioactive and non-radioactive waste (11,822 thousand RON);
- provision for the costs of intermediate burnt fuel storage in DICA modules - DICA Modules 17 (10,324 thousand RON);
- adjustments for impairment of fixed assets (13,962 thousand RON), of which for the depreciation of DICA Modules 11 and 12, as the burned fuel was transferred, 12,962 thousand RON;
- estimating the provision for pensions and other obligations, according to the annual actuarial report (3,000 thousand RON);
- provision for litigations opened by trade unions regarding salary bonuses (16,400 thousand RON);
- provision for the participation of employees in the profit for the year 2021 (20,000 thousand RON), estimated with the compliance with the legal provisions.
- provisions in relation to the mandate contract (318 thousand RON). For further details, see Chapter C4 above.

Revenues from the cancellation or resumption of adjustments, impairments and provisions totaling 43,631 thousand RON comprising mainly:

- the cancellation of the provision for low and medium radioactive and non-radioactive waste (4,960 thousand RON) insofar as they are managed;
- the cancellation of the provision for the costs of the intermediary storage of burnt fuel - DICA 11 and 12 modules (12,962 thousand RON), insofar as they were filled with burnt fuel bundles in 2021;
- the cancellation of adjustments for impairment of fixed assets (4,383 thousand RON);
- the cancellation of the provision regarding the participation of the employees in the profit of 2020 (21,326 thousand RON).

The provision for the employees' participation in the profit for 2021 is calculated at the maximum level provided by the law, namely "no more than the level of a monthly basic average salary obtained on the level of the economic operator in the reference financial year".

Estimates of the provision for pensions and other obligations amounting to 3,000 thousand RON including the estimated provision for employees' retirement benefits in the form of a share of 1,200 kWh/year of electricity, in compliance with the provision of the SNN CCM valid for the period 01.12.2020 – 30.11.2021. The value of the update will be based on the actuarial report made by the actuary employed by SNN and the provision for other employee benefits under the SNN CCM/2020.

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

2. In the substantiation of **financial expenses (Row 130)** amounting to **34,684 thousand RON** (-14.4% vs. achieved in 2020, -35.9% vs. budgeted for 2020) the expenses with interest rates and commissions maturing in 2021, the exchange rate differences on external loans contracted for the implementation and commissioning of Unit 2 of Cernavoda NPP, as well as other financial expenses, were considered. The expenses on exchange rate fluctuations can only be estimated, but their level in the performance is influenced by the impact of the unfavorable exchange rate differences realized and unrealized, uncontrolled by the Company.

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

**Actual percentage of the increase of total expenses**

	<b>Thousand RON</b>
<b>Total expenses - proposal of BVC 2021</b>	<b>2,077,109</b>
- Additional expenses related to the purchase of uranium	(15,520)
- Additional expenses related to the increase of the technological water rate	(8,296)
- Additional expenses related to the purchase of EE_planned and unplanned outages	(106,924)
- Additional expenses related to the purchase of EE_Balancing market	(11,947)
- Unrealized expenses related to 2020	(67,615)
Total expenses without the above influences	<b>1,866,808</b>
<b>Total realized expenses</b>	<b>1,770,485</b>
<b>percentage of the increase in expenses in relation to actually achieved in the previous year</b>	<b>5%</b>



### III. GROSS RESULT

For 2021, based on the forecasted revenues and expenditure, results a **gross profit of 663,087 thousand RON**, 1.8% higher than the one budgeted for 2020.

The proposal of the revenue and expenditure budget for 2021 provides for the distribution of 70% of the distributable accounting profit to the shareholders, in compliance with the provisions of O.U.G No. 64/2001, above the minimum level of 50% established by this ordinance.

The gross profit level is determined by the cumulative operating profit and the budgeted financial result. The **operating profit** is estimated at **639,596 thousand RON** (-1.1% vs. budgeted for 2020), and the **financial result** is estimated at the level of **23,492 thousand RON**, lower than the level achieved in 2020, as a result of the expected level of interest rates and the expected monetary market conditions in 2021.

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

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

### IV. CORPORATE TAX

The income tax expenses (100,658 thousand RON) were determined in compliance with the provisions of the Fiscal Code. The estimates of non-deductible tax expenses and the non-taxable revenues in the calculation of the income tax for the year 2021 were made taking into account the achievements of 2020.

**Non-deductible expenses** (158,453 thousand RON) mainly include the amounts representing the surplus from revaluation under reserves, the amount of spare parts scrap, the amount of the provision for the intermediate storage of the burnt fuel, the amount of the provision for radioactive and non-radioactive waste, the value of the provision for the employee benefits, the value of the sponsorships, and the amount of the employees’ participation in the profit.

**Non-taxable revenues** (90,092 thousand RON) mainly include revenues from provisioning.

**V. SOURCES FOR FINANCING INVESTMENTS** for 2021, amounting to 688,872 thousand RON, are represented by own sources, i.e. amortization and profit.

**VI. INVESTMENT EXPENSES** in 2021, amounting to 433,860 thousand RON, plus the amount of 218,431 thousand RON, representing the reimbursement of the instalments related to the credits contracted for the implementation and commissioning of Unit 2, maturing in 2021, resulting in a total investment program of 652,291 thousand RON, were sized according to the investment objectives required in order to be achieved and foreseen in the strategic programs of the Company, structured as follows:

- the amount of 162,208 thousand RON representing the investment program of SNN Headquarters, out of which: 115,188 thousand RON representing studies for the extension of the life cycle of Unit 1 by re-tubing the reactor and refurbishing the main systems;
- the amount of 264,188 thousand RON representing the equivalent value of the investment program of CNE Cernavoda;
- the amount of 7,464 thousand RON representing the equivalent value of the investment program of FCN Pitesti branch.

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

Of the 433,860 thousand RON investments foreseen in the BVC for 2021, among the main investments, we can mention:

Name of investment	Value (thousand RON)
Extension of the life cycle of Unit 1 by re-tubing the reactor and refurbishing the main systems (studies)	118,624
Services associated with the implementation of immobilizing spare parts in OP U1/U2	52,000
EnergoNuclear Capitalization	25,000
Improving the response of Cernavoda NPP, i.e. of the nuclear security functions in case of events outside the projection bases due to the nuclear accident occurred at the nuclear plant Fukushima 1, Japan (U5 fitting)	17,372
Running the program GA, CR # 30974 (dome inspection, tubular plate washing)	17,036
Intermediate Dry Storage Spent Fuel Facility (DICA)	16,836
Tritium removal installation	15,776
Construction works for modules M12-17	13,000

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

The investment program is detailed in Annex 4 of the Revenue and Expenditure Budget for 2021, by detailing the fittings in Annex 4.1.

## **VII. Other substantiation data regarding the Revenue and Expenditure Budget for 2021**

For 2021, by proposing the Revenue and Expenditure Budget, outstanding payments were not provided, and the level of outstanding receivables was reduced compared to the level achieved in 2020.

By the Resolution of the Board of Directors No. 187/29.10.2018, the administration component of the Administration Plan was approved. By the Resolution of the Board of Directors No. 33/07.03.2019, the management component of the Management Plan and the Management Plan in its entirety were approved. The revenue and expenditure budget for 2021 is correlated with the Administration Plan, which contains the management component.

**The estimates of the indicators for 2022 and 2023** are linear (except for Annex 4 - Program of investments and expenses with mandate contracts for the managers of the company Chapter C4 Annex 1, detailed at the end of chapter C above), starting from the level of the indicators budgeted for 2021, indexed with the inflation level published by the National Statistics Institute in “Medium-term forecast for 2019-2023 - autumn forecast 2019”, and the indicators detailed for the respective years shall be detailed and substantiated by the annual budgets of 2022 and 2023.

The substantiations of the Revenue and Expenditure Budget for 2021 were approved by the Financial Administration Inspection.

**Chief Executive Officer,  
Cosmin Ghita**

**Chief Financial Officer,  
Paul Ichim**

### **Annexes:**

- Revenue and Expenditure Budget for 2021 and estimates for 2022 and 2023 (Annex No. 1);
- Details of the economic-financial indicators provided in the revenue and expenditure budget and their distribution by quarters (Annex No. 2);
- Total revenue achievement degree (Annex No. 3);
- Investment Schedule (Annex No. 4);
- List of the “Fittings” position for 2021 (Annex No. 4.1);
- Measures for improving the gross result and reducing outstanding payments (Annex No. 5).