



# S.N. NUCLEARELECTRICA S.A.

## ANNUAL REPORT

### 2020

**COMPANY MANAGED IN ONE-TIER MANAGEMENT SYSTEM**

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## 1. BASIS OF THE REPORT

The Annual Report of the Board of Directors of S.N. Nuclearelectrica S.A. for the financial year ended on December 31, 2020 was drafted according to:

- ❖ Chapter III of the Public Finance Minister's Order no. 2844/2016 on the approval of the accounting regulations compliant with the International Financial Reporting Standards, as further amended and supplemented.
- ❖ Art. 63 of Law no. 24/2017 on the issuers of financial instruments and market operations, as further amended and supplemented;
- ❖ Annex no. 15 in Regulation no. 5/2018 on the issuers of financial instruments and market operations, as further amended and supplemented, issued by the Financial Supervision Authority.
- ❖ Art. 56 of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public institutions, as further amended and supplemented.
- ❖ Art. 5.3 par. 5.3.1, let. f) in the Mandate Contracts, valid as at December 31, 2020, concluded between the directors and S.N. Nuclearelectrica S.A.
- ❖ Art. 20 par. (2) let. e) and Art. 20 par. (3) let. d) in the Articles of Incorporation of S.N. Nuclearelectrica S.A.

## 2. IDENTIFICATION DATA

Report date:	March 15, 2021
Name of the issuer:	S.N. Nuclearelectrica S.A. ("SNN")
Registered office:	Bucharest, 1 District, 65, Polona Street
Telephone/fax number:	+40 21 203 8200; +40 21 316 9400
Web:	www.nuclearelectrica.ro
Email:	office@nuclearelectrica.ro
Sole Registration Number	10874881
Running number with the Trade Register:	J40/7403/1998
Subscribed and paid-up share capital:	RON 3,016,438,940
Regulated market on which the issued securities are traded:	Bucharest Stock Exchange (www.BSE.ro) Premium Category
Main features of the issued securities:	301,643,894 shares, nominal value of RON 10/share, dematerialized, registered, ordinary, indivisible, with equal voting rights, freely tradable on Bucharest Stock Exchange under the SNN symbol starting with November 4, 2013

### 3. MESSAGE OF THE BOARD OF DIRECTORS

#### Nuclearelectrica in the Romanian energy context

The Board of Directors of the National Company Nuclearelectrica SA expresses its satisfaction for the financial and production results of the company at the end of 2020, the result of a complex management, which had in view the maintenance of the electricity production activity at a high level of performance, the professional use of energy market mechanisms and smart financial policies, prioritizing nuclear security in all decision-making. This occurred in the conditions of the SARS-COV-2 pandemic, which affected the entire economic and social life both in Romania and worldwide.

Nuclearelectrica, with two nuclear reactors in operation, provides about 18% of electricity production nationwide and 35% of electricity produced without greenhouse gas emissions. Thus, the release of approximately 5 million tons of CO<sub>2</sub> equivalent/ year x unit was avoided, i.e. about 170 million tons since the commissioning of the first nuclear reactor at Cernavoda NPP.

Last year's developments give us more confidence in completing the company's major projects, in a broad Euro-Atlantic partnership, but also militating for a significant participation of the national industry. Thus, the extension of the life of Unit 1 from Cernavoda NPP, the construction of the Heavy Water Tritium Removal Facility, together with the relaunch of the works for the completion of Units 3 and 4, will make a substantial contribution to achieving the environmental objectives assumed by Romania, but also to strengthening energy security and well-being at national and regional level.

The initiation of innovative projects, such as the production of Cobalt 60 for medical use or the production of hydrogen using clean technologies such as nuclear energy, proves the intention to diversify the concerns of Nuclearelectrica management, having not only a positive economic impact but also substantial social benefits. Also, the evaluation of the opportunities regarding the next generation of small modular reactors, shows the company's vision regarding the identification of feasible technical solutions for the development of the peaceful use of nuclear energy, on the horizon of the years 2035-2050.

In Romania, today the nuclear industry provides 11,000 jobs, direct and indirect, accounting for a 590-million-EURO turnover. Continued investment in the nuclear sector, through the launch of new nuclear projects, would increase employment to 19,000, with effects in reindustrialization and economic growth in the horizontal industry, preserving highly skilled labor, stimulating research, education and engineering, giving Romania a competitive advantage in Europe.

Correct information of the population and good communication are essential aspects for the acceptability of nuclear energy, so that at national level, Nuclearelectrica tests attitudes and perceptions about the use of nuclear energy in Romania, through an external opinion poll, once every two years. The main aspects analyzed regard the company's investment projects, such as extending the life cycle of the existing reactors and building new capacities, the degree of safety

that the public associates with nuclear energy, the advantages of nuclear energy in the national energy mix, human performance and the activity of SNN on the capital market. The results of the 2020 poll are very good, which show, overall, an increase in the degree of acceptance of the operation of nuclear units on the territory of the country. The sample size used was 1686 interviews, of which 938 in the urban area, and 748 in the rural area, with respondents being representatives at national level, over 18 years of age. The margin of error of the poll is 2.4%.

The extension of the lifespan of the nuclear reactors from Cernavoda NPP by 30 years is agreed by 75% of the respondents, and 87% of them positively perceive the development of projects in the energy field. The benefits of energy production in the nuclear sector are greater than the risks in the opinion of most respondents (53%), and most respondents agreed on the implementation of Units 3 and 4 of Cernavoda NPP (68%). A partnership between the Government of Romania and the companies from the Euro-Atlantic area is appreciated as appropriate to implement Units 3 and 4 of Cernavoda NPP by 71% of the respondents surveyed. Most respondents say that the production of nuclear energy is a safe process for people and the environment (63%), while 74% believe that nuclear energy is clean energy. Also, 81% of respondents believe that the Romanian nuclear industry has very good specialists and a high level of technical performance, and 77% believe that the activity of Nuclearelectrica has a positive impact on the Romanian economy.

Nuclearelectrica pays special attention to the correct information of the decision makers, both at national and European level regarding the evolutions in the nuclear energy field in Romania. The company is an appreciated and visible voice in an international context, being an active part in the initiatives of the European nuclear industry addressed to the European institutions, through position documents, participation in public consultations or participation in high level meetings. Also, the company joins the initiatives of the Romanian officials in the Euro-Atlantic context, aiming at major aspects of the use of nuclear energy for peaceful purposes.

### **Global nuclear energy in the context of the SARS-COV-2 pandemic**

During the SARS-COV-2 pandemic, nuclear energy was and remains a key factor in ensuring a stable, modern, resilient and cost-effective, low-carbon energy system. Nuclear energy is one of the best prepared low-carbon energy sources to help states achieve their decarbonization goals given that nuclear projects are the basis of a resilient and sustainable energy infrastructure. In addition to the challenges that all states had to face in 2020 due to the SARS-COV-2 pandemic, increasing concerns regarding climate change were maintained along with the focus on decarbonization targets and long-term energy policies that configures the role of nuclear energy, globally, regionally and nationally. During the COVID-19 crisis, nuclear power plants continued to generate electricity reliably and uninterruptedly, ensuring the continued operation of critical services essential to coping with the global health crisis and maintaining social stability. Nuclear power has been an important source of flexibility for the energy system, helping to maintain electricity security by operating in the band and complementing the supply of electricity from other sources.

Nuclear power, both through new nuclear projects and especially through the long-term operation of existing reactors, can play a key role in the post-COVID-19 economic recovery. Nuclear power projects will contribute to economic growth, while supporting, in a cost-effective manner, the development of a modern low-carbon electricity generation infrastructure. Nuclear power is able to provide large amounts of low-carbon electricity and heat, while creating a large number of high-value jobs in local and national economies. Each nuclear power project also builds a valuable infrastructure pole for research and innovation.

The studies and scenarios of the International Atomic Energy Agency, the International Energy Agency of the OECD, the Massachusetts Institute of Technology, but not only, conclude that decarbonization is not possible without the contribution of nuclear energy. In order to meet the decarbonization objectives, while ensuring the increasing demand for electricity and sustainable development, it is necessary to expand the existing nuclear capacities. There are extensive studies that show unequivocally that without nuclear energy it is extremely difficult to achieve the goals. It is estimated that without nuclear energy, the costs of transitioning to a low-carbon economy would increase by \$ 1.6 trillion.

Correlated with the expansion of nuclear capacities in Romania and with the development of the nuclear industry in general, the Sustainable Recovery Plan developed by the OECD through the International Energy Agency and the International Monetary Fund addresses 3 significant pillars of economic recovery: stimulating the economy, creating jobs and improving resilience and sustainability in the energy sector. This plan provides a clear role for nuclear energy, both by projects for extending the lifecycle of the existing fleet and by building a new nuclear unit, especially small modular reactors (SMR), as nuclear energy is essential in reaching post-crisis economic growth, creating 9 million jobs a year and reducing emissions by 4.5 billion tons until 2023 compared to 2019, as these are the objectives assumed for economic recovery.

In addition to energy production, the nuclear industry has other major benefits associated with other industries. One of these is the use of thermal and electrical energy for the production of hydrogen, which so far comes mainly from the gas industry. The nuclear industry can play a major role in this regard, with the need for hydrogen known in other major industries. Thus, the integrated systems with multiple effects are already in question. As an example, a single reactor with an installed capacity of 1000 MW can produce more than 200,000 tons of hydrogen per year.

Globally, interest in nuclear power increased during 2020 with the Covid-19 pandemic. About 10% of the world's electricity is generated by about 440 nuclear reactors, so nuclear reactors have a key role to play in maintaining a reliable power supply, which is vital. About 50 reactors are under construction, equivalent to about 15% of the existing capacity. Nuclear power plant operators have taken a number of significant measures to protect their workforce and have implemented business continuity plans to ensure the continued operation of key aspects of their activities. There have been no forced shutdowns of any nuclear reactors due to the effects of Covid-19 on the workforce or supply chains, according to reports from operators and regulators received through the International Atomic Energy Agency's (IAEA) Covid-19 operational experience network and the International Reporting System for Operating Experience (IRS). According to the IAEA, operators and regulators have continued to ensure the stability and



safety of nuclear power plants around the world, even though the pandemic has affected them in various ways, including planned shutdowns and maintenance programs. Nuclear technologies have medical applications that will help fight Covid-19. The IAEA provides diagnostic kits, equipment and training in detection techniques to countries seeking assistance in addressing the global spread of the new coronavirus. The assistance, requested by 14 countries in Africa, Asia, Latin America and the Caribbean, is part of the intensified global efforts to reduce infections. There is a clear need for new nuclear capacities all over the world, in order to replace old power stations that use fossil fuels, especially coal, and which produce significant emissions of carbon dioxide, and in order to satisfy the high demand of electricity, especially in emerging states. Currently, approximately two thirds of the electricity of the world comes from burning fossil fuels. Until 2050, if the climate change objectives are achieved, 80% or more of electricity will have to be produced with low-carbon emissions.

Extending access to energy and, at the same time, drastically reducing greenhouse gas emissions that cause global warming and climate change are among the central challenges of mankind in the 21<sup>st</sup> century. Nuclear power is a major part of the solution to produce carbon-free energy in many parts of the world, such as the United States, the European Union, Japan, South Korea, making an important contribution to reducing greenhouse gas emissions, while providing increasing quantities of electricity necessary to develop the global economy. Increased demand for electricity is particularly rapid in emerging countries, especially in Africa, where demand will increase by 100 - 450% until 2050. While today most people without access to electricity live in rural areas, most of the population growth by 2030 will take place in cities. Achieving the goal of securing access to electricity for an additional 1.3 billion people globally by 2030 will require a combination of less polluting power generation solutions. In this scenario, nuclear power will be part of the solution, due to the advantages it holds, such as stability in national systems, clean energy, baseload production. The contribution of nuclear energy to avoiding short-term CO<sub>2</sub> emissions will be achieved by nuclear power plants in operation, under construction and in preparation.

At European Union level, in order to achieve the goal of decarbonization the economy by 2050, a quarter of the EU's electricity production needs to be from nuclear sources. Regarding the prospects of nuclear energy in Central and Eastern Europe with the target of 2050, Romania supports the idea of a balanced and efficient energy mix in which nuclear power has a significant share and an important contribution to achieving the decarbonization targets and the strategic objectives assumed by Romania. SNN, through the strategies and measures it has adopted, will continue to play an essential role in ensuring the stability and security of the energy system, both through its current capabilities and in the long run, through its major investment projects. Romania acknowledges the contribution of nuclear energy, the baseload production source, to the decarbonization of the energy system and promotes nuclear energy as a clean primary source of energy production. On national level, by the energy strategy for 2050, the development of new nuclear capabilities is provided as an essential component of maintaining medium- and long-term energy independence and ensuring the achievement of the decarbonization targets.

Nuclear energy on global and European level is shaping up as a firm and reliable option for ensuring the current and future energy necessities, and is supported both by governments and the population, is a continuously evolving industry, with innovative projects and proven performance. Romania is within this European development, by the firm commitment of the nuclear program and the role of regional hub of research and innovation. For 2021, the operational priority of SNN remains nuclear security, constant production, stable financial results and development.

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

#### 4. MESSAGE OF THE CHIEF EXECUTIVE OFFICER

The year 2020 was for SNN as challenging and difficult due to the pandemic context, as profitable in terms of results and advancement of the current and strategic investment projects.

The COVID 19 pandemic was certainly the strongest converter in 2020. It meant a radical change in the working mode, in order to protect the personnel and to provide the simultaneous operation and production. The logistical measures adopted were unprecedented and went as far as the need to isolate the staff, 840 people for 75 days, during the peak period of the pandemic. Also, in reference to international practices, we decided to postpone the planned shutdown of Unit 1, given the complexity of the project and the very large number of specialized personnel involved.

The measures adopted led during 2020 to maintain all the processes and activities of the company at a normal level, without delays in project implementation schedules or delays in the decision-making and operational flow.

In terms of operation, SNN has maintained its high standard of nuclear safety, Romania still remaining on the first places globally in terms of the factor of utilization of installed capacity, which is eloquent for the quality of operation, nuclear safety and current investment and maintenance program.

The refurbishment of Unit 1 continued according to the work schedule related to the first phase, the phase in which the studies and technical analyses of the project are finalized, of which the most important are: Assessment of the condition of the systems, structures and components (Condition Assessment), Extension of lifetime (PLEX) and Feasibility Study, whose completion in 2021 actually coincides with the successful completion of the first stage of refurbishment.

Project of Units 3 and 4: By the decision of the majority shareholder, the Ministry of Energy, the strategy in force up to that moment was abrogated. The extension of the NPP capacity is an absolute priority for the energy system, in order to reach the decarbonization targets, for the strategic continuity of SNN. For all these reasons, the second half of 2020 meant a major combined effort to start and materialize a new context for this project. Through the efforts of the USA and Romania, on October 9<sup>th</sup>, the Intergovernmental Agreement for cooperation in the civil nuclear industry was initialed in Washington DC, subsequently endorsed by the European Commission and signed, an agreement targeting two major SNN projects: reactors 3 and 4 and refurbishment, by providing technical expertise and financial support. Romania needs nuclear energy and needs new nuclear capabilities in the early 2030s.

The detritification installation, a project for which in 2020, we signed the Technical Assistance Contract (Owner's Engineer) with the Kinetrics-ICSI Association in Rm. Valcea and the Letter of Mandate with the EBRD to finance this project. Also in 2020, we initiated the pre-qualification procedure for candidates for CPI contractors through the EBRD procurement platform and we developed the Basic Licensing Documentation and the technical documentation for the selection of the CPI contractor.

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.  
IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION  
PREVAELS.

As regards the Cobalt production, in 2020 the preliminary study was started, meant to generate the data necessary to carry out a pre-feasibility study on the production of Co-60 at Cernavoda NPP. Both the investment in the detritification plant and the one in the production of Cobalt 60 are designed to bring additional investment and financial value, by capitalizing on tritium, especially in fusion research reactors, and cobalt in the medical field.

As we are equally interested in expanding the current capacity by developing the Units 3 and 4 Project, with CANDU 6 technology, but also in innovation, answers for Romania's future energy and diversification of the SNN activity, in 2020, we have taken steps to obtain a grant from the US-TDA to conduct a site study to develop a long-term development plan by increasing electricity production capacity through small modular reactors. The 1.2 million USD grant was awarded by the USTDA to identify potential sites for the development of small modular reactors, especially after 2035, according to Romania's energy strategy.

Also in the innovation chapter, there is also the interest and promotion actions undertaken by the company to advance the production of hydrogen from clean sources, especially nuclear energy, perceived by SNN as a strong long-term adjuvant in decarbonization.

According to the decision of the SNN GMS no. 4/March 30<sup>th</sup>, 2020, SNN continued the steps, in the form of a due diligence analysis, for taking over some assets of Feldioara, CNU branch, and of the Tulghes-Grinties exploitation perimeter, in order to provide the synchronization with the strategy of gradual transition to the acquisition of oxide uranium from the international market, approved by the GMS in 2019, and maintaining the capabilities of the integrated fuel cycle, to the operational advantage of SNN.

Given the number and complexity of the investment projects listed above, SNN focused strongly in 2020 on the human resources strategy: employment, training, mentoring program, so that the company has, over the years to come, the human capital necessary to implement the projects.

Coupled with the current needs and the need for adjustment generated by the COVID 19 pandemic, the digitization, modernization of IT programs was also a priority. The projects were scheduled for implementation in 2019, for efficiency and procedural streamlining, but certainly the situation of 2020 meant a much faster pace of implementation of digitization.

On the capital market, SNN is on an ascending trend since 2017, in terms of share price and positioning in BET. The share price from 2017 to date has increased by over 260%. In 2020, SNN was included in FTSE Russell's emerging market indices.

According to the national opinion poll conducted by SNN in 2020, Romanians believe that Romania's energy independence is particularly important, in a proportion of 74% in 2020 (73% in 2018). The extension of the life of Unit 1 at Cernavoda NPP by 30 more years is agreed and supported by 75% of Romanians, increasing as compared to 60% in 2018. The development of new nuclear projects in Romania is supported by 87% of Romanians (up from 67% in 2018), a percentage believing that the project of Units 3 and 4 of Cernavoda NPP can create jobs, by helping the energy industry grow and Romania's economic recovery after the economic crisis

caused by the COVID pandemic 19. Also, the Euro-Atlantic partnership concluded by Romania for the construction of Units 3 and 4 is favorably viewed by 71% of Romanians.

Most Romanians (63%) consider that the production of nuclear energy is a safe process, and 74% that nuclear energy is a clean source of energy production without polluting emissions.

In compliance with the corporate social responsibility policies of SNN, SNN has been punctually involved in actions with social impact as well as in the continuation of programs demarcated in 2019, especially in the educational field, to support disadvantaged categories and to facilitate access to high-quality education and medical services. We used a budget of approximately RON 10 million, supporting 33 campaigns at national level and impacting the lives of over 2 million Romanians.

For 2021, we aim to continue investment projects, to operate and produce at the same level of nuclear safety, generating proportional revenues, especially since January 1<sup>st</sup>, 2021, the energy market is liberalized, giving SNN the opportunity to capitalize the production thereof on the competitive market, in conditions of predictability and stability.

**Chief Executive Officer,  
Cosmin Ghita**

## 5. ACTIVITY ANALYSIS

### 5.1. COMPANY PRESENTATION

#### 5.1.1. BASIC ACTIVITY

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

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

*CNE branch (Nuclear - Electric Station) Cernavoda*, with the registered office in Cernavoda, 2, Medgidiei Street, registered with the Trade Register under no. J13/3442/2007, provides the operation of the two nuclear units, based on CANDU technology type, as well as the management of all SNN assets in Cernavoda (except for Units 1 and 2 in operation, Units 3 and 4 in different construction stages, Unit 5 for which the shareholders of the Company approved the change of destination since March 2014, namely, the use thereof for the performance of the activities related to the operation of Units 1 and 2, and also the central heating system). The two units have a installed capacity around 700 MW each (MWe 706.5 Unit 1 and MWe 704.8 MWe Unit 2).

*FCN Branch (Nuclear Fuel Plant) Pitesti*, with the head office in Mioveni, 1, Campului Street, registered with the Trade Register under no. J03/457/August 24<sup>th</sup>, 1998, where CANDU fuel bundles are made for Units 1 and 2 of Cernavoda.

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

According to the Government initial strategy, the construction of CNE Cernavoda Units 3 and 4 will be completed by Energonuclear S.A., a subsidiary of SNN, incorporated in 2009. In compliance with the Resolution of the Shareholders no. 8/June 12<sup>th</sup>, 2020, the Board of Directors was empowered to initiate the procedures/steps/actions on the termination of negotiations with CGN, as well as the termination of the legal effects (by agreement of the parties, termination, etc.) of the following documents: "Memorandum of Understanding on the development, construction, operation and decommissioning of Units 3 and 4 of CNE Cernavoda (MoU) and (ii) Investor Agreement in preliminary form". The Board of Directors was also empowered SNN to initiate the necessary steps for the analysis and crystallization of strategic options for the construction of new nuclear power generation capacities. On October 9<sup>th</sup>, 2020

the Agreement was concluded in Washington DC between the Government of Romania and the Government of the United States of America on the cooperation related to the nuclear-energy projects in Cernavoda and in the civil nuclear energy sector in Romania: In reference to the investment projects implemented by SNN, the stage of authorizing this agreement mainly refers to the extension of the capacity of the NPP Cernavoda and the Project for Revamping Unit 1 of NPP Cernavoda. Also, the US Government expressed its interest, via the US Import Export Bank, to support the global funding of the projects, in full observance of the policies, procedures and the decision independence of these institutions, this financial component being included in the Inter-Government Agreement.

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

Units 1 and 2 use, on an annual basis, approximately 11,000 nuclear fuel bundles, each containing around 19 kg of uranium. In order to produce the necessary fuel, NFP Pitesti operates at maximum capacity. In 2020, NFP Pitesti branch manufactured 10,800 nuclear fuel bundles and delivered to NPP Cernavoda 10,080 nuclear fuel bundles, according to the manufacturing and delivery plan.

In 2020, for the production of nuclear fuel, sintered uranium dioxide powder was consumed, at an average price of 521.13 RON/kg, from the stock existing on January 1, 2020, and from the purchases from the providers Cameco Marketing Inc. Canada and CNU – Feldioara Branch.

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

SNN represents a stability factor for the energy market in Romania, both by the continuous delivery of electricity and the competitive production cost.

### **5.1.2. MISSION, VISION, VALUES, OBJECTIVES**

#### **Mission**

Capitalization of the nuclear resources for the production of clean energy under conditions of safety and economic efficiency.

Characteristics:

- ❖ High value of the use factor of the installed capacity. At an equal installed power, a nuclear group produces twice the quantity of power produced by a conventional group.
- ❖ Absence of green house gas emissions.
- ❖ Low dependence of the cost of the generated energy on the variations of uranium prices, due to its low weight, as compared to other types of energy.
- ❖ High technical level of the operating staff, the reasonable level of generation costs.
- ❖ Nuclear energy complies with the safety delivery requirements, durable development and competitiveness.

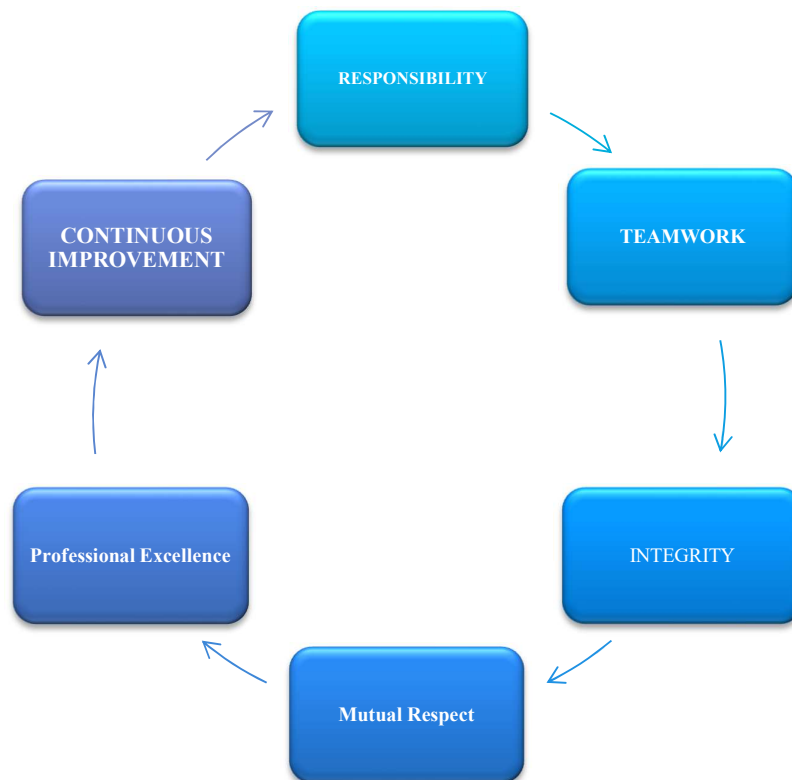
## Vision

Commitment to excellence. Action for results.

## Objectives

- ❖ Operation of the nuclear units in safe conditions and nuclear for the staff, population, environment and production assets;
- ❖ Conservation of the power production capacity above the present average level in industry;
- ❖ Accomplishment of the major investment objectives;
- ❖ Improvement of the indicators related to the financial performances of the company.

## Values



### 5.1.3. INCORPORATION DATE

SNN was incorporated on July 2, 1998 by Government Resolution no. 365/1998, following the reorganization of the Romanian energy system. Before the reorganization, the nuclear power plant was part of RENEL, national vertically integrated company that was divided in different national companies owned by the state. SNN operates in compliance with the Romanian law and the Articles of Incorporation.



#### 5.1.4. SHAREHOLDING STRUCTURE

The shareholding structure as at December 31, 2020 appears thus:

Shareholder type	Number of shares owned	% share capital ownership
Romanian State - Ministry of Economy, Energy and Business Environment	248,850,476	82.4981%
Other shareholders	52,793,418	17.5019%
<b>Total</b>	<b>301,643,894</b>	<b>100%</b>

#### 5.1.5. SIGNIFICANT MERGERS OR REORGANIZATION

During the financial year of 2020, there were no significant mergers or reorganizations within SNN or the companies thereby controlled. The company is not part of a group of companies, except the group of companies generically under the joint control of the Romanian State by means of different entities. SNN directly controls the Energonuclear S.A. (“EN”) branch, 100% ownership, as at December 31, 2020. During 2020, the Energonuclear subsidiary performed activities that targeted actions necessary in order to continue the implementation of the project for Units 3 and 4 of NPP Cernavoda.

#### 5.1.6. PURCHASES AND TRADE OF ASSETS

During the financial year of 2020, there were no asset purchases, except for those that were necessary for the activity operation and development, reflected in the investment plan and in the budgets approved to this end. The total expenses for investments during 2020 amounted to approximately 223.9 million RON.

No transfer of assets occurred either, except for those that became obsolete within the terms of by law, as well as the program to sell CNE Cernavoda employees’ company apartments under installments payment, the latter made in the previous years. The total revenues from the transfer of assets in 2020 were approximately 1.2 million RON.

## 5.2. ELEMENTS OF GENERAL ASSESMENT

### Financial position statement as of December 31, 2020

<b>Indicator</b> <b>[thousand RON]</b>	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>	<b>Variation</b>
Non-current assets	5,995,542	6,301,960	(4.9%)
Current assets	2,848,928	2,508,894	13.6%
<b>Total assets</b>	<b>8,844,470</b>	<b>8,810,854</b>	<b>0.4%</b>
Non-current liabilities	722,101	936,157	(22.9%)
Current liabilities	602,684	539,763	11.7%
<b>Total liabilities</b>	<b>1,324,785</b>	<b>1,475,920</b>	<b>(10.2%)</b>
<b>Equity</b>	<b>7,519,685</b>	<b>7,334,934</b>	<b>2.5%</b>
<b>Total equity and liabilities</b>	<b>8,844,470</b>	<b>8,810,854</b>	<b>0.4%</b>

**Non-current assets** registered a slight drop of 4.9% compared to the level registered on December 31, 2019, especially due to the drop of the net value of the tangible assets by acknowledging the amortization for 2020. The impact of the period's depreciation was partially compensated by the investments performed for Units 1 and 2 Cernavoda NPP. At the same time, the financial assets at amortised cost of the Company, representing collateral deposits related to letters of bank guarantee with maturities longer than 12 months, issued by the Company, recorded a decrease as of December 31, 2020 compared to December 31, 2019, contributing to the decrease of non-current assets.

**Current assets** recorded a 13.6% increase compared to December 31, 2019, based on the increase of banking deposits, inventory and other financial assets at amortised cost. This increase is partially compensated by the decrease of monetary availabilities (cash and cash equivalents) and commercial receivables.

**Non-current liabilities** decreased by 22.9%, as compared to the values recorded on December 31, 2019. The decrease is mainly caused by the decrease of the long-term portion of the external credits contracted from EURATOM for building and starting up Unit 2 Cernavoda NPP, following the reclassification of the outstanding installments in the short-term portion, gradually with the maturity of the credits.

**Current liabilities** increased by 11.7% compared to the values recorded on December 31, 2019, based on the increase of commercial debts and other debts, the payable profit tax and debts from short-term leasing contracts. This increase is partially compensated by the decrease of short-term advance revenues, the current portion of provisions for risks and expenses and the current portion of long-term loans.

## Profit and loss account for the financial year ended on December 31, 2020

Over the 12-month period ended on December 31, 2020, SNN recorded a net profit of 699,322 thousand RON.

Indicator [thousand RON]	12 months period ended on December 31, 2020 (audited)	12 months period ended on December 31, 2019 (audited)	Variation
<b>Production (GWh)*</b>	10,558	10,347	2.0%
Operating income, out of which:	2,500,172	2,417,433	3.4%
<i>Income from electricity sales**</i>	2,432,279	2,365,564	2.8%
Operating expenses, minus depreciation and amortization	(1,184,029)	(1,232,455)	(3.9%)
<b>EBITDA</b>	<b>1,316,143</b>	<b>1,184,978</b>	<b>11.1%</b>
Depreciation and amortization	(544,752)	(555,553)	(1.9%)
<b>EBIT</b>	<b>771,391</b>	<b>629,425</b>	<b>22.6%</b>
Finance costs	84,530	67,337	25.5%
Finance income	(40,513)	(65,487)	(38.1%)
Net income tax expense	(116,086)	(95,608)	21.4%
<b>Net profit</b>	<b>699,322</b>	<b>535,667</b>	<b>30.6%</b>

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

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

**Operating profit (EBITDA)** increased by 11.1% compared to the same period of the previous year. The increase was caused by a decrease in operating expenses, minus depreciation and amortization by 3.9%, and an increase in operating income of 3.4%, influenced by a 2.8% increase in income from electricity sales.

**Operating income** increased by 3.4%. This increase was caused by the increase by 1.4% of the weighted average price of the electricity sold in 2020, as compared to the weighted average price from the same period of 2019, considering the sale of a total quantity of electricity that was higher by 1.4%.

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. 216/11.12.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 2213/23.12.2019, the quantity assigned to SNN for the first half-year of 2020 for regulated contracts was 1,087 GWh, out of which 701.4 GWh for Q1 2020 and 385.6 GWh for Q2 2020. For the first half-year of 2020, ANRE established a regulated price for SNN of 188.47 RON/MWh (without Tg). For the second half-year of 2020, ANRE issued Order no. 88/12.06.2020 for approving the Methodology for setting regulated fees and prices applied by last-instance providers to end clients for period July 1 - December 31, 2020 [...]. According to ANRE Resolution no. 1077/29.06.2020, the quantity assigned to SNN for the second half-year of 2020 for regulated contracts was 1,095 GWh, out of which 394.9 GWh for Q3 2020 and

700.1 GWh for Q4 2020. For the second half-year of 2020, ANRE established a regulated price for SNN of 182.63 RON/MWh (without Tg). According to ANRE Decision no. 326/2019, the quantity of electricity assigned to SNN for 2019 under regulated contracts was 1,377 GWh, at a regulated price of 188.33 RON/MWh (without Tg). Thus, in 2020, the Company sold 20.2% of its energy on the regulated market (2019: 12.9%), at a regulated price.

Compared to the same period of the previous year, the quantity of electricity sold on the competition market of bilateral contracts decreased by 28%, and benefitted from an increase in the average sale price on this market by 17% (price without Tg). The quantity of electricity sold by SNN on the spot market (PZU and PI) in 2020 increased by 155%, given an average sale price on this market that was 25% lower (price without Tg).

**Operating expenses, minus depreciation and amortization** decreased by 3.9% in 2020, compared to the same period of 2019. This evolution was caused by the decrease of other operating expenses, expenses with the purchased electricity and expenses with spare parts, partially compensated by the increase of expenses with nuclear fuel, personnel expenses, expenses with repairs and maintenance and expenses with electricity transportation.

**The financial result (net financial revenues)** recorded a significant increase, from 1,850 thousand RON to 44,017 thousand RON, and positively influenced the net result. The main currencies to which there are exposures are EUR and CAD.

The increase of **net profit tax expense** decreased the positive influence of the other elements. This increase was caused by the increase of the taxable profit calculated for financial year 2020 compared to the one calculated for financial year 2019.

### Main financial and non – financial indicators

Indicator [thousand RON]	2020 (audited)	2019 (audited)	Δ % 2020 vs. 2019
Net profit	699,322	535,667	30.6%
Gross operating profit	771,391	629,425	22.6%
Turnover	2,448,712	2,379,424	2.9%
Operational expenses	1,728,781	1,788,008	(3.3%)
EBITDA (Operating profit plus impairment and amortization)	1,316,144	1,184,978	11.1%
Liquidity (Cash and cash equivalents plus bank deposits)	2,167,950	1,852,025	17.1%
% market share	20.6%	19.0%	8.4%

Indicator [RON]	Formula	m.u.	2020 (audited)	2019 (audited)
<b>Profit indicators</b>				
EBITDA to total sales	EBITDA/Turnover	%	53.7%	49.8%
EBITDA return on equity ratio	EBITDA/Equity	%	17.5%	16.2%
Gross profit ratio	Gross profit/Turnover	%	33.3%	26.5%
Return on equity	Net profit/Equity	%	9.3%	7.3%
Return on assets	Net profit/Total assets	%	7.9%	6.1%
<b>Liquidity and solvability indicators</b>				
Current liquidity ratio	Current assets/ Current liabilities	x	4.73	4.65
Quick liquidity ratio	Current assets - Inventories/Current liabilities	x	4.00	3.90
Patrimonial solvency	Equity/Total liabilities	x	5.68	4.97
<b>Risk indicators</b>				
Debt ratio indicator	Borrowed equity/Equity	x	0.04	0.07
Interest coverage ratio	EBIT/Interest expenses	x	58.25	38.38
<b>Activity indicators</b>				
Speed ratio of debits - Customers	Average accounts receivables x 365/Turnover	days	26	27
Credit turnover speed - Suppliers	Adjusted average balance suppliers VAT x 365/Turnover	days	14	11

Indicator	2020	2019	% 2020 vs. 2019
Gross energy production [GWh]	11,466	11,280	101.7%
Net energy production [GWh] – Delivered in SEN	10,558	10,347	102.0%
Average capacity factor (%) – Unit 1	87.29% <sup>*)</sup>	93.86%	93.0%
Average capacity factor (%) – Unit 2	98.32%	89.18% <sup>*)</sup>	110.2%
Average number of employees	2,028	2,038	99.5%

*\*) Planned outage year.*

## Main results of the Company activity

No.	Indicator [thousand RON]	Achieved 2020 (audited)	BVC 2020 <sup>*)</sup>	Achieved 2019 (audited)	% 2020 vs. 2019	
0	1	2	3	4	5=2/3	6=2/4
1	Operating revenues	2,500,172	2,578,573	2,417,433	97.0%	103.4%
2	Operational expenses	(1,728,781)	(1,932,157)	(1,788,008)	89.5%	96.7%
3	<b>Operating profit</b>	<b>771,391</b>	<b>656,416</b>	<b>629,425</b>	<b>119.3%</b>	<b>122.6%</b>
4	Financial expenses	(40,513)	(54,079)	(65,487)	74.9%	61.9%
5	Financial revenues	84,530	59,000	67,337	143.3%	125.5%
6	<b>Net financial revenues</b>	<b>44,017</b>	<b>4,921</b>	<b>1,850</b>	<b>894.4%</b>	<b>2,379.3%</b>
7	<b>Profit before tax</b>	<b>815,408</b>	<b>651,337</b>	<b>631,275</b>	<b>125.2%</b>	<b>129.2%</b>
8	Net corporate tax expense	(116,086)	(99,879)	(95,608)	116.2%	121.4%
9	<b>Profit of the fiscal year</b>	<b>699,322</b>	<b>551,458</b>	<b>535,667</b>	<b>126.8%</b>	<b>130.6%</b>

*\*) BVC 2020 approved by the OGMS no. 3/05.03.2020.*

## Execution of the Revenues and Expenses Budget as of December 31, 2020

The Revenues and Expenses Budget (“BVC”) of SNN for the year 2020 was approved by the Resolution of the General Meeting of Shareholders no. 3/05.03.2020.

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

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.  
IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

As per the analysis of the Budget of Revenues and Expenses execution as of December 31, 2020 (presented below), a degree of accomplishment of the programmed operating revenues of 97% and a reduction of the operating expenses compared to the budgeted level of 10.5%. The performance level of the total income is 98%, higher than the performance level of the total expenses of 89.1%.

		thousand RON						
		Indicators	Row no.	BVC 2020 (approved by OGMS Resolution no. 3/05.03.2020)	Performed 2020	% Performed vs. Approved [Col. 5/Col. 4]	Variation (abs.) [Col. 5 - Col. 4]	Variation (%) [Col. 7/Col. 4]
1		2	3	4	5	6	7	8
<b>I.</b>		<b>TOTAL REVENUES (Row 2 + Row 5)</b>	1	2,637,573	2,585,894	98.0%	(51,679)	(2.0%)
	<b>1.</b>	<b>Total operating income, out of which:</b>	2	2,578,573	2,501,364	97.0%	(77,210)	(3.0%)
		c <sub>1</sub> Subsidies, in compliance with the legal provisions in force	3	-	-	-	-	-
		c <sub>2</sub> Transfers, in compliance with the legal provisions in force	4	-	-	-	-	-
	<b>2.</b>	<b>Financial revenues</b>	5	59,000	84,530	143.3%	25,530	43.3%
<b>II.</b>		<b>TOTAL EXPENSES (Row 7 + Row 21)</b>	6	1,986,236	1,770,485	89.1%	(215,751)	(10.9%)
	<b>1.</b>	<b>Operating expenses (Row 8 + Row 9 + Row 10 + Row 20)</b>	7	1,932,157	1,729,972	89.5%	(202,185)	(10.5%)
		<b>A. Expenses with goods and services</b>	8	643,761	522,070	81.1%	(121,691)	(18.9%)
		<b>B. Expenses with taxes, duties and similar payments</b>	9	171,472	182,693	106.5%	11,221	6.5%
		<b>C. Personnel expenses (Row 11 + Row 14 + Row 18 + Row 19)</b>	10	471,283	453,790	96.3%	(17,493)	(3.7%)
		C <sub>0</sub> Salary expenses (Row 12 + Row 13)	11	429,252	415,654	96.8%	(13,599)	(3.2%)
		C <sub>1</sub> Salary expenses	12	384,790	370,411	96.3%	(14,379)	(3.7%)
		C <sub>2</sub> Bonuses	13	44,462	45,243	101.8%	781	1.8%
		<b>C<sub>3</sub> Other personnel expenses, out of which:</b>	14	0	0	-	0	-
		a) Expenses with compensations for early release of personnel	15	-	-	-	-	-
		b) Expenses with salary rights ordered by judgments	16	-	-	-	-	-
		c) Salary expenses related to restructuring, privatization, receiver, other commissions and committees	17	-	-	-	-	-
		<b>C<sub>4</sub> Expenses related to the mandate contract and other control authorities, commissions and committees</b>	18	3,601	3,505	97.3%	(96)	(2.7%)
		<b>C<sub>5</sub> Expenses related to social protection, special funds and other legal obligations</b>	19	38,429	34,631	90.1%	(3,798)	(9.9%)
		<b>D. Other operational expenses</b>	20	645,641	571,419	88.5%	(74,222)	(11.5%)
	<b>2.</b>	<b>Financial expenses</b>	21	54,079	40,514	74.9%	(13,565)	(25.1%)
<b>III.</b>		<b>GROSS RESULT (profit/loss) (Row 1 – Row 6)</b>	22	651,337	815,409	125.2%	164,071	25.2%
<b>IV.</b>		<b>CORPORATE TAX</b>	23	99,879	116,086	116.2%	16,207	16.2%
<b>V.</b>		<b>PROFIT AFTER CORPORATE TAX (Row 22 – Row 23)</b>	24	551,458	699,322	126.8%	147,864	26.8%

## 5.3. PRODUCTION AND SALES ACTIVITY

### 5.3.1. PRODUCTION OF ELECTRIC AND THERMAL POWER

The gross production of electricity of the two operational units of CNE Cernavoda was 11,466,405 MWh in 2020; from this gross production, the own technological consumption of the Units during the operation, and during the outages ensured from own production was 909 thousand MWh in 2020.

Thus, the electricity produced and delivered in the National Energy System (“NES”) was of 10,557,776 MWh in the year of 2020, as compared to 2019 (10,346,746 MWh), accounting for a 2% decrease. The increase is mainly due to the operation of amendment of the thresholds triggering the ROPT local supra-power protection systems (the system of protecting the reactor at high zonal powers) implemented at the end of last year at Unit 1 of Cernavoda NPP, which caused the increase of the reactor power, after cleaning the steam generators in 2016.

The net electricity production program approved by the Board of Directors for 2020 (revision February 2020) considered an amount of 10,391,265 MWh, being achieved at a 101.6% rate.

The installed power usage factor, recorded by each operational unit within CNE Cernavoda in 2020, and cumulated since the start of the commercial usage (Unit 1 on December 2<sup>nd</sup>, 1996, Unit 2 on November 1<sup>st</sup>, 2007) was as follows:

Cernavoda NPP unit	Cumulated 2020	Cumulated from the commercial commissioning
Unit 1	87.29%	90.54%
Unit 2	98.32%	94.45%

The lower value of the factor for using the installed capacity at Unit 1 CNE Cernavoda reflects the influence of the scheduled outage for an actual duration of 1,053 hours, recorded starting with June 20<sup>th</sup>, at 11:00, completed on August 3<sup>rd</sup>, at 08:00. The unplanned extension of the scheduled outage of Unit 1 CNE Cernavoda lasted 65.5 hours, the resynchronization moment being on August 6<sup>th</sup> at 04:04.

In August, there was an unscheduled stop of Unit 2 of Cernavoda NPP, with a duration of 46.6 hours, starting with August 29<sup>th</sup> at 08:21.

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

The electric power at which Units 1 and 2 Cernavoda NPP operated during 2020 was influenced by the duration of the planned shutdown of Unit 1, totaling 1,053 hours, by the unplanned extension thereby by 59 hours, by the unplanned shutdown of 6.5 hours out of August 5<sup>th</sup>, refueling and short-term causes, as well as the unplanned shutdown of Unit 2 totaling about 46.6 hours, started on August 29<sup>th</sup>.

The annual energy quantity that SNN can produce by the two Cernavoda NPP units thereof is approximately 10.6 TWh (net), given the fact that the units are operated at a high capacity factor. The energy produced by SNN in period January 1<sup>st</sup> - November 30<sup>th</sup>, 2020 had a weight of approximately 20% in the total energy produced in Romania (net values).

Power production in 2019 – 2020:

Output	2020			2019		
	Unit 1	Unit 2	Total	Unit 1	Unit 2	Total
Gross production (GWh)	5,395	6,070	<b>11,466</b>	5,788	5,492	<b>11,280</b>
Net production (GWh)	4,963	5,611	<b>10,575</b>	5,293	5,075	<b>10,368</b>
Capacity factor (%)	87.29	98.32	<b>92.81</b>	93.86	89.18	<b>91.52</b>

The planned and unplanned outages for each unit:

Event	Number outage days	
	2020	2019
Planned outage U1	43.9	-
Planned outage U2	-	31.3
<b>Subtotal planned outages</b>	<b>43.9</b>	<b>31.3</b>
Unplanned outage U1	2.7	6.67
Unplanned outage U2	1.9	4.1
<b>Subtotal unplanned outages</b>	<b>4.6</b>	<b>10.77</b>
<b>Total</b>	<b>48.5</b>	<b>42.07</b>

The number of hours of unplanned outages was within the number estimated according to the 2020 production program (12 days).

Within the activity of electricity trading, the Company is bound to submit letters of bank guarantee to certain contractual partners, according to the provisions stipulated in the electricity sale-purchase contracts. Mainly, these refer to: the contract concluded with C.N. Transelectrica S.A. for electricity transportation; the agreement concluded with OPCOM S.A. for electricity trading on PZU (Next Day Market) and PI (Intra-daily Market); regulated contracts, concluded with last resort providers, based on ANRE Decisions no. 2213/2019 and 1077/2020; contracts concluded on the PCCB – NC platform (centralized market of bilateral electricity contracts – the trading method according to which contracts are awarded by Continuous Negotiation); contracts concluded on the PCSU platform (centralized market for the universal service), plus tender procedure securities; the agreement for participating in the PE (balancing market) concluded with C.N. Transelectrica S.A. and the contract concluded with Ciga Energy S.A. for providing the representation service as the part in charge with balancing (PRE).



For this activity, in 2020:

- 39 letters of bank guarantee were issued, in value of 104,178,941 RON;
- 49 letters of bank guarantee were liquidated, amounting to 152,111,190 RON (issued in 2018, 2019 and 2020), out of which for 29 letters of bank guarantee, there were collateral deposits of 96,659,494 RON.
- the value of 9 letters of bank guarantee was increased, from 21,543,199 RON to 21,552,053 RON.

As of December 31, 2020, 42 letters of bank guarantee were issued, in value of 117,028,702 RON.

The quantities of electricity sold during the year 2020 and the corresponding incomes, distributed on sale contract types are presented in the table below:

### Electricity sales (quantities, prices and values) in 2020

Sales by types	Quantities in MWh	% of total sales	Average price [lei/MWh with Tg included]	Revenues from sales [lei]
Sales on the regulated market	2,181,607	20.2%	186.84	407,610,770
Sales on the competitive market (bilateral contracts and PZU and PI contracts), out of which:	8,589,781	79.5%	236.03	2,027,435,851
– Sales on PCCB – LE, PCCB – LE Flex, PCCB – NC, PC – OTC contracts and supply contracts	5,908,307	54.7%	266.05	1,571,903,363
– PZU and PI sales	2,681,474	24.8%	169.88	455,532,488
PE positive imbalances <sup>*)</sup>	33,757	0.3%	152.76	5,156,798
<b>Total sales in 2020</b>	<b>10,805,145</b>	<b>100%</b>	<b>225.84</b>	<b>2,440,203,419</b>

<sup>\*) NB: 290,374 RON of the value presented represents revenues redistributed in 2020 resulted from the balancing of the system, based on the application of ANRE Order no. 76/2017, ANRE Order no. 31/2018 and ANRE Order no. 61/2020.</sup>

The electricity quantity sold on the regulated market, based on contracts, on the spot market (PZU and PI) and on PE is 10,805,145 MWh, 2.1% more than the sales program, of 10,586,457 MWh (sized on the production estimate, without estimating unplanned outages) and 1.4% more than the electricity quantity sold in 2019.

The difference between the electricity sold by the Company and the electricity produced and delivered by CNE Cernavoda (247.4 thousand MWh) is represented by the electricity purchased for the full coverage of the contractual obligations, an electricity quantity that was purchased 43% from the spot market, 42% by long-term contracts, and the rest on PE.

The revenues obtained from the electricity market related to electricity deliveries in 2020 are 2,440,203,419 lei (out of which 290,374 lei represents redistributed revenues resulted from balancing the system), 4.4% lower than the budget revenues for 2020, and 2.9% higher than the previous year.

According to the sales strategy:

- over the period May - June 2020, 4 purchase contracts were concluded on CCB - NC and 10 purchase transactions were performed on PC - OTC in July, for an hourly quantity of 95 MW/h, at an average price of 233.2 RON/MWh which partially covered the sale obligations undertaken by the contracts the average weighted price whereof in July 2020 was 266.77 RON/MWh;
- in June 2020, 5 purchase contracts were concluded on the Centralized Markets in June 2020, for a constant power of 50 MWh, with delivery in week June 22-28, at an average price of 163.3 RON/MWh which partially covered the sale obligations undertaken by the contracts whose average weighted price in June 2020 was 249.16 RON/MWh.

The average weighted sale price, for the electricity quantities sold (without the regulated market and PE), resulted in 2020, is of RON 236.03/MWh (including T<sub>g</sub>). For comparison, the weighted average price of all the transactions performed on the markets on which SNN operated in 2020 (PCCB – LE, PCCB – LE flex, PCCB – NC, PC – OTC, PZU and PI), calculated according to the values published by OPCOM in the monthly market reports, is 235.19 RON/MWh. In 2019, the average weighted sale price, for the energy quantities sold (without the regulated market and PE) was 227.7 RON/MWh (including T<sub>g</sub>).

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. 216/11.12.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 2213/23.12.2019, the quantity assigned to SNN for the first half-year of 2020 for regulated contracts was 1,087 GWh, out of which 701.4 GWh for Q1 2020 and 385.6 GWh for Q2 2020. For the first half-year of 2020, ANRE established a regulated price for SNN of 188.47 RON/MWh (without T<sub>g</sub>). For the second half-year of 2020, ANRE issued Order no. 88/12.06.2020 for approving the Methodology for setting regulated fees and prices applied by last-instance providers to end clients for period July 1 - December 31, 2020 [...]. According to ANRE Resolution no. 1077/29.06.2020, the quantity assigned to SNN for the second half-year of 2020 for regulated contracts was 1,095 GWh, out of which 394.9 GWh for Q3 2020 and 700.1 GWh for Q4 2020. For the second half-year of 2020, ANRE established a regulated price for SNN of 182.63 RON/MWh (without T<sub>g</sub>).

The sold electricity quantities on the competitive market of bilateral contracts represented in 2020 a percentage rate of 54.7% out of the total volume of the sold energy. The average sale price on bilateral contracts in this period was 266.05 RON/MWh (with included T<sub>g</sub>), recording an increase of 16.7% as compared to the average price recorded in 2019, of 228.01 RON/MWh (with included T<sub>g</sub>); given the fact that the values of the electric power input transport fee in the T<sub>g</sub> network were the following: 1.18 RON/MWh for the period July 1, 2018 - December 31, 2019, according to ANRE Order no. 108/20.06.2018 and 1.30 RON/MWh for 2020, according to ANRE Order no. 218/11.12.2019.

On the spot market (PZU and PI), in 2020, a quantity of electricity representing 24.8% of the total sales volume was sold, compared to a percentage rate of 9.9% registered in 2019. The average sale price of energy on the spot market (PZU and PI) performed by SNN in 2020 was 169.88 RON/MWh (with  $T_g$  included), compared to 225.23 RON/MWh (with  $T_g$  included) registered in 2019.

In 2020, SNN performed 207 energy sales contracts, as follows:

- 17 regulated contracts, out of which 5 with delivery on the first hour of January;
- 86 contracts concluded on PCCB - LE;
- 1 contract concluded on PCCB - LE Flex;
- 47 contracts concluded on PCCB - NC;
- 54 transactions concluded on PC - OTC;
- 2 supply contracts for 2 end users.

No contracts were terminated and no significant delays were notified compared to the due payment terms provided in the contracts in 2020. In all the cases in which there have been delays, the Company sent notifications and charged penalties according to the contractual provisions.

### **Expenses incurred on the electricity market**

In 2020, the total value of the expenses on the electric power market, incurred by SNN, is of 72,116,805 RON, out of which 15,035,358 RON represent expenses on the balancing market (PE), 13,724,548 RON represent  $T_g$  (the regulated tariff paid to C.N. Transelectrica S.A. for the injection of the electric power produced by Cernavoda NPP in the electric power transport network), 25,809 RON represent the expenses consisting in the equivalent value of the green certificates required to be purchased for the supplied electric power, 1,268,032 RON represent the tariffs paid to OPCOM S.A. for the sale and purchase transactions carried out on the platforms managed by OPCOM S.A.

In 2020 the expenses with the purchase of electricity from the Centralized Markets were 23,505,178 RON – for 102,840 MWh, and those from the spot market (PZU and PI) were 18,055,783 RON – for 106,291 MWh. The expenses with electricity purchase (Centralized Markets and spot market) amounted to 41,560,960 RON (2019: 64,890,129 RON), for the purpose of ensuring the full compliance with the electricity delivery contractual obligations during the planned outage (including the unplanned outage, following the extension of the planned outage) of Unit 1 CNE Cernavoda, and for the unplanned outage of Unit 2 CNE Cernavoda from August 2020; the purchased quantity of electricity was 209,131 MWh (2019: 264,158 MWh), at an average price of 198.73 RON/MWh (2019: 245.65 RON/MWh).

The PE expenses in 2020 were 15,035,358 RON, and the purchased electricity quantity was 38,237 MWh (2019: 19,270,060 RON, with the purchased quantity of electric power amounting to 41,319 MWh). This amount represents the equivalent value of the energy received from PE for compensating the negative unbalance, which occurred because of the differences between the energy quantities that were actually delivered and the quantities notified on the market

according to the daily estimates for each hourly interval, and the value of the unbalance from notification, the penalties for the partial delivery of the balancing energy and redistributed costs resulted from the system balancing, based on ANRE Order no. 76/2017, ANRE Order no. 31/2018 and ANRE Order no. 61/2020.

The purchases associated to the unplanned extension of the planned outage of Unit 1 CNE Cernavoda and the unplanned stoppage of Unit 2 Cernavoda on the spot market (PZU and PI) were in value of 7,303,738 RON, for a total quantity of 39,558 MWh, at an average price of 184.63 RON/MWh.

### **5.3.2. THE MAIN MARKETS FOR EACH PRODUCT AND THE DISTRIBUTION METHOD**

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

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

- ❖ On the competition market by energy sale-purchase contracts on the markets managed by the market operator OPCOM S.A.: mainly PCCB – LE and PCCB - NC (centralized market for bilateral electricity contracts with the method trading contracts by extended tender procedures and the method of trading contracts according to which contracts are distributed by continuous negotiations), PZU (following-day market) and PCSU (universal service centralized market) and PC-OTC (the centralized market with double negotiation of bilateral electricity contracts).
- ❖ On the balancing market managed by Transelectrica S.A., in case of positive unbalance.
- ❖ By the energy supply contracts concluded with two consumers supplied directly from the installations of NPP Cernavoda, according to the electricity manufacture license.

The thermal energy produced and sold both in 2019 and 2018, by means of CNE Cernavoda, was exclusively delivered to the local supplier of thermal power. In Cernavoda, SNN is the only manufacturer delivering thermal power in a centralized system. Starting with 2020, small quantities (0.5% of the sold thermal energy) were also sold to end clients/economic agents.

#### **Contracts on the regulated market**

Following the Government Emergency Ordinance no. 114/December 28<sup>th</sup>, 2018, amending and supplementing the Electricity and Natural Gas Law no. 123/2012, ANRE issued Order no. 216/December 11<sup>th</sup>, 2019 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 providers. According to ANRE Resolution no. 2213/December 23<sup>rd</sup>, 2019, the quantity assigned to SNN for Q1 2020 for regulated contracts was 1,087 GWh, out of which 701.4 GWh for Q1 2020 and 385.6 GWh for Q2 2020. For the first half-year of 2020, ANRE established a regulated price for SNN of RON 188.47 /MWh (without T<sub>g</sub>).

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 no. 88/2020, by Decision no. 1077/June 29<sup>th</sup>, 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 first half-year of 2020, ANRE established a regulated price for SNN of RON 182.63/MWh (without T<sub>g</sub>).

Evolution of quantities sold on the regulated market in 2016 - 2020:

Indicator	2020	2019	2018	2017	2016
Energy sold by SNN (GWh)	10,805	10,652	10,676	10,745	10,457
Production share sold on the regulated market	20.2%	12.9%	-	5.7%	13.9%
Energy sold on the regulated market (at national level) (GWh)	7,018	4,317	-	1,740	4,200
SNN share in total regulated market	31%	32%	-	35%	35%

### Sale contracts on the competitive market managed by OPCOM

The bilateral contracts are concluded as a result of bidding organized on the OPCOM platform, in conditions of transparency. The markets on which bids were held for bilateral contracts in which SNN took part in 2020 are PCCB-LE (centralized market for bilateral contracts of electric energy – extended bidding of contract trading modality), PCCB-CN (centralized market for bilateral contracts with continuous negotiation), PCSU (centralized market for universal service) and PC-OTC (centralized market with double negotiation of bilateral electricity contracts).

The average price recorded by SNN on the centralized market of bilateral contracts encountered a significant fluctuation in 2020: from a minimum price of 263.28 RON/MWh in the 4th quarter, to a maximum price of 270.16 RON/MWh in the 1<sup>st</sup> quarter. The prices corresponding to each month in 2020 were influenced by the weight of the energy produced from renewable sources in the National Energy System, the impact of the energy produced from hydrological sources, but to a lower degree than the weighted average prices calculated for all the transactions on the wholesale market, due to the high weight of the contracts with average delivery periods in the SNN portfolio. The average sale price related to the contracts concluded on the OPCOM markets with delivery in 2020 was 16.7% higher than the one recorded in 2019, while the ROPEX\_FM indicator calculated for 2020 was 7.2% higher than that of the previous year.

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

The company can engage transactions on the Centralized Electric Power Market for the Next day according to the convention concluded with OPCOM. On PZU, OPCOM acts as central counterparty, being the sole buyer of the energy sold by the Company. The settlements for the transactions implemented on PZU are performed only with OPCOM and are done quickly (2-3 days after the energy delivery).

PZU does not represent a primary market for SNN, and the quantities sold for this market are relatively low; the sold quantity decreased in 2020 by 155% as compared to the previous year. On PZU are traded the quantities of energy available for sale and which were not already contracted by bilateral contracts on the platforms administered by OPCOM or on the regulated market.

The energy sold on the spot market (PZU and PI) by SNN represented approximately 24.8% of the total sales in 2020, as compared to 9.9% in 2019, and 14.9% in 2018. The increase of the share was preponderantly generated by the decrease of the volume of electricity contracted on bilateral platforms and on regulated contracts, caused by the lack of predictability regarding the contracting on the regulated market (the methodology provided a maximum volume to be assigned by regulated contracts at maximum 65% of the production - ANRE Order no. 216/2019), the impact of the state of emergency on the scheduling of the planned shutdown and the decrease of liquidity as a result of the decrease in consumption.

The average weighted annual price set on PZU was 196.56 RON/MWh, whereas the average annual arithmetic trading price was in 2020 of 190.92 RON/MWh, lower than the corresponding value of 2019, of 238.80 RON/MWh.

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

Generally, the prices on PZU have an increased volatility, being massively influenced by the energy produced from renewable sources, but also the regional context, considering the coupling of the markets.

### **Convention to participate in the green certificate market**

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

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

### **Balancing market**

The company is a participant on the balancing market, but also a signatory of the Convention for undertaking the balancing responsibility, concluded on October 8<sup>th</sup>, 2018 with the transport and system operator Transelectrica S.A., contemplating the sale and purchase of electricity between the parties, as a result of the occurrence of the production/consumption imbalances of

the Company, which are compensated by Transelectrica S.A. on the balancing market in compliance with the applicable law, convention suspended as a result of the delegation of the balancing responsibility.

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

The recorded unbalance is not significant (in 2020 the positive unbalance represented 0.3% of the total sales, and the negative unbalance represented a volume 12% higher than that of positive unbalance), especially due to aspects related to production planning, quantity notification, technical variations or differences not contracted on the spot market.

The weight of each product category in the energy sale revenues and in the operating revenues for 2019 - 2020:

Indicator [thousand RON]	2020		2019	
	[thousand RON]	%	[thousand RON]	%
<b>Sales revenues, out of which:</b>	<b>2,446,004</b>	<b>97.83%</b>	<b>2,377,772</b>	<b>98.36%</b>
Electricity sales revenues	2,426,479	99.20%	2,359,207	99.22%
Green certificates sales revenues	27	0.00%	27	0.00%
Thermal power sales revenues	5,774	0.24%	6,330	0.27%
Proceeds from electric power transmission	13,725	0.56%	12,209	0.51%
<b>Other operating revenues</b>	<b>54,168</b>	<b>2.17%</b>	<b>39,661</b>	<b>1.64%</b>
<b>Total operating revenues</b>	<b>2,500,172</b>	<b>100%</b>	<b>2,417,433</b>	<b>100%</b>

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

### 5.3.3. THE EVOLUTION OF SALES ON THE INTERNAL AND/OR EXTERNAL MARKET AND LONG AND MEDIUM – TERM PERSPECTIVES

Evolution of the sales on the main markets for the last two years, both quantitatively and value-wise:

Indicator [RON]	2020		2019	
	GWh	Value [thousand RON]	GWh	Value [thousand RON]
<b>Electricity sales, out of which:</b>	<b>10,805</b>	<b>2,426,476</b>	<b>10,652</b>	<b>2,359,207</b>
Regulated contracts	2,182	404,797	1,377	259,323
Contracts on the free market	8,590	2,016,523	9,245	2,094,483
- OPCOM contracts	5,908	1,560,990	8,194	1,857,853
- PZU/PI	2,681	455,332	1,051	236,630
Balancing market*)	34	5,159	30	5,401

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

The quantities of energy sold on a monthly basis, under contracts, insignificantly varied, from one quarter to another, as compared to production forecast. Thus, lower quantities of electricity were sold in the second quarter of 2020, given the duration of the planned outage of Unit 1, between June 20<sup>th</sup>, 2019 and August 3<sup>rd</sup>, 2019.

At the same time, SNN delivers thermal energy in Cernavoda, and the related revenues are insignificant in the total revenues (5.77 million RON in 2020 and 6.33 million RON in 2019, respectively).

In 2019, the National Energy Regulation Authority (“ANRE”), following Government Emergency Ordinance no. 114/ December 28<sup>th</sup>, 2018, issued Order no. 216/December 11<sup>th</sup>, 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 providers. According to ANRE Resolution no. 2213/December 23<sup>rd</sup>, 2019, the quantity assigned to SNN for Q1 2020 for regulated contracts was 1,087 GWh. 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 no. 88/2020, by Decision no. 1077/June 29<sup>th</sup>, 2020, the quantity assigned to SNN on regulated contracts is 1,095 GWh.

### 5.3.4. COMPETITION SITUATION, MARKET WEIGHT OF PRODUCTS AND MAIN COMPETITORS

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

- ❖ Energy producers;
- ❖ Compania de Transport a Energiei Electrice, Transelectrica S.A.;
- ❖ Energy distributors;
- ❖ Energy suppliers;
- ❖ Energy traders.



The supply of electricity was performed in 2020 on the regulated and competition-based market.

On date of this Report, there is no data published by ANRE on the electricity market in 2020, on December 31<sup>st</sup>, 2020. According to the ANRE market monitoring report for November, the market share of the manufacturers with dispatch units depending on the electricity delivered in the networks in January-November was for SNN of 20.91%, whereas the value of the indicator calculated for Hidroelectrica was of 29.38% and for C.E. Oltenia of 14.40%.

According to the statistical data centralized by Transelectrica S.A. until now, in 2020, the SNN production represented 20% of the total electricity produced in Romania (net values: January - November period).

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

Structure of the energy production	2020 (January - November period)		2019	
	GWh	%	GWh	%
Conventional power plants	18,171	35.9%	23,799	40.1%
Hydro power plants	14,189	28.0%	15,829	26.7%
Nuclear power plants	10,417	20.6%	11,280	19.0%
Wind power plants	6,180	12.2%	6,745	11.4%
Photovoltaic power plants	1,668	3.3%	1,734	2.9%
<b>Total</b>	<b>50,625</b>	<b>100%</b>	<b>59,387</b>	<b>100%</b>

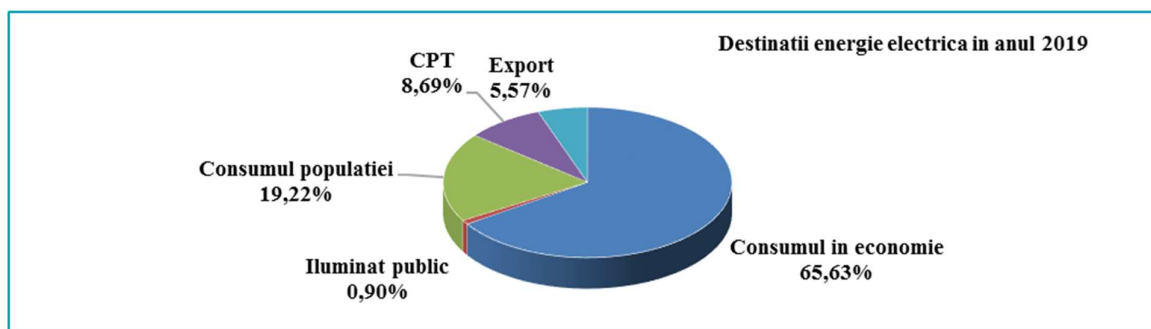
*Source: National Institute of Statistics – Press release no. 19/2021.*

For the first 11 months, the estimated gross energy production in Romania decreased almost 6.5% in 2020 as compared to 2019, whereas the estimated consumption dropped by 4%. In 2019, national exports decreased by 40.6% as compared to the value of the previous year, reaching a value of 4,375.9 GWh, representing 37% from the population consumption, which is 11,746,6 GWh, out of a total national consumption of 48,545.9 GWh for 11 months (except for own technological consumption in networks and stations).

In 2020, the quantity of electricity sold by SNN was 10,805 GWh (including the quantity sold on the balancing market), whereas, in 2019, the sold quantity was 10,652 GWh (including the quantity sold on the balancing market).

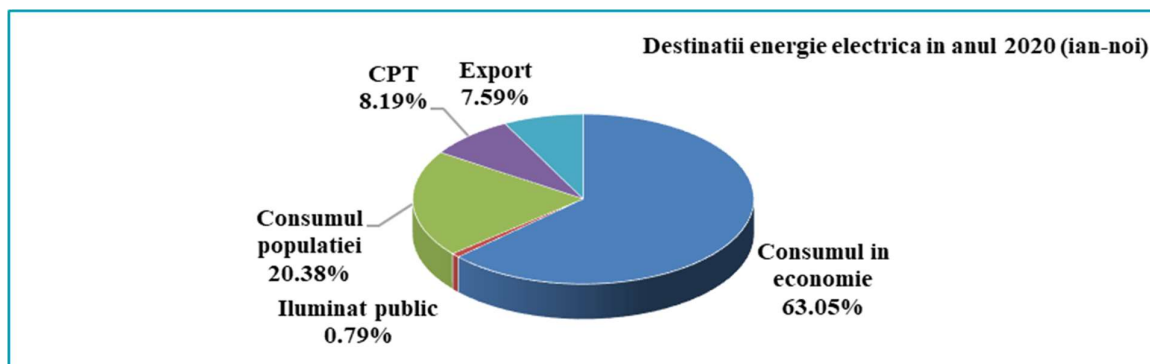
Therefore, while in 2018, SNN sales represented nearly 19.1% of the final energy consumption needs, in 2019, SNN sales represented nearly 19.3 % of the final energy consumption of the national economy, which was 55,298.9 GWh (down by 1% as compared to 2018).

Structure by destinations of the electricity resources in 2019 - 2020:



**Source:**

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



**Source:**

National Institute of Statistics – Press release no. 19/2021 (CPT: own technological consumption in networks and stations).

### 5.3.5. DEPENDENCIES ON A SINGLE CLIENT OR GROUP OF CLIENTS

In 2020, SNN concluded, on the centralized markets administered by OPCOM, 188 electricity sale contracts with 38 buyers (there were cases where the same buyer won several organized tenders). Out of the 38 buyers on the competition-based market, only 16 bought energy quantities that exceeded, for each, 1% of the total sales of SNN on the competition market by term contracts. The first 3 buyers, based on the volumes of energy purchased from SNN, purchased a total of 38.2 % of the sold energy; the first buyer took over 15.7%, and the second 12.7%.

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

Based on the PZU and PI participation agreements, SNN sold in 2020 to OPCOM (which plays the central party role) a quantity that represented 24.8% of the total volume of energy sold by SNN in 2020. It cannot be concluded that there is a significant dependency on a single client or group of clients, the loss whereof would negatively impact revenues.

## 5.4. THE TECHNICAL – MATERIAL SUPPLY ACTIVITY

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

SNN has the supply sources for the performance of the activity thereof in good conditions, and the inventories of raw material and materials are sized accordingly, in order to provide the continuation of operation of the 2 Nuclear Units in Cernavoda, as well as for the nuclear fuel manufacturing at FCN Pitesti.

SNN, in its capacity of Contracting Authority, defined according to the provisions of Emergency Ordinance no. 99/2016, on sectoral procurements, is bound to purchase the products, services or work necessary for the performance of the relevant activity by awarding procedures being run according to the provisions of the aforementioned legislative act, as a rule open tender, competitive negotiation or simplified procedure.

In this context, in 2020, SNN SA initiated and implemented 188 granting procedures (excluding direct purchases and exceptions) for the purchase of products, services and works, with an estimated cumulated value of RON 397,187,607.

Overall, in 2020, at central and branch level, 574 sectoral procurement contracts were concluded.

The most important contracts concluded in 2020 grouped in the 3 types of categories regulated by Law no. 99/2016 are presented herein below.

### **Product contracts concluded by SNN in 2020**

The technical-material supply activity is correlated to:

#### *As concerns the Cernavoda NPP Branch*

The necessary products (consisting, as applicable, in equipment, spare parts, materials, consumables, etc.), resulted from the assessment of preventive and corrective maintenance programs, as applicable, from the investment program, for Units 1 and 2 at CNE Cernavoda, including for the joint goals of the 2 units (for example the Intermediary Warehouse for Burnt Fuel – DICA). A very important issue is the procurement of the critical spare parts. Critical spare parts are primarily intended for the equipment the defects whereof can lead to the decrease of the nuclear security system redundancy, incidents that can jeopardize the environment or staff health, can cause operation transients or the necessity to reduce the power, can generate major flaws to the important equipment of the Power Plant.

*As concerns the Pitesti NFP Branch*

The annual production necessities (NAF) for the implementation of the annual fuel production plan, also providing the reserve inventory, according to the Strategy of the company. Great importance is paid to the procurement of raw materials consisting in uranium dioxide (UO<sub>2</sub>) sintering powder, as well as various semi-finished goods made of Zircaloy 4 (tubes, round bar, sheet, wire) used for fuel item manufacturing.

It is to be noted that, according to the SNN Strategy of diversifying its sources of supplying the raw materials required for producing nuclear fuel, approved by the General Assembly of Shareholders by Resolution no. 5/ April 25<sup>th</sup>, 2018, SNN initiated, starting with 2019, the necessary endeavors for the amendment of the raw material supply policy, in order to allow the purchase of uranium octoxide (U<sub>3</sub>O<sub>8</sub>) on the international market, and progressively passing from the exclusive supply with UO<sub>2</sub>, to the supply with U<sub>3</sub>O<sub>8</sub> which will be processed by CNU Feldioara Branch, in order to be used in the process of making nuclear fuel at the NFP Pitesti Branch.

In 2020, SNN concluded a series of supply agreements for raw materials, spare parts, components and equipment, out of which the most important ones are:

❖ Contract no. 737 of June 16<sup>th</sup>, 2020, contemplating Spare parts for valves, amounting to USD 1,110,077, concluded with Romanian Chemical Services SRL (representative Dresser LLC of BHGE Division), following a Negotiation procedure without prior invitation to a competitive bidding procedure, organized in virtue of the provisions of art. 117 par. 1 of Law No. 99/2016 on sectoral procurement;

❖ Contract no. 1574 as of November 11<sup>th</sup>, 2020, contemplating 6.5 tons of Heavy Water to supplement the reserve for Units 1 and 2 of NPP Cernavoda, amounting to RON 13,416,390, concluded with the National Administration of State Reserves and Special Matters – Territorial Unit 515, following the development of a Negotiation procedure without a previous invitation to a competitive tendering procedure; The conclusion of the contract was approved by the Board of Directors by Decision no. 229/December 15<sup>th</sup>, 2020;

❖ Contract no. 1819 of December 30<sup>th</sup>, 2020 contemplating the Improvement of the reliability of the Main Electric Generator 1-4121-G01, from Unit 1 of Cernavoda NPP by replacing the stator winding, amounting to USD 22,000,000, concluded with the consortium General Electric Global Services GmbH - GE Global Parts & Products GmbH, following a Negotiation procedure without prior invitation to a competitive bidding procedure.

❖ Contract no. 1820 of December 30<sup>th</sup>, 2020 contemplating the Replacement of the Rotor afferent to the Main Electric Generator 2-4121-G02 from Unit 2 of Cernavoda NPP, with a new Rotor, amounting to EUR 19,500,000, concluded with the consortium General Electric Global Services GmbH - GE Global Parts & Products GmbH, following a Negotiation procedure without prior invitation to a competitive bidding procedure.

## Service agreements concluded by SNN in 2020

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

❖ Contract (subscription) no. 1818 of December 29<sup>th</sup>, 2020 contemplating the Use of Danube water for Cernavoda NPP (Unit 1 and Unit 2) in 2021, amounting to RON 62,571,179, concluded with “Apele Romane” National Administration, as an exception to the application of Law no. 99/2016 on sectoral procurements (art. 38). The conclusion of the contract was approved by the Board of Directors by Decision no. 232/December 15<sup>th</sup>, 2020;

❖ Agreement (subscription) no. 1817 as of December 29<sup>th</sup>, 2020, contemplating: Receipt of wastewater in the resource originating from the Nuclear Power Plant - Units 1 and Unit 2, in the year of 2021, amounting to RON 7,117,603, concluded with “Apele Romane” National Administration – “Dobrogea Litoral” Basin Administration, as an exception from the enforcement of Law no. 99/2016 on sectoral procurements (art. 38). The conclusion of the contract was approved by the Board of Directors by Decision no. 230/December 15<sup>th</sup>, 2020.

The most important service agreements concluded by SNN in 2020 are:

❖ Agreement no. 375 as of March 23<sup>rd</sup>, 2020, contemplating Preventive and corrective maintenance services and procurement of the stock of spare parts for the contamination control fixed monitoring devices within Cernavoda NPP, and specialized staff training services within Cernavoda NPP, amounting to EUR 3,053,238, concluded with S.C. Mate Fin S.R.L., following the running of an open Tender procedure;

❖ Contract no. 432 as of March 31<sup>st</sup>, 2020, contemplating Services of follow-up of the behavior in time of the buildings with nuclear destination at Cernavoda NPP, amounting to RON 2,033,000, concluded with Regia Autonoma Tehnologii pentru Energia Nucleara (Nuclear Power Technology Autonomous Administration)(“RATEN”) – Centrul de Inginerie Tehnologica Obiective Nucleare subsidiary (Nuclear Objective Technological Engineering Center)(“CITON”), following the running of an open Tender procedure;

❖ Framework agreement no. 451 of April 2<sup>nd</sup>, 2020 contemplating Life evaluation services, inspections and tests for electrical cables from U1 and U2 at Cernavoda NPP, amounting to RON 10,118,800, concluded with Kinectrics Nuclear Romania, following an open tender procedure;

❖ Framework agreement no. 473 of April 10<sup>th</sup>, 2020 contemplating Full civil security services for the objectives on the Cernavoda NPP Platform and outside it, amounting to RON 12,432,542, concluded with the TMG Guard Association - NEI Security Division S.R.L. following an open tender procedure;

❖ Contract no. 488 of April 14<sup>th</sup>, 2020 contemplating Engineering services for the elaboration of the Feasibility Study on the Management of Radioactive Waste generated during the refurbishment of Unit 1 and during the operation after refurbishment, amounting to RON 6,080,000, concluded with Korea Hydro & Nuclear Power (KHNP) following an open tender procedure;

- ❖ Contract no. 490 of April 14<sup>th</sup>, 2020 contemplating Consulting services necessary to perform the "due diligence" type analysis (Technical, Environmental, Financial, Legal) in order to have a potential takeover by SNN of the processing line from the National Uranium Company - Feldioara Branch , amounting to RON 1,585,600, concluded with the Ernst & Young SRL Association - Radu si Asociatii SPRL, following a Simplified Procedure;
- ❖ Contract no. 574 of May 8<sup>th</sup>, 2020 contemplating Specialized medical services for the staff of Cernavoda NPP, amounting to RON 15,844,140, concluded with Unirea Medical Center (Regina Maria) following an open tender procedure;
- ❖ Contract no. 644 of May 27<sup>th</sup>, 2020 contemplating Maintenance services for the electrical systems and equipment at Cernavoda NPP, in order to operate the plant in conditions of nuclear safety and security, amounting to RON 36,443,853, concluded with Energotech S.A. following an open tender procedure;
- ❖ Contract no. 679 of June 4<sup>th</sup>, 2020 contemplating Consulting, engineering and supervision services and monitoring the contractor in the implementation of the Detritification installation project at Cernavoda NPP, amounting to EUR 14,563,430, concluded with the Association between the National Research-Development Institute for Cryogenic Technologies and Isotopic (I.C.S.I.) Ramnicu Valcea and Kinectrics Nuclear Romania SRL, following the running of a competitive Negotiation procedure. The conclusion of the contract was approved by the Board of Directors by Decision no. 104/May 28<sup>th</sup>, 2020;
- ❖ Contract no. 881 of July 3<sup>rd</sup>, 2020 contemplating Technical design services for the elaboration of a Technical-economic Documentation on the solution for the replacement of the nuclear fuel channels of the Calandria tubes and feeders (ICCTCF) of the Cernavoda Unit 1 reactor, amounting to CAD 390,000, Candu Energy Inc. following the development of a Solution Competition procedure, followed by a Negotiation procedure without prior invitation to a competitive bidding procedure;
- ❖ Contract (Policy) no. 911 as of July 9<sup>th</sup>, 2020 contemplating Civil liability insurance services for nuclear damages - participation rate 66%, amounting to USD 819,280, concluded with Nuclear Risk Insurers Ltd, following the running of a Negotiation procedure without prior invitation to a competitive tendering procedure;
- ❖ Contract (Policy) no. 913 of July 9<sup>th</sup>, 2020 contemplating Property insurance services - Units 1 and 2 CNE Cernavoda and FCN Pitesti - for material damages, all risks, including mechanical and electrical destruction - participation rate 57.6764%, amounting to USD 1,455,315, concluded with Nuclear Risk Insurers Ltd, following the running of a Negotiation procedure without prior invitation to a competitive tendering procedure;
- ❖ Contract no. 1031 of 04.08.2020 contemplating Support services for the activity of the Repair Now Turn Section within Cernavoda NPP, amounting to 7,024,189 lei, concluded with the Association between Unify Co Ltd - Stizo Nuclear, following an open tender procedure;

❖ Contract no. 1091 of 11.08.2020 contemplating Debt monitoring services at Cernavoda NPP, amounting to USD 523,772, concluded with Advanced Measurement & Analysis Group Inc (AMAG), following a Negotiation procedure without prior invitation to a competitive bidding procedure;

❖ Contract no. 1663 of November 25<sup>th</sup>, 2020 contemplating Services for the elaboration of the Feasibility Study for the Refurbishment Project of Unit 1 of Cernavoda NPP, amounting to EUR 622,000, concluded with ERNST & YOUNG SRL, following an open tender procedure;

❖ Contract no. 1782 /December 22<sup>nd</sup>, 2020 contemplating Water transit services in Pond I CDMN through a water supply route from the Danube to the distribution basin of Cernavoda NPP, for the period January 1<sup>st</sup>, 2021 - December 31<sup>st</sup>, 2021, amounting to RON 1,062,396, concluded with the National Company of Waterways Administration, as an exception to the enforcement of Law no. 99/2016 on sectoral procurements (art. 38). The conclusion of the contract was approved by the Board of Directors by Decision no. 231/December 15<sup>th</sup>, 2020.

### **Important contract of works concluded by SNN in 2020**

Contract no. 686 of June 5<sup>th</sup>, 2020 contemplating Works for the realization of the modules from 12 to 17, MACSTOR 200 type, related to the Intermediate Burned Fuel Depot (DICA), amounting to RON 51,255,237, concluded with Concelex SRL following an open tender procedure.

## **5.5. HUMAN RESOURCES ACTIVITY**

The activity performed within SNN in 2020, in the field of human resources, had as main goals:

- ❖ The maintenance of personnel stability and the increase of its involvement degree by means of adequate instruments of both financial and non-financial motivation;
- ❖ The maintenance of an open and efficient dialogue between the administration and social dialogue partner - the Trade Unions.

### **5.5.1. NUMBER, LEVEL OF TRAINING AND THE DEGREE OF UNIONIZATION OF THE LABOUR FORCE**

Average number of employees with individual employment contracts in 2018 – 2020:

<b>Indicator*</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Average number of employees, out of which:	2,028	2,038	2,002
- Indefinite term	1,986	2,003	1,977
- Definite term	42	35	25

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

Out of the total actual number of employees of 2,011 (2019: 2,153), the structure of the personnel by qualification level / education for higher and medium-level education personnel, is as follows:

Training level/education*	2020	2019	2018
University degree	970	1,010	958
Secondary education	1,041	1,143	1,100
<b>Total</b>	<b>2,011</b>	<b>2,153</b>	<b>2,058</b>

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

On December 31<sup>st</sup>, 2020, there were 4 trade unions within SNN:

- ❖ “CNE Cernavoda” Trade Union, a representative trade union, according to Resolution no. 577/August 9<sup>th</sup>, 2018 of Medgidia District Court;
- ❖ "Energetica Nucleara '90" Free Trade Union Cernavoda (SLEN '90);
- ❖ “Fabricatie Combustibil Nuclear” Trade Union Pitesti;
- ❖ “Operatom” Trade Union Cernavoda.

On December 31<sup>st</sup>, 2020, approximately 64% of the total number of employees are trade union members (1,284 employees were members of trade unions out of a total number of 2,011 employees).

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

## 5.5.2. RELATIONS BETWEEN MANAGERS AND EMPLOYEES

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

The employees' activity is carried out according to the established work schedule, the job description, as well as the Internal Regulations (“IR”), which were updated in 2020 by the inclusion of all organizational entities within SNN, including within the Branches of the company, specifying the relations of subordination and coordination of processes, including between the head office and the branches. The updated Internal Regulations were approved by the Board of Directors of SNN by Decision no. 107/June 15<sup>th</sup>, 2020. The main activities, duties, responsibilities as well as the relationships between the departments of the company are



stipulated in the updated Internal Regulations of the Company. The manner of enforcement of legal provisions and internal legislative provisions on labour discipline is set by the Internal Regulations, reviewed in November 2018, and updated in the last part of 2019, applicable since February 10<sup>th</sup>, 2020.

The employees perform their activity in compliance with the established working hours, the job description as well as the Internal Regulations (“IR”). The main activities, duties, responsibilities as well as the relationships between the functional compartments of the organizational structure of the company are indicated in the Internal Regulations. The manner of enforcement of some legal provisions and internal legislative provisions on labour discipline is set by the updated Internal Regulations, applicable since November 9<sup>th</sup>, 2018.

The legislative act governing the labour relations within the Company is the Labour Code - Law no. 53/2003, as further amended and supplemented, according to which, during 2020, between the Board of Directors of the Company and the employees thereof, represented by the Cernavoda NPP Trade Union - a representative trade union with legal status within the unit, a new CLA was negotiated, registered with the Ministry of Labour on November 26<sup>th</sup>, 2020, effective over the period December 1<sup>st</sup>, 2020 - November 30<sup>th</sup>, 2021. Provisions stipulated in other legislative acts governing the labour relations were also integrated in the new CLA, such as: Law no. 62/2011 on Social Dialogue – republished, as further amended and supplemented, and Law no. 319/2006 on occupational safety and health.

The company currently uses a standard individual employment contract both for the employees hired for a definite period of time and for the employees hired for an indefinite period. The standard individual employment contract complies with the clauses stipulated by Order no. 64/2003 on the approval of the framework template of the Individual Employment Contract.

The company assesses the employees thereof according to an internal procedure, yearly or periodically, every 3 - 6 months (in the case of the personnel under observation).

The updated Internal Regulations, applicable within the Company, revised in November 2018 and updated in the last part of 2019, applicable since February 10<sup>th</sup>, 2020, contain all the categories of provisions stipulated by the Labour Code. The Internal Regulations were communicated to the employees on the Intranet page of the Company and have full effect on the employees since the communication date.

During 2020, all the phases of the process of implementation of ISO 37001: 2016 standard - Anti-bribery management system were successfully completed. The ISO 37001: 2016 standard provides the appropriate requirements and guidance for organizations, so that they are able to establish, implement, maintain and improve an anti-bribery management system, in accordance with the best international practices in the field. The main purpose of this standard is to create a management system bringing to the organization a culture of integrity, transparency, openness and compliance, helping the organization to avoid or reduce the risks and costs of bribery and to promote trust in relationships between partners.

During 2020 SNN obtained the ISO 37001: 2016 certification - Anti-bribery management system, certification confirming the solid culture of integrity, transparency, openness and compliance existing in SNN, individually and collectively.

Within the Company, in 2020, there were no collective layoffs and no collective work conflicts. Currently, there are no plans for personnel reduction /restructuring.

## **5.6. ENVIRONMENTAL PROTECTION ACTIVITY**

Currently, SNN holds permits in the field of environmental protection, as follows:

### **Cernavoda NPP Branch**

(i) The environmental permit for S.N. Nuclearelectrica S.A. - Cernavoda NPP Branch - Unit no. 1 and Unit no. 2 of Cernavoda Nuclear Power Plant issued by Government Decision no. 84/February 15<sup>th</sup>, 2019, published in the Official Gazette no. 152/February 26<sup>th</sup>,2019 is valid as a result of the Decision no. 2/January 13<sup>th</sup>, 2021 for the application of the annual visa of the environmental permit, issued by the Ministry of Environment, Waters and Forests. The Authorization covers all the assets and activities related to the operation of NPP Cernavoda Units 1 and 2, including both the nuclear component of the plant ant the classic one.

(ii) The Authorization on the greenhouse gas emissions no. 83/February 1<sup>st</sup>, 2013, reviewed on November 6<sup>th</sup>, 2019, issued by the National Agency for Environmental Protection for the period 2013-2020, according to which the startup thermal plant, the backup diesel groups and the emergency diesel groups of each unit as well as the motor pump of the fire extinguishing system fall under the law on the reduction of greenhouse gas emissions.

(iii) Water Management Authorization no. 131/June 18<sup>th</sup>, 2019, on "Water supply and wastewater disposal for Units 1 and 2 of Cernavoda Nuclearelectrica Power Plant" valid until June 30<sup>th</sup>,2021.

(iv) Water Management Permit no. 230/December 4<sup>th</sup>, 2019 issued by "Apele Romane" National Administration on "Cernavoda Spent Fuel Storage Facility (DICA)" valid until June 30<sup>th</sup>, 2022. By means of this permit the "Apele Romane" National Administration gave the Company the right to use hydraulic structures and receptors for drainage of rainwater from the surface Repository Spent Fuel and evacuate rainwater Valley Cismeiei, provided that quality indicators related to the presence of radioactive elements comply with the limits set by CNCAN.

## FCN Pitesti Branch

Environmental permit for SN Nuclearelectrica S.A. - FCN Pitesti Branch issued by Government Decision no. 24/2019 published in the Official Gazette of Romania no. 87bis/ February 4<sup>th</sup>, 2019 is valid as a result of the Decision no.1/ December 4<sup>th</sup>,2020 for the application of the annual visa of the environmental permit, issued by the Ministry of Environment, Waters and Forests.

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

(a) Certificate no. 56 on the Environment Management System of SNN - Cernavoda NPP Branch for the production of electrical and thermal energy, using nuclear resources and support and related activities, according to the provisions of standard SR EN ISO 14001:2015 (ISO 14001:2015), issued by IQNet and SRAC on May 7<sup>th</sup>, 2019 and valid until April 24<sup>th</sup>, 2022.

(b) Certificate no. 4309 on the Environment Management System of SNN – Pitesti NFP branch for the nuclear fuel processing activity, according to the conditions from the EN ISO 14001:2015 standard, issued by IQNet and SRAC on October 2<sup>nd</sup>, 2019 and valid until November 4<sup>th</sup>, 2022.

The impact of the operation of the Power Plant and of the nuclear fuel plant on the environment is constantly monitored and reported in accordance with the requirements of the operational and environment permits. For both branches, the Company observed in 2020 the limits for pollutants set in the environmental permits.

Over the period January 1<sup>st</sup>, 2020 – December 31<sup>st</sup>, 2020 within SNN and the branches thereof, there were no events with impact on the environment, the population and its own personnel and that of the contractors.

All the environmental reports were drafted and sent by the agreed deadlines, according to the provisions in the permits, protocols and additional requests.

According to the Investors' Agreement, SNN was responsible for obtaining the environmental approval for the investment “Continuation and completion of the works at Units 3 and 4 of Cernavoda NPP”. The procedure for obtaining the environmental approval was started in 2006 and ended in September 2013, by the issue of the environmental approval. According to the specific environmental law for nuclear objectives, the environmental approval was issued by Government Resolution no. 737/2013.

The total volume of solid radioactive waste, for both units of Cernavoda NPP, generated in 2020, was of 60.07 m<sup>3</sup>. Overall, up to the present date, in 1996 - 2020, the total volume of solid radioactive waste, for both units, is of 1,005.94 m<sup>3</sup>.

The waste is stored within the physical protection fence of Cernavoda NPP, inside the Intermediary Warehouse for Solid Radioactive Waste.

The policy of Cernavoda NPP for the used fuel management comprises:

- (a) Wet storage in the used fuel pool of the unit for a period of minimum 6 years;
- (b) Dry storage for spent fuel in intermediate storage for a period of 50 years.

Spent Fuel Storage Facility ("DICA") is on Cernavoda NPP site, the transportation being made on an internal road allowing the maintenance of an integrated physical protection system.

The warehouse is gradually built, according to DICA Strategy for long-term development. Up to the present date, there are 10 MACSTOR 200 modules, with a capacity of 12,000 bundles per module.

In 2020, 6,000 fuel bundles were transferred to the Intermediary Burnt Fuel Warehouse from Unit 1 and 6,000 bundles from Unit 2.

FCN Pitesti monitors the gaseous radioactive effluents in the atmosphere through the dispersion chimneys as well as the liquid effluents, in accordance with the conditions in the permits. According to these conditions, FCN Pitesti may release in the atmosphere a volume of radioactive gaseous effluents of maximum  $10^9$  m<sup>3</sup>/year. The volume of gaseous radioactive effluents released in the atmosphere in 2020 represented 78.5% from the authorized volume.

NFP Pitesti transferred in 2020 a volume of 1050 m<sup>3</sup> of liquid radioactive effluents to the Cleaning Station of the Nuclear Research Institute (SE-ICN), which represented 52.5% of the maximum authorized volume.

A volume of 440 m<sup>3</sup> of radioactive liquid waste was transferred for treatment to the Radioactive Waste Treatment Station of the Nuclear Research Institute (STDR-ICN).

13,303.8 kg of non-burnable radioactive solid waste (DSRN) and 4,653.1 kg of burnable radioactive solid waste (DSRI) were generated. Three transfers of non-burnable radioactive solid waste (DSRN) were performed to the final storage facility for low-level radioactive solid waste from CNU, Feldioara branch, the amount of 11,762.5 kg DSRN. Also, 3,749.1 kg of burnable radioactive solid waste (DSRI) were transferred for treatment by incineration to STDR-ICN Pitesti.

## **5.7. RADIOPROTECTION PROGRAM**

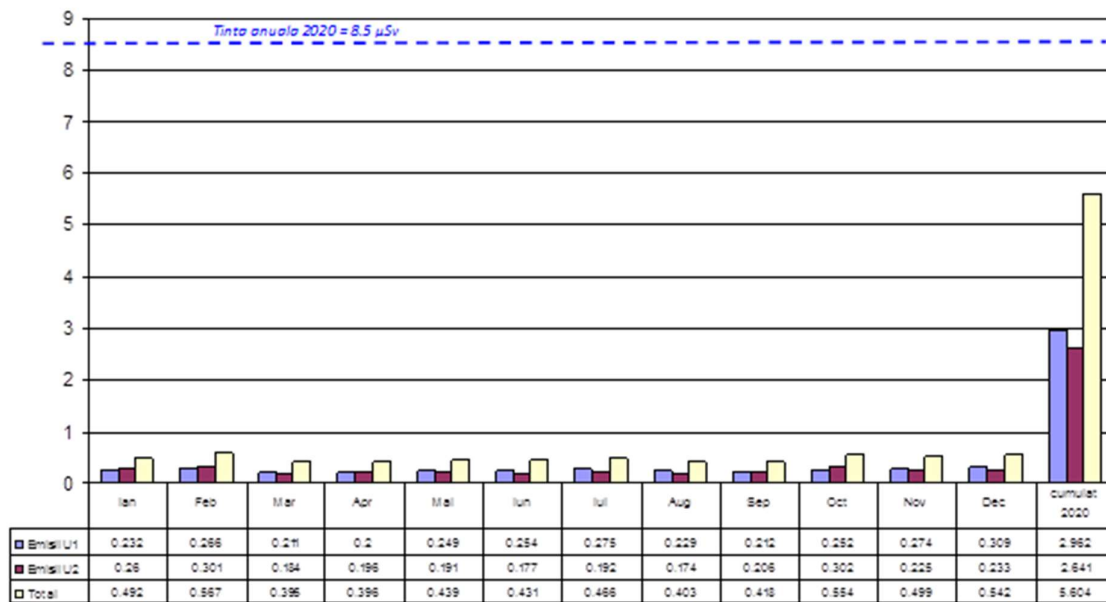
The main goal of the control process on the exposure to radiation of the SNN personnel is to keep professional exposure as low as reasonably achievable (the ALARA principle).

The efficiency of ALARA policy of Cernavoda NPP is monitored by reporting the performance indicators and the periodic analysis thereof.

The Radiation Protection performance indicators indicate the efficiency of the Radiation Protection programs in optimizing the exposure of the personnel of the Power Plant to radiations.

The radioactive emissions in water and air were kept quite below the authorized limits for the Power Plant. The actual annual dose for a person in the critical group, due to the radioactive emissions in the environment (Unit 1 and Unit 2) was 0.0056 mSv in 2020, whereas the annual average dose received by a member of the public in the natural background is of 2.4 mSv. More detailed information on the radiological impact are provided by the SNN report - “Environmental Report”

Radioactive emissions in the environment U1 + U2 in 2020 (microSv)



In 2020, the achieved collective dose was of 719.51 mSv/employee, the annual average dose for employees with recordable doses was of 0.99 mSv, and the individual maximum dose was of 7.5 mSv. The legal limit for the effective dose for the professionally exposed workers is of 20 mSv/year, and the administrative limit at NPP is 14 mSv/year. Neither of these limits was exceeded.

At the end of 2020, the internal collective dose was of 185.51 mSv/employee, representing 25.8% of the total dose within the Power Plant.

The Radioprotection Department periodically elaborates and sends reports on the evolution of the collective doses and of the ALARA performance indicators, thus raising the involvement of the personnel of the Power Plant in the control and optimization process for the professional exposure to ionizing radiation. The achievement of these goals is monitored via the ALARA process and the ALARA committees operate with excellent results. With an average dose per unit of 360 mSv/employee, Cernavoda NPP remains, according to the information to date, one of the highest performing power plants in the CANDU group.

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The radioprotection program of the NFP Pitesti branch has as goals to maintain a very low exposure to ionizing radiation, individual radiological monitoring and of the labour environment in compliance with the applicable law and the requirements in the operating permits issued by CNCAN.

For the external exposure to ionizing radiations, the entire personnel of NFP Pitesti is monitored using Thermal-luminescent Dose-meters (TLDs) measured within the Personal Radiation Protection and Dose-meter Laboratory of NFP (LRDP-NFP), assigned by CNCAN as a certified dose-meter authority with assigning certificate NFP ODD 12/2020 valid for the period October 27th, 2020 – October 26th,2025.

In 2020, the collective dose of NFP was 494.038 mSv/employee, out of which the collective dose following the external exposure was 444.772 mSv/employee. The collective dose following the internal exposure (49.266 mSv/person) represented 10% of the collective dose of NFP for 2020. The individual average annual dose was 1.27 mSv/year, a dose representing 8.5% of the administrative control limit for the actual individual annual dose of the professionally exposed personnel imposed by NFP Pitesti (LCA-15 mSv).

NFP Pitesti manufactured in 2020 a volume of 10,800 bundles with natural uranium dioxide. Out of these, 10.080 bundles were delivered to NPP Cernavoda, for the 2 units in operation, as follows: 5.040 bundles of nuclear fuel to Unit 1 and 5.040 bundles of nuclear fuel to Unit 2.

The nuclear fuel malfunction rate in 2020 was 0% for Unit 1 and 0% for Unit 2. For 2020, the average discharge combustion degree was 166,617.4 MWh/kg U for Unit 1, and 180,562 MWh/kg U for Unit 2. Thus, the high quality and performance of the nuclear fuel were validated during the operation of the 2 reactors.

FCN Pitesti continued to monitor both the participating personnel and the means of transport, with the purpose of the correlated assessment of the doses, reporting on a yearly basis to CNCAN the status thereof, and, after each transport, it elaborated a report on the performance mode thereof.

## **5.8. RESEARCH AND DEVELOPMENT ACTIVITY**

The Company is not directly involved in any research and development activities, benefiting, however, as a member of various specialized organizations and associations in the field, from the studies and research thereby made.

## 5.9. OPERATING AUTHORIZATIONS AND LICENCES

The company operates via the two Branches thereof, in virtue of the following main categories of particular authorizations, special licenses and specific rights:

- a) Site authorization no. I/605/September 30<sup>th</sup>, 1978, issued by the State Committee for Nuclear Power;
- b) Authorizations in the nuclear field issued by the National Commission for Nuclear Activities Control (CNCAN);
- c) Licenses issued by the National Energy Regulatory Authority (ANRE);
- d) Other authorizations.

### **(a) Site authorization no. I/605/September 30<sup>th</sup>, 1978, issued by the State Committee for Nuclear Energy**

The site authorization was issued for Cernavoda site for the construction of a CANDU-PHWR 4x660MWe nuclear power plant, made up of four nuclear reactors. The authorization was issued in virtue of Law no. 61/1974 and the Nuclear Safety Regulations for “Nuclear reactors and nuclear power plants” dated 1975 and provides for the main technical characteristics of the nuclear power plant.

### **(b) Authorizations in the nuclear field issued by CNCAN**

Pursuant to art. 8 par. (1) of the Law no. 111/1996, for the development of the activities and/or use of the sources contemplated by this law, the operators must obtain specific authorizations issued by CNCAN, in full observance of the specific authorization procedure specific to each type of activity or source. At the end of 2019, the following authorizations in the nuclear field are in force for SNN:

(i) Authorizations issued by CNCAN in the nuclear field for Cernavoda NPP Subsidiary:

- Nuclear safety authorization for the operation and maintenance of Cernavoda Nuclear Power Plant, Unit 1, authorization no. SNN Cernavoda NPP U1 – 01/2013. The authorization was issued for a period of 10 years, starting with May 1<sup>st</sup>, 2013 until April 30<sup>th</sup>, 2023;
- Nuclear safety authorization for the operation and maintenance of Cernavoda Nuclear Power Plant, Unit 2, authorization no. SNN Cernavoda NPP U2 – 01/2020. The authorization was issued for a period of 10 years, starting with December 8<sup>th</sup>, 2020 until December 7<sup>th</sup>, 2030;
- Building permit for Modules 12, 13, 14, 15, 16 and 17 of the Intermediary Burnt Fuel Warehouse, permit no. SNN Construction DICA 02/2020. The authorization is valid until June 19<sup>th</sup>, 2025;
- Nuclear safety authorization for the operation and maintenance of modules 1, 2, 3, 4, 5, 6, 7, 8, 9,10 and 11 of the Intermediary Burnt Fuel Warehouse, authorization no. SNN DICA 06/2020. The authorization was issued on June 9<sup>th</sup>, 2020 and is valid until June 8<sup>th</sup>, 2023;

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PREVALES.

- Authorization for the quality management system for the operation, design, supply, repair and maintenance and use of software products, in the nuclear field. Authorization no. SNN NPP Cernavoda – 01/2019 is issued for a period of 2 years, from May 1<sup>st</sup>, 2019 until April 30<sup>th</sup>, 2021;

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

(a) Authorization for the Quality Management System in the nuclear field no. 20-026 issued according to Art. 24 of Law no. 111/1996, for production activities in the nuclear field, for 2 years, from September 18<sup>th</sup>, 2020 until September 17<sup>th</sup>, 2022;

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

i. Authorization LP/007/2020 for owning ionizing radiation sources, radiologic installations with ionizing radiation sources, devices generating ionizing radiations, nuclear installations for processing and manufacturing nuclear fuel, nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest, equipment and devices provided in Government Decision no. 916/2002, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;

ii. Authorization LP/008/2020 for the use of closed ionizing radiation sources, radiological installations, equipment and devices generating ionizing radiations, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;

iii. Authorization LP/009/2020 for handling closed radiation sources, radiological installations with closed sources and radioactive waste, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;

iv. Authorization LP/010/2020 for the processing of nuclear raw materials, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;

v. Authorization LP/011/2020 for the manufacture of nuclear fuel valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;

vi. Authorization LP/012/2020 for the temporary storage of nuclear raw materials, nuclear fuel and radioactive waste, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;

vii. Authorization LP/013/2020 for the supply of nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest and double-use materials, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;

viii. Authorization FCN Transport\_20/2018 for the transportation of radioactive materials, valid January 10<sup>th</sup>, 2019 until January 9<sup>th</sup>, 2024;

ix. Authorization AN/081/2017 for ownership of unpublished information, valid from March 31<sup>st</sup>, 2017 until November 28<sup>th</sup>, 2021.

(c) By Assignment Certificate no. NFP ODD 12/2020, CNCAN updated the appointment of the Radiation Protection laboratory and dosimeter personnel within NFP Pitesti as Dosimetry Body, valid from October 27<sup>th</sup>, 2020 until October 26<sup>th</sup>, 2025.

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

(a) Authorization for the quality management system for management activities in the nuclear field. Authorization no. SNN EX-01/2019 was issued for a period of 2 years, from May 1<sup>st</sup>, 2019 until April 30<sup>th</sup>, 2021;

(b) Authorization no. PD/205/2018 for ownership of heavy water for Units 3 and 4, valid from October 26<sup>th</sup>, 2018 until October 25<sup>th</sup>, 2023.



(iv) CNCAN authorized personnel. For Cernavoda NPP Branch, the company holds 17 CNCAN permits for management personnel, 6 CNCAN permits for personnel with specific training positions and 50 CNCAN permits for operational staff in the control rooms of the two Units. For the FCN Pitesti branch, the Company holds 32 permits for nuclear activities, level 2. The company also has 4 permits for management personnel from the Head Office and 4 approvals for members of the Board of Directors.

### **(c) Licenses issued by ANRE**

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

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

- a) License no. 5/December 3<sup>rd</sup>, 1999 for the production of electric power granted by the ANRE Decision no. 80/ December 3<sup>rd</sup>, 1999;
- b) License no. 244/March 26<sup>th</sup>, 2001 for the production of thermal energy granted by ANRE Decision no. 341/March 26<sup>th</sup>, 2001, withdrawn starting with May 27<sup>th</sup>, 2020 by ANRE Decision 847/May 27<sup>th</sup>, 2020, and replaced by License no. 2218/May 27<sup>th</sup>, 2020 for the commercial exploitation of the thermal power production capacities, granted by ANRE Decision no. 848/May 27<sup>th</sup>, 2020.
- c) License no. 962/October 21<sup>st</sup>, 2010 for the supply of electricity granted by ANRE Decision no. 2597/October 21<sup>st</sup>, 2010, expired on October 21<sup>st</sup>, 2020, and replaced by License no. 2236 /September 30<sup>th</sup>, 2020 for the activity of electricity supply, granted by ANRE Decision 1715 / September 30<sup>th</sup>, 2020, valid starting with October 21<sup>st</sup>, 2020.

The company complied, both over previous years and in 2020, with the provisions of the conditions associated to the aforementioned licenses.

License no. 5/December 3<sup>rd</sup>, 1999 authorizes the company to produce electric power by the commercial operation of the power capacities related to the electric power production units. The license came into force on December 3<sup>rd</sup>, 1999 and is valid for a period of 25 years. By the ANRE Decision no. 1683/November 1<sup>st</sup>, 2007, the license was amended to increase the installed capacity factor of the company from 706.5 MW to 1,413 MW and to approve other conditions associated to the license as well, after the commissioning of NPP Cernavoda Unit 2.

License no. 244/March 26<sup>th</sup>, 2001 authorizes the Company to perform the activity of generating thermal energy by the commercial operation of the power capacities related to the units of electrical and heating power generation consisting of two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The license came into force on March 26<sup>th</sup>, 2001 and is valid for a period of 25 years. By the ANRE Decision no. 1684/November 1<sup>st</sup>, 2007, the license was amended to approve the existing conditions related to the license. SNN delivers thermal power

to the local thermal power distribution company – Utilitati Publice SA Cernavoda, as well as to some end consumers in the locality of Cernavoda – economic agents, social and cultural institutions.

License no. 2218/May 27<sup>th</sup>, 2020 authorizes the Company to perform the commercial operation of the thermal power production capacity by the commercial operation of the power capacities related to the units of electrical and thermal power generation consisting of two heat exchangers with a total thermal power of 44 Gcal/h and 40 MW. The license came into force on May 27<sup>th</sup>, 2020 and is valid for a period of 25 years.

License no. 962/October 21<sup>st</sup>, 2010 for the supply of electric power authorizes the Company to perform the activity of electricity supply on the energy retail market and came into force on October 26<sup>th</sup>, 2010. By the ANRE Decision no. 2000/September 23<sup>rd</sup>, 2015, the license was amended for the extension of the validity of the license till October 21<sup>st</sup>, 2020. Starting with October 21<sup>st</sup>, 2020, License no. 2236/ September 30<sup>th</sup>, 2020 for the activity of electricity supply for a period of 10 years.

#### **(d) Other authorizations**

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

In the field of environmental protection, the permits and certificates were distinctly presented within the report.

### **5.10. NUCLEAR SECURITY**

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

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

Nuclear security as a field is a set of technical and organizational measures designed to:

- provide the operation of the nuclear plants under safety conditions;
- prevent and limit the damage thereto;
- provide the protection of the personnel, the population and the environment against radiation or radioactive contamination

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

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

The nuclear safety philosophy of CANDU-type power plants is based on the concept of "deep defense", providing a gradual protection in case of equipment defects, human errors, anticipated transient regimes in operation or accidents, including in the case of severe accidents. For the implementation of this concept, the project provides for a series of successive protective barriers to the uncontrolled release of radioactive materials into the environment. In addition to the five major barriers to the release of fission products to the population from a CANDU type plant: fuel matrix, fuel sheath, primary circuit enclosure, tire enclosure and exclusion zone, passive or active features were included in the systems design, intended to prevent or mitigate the consequences of a process failure or accident sequence, which could otherwise lead to the release of radioactive materials into the environment.

Up to present date, no CANDU type NPP recorded events or accidents posing a threat to the health and security of the population. In supplement of the measures intended for the fully safe operation of the plant, planning and preparation for emergency situations is a pre-requisite for the authorization of the operation of a nuclear power plant. Within Cernavoda NPP, the emergency preparedness is verified and improved by quarterly, yearly or general drills and exercises (once every 3-4 years).

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

Cernavoda NPP, along with AECL Canada and ANSALDO Italy, issued the "Reassessment report of nuclear security margins". The assessment made proves the fact that Units 1 and 2 at Cernavoda NPP comply with the nuclear security requirements established by the project and that they can face severe earthquakes and floods, as well as the total loss of electrical energy and cooling water supply. Moreover, methods and procedures were planned for managing

possible severe accidents. Methods to prevent and mitigate the consequences of accidents which may determine the melting of the active area were also identified.

In order to provide a good coordination with the relevant Local Public Authorities in terms of the response in emergency situations, Cernavoda NPP created two important facilities for Cernavoda town, namely: Local Center for Emergency Situations of Cernavoda Town-Hall and Personnel Decontamination Area, within Cernavoda Town Hospital.

## **Decommissioning**

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

In 2008 - 2020, SNN paid on an annual basis the following contributions to ANDR:

- (a) Contributions for the decommissioning of each nuclear reactor in amount of 0.6 EUR/MWh of produced and delivered electricity in SEN;
- (b) Contributions for the final storage of radioactive waste, in amount of 1.4 EUR/MWh of produced and delivered electricity in SEN.

## **5.11. INTEGRATED MANAGEMENT SYSTEM**

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

The Management System developed and implemented within SNN S.A. treats in a coherent, coordinated and unitary manner the components related to nuclear safety, protection against ionizing radiation, environmental protection, quality, safety and health of workers, physical protection, protection against cyber threats, control of nuclear safeguards, protection of classified information, planning and response to emergencies, capitalization of electricity produced and issues related to economic performance and ensures that the requirements thereof are not addressed separately from nuclear safety, having priority over any other requirements, considerations and interests.

The implementation of the management system provides the premises for identifying and integrating all legal and regulatory requirements, good practices and standards adopted voluntarily, in order to accomplish the general goals of the company and meet the expectations of all "stakeholders".

The requirements of the SNN Management System apply to all activities and processes performed within SNN S.A.

The management of SNN SA has delegated to the Branches the responsibility for developing and implementing parts of the SNN Management System for the specific activities therein performed, without this leading to the reduction of its liability in terms of the overall efficiency of the system. Consequently, the Branches have developed their own Management Systems in correlation with the requirements of the SNN Management System, as well as with the legal requirements applicable to the specific field of business. The Management Systems of the Branches are reviewed and accepted by the SNN management.

The integrated management system applied by Cernavoda NPP is focused on meeting the nuclear safety requirements deriving from the CNCAN regulations and requirements underlying the issue of the operation permit of Units 1 and 2 in Cernavoda and the burnt fuel depot (DICA) and is developed in accordance with the requirements of the IAEA GSR Part 2 standard and the CNCAN Standards for Quality Management Systems voluntarily integrating the requirements of the management standards ISO 14001, ISO 45001, ISO 17025, ISO 27001, ISO 37001 the requirements of the EMAS Regulation - Eco Management and Audit Scheme (Community Environmental Management and Audit System). The management system of Cernavoda NPP is authorized by CNCAN according to the provisions of Law no. 111/1996 for “Activities of operation, design, supply, repair and maintenance, use and maintenance of software products in the nuclear field” (CNCAN authorization no. SNN NPP Cernavoda – 01/2019, valid until April 30<sup>th</sup>, 2021).

The integrated management system applied by FCN Pitesti is focused on meeting the requirements deriving from the CNCAN regulations and requirements underlying the issue of the operating permits associated with the nuclear fuel production activity and is developed in accordance with the requirements of Canadian standard CSA N299.2-16 and of CNCAN Norms for Quality Management Systems voluntarily integrating the requirements of the management standards ISO 14001, ISO 45001, ISO 17025, ISO 37001 and the requirements of the EMAS Regulation - Eco Management and Audit Scheme (Community Environmental Management and Audit System). The management system of FCN Pitesti is authorized according to the requirements of Law no. 111/1996 for “Manufacturing activities in the nuclear field, class 2 of gradual application granted to the management system” (CNCAN authorization no. 20-026, valid until September 17<sup>th</sup>, 2022).

Cernavoda NPP and FCN Pitesti branches hold certificates of conformity of the Management System with the requirements of the ISO 14001 “Environmental Management Systems” and ISO 45001 “Occupational Health and Safety Management Systems” standards.

Both branches are registered in the EMAS environmental management community system according to Regulation (EC) no. 1221/2009 of the European Parliament and of the Council of November 25<sup>th</sup>, 2009 on the voluntary participation of organizations in a Community eco-management and audit scheme (EMAS) and Commission Regulation (EU) 2017/1505 of August 28<sup>th</sup>, 2017 amending Annexes I, II, III.

Within SNN S.A., the Headquarters and the Branches of Cernavoda NPP and FCN Pitesti, an anti-bribery management system was implemented and certified according to the ISO 37001: 2016 standard. The integration of the anti-bribery system in the management system of SNN S.A. contributes to the development of the culture of integrity and transparency, as well as of a business environment promoting ethics and compliance.

## **5.12. CORPORATE SOCIAL RESPONSIBILITY**

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

In order to permanently involve the stakeholders and maintain open communication with them, SNN is involved in several forms of dialogue by online communication channels (website - Investor Relation, social media platforms Facebook, LinkedIn, Access SNN application for investors), Intranet, periodical notifications and newsletters for employees, press releases to the relevant public authorities, taking part in public consultations and various local, national and international events on topics relevant for the activity of the company.

The open and continuous dialogue with the stakeholders is part of our organizational culture, it helps us obtain balanced perspectives from outside the organization and provides support in setting references, strategic priorities and in approaching future challenges.

The social programs developed by SNN were focused, ever since 1991, on the local development and improvement of living conditions for the inhabitants of Cernavoda. Further on, the corporate social responsibility activities of SNN were diversified and extended towards all areas at the country and towards different population groups.

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

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

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

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

The main trends of orientation of the corporate social responsibility actions, in compliance with the specific nature of the SNN activity, are:

- ❖ Actions dedicated to students in the nuclear, energetic, technical field, especially; as well as to young people in general, like contests, creation and invention exhibitions etc.;
- ❖ Actions dedicated to the development of local communities in the Cernavoda and Pitesti area, to the improvement of living conditions, access to quality medical services, helping the population in need, providing opportunities for education, development of young people's skills, increasing the number and quality of green areas etc.;
- ❖ Attendance within organizations promoting sustainable public policies in the economic, energetic, social, cultural field, like professional associations, institutes, resource centers etc.;
- ❖ Cultural and educational actions for facilitating public access to personal culture and development, supporting artistic creations and manifestations etc.;
- ❖ Humanitarian actions destined to help population segments affected by Acts of God or singular cases of people with disabilities via certain associations in the field, especially actions dedicated to elderly people and children.

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

The corporate social responsibility goals are:

- ❖ Creating and supporting a sustainable business model, with responsible management and global policies adapted to local issues;
- ❖ Response to the real issues of the community;
- ❖ Development of relations with the local community, NGOs;
- ❖ Attracting young specialists;
- ❖ Alignment to the international standards and good practices of corporate social responsibility applied by the companies.

The CSR strategy of SNN aims:

- ❖ To be focused on individuals and on all partners of interest, but it will be assessed based on the implications on the individuals (employees, managers, citizens);
- ❖ To build a corporate conceptual inheritance, by integrating ethics in the professional training process and by establishing processes whereby ethics is reflected in all the actions of the company;
- ❖ To put the employees first, appreciating them as the most valuable resource and the best ambassadors of the company;
- ❖ To know each community wherein it operates, including the culture thereof;
- ❖ To establish a system whereby the CSR debates remain transparent and continuous;
- ❖ To create wise partnerships in order to achieve the CSR objectives;
- ❖ To accurately measure the impact of the CSR projects;
- ❖ To report the obtained results also outside the company, so that the information would reach all partners of interest.

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

Principle 1: Companies should support and comply with the protection of universal human rights.

Principle 2: To ensure that they are not accomplices in human right abuses.

Principle 3: Companies should support the freedom of association and actually acknowledge the right of collective negotiation.

Principle 4: Removal of all forms of forced and mandatory labour.

Principle 5: Effective removal of minors' labour.

Principle 6: Removal of discrimination in terms of employments and positions.

Principle 7: Companies should promote a preventive approach of environmental challenges.

Principle 8: Taking initiatives for promoting a solid responsibility towards the environment.

Principle 9: Encouraging the development and promotion of environmentally friendly technologies.

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



Societatea Nationala Nuclearelectrica SA (“SNN”) deems as important the involvement in supporting activities carried out by non-governmental associations, non-profit organizations or eligible institutions in virtue of the applicable law, having beneficial effects on a significant number of people. In compliance with the corporate social responsibility statement of SNN, published on the website of the company, the activities supported by SNN are, predominantly, those related to the energy field, and also those related to the active participation in organizations that promote nuclear energy, sustainable public policies in the economic and energy field, such as professional or academic associations involved in the promotion of culture and education.

### **5.13. INTERNATIONAL RELATIONS**

The nuclear industry is particularly specific by the fact that, inside it, there is a continuous flow of experience and information exchange. Each operator of Nuclear Plants is part of an international network of approximately 440 Nuclear Units worldwide. At international level, the leader in international cooperation, in the nuclear field, is the World Association of Nuclear Operators (“WANO”), and at governmental level, the International Agency for Atomic Energy in Vienna (“AIEA”).

The purpose for the development of this international cooperation network is the analysis of various event categories and the dissemination of lessons learned, in order to remove recurrence, promoting experiences and optimum practices adopted and implemented internationally, benchmarking and assessment of implementing standards at international level, control and monitoring of performance indicators and updating them to keep a constant high level of nuclear security, organizing inter-pares assessment assignments, in order to provide the accession and adoption by each operator of Nuclear Power Plants of the best practices at international level and assessed by de facto performance.

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

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

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

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

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

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

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

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

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

❖ NEA OECD: Romania has joined the Nuclear Energy Agency (NEA) within the Organization for Economic Cooperation and Development (OECD) in June 2017. NEA represents the intergovernmental agency that facilitates the cooperation between the countries that use nuclear technology and aim to achieve the highest standard of nuclear safety, corroborated with the performance in environment protection, technological and economic development.

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

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

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

#### **5.14. LEGAL ACTIVITY/LITIGATIONS**

Currently, SNN is involved in 156 litigations, out of which:

- 2 criminal lawsuits where SNN is a civil party;
- 10 trials against the Court of Auditors;
- 143 civil law / administrative law / insolvency law / labour law trials.

Out of the 156 litigations, 39 are major litigations, the value whereof is over RON 500,000, including those that are not monetarily valued or having a scope that is not assessable in money.

In the litigations with the Court of Auditors (2015) wherein SNN was a plaintiff, cases related to the suspension and cancelation of the measures ruled by the Court of Auditors by administrative acts, one file is in progress, the scope whereof is to cancel the measure ordered by the Court of Auditors.

In the litigations with the Court of Auditors (2018) wherein SNN was a plaintiff, cases related to the suspension and cancelation of the measures ruled by the Court of Auditors by administrative acts, 8 files are in progress – 7 in appeal and one at the court of first instance, the scope whereof is to cancel the measure ordered by the Court of Auditors. 4 favorable and 4 unfavorable verdicts have been passed.

By the end of 2020, SNN obtained favorable solutions in 31 litigations, out of which:

- The value of the receivables recoverable from the favorably settled litigations is of RON 55,846,136.
- The value of the loss avoided in the litigations favorably settled is of RON 22,850,000, amount also including two cases won, contemplating the granting of an increased radiological risk.

The amount does not include the quantification of the loss avoided by SNN, as a result of winning the file contemplating the cancellation of the Environmental Permit for U3-4, plaintiff: Greenpeace.

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

A detailed report on the major litigations, the value whereof is over RON 500,000, including those that are not monetarily valued or having a scope that is not assessable in money can be found in Annex 6 to this Report.

## **5.15. PERSPECTIVE ELEMENTS**

As far as the perspective of energy sales on medium and long term (up to 3 years) is concerned, we consider, based on the data related to more developed European energy markets, that the price competitive market will not undergo any significant changes in terms of extensive increases or drops.

The new electricity market context leads to the necessity to identify new investment opportunities including by diversifying the activity portfolio in activities included in the electricity value chain, to reduce the business risk and provide a proper efficiency adequate to the equity.

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

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

### **5.15.1. FACTORS THAT MAY INFLUENCE LIQUIDITY**

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

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

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

### 5.15.2. CURRENT AND ANTICIPATED CAPITAL EXPENDITURE

The total value of the investment program of SNN for 2020 is 309,544 thousand RON (without the component allocated to the payment of the debt service related to long-term loans), a program approved by Resolution no. 3/05.03.2020 of the Ordinary General Assembly of Shareholders of SNN, as part of the Revenues and Expenses Budget ("BVC") of SNN for 2020.

The comparative situation of the investment accomplishments (value and percentage) for 2020 compared to the same period of 2019 is presented in the table below:

Year	Value of the investment program [thousand RON]	Performed (01.01 - 31.12) [thousand RON]	Achievement level (01.01 - 31.12) (%)
2020	309,544	223,947	72.3%
2019	256,548	218,455	85.2%

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

#### Analysis of the completion degree of the investment program on December 31, 2020

The investment program of SNN for 2020 annexed to BVC was value-sized by considering the ongoing contractual commitments, the estimates regarding the investment objectives to be made in the following year, including amounts allocated to investment projects for which the fulfillment of certain requirements outside the control of SNN is anticipated (e.g. prior approvals of regulation authorities, legal terms regarding the completion of public tender procedures, including appeals, obtaining the necessary approvals from SNN corporate bodies, etc.), in order to allow the implementation of these projects by fitting into the approved budget values.

The largest investment projects that are planned to be completed in 2020 were: Module 11 DICA; modernization and expansion of the Physical Protection System – priority 2, stage 1; refurbishing the power outlet transformer and delivering it to CNE Cernavoda and fitting the Seiru Warehouse. In addition, the investment program includes inspections and capital repairs

carried out at Unit 1 of CNE Cernavoda during the scheduled shutdown, other necessary investment projects within the CNE Cernavoda branch, the FCN Pitesti branch and the headquarters, as well as investment objectives with completion in the next years.

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

- **“Planned outage of Unit 1 CNE Cernavoda (regular general inspections and capital repairs)”**: budgeted 111,297 thousand RON – the value degree of implementation as of December 31, 2020 is 90.0%.

- **“Extending the life cycle of unit 1 by re-tubing the reactor and refurbishing the main systems”**: budgeted 49,710 thousand RON – the value degree of implementation as of December 31, 2020 is of 90.1%.

- **“Burnt fuel intermediary storage”**: budgeted 10,053 thousand RON – the value degree of implementation as of December 31, 2020, is 82.7%. The reception of Module 11 took place on June 5, 2020. The process of contracting the construction works of Modules 12 – 17 has been completed, and the contract signed on June 12, 2020 is in progress.

- **“Modernization and expansion of the physical security system”**: budgeted 8,511 thousand RON – the value degree of implementation as of December 31, 2020 is 50.9%.

- **“Fitting the Seiru Warehouse”**: budgeted 2,871 thousand RON – the value degree of implementation as of December 31, 2020, is 130.5%. The budgeting of this investment was carried out with caution, since on the date on which BVC 2020 was drafted there were uncertainties related to its continuation.

- **“Increasing the safety in the operation of the power evacuation system of CNE Cernavoda, by refurbishing the power evacuation transformers and providing a backup transformer for two units”**: budgeted 2,194 thousand RON – the value degree of implementation as of December 31, 2020 is 131.8%.

- **“Improving the CNE Cernavoda response, respectively the nuclear security functions in case of events outside the design bases following the nuclear accident occurred at the Fukushima 1 nuclear plant, Japan”**: budgeted 1,486 thousand RON – the value degree of implementation as of December 31, 2020 is 6.9%.

- **“Modernization of the bundle manufacture line”**: budgeted 551 thousand RON – the value degree of implementation as of December 31, 2020 is 92.7%.

- **“Fittings”**, representing procurements of goods and other investment expenses: budgeted at 71,478 thousand RON – the value degree of implementation as of December 31, 2020 is 50.7%.

### **5.15.3. EVENTS, TRANSACTIONS AND ECONOMIC CHANGES AFFECTING REVENUES**

The revenues from the main activity are significantly affected by:

- ❖ Production of electricity by Cernavoda NPP, closely related to the operational performance of the two nuclear units;
- ❖ Reintroduction, following Government Emergency Ordinance no. 114 /December 28<sup>th</sup>, 2018, amending and supplementing the Law on Electricity and Natural Gas no. 123/2012, of the obligation of the manufacturers to deliver to last instance providers under regulated contracts, between March 1<sup>st</sup>, 2019 and February 28<sup>th</sup>, 2022, the electricity required provide the consumption of household clients;
- ❖ Regulated prices, set by ANRE;
- ❖ Evolution of prices on the competitive market and the ability of the company to successfully compete under such price these conditions.

## **6. TANGIBLE ASSETS**

### **6.1. LOCATION AND CHARACTERISTICS OF MAIN PRODUCTION CAPACITIES**

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

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

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

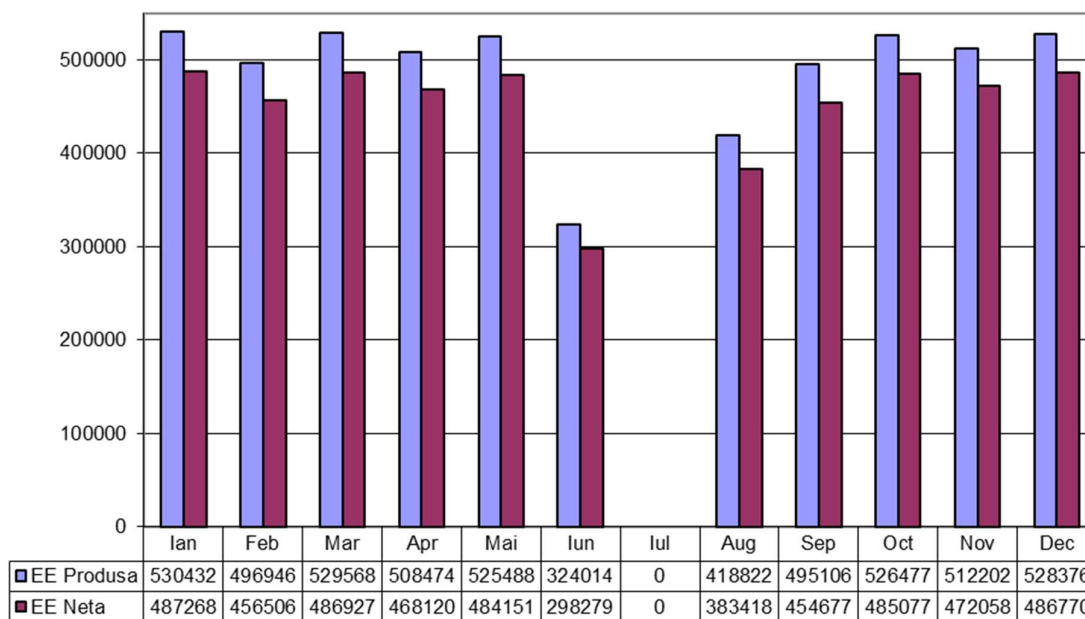
Pitesti Nuclear Fuel Factory (FCN) Subsidiary, with the head office in Arges county, Mioveni town, also operates within the company. FCN is the owner of a land with an area of 23.273 sq.m., out of which 8.458 sq.m. are occupied by production departments, storage and offices, and the rest is a free area. Within FCN Pitesti, the production of the nuclear fuel bundles is carried out, using sintering uranium dioxide powder (UO<sub>2</sub>) as raw material.

## 6.2. THE DEPRECIATION DEGREE OF THE ASSETS

The two nuclear power units within the CNE Cernavoda have an initial life cycle of 30 years, that can be extended for 25 more years after a refurbishment process. Unit 1 was commissioned in 1996, whereas Unit 2 was commissioned in 2007. Every 2 years, the Nuclear Units are alternatively switched off for maintenance work within the scheduled shutdown program. The Nuclear Fuel Plant in Pitesti was founded in 1992, and the first batch of nuclear fuel bundles was produced in 1994.

## 6.3. OPERATIONAL PERFORMANCE INDICATORS

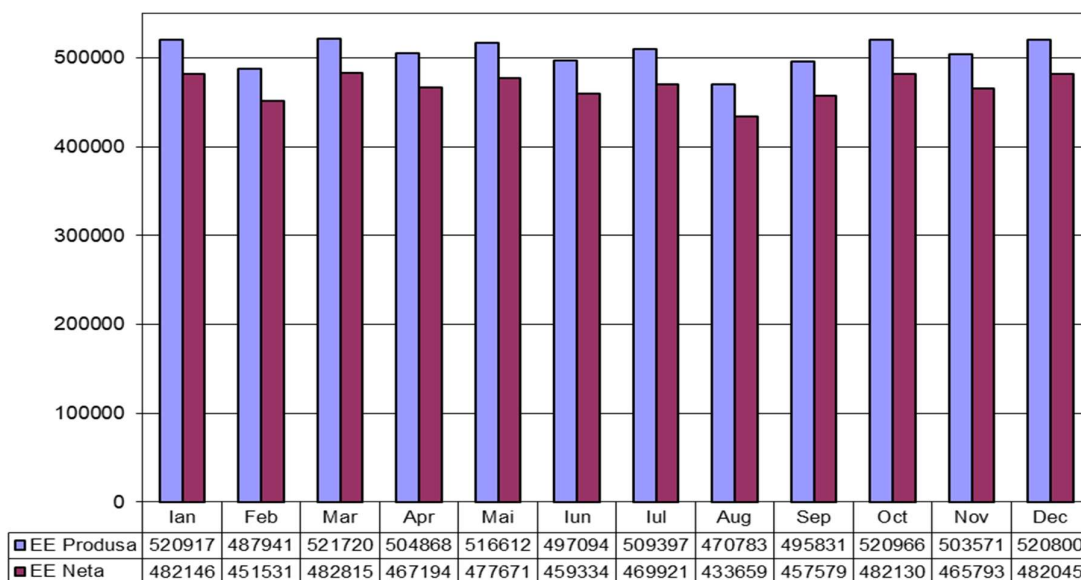
Produced/net electricity U1 (MWh)



Total 2020  
 Produced E                      Net E  
 5,395,904                      4,963,253  
 Own average technological consumption: 8.02%



### Produced/net electricity U2 (MWh)



Total 2020

Produced E

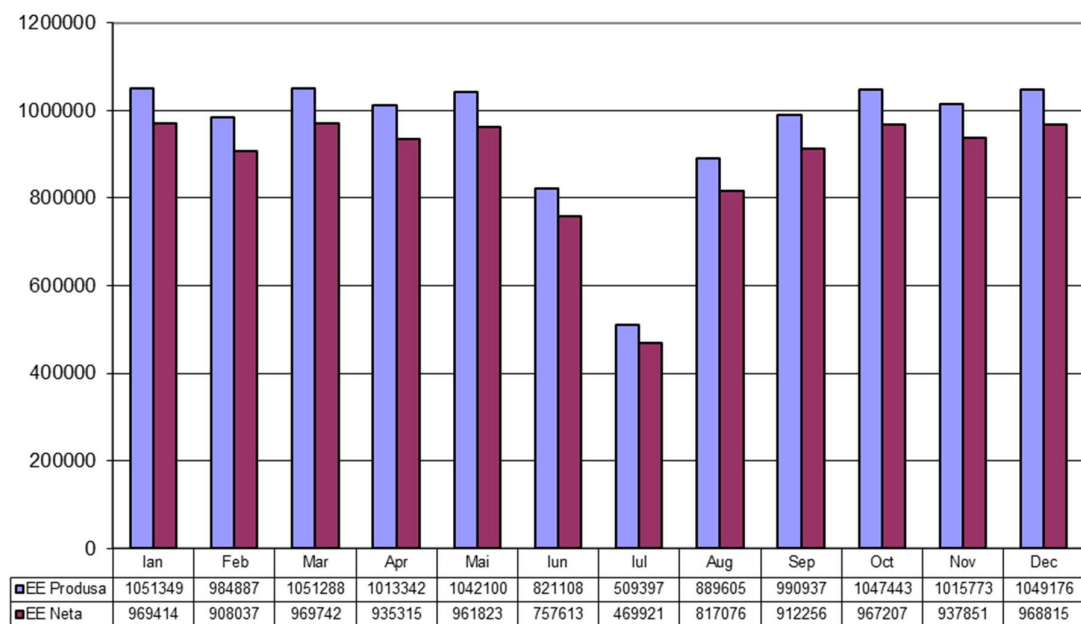
6,070,500

Net E

5,611,815

Own average technological consumption: 7.56%

### Produced/net electricity U1 +U2 (MWh)



Total 2020

Produced E

11,466,405

Net E

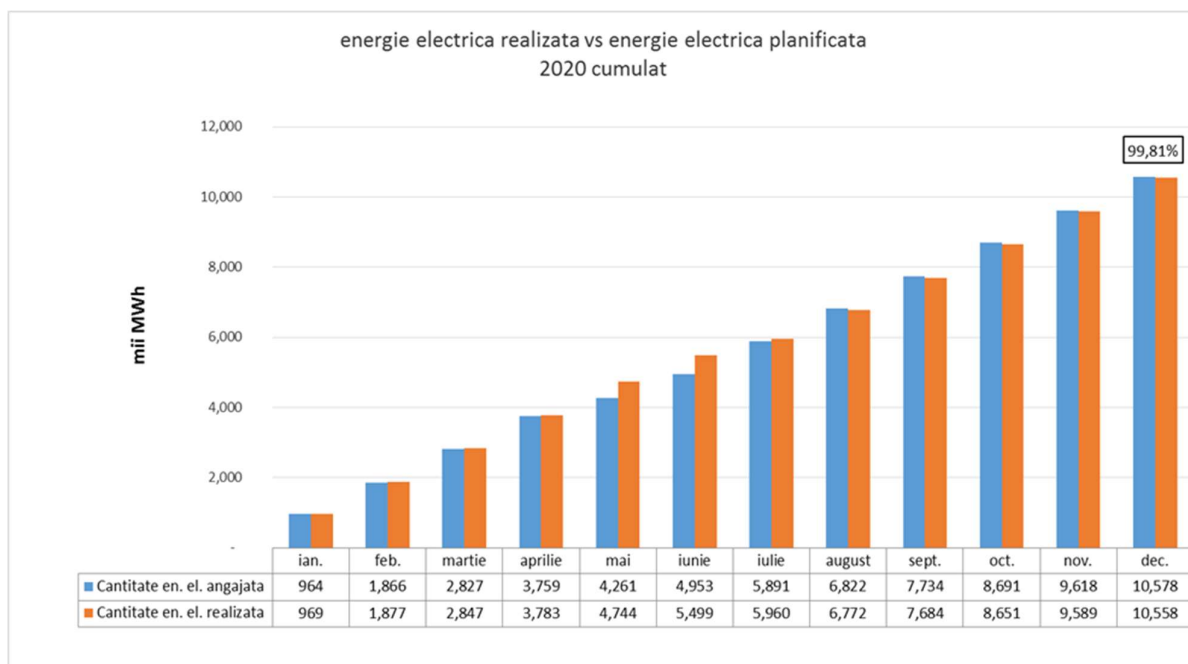
10,575,068

Own technological consumption of electricity

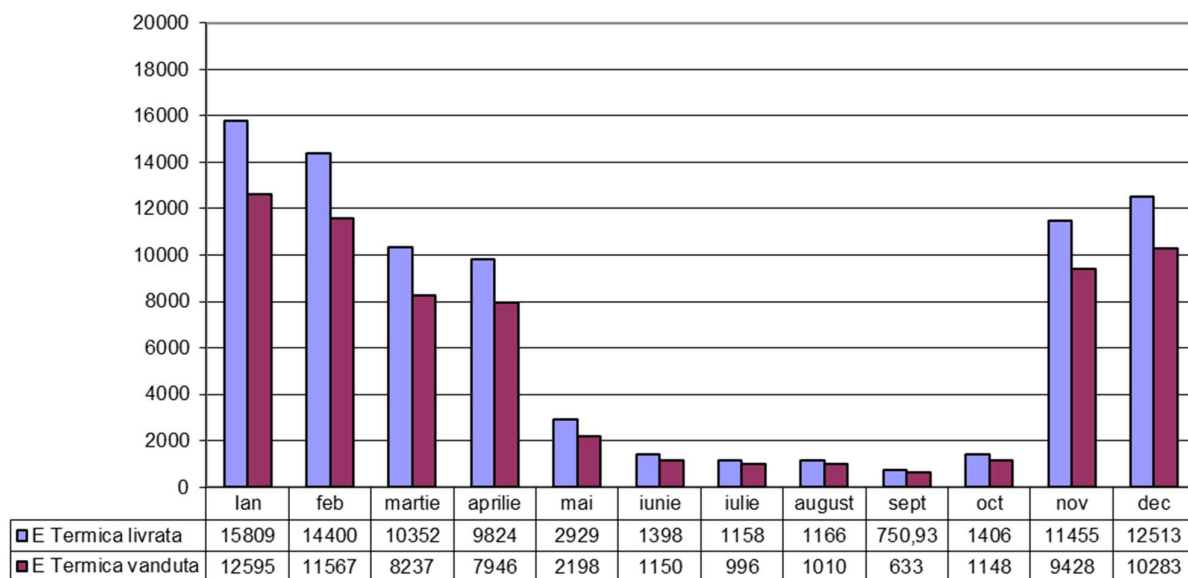
Cumulatively accomplished in 2020: 7.79% Provided for the project: max 10.00%

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



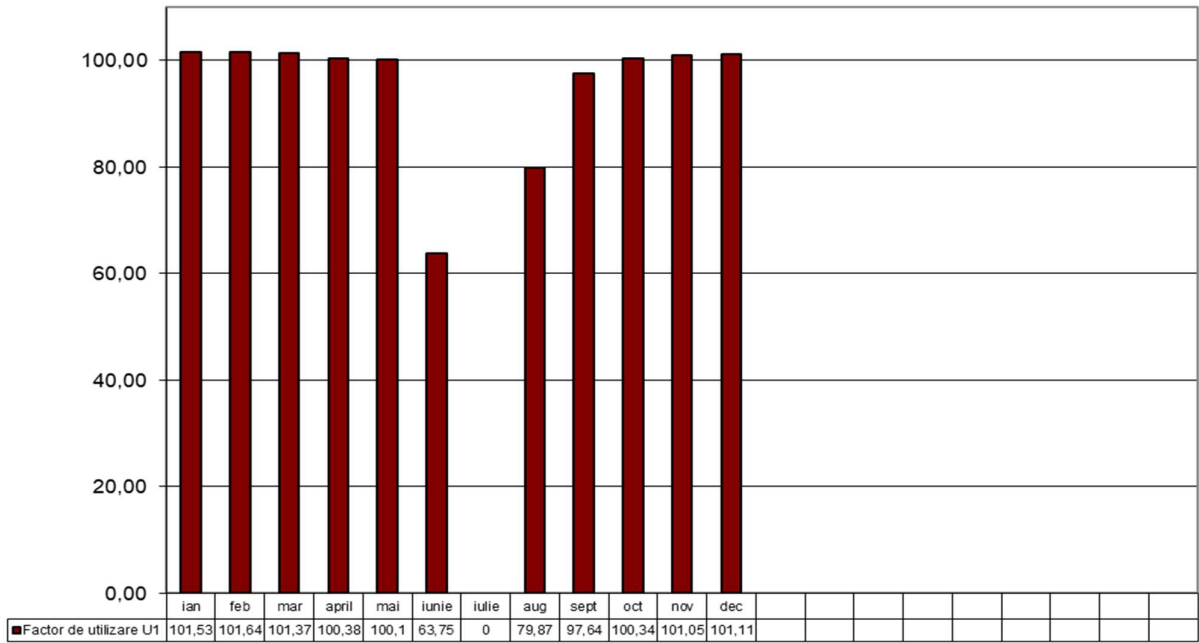
Thermal energy delivered to the district heating/sold (Gcal)



Total 2020  
Thermal E delivered    Thermal E sold  
83,260                    67,189

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PREVAELS.

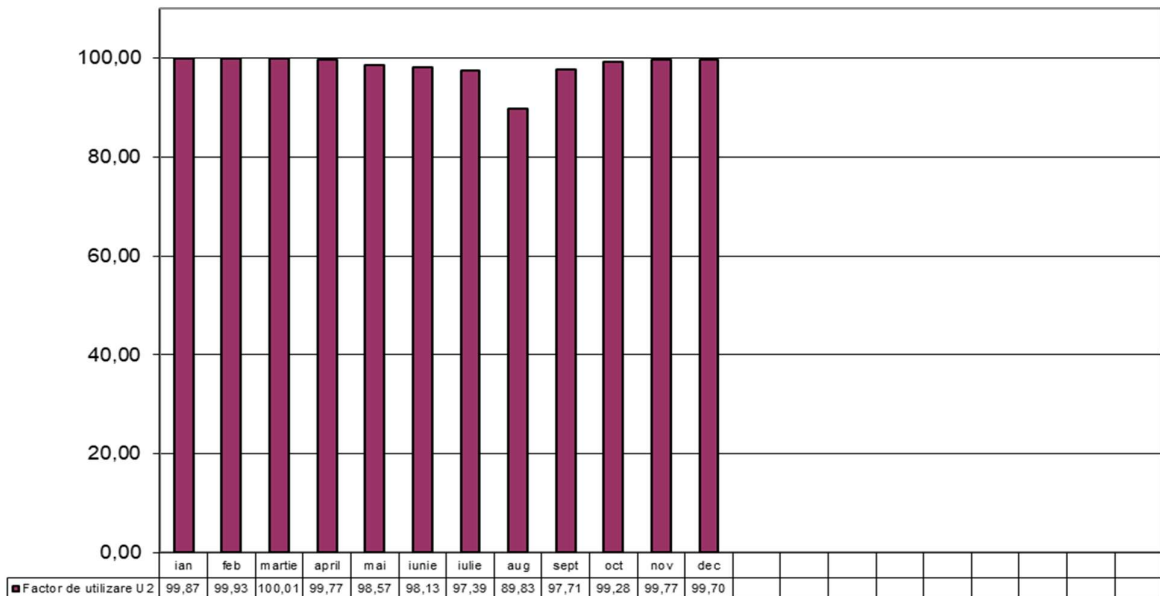
### Installed power capacity factor U1 (%)



Expected  
87.5%  
(internal NPP target)

Cumulated 2020 U1  
87.29%

### Installed capacity factor U2 (%)

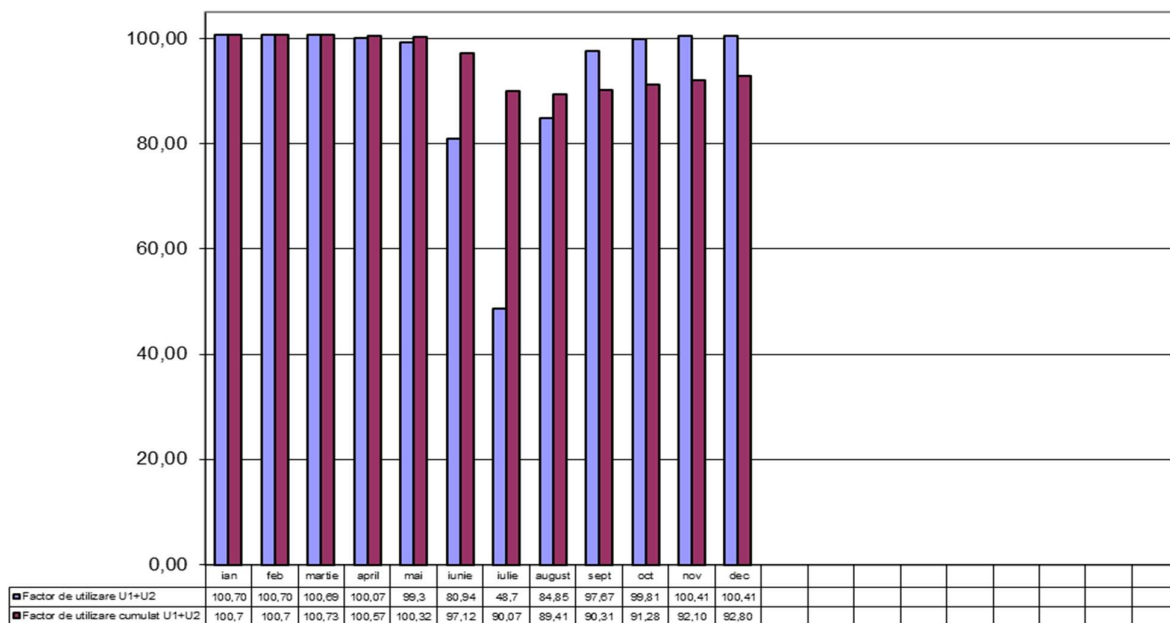


Expected  
97%  
(internal NPP target)

Cumulated 2020 U2  
98.32%

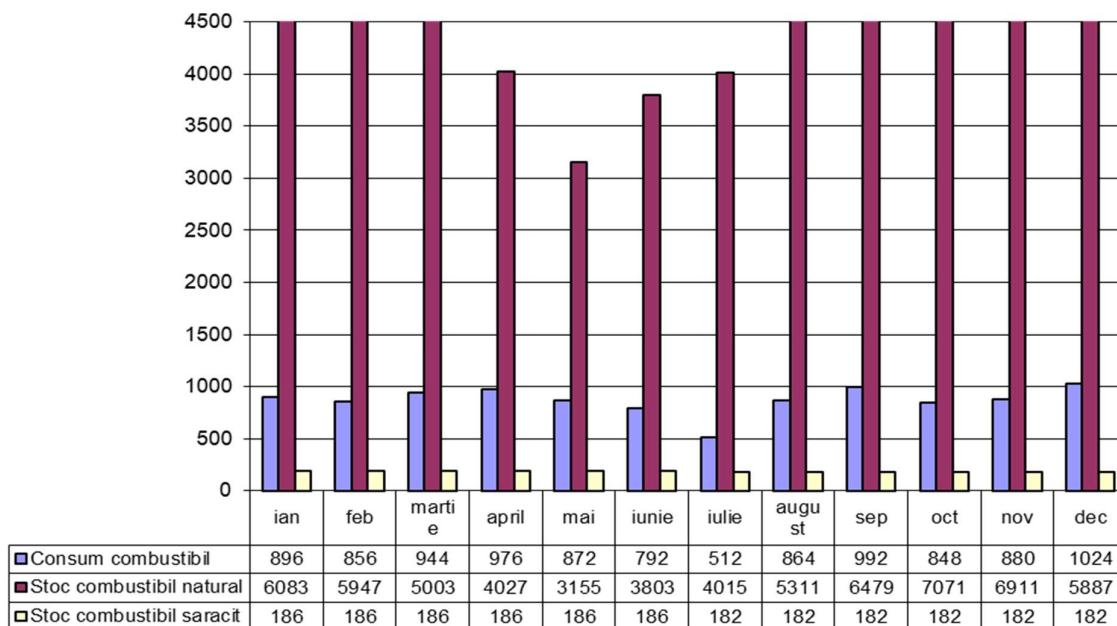
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PREVAILS.

### Installed power capacity factor U1 + U2 (%)



Cumulated 2020: 91.28% Expected 2020: 92%

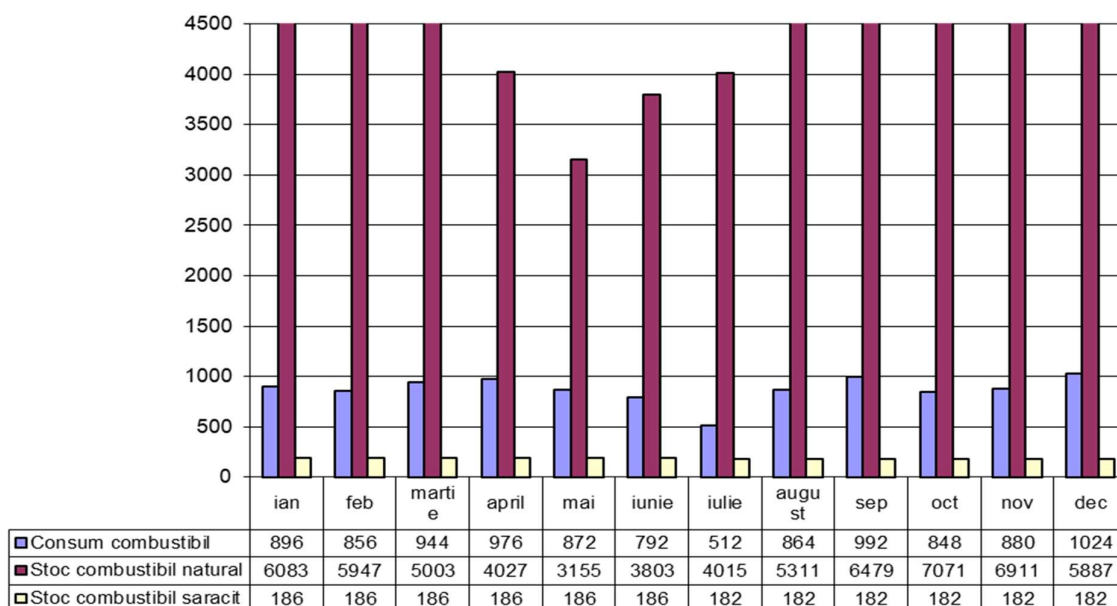
### Fuel consumption U1 + U2/ Fuel stock (bundles)



Cumulated consumption 2020: 10,456

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 IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION  
 PREVAILS.

## Nuclear fuel burn up degree (MWh/KgU)



Cumulated 2020: 173.6 Provided for the project: min. 156

## 7. MARKET OF SECURITIES ISSUED BY THE COMPANY

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

Following the Initial Public Offer of 25,368,236 shares, representing 10% of the share capital of SNN, run over the period September 9<sup>th</sup>, 2013 – September 20<sup>th</sup>, 2013, the SNN shares are traded on the regulated market managed by Bucharest Stock Exchange (BSE) since November 4<sup>th</sup>, 2013, on Category I, having the issuing symbol “SNN” and ISIN code ROSNNEACNOR8. Starting with January 5<sup>th</sup>, 2015, the SNN shares have been traded on the Premium category of BSE.

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

- a) the shares are among the most liquid 25 securities, in terms of the liquidity coefficient;
- b) The free-float capitalization average for the last 3 months exceeds the amount of EUR 40 million.

On December 31<sup>st</sup>, 2020, the total number of shares issued by SNN is of 301,643,894 shares. The record of shares is kept by the Central Depository, as independent registry company, authorized by the Financial Supervisory Authority.

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## The evolution of the share capital increases:

Shareholders	Shares [mil.]	%	Shareholders	Shares [mil.]	%	Shareholders	Shares [mil.]	%	Shareholders	Shares [mil.]	%	Shareholders	Shares [mil.]	%
Ministerul Economiei	229.00	90.27%	Ministerul Economiei	229.00	81.27%	Ministerul Energiei, IMM si Mediului de Afaceri	248.44	82.48%	Ministerul Energiei	248.73	82.49%	Ministerul Energiei	248.85	82.4981%
Fondul Proprietatea S.A.	24.70	9.73%	Fondul Proprietatea S.A.	27.40	9.73%	Fondul Proprietatea S.A.	27.40	9.10%	Fondul Proprietatea S.A.	27.40	9.09%	Fondul Proprietatea S.A.	21.11	6.9990%
			Free float	25.40	9.00%	Free float	25.36	8.42%	Free float	25.36	8.41%	Free float	31.68	10.5029%
<b>Total</b>	<b>253.70</b>	<b>100%</b>	<b>Total</b>	<b>281.80</b>	<b>100%</b>	<b>Total</b>	<b>301.22</b>	<b>100%</b>	<b>Total</b>	<b>301.51</b>	<b>100%</b>	<b>Total</b>	<b>301.64</b>	<b>100%</b>



- IPO followed by an allocation of trading rights, over the period October 4 – 28, 2013.
- The shares were listed on the main segment of BVB (symbol: SNN) starting with November 4, 2013.
- Inclusion in indexes: BET Index 1.99%, BET-XT Index 1.53%.

- IPO for a 10% stake (new issue).
- Subscription period: September 9 – 20, 2013.
- Sold out tranche for the institutional investors.
- Oversubscription of 5.6 and 3.7 times for the two retail subscription tranches (the tranche for small investors was fully subscribed by the end of the second listing day).
- Deal Value (mn): RON 281.9 (EUR 62.6).
- Total share capital increase value (mn): RON 312.5 (EUR 6.4).
- Market Cap Post IPO (mn): RON 3.150 (EUR 700).

- Share capital increase by 19,438,285 shares out of the total of 23,917,263 shares offered for subscription.
- Subscription period: January 5, 2015 – April 2, 2015.
- The share capital increase represents the acknowledgment of the contributions over the period 2006 – 2009 and 4,479,539 shares offered in virtue of the preemption right.
- Allocation percentage: 81.2730%.
- Increase value: RON 194,382,850 (EUR 43,196,188).

- Share capital increase by 292,810 shares representing the in-kind contribution of the Romanian State amounting to RON 2,928,100.
- Subscription period October 19, 2015 – November 18, 2015.
- 62,201 newly issued shares were offered for subscription to the shareholders registered on the registration date, in virtue of the preemption right. The shares were not subscribed.

- Share capital increase by 113,857 shares representing the in-kind contribution of the Romanian State amounting to RON 1,138,570.
  - Subscription period: August 17, 2020 – September 16, 2020.
  - A maximum number of 24,158 newly issued shares were offered for subscription to the shareholders registered on the registration date, in virtue of the preemption right.
- A number of 16,186 new shares have been subscribed, amounting to RON 161,860.

Starting with September 21<sup>st</sup>, 2020, SNN was included in the indices of the global index provider FTSE Russell in the context of the transition of the Romanian capital market from the status of Border Market to the status of Emerging Secondary Market. Following the inclusion of SNN in the emerging market indices of FTSE Russell, the shares of the company are included in the following global provider indices: FTSE Global All – Cap, FTSE Global Total – Cap, FTSE Global Small Cap, FTSE Emerging Index and FTSE Emerging All Cap Index.

## 7.2. DIVIDEND POLICY

### Applicable legal provisions

SNN is a national company with a majority state-owned capital. Thus, the allocation of the net profit complies with the provisions of Government Ordinance no. 64/2001 (“GO 64/2001”) on profit distribution in national entities, national companies and companies with fully or majority state-owned capital, and autonomous administrations, as further amended and supplemented. Thus, according to the provisions of GO no. 64/2001, the minimum dividend distribution share is 50% of the net profit remained after the distributions stipulated in art. 1 par. (1) let. a)-e) in the Government Ordinance no. 64/2001. The legislative framework could be amended in the future by the amendment of the applicable law, so that the minimum dividend distribution share would be changed.

The provisions of GO 64/2001 establish a minimum mandatory dividend distribution share. Thus, as long as the provisions of GO 64/2001 remain unchanged, the Company may propose to the shareholders a dividend distribution share between 50% and 100% of the distributable profit. The profit share to be distributed on a yearly basis by the Company under the form of dividends is subject to approval within the General Meeting of the Shareholders.

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

### Dividend profit distribution statement over the last 3 years

For 2020, the net profit allocation proposal complies with the provisions of Government Ordinance no. 64/2001 on profit distribution within national entities, national companies and companies with fully or majority state-owned capital, as well as autonomous administrations, as further amended and supplemented.

The amounts proposed to be distributed under the form of "employees' participation in profit" are up to 10% of the net profit, but not more than the level of an average monthly base salary per employee in 2020 and taking into account the average number of employees in 2020. The profit distribution proposal includes the amount of RON 21,326,448. The profit sharing obligation has been established by the income and expense budget approved for 2020, so that the provisions of art. 1 par. 1 let. e) in the Government Ordinance no. 64/2001 are complied with. The amounts representing the employees' participation in profit is not a direct distribution of the net profit, these being forecast at the end of the financial year and distributed in the next financial year, after approval of the net profit distribution. Therefore, the net income of the financial year 2020 includes a provision for employees' participation in profit (derived from the accounting profit) in the amount of RON 21,326,448.

The amounts allocated to the legal reserve shall be determined under the provisions of art. 183 of Law no. 31/1990 according to which "at least 5% from the company profit shall be taken every year for the creation of the reserve fund, until it reaches at least one fifth of the share capital". The amount allocated to the legal reserve was taken in the end of the financial year, representing the mandatory allocation amounting to RON 40,770,431.

Other reserves representing tax facilities stipulated by law (RON 5,424,567) are allocated under art. 22 par. (1) of Law no. 227/2015 on the Tax Code, as further amended and supplemented; they relate to the exempt corporate tax related to the profit invested in technological equipment, computers and peripherals, machinery and home appliances, control and billing equipment, as well as produced and/or purchased software, as stipulated in subgroup 2.1 class 2.2.9 in the "Catalogue on classification and the normal useful life of fixed assets" used for the purpose of the development of the economic activity. The amount allocated to reserves is the amount of the profit invested in this equipment, net of the legal reserve (5%).

The proposed gross dividends (RON 472,117,575) represent a distribution of 70% of the profit after deducting from the net profit of the financial year (RON 699,322,229) the legal reserve (RON 40,770,431) and the reserves accounting for tax facilities (RON 5,424,567).

From the net profit of the financial year of 2019, the company approved a rate of 96.38% for the distribution of the net profit to dividends, and from the net profit of the financial year of 2018, the company approved a rate of 95.95% for the distribution of the net profit to dividends, therefore complying with the provisions of art. 1 paragraph (1) letter f) in G.O. no. 64/2001, as further amended and supplemented.

### **Calculation method and payment**

Dividends are distributed to the shareholders pro rata with the shareholding in the subscribed and paid-up share capital of the company; each paid-up share entitled the holder to receive dividend. Details on the distribution methods, of retaining a tax on dividend and payment are available on the website of the company/the investor relation/GMS section.

### **Principles to be considered upon the establishment of dividends in the future**

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

- ❖ The compliance with the requirements in GO 64/2001 or in other applicable legislative acts, assimilated included, as applicable, including the minimum distribution rate from the distributable profit stipulated in such legislative acts;
- ❖ Keeping a balance between the need to compensate the shareholders by dividend and the financing needs by own sources of the company, including for investment projects;



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

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

Further information on dividends can be found in the Annual Reports available on the website of the company, the investor relation/GMS section.

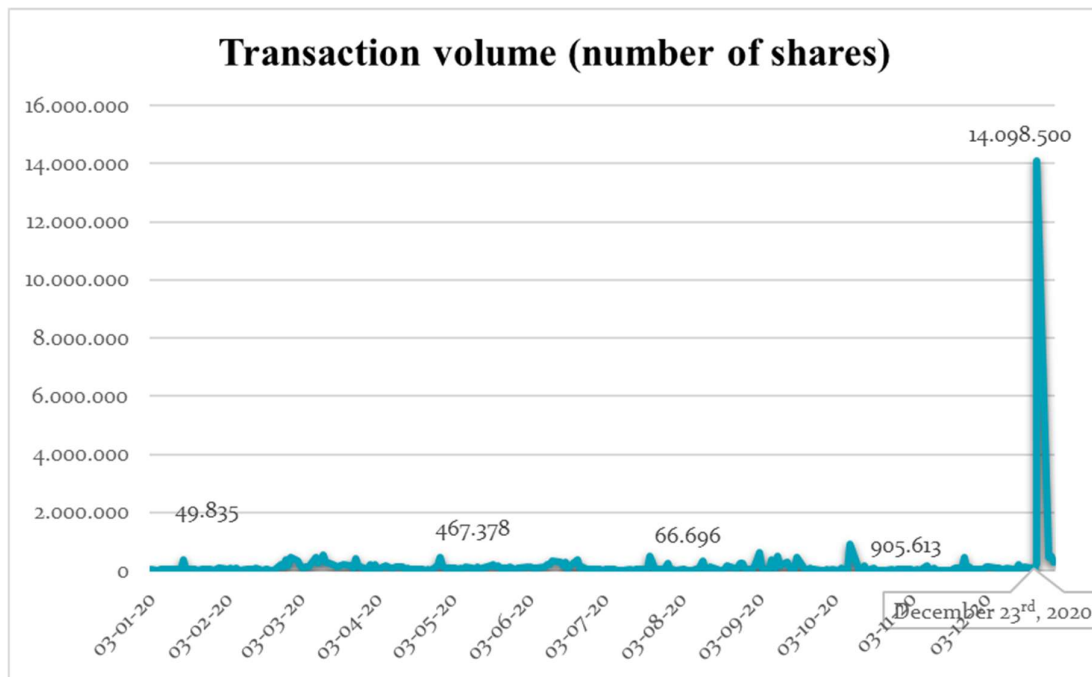
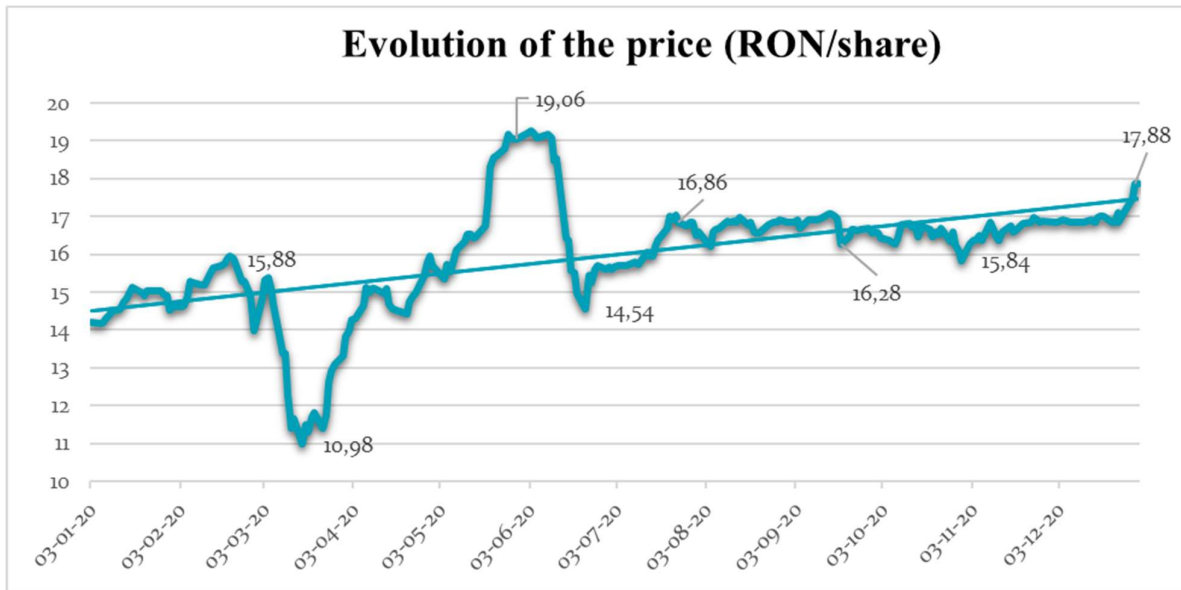
The dividends due and paid over the last 3 years were as follows:

Indicator [lei]	2020 <sup>*)</sup>	2019	2018
<b>Net profit</b>	<b>699,322,229</b>	<b>535,667,264</b>	<b>410,611,215</b>
Distribution to the legal reserve (b)	(40,770,431)	(31,563,785)	(28,631,164)
Other reserves representing tax facilities stipulated by law (c)	(5,424,567)	(5,682,083)	(3,065,741)
<b>Net profit distributable to dividends (d) = (a) + (b) + (c)</b>	<b>653,127,231</b>	<b>498,421,396</b>	<b>378,914,310</b>
Employees' participation in the profit (e)	(21,326,448)	(18,700,000)	(16,000,000)
<b>Net profit calculation base, dividend distribution (f) = (d) – (e)</b>	<b>674,453,679</b>	<b>517,121,396</b>	<b>394,914,310</b>
<b>Proposed dividends (g)</b>	<b>472,117,575</b>	<b>498,421,396</b>	<b>378,914,310</b>
Allocated dividends	472,117,575	498,421,396	378,914,310
Dividends paid by December 31, 2020	-	498,154,695	378,747,173
<b>Profit distribution rate (%) = (g)/(f)</b>	<b>70.00%</b>	<b>96.38%</b>	<b>95.95%</b>
<b>Profit distribution rate<sup>2</sup> (%) = (g)/(d)</b>	<b>72.29%</b>	<b>100.00%</b>	<b>100.00%</b>

*\*) For 2020, the indicators represent the profit distribution proposal of the Board of Directors and is subject to the approval of the Ordinary General Meeting of Shareholders of SNN. In the distribution proposal, the amount proposed to be distributed under the form of "employees' participation in profit" is in the amount of RON 21,326,448.*

### 7.3. ACTIVITY OF SNN AT BVB

Evolution of SNN shares over the period December 1 - 31, 2020:



The activity performed by SNN in 2020, as an issuer of securities on the capital market in Romania, appears thus:

- ❖ In 2020, a total of 47,829 transactions with SNN shares took place, with a daily average number of 192.08 transactions;
- ❖ The total volume of SNN traded shares was of 41,985,656 shares;
- ❖ The value of the transactions with SNN shares in 2020 was of RON 680,019,322.02;

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- ❖ In 2020, 11 “Deals” transactions were made, with a total volume of 14,146,050 shares;
- ❖ The price of one share in 2020 was between a maximum value of RON 19.48 and a minimum value of RON 10.56, an increase as compared to the values recorded in 2019, when the maximum value was of RON 14.66 and the minimum value was of RON 7,6;
- ❖ The stock capitalization on the last trading day of 2020 was at the value of RON 5,387,359,946.84, an increase as compared to RON 4,299,687.51, at the end of 2019.

#### 7.4. PRESENCE IN THE INDEXES

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

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

The SNN shares were included in the structure of BSE indexes with the following weights, on the adjustment date December 29<sup>th</sup>, 2020 (the latest periodical adjustment):

- ❖ 2.81% in the BET index (Bucharest Exchange Trading – the reference index of the capital market, a weighted price index with the free floating capitalization of the most liquid 10 companies listed on the BSE regulated market). Starting with 2015, for selection under this index also applies criteria on the transparency of issuers and the reporting and communication quality with the investors;
- ❖ 4.82% in the BET-BK index (Bucharest Exchange Trading Benchmark Index) calculated as a weighted price index by the free-floating capitalization of the most traded 25 companies listed on the BSE regulated market);
- ❖ 2.74% in the BET-XT index (Bucharest Exchange Trading Extended Index), a blue-chip index reflecting the evolution of the prices of the most liquid 25 companies traded on the regulated market segment, including SIFs, and the maximum weight of a symbol in the index is 15%;
- ❖ 7.99% in the BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - a sector index following the movement of the share prices of the companies the main scope of business whereof is associated to the “energy and utility” sector, the maximum weight of a symbol in the index being of 30%);
- ❖ 2.71% in the BET-TR index (Bucharest Exchange Trading Total Return Index), an index reflecting the evolution of the prices of constitutive companies and the dividends thereby offered. 2.04% in the BET-XT-TR index, total return type of the BET-XT index, including the most 25 traded Romanian companies listed at BSE;
- ❖ 2.67% in the BET Plus (Bucharest Exchange Trading Plus Index), an index reflecting the evolution of Romanian companies listed on the BSE regulated market, meeting the minimum

selection criteria on liquidity and the value of shares included in the free float, except for financial investment companies (SIFs);

❖ 2.65% in the BET-XT-TR index (BET-XT-TR is the total return version of the BET-XT index, including the most 25 traded Romanian companies listed at BSE. The BET-XT-TR index reflects both the evolution of the prices of the constitutive companies and the dividends thereby offered).

## 7.5. COMMUNICATION WITH THE SHAREHOLDERS AND INVESTORS

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

Internally, the efficient integration of the financial, legislative, corporate governance and corporate social responsibility information of interest for the investors and shareholders as well as the communication of such information, is envisaged (a mandatory requirement for a company listed on the stock exchange, or following a request of the shareholders, investors and other third parties, interested in the evolution of the Company).

The communication process is a symmetrical bidirectional system, focused on feedback and, implicitly, on the constant development of the investor relation and envisages: meetings with the shareholders and investors, organization of conferences and media briefings, private meetings with the shareholders, tele- and videoconferencing, management of dedicated section on the website of the company, access to relevant information about the activities of the company and the reports thereby elaborated, communication of the corporate governance policies of the company, communication of the information impacting both the company and the shareholders and investors thereof.

The purpose is an efficient communication, adjusted based on the market feedback, allowing shareholders to comprehend and assess, based on objective information, sent in real time, the changes occurred on the trading templates, the development trends of the company, the information with an impact on the risk management strategies.

The actions of communication with the shareholders and investors materialized in 2020 in:

- ❖ Organization of meetings with the investors for the presentation of the financial results;
- ❖ Organization of teleconferences, in compliance with the financial schedule of the company;
- ❖ Posting of presentations and audio recordings from teleconferences with investors on the SNN website;
- ❖ Prompt transmission of information upon the request of the shareholders, potential investors and participants in the capital market;
- ❖ Participation in conferences organized by third parties on the Romanian capital market and presentation of the financial results and company development opportunities (BSE, Wood's, Fondul Proprietatea etc);

- ❖ Participation of the company representatives in informative seminars organized by the relevant authorities for the improvement of corporate governance and development of transparency towards the shareholders;
- ❖ The organization of the General Meetings of Shareholders and other actions related to guaranteeing the shareholders' rights: distributing dividends related to the financial year of 2019;
- ❖ Collection information, elaboration and verification of the current reports, the transmission thereof to the relevant authorities (BSE and ASF) and the publishing thereof on the website of the company, in full observance of the deadlines imposed by the applicable law;
- ❖ Attending training courses and discussion sessions on the corporate governance standards, communication platforms with investors and other instruments provided by the capital market authorities;
- ❖ Updating the SNN website for improving the shareholders' and investors' access to relevant information and facilitating the understanding and profitability of acquiring the capacity of SNN shareholder.

## 7.6. FURTHER INFORMATION

In the financial year ended on December 31, 2020, there were no transactions concerning the procurement by SNN of own shares and bonds issued by SNN and/or other types of receivables. SNN duly pays the liabilities thereof derived from the credit facilities, meeting the financial conditions included in such agreements.

### Project for Increasing the Production Capacity

The main actions performed by SNN in order to continue the Project for Increasing the Production Capacity are as follows:

- By Resolution of the Extraordinary General Meeting of Shareholders ("EGMS") no. 8/12.06.2020, the following measures were approved:
  1. Repealing of the "Strategy for the continuation of the Units 3 and 4 Project from Cernavoda NPP by organizing an investor selection procedure" (2014) and of the "Revised strategy for the continuation of the Units 3 and 4 Project from Cernavoda NPP by organizing an investor selection procedure" (2018) (item 2 of the EGMS agenda of June 12, 2020).
  2. Authorizing the SNN Board of Directors to initiate the procedures/steps/actions regarding the termination of negotiations with CGN, as well as the termination of the legal effects (by agreement of the parties, denunciation, etc.) of the following documents: "Memorandum of Understanding on the development, construction, operation and decommissioning of Units 3 and 4 of CNE Cernavoda (MoU)" and "Investor Agreement in preliminary form", respectively (item 3 of the EGMS agenda of June 12, 2020).
  3. Mandating the Board of Directors of the SNN to initiate the steps for the analysis and crystallization of strategic options for the construction of new nuclear power generation capacities (item 4 of the EGMS agenda of June 12, 2020).

- By Resolution of the Prime Minister of Romania no. 281/14.07.2020, published in the Official Gazette of Romania, Part I, no. 618/14.VII.2020, the Strategic Coordination Committee for the Implementation of the Project for CNE Cernavoda Units 3 and 4 was created.
- By Resolution of the Prime Minister of Romania no. 20/2021, published in the Official Gazette of Romania, Part I, no. 12/6.I.2021, the Strategic Coordination Committee for the Implementation of the Project for CNE Cernavoda Units 3 and 4 was modified.

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

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

The company deems these claims as groundless, as all due salary rights were paid to the employees, including the amounts of money that are subject to this litigation. The court rejected the exception of the work authority on trial, invoked by SNN, as groundless, and approved the evidence with documents and accounting studies, and prorogated the technical study related to the classification in the radiological risk areas after SNN submitted the documents. The accounting expertise report was completed and objections were submitted. The following hearing is on 26.03.2021.

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

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

The company deems these claims as groundless, as all due salary rights were paid to the employees, including the amounts of money that are subject to this litigation. The court approved the evidence with documents and accounting study, and prorogated the technical expertise related to the classification in the radiological risk areas after SNN submitted the documents. The technical expertise procedure is in progress with the Autonomous Administration of Technologies for Nuclear Energy – CITON. The court asked CNCAN for the list of experts in order to appoint an expert. The following hearing is on 26.03.2021.

## **Litigation initiated by S.N. Nuclearelectrica S.A. against the Energy Regulation National Authority “ANRE”**

S.N. Nuclearelectrica S.A. initiated the action of suspending ANRE Order no. 216/11.12.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers and for setting maximum electricity quantities that may be imposed as sale obligations based on regulated contracts - File no. 7222/2/2019. The court approved the SNN application and ordered the suspension of the execution of ANRE Order no. 216/11.12.2019 until the merits court issues its judgment. Judgment no. 132/02.03.2020 is legally enforceable. Against this judgment, ANRE filed an appeal, settled by the High Court of Cassation and Justice, by Resolution no. 5713/04.11.2020, namely it approved the exception of the lack of interest in supporting the appeal, invoked by the appellee - plaintiff SNN and rejected the appeal filed by defendant ANRE against Civil judgment no. 132/02.03.2020, ruled by the Court of Appeal of Bucharest - Section IX - administrative and fiscal unit, for lack of interest (final).

S.N. Nuclearelectrica S.A. initiated the action of cancelling ANRE Order no. 216/11.12.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers and for setting maximum electricity quantities that may be imposed as sale obligations based on regulated contracts (“ANRE Order no. 216/11.12.2019”) - File no. 97/2/2020. In the Current Report published on August 3, 2020, SNN informed its shareholders and investors of the notification on the court portal, of the rejection of the application for annulment of ANRE Order no. 216/11.12.2019. The judgment of the Court of Appeal of Bucharest was appealed within the legal term, registered on the docket of the High Court of Cassation and Justice, and the hearing is to be scheduled.

S.N. Nuclearelectrica S.A. has initiated the action to cancel ANRE Order no. 12/30.03.2016 on the approval of the Performance Standard for the electricity transmission service and for the system service (published in the Official Gazette no. 279/13.04.2016) – File no. 2659/2/2020, registered on the docket of the Bucharest Court of Appeal, Section IX – administrative and fiscal litigation. The court rejected the application for the recovery of the material right to action within the statute of limitation as ungrounded, and allowed the exception of the delay in submitting the application and partially approved the application for notifying the Constitutional Court and ordered its notification with the solution of the non-constitutionality exception of the provisions of art. 5 paragraph 7 of GEO no. 33/2017 on amending and supplementing Electricity law no. 13/2007 and Gas law no. 351/2004, approved by Law no. 160 of October 2, 2012. The decision is appealable.

S.N. Nuclearelectrica S.A. initiated the action of canceling and suspending the execution of ANRE Order no. 88/2020 for approving the Methodology for setting regulated fees and prices applied by last-instance suppliers to end clients for period July 1 - December 31, 2020 and for amending and supplementing the Electricity sale-purchase framework contract concluded between producers of electricity and last-instance suppliers, approved by Order of the Chairman of the National Authority for Energy Regulation no. 34/2019 - File no. 3570/2/2020 on the

docket of the Bucharest Court of Appeal, hearing - December 10, 2020. On December 17, 2020, the court rejected the execution suspension application and set the hearing on the merits of the case on March 4, 2021.

### **Changes in the management of the Company - Managers**

By the Current Report published on March 27, 2020, SNN informed its shareholders and investors regarding the resolution of the Board of Directors of SNN to temporarily suspend the selection procedure, during the state of emergency declared on the territory of Romania. Upon the recommendation of the Nomination and Remuneration Committee, considering the current context, in order to ensure the continuity of SNN activities under optimal conditions, the Board of Directors of SNN approved the appointment of Mr. Paul Ichim as Chief Financial Officer with a provisional mandate of 4 months from April 1, 2020 to July 31, 2020, with the possibility of its extension for 2 more months, until September 30, 2020.

By the Current Report published on July 23, 2020, SNN informed its shareholders and investors of the Resolution of the Board of Directors no. 158/23.07.2020 approving the appointment of Mr. Paul Ichim as Chief Financial Officer of SNN with a mandate for a period of 4 years as of August 1, 2020, following the completion of the selection procedure, organized in accordance with the provisions of Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as further amended and supplemented.

By the Current Report published on October 19, 2020, SNN informed its shareholders and investors regarding the termination of the individual employment contract of Mr. Dan Bigu, the Manager of the Cernavoda NPP Branch, by meeting the standard cumulative age conditions and the minimum contribution level for retirement. Following the completion of the internal selection procedure, this position will be taken over by Mr. Valentin Nae as of October 19, 2020.

### **Changes in the management of the Company – Board of Directors**

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

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



By Resolution no. 6/28.05.2020 of the Ordinary General Meeting of Shareholders (“OGMS”) of SNN, the following were approved:

1. Extension of the mandate of Mr. Teodor Minodor Chirica which was completed on 30.05.2020, for a period of 2 months, as of 31.05.2020, in accordance with the provisions of Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as further amended and supplemented, or until the mandate acceptance date by a director appointed in accordance with the provisions of Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as further amended and supplemented, if the selection is completed before the indicated deadline (item 2 of the OGMS agenda of May 28, 2020).
2. Maintaining the monthly gross fixed payment and the variable component as approved by Resolution no. 1/30.01.2020 of the Ordinary General Meeting of Shareholders of SNN (item 3 of the OGMS agenda of May 28, 2020).
3. Form of the addendum to the mandate contract (item 4 of the OGMS agenda of May 28, 2020).

By the Current Report published on July 10, 2020, SNN informed its shareholders and investors that the members of the Board of Directors of SNN have taken note, by Resolution no. 130/10.07.2020, of the resignation request of Mr. Iulian Robert Tudorache pertaining to his position of member of the Board of Directors of SNN, as of August 24, 2020.

By the Current Report published on July 23, 2020, SNN informed its shareholders and investors that at the meeting of the Board of Directors of July 23, 2020, the appointment of Mr. Teodor Minodor Chirica as Chairman of the Board of Directors of SNN was approved as of July 23, 2020 until the expiry of his mandate (Resolution of the Board of Directors no. 131/23.07.2020).

By Resolution no. 9/27.07.2020 of the Ordinary General Meeting of Shareholders (“OGMS”) of SNN, the following were approved:

1. The election of Mr. Teodor Minodor Chirica as a member of the Board of Directors of the SNN, with a term of office until September 28, 2022, the date on which the term of office of the directors in office ends (items 3.2 and 4 of the OGMS agenda of July 27, 2020).
2. The monthly gross fixed payment, equal to two times the average of the last 12 months of the monthly gross average wage for the activity performed according to the main scope of business registered by SNN, at class level, according to the national classification of economic activities, communicated by the National Institute of Statistics prior to appointment (item 5 of the OGMS agenda of July 27, 2020).
3. The annual variable component amounting to 12 fixed monthly allowances, determined based on the financial and non-financial performance indicators - as such have been negotiated with the current directors in office of SNN, and approved by the General Meeting of Shareholders, by Resolution no. 3/10.04.2019 (item 6 of the OGMS agenda of July 27, 2020).
4. The form of the mandate contract to be concluded with Mr. Teodor Minodor Chirica (item 7 of the OGMS agenda of July 27, 2020).

By the Current Report published on November 24, 2020, SNN informed its shareholders and investors that the members of the Board of Directors of SNN took note of the notification of Mr. Cristian Gentea on the legal expiry of its mandate as a member of the Board of Directors as of November 19, 2020, and the notification was registered with SNN on November 23, 2020. As of November 19, 2020, Mr. Cristian Gentea is the mayor of Pitesti, a position which is incompatible with exercising the mandate of member of the Board of Directors of SNN.

By Resolution no. 1/27.01.2021 of the Ordinary General Meeting of Shareholders (“OGMS”), the following were approved:

1. Dismissing Mr. Iulian Robert Tudorache from the position of member of the Board of Directors, as he waived his mandate (item 4 of the OGMS agenda of January 27, 2021).
2. Dismissing Mr. Cristian Gentea from the from the position of member of the Board of Directors, as a result of the termination of his legal rights to hold this position, because of a case of incompatibility, namely being appointed in a position within the public administration (item 5 of the OGMS agenda of January 27, 2021).
3. Approving the initiation of the procedure of selecting two members in the Board of Directors of SNN, according to the provisions of Government Emergency Ordinance no. 109/2011 on the corporate governance of public entities, as further amended and supplemented (item 6 of the OGMS agenda of January 27, 2021)
4. Approving the mandating of the Board of Directors of SNN for the implementation of the procedure for selecting a member of the Board of Directors (item 7 of OGMS agenda of January 27, 2021).

### **Pre – SALTO assessment mission regarding the implementation of the project for refurbishment Unit 1 of NPP Cernavoda**

By the press release published on February 21, 2020, SNN announced that in February 2020 there was at CNE Cernavoda an international Pre - SALTO (Safety Aspects of Long Term Operation) assessment mission of the International Atomic Energy Agency on the implementation of the project for refurbishment Unit 1 of CNE Cernavoda.

The international assessment team ascertained an efficient use of the programs related to the implementation of the first stage of the project, by complying with the time schedule and an efficient use of international experience in refurbishment projects implemented within other CANDU units, and recommended the continuous improvement of the long-term operational strategy and the permanent revision of the process correlated with the implementation of a comprehensive methodology regarding the structures and components of the long-term operation process.

### **Concluding a contract for market making services**

By the Current Report published on March 10, 2020, SNN informed its shareholders and investors on concluding a contract for market making services on March 9, 2020 with SSIF BRK Financial Group, for 12 months. The contract is concluded according to the legislative provisions set by the Bucharest Stock Exchange and considers increasing the liquidity of the

SNN shares and decreasing their volatility on the market. Following the results of 2019, when SNN shares recorded the highest performance in the BET index, and recorded the highest increase, SNN aims for the registration in the FTSE index of the London Stock Exchange.

### **Implementing Standard ISO 37001 – Anty – bribery management system**

By the Current Report published on March 24, 2020, SNN informed the shareholders and investors on the completion of the process of implementing Standard ISO 37001 - Anti-bribery management system, and SNN obtained the certification for implementing this standard. The main goal of this standard is to create a management system that would continuously enhance a culture of integrity, transparency, openness and compliance and promote trust within the relations between business partners.

### **Activities approved regarding the procurement by SNN of the uranium octoxide processing line from Compania Nationala a Uraniului S.A. – Feldioara Branch**

Resolution no. 4/30.03.2020 a of the Extraordinary General Meeting of Shareholders (“EGMS”) approved the following activities for purchasing the uranium octoxide processing line from Compania Nationala a Uraniului S.A. – Feldioara Branch:

1. Approving the initiation of procedures for purchasing the assets related to the Feldioara Branch belonging to Compania Nationala a Uraniului S.A. (item 3 on the EGMS agenda of March 30, 2020).
2. Mandating the SNN managers for implementing the necessary procedures for purchasing the assets related to the Feldioara Branch belonging to Compania Nationala a Uraniului S.A., including for discussions and negotiations in order to prepare the necessary documentation and the acquisition offer (item 4 on the EGMS agenda of March 30, 2020).
3. Approving the initiation of endeavors for transferring the license for the concession of the operation activity in the Tulghes – Grinties perimeter (Neamt county), concluded between the National Agency of Mineral Resources and Compania Nationala a Uraniului S.A. (item 5 on the EGMS agenda of March 30, 2020).

### **Participation of S.N. Nuclearelectrica S.A. in the incorporation of the Association of Electricity Producers – HENRO**

Resolution no. 4/30.03.2020 of the Extraordinary General Meeting of Shareholders (“EGMS”) approved the following activities in order for SNN to participate in the Association of Electricity Producers - HENRO:

1. Approving the participation of SNN in the incorporation of the Association of Electricity Producers - HENRO and the contribution to its patrimony, according to the note presented to the shareholders for this topic on the agenda (item 6 on the EGMS agenda of March 30, 2020).
2. Mandating the Chief Executive Officer to implement all the necessary formalities for incorporating the association and to sign all the necessary incorporation documents, on behalf of SNN (item 7 on the EGMS agenda of March 30, 2020).

## **Approving the distribution of the net profit of the financial year 2019**

By Resolution no. 5/27.04.2020 of the Ordinary General Meeting of Shareholders (“OGMS”) the distribution of the net profit for the financial year 2019 by destinations was approved, the total value of gross dividends in value of 498,421,396 RON, the value of the gross dividend per share in value of 1.65306302 RON, the dividend payment date, namely the date of June 25, 2020 and the payment methods, according to the report submitted to the shareholders for this item of the agenda (item 6 of OGMS agenda from April 27, 2020).

## **Planned outage of Unit 1 Cernavoda**

Starting from June 20, 2020 at 11:00, Unit 1 CNE Cernavoda entered the planned outage program and the synchronization with the National Energy System was made on August 6, 2020 at 04:04.

During the period of planned outage made once every two years, more than 10,000 activities of the following programs were carried out:

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

All the works in the planned stoppage period were performed under safety conditions for the staff of the plant, for the public and the environment, according to the procedures approved used by CNE Cernavoda Branch and by complying with all the protection measures against COVID 19.

## **Approval of the Investment Strategy for the period 01.07.2020 – 01.07.2025**

By Resolution no. 7/12.06.2020 of the Ordinary General Meeting of Shareholders (“OGMS”), the Investment strategy of SNN for period 01.07.2020 - 01.07.2025, according to the report submitted to the shareholders for this item on the agenda (item 2 of the OGMS agenda of June 12, 2020), was approved.

## **The contribution of nuclear energy to the generation of clean hydrogen**

By the press release published on June 16, 2020, SNN announced that is signed, on June 15, 2020, along with other energy companies, research institutes and associations, a joint letter to the attention of the European Commission on the contribution of low carbon sources to hydrogen production, thus leading to the achievement of decarbonization targets set for 2050.

## **Approval of regulated prices and quantities for the period July 1, 2020 – December 31, 2020**

By the Current Report published on June 29, 2020, SNN informed the shareholders and the investors about the Decision of the National Energy Regulatory Authority no. 1077/29.06.2020, according to which SNN is bound to sell on the regulated market, in period July 1, 2020 - December 31, 2020, a quantity of 1,095,005.088 MWh, representing 10.54% of the total production quantity scheduled for 2020 at the regulated price of 182.63 RON/MWh. This regulated price does not include the electricity transmission fee, in the amount of 1.30 RON/MWh (according to the Order of the National Regulatory Authority for Energy no. 218/11.12.2019).

## **Inclusion in the emerging market indexes of FTSE Russell**

By the Current Report published on September 21, 2020, SNN informed its shareholders and investors on the inclusion in the indexes of the global index provider FTSE Russell in the context of the capital market of Romania passing from the status of Border Market to that of Secondary Emerging Market, as of September 21, 2020. The shares of SNN will be included in the following indexes: FTSE Global All – Cap, FTSE Global Total – Cap, FTSE Global Small Cap, FTSE Emerging Index and FTSE Emerging All Cap Index.

## **Share capital increase**

On the date on which this report was drafted, the share capital increase process was completed. Thus, the share capital of SNN was increased by subscribing 130,043 new shares, in value of 1,300,430 RON, representing the in-kind contribution of the Romanian State, represented by the Ministry of Economy, Energy and Business Environment, and the cash contribution of the Company shareholders. The share capital increase was performed according to the Proportional Offer Prospectus related to share capital increases, approved by Resolution of the Financial Supervision Authority no. 976/13.08.2020 and Resolutions no. 2/04.01.2019 and no. 12/19.12.2019 of the Extraordinary General Assembly of Shareholders, registered with the Trade Register National Office according to Mention Certificate no. 484154/30.09.2020. The value of the share capital of SNN resulted following this operation is 3,016,438,940 RON, fully subscribed and paid by the company's shareholders, corresponding to a number of 301,643,894 registered, dematerialized shares, each with a nominal value of 10 RON.

## **Authorizing the Agreement between the Romanian Government and the USA Government**

By the Current Report published on October 9, 2020, SNN informed its shareholders and investors regarding the signing of the Agreement between the Government of Romania and the Government of the United States of America was signed regarding the cooperation in connection with the nuclear-energy projects from Cernavoda and in the civil nuclear energy sector in Romania, on October 9, 2020, in Washington DC. In relation to the investment projects implemented by SNN, the stage of authorizing this agreement mainly refers to the extension of the capacity of the NPP Cernavoda and the Project for Refurbishment Unit 1 of NPP Cernavoda.

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.  
IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

Also, the USA Government expressed its interest to find financing institutions that would support the global funding of the projects by complying with the policies, procedures and the decision independence of these institutions, and this financial component was included in the Inter-Government Agreement. According to the national and European legislation, the Inter-Government Agreement draft is to be sent to the European Commission according to the provisions of the Euratom Treaty.

### **Partnership between S.N. Nuclearelectrica S.A. and US - TDA**

By the Current Report published on January 13, 2021, SNN informed its shareholders and investors on the granting by US - TDA of a non-reimbursable grant of 1,277,115 USD, in order to finance the costs for providing technical support for identifying and performing a preliminary assessment of potential nuclear locations compatible with small modular reactor (“SMR”) technologies in Romania, and drafting a roadmap for licensing them.

### **Amendment of the Articles of Incorporation of the Company**

By Resolution no. 2/27.01.2021 of the Extraordinary General Meeting of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this item on the agenda (item 2 of the agenda of the Extraordinary General Meeting of Shareholders of January 27, 2021), was approved.

### **Subsidiary incorporation**

Resolution no. 2/27.01.2021 of the Extraordinary General Meeting of Shareholders (“EGMS”) approved the following activities for incorporating a new branch:

1. Approving the incorporation of a subsidiary, fully owned by the Company, as a sole shareholder, according to the report submitted to the shareholders for this point of the agenda (item 3 of the agenda of the EGMS of January 27, 2021). The scope of activity of the subsidiary shall include “treating and removing hazardous waste, collecting hazardous waste and decontamination activities”.
2. Approving the mandating of the Board of Directors of SNN to fulfill all the formalities for incorporating the new subsidiary (item 4 of the agenda of the Extraordinary General Meeting of Shareholders of January 27, 2021).

## 8. INDIVIDUAL FINANCIAL – ACCOUNTING STATEMENTS AS AT DECEMBER 31, 2020

The Audited Individual Financial Statements are enclosed. Excerpts containing the main elements are presented herein below.

### Financial position statement

Indicator [thousand RON]	2020 (audited)	2019 (audited, restated)
Non-current assets	5,995,542	6,301,960
Current assets	2,848,928	2,508,894
<b>Total Assets</b>	<b>8,844,470</b>	<b>8,810,854</b>
Equity	7,519,685	7,334,934
Total liabilities, out of which:	1,324,785	1,475,920
Long-term debts	722,101	936,157
Short-term debts	602,684	539,763
<b>Total Equity and Liabilities</b>	<b>8,844,470</b>	<b>8,810,854</b>

### Profit and loss account and other comprehensive income

Indicator [thousand RON]	2020 (audited)	2019 (audited)
Operating revenues	2,500,172	2,417,433
Operational expenses	(1,728,781)	(1,788,008)
<b>Operating profit</b>	<b>771,391</b>	<b>629,425</b>
Financial revenues	84,530	67,337
Financial expenses	(40,513)	(65,487)
<b>Net financial revenues</b>	<b>44,017</b>	<b>1,850</b>
<b>Profit before corporate tax</b>	<b>815,408</b>	<b>631,275</b>
Net corporate tax expense	(116,086)	(95,608)
<b>Profit of the fiscal year</b>	<b>699,322</b>	<b>535,667</b>
<b>Other items of the comprehensive earnings</b>	<b>11,746</b>	<b>28,462</b>
<b>Comprehensive earnings</b>	<b>711,068</b>	<b>564,129</b>
<b>Basic earnings per share (RON/share)</b>	<b>2.32</b>	<b>1.78</b>
<b>Diluted earnings per share (Ron/share)</b>	<b>2.32</b>	<b>1.78</b>

### Cash flow statement

Indicator [thousand RON]	2020 (audited)	2019 (audited, restated)
Profit before corporate tax	815,409	631,276
Value adjustments and amendments	489,668	517,891
Cash flow related to the operating activity	1,305,077	1,149,167
Net cash flow from the operating activity	1,236,947	991,490
Net cash flow used in investing activities	(1,766,902)	(221,128)
Net cash flow from financing activities	(716,625)	(588,393)
Net (decrease)/increase in cash and cash equivalents	(1,246,580)	181,969
Cash and cash equivalents at the beginning of the period	1,793,145	1,611,176
Cash and cash equivalents at the end of the period	546,565	1,793,145

## 9. CONSOLIDATED FINANCIAL – ACCOUNTING STATEMENTS AS AT DECEMBER 31, 2020

The Audited Consolidated Financial Statements are enclosed. Excerpts containing the main elements are presented herein below.

### Financial position statement

Indicator [thousand RON]	2020 (audited)	2019 (audited, restated)
Non-current assets	5,999,643	6,305,089
Current assets	2,844,602	2,505,682
<b>Total Assets</b>	<b>8,844,245</b>	<b>8,810,771</b>
Equity	7,519,330	7,334,690
Total liabilities, out of which:	1,324,915	1,476,081
Long-term debts	722,100	936,157
Short-term debts	602,815	539,924
<b>Total Equity and Liabilities</b>	<b>8,844,245</b>	<b>8,810,771</b>

### Profit and loss account and other comprehensive income

Indicator [thousand RON]	2020 (audited)	2019 (audited)
Operating revenues	2,500,166	2,417,422
Operational expenses	(1,728,780)	(1,788,007)
<b>Operating profit</b>	<b>771,386</b>	<b>629,415</b>
Financial revenues	84,426	67,244
Financial expenses	(40,515)	(65,487)
<b>Net financial revenues</b>	<b>43,911</b>	<b>1,757</b>
<b>Profit before corporate tax</b>	<b>815,297</b>	<b>631,172</b>
Net corporate tax expense	(116,086)	(95,609)
<b>Profit of the fiscal year</b>	<b>699,211</b>	<b>535,563</b>
<b>Other items of the comprehensive earnings</b>	<b>11,746</b>	<b>28,462</b>
<b>Comprehensive earnings</b>	<b>710,957</b>	<b>564,025</b>
<b>Basic earnings per share (RON/share)</b>	<b>2.32</b>	<b>1.78</b>
<b>Diluted earnings per share (Ron/share)</b>	<b>2.32</b>	<b>1.78</b>

### Cash flow statement

Indicator [thousand RON]	2020 (audited)	2019 (audited, restated)
Profit before corporate tax	815,298	631,172
Value adjustments and amendments	490,261	519,101
Cash flows generated from operating activities	1,305,559	1,150,273
Net cash flow from the operating activity	1,237,324	992,502
Net cash flow used in investing activities	(1,767,333)	(222,566)
Net cash flow from financing activities	(716,625)	(588,393)
Net (decrease)/increase in cash and cash equivalents	(1,246,634)	181,543
Cash and cash equivalents at the beginning of the period	1,793,502	1,611,959
Cash and cash equivalents at the end of the period	546,868	1,793,502



## 10. CORPORATE GOVERNANCE STATEMENT

### 10.1. IMPLEMENTATION OF THE CORPORATE GOVERNANCE PRINCIPLES

In 2020, SNN continued the process of implementation of the best corporate governance practices in order to align the internal practices thereof, so as they would fully qualitatively comply with the new requirements related to the capacity of a company approved for trading at BSE. The implementation of the corporate governance rules provides a transparent decisional process, based on clear and objective rules meant to lead to an increase of the trust level of the shareholders in the company. SNN provides a special importance to corporate governance, analyzing the compliance level with the provisions of the new Corporate Governance Code issued by Bucharest BSE having come into force on January 4<sup>th</sup>, 2016. SNN issues on a yearly basis a report on the stage of the up-to-date implementation of the Corporate Governance Code of Bucharest Stock Exchange, to be found in Annex 7.

For the communication activity, investor relations, and for the degree of transparency, accuracy and completeness of information and for the accessibility of the website of Nuclearelectrica, the company received, for the year of 2020, the third consecutive year, grade 10/10 conferred following the VEKTOR assessment (indicator for the communication with investors for the companies listed at the stock exchange) by the Association for Investor Relations at the Romanian Stock Exchange (ARIR).

VEKTOR is the first indicator of communication with investors of listed companies and is calculated based on a methodology including 15 criteria in line with the best international practices. The assessment included 77 companies listed at the stock exchange and took place between November 21<sup>st</sup> and December 15<sup>th</sup>, 2020. The Corporate Governance Rules of SNN (available on the website of the Company), provides integrated support to the management for the optimal development of the relationship between issuer- and the shareholders/investors/analysts, in non-discriminating compliance with the rights thereof, establishing a balance between management, leadership and the undertaken performance objectives, on one hand, and the control, namely, the assessment of the efficiency and performance, the proper administration of real and potential risks, the careful supervision of the observance of the applicable regulations, on the other hand.

In terms of implementation of the corporate governance principles, SNN undertook a series of corporate governance actions in 2020 which primarily envisaged the following aspects:

- ❖ The payment of dividends for the financial year of 2019 was carried out in compliance with the law in force applicable to issuers, without incidents, under a transparent procedure and related documents published on the website of the Company, within an especially created section.
- ❖ According to the provisions of the ASF Regulation no. 5/2018, SNN sent current reports to BSE and ASF. SNN reported the legal documents with the directors, employees, controlling shareholders, and with the people with whom they operate in a concerted manner, the cumulated value whereof represents at least the equivalent value in RON of EUR 50,000 (art. 82 of Law no. 24/2017). The disseminated current reports are uploaded in bilingual format (Romanian and

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English) also on the website of SNN and contain the following information: the parties of the agreement, the conclusion date and nature of the legal document, the description of the scope thereof, the total value of the legal document, mutual receivables, warranties, penalties, due dates and payment methods. Subsequent, since September 2020, SNN reported the transactions under art. 92<sup>3</sup> of Law 24/2017, transactions cumulatively exceeding 5% of the value of net assets as well as based on the FSA Regulation no. 5/2018, transactions individually or cumulatively exceeding 10% of the net turnover or total revenue, as applicable, related to the last annual financial statement.

- ❖ SNN sends current reports to BSE and ASF for the notification of the shareholders about any event which may amend the patrimonial or financial status of the Company, in full observance of the due dates stipulated by the law applicable to issuers of securities, the shares whereof are accepted for trading on the regulated market.
- ❖ SNN published and will continue to publish on the website thereof, quarterly, half-yearly and yearly reports both in Romanian and in English, also informing Bucharest Stock Exchange about it as well.
- ❖ The representatives of the SNN management participated in 2020 in 4 events dedicated to the investor relation (business to business) organized by Woods&Co, BSE, ARIR within which they directly interacted with the investors, at top management and IR management level.
- ❖ SNN organized 4 teleconferences and a "face to face" meeting with the investors to present the financial results, according to the financial calendar communicated at the beginning of the year.

Within SNN, a department dedicated to the investor relations operates – Department of Communication and Investor Relations, the role whereof is represented by the implementation and monitoring of corporate governance standards within the Company’, notifying the shareholders and investors according to the legal provisions, proactive communication focused on the target group, on the informational needs of the investors and on the analysis of the market trends.

Measures taken in order to observe the transparency principle, namely:

- ❖ Existence of a dedicated section for investor relation on the website of the Company;
- ❖ On the SNN website, in the Investor Relation section, there is a dedicated subsection for the General Meetings of Shareholders, where SNN publishes conveners and documents related to each GMS, GMS resolution drafts, special and general power-of-attorney forms and correspondence voting ballots, for legal entities, as well as for individuals, as well as the resolutions of the GMS with the results of the votes. SNN also publishes on its website information representing an objective support for good notification of the shareholders;
- ❖ The SNN website also offers several instruments on the calculation of investments, graphs, trading summary;
- ❖ The publication of the Resolutions of the General Meetings of Shareholders, within 24 hours of the meeting date on the website of the Company;
- ❖ The section dedicated to Investor Relation on the website of the company contains the main corporate regulations existing within the Company, in bilingual format: the Articles of Incorporation, the Corporate Governance Regulation containing the terms of reference of the

Board of Directors, the Regulations of the advisory committees, the Internal Regulations of GMS meetings, the Code of Ethics of the Board of Directors, the Business Ethics and Code of Conduct of SNN, the ethics and compliance of Programme of SNN, the Compliance Guide;

- ❖ Communication of current and periodical financial reports (quarterly, bi-annual and annual) to the BSE and ASF and posting them on the website of the Company, accompanied by the Reports of the relevant auditor;

- ❖ Submitting updated information on the members of the BoD: members' CV-s, other professional commitments of the BoD members, including executive and non-executive positions in the BoDs of other companies or non-profit institutions, status of independent members, as applicable;

- ❖ The presentations made by SNN for investors upon the main financial events of the company and the audio file, according to the financial calendar, are posted on the website of the Company, including the audio files of the recordings;

- ❖ The graph of the stock exchange evolution of the SNN share price.

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

Within the company, an internal flow has been established on the the elaboration, signing and dissemination of the current reports to BSE and the Financial Supervisory Authority, there being no exceeding of legal reporting due dates.

All the conditions have been met for the shareholders to be able to exercise their voting rights by correspondence, prior to the date of the meeting, in compliance with the provisions of art. 45 par. 6 in the Government Emergency Ordinance no. 109/2011. Thus, the Regulation on the organization and development of the General Meetings of Shareholders stipulated “the correspondence vote” as a method to exercise the voting right by the shareholders, clear rules being stipulated in this respect.

The person in charge of the Investor Relation within SNN is Valentina Dinu.

Manager of the Department of Communication and Investor Relation

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## **10.2. GENERAL MEETING OF THE SHAREHOLDERS**

The corporate bodies of SNN, a company managed in a one-tier management system, are structured as follows: General Meeting of the Shareholders, the ultimate decision-making forum of the Company and the Board of Directors.

### **General Meeting of the Shareholders (GMS)**

The General Meeting of Shareholders is the main corporate governance body of the Company, deciding on the activity, the economic and business policy of the company. SNN has established and implemented solid internal procedures governing the organization and development of GMS, as well as rules governing the legal and statutory activity thereof, in compliance with the Articles of Incorporation and the applicable law. In terms of the structure thereof, depending on the items requiring the approval of the shareholders, the General Meeting of Shareholders may be ordinary or extraordinary.

### **Ordinary General Meeting of Shareholders (OGMS)**

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

- ❖ Discusses, approved and amends the annual financial statements in virtue of the reports presented by the Board of Directors and the financial auditor;
- ❖ Establishes the distribution of the net profit and the value of the dividend;
- ❖ Elects and revokes members of the Board of Directors;
- ❖ Appoints and dismisses the financial auditor and establishes the minimal duration of the financial audit contract;
- ❖ Establishes the general limits of remuneration of the Chief Executive Officer and Managers;
- ❖ Establishes the remuneration of the members of the Board of Directors, as well as the terms and conditions of the mandate contract concluded with the members of the Board of Directors;
- ❖ Decides upon the financial administration of the members of the Board of Directors
- ❖ Approves the strategy and the development policies of the Company;
- ❖ Establishes the annual income and expense budget for the next financial year;
- ❖ Decides upon the mortgage, lease and establishment of security interests or mortgage securities on the assets owned by the Company;
- ❖ Approves the reports of the Board of Directors on the performed activity;
- ❖ Decides on any aspect related to the Company, in compliance with the legal duties thereof, provided that the matters fall under the competence of the General Meeting of the Shareholders;
- ❖ Analyzes and solves other issues submitted by the Board of Directors.

## Extraordinary General Meeting of Shareholders (EGMS)

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

- ❖ Change of the legal form of the Company;
- ❖ Relocation of the head office of the Company;
- ❖ Amendment of the scope of business of the Company;
- ❖ Establishment or dissolution of secondary establishments: subsidiaries, agencies, representative offices and other units without legal status;
- ❖ Share capital increase, reduction and reinstatement by the issue of new shares;
- ❖ Merger with other companies and split of the Company;
- ❖ Anticipated dissolution of the Company;
- ❖ Issue of shares;
- ❖ Conversion of the shares from one category to another;
- ❖ Conversion of a category of bonds to another category or to shares;
- ❖ Authorizes the procurement by the Company of its own shares, and establishes the terms of this procurement, in particular the maximum number of shares to be purchased, and, in case of purchase for good and valuable consideration, the minimum and maximum equivalent value thereof and the operation running period, in full observance of the law; it also establishes the manner of alienation of the own shares purchased by the Company;
- ❖ Procurements, alienation, exchange or setup as securities of some assets from the „non-current assets” category of the Company , the individual or aggregate value whereof exceeds 20% of the total non-current asset of the Company, less receivables, over the term of a financial year;
- ❖ Lease of the tangible assets, for a period exceeding one year, if the individual or aggregate value towards the same joint contractor or involved people acting in a concerted manner exceeds 20% of the total tangible assets, less receivables on the conclusion date of the legal document, as well as the associations for a period of over one year, exceeding the same value;
- ❖ Approves any amendment to the Articles of Incorporation and any other resolution for which the approval of the Extraordinary General Meeting of Shareholders is required;
- ❖ Approval of the term of office for the representatives of Nuclearelectrica in the General Meeting of Shareholders for:
  - the amendment to the share capital of S.C Energonuclear S.A;
  - the amendment of the shareholding of SNN to the share capital of S.C Energonuclear S.A;
  - the dissolution and liquidation of S.C Energonuclear S.A;
  - Any investment being made by S.C Energonuclear S.A exceeding EUR 50,000,000 (fifty million euro) for a single transaction and/or exceeding EUR 50,000,000 (fifty million euros) cumulated with other transactions in any financial year;
  - Conclusion by S.C Energonuclear S.A of any contract involving costs or undertaking any important obligation by S.C Energonuclear S.A exceeding EUR 50,000,000 (fifty million euros), individually or cumulated, in a single financial year;
  - Any actual or proposed sale, any other alienation or any assets or rights of S.C Energonuclear S.A, any actual or proposed purchase of assets or rights by S.C Energonuclear S.A exceeding the cumulated amount of EUR 50.000.000 (fifty million euro);

- Contracting, by S.C Energonuclear S.A, of any types of loans or debts or obligations of loan type, having a value exceeding EUR 50,000,000 (fifty million euros).

In addition to the aforementioned responsibilities or those established by law, the Extraordinary General Meeting of Shareholders decides on the following matters:

- ❖ Conclusion by the Company of any contract, undertaking any obligation or commitment that might involve expenses or undertaking of any important obligation by the Company, according to the competence limits stipulated in Annex 1 to the Articles of Incorporation;
- ❖ Contracting by the Company of any type of loans, debts or obligations of the loan-type, according to the competence limits stipulated in Annex 1 to the Articles of Incorporation;
- ❖ Establishment or participation in the establishment of companies or conclusion by the Company of any type of association, joint ventures included.

### **Quorum and majority requirements**

The quorum shall be verified by the chairperson of the meeting with regard to each separate resolution, prior to voting on such resolution.

#### **(a) OGMS**

For the first call of the Meeting, quorum requirements are met if the shareholders representing at least 1/4 of the total number of the voting rights are present or represented in the meeting. The resolutions can be validly adopted by the “for” vote of the shareholders representing the majority of the cast votes. For the second call, the Meeting can decide on the issues included on the agenda of the first convened meeting, irrespective of the attending number of shareholders, by the vote of the shareholders representing the majority of the cast votes.

#### **(b) EGMS**

For the first call of the Meeting, quorum requirements are met if the shareholders representing at least 1/4 of the total number of the voting rights are present in the meeting. Resolutions can be validly adopted only with the majority of the votes held by the present or represented shareholders. For the second call, the Meeting can validly decide on the issues included on the agenda of the first convened Meeting if the shareholders representing at least 1/5 of the total number of the voting rights are present or represented, making decisions with the majority of the votes held by the present or represented shareholders.

The resolutions of amendment of the main scope of business of the Company, of share capital reduction or increase, of change of the legal status, of merger, split or dissolution of the Company are adopted with a majority of at least 2/3 of the voting rights held by the shareholders present or validly represented.

## GMS convening process

The General Meeting of Shareholders is convened by the Board of Directors. The General Meeting of Shareholders, either ordinary or extraordinary, will be convened whenever needed, in compliance with the legal requirements and the provisions of the Articles of Incorporation, by publication of the convener in the Official Gazette of Romania, Part IV and in a national newspaper or a local newspaper in the locality where the head office of the Company is situated, at least 30 days prior to the set date, as well as on the website of the SNN. All pieces of information will be disseminated both in Romanian and in English.

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

- (i) Whenever necessary, as a result of the resolution of the Board of Directors of SNN, of the Chairperson of the Board of Directors or of one of the members thereof, under the power -of-attorney granted by the Chairperson;
- (ii) Upon the request of the shareholders jointly or severally representing at least 5% of the share capital, if the request contains provisions falling under the duties of the Meeting.

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

The meeting term cannot be set earlier than thirty days of the publication date of the convener in the Official Gazette of Romania, Part IV.

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

- ❖ Name of the issuer;
- ❖ Date, starting hour and location for the first and the second call of the GMS;
- ❖ The proposed agenda, with the explicit indication of all the issues under debate during the Meeting;
- ❖ The clear and precise description of the procedures to be complied with by the shareholders in order to be able to participate and vote within the General Meeting, with regard to:
  - The right of one of several shareholders jointly or severally representing at least 5% of the share capital of the Company, to enter items on the agenda (accompanied by a justification), within maximum 15 days of the publication of the convener and to submit resolution drafts for the items included or proposed for inclusion on the agenda of the General Meeting. The notice amended by the items proposed by the shareholders must be published at least 10 days prior to the General Meeting of the Shareholders, on the date indicated in the initial convener.

- The exact specification of the fact that the voting right can be exercised directly, by representative, or by mail and the conditions of exercise. When exercising the vote by proxy (by representation), it will be taken into account that, for this type of vote, (special and general) power-of-attorney forms must be used. The manner of obtaining the special/general power-of-attorney form for representation in the GMS, the due date and the address where the power-of-attorneys will be submitted/received, as well as the means where the company may accept the electronic notification of the designation of the representatives, the procedures allowing the vote by mail.
- ❖ The reference date, as well as the specification of the fact that only the people who are shareholders on the reference date, have the right to attend and to vote within the General Meeting;
- ❖ The deadline by which candidates can make proposals for the director positions, in case the agenda includes the election of the directors. The convener shall indicate that the list comprising the information on the names, residence locality and professional qualification of the people proposed for the position of member of the Board of Directors is available to the shareholders and can be consulted and supplemented by the shareholders;
- ❖ The address where the shareholders may obtain the full text of the documents and the resolution drafts, other information on the items on the agenda of the General Meeting and the date as of which the information will be available, as well as the procedure to be followed in this respect;
- ❖ When the agenda includes amendments to the Articles of Incorporation, the convener will have to include the full text of the proposals;
- ❖ The website address of the Company;
- ❖ The proposal on the registration date;
- ❖ the proposal on the ex date and payment date proposal, if applicable;
- ❖ The exact specification of the fact that the voting right can be exercised directly, by a representative, under a special or general power-of-attorney or by mail and the conditions under which they are exercised;
- ❖ The dissemination method of the ballot for vote by mail and the special power-of-attorney for representation within the GMS, as well as the date as of which they are available;
- ❖ The deadline and the location where the special powers-of -attorney and the mail ballots must be sent/received;
- ❖ The indication of the exact address where the special powers- of-attorney and the mail votes are sent;



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

The convener, any other item added to the agenda of the meeting upon the request of shareholders, the annual financial statements, the annual report as well as the profit distribution proposal are made available to the shareholders at the headquarters of the company, on the GMS convening date and are published on the website of the company, for the shareholders' free access to information. Upon request, copies of these documents are released to the shareholders.

The shareholders jointly or severally representing at least 5% of the share capital of the Company may request, by an application addressed to the Board of Directors, the introduction of new items on the agenda and/or may present resolution drafts for the items on the agenda, within maximum 15 days of the publication of the convener. The agenda amended by the items proposed by the shareholders must be published at least 10 days prior to the General Shareholders meeting, on the date indicated in the convener.

Each shareholder may address the Board of Directors questions in writing for the items registered on the agenda of the General Meeting of the Shareholders, prior to the General Meeting of the Shareholders holding date, receiving an answer during the Meeting. The Company is bound to answer to questions addressed by the shareholders. The Company may formulate a general answer for the questions with the same content. It is considered that an answer is given if the requested information is published on the webpage of the company [www.nuclearelectrica.ro](http://www.nuclearelectrica.ro) in the question - answer format.

In compliance with the capital market regulations, the resolution drafts submitted to the approval of the GMS, as well as the other supporting documents must be published on the website of the Company starting with the convener publication date.

### **GMS organization procedure**

SNN has established and implemented internal regulations for the organization and development of GMSs, imposing specific duties for various structures and departments of the Company within the GMS organization. These regulations are intended to regulate the entire internal flow of documents and information, procedures and logistics as well as the external process consisting in properly informing the shareholders of the Company about the aspects related to the convened meetings.

The shareholders may participate and vote in the General Meeting of Shareholders by representation, under a special or general power --of-attorney for such General Meeting or for a period not exceeding 3 years. The proxy cannot be substituted by another person. If the empowered person is a legal entity, it can exercise its mandate by means of any person being part of the administrative or management body or from among the employees thereof.

Legal entities may be represented by their legal representatives who, in their turn, may give a power-of-attorney to other people for such General Meeting. When the State is involved, the relevant ministry may designate their permanent representatives in the General Meeting of the Shareholders, in full observance of the aforementioned legal requirements and conditions.

In addition to the regulation for the organization and development of GMSs, SNN fully complies with the legal provisions regulating and governing the GMS running process of listed companies.

Within 24 hours of the GMS holding date, the Company draws up a current report briefly presenting the manner of development of the General Meeting, as well as the resolutions thereby passed. The report will be disseminated to the capital market institutions, namely BSE, and will be published on the website of the company.

### **Shares and shareholders' rights**

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

Each subscribed and paid-up share provides equal rights and confers thereto the right to vote in the General Meeting of the Shareholders, the right to elect and be elected in the management bodies, the right to participate in the profit distribution, according to the provisions of the Articles of Incorporation and the legal provisions, as well as other rights stipulated by the Articles of Incorporation and applicable legal provisions.

The shares issued in dematerialized form are traded on a regulated market, according to the capital market law. The rights and obligations related to the shares follow the shares, in case of transfer thereof to the ownership of other people. Shareholders are entitled to a correct and full notification within the General Meeting of the Shareholders on the situation of the Company. In case of issue of new shares, the existent shareholders have a preference right in the subscription, within the terms of the law, pro rata with the share percentage owned by the Company.

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

1. Direct vote - personally, within GMS;
2. Vote by representative with special or general power-of- attorney;
3. Vote by mail.

All holders of financial instruments issued by SNN from the same type and class of securities benefit from equal treatment, and the Company permanently makes sustained efforts to perform an effective, active and transparent communication, in view of the exercise of the rights in an fair manner.

## 10.3. MANAGEMENT OF THE COMPANY

### 10.3.1. BOARD OF DIRECTORS

#### **Structure. Appointment of members. Eligibility criteria**

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

Within the Ordinary General Meeting of Shareholders of January 30<sup>th</sup>, 2020, the appointment of Mr. Teodor Chirica was approved, as a temporary director, for a 4-month periodic, according to the provisions of art. 64 par. (3) and (5) of GEO no. 109/2011, as further amended and supplemented. Mr. Teodor Chirica was proposed on the list of candidates by the majority shareholder, the Ministry of Economy, Energy and Business Environment. We would like to mention that Mr. Teodor Chirica was appointed on December 19<sup>th</sup>, 2019 by the Board of Directors of SNN, upon the recommendation of the Nomination and Remuneration Committee, in the position of interim director, with a mandate duration until the Ordinary General Meeting of the Shareholders, in compliance with the provisions of art. 1372 of Law no. 31/1990.

Within the Ordinary General Meeting of Shareholders of May 28<sup>th</sup>, 2020, the extension of the duration of the mandate was approved for Mr. Teodor Minodor Chirica, mandate ending on May 30<sup>th</sup>, 2020, as interim director for a 2-month period, starting with May 31<sup>st</sup>, 2020, according to the provisions of art. 641 par. (3) and (5) of GEO no. 109/2011 as further amended and supplemented or until the mandate is accepted by a director appointed according to the provisions of GEO no. 109/2011, as further amended and supplemented.

Within the Ordinary General Meeting of Shareholders of July 27<sup>th</sup>, 2020, the appointment of Mr. Teodor Minodor Chirica as a member of the Board of Directors of SNN was approved, following the completion of the selection procedure of a director, organized in compliance with the provisions of GEO no. 109/2011 on the corporate governance of public companies, a procedure implemented by the Board of Directors of SNN assisted by an independent human resources expert, according to OGMS Resolution no. 1/January 30<sup>th</sup>, 2020. The term of office for Mr. Teodor Minodor Chirica is until September 28<sup>th</sup>, 2022, date on which the mandate of the directors in office expires.

On July 10<sup>th</sup>, 2020, SN Nuclearelectrica SA issued a current report according to art. 122 par. (1) of Law no. 24/2017 on the issuers of financial instruments and market operations and art. 234, par. (1), letter g in the ASF Regulation no. 5/2018 on the issue of financial instruments and market operations regarding Resolution no. 130/July 10<sup>th</sup>, 2020, whereby the Board of Directors took note of the resignation of Mr. Iulian Robert Tudorache from the position of member of the Board of Directors starting with August 24<sup>th</sup>, 2020. Mr. Iulian Robert Tudorache's decision to step down from the Director position is adopted according to the provisions of art. 5.1 let. g) in the Mandate contract no. 55/September 28<sup>th</sup>, 2015 concluded between Mr. Iulian Robert Tudorache and SNN.

On July 23<sup>rd</sup>, 2020, SN Nuclearelectrica SA issued a current report in virtue of the provisions of art. 234 par. (1), letter g) in the ASF Regulation no. 5/2018 on issuers of financial instruments and market operations and Law no. 24/2017 on issuers of financial instruments and market operations regarding the fact that, in the meeting of the Board of Directors of July 23<sup>rd</sup>, 2020, the Board of Directors took note of Mr. Iulian Robert Tudorache's decision to step down from the position of BoD Chair person, and decided to appoint Mr. Teodor Minodor Chirica in the position of Chairperson of the Board of Directors of SNN, in compliance with the provisions of art. 1401 of Law 31/1990 on companies.

The Chairperson of the Board was elected by the Board of Directors from among the members thereof, in the person of Mr. Teodor Minodor Chirica, after Mr. Iulian Robert Tudorache stepped down from the position of BoD Chairperson. The Chairperson of the Board is appointed for a period that may not exceed the duration of the term of office of director thereof, and may be revoked at any time by the Board of Directors.

On November 24<sup>th</sup>, 2020, SN Nuclearelectrica SA issued a Current Report according to art. 122 par. (1) of Law no. 24/2017 on the issuers of financial instruments and market operations and art. 234, par. (1), letter g) of ASF Regulation no. 5/2018 on the issuers of financial instruments and market operations regarding the notification of Mr. Cristian Gentea on the termination of the term of office thereof, as a member of the Board of Directors, starting with November 19<sup>th</sup>, 2020, by operation of the law.

Mr. Cristian Gentea's notification on the termination of the mandate contract by operation of the law derives from the provisions of art. 87 par. 1 let. d) of Law no. 161/2003 on some measures providing transparency in the exercise of offices, corroborated with the provisions of art. 13.1 let. g) of the mandate contract concluded with SNN, namely the contract is terminated upon the occurrence of a case of incompatibility or an interdiction stipulated by law, as, starting with November 19<sup>th</sup>, 2020, Mr. Cristian becomes the mayor of Pitesti, a position which is incompatible with exercising the mandate of member of the Board of Directors of SNN.

The directors can be revoked at any moment by the Ordinary General Meeting of the Shareholders. Each director has expressly accepted to exercise the mandate. The company is bound to conclude a D&O type insurance (managers' liability insurance). During the mandate fulfillment, the directors may not conclude an employment contract with the Company.

The members of the Board of Directors are bound to exercise their mandate with the prudence and diligence of a good director, with loyalty, for the benefit of the Company, and are not allowed to disclose confidential information and business secrets of the Company.

The members of the Board of Directors are also bound to ensure the avoidance of a direct or indirect conflict of interests with the Company, and, in case of occurrence of such conflict, to refrain from the debates and vote on such matters, according to the applicable legal provisions.

As at December 31, 2020, the directors of the Company are as follows:

First name and Surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Term of office expiry date
Iulian - Robert Tudorache	46 years	Attorney-at-law	18 years	Chairperson of the Board of Directors  (non-executive member)	September 28 <sup>th</sup> , 2018  (final mandate for 4 years according to OGMS resolution 12/September 28 <sup>th</sup> , 2018)  Mandate contract concluded on August 24 <sup>th</sup> , 2020 following the waiver of the mandate	August 24 <sup>th</sup> , 2020
Cristian Gentea	57 years old	Physician engineer	31 years	Non-executive member of the Board of Directors	September 28 <sup>th</sup> , 2018  (final mandate for 4 years according to OGMS resolution 12/September 28 <sup>th</sup> , 2018)  Mandate contract concluded on November 19 <sup>th</sup> , 2020 following the notification of Mr. Cristian Gentea on the legal termination of his mandate as a member of the Board of Directors.	November 19 <sup>th</sup> , 2020
Elena Popescu	61 years old	Nuclear station engineer	35 years	Non-executive member of the Board of Directors	September 28 <sup>th</sup> , 2018  (final mandate for 4 years according to OGMS resolution 12/September 28 <sup>th</sup> , 2018)	September 28 <sup>th</sup> , 2022

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First name and Surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Term of office expiry date
Cristian Dima	53 years old	Economist	27 years	Non-executive independent member of the Board of Directors	September 28 <sup>th</sup> , 2018  (final mandate for 4 years according to OGMS resolution 12/September 28 <sup>th</sup> , 2019)	October 9 <sup>th</sup> , 2019
					Mandate contract concluded on October 9 <sup>th</sup> , 2019, according to the provisions of art. 13.1 letter k) in the Mandate Contract.	
Mihai Daniel Anitei	51 years old	Mechanical engineer	22 years	Non-executive independent member of the Board of Directors	September 28 <sup>th</sup> , 2018  (permanent mandate for 4 years according to OGMS Resolution 12/September 28 <sup>th</sup> , 2018)	September 28 <sup>th</sup> , 2022
Cosmin Ghita	31 years	Economist	10 years	Executive member of the Board of Directors	September 28 <sup>th</sup> , 2018  (permanent mandate for 4 years according to OGMS Resolution 12/September 28 <sup>th</sup> , 2018)	September 28 <sup>th</sup> , 2022
Remus Vulpescu	49 years old	Legal Adviser	25 years	Non-executive independent member of the Board of Directors	September 28 <sup>th</sup> , 2018  (permanent mandate for 4 years according to OGMS Resolution 12/September 28 <sup>th</sup> , 2018)	September 28 <sup>th</sup> , 2022
					December 28 <sup>th</sup> , 2017  (interim mandate according to	April 28 <sup>th</sup> , 2018

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.  
IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

First name and Surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Term of office expiry date
					OGSM Resolution 10/ December 20 <sup>th</sup> , 2017)	
Teodor Minodor Chirica	75 years old	Engineer	51 years	Non-executive member of the Board of Directors	December 19 <sup>th</sup> , 2019	January 30 <sup>th</sup> , 2020
					January 30 <sup>th</sup> , 2020 (mandate for 4 months, according to OGMS Resolution 1/January 30 <sup>th</sup> , 2020)	
					May 31 <sup>st</sup> , 2020 (mandate extension for 2 months, according to OGMS Resolution no. 6/May 28 <sup>th</sup> , 2020)	July 31 <sup>st</sup> , 2020
					July 27 <sup>th</sup> , 2020 (permanent mandate according to OGMS Resolution no. 9/July 27 <sup>th</sup> , 2020) following the completion of the selection procedure according to GEO 109/2011	September 28 <sup>th</sup> , 2022

The members of the Board of Directors are appointed by the shareholders, during the Ordinary Meetings of the Shareholders. The company has no knowledge of any agreement, understanding or family connections between the director/ directors and another person, due to which the such person was appointed director.

## Information on other professional commitments and obligations relatively permanent of the Board of Directors

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

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Name	Company	Occupied position	Period	Current position (Yes/No)
	CEH	Member of the Board of Directors	2015 – 2016	No
	CNU	Member of the Board of Directors	2015 – 2016	No
Remus Vulpescu	Romaero S.A.	Chief Executive Officer and member of the Board of Directors	2016 – 2020	No
	International Association for Energy Economics	Member of the Board of Directors	2017 – Present date	Yes
	Cupru Min S.A. Abrud	Member of the Board of Directors	2016 – present date	Yes
	Fortus S.A. Iasi	Special Trustee (insolvency procedure)	2015 – Present date	Yes
	Turnaround Management Association (SUA)	Member	2015 – Present date	Yes
	INSOL Europe	Member	2015 – Present date	Yes
Mihai Daniel Anitei	Azomures	Chief Executive Officer	June 2012 – Present date	Yes
	Agriculture Committee of Fertilizers Europe	Chairperson	September 2012 – Present date	Yes
	Ameropa Grains	BoD Member	2016 – present date	Yes
	Chimpex	BoD Member	2016 – present date	Yes
	Oil Terminal	BoD Member	2016 – present date	Yes
Teodor Minodor Chirica	S.N. Nuclearelectrica S.A.	Expert	October 2017 – December 2019	No
	S.C. EnergoNuclear S.A.	Chief Executive Officer	November 2013 – October 2017	No

In compliance with the criteria stipulated in Section A4 of the Corporate Governance Code of BSE, the members of the Board of Directors having contractual relations with a shareholder holding over 10% of the voting rights, starting with January 1<sup>st</sup>, 2016, are: Iulian-Robert Tudorache (Secretary of State within the Ministry of Energy until June 2019), Elena Popescu (General Manager of the General Directorate for Energy Policy within the Ministry of Energy), Cristian Gentea (General Manager of the Administration for Nuclear Energy Technologies, an entity 100% owned by the Romanian state, majority shareholder of SNN).

As at December 31, 2020, the members of the Board of Directors do not hold shares within SNN.

## Main duties of the Board of Directors

The main goals of the Board of Directors appointed for a 4-year mandate, starting with September 28<sup>th</sup>, 2018:

As regards the operation of nuclear units in conditions of nuclear safety and security for personnel, population, environment and production assets:

- ❖ Maintaining a maximum degree of availability of the technological systems and security functions.
- ❖ Improving/maintaining the high level of professional training of the personnel operating the two nuclear units.
- ❖ Maintaining the volume of radioactivity releases in water and air below the regulated level.
- ❖ Maintaining affiliations with the international organizations in the field of nuclear energy, and, if necessary, affiliation with other organizations.
- ❖ Providing the oversight function.

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

- ❖ Carrying out the maintenance and repair plans to increase the reliability of the equipment and systems and the operation of the nuclear units in safe and secure conditions.
- ❖ Running the lifetime management programs of Cernavoda NPP components and systems (reactor, steam generator, turbo-generator, etc.).
- ❖ Continuation of the replacement programs for the used and discontinued components and equipment.
- ❖ Development on time and in conditions of maximum quality the programs of mandatory annual inspections of the vital nuclear components (fuel channels, heat exchangers, etc.)
- ❖ Maintaining the above-average installed power utilization coefficient of the nuclear industry.
- ❖ Implementation of the strategy on the diversification of the supply sources with the raw material necessary for the production of nuclear fuel.

By the OGMS Resolution SNN no. 7/June 12<sup>th</sup>, 2020, the SNN shareholders approved the Investment Strategy of Societatea Nationala Nuclearelectrica S.A. related to the period July 1<sup>st</sup>, 2020 - July 1<sup>st</sup>, 2025 (hereinafter referred to as the “Strategy”). The strategy was elaborated according to the requirements of the Order of the Minister of Economy, Energy and Business Environment no. 893/April 16<sup>th</sup>, 2020, being structured on the component being subsumed to the duties and powers of the Board of Directors and the executive management - major investment Goals, and respectively on the component deriving from the development requirements of the electricity sector in Romania - Refurbishment Project of Unit 1 of Cernavoda NPP and the Project for Units 3 and 4 of Cernavoda NPP.

The elaboration of the Strategy took into account the specificity and uniqueness of the main scope of business of the company - the production of electricity and heat through nuclear processes - in the national economic framework, taking into account with priority the principles of nuclear safety, which prevails.

Main milestones of the Investment strategy for 2020-2025:

(A) Major investment goals:

- (1) Investments and capital repairs made on Unit 1, respectively Unit 2 during the scheduled outages.
- (2) Production of Cobalt-60 at Cernavoda NPP.
- (3) Extension of the life cycle of Unit 1 by re-tubing the reactor and refurbishing the main systems (studies).
- (4) Intermediate Dry Storage Spent Fuel Facility (DICA).
- (5) Modernization and Expansion of the Physical Security System.
- (6) Fit-out of Unit 5.
- (7) D2O Tritium Removal Installation.
- (8) Projects for modernizing, integrating and securing the informational flow and the IT infrastructure (hardware and software) within SNN - Digital Upgrade.

Among the major investment goals, 6 goals will be financed from SNN own sources, and will be included in the annual investment and endowment programs of SNN enclosed to BVC, except for the project (2) Cobalt 60 Production at Cernavoda NPP - where the value of the project and the financing structure are going to be finalized - and the project (7) D2O Tritium Removal Plant - the financing whereof will be provided from SNN own sources and attracted sources (loans).

(B) Major strategic objectives:

- (1) Project for Refurbishing Unit 1;
- (2) Project for Units 3 and 4.

The development and implementation of these projects depend on the adoption of decisions at the level of the Romanian authorities, including a set of support measures: state guarantees for loans, contracts for the difference, etc., identifying and structuring financing depending on a set of prior decisions of the Romanian authorities.

In the first quarter of 2021, the Board of Directors of SNN, in application of the mandate granted by the shareholders by Resolution no. 8/June 12<sup>th</sup>, 2020 of the Extraordinary General Meeting of the SNN Shareholders, to initiate the necessary steps for the analysis and crystallization of the strategic options for the construction of new energy production capacities from nuclear sources, will submit to the General Meeting of the Shareholders the new Strategy for the Continuation of the Project for Units 3 and 4 of Cernavoda NPP and respectively the implementation measures thereof.

As regards the electricity trading strategy:

- ❖ Long-term contracting in advance, in order to provide the stability of the revenues of the company and decrease the risk of electricity price volatility.
- ❖ Obtaining for the entire interval 2018 - 2022, a sale price of over RON 180/MWh.

As regards the improvement of the indicators on the financial performances of the Company and the fulfillment of the three financial indicators indicated in the contract with EURATOM, we have in view:

- ❖ Maximizing the use of the capabilities of the company with direct effect on obtaining proper cost structures, in compliance with the nuclear safety culture.
- ❖ Consolidation of the operational cash flows of the company, in order to provide the necessary liquidity for the current investment projects, as well as for the increase of the bankability of the major investment projects run by SNN.
- ❖ Providing the necessary liquidity for the payment of the installments due on the contracted loans.
- ❖ Strengthening the capacity of self-financing of the activity (CAF) in the conditions of the observance of the nuclear safety regulations.

As regards the maintenance of a foreseeable/predictable dividend policy of the company:

- ❖ Maintaining a dividend granting rate of at least 60% of the remaining accounting profit after the corporate tax deduction.

As regards the optimization and streamlining of the organizational structure of the Company:

- ❖ The optimization considers the implementation of an organizational structure allowing the maximization of the capabilities of the company as a fundamental element of the sustainability of the competitive advantages.
- ❖ Creating a system for the allocation of the internal resources allowing the maximization, efficiency and adequacy of uses, with direct effect of obtaining cost-effective structures.
- ❖ In the context of the consolidation of the Nuclear Safety culture, we aim at implementing an organizational structure based on clearly defined roles, removal of the inadequate role redundancy, goal cascading, alignment of the skills with the current changing requirements, based on the good corporate governance rules, with a fluent vertical and horizontal communication system.
- ❖ Alignment of the organizational structure with the other 3 dimensions of the organization: human resources, process system and technology.

As regards the observance of the principles of corporate governance and the code of ethics and integrity:

- ❖ Compliance with all the legal provisions and recommendations of the Romanian capital market institutions on the corporate governance principles.
- ❖ Carrying out a regular benchmarking with entities at international level and adopting the best international practices.
- ❖ Zero tolerance to deviations from the SNN Code of Ethics.

As regards the responsible and active involvement in corporate social responsibility actions:

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

As regards maintaining/attracting highly qualified personnel, in the conditions of a specialized labour market:

- ❖ Adopting a human resources strategy for attraction, training and retention.
- ❖ Implementation of cooperation programs with the Polytechnic University of Bucharest and Faculties with technical profile at national level, especially in the operating areas of SNN, adjusted to the personnel needs of SNN on medium and long term, for granting scholarships.
- ❖ Implementation of informative campaigns at national and local level in high-schools, in order to attract young people both for enrollment in specialized faculties (energy specialization) and to attract graduates of vocational schools.
- ❖ Development of internship programs for students and individual mentoring programs for young employees.
- ❖ Adoption of measures specific to the field of human resources on the increase of the satisfaction level of the highly qualified personnel and the retention thereof, correlated with the current and long-term needs of SNN.
- ❖ Implementing a remuneration system based on individual performance, by the analysis of the individual performance indicators.

For the development/improvement of the reporting, control and risk management capabilities, paying more attention to the investor relationship, SNN aims at:

- ❖ Integration/correlation of the corporate risk management processes and mechanisms (other than the operating ones addressed by regulations, standards and practices of the nuclear industry) with the risk management processes and mechanisms related to the operating activities of the nuclear power plant, in order to provide a proper addressing of the risks that the organization is exposed to, in the sense of the completeness of addressing them.
- ❖ Reviewing, improving and/or developing (as appropriate) the corporate risk management processes and tools, as well as periodically reviewing and/or recalibrating/adjusting risk management tools (e.g. internal procedures, algorithms and models, assessment, risk profile, risk tolerance limit, operational and information flows).
- ❖ Increasing the level of knowledge of the personnel of the Company on risk management, especially by conducting training sessions for the staff of SNN Centrala, Cernavoda NPP and FCN Pitesti.
- ❖ Improvement of the information flows of information circulation on the risks within the organization, both in order to better manage them at the locations where there is exposure, and to better apply the principle of informed decision-making from a risk perspective (RIDM - Risk-Informed Decision Making).
- ❖ Development of an internal framework to provide business continuity (BCM - Business Continuity Management)

By the Resolution of the Board of Directors no. 187/ October 29<sup>th</sup>, 2018, the administration component of the Administration Plan was approved. By the Resolution of the Board of Directors no. 33/ March 7<sup>th</sup>, 2019, the management component of the Management Plan and the Management Plan in its entirety were approved.

By Resolution no. 3/April 10<sup>th</sup>, 2019 of the Ordinary General Meeting of the SNN Shareholders no. 3/April 10<sup>th</sup>, 2019 the following were approved:

- the financial and non-financial performance indicators that will represent an annex to the mandate contract of non-executive directors;
- the amount of the annual variable component of the remuneration of non-executive directors, in the amount of 12 fixed monthly allowances;
- the form of the addendum to be concluded to the mandate contract of non-executive directors.

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

- ❖ Establishing the main directions of activity and development of the Company;
- ❖ Establishing the accounting policies and the financial control system, as well as approving the financial planning;
- ❖ Appointing and revoking manager and establishing the remuneration thereof;
- ❖ Supervision of the activity of the Chief Executive Officer and of the Managers;
- ❖ Preparation of the annual report, organization of the General Meeting of the Shareholders and implementation of the resolutions thereof;
- ❖ Filing the petition for the initiation of the insolvency procedure of the Company, according to Law no. 85/2006 on the insolvency procedure;
- ❖ Approval of the amendments of the scope of business, without being able to look at the field and the main activity of the Company.

The Board of Directors also has the following responsibilities:

- ❖ Exercises the control over the manner in which the Chief Executive Officer and the other Managers run the Company;
- ❖ Approves the income and expense budget;
- ❖ Approves the management plan prepared by the Chief Executive Officer and/or other Managers;
- ❖ Checks whether the activity performed on behalf and on account of the Company is compliant with the law, with the Articles of Incorporation and with any relevant resolution of the General Meeting of the Shareholders;
- ❖ Presents the General Meeting of Shareholders with an annual report on the management activity;
- ❖ Represents the Company in the relations with the Chief Executive Officer and with the appointed Managers;
- ❖ Checks and approves the quarterly, half-yearly and yearly financial statements of the Company;

- ❖ Verifies and approves the Report of the Chief Executive Officer and the Reports of the Managers;
- ❖ Proposes to the General Meeting the appointment and revocation of the financial auditor, as well as the minimum duration of the audit contract;
- ❖ Approves the mandate contracts of the Chief Executive Officer and of the appointed Managers, thus establishing the manner of organization of the activity of the managers;
- ❖ Approves the people empowered to negotiate the Collective Labor Agreement with the representative trade unions and/ or the employees' representatives, as well as the negotiation mandate granted thereto;
- ❖ Approves the Collective Labour Agreement within the Company;
- ❖ Approves the Internal Regulations of the Board of Directors;
- ❖ Approves the activity programs (production, research– development, technological engineering, investments, etc);
- ❖ Approves the energy sale transaction strategy of the Company;
- ❖ Approve any transaction of the company with any of the companies with which it has close relations whose value is equal to or greater than 5% of the company's net assets (according to the latest financial report), following a mandatory opinion of the Board's audit committee; and correctly disclosed to shareholders and potential investors, insofar as these transactions fall into the category of events that are subject to reporting requirements;
- ❖ Approves the conclusion of any contract/document giving rise to legal obligations incumbent upon the Company (acts of acquisition, alienation, exchange or guarantee of assets in the category of fixed assets of the Company), the value whereof does not exceed, individually or cumulatively, during a financial year, 20% of the total fixed assets of the Company less receivables, in compliance with the limits of competence stipulated in the Annex to the Articles of Incorporation;
- ❖ Approves the leasing of tangible assets, for a period longer than one year, whose individual or cumulative value compared to the same co-contractor or persons involved or acting in concert does not exceed 20% of the value of total fixed assets, less receivables on the conclusion date of the legal deed, as well as the associations for a period longer than one year, not exceeding the same value;
- ❖ Approves the mandate of the representatives of Nuclearelectrica in the General Meeting of Shareholders of S.C. Energonuclear S.A. for all decisions falling under the competence of the General Meeting of Shareholders of S.C. Energonuclear S.A., except for those for which a decision of the General Meeting of Shareholders of the Company is required, according to the provisions of the Articles of Incorporation.

The Board of Directors has duties of endorsement/approval of the contracts, credits and various operations within the Company, according to the limits of competence stipulated in the Annex to the Articles of Incorporation of the Company.

In 2020, the Board of Directors of SNN was convened 44 times, in order to make the necessary decisions to manage the company, in compliance with the powers established by the Articles of Incorporation of SNN, the Corporate Governance Regulation and the Internal Regulations for the meeting of the Board of Directors, 3 meetings taking place with physical presence, 19 by electronic vote and 22 by teleconference.

The preponderance of the meetings of the Board of Directors organized by teleconference is given by the implementation of all the necessary measures to avoid the spread of COVID 19 in the context of the triggered pandemic.

The presence of the members of the Board of Directors at the meetings organized with the physical presence, as well as organized by teleconference depending on the duration of the members' mandate, including the revocation.

BoD Members	Attendance meetings (3)	Teleconference meetings (22)
Iulian-Robert Tudorache (mandate ending date August 24 <sup>th</sup> , 2020)	1/2	15/15
Elena Popescu	2/3	19/22
Teodor Chirica	2/3	19/22
Cosmin Ghita	3/3	22/22
Mihai Anitei	3/3	20/22
Remus Vulpesu	3/3	21/22
Cristian Gentea (mandate ending date November 19 <sup>th</sup> , 2020)	2/3	17/19

In compliance with the provisions of the Articles of Association of SNN, the Corporate Governance Regulation and the Internal Regulations for the meetings of the Board of Directors, the members of the Board of Directors granted representation mandates to other members of the Board of Directors for meetings that they could not attend in person or by telephone, the representativeness and quorum requirements being thus provided. The meetings of the Board of Directors of SNN are statutorily valid in the conditions of the presence of the majority of the members thereof.

Starting with October 31<sup>st</sup>, 2019, the secretary of the Board of Directors is Mrs. Oana Andrusca, PR Specialist within SNN. In 2020, the Secretary of the Board of Directors is Mrs. Oana Andrusca, Public Relations Specialist within SNN.

Attendance of the members of the Board of Directors in the 17 attendance meetings, depending on the duration of the members' term of office, revocation included.

### **Remuneration of the Members of the Board of Directors**

In compliance with the provisions of Government Emergency Ordinance no. 109/2011, as further amended and supplemented, on the corporate governance of public enterprises, the remuneration policy and criteria of directors and managers within the unitary system are made public on the SNN website, in the "Investor Relation - Remuneration Policy" section.

Following the appointment of the members of the Board of Directors for a 4-year term, September 28<sup>th</sup>, 2019, until the approval of the goals and performance indicators established by the Management Plan with the management component included, the members of the Board of Directors benefited only from the fixed component.



By the Resolution of the Board of Directors no. 33/ March 7<sup>th</sup>, 2019, the management component of the Management Plan and the Management Plan in its entirety were approved.

In compliance with the current provisions, namely art. 37 of the Government Emergency Ordinance no. 109/2011 as further amended and supplemented, the fixed remuneration of the non-executive members of the Board of Directors may not exceed twice the average over the last 12 months of the average gross salary for the performed activity, according to the main scope of business registered by the Company, at class level, according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to appointment. The fixed remuneration of the executive members of the Board of Directors may not exceed 6 times the average over the last 12 months of the average gross monthly earnings for the performed activity, according to the main scope of business registered by the Company, at class level, according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to appointment.

The fixed and variable indemnity for the members of the Board of Directors is approved by the General Meeting of the Shareholders of SNN. The general limits of the remuneration of the managers (manager within the meaning of art. 143 of Law no. 31/1990) are approved by the General Meeting of the Shareholders; in virtue of these general limits, the Board of Directors establishes the amount of the managers' allowance. The fixed remuneration of managers with a mandate contract may not exceed 6 times the average gross salary for the performed activity, according to the main scope of business registered by the Company, at class level, according to the classification of activities in the national economy, communicated by the National Institute of Statistics.

As regards the remuneration of the members of the Board of Directors for 2020, they remained at the level established by the mandate contracts signed in 2018, considering the fact that they were no addenda in 2020. These are valid for the members of the Board of Directors who are in office at the end of 2020, respectively, Mr. Cosmin Ghita, Mr. Remus Vulpescu, Mr. Mihai Anitei, Mrs. Elena Popescu.

As regards Mr. Iulian Robert Tudorache and Mr. Cristian Gentea, the remunerations are calculated pro rata with the period until which each mandate contract ended.

As regards Mr. Teodor Minodor Chirica, on the date of appointment, respectively, in the Ordinary General Meeting of July 27<sup>th</sup>, 2020 until September 28<sup>th</sup>, 2022, the gross monthly fixed allowance of the elected director was approved, equal to twice the average over the last 12 months of the average gross monthly earnings for the activity performed according to the main scope of business registered by the company, at class level, according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment, as well as the annual variable component amounting to 12 fixed monthly allowances determined based on the financial and non-financial performance indicators - as they were negotiated with the current directors in office of the company and approved by the Ordinary General Meeting of the Shareholders by Resolution no. 3/April 10<sup>th</sup>, 2019.

Detailed information on the remuneration of directors and managers in 2020 can be found in the Report of the Nomination and Remuneration Committee, enclosed to this Report.

By Resolution no. 3/April 10<sup>th</sup>, 2019 of the Ordinary General Meeting of the SNN Shareholders no. 3/April 10<sup>th</sup>, 2019, the following were approved:

- The financial and non-financial performance indicators that will represent an annex to the mandate contract of non-executive directors;
- the amount of the annual variable component of the remuneration of non-executive directors, in the amount of 12 fixed monthly allowances;
- the form of the addendum to be concluded to the mandate contract of non-executive directors.
- The financial and non-financial performance indicators that will represent an annex to the mandate contract of executive directors;
- The form of the addendum to be concluded to the mandate contract of the executive directors of the company, in the form proposed by the Ministry of Energy;
- General limits of the remuneration of the executive director:
  - Fixed, monthly allowance, between 5 - 6 times the average over the last 12 months of the average gross monthly salary for the activity performed according to the main scope of business registered by the company at class level, according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment;
  - The annual variable component, between 24 - 36 times, the average monthly average gross salary for the activity performed according to the main scope of business registered by the company at class level, according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment.

### **10.3.2. EXECUTIVE MANAGEMENT**

The Board of Directors delegates the management of the company to one or several Directors, designating one of them Chief Executive Officer. The Chief Executive Officer represents the company in relation with third parties and in the court of law. The Chief Executive Officer is responsible for taking all the necessary measures related to the governing of the company, within the limits of the scope of business of the company and in compliance with the exclusive competences established by law or by the Articles of Incorporation for the Board of Directors and the General Meeting of the Shareholders. The Board of Directors can delegate one or several responsibilities indicated in the previous section (and which can be delegated) to the Chief Executive Officer.

The Chief Executive Officer of SNN, has the following responsibilities, according to the Articles of Incorporation:

- ❖ Manages and coordinates the entire activity of the Company;
- ❖ Brings into effect the resolutions of the General Meetings of the Shareholders and the decisions of the Board of Directors, adopted in compliance with the competences reserved thereto;

- ❖ Applies the development strategy and policies of the Company;
- ❖ Selects, employs, promotes and dismisses the employees of the Company;
- ❖ Appoints, suspends or revokes the people in the management of the subunits, also establishing the remuneration thereof;
- ❖ Negotiates and concludes, within the terms of the law, individual employment contracts;
- ❖ Concludes legal documents on behalf and on account of the company, whereby procuring, selling, renting and exchanging or pledging as guarantee corporate assets of the Company, the conclusion whereof does not fall under the competence of the General Meeting of the Shareholders or of the Board of Directors;
- ❖ Concludes any documents binding for the Company towards third parties, not falling under the competence of the General Meeting of the Shareholders or of the Board of Directors, as applicable, according to the competence limits in the Annex to the Articles of Incorporation;
- ❖ Approves the investment projects, according to the competence limits in the Annex to the Articles of Incorporation;
- ❖ Elaborates and submits for approval to the Board of Directors the financial statements, as well as the profit distribution proposal resulting from the balance sheet of the financial year, which it intends to present to the General Meeting of Shareholders;
- ❖ Elaborates and submits for approval to the Board of Directors the draft budget of the Company, which is going to be submitted for approval to the General Meeting of the Shareholders;
- ❖ It submits to the approval of the Board of Directors the materials to be submitted to the approval of the General Meeting of the Shareholders;
- ❖ Elaborates along with the other Managers and submits to the endorsement/approval of the Board of Directors the activity programs (production, research - development, technological engineering, investments, etc.);
- ❖ Establishes the duties and responsibilities of the personnel of the Company, per compartments;
- ❖ Approves the collection and payment operations, according to the legal competences and the provisions of the Articles of Incorporation;
- ❖ Empowers the Managers or any other person to exercise any duty within the range of competence thereof;
- ❖ Approves the delegations of competence for the Managers and for the people in the management of the subunits, in order to perform the operations of the Company;
- ❖ Approves the powers and duties of the subunits in the structure of the Company;
- ❖ Approves the organizational structure of the Company and the number of positions, the regulation for the establishment of the functional and production compartments, as well as the Regulation of Organization and Operation of the Company and the Internal Regulations;
- ❖ Establishes and approves policies for environmental protection and occupational safety, according to legal provisions;
- ❖ Approves the documents of the nature of standards and regulations regulating the activities of the Company;
- ❖ Establishes the marketing tactics and strategy;
- ❖ Fulfills any other duty stipulated by the legislative acts, the Articles of Incorporation of the Company, the decisions of the Board of Directors and the resolutions of the General Meeting of the Shareholders;
- ❖ Solves any other issue that the Board of Directors has set as incumbent thereupon.

The position of Chief Executive Officer of S.N. Nuclearelectrica S.A. was occupied under a mandate contract, as a result of the Decision of the Board of Directors no. 2 of February 4<sup>th</sup>, 2019, whereby Mr. Cosmin Ghita was appointed in this position for a 4-year term of office, starting with January 11<sup>th</sup>, 2019. This decision was adopted following the Recommendation of the Nomination and Remuneration Committee dated January 22<sup>nd</sup>, 2019.

The position of Manager of Cernavoda NPP Branch: starting with September 1<sup>st</sup>, 2018, the position of Manager of Cernavoda NPP Branch was occupied by Mr. Dan Bigu. The individual employment contract of Mr. Dan Bigu terminated by operation of the law on September 14<sup>th</sup>, 2020 as a result of the cumulative meeting of the standard age conditions and of the minimum contribution period for retirement, in compliance with the provisions of art. 56 par. (1) let c) of Law no. 53/2003,

Starting with the termination date of the individual employment contract of Mr. Dan Bigu for the position of Manager of Cernavoda NPP Branch, and until the completion of the recruitment and selection process of the new Manager of Cernavoda NPP Branch, was appointed in the position of Manager of Cernavoda NPP Branch, starting with September 14<sup>th</sup>, 2020.

Following the completion of the internal selection procedure, the position of Manager of Cernavoda NPP Branch is taken over by Mr. Valentin Nae, starting with October 19<sup>th</sup>, 2020

The position of Manager of FCN Pitesti Branch: Starting with October 17<sup>th</sup>, 2019 and up to the present date, the position of Manager of FCN Pitesti Branch has been occupied by Mr. Sorin Popescu, following the decision of the Chief Executive Officer no. 345 of October 17<sup>th</sup>, 2019.

Chief Financial Officer: On January 16<sup>th</sup>, 2020, the Board of Directors of SNN took note, by Decision no. 2/January 16<sup>th</sup>, 2020, of the resignation of Mr. Adrian Dumitriu from his position of Chief Financial Officer of SNN starting with March 31<sup>st</sup>, 2020, according to the provisions of the Mandate Contract concluded with the company on February 11<sup>th</sup>, 2019.

Mr. Paul Ichim occupied the position of Chief Financial Officer, on a temporary basis, since March 31<sup>st</sup>, 2020.

Mr. Paul Ichim was appointed Chief Financial Officer with a 4-year term of office, starting with August 1<sup>st</sup>, 2020, as a result of the completion of the selection procedure, organized in compliance with the provisions of GEO no. 109/2011.

Deputy Chief Executive Officers: By the Decision of the Board of Directors no. 3 of February 4<sup>th</sup>, 2019, as a result of the Recommendation of the Nomination and Remuneration Committee of January 22<sup>nd</sup>, 2019, Mr. Dan Laurentiu Tudor was appointed Deputy Chief Executive Officer of S.N. Nuclearelectrica S.A. with a 4-year term of office, starting with February 11<sup>th</sup>, 2019.

The Chief Financial Officer and the Deputy Chief Executive Officer are subordinated to the Chief Executive Officer and to the Board of Directors.

## Executive management

First name and Surname	Position	Starting date (since 2020)	Ending date (since 2020)
Cosmin Ghita	Chief Executive Officer 4-year mandate.	Appointment for a 4-year mandate as of February 11 <sup>th</sup> , 2019.	February 11 <sup>th</sup> , 2023
Dan Laurentiu Tudor	Deputy Chief Executive Officer 4-year mandate.	Appointment for a 4-year mandate as of February 11 <sup>th</sup> , 2019.	February 11 <sup>th</sup> , 2023
Adrian Gabriel Dumitriu	Chief Financial Officer 4-year mandate.	Appointment for a 4-year mandate as of February 11 <sup>th</sup> , 2019.	February 11 <sup>th</sup> , 2023
		Termination of the contract of mandate following the waiver of the mandate starting with March 31 <sup>st</sup> , 2020	March 31 <sup>st</sup> , 2020
Paul Ichim	Chief Financial Officer	Appointment for an interim mandate starting with March 31 <sup>st</sup> , 2020	August 1 <sup>st</sup> , 2020
		Appointment for a 4-year mandate starting with August 1 <sup>st</sup> , 2020	August 1 <sup>st</sup> , 2024
Dan Bigu	Branch Manager at Cernavoda NPP (employment contract)	September 1 <sup>st</sup> , 2018	December 31 <sup>st</sup> , 2019
		Termination of the individual employment contract on September 14 <sup>th</sup> , 2020	September 14 <sup>th</sup> , 2020
Valerian Sorin Ghelbereu	Branch Manager Cernavoda NPP	September 14 <sup>th</sup> , 2020  (appointed with delegation Branch Manager at Cernavoda NPP)	October 19 <sup>th</sup> , 2020

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First name and Surname	Position	Starting date (since 2020)	Ending date (since 2020)
		until the completion of the recruitment process)	
Valentin Nae	Branch Manager Cernavoda NPP	October 19 <sup>th</sup> , 2020  (appointed Branch Manager at Cernavoda NPP following the contest organization)	N/A
Sorin Popescu	Branch Manager FCN Pitesti (employment contract)	October 17 <sup>th</sup> , 2019  (appointed with delegation for a 6-month period)	April 17 <sup>th</sup> , 2020
		April 17 <sup>th</sup> , 2020  (extension of the delegation by 3 months)	July 17 <sup>th</sup> , 2020
		July 18 <sup>th</sup> , 2020  (appointed Branch Manager at FCN Pitesti following the contest organization)	N/A

The company is not aware of the existence of any agreement, understanding or family connection between a member of the executive management and another person, due to which such person was appointed member of the executive management.

As at December 31<sup>st</sup>, 2020, the members of the executive management do not hold shares within SNN.

On the preparation date of this Report, the Company is not aware of the existence of any litigation or administrative procedures against the members of the Board of Directors and/or the executive management, related to their activity within SNN or concerning the capacity of such person to fulfill their duties within the issuer.

## 10.4. CONSULTATIVE COMMITTEES

According to the Articles of Incorporation of the Company and in compliance with G.E.O. no. 109/2011, the Board of Directors of SNN set up 4 advisory committees, made up of at least 2 members of the Board of Directors.

### **The Advisory Committee for Nomination and Remuneration**

This committee was established according to art. 34 in GEO no. 109/2011, by Resolution no. 7 of the Board of Directors of April 26<sup>th</sup>, 2013.

### **The Advisory Audit Committee**

This committee was established according to art. 34 in GEO no. 109/2011, by Resolution no. 8 of the Board of Directors of April 30<sup>th</sup>, 2013.

### **The Advisory Committee for Nuclear Safety**

This committee was established according to art. 34 in GEO no. 109/2011, by Resolution no. 27 of the Board of Directors of August 26<sup>th</sup>, 2013.

### **The Advisory Committee for Strategy, Development and Large Investment Projects**

This committee was established according to art. 34 in GEO no. 109/2011, by Resolution no. 27 of the Board of Directors of August 26<sup>th</sup>, 2013.

The Advisory Committees are in charge of performing analyses and elaborating recommendations for the Board of Directors, in the specific fields, being bound to periodically submit activity reports to the members of the Board of Directors.

The main responsibilities of the Advisory Committees are stipulated in the Internal Regulations approved by the Board of Directors, and available on the SNN website.

Each Advisory Committee has appointed a secretary and a chairperson.

By the Resolution of the Board of Directors no. 210/ December 6<sup>th</sup>, 2019, the chairpersons of the Advisory Committees are the following directors:

The Advisory Committee for Nomination and Remuneration	Remus Vulpescu
The Advisory Audit Committee	Remus Vulpescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

## The Advisory Audit Committee

The role of the Advisory Audit Committee is to assist the Board of Directors in carrying out the duties thereof on internal audit and fulfills an advisory function in terms of the strategy and policy of the Company with regard to the internal control system, the internal audit and external audit, conflict of interest assessment, as well as the control of the risk management system.

From the functional perspective, the Advisory Audit Committee reports directly to the Board of Directors. Within SNN, there is an Internal Audit Department in charge of managing the internal audit activity within the company, reporting to the Board of Directors, from a functional perspective and to the Chief Executive Officer, from an administrative perspective.

The main responsibilities of the Advisory Audit Committee include functions of analysis, monitoring, supervision and facilitation, as follows:

- ❖ Approval of the multi-annual internal audit plan as well as the legislative documents elaborated by the Internal Audit Department;
- ❖ Regularly examines the efficiency of the internal control and risk management system;
- ❖ Monitors the application of the legal standards and internal audit standards, maintaining the authority, independence and impartiality of internal auditors;
- ❖ Monitors the compliance by the Company with the provisions of the legal framework, the Articles of Incorporation and the applicable internal regulatory documents;
- ❖ Analyzes and approves the activity reports of the Internal Audit Department, the transactions with the affiliates;
- ❖ Monitors the correctness and credibility of the financial information provided to the management of the Company and to external users;
- ❖ Supervises the activity of the internal auditors and financial auditors;
- ❖ Approves or proposes the approval addressed to the supervisory bodies or to the shareholders on the appointment, remuneration and revocation of the financial auditor;
- ❖ Ensuring that the executive bodies take the necessary remedial measures, in order to address the identified deficiencies;
- ❖ Preparation and submission of reports, upon request, to the Board of Directors.

In 2020, the Audit Advisory Committee congregated in 6 meetings during which recommendations were made to the Board of Directors of SNN on issues falling under the competence thereof, as follows:

- ❖ Report on the internal audit activity for 2019;
- ❖ Annual Management Financial Control plan;
- ❖ Internal audit plan for 2021 and multiannual audit plan for 2021-2023;
- ❖ Quarterly report on risk management;
- ❖ Annual report on the assessment of the internal management control system;
- ❖ Individual and Consolidated Annual Financial Statements at the end of 2019, prepared in accordance with the International Financial Reporting Standards (IFRS - EU), based on the independent auditor's reports and the directors' annual report for 2019;
- ❖ Half-yearly report on the administration activity, drafted according to the legal provisions;
- ❖ Annual Conformity Plan.



In terms of the management of conflicts of interest, each member of the Board of Directors provides the avoidance of a conflict of interest directly or indirectly with the Company, and, in case of occurrence of such a conflict, abstains from debating and voting on such issues, in compliance with the applicable legal provisions.

In order to provide the correctness, the transactions with the concerned parties, the members of the Board of Directors use the following criteria, but without limitation thereto:

- ❖ Retaining the competence of the Board of Directors or GMS, applicable, to approve the most important transactions (according to the annex to the Articles of Incorporation on the competence limits);
- ❖ Requesting a prior opinion on the most important transactions from the internal control structures;
- ❖ Entrusting the negotiations, with regard to these transactions, to one or several independent directors or to the directors having no connections with such involved parties;
- ❖ Resort to independent experts.

The transactions concluded in 2020 with affiliates and reported to the capital market authorities of Romania and to the SNN shareholders, according to the provisions of art. 225 of Law no. 297/2004 and art. 82 of Law no. 24/2017 did not create problems in terms of potential conflicts of interests with the directors and managers of SNN.

The planning of the internal audit activities is done following an extensive risk assessment process (e.g. discussions with the heads of departments, results of the activities of the other monitoring departments, reports of the external control bodies of the Company, results of the previous audit reports). The Audit Advisory Committee assessed the internal control system, based on the questionnaire on the assessment of the implementation stage of the internal/managerial control standards, consisting in the compliance in the internal managerial control activity with the standards stipulated in Order no. 600/2018.

More information on the internal audit activity is to be found in subchapter *10.8. Audit and Risk Management Division*.

### **The Advisory Committee for Nuclear Safety**

The Nuclear Safety Committee provides the Board of Directors with assistance and/or independent assessment in the field of nuclear safety and environmental protection, elaborating written recommendations in this respect.

The main duties of the Advisory Committee for Nuclear Safety are consultancy/assessment in fields such as:

- ❖ The strategic options of the Company related to nuclear safety, taking into account the existing situation and the regulatory framework applicable to the operating activities of Cernavoda NPP;

- ❖ Conclusions drawn from the review of certain design studies and the impact thereof on the systems, structures and components with critical nuclear safety functions;
- ❖ Fundamental decisions on nuclear safety, as well as on radiation protection, adopted within the Company and the two branches thereof;
- ❖ Framework and main criteria to be adopted for nuclear safety and for the management and quality assurance system;
- ❖ Conclusions of the impact studies on all types of emissions into the environment;
- ❖ Nuclear safety criteria, public health and environmental protection, applied in the relations with the subcontractors and providers;
- ❖ Elaboration and implementation of programs for the preparation of the nuclear safety culture for the personnel of the Company;
- ❖ General policy and regulations on the personnel and the competence requirements in the operation of the assets of the Company;
- ❖ Inspection of structures and components with critical security function;
- ❖ Independent control processes in matters of nuclear safety and radiation protection, related to the specific activities of the Company;
- ❖ Certification and licensing process;
- ❖ Analyses of reports of the operating events/incidents with potential impact on nuclear safety or radiation protection of the personnel;
- ❖ Analysis of any report on nuclear safety, prepared within the Company;
- ❖ Any matter for which the Board of Directors deems it necessary to consult the Advisory Nuclear Safety Committee.

The Advisory Nuclear Safety Committee did not congregate during 2020.

### **The Advisory Committee for Strategy, Development and Large Investment Projects**

The structure of the Advisory Committee for Strategy, Development and Large Investment Projects (“CSDPMI”) is as follows (BoD Decision no. 166/October 2<sup>nd</sup>, 2018): Elena Popescu - chairperson and Mr. Cristian Gentea, Mr. Mihai Anitei, Mr. Cosmin Ghita and Mr. Iulian Robert Tudorache as members.

According to its own regulations, the Committee for Strategy, Development and Large Investment Projects performs analyses and elaborates recommendations for the Board of Directors of SNN with regard to:

- ❖ The global strategy for development, refurbishment, modernization, economic and financial restructuring of the Company, as well as the main development directions, the strategic goals of the Company and the ways to achieve them.
- ❖ Approval and implementation by the Board of Directors of large investment projects (projects the estimated value whereof exceeds the value of EUR 5 million), following the analysis of the specific documentation.

In 2020, the activity of the Advisory Committee for Strategy, Development and Large Investment Projects focused primarily on:

- ❖ Formulation of a recommendation to the Board of Directors of SNN on the SNN Investment Strategy related to the period July 1<sup>st</sup>, 2020 - July 1<sup>st</sup>, 2025, approved by the OGMS Resolution no. 7/June 12<sup>th</sup>, 2020;
- ❖ Formulation of a recommendation to the Board of Directors of SNN on the optimal solution for improving the reliability of the electric generator at Unit 1, during the planned outage for 2022;
- ❖ Formulation of a recommendation to the Board of Directors of SNN on the optimal solution for replacing the rotor related to the main generator at Unit 2;
- ❖ Formulation of a recommendation to the Board of Directors of SNN on the optimal solution for upgrading the power transformers at Units 1 and 2 of Cernavoda NPP.

From the analysis of the activity of the Advisory Committee for Strategy, Development and Large Investment Projects, we consider that it allowed the creation/crystallization of a unitary and structured approach on the strategic development directions and a proper scheduling of the multi-annual investment plan of SNN.

## **10.5. SHAREHOLDERS' RIGHTS**

All holders of financial instruments issued by SNN from the same type and class of securities benefit from equal treatment, and the Company permanently makes sustained efforts to perform an effective, active and transparent communication, in view of the exercise of the rights in an fair manner.

All SNN holders are equally treated. All issued shares confer equal rights to the holders; any amendment to the rights thereby conferred will be subject to the approval of the holders directly affected, within the special meetings of such holders.

SNN submits all the diligences to facilitate the participation of the shareholders in the proceedings of the General Meetings of the Shareholders, the dialogue between the shareholders and the members of the Board of Directors and/or of the management, as well as the full exercise of their rights. The participation of the shareholders in the proceedings of the General Meetings of the Shareholders is fully encouraged, and for the shareholders who cannot participate in the meetings, the possibility of absentee voting is provided - by special power-of-attorney, by correspondence or by special or general power-of-attorney.

The company has created a special section, called "Investor Relations", on its website, where relevant information on the procedures for access to and participation in the General Meeting of the Shareholders, the GMS conveners, the supplements to the GMS agenda, the answers of the Board of Directors to the questions asked by the shareholders, the current reports, the financial statements of the Company, the exercise of the voting rights in the GMS, the materials on the GMS agenda, the special power-of-attorney templates, the financial calendar, the corporate governance, etc. of the Company, are permanently updated and accessible, thus contributing to the transparent and fair information of all those concerned.

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At the same time, SNN set up a specialized organizational structure for the management of the activity on the capital market, respectively - the Communication and Investor Relations Department - structure the activity whereof will be dedicated to the relationship with investors and shareholders. The staff of the department is permanently prepared /professionally trained on the aspects concerning the relationship of the company with the shareholders thereof, the corporate governance principles, management, the relationship with the customers.

The main rights of the shareholders related to the General Meeting of Shareholders are:

*(a) The right to a minimum period of notice:*

The shareholders of the Company are informed about a future meeting of shareholders through the convener published in the Official Gazette of Romania and in a national newspaper, at least 30 days prior to the date of the meeting; the convener is also published on the website of the Company, within the “Investor Relations” section and is sent to the Authority for Financial Supervision and to Bucharest Stock Exchange under the form of a current report.

*(b) The right of access to information:*

SNN publishes the necessary documents and information on its website, to ensure that all the shareholders thereof exercise their rights knowingly.

*(c) The right to supplement the agenda of the meeting:*

The SNN shareholders representing individually or collectively with other shareholders at least 5% of the share capital may request the addition of additional items on the agenda within the limits and in compliance with the provisions of the applicable law.

*(d) The right to participate in the meeting:*

The shareholders registered on the list of SNN shareholders from the reference date received from the Central Depository have the right to participate personally or by representative in the General Meetings of the Shareholders of the Company.

*(e) Voting rights:*

The share capital of the Company is represented by ordinary shares conferring a voting right for each share registered in the name of the shareholder on the reference date.

*(f) The right to ask questions:*

Any shareholder of the Company may ask written questions on the items on the agenda of the General Meeting of the Shareholders and is entitled to receive answers from SNN.

The shareholders are entitled to actually participate and vote in the GMS and to be informed of the rules, including voting procedures, governing the GMS. Each share confers one voting right, one dividend. There are no preferential shares without voting right or shares conferring the right to more than one vote.

## **10.6. TRANSPARENCY, FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT**

### **Transparency**

Being a company admitted for trading, SNN constantly acts according to the information requirements regulated by the capital market rules, by making periodic and continuous reports on important events concerning the Company, including, but not limited to, the financial status, performance, ownership and management. The Company will prepare and disseminate relevant periodic and ongoing information, in accordance with the International Financial Reporting Standards (IFRS). The information is disseminated both in Romanian and in English. The company organizes, at least five times a year, meetings or teleconferences with financial analysts, brokers, market specialists, as well as investors, upon the dissemination of the yearly and/or half-yearly financial statements, relevant materials in the investment decision or depending on the concrete interest of capital market participants (teleconferences and face-to-face meetings). The purpose is to provide total transparency through communication, in compliance with the applicable law and proactively, in order to provide information with a high degree of accuracy and in a timely manner, necessary to maintain and develop a relationship of mutual trust.

In order to make the information process more efficient and more accessible for investors, SNN has created on its website ([www.nuclearelectrica.ro](http://www.nuclearelectrica.ro)) a special section (Investor Relations) where any investor can easily access information about: (i) the strategy of the Company, (ii) news, information and events, (iii) corporate governance, (iv) shareholders' rights, (v) reports (vi) dividend payments, (vii) financial statements, etc. Furthermore, SNN has established strict internal rules and procedures and has a department dedicated to the investor relation. Thus, the Company elaborates and implements an efficient and transparent policy in the relationship thereof with the investors.

In 2020, SNN issued 137 current reports, a part of them representing compliance with the legal requirements and the rest representing events likely to impact the share price, SNN considering that a proactive and open approach towards the shareholders and investors is optimal.

### **Financial reporting, internal control and risk management**

SNN sends to Bucharest Stock Exchange (“BSE”), within maximum 120 days of the end of the reporting period, the Annual Report prepared in accordance with the relevant regulations, issued by the Financial Supervisory Authority (“ASF”), including all the documents stipulated in the ASF regulations. The financial statements are prepared in accordance with the International Financial Reporting Standards (“IFRS”) as such are approved by the European Union, starting with the financial year of 2013.

SNN sends to BSE, within maximum 45 days of the end of the reporting period, the Half-Yearly Report prepared in accordance with the relevant regulations, issued by ASF, and the Half-Year Financial Statements are prepared in accordance with the applicable law.

SNN sends to BSE, within maximum 45 days of the end of the reporting period, the Quarterly Report for the first and third quarter, prepared in accordance with the ASF regulations, including both the reporting documents provided for in the ASF regulations and the Quarterly Interim Financial Statements, prepared in accordance with the applicable regulations.

The Advisory Audit Committee supports the members of the Board of Directors by regularly examining the efficiency of the financial reporting, of the internal control and the risk management system adopted by the Company.

## **Internal control**

### Organization and the exercise of the internal/managerial control

Within S.N. Nuclearelectrica S.A., the internal managerial control system is adjusted to the specifics and sizes of the company, considering the particularities of the legal framework of organization and operation, as well as the internal managerial control standards, in correlation with the management systems implemented within SNN (Headquarters and branches), so as to provide the observance of all the applicable legal requirements, regulations and standards (OSGG no. 600/2018, Law no. 111/1996, CNCAN Regulations, etc.).

In accordance with the Order of the General Secretariat of the Government no. 600/2018 on the approval of the Code of internal managerial control of public entities, within S.N. Nuclearelectrica S.A., the internal managerial control system operates with a diversity of procedures, means, actions, provisions concerning all aspects related to the activities of the entity. This set of elements is established and implemented by the management of the company, in order to allow it to have good control over the operation of the entity as a whole and is the instrument of internal management control consisting of the following elements: goals, means, information system, organization, procedures, control.

Based on the information provided by the internal managerial control, the management of the company consolidates the managerial decisions on the activity plan, the organization and coordination of the structures in the organizational chart of the company, exactly establishing the responsibilities of the structures and the people involved in the activities of the entity.

The internal managerial control, through the goals and procedures thereof, aims at: providing a good use of the resources (financial, human) and the correlation thereof with the goals of the entity; improvement of the information flow; increase of intelligibility, risk management, fraud prevention and detection and document quality.



As a result of the diversity of the performed activities (manufacture of nuclear fuel, production of electricity and thermal power from the operation of nuclear units, sale of energy, public procurement, stock exchange activity, etc.) S.N. Nuclearelectrica S.A. has one of the most complex environments of internal control, with an organizational culture aimed at continuous improvement, wishing to provide supervision in all essential points. The purpose of the internal managerial control system is to prevent errors and irregularities, to preventively remove the causes determining them and to perfect the controlled activities. Internal managerial control provides the management with data on the progress or regression in achieving the set goals, is essentially a control of the obtained performance.

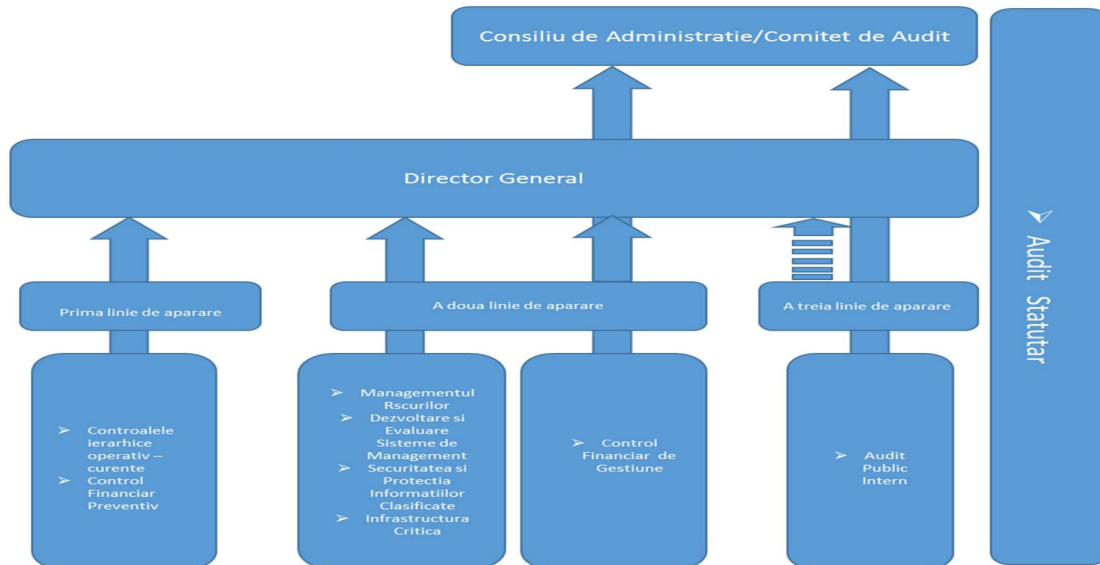
The management of SN Nuclearelectrica SA is involved in the implementation and continuous improvement of the internal management control system, providing the organizational framework and allocating resources for the development of the internal control system, respectively the assimilation of good international practices in the field, as a foundation for systemic and transparent organization, the basis for achieving the goals in conditions of regularity, efficacy, effectiveness and efficiency.

Therefore, the compliance with the requirements of the standards promoted by the General Secretariat of the Government is provided, respectively with Order no. 600/2018 stipulating that the establishment of the internal managerial control system is the responsibility of the management, the implementation and development of the internal managerial control system, the self-assessment operation thereof, as well as the elaboration/presentation of the report on the internal managerial control system for the manager of the entity.

Thus, the organizational model of SNN aims to ensure the legal requirements of segregation and independence of the defense levels, the good practices and standards of the COSO model being assimilated.

According to the best practices and in accordance with the requirements of OSGG no. 600/2018, the model of the “3 lines of defense” is implemented in SNN:

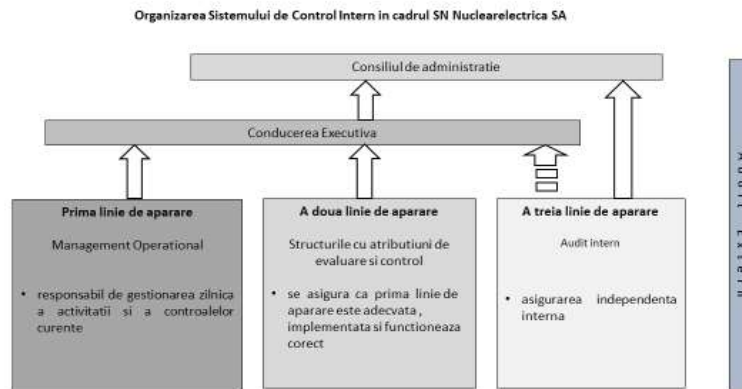
### Organizarea sistemului de control intern in cadrul SN Nuclearelectrica SA



Where:

- the first line is represented by the operational management, responsible for the daily management of the activity and the current controls;
- the second line of defense is represented by the structures having assessment and control duties in ensuring that the first line of defense is adequate, implemented and operates correctly. These Departments have a certain degree of independence from the first line of defense, and may also intervene directly in the modification and development of the control systems, management and risk management systems;
- the third line of defense, the internal independent insurance - the internal audit - must offer the Board of Directors/the Audit Committee and the Executive Management with an independent and objective assurance on the operation of the internal control system and the risk management within the Company.





The establishment of the internal managerial control system is based on the internal control standards that are grouped into five components of the internal managerial control:

- Control environment - groups the matters related to organization, management of the human resources, ethics, deontology and integrity;
- Performance and risk management - addresses the management issues related to goal setting, planning (multi-annual planning), scheduling (management plan), performance (performance monitoring) and risk management;
- Control activities - refers to the elaboration of procedures, the continuity of running the processes and activities, the segregation of the duties, supervision;
- Information and communication - this section groups matters related to the creation of a proper informational system and a system of reports on the implementation of the management plan, the budget, the use of resources and the management of documents;
- The assessment of the internal managerial control system and the internal audit - the issue targeted by this group of standards concerns the development of the assessment capacity of the internal managerial control, in order to provide the continuity of the improvement process thereof.

In order to monitor, coordinate and methodologically guide the implementation and development of the internal/ managerial control system, the Chief Executive Officer of SN Nuclearelectrica SA ordered, by decision, the update of the Monitoring Commission (CM-SCIM), in accordance with the organizational changes, so that the size and structure thereof provide the representativeness of all entities within the organization and cover the specific competencies of the management, the information and monitoring of the activities of the company towards the achievement of the goals thereof.

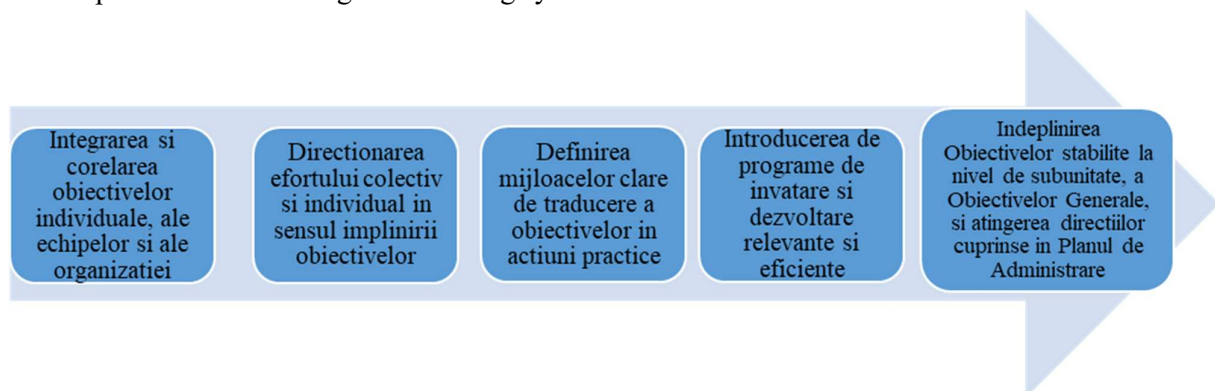
In order to monitor, coordinate and methodologically guide the implementation and development of the internal managerial control system, the Chief Executive Officer of S.N. Nuclearelectrica S.A. orders, by decision, to update, in accordance with the organizational changes, the Monitoring Commission coordinating the process of elaboration of the general and specific goals, the procedural activities, the risk management process, the performance monitoring system, the status of the procedures and the monitoring and reporting system, respectively information to the management of the company.

Thus, the Monitoring Commission of the Internal Managerial Control System is functional, coordinated by the Deputy Chief Executive Officer as chairperson, having duties and responsibilities aimed at:

#### *Goals*

- Coordinates the process of updating the general and specific goals, of the performance monitoring and reporting system, respectively informing the Chief Executive Officer.
- Analyzes the information, elaborated under the annual reports of the heads of the departments, on performance monitoring, for the approval thereof by the Chairperson of the Monitoring Commission and the forward thereof to the Chief Executive Officer of S.N. Nuclearelectrica S.A.

The implementation of the goal cascading system aims at:



General goals can only be achieved with the convergent and synchronized participation of the entire organization. The organizational alignment mode for all components of the organizational structure is done by defining, for each of them, the same set of tools for translating the directions contained in the Management Plan in operational terms: establishing general goals by presenting in a concise form the directions in the Management Plan, considering both the administration component and the management component, deriving the goals within the subunits (Headquarters, Cernavoda NPP Branch and FCN Pitesti Branch) and the breakdown thereof into specific departmental goals, establishing the means of achievement, targets and performance indicators.

Within S.N. Nuclearelectrica S.A., the general goals are closely correlated with the mission, vision and goals of the company, based on assumptions and premises in accordance with the provisions of the Articles of Incorporation, in keeping with the principles of economy, efficiency and effectiveness.

The goals within the headquarters - Bucharest, NPP Branch - Cernavoda and FCN - Pitesti Branch, are defined, considering the assumptions contained in the management plan, by transposing the general goals, in a detailed manner, within each subunit in the organizational structure.

In order to monitor, coordinate and methodologically guide the implementation and development of the internal/ managerial control system, the Chief Executive Officer of SN Nuclearelectrica SA establishes, by internal decision, the structure of the Monitoring Commission (CM-SCIM), in accordance with the organizational changes, so as to provide the representativeness of all entities within the organization, respectively to have covered all the competencies specific to the management, information and monitoring of the activities of the company towards the achievement of the goals thereof.

Therefore, the Monitoring Commission of the Internal/ Managerial Control System (CM-SCIM) based on the duties of coordinating the goal establishment and update process, the performance monitoring and reporting system, respectively informing the Chief Executive Officer, analyzed and approved the goal monitoring Report by means of performance indicators at company level - 2020, based on communications from the heads of the first management level departments, in accordance with the internal regulations and in compliance with the legal requirements of Standard 5 - Goals and Standard no. 7 - Performance monitoring in OSGG 600/2018.

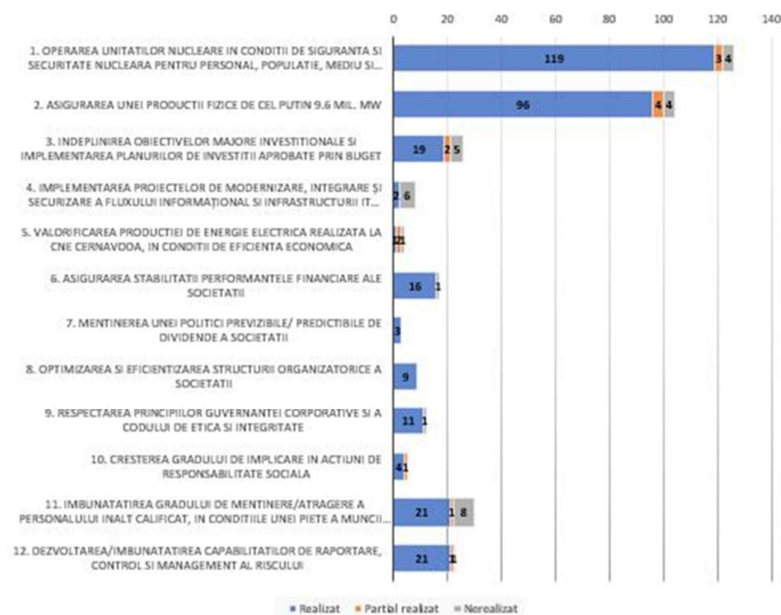
Thus, the monitoring revealed a high degree of achievement of the specific goals within SNN, respectively 88%, despite the unprecedented challenges and unpredictability of the global crisis generated by the COVID-19 pandemic, the organization managing to promptly respond, focused on the internal activities, business continuity, maintaining the activity and the operations at an optimal level. Therefore, this situation is the result of the actions taken within the organization, the implemented measures having a high efficiency, so that they could counteract the possible adverse effects generated by the actions necessary to fight the pandemic.

Synthetically, the dashboard within the company level and for each subunit appears as follows:

## OBIECTIVE S.N. NUCLEARELECTRICA S.A. 2020

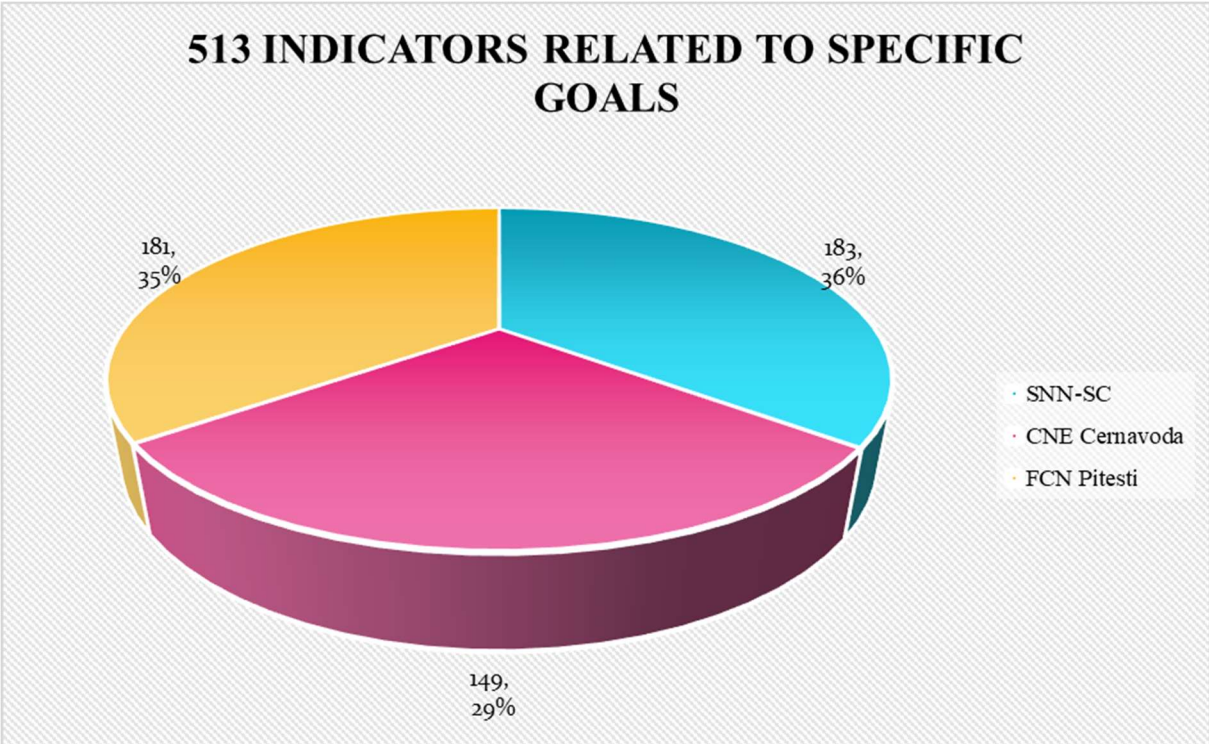
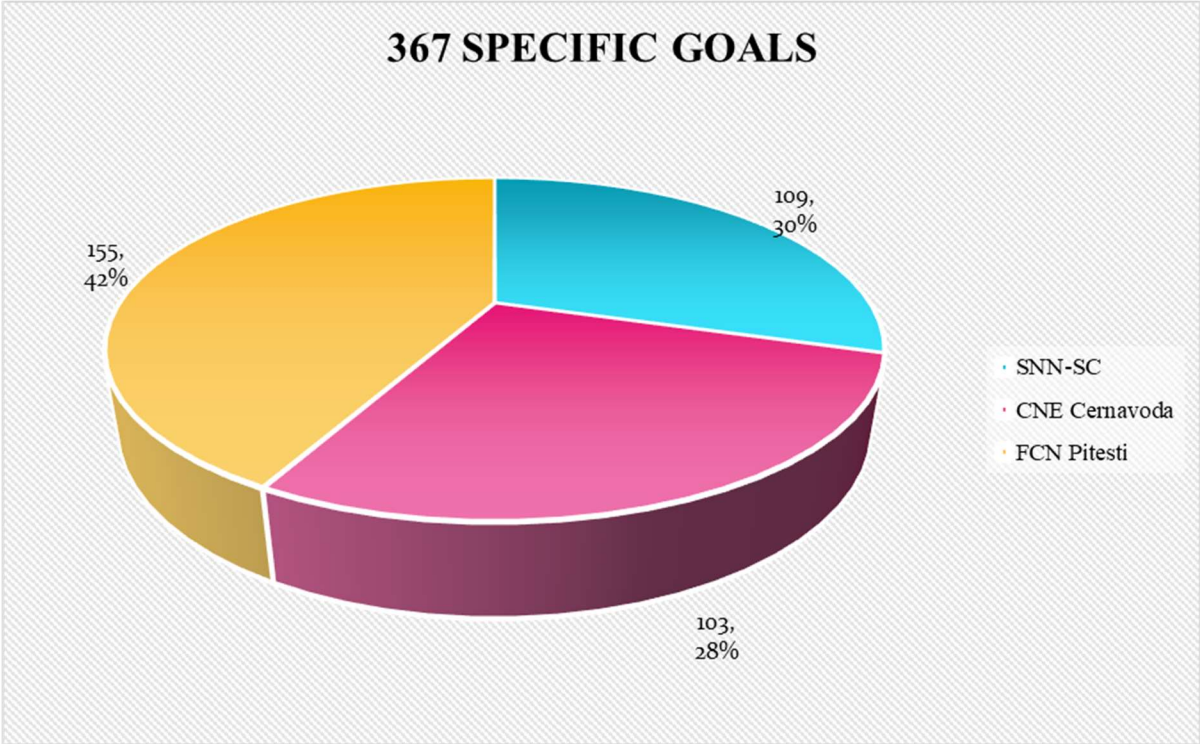


Gradul de realizare a obiectivelor generale SNN



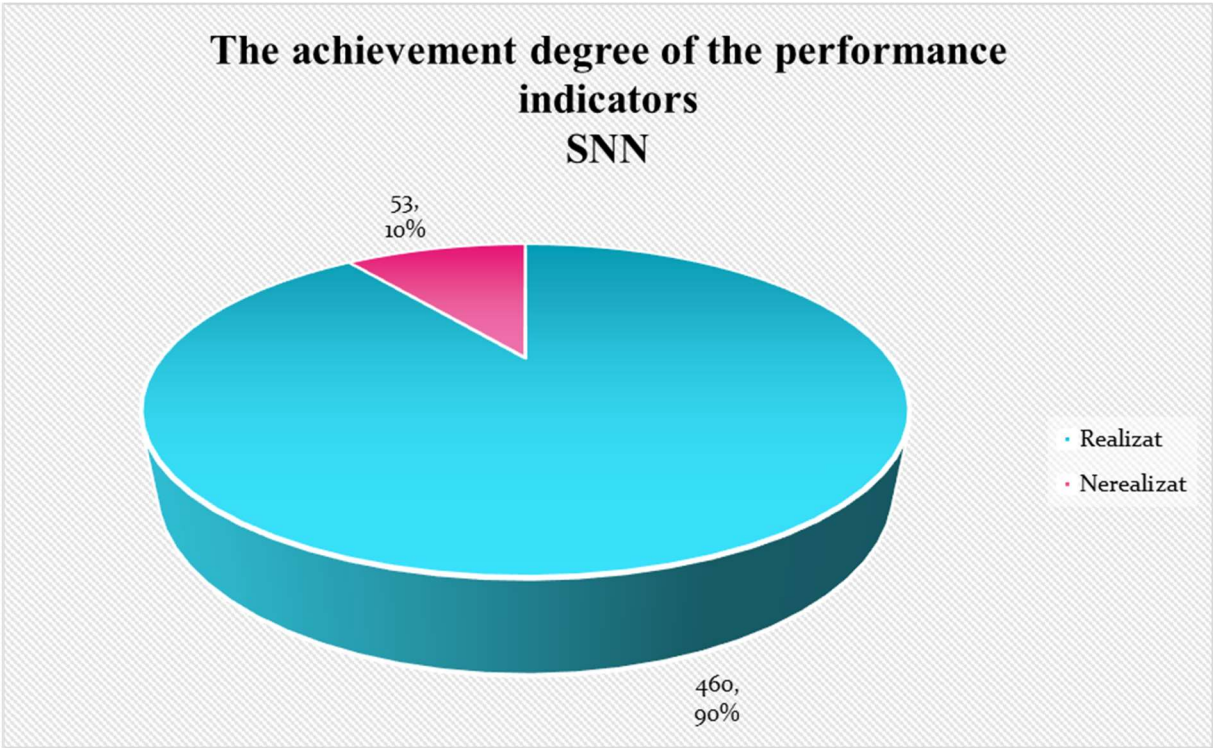
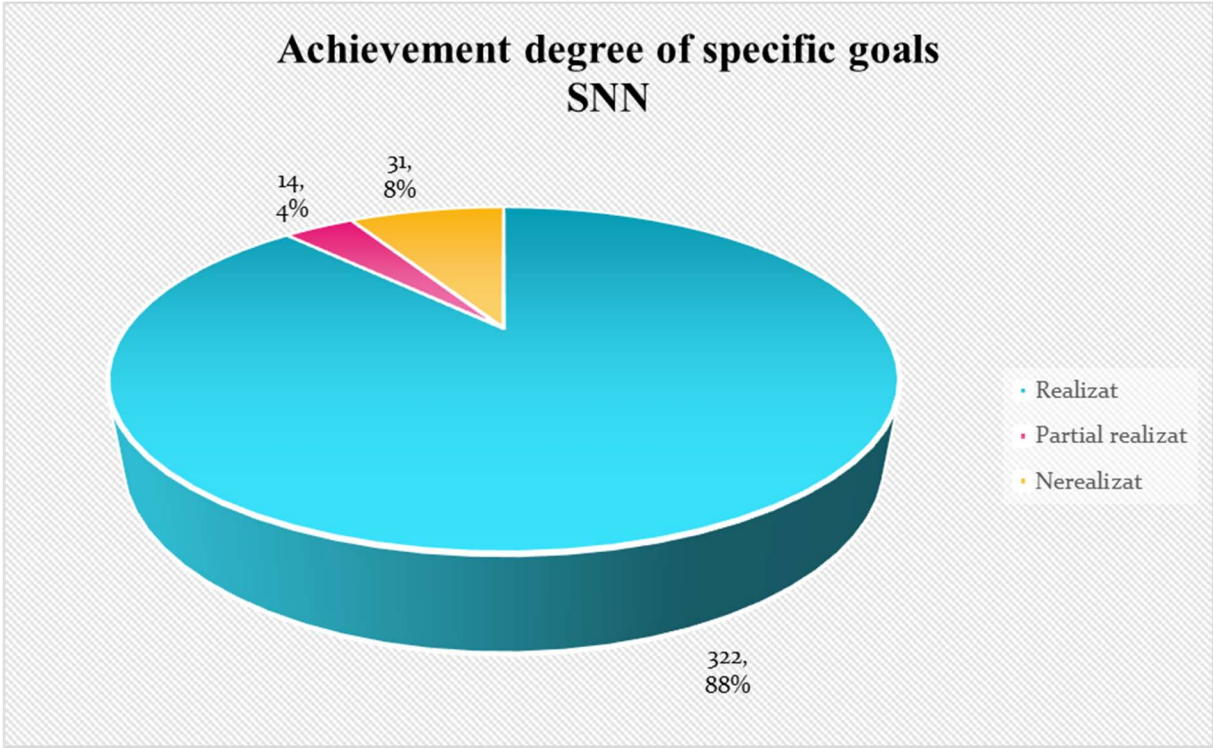
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According to the specific goals for 2020 and the related performance indicators, the distribution within SNN is as follows:



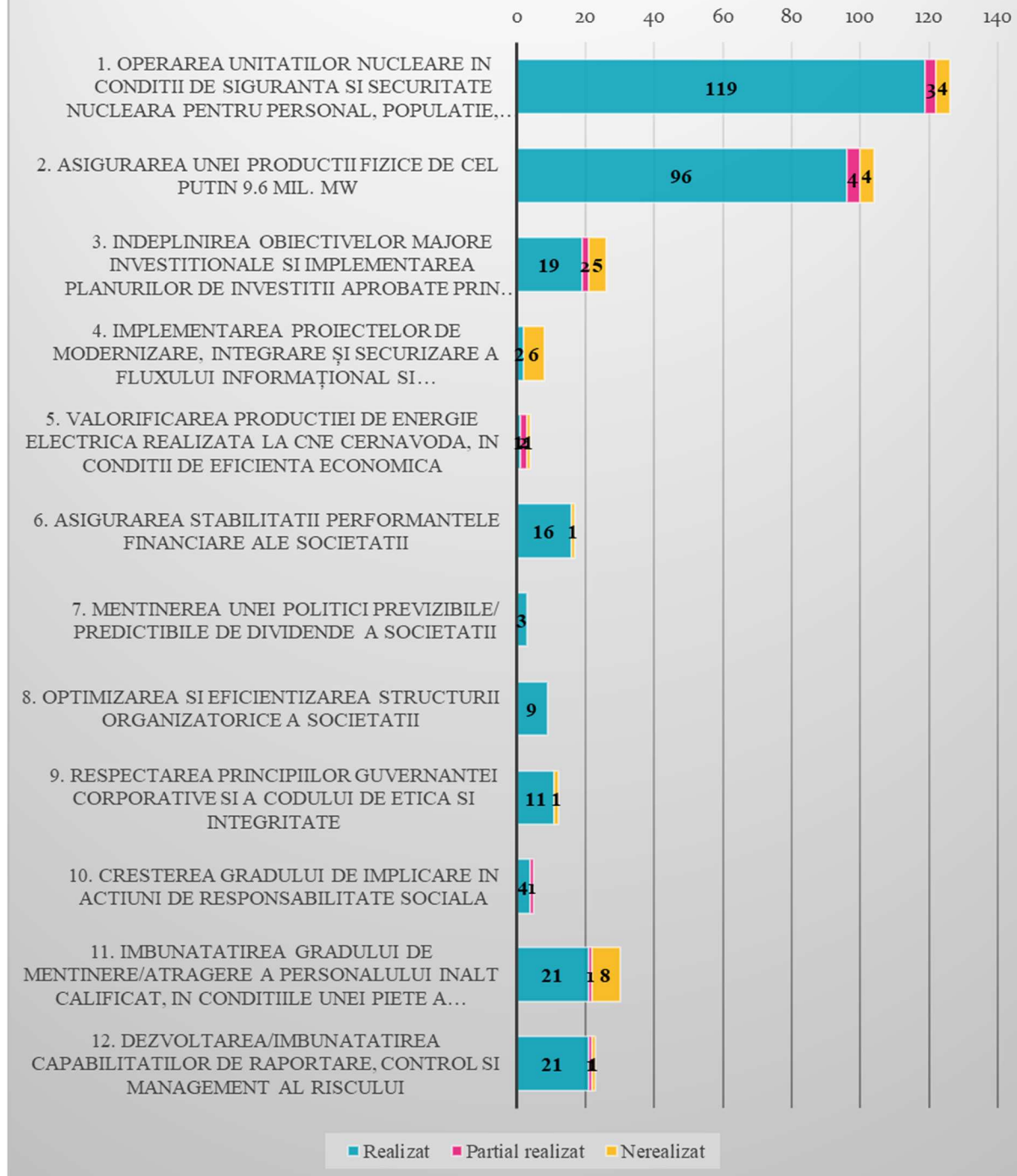
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Within SNN, the achievement degree for specific goals and the related performance indicators, synthetically, for 2020, appear as follows:



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## SNN general goal achievement degree depending on specific goals



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### *Procedures*

- Coordinates the process of updating the procedural activities and the status of the procedures.
- Coordinates the process of drafting documented procedures in order to regularly, economically, efficiently and effectively achieve the goals of the company.

### *Implementing, developing and assessing the internal managerial control system*

- Drafts the development Program of the internal managerial system, referred to as the Development Program, being updated on a yearly basis.
- Ascertains the stage of implementing and developing the internal managerial control system within the company;
- The stage of implementation and development of the internal managerial control systems within public entities, ascertained by the Monitoring Commission following the annual self-assessment action, is subject to the information, by drawing up annual centralizing reports, according to the template provided in the centralizing Report on the stage of implementation and development of the internal managerial control system, which is reported within the legal deadlines.

### **Risk management**

The risk management process is the responsibility of the chairperson of the Monitoring Commission, and, considering the size, complexity and specific environment of nuclear activities, the responsibilities related to risk management are carried out/fulfilled by the Risk Management Service (SMR) within the Audit and Risk Management Department (DAMR), along with the risk managers and the SNN staff.

Within the fulfillment of the duties thereof, the Monitoring Commission of the internal managerial control system analyzes the development of the risk management process based on the Risk Management Reports issued by SMR and prioritizes the significant risks, which may affect the achievement of the goals.

The monitoring commission annually reviews and approves the levels of the risk profile and the risk tolerance limit, based on the SMR proposals related thereto, following which they are approved by the management of the company. The Commission also analyzes the "Plan for implementing actions for the treatment of high risks" in order to submit it to the approval of the Chief Executive Officer.



For 2020-2021, SNN approved the following risk profile:

Risk Name	2020 share	2021 share	2020 risk level	2021 risk level	2020 trend	2021 trend
Operational risk	40%	40%	Low	Low	→	↗
Market/price risk	5%	5%	Medium	Medium	↗	↗
Credit/counterparty risk	5%	5%	Medium	High	→	↗
Competition risk	5%	5%	High	High	↗	↗
Macroeconomic risk	5%	5%	High	High	→	↗
Regulatory /legislative risk	10%	10%	High	High	→	↗
Risk associated to investment/maintenance/refurbishment works	10%	10%	High	High	↗	↗
Project risk (U3 & U4)	10%	10%	High	High	↗	↗
Risk associated to the absence of specialized labour force	10%	10%	High	High	↗	↗
Total risk profile	100%	100%	Medium	Medium	→	↗

The Risk Management Service assesses the total level of risk in the SNN risk profile as remaining at an "Average" level during 2020.

The assessment of the level of risk for the period 2020 - 2021, also takes into account the measures taken by the SNN management for the protection of the personnel and the continuation of the operation of the plant in the context of the Covid-19 pandemic, measures that:

- allowed the continuation of the operation of the plant in conditions of nuclear safety and security at operational levels similar to those prior to the outbreak of the pandemic, and
- were considered by the majority of the SNN staff as appropriate, or the SNN staff being satisfied and very satisfied therewith, according to the internally managed opinion questionnaire on the measures taken by SNN during the pandemic.

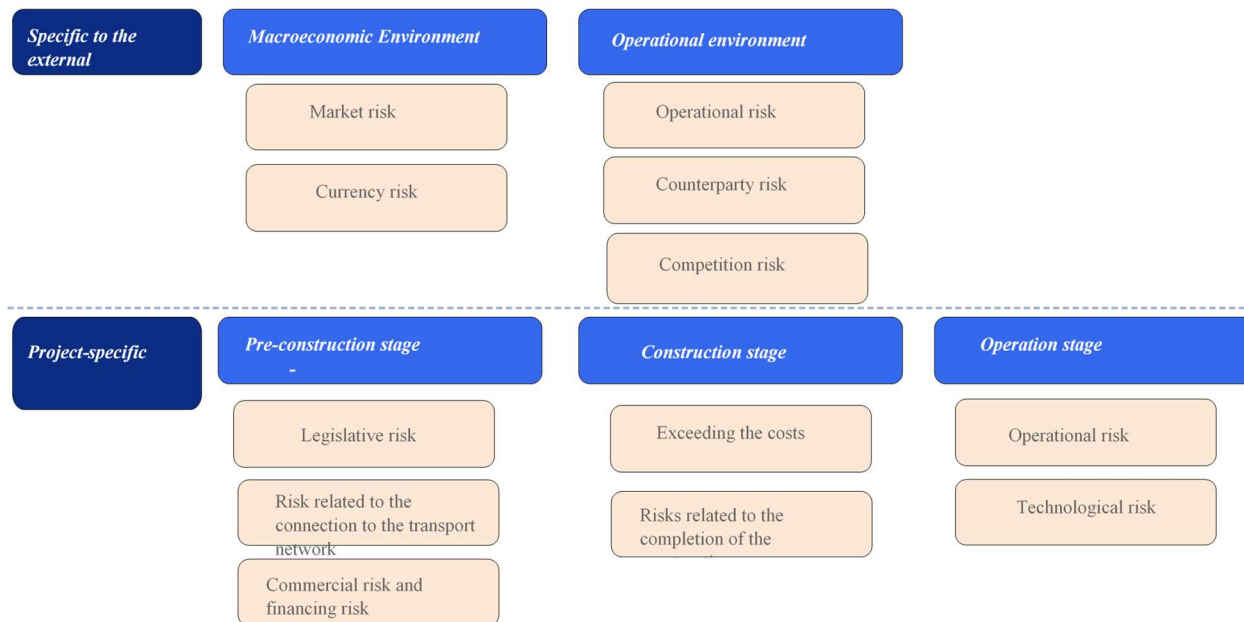
#### *Risk analysis on the current activities and business strategy*

SNN, as a company of national importance the shares whereof are listed at the stock exchange, has defined a business strategy (“Strategy of Societatea Nationala Nuclearelectrica SA for the period 2015 - 2025”), wherein the business, corporate governance and social responsibility goals combine, in order to fulfill their mission and goals entrusted by the GMS, as well as the role undertaken in the society.

SNN established, in the Development Strategy for 2015 - 2025, the main medium- and long-term strategies, mainly considering the maintenance of nuclear safety, the continuous growth and the increase of the profit of the shareholders thereof, the analysis of the activity risks being important in this context.

Over the medium and long term, the activity of SNN will be influenced both by the evolution of electricity prices and by the investment projects that the Company will develop: extending the life of Unit 1, participating in the development of Units 3 and 4, continuing the development of DICA, establishing the funds necessary for the final storage solutions of spent nuclear fuel and the construction of a detritification installation (CTRF - Cernavoda Tritium Removal Facility).

Consequently, the main risks in terms of the SNN activity and goals (market risks and project development) were analyzed. The image below includes the general presentation of the main goals, the critical elements on the implementation of the strategies and the risks that SNN will be faced with.



### *Main specific risks of SNN*

#### Macroeconomic Environment

The future profitability of the operations of the Company and the feasibility of the projects thereof are dependent on the market conditions in Romania and those in the countries with which it carries out commercial operations, especially in the European Union. The main risk factors associated with the macroeconomic environment are grouped into the following three categories:

#### *Market risk*

The market risk category includes general market risks and risks associated with the Romanian electricity market. This risk combines the effects of macroeconomic performance, the evolution of the electricity market and the volatility of the electricity price, being generated by the fluctuation of the electricity price and the fluctuation of the price of raw materials and materials, the small number of suppliers or trading partners and the lack of long-term contracts. The materialization of the market risk has a direct impact on the overall performance of the Company.

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### *Legislative/regulatory risk*

The legislative risk is represented by the changes that may appear in the legislative framework in Romania and/or in the European Union, with direct applicability, without the need for transposition into the national law. Possible changes may relate to the imposition of new fees or the establishment of nuclear Safety standards and/or requirements by community, local and central authorities and /or by the authority regulating the nuclear energy field. The effect of legislative risk may be an unforeseen increase in production costs, which could lead to lowering the profit margins.

Besides the individual risk that may be generated by a single regulation (regulation, directive, law, ordinance, etc.), the Company is exposed to the legislative/regulatory risk also from the perspective of the large number of national and international regulatory and/or control entities and/ or by professional associations, addressing the activities carried out by the Company, in this context, the possibility existing for the regulations issued by different authorities to be contradictory.

### *Currency risk*

The currency risk is determined by the current activities of the Company, considering that some of them involve transactions in foreign currency. These transactions include the repayment of loans contracted in order to fund Unit 2 (in EUR, USD and CAD), technical support and contributions for the decommissioning of the two units.

### *Operational environment*

The current operations of the Company are influenced by various additional risk factors having a major impact on the current profitability. The main categories of risks are the following:

#### *Operational risk*

*Operational risk* is the risk of loss resulting either from the use of inadequate internal processes, people or systems or that not having properly performed their function, or from external events, and includes the legal risk.

Operational risks are intrinsically associated with the activity of the Company, the ability thereof to generate revenue and maintain a competitive operating margin and are closely related to market position, identification and assessment of investments, the generated profit/loss, possible fines, penalties, sanctions, an improper establishment or administration of the contractual obligations. These risks depend on the ability of the Company to provide the necessary amounts of electricity it has undertaken to supply through contracts on the regulated market and on the competitive market, taking into account both planned and unplanned outages for Units 1 and 2.

The production of operational risks can materialize in equipment failures, human errors, malfunctioning of operational processes, which can ultimately lead to unplanned outages.

Similarly, prolonged and severe drought or other external events (e.g. severe storms, extreme cold, failure of the electricity transmission network of Transelectrica, pandemics) can have a major impact on electricity production and/or distribution.

Among the measures that can mitigate these risks, we mention the consideration of negotiating long-term contracts, with predefined prices and specific commercial clauses on liquidation and damages, in order to reduce the volatility of the collection period, by providing the cash flow necessary for the operations and investments. Other measures that may reduce operational risk may be the ability of the Company to plan outages during periods of decline in electricity prices or the ability of the Company to conclude contracts to offset the unrealized production when units do not produce enough electricity due to unplanned interruptions in the activity.

Among the events external to the Company having required and/or which will require risky decisions are the Covid-19 pandemic and the change in the regulatory framework of the energy market.

The Covid-19 pandemic negatively affected the society and human activities all over the world. Isolation measures and mobility restrictions internationally adopted as methods of responding to the spread of the pandemic have accentuated the synchronized slowdown in growth in terms of both actual (productive) and financial services activity.

SNN estimates that the developments in 2021 remain under the sign of uncertainty and will be strongly dependent on the evolution of the pandemic, especially the evolution of new strains of the virus, the vaccination of the population, the extent to which the population complies with the protection measures, but also the extent to which business models, the investment sentiment and/or consumption habits will undergo changes that will allow economies to return to pre-pandemic levels.

In this context, SNN has adjusted its activity during the pandemic to protect its own staff and business partners, but also to protect the financial results thereof, and will continue to do so during 2021.

The change in the regulatory framework of the energy market is part of the set of actions internationally taken for global decarbonization.

In this context, Romania and SNN align to the actions taken by the European Union, having completed a comprehensive review of the energy policy framework by adopting a set of legislative acts generically referred to as Clean Energy for all Europeans Package (or Clean Energy Package - CEP). ), with the aim of facilitating the EU transition from fossil fuel use to clean energy, and helping to reduce greenhouse gas emissions by 40% by 2030, as compared to the 1990 levels.

In this context, the clean energy produced by SNN is of strategic importance for Romania, the development projects of reactors 3 and 4 of the SNN nuclear power plant and the continuation of the initiatives for the development of small reactors occupying an important place.

#### *Counterparty risk*

Counterparty risk is the risk of business partners not to act in accordance with the terms and conditions specified in the concluded contracts, as a result of failure, intentional (refusal to pay) or unintentional (inability to pay) to pay a debt to SNN, of the judicial reorganization, of the bankruptcy or of the voluntary liquidation of a counterpart of SNN.

SNN has commercial partners both as a seller and buyer of electricity, and as a buyer of goods, equipment and services necessary for the current activity.

In the context of market liberalization, SNN will seek to conclude contracts for the sale of electricity mainly on the long term for a large part of the production capacity thereof, this being a condition to provide the cash flow imposed by the crediting institutions, especially given the financing necessary to make investments. In order to reduce this risk, the Company has a policy of selecting commercial partners based on the credit risk thereof, aiming at concluding such contracts only with solvent commercial agents.

#### *Competitive risk*

Competitive risk must be analyzed in the context of the alignment process of the Next Day Market in Romania, in full observance of the price coupling mechanism of the Czech, Slovak and Hungarian markets, the Company being exposed to an increase in regional competition, generated by future improvements, reconditioning, extensions and new constructions planned to be carried out by the producers from such electricity markets. At the same time, renewable energy projects are very volatile in terms of production, due to the lack of forecasts on the availability of fuel sources (e.g. wind, solar energy).

#### *Risk related to the investment/maintenance/refurbishment works*

This risk is manifested in close connection with the funds of the Company, the procurement and maintenance plan, the performance of the studies and analyses necessary to substantiate the plans, the structure and training of the staff, the providers of equipment/installations.

#### *Risk associated to the absence of specialized labour force*

This risk is manifested both in connection with the loss of specialized knowledge due to the retirement of the specialists of the Company, and in connection with the departure of specialists to other better paid jobs, but also in the absence of programs to attract qualified young people, being trained and specialized both in the field of operation and maintenance and in the fields related to the development of the proposed investment program.

## Analysis of Company-specific risk factors

No.	Risk category	Level	Impact	Mitigation method
1. Macroeconomic Environment				
1.1	Market risk	Medium	High	Long-term bilateral contracts, with fixed prices or well-defined price formulas.
1.2	Regulatory /legislative risk	Medium	Moderate	Using the best technologies providing the sustainability of the environment. Continuous communication with the authorities.
1.3	Currency risk	Medium	High	Negotiating price conditions including the currency risk.
2. Operational environment				
2.1	Operational risk	Low	High	Maintaining high operation and production standards.
2.2	Counterparty risk	Medium	High	Well-designed and detailed long-term contracts Applying a rating system in the case of the parties with which bilateral agreements are concluded. Securities (cash in Company accounts, letters of guarantee, insurance policies, commitment letters, security accounts).
2.3	Competition risk	Medium	Moderate	Continuously monitoring of the markets. Applying a cost control policy.
The "level" of the risk category defines the probability of occurrence: high, medium and low. The "impact" of the risk category defines the potential monetary impact on the company performance: strong, moderate, weak.				

### *Improving the internal risk management framework*

For the development and improvement of the risk reporting, control and management capabilities, the Company carries out actions for continuous improvement of the risk management framework, among the ongoing measures being:

- Increasing the degree of collection of risk information and using them in making informed decisions from a risk perspective;
- Reducing the circulation times of the risk information (risk management), including by computerizing the support tools, meaning that SNN has implemented in 2020 a risk management application improving the circulation of the risk information in the organization, thus helping in making informed decisions from the risk perspective;
- Periodic review of counterparty risk for the counterparties on the energy markets and for the issuers of guarantee instruments in favour of SNN;
- Increasing the level of knowledge of the personnel of the Company with regard to risk management;
- Periodic review and/or recalibration/adjustment of the risk management tools.

## *Risk Insurance*

The significant risk insurance policies existent within SNN are as follows:

- 1) Property insurance policy - Units 1 and 2 at Cernavoda NPP and FCN Pitesti - all-risk type, including mechanical and electrical destruction, in order to limit the liability (the insured amount) in aggregate of USD 1,560,000.
- 2) Civil liability insurance policy for nuclear damage having a liability limit (insured amount) of DST 300,000,000.
- 3) Civil/professional liability insurance policy of the SNN directors and managers (“D&O”), in order to limit the liability (insured amount of EUR 33,000,000 million).

Besides these insurances, the company has concluded RCA type policies (civil automotive liability), CASCO type policies (optional automotive insurance) and an insurance policy for occupational accidents and occupational diseases for the employees.

## *Annual assessment of the internal managerial control system*

In order to establish the degree of implementation of the internal control standards as at December 31<sup>st</sup>, 2020, the annual self-assessment was made, the following actions being performed:

- The debate in the working session of the initiation of the self-assessment operation of the degree of implementation of the internal/managerial control standards, the action calendar being established following the discussions, based on the information, elaborated by the Technical Secretariat within the Financial and Managerial Control Department.
- The establishment of the function of self-assessment and appraisal of the degree of implementation of the internal/ managerial control standards, by the decision of the Chief Executive Officer of S.N. Nuclearelectrica S.A., respectively:
  - ✓ Fill-in by each department in the organization chart of the entity of the “Self-assessment questionnaire of the implementation stage of the internal managerial control standards”, provided for in annex no. 4.1 and the assumption by the department manager of the truthfulness of the data, information and findings therein recorded, based on the principle of managerial responsibility;
  - ✓ The elaboration by the technical secretariat of the Monitoring Commission of the “Synthetic report of the self-assessment results”, provided for in annex no. 4.2, by centralizing the information in the self-assessment questionnaires, signed and sent by the heads of departments;
  - ✓ Elaboration by the technical secretariat of the Monitoring Commission of Chap. II of the “Centralizing report on the stage of implementation and development of the internal managerial control system”;
  - ✓ Appraisal of the degree of compliance of the own internal managerial control system with the internal managerial control standards, in reference to the number of implemented standards.

- Within the internal managerial control system monitoring Commission, the documentation and the results of the annual self-assessment operation of the implementation stage of the internal/managerial control standards at SNN level were approved, respectively:
  - Centralizing report on the stage of implementation and development of the internal control/managerial system as at December 31<sup>st</sup>, 2020;
  - Implementation stage of the internal control/managerial standards, according to the results of the self-assessment as at December 31<sup>st</sup>, 2020;
  - Report on the internal control/managerial system as at December 31<sup>st</sup>, 2020 with the “Synthetic report on the results of the self-assessment”;
  - The Development Program of the Internal Control Managerial System for 2021.

It resulted from the self-assessment operation that S.N. Nuclearelectrica S.A. has an internal/managerial control system the design and application whereof allows the management and, as applicable, the Board of Directors, to provide reasonable assurance that the resources allocated in order to meet the general and specific goals have been used legally, regularly, effectively, efficiently and economically.

Thus, by “*Report on the internal control managerial system as at December 31<sup>st</sup>, 2020*”, drafted according to art. 4 par. (3) of Government Ordinance no. 119/1999 on the internal/ managerial control and the preventive financial control (republished), as further amended and supplemented, and in accordance with the Instructions enclosed to Order no. 600/2018, the Chief Executive Officer of SNN states that the result of the self-assessment “*is based on a realistic, accurate, complete and reliable assessment of the internal/ managerial control system, formulated in virtue of the self-assessment thereof based on the principle of truth and management responsibility undertaking. The internal control/managerial system comprises control mechanisms, and the application of the measures aiming at the increase of the effectiveness thereof is based on the assessment of the risks*”.

With regard to the characteristics of the internal control/ managerial system specific to the organization, in the annual report on the internal control managerial system as at December 31<sup>st</sup>, 2020, the following aspects were recorded:

- The Internal Control/Managerial System Monitoring Commission is operational

The Internal Control/Managerial System Monitoring Commission (CM-SCIM) is updated and operational, the activity thereof being run according Procedure CM00-01 - “Internal Regulations of the Commission for Monitoring the Implementation and Development of the Internal Control/ Managerial System”. During 2020, according to the organizational changes, by resolutions of the Chief Executive Officer of S.N. Nuclearelectrica S.A., the members of the Internal Control Managerial System Monitoring Commission CM-SCIM were nominated.



- The program for the development of the internal control managerial system is partially implemented and updated on a yearly basis and whenever necessary.

The development program of the internal managerial control system in 2020 was implemented in a percentage of 88% as follows: out of the total 33 actions, 29 were implemented, one action is partially implemented and 3 actions are being implemented, being carried forward to the development Program of the internal managerial control system related to the year of 2021.

- The risk management process is organized and monitored

In 2020, the company reviewed and updated the MR-00-01– Risk management procedure within S.N. “Nuclearelectrica”- S.A.; the Internal Control Managerial System Monitoring Commission (CM-SCIM) analyzes the performance of the risk management process based on the quarterly drafted risk report, being subject to the approval of the Chief Executive Officer of SN Nuclearelectrica SA. CM-SCIM also sets the risk profile and the risk tolerance limit, on a yearly basis, approved by the management of the company.

- The documented procedures are drafted, the inventorying of the procedural activities and update of the procedures represent permanent activities, being a continuous process involving every functional structure within SNN, as follows:

- Within SNN - Bucharest headquarters, the procedures related to the processes and activities are as follows: 22 processes documented in process charts; 148 procedures describing the specific and procedure-based activities.

The issued documents are analyzed on a yearly basis, in order to determine the adequacy degree for the work practices and /or the necessity to update them.

- Within the NFP Pitesti Branch, the procedures related to the processes and activities are as follows: - 24 processes documented in process charts; - 53 system procedures; - 62 general procedures; other 833 documents representing: technical procedures, warranty inspection, environment, radioprotection, occupational health and safety, fire protection, physical protection, etc., (radioprotection manual) regulating operation, technological, inspection and control activities.

Documents are analyzed on a yearly basis, in order to determine the adequacy degree to the work practices and /or the necessity to update them.

- Within Cernavoda NPP Branch, the processes and activities are subject to procedures as follows: - 30 RD-type procedures - also referred to as Reference Documents describing the 28 processes of the plant, plus 2 other reference documents not describing processes, being procedures specifying the operating policies and principles or the radiation protection regulation - RD-01364-L001, RD-01364-

RP009; - 147 SI-type procedures - also referred to as Plant Instructions, detailing the sub-processes and activities inside the processes; - 277 PSP-type procedures - specific process procedures indicating the development of some process segments and presenting the interface with other processes; - Other documents: IDPs (internal departmental procedures), OMs (operating manuals), OIs (operating instructions), IRs (information reports), OMTs (testing procedures), APOPs (procedures of operation in abnormal conditions), SOSs (standard operating sequences) and so on.

The documents are analyzed with predetermined frequencies (every 3 or 5 years, depending on the type of document), in order to determine the degree of adequacy to the work practices and/or the necessity to update them.

- The performance monitoring system is established and assessed for the goals and activities of the entity, by means of some performance indicators.

✓ In 2020, in compliance with the CM-00-03 procedure - “Establishing and monitoring the goals within SNN SA”, within the organization starting from the general goals of the company, the goals of the SNN subunits were updated and cascaded into specific (departmental) goals, with indicators and related targets, in order to provide a system for monitoring and reporting the stage of fulfillment of the general and specific goals by means of performance indicators (KPI).

Thus, based on the self-assessment, it resulted that, as at December 31<sup>st</sup>, 2020, the internal/managerial control system of S.N. Nuclearelectrica S.A. complies with the standards contained in the internal/managerial control Code, all 16 control standards being implemented.

### *Financial Management Control*

Financial Management Control within S.N. Nuclearelectrica S.A. is organized and exercised in accordance with the provisions of GEO no. 94/2011 on the organization and operation of the economic-financial inspection, approved by Law no. 107/2012 and G.D. no. 1151/2012 for the approval of the Methodological Guidelines on the manner of organization and exercise of the financial management control, covering all the structures in the organizational chart of the company.

The organization of the financial management control within S.N. Nuclearelectrica S.A. is based on the need for an efficient control system at company level, providing the integrity of the patrimony; reinforcement of the budgetary and economic-financial discipline; observance of the legal provisions incident to the activity, of the internal regulations and decisions; increase of the efficiency in the use of the allocated resources.

Financial Management Control is an economic tool subscribing to the goals undertaken by the management plan on the consolidation of the internal control system and serves the interests of SNN by:

- actions of prevention and/or detection of dysfunction situations;
- verification actions, namely granting the preventive control approval for the income and expense budget draft.

The development and improvement of the financial management control enhances the quality, performance and responsibility of the financial management in the process of use of the resources of the entity.

The goals of financial management control are:

- Providing the integrity of the patrimony as a monetary expression of the economic means with the financing sources thereof, as well as the financial results of the economic activity;
- Increasing the efficiency of use of the allocated resources by verifying the legality, regularity and compliance of the operations, identifying the weaknesses of the internal control system having generated errors or having allowed the occurrence of fraud, improper or fraudulent management;
- Reinforcement of the budgetary and economic-financial discipline;
- Compliance with the legal provisions, regulations and internal decisions.

The purpose of the financial management control is to inform the Board of Directors of S.N. Nuclearelectrica S.A. and to communicate to the Chief Executive Officer the performance- related information, as well as information on:

- the performance of the operations in an orderly, ethical, economic and efficient manner;
- the fulfillment of the responsibility obligations; compliance with the applicable laws and internal regulations;
- the protection of the resources against loss, abuse and damages;
- the consolidation of the internal control system, in order to efficiently prevent irregularities and for the recovery of the loss caused by irregularities or fraud.

Within S.N. Nuclearelectrica S.A., the organization of the financial management control complies with the segregation principles, the Financial and Managerial Control Department (DCFM) being in charge of performing the financial management control (CFG) in all SNN subunits (Headquarters, Cernavoda NPP Branch, FCN Pitesti Branch) and having operational independence by direct subordination to the Chief Executive Officer.

Also, in accordance with the legal provisions, the Board of Directors is informed on a quarterly basis, or whenever necessary, on the exercise and results of the financial management control.

Within SNN, the financial management control is carried out based on the annual activity program and the half-yearly programs approved by the Chief Executive Officer of the Company, based on its own specific procedures, issued in accordance with the legal provisions incident to the activity - GEO no. 94/2011 on the organization and operation of the economic-financial inspection, approved by Law no. 107/2012 and G.D. no. 1151/2012 for the approval of the Methodological Guidelines on the manner of organization and exercise of the financial management control, as well as with the assimilation of the good practices in the field.

In 2020, the specific goals of the financial management control activity were achieved, the approved activity program was fully accomplished (20 control actions), all 3 subunits, the Headquarters, Cernavoda NPP Branch and FCN Branch Pitesti being included in the verifications.

Also, in 2020, 8 unexpected/thematic control actions were performed, ordered by the Chief Executive Officer, outside the activity program, operative actions of guidance and optimization of the internal control activities, based on the legal attributions of elaboration of economic-financial analyses for the management, in order to substantiate decisions and improve performance, respectively in accordance with internal regulations on verification, guidance, optimization of internal control activities, serving the management and the interests of SNN by preventing or detecting situations of dysfunction, for the purpose of the assimilation of good practices and implementation of efficiency increase actions.

In summary, the control activities envisaged the following general goals:

1. Compliance with the legal provisions in the substantiation of the income and expense budget of SN Nuclearelectrica SA;
2. Monitoring the implementation of the measures set following the financial management control, demand for plans of measures, the accuracy and truthfulness of the reports on the implementation of the measures approved by the inspection reports drafted by DCFM, verification of the compliance with the set deadlines;
3. The tax on the revenues obtained by non-residents; supporting documents, calculation method and compliance with the bank transfer deadlines;
4. The manner of acknowledgment of the current assets and fixed assets of inventory nature, including spare parts, from the category of tangible assets; the manner of compliance with the legal regulations and internal regulations on the receipt, keeping, preservation and use of the current assets of inventory nature, including spare parts, from the category of tangible assets;
5. Compliance with the legal provisions and the internal regulations on receipts and payments in RON and foreign currency with cash through the cashier's office: verification of the manner in which cash payments are made (professional trips, small purchases); verification of the preparation and use of supporting documents for cash payments in RON and foreign currency; verification of the manner in which the accounting records on the payments and cash receipts (in RON and in foreign currency) are conducted;

6. Manner of acknowledgment of the services provided by third parties; truthfulness, necessity and usefulness of the incurred expenses;
7. The accounting and tax treatment of the means of transport in its own vehicle fleet;
8. Compliance with the legal provisions in the execution of the income and expense budget of SNN SA.

The deficiencies found by the inspection documents approved by the management of SNN represent nonconformities, deviations from the compliance with the legislative acts or the internal procedures in force, for which 45 corrective measures, deadlines and solving responsibilities have been established.

## **10.7. CONFLICT OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES**

The provisions on the management of the conflict of interests are included in the Internal Regulations of the Board of Directors, as well as in the Code of Ethics of the Board of Directors.

The members of the Board of Directors will make decisions for the sole best interest of the Company and will not take part in the debates or decisions creating a conflict between their personal interests and those of the Company.

Each member of the Board of Directors ensures the avoidance of a conflict of interests directly or indirectly with the Company and, in case of such conflict, will refrain from debating and voting on such issues, in compliance with the applicable legal provisions.

The members of the Board of Directors present the SNN Board of Directors with information on any relationship with a shareholder directly or indirectly holding shares representing over 5% of all voting rights. This obligation refers to any relationship that may affect the position of the member on matters decided by the Board.

In order to provide the correctness of the transactions with the involved parties, the members of the Board of Directors resort to the following criteria, but without limitation thereto:

- ❖ Maintaining the competence of BoD or GMS, as applicable, to approve the most important transactions. In case of transactions with affiliates, SNN will comply with the provisions of art. 52 par. (5) in GEO no. 109/2011, as further amended and supplemented;
- ❖ Any transaction with a value equal to or higher than 5% of the net assets of the company is approved by the Board of Directors, following a mandatory opinion of the Advisory Audit Committee of the Board;
- ❖ Requesting a previous opinion on the most important transactions from the part of the internal control structures (The Advisory Audit Committee and Internal Audit Department);
- ❖ Entrusting the negotiations on these transactions to one or several independent directors or to the directors unrelated to such involved parties;
- ❖ Resort to independent experts.

Besides the compliance with the general legal provisions, SNN has established and implemented internal policies regulating in further detail the internal procedure on the disclosure of transactions between affiliates.

Thus, the Board of Directors will inform the shareholders, within the first GMS following the conclusion of the legal deed, on any transaction with the directors or managers, with the employees, with the shareholders having control over the Company or with a company thereby controlled, by making available to the shareholders the documents reflecting the essential and significant data and information related to these transactions. At the same time, the Board of Directors will inform the shareholders, within the first GMS following the conclusion of the legal deed, on any transaction concluded by SNN, as a public enterprise, with another public enterprise or with the tutelary public authority, if the transaction has an individual value or in a series of transactions, of at least the RON equivalent of EUR 100,000.

The Board of Directors approves on a quarterly basis an informative report on the purchase of goods, services and works the value whereof exceeds EUR 500,000/purchase (for the purchase of goods and works) and respectively EUR 100,000/procurement (for services), report published on the website of the company in the section of Investor Relations/Periodic Reports.

The Board of Directors also approves and publishes, on a yearly basis, on the SNN website, a report on the sponsorships awarded over the previous year.

## **10.8. AUDIT AND RISK MANAGEMENT DIVISION**

Created in 2018, the Audit and Risk Management Division (DAMR) is run by a Manager and is directly subordinated to the Chief Executive Officer, and has the following main duties:

- ❖ Performs internal audit activities via the Internal Audit Department (IAD)., in order to assess whether the internal management and control systems of the company comply with the rules of legality, efficiency, effectiveness, regularity and/or economy, depending on the situation; this activity is carried out in compliance with the principle of independence of the internal audit function within the company;
- ❖ Provides the organization and performance of specific anti-fraud missions and/or activities via the Anti-Fraud Office (AFO), established in 2019, also having the role of providing support in audit missions carried out by the Internal Audit Department, when there are suspicions or risks of fraud;
- ❖ Provides the coordination and monitoring of the risk management process and organizes, coordinates and methodologically guides the risk management process that could affect the achievement of the business goals of the organization and monitors the performance/ implementation of the actions placing and maintaining risks within acceptable limits, via the Risk Management Service.

In order to provide the independence of the internal audit function, the Audit and Risk Management Department (DAMR) is subordinated from an administrative perspective to the Chief Executive Officer, and from an operational perspective to the Board of Directors or the Audit Committee.

During 2019, according to the new organizational chart of SNN, the Compliance Office was transferred from the subordination of DAMR to that of the Chief Executive Officer, being staffed (one employee) starting with November 2019.

The main duties of the Compliance Office, according to the Internal Regulations are:

- Carrying out compliance missions based on the notifications received via the communication channels that can be used by the employees, partners and other third parties to signal any irregularities of a professional nature;
- Initiation of the necessary actions for obtaining, within SNN, the certification for meeting the requirements of standard ISO 37001: 2016 - Anti-bribery management system having as goals:
  - detecting preexisting situations that can generate bribery and/or other deeds of corruption and that can expose the company;
  - increasing the reputation of the company;
  - a better capability to discover breaches and to react properly;
  - cost reduction;
  - protection against lawsuits (in case of a investigation, the standard may also be considered as evidence that the organization took reasonable and proactive measures in order to prevent bribery);
  - risk mitigation;
  - increasing stakeholder trust.
- Elaboration an annual training program for employees in the field of ethics and integrity.
- It contributes to the mitigation of the risks generated by the transactions made by SNN with the commercial partners, by better knowledge and access to the relevant information on the internal regulatory framework and the compliance program implemented by the business partner.

## **Internal Audit**

In 2020, the internal audit activity within SNN was carried out via its own internal audit structure, respectively the Internal Audit Department (“IAD”), under the hierarchical subordination of the Chief Executive Officer of the Company, but having the independence provided by the reporting and functional relations with Board of Directors and Audit Committee. The SNN management provided the improvement of the professional quality of the organizational structure of IAD, by supporting the fulfillment of the Quality Assurance and Improvement Program. Most internal auditors of the Company are professionals in the field, having internationally recognized certifications (CIA, CRMA).

During 2020, no issues of failure to provide the independence and competence of the internal auditors and no situations of non-compliance with the rules and principles provided for in the ethical conduct Code of the internal auditor were identified.

Within the branches, Cernavoda NPP and FCN Pitesti, no own internal audit structures are organized, and the audits within them are carried out by the IAD at the central level.

IAD operates in virtue of its own principles, which are updated whenever necessary. The main internal procedures, according to which the IAD operates, are as follows:

- Methodological guidelines on the organization and exercise of the internal audit within SNN;
- Internal audit charter.

The regulations were elaborated in accordance with the applicable law (Decision no. 1086/2013 and Law no. 672/2002, republished), with the Professional Internal Audit Practice Standards of the Institute of Internal Auditors (IIA-Inc) and the best practices in the field.

Within IAD, the Quality Assurance and Improvement Program was continued, program aiming at:

- Providing a proper degree of assurance that the activity carried out by the internal auditors adds value and contributes to the improvement of the SNN processes and operations;
- Providing additional assurance that the activity is carried out in accordance with applicable law and the Code of Ethical Conduct of the Internal Auditor.

The internal audit activity was carried out according to the annual plan, approved by the Chief Executive Officer of the Company. At the end of the year, the Chief Executive Officer also approved the Multiannual Audit Plan for 2021 - 2023, which intends to cover most of the auditable areas according to the applicable law.

In 2020, within SNN, 9 audit missions were completed, as compared to 8 missions planned by the Annual Internal Audit Plan, out of which:

- ✓ 3 audit missions included in the internal audit Plan for 2020 and
- ✓ 6 ad-hoc audit missions, following the request of the executive management of SNN;

IAD constantly monitors the implementation stage of the recommendations formulated during the internal audit missions, the internal auditors requesting at the due dates the communication of the stage and where possible, the transmission of the implementation evidence. After the implementation deadline, the auditors travel to the audited entity to verify the compliance of the information received and to establish new implementation deadlines, if applicable.



During 2020, we mention the fact that the provisions of art. 21 par. 8 of Law no. 672/2002, republished, were complied with; the internal auditors' professional competence within SNN by attending refresher/training courses, as well as individual study.

## **Anti-fraud**

The antifraud activity was mainly performed on 3 levels:

1. Technical assistance in order to obtain the certification to the requirements of the ISO 37001 standard - "Anti-bribery". The action was successfully completed in the spring of 2020, when SNN obtained ISO 37001 certification, being the first company in the industry to implement this standard.
2. Participation of the staff of the Anti-Fraud Office in compliance/ internal audit missions: during 2020, the BA staff was involved in the conduct of a number of 3 compliance missions and 6 audit missions.
3. Elaboration and implementation of the Anti-fraud Program within SNN.

Considering the provisions of the SNN Management Plan for the period 2019 - 2022, aiming at the implementation by the management of the company of the principles of corporate governance by the adoption of a conduct based on responsibility, professionalism and ethics, competing to the achievement of the undertaken goals in conditions of efficiency and transparency, during 2020, sustained steps were taken to consolidate a sustainable business model, permanently adjusted to the evolution of the good practices at the international level.

Along these lines, special attention was paid to consolidating the internal control, audit and risk management system, as well as implementing concrete measures to promote ethics and integrity in all business segments of the company, in accordance with two of the main directions of action undertaken by the Management Plan (11 and 12), respectively "Compliance with the corporate governance principles" and "Reinforcement of the risk management system".

The measures thus undertaken aim, among others, to improve the activity of managing the risks of compliance and fraud, on several levels, such as:

- implementation/update of procedures, codes of conduct, the promotion and constant communication thereof, in order to develop a culture of ethics and integrity within the entire staff and the business partners;
- implementation and operationalization of a management system in accordance with the provisions of the ISO 37001 Anti-bribe standard;
- performance of the prevention activity, including by means of specialized training sessions for the staff;
- providing the functionality of irregularity reporting systems and increasing the investigative capacity thereof, in terms of efficacy and efficiency.

In order to achieve these goals, over the period 2019 - 2020, the Anti-Fraud Office, in collaboration with the Compliance Office, performed a series of actions aimed at improving the internal regulatory framework, the communication and prevention activity, and increasing, as a whole, the capacity to investigate and manage the risks in the field, progress also highlighted by obtaining the certification of the implementation of the Anti-bribery Standard, in March 2020.

Furthermore, the Anti-Fraud Office aims at implementing additional measures, appropriate for an even better management of fraud risks, wherefore, taking into account the good practices in the field, the Anti-Fraud Program was prepared, approved by the Chief Executive Officer in August 2020 and primarily aiming at the following:

- establishing the principles and priorities of the anti-fraud program;
- assessing the current stage of the internal control environment in reference to the key controls recommended in the specialized literature;
- establishing the measures necessary to be implemented in order to reduce the risks of fraud and assessing the accomplishment degree thereof;
- proposing and initiating the periodic performance of tests, in particular based on the data analysis, in order to detect the most common types of fraud.

## **10.9. COMPLIANCE FUNCTION**

During 2019, according to the new organizational chart of SNN, the Compliance Office was transferred from the subordination of DAMR to that of the Chief Executive Officer, being staffed (one employee) starting with November 2019.

The main duties of the Compliance Office are the maintenance and development of an anti-bribery management system the main goals whereof are:

- ❖ elaboration and update of the anti-corruption policies and of the internal regulatory framework on ethics and integrity; periodic analysis and review of the corruption risks;
- ❖ providing consultancy and guidance to the SNN staff on the compliance policy, anti-corruption and compliance dilemmas;
- ❖ providing the support of continuous training for the SNN staff, by the periodic organization of training and education sessions in the fields of anti-corruption, compliance, ethics and integrity;
- ❖ conducting investigations and performing compliance control missions both in accordance with the annual compliance plan, and ad-hoc, upon the request of the Chief Executive Officer;
- ❖ detecting preexisting situations that can generate bribery and/or other acts of corruption and that can expose the company;
- ❖ a better capability to discover breaches and to react properly;
- ❖ mitigation of the risks generated by the transactions made by SNN with the commercial partners, by better knowledge and access to the relevant information on the internal regulatory framework and the compliance program implemented by the business partner.

The ethics and compliance program is meant to provide the integrity and transparency in the performance of our activities and processes, as well as in the relations with the business partners. The 2020 program included a series of measures aimed at reinforcing the internal control system and implementing measures to promote ethics and integrity in all business segments of the company. The set of measures is convergent to the action directions undertaken via the Management Plan (sections 11 and 12), respectively “Compliance with the corporate governance principles” and “Reinforcement of the risk management system”.

The Chief Executive Officer and the management of the company support an organizational culture based on the principles of integrity. By allocating the necessary and sufficient resources to carry out the activity and granting the autonomy of the compliance function, the company recognizes the independence and importance of the function.

If the year of 2019 stood out by adopting and updating the policies and procedures specific to the anti-bribe management system, the year 2020 stood out by implementing and operationalizing the ISO 37001 system. The anti-bribery management system was carefully prepared between 2018 and 2019 by the issue and implementation of specific policies, programs and procedures. Over the same period, the principles of ethics and integrity were disseminated among the management and staff, by presentations and courses held with internal and external resources. The certification of the anti-bribery management system was achieved in a difficult period, at the beginning of the coronavirus pandemic, and required the adjustment of the audit process. Nuclearelectrica is the first large company in the Romanian energy sector to have implemented this new standard.

The company promotes the principles of ethics and compliance among the employees, collaborators and business partners thereof. To this end, in order to make them easier to understand and observe, our good practices have been formalized by the elaboration of a Compliance Guide. The guide was published at the beginning of 2020 and is intended for the employees, collaborators, executive management and any person acting on behalf of the company.

The code of ethics and conduct, anti-corruption policies and procedures are widely promoted among the employees.

During 2020, within SNN headquarters, trainings/courses took place, held with the help of external resources attended by key people of the organization.

In 2020, the Compliance Office continued the training program by developing internal courses to present the main components of the ethics and compliance program, as well as the anti-corruption policy: (1) Avoiding the conflict of interests and (2) The role of the integrity warner. Approximately 1,600 people participated in these training programs.

The risk management process is a continuous and cyclical process integrated in the management system of SNN. The review of the strategy and goals of the company leads to a rethinking of the goals at departmental level. Risks are analyzed and assessed on a quarterly basis, with a focus on aspects related to the circumstances, the emergence of new risks, changes in impact or probability, the stage of implementation and the effectiveness of the control measures.

The acceptance and granting of benefits is subject to certain rules intended to protect the company from deviations from ethics and any other non-compliance issues which could cause reputational, commercial, financial damages or could lead to legal sanctions, thus lowering the prestige and profitability of the company, over the short term, as well as over the long term. The gifts or benefits received by the SNN staff, falling under the provisions of the specific procedure, are assessed and recorded in a register.

The Compliance Office carries out prevention activities, providing advice on ethical behavior and practices related to the interpretation of the internal and external rules in relation to the requests of the business partners.

In order to mitigate the compliance and reputational risks, the Compliance Office participates in the meetings of the Sponsorship Assessment and Selection Committee. Thus, in 2020, 90 assessment of sponsorship applicants were made, in accordance with the provisions of procedure RC00-05.

The Compliance Office along with the Anti-Fraud Office carried out 4 compliance investigations, of ad-hoc type. A part of the investigations started from the notifications received from third parties. Following the investigations, improvements were proposed on the procurement process and the analysis of the technical offers, the proposals being adopted by the specialized departments.

## 11. PRESENTATION OF THE GROUP

SNN has only one branch, namely Energonuclear S.A. (“EN”), with a shareholding percentage in the share capital of 100% as at December 31<sup>st</sup>, 2020. It enters within the consolidation perimeter.

### History and presentation

The incorporation of EN S.A., a trading company the mission whereof is the development of the accomplishment project for Units 3 and 4 at Cernavoda NPP, was achieved by promoting a shareholding structure wherein SNN has a shareholding of 51% of the share capital (according to the Government Decision no. 643/2007, amended by the Government Decision no. 691/2008). According to the Investment Agreement under which the EN was incorporated, signed on December 25<sup>th</sup>, 2008 and approved by the Government Decision no. 1565/2008, the initial shareholding structure is: SNN 51%, RWE, GDF Suez, ENEL and CEZ each with 9.15%, and ArcelorMittal and Iberdrola each with 6.2%.

After the withdrawal from the Project of the CEZ shareholders (on December 30<sup>th</sup>, 2010) and RWE, GDF Suez and Iberdrola (on February 28<sup>th</sup>, 2011), Enel (on January 16<sup>th</sup>, 2014) and ArcelorMittal (on January 17<sup>th</sup>, 2014), SNN acquired, by share assignment agreements, the cumulated share thereby held within EN, getting to the point of holding, as a result of these operations, as at January 17<sup>th</sup>, 2014, a 100% share in the share capital of EN. The share capital of EN as at December 31<sup>st</sup>, 2020 is of RON 146,152,998.73, representing the equivalent of EUR 35,000,000. The share capital is divided into 37,105,029 ordinary registered shares with a nominal value of RON 3.9389 per share.

The registered office of EN is in Bucharest, 2<sup>nd</sup> District, 5-7, Vasile Lascar St., 3<sup>rd</sup> floor, rooms 307, 315, 315A, 315B, 315C, 316, 317. The running number with the Trade Register is J40/3999/2009, and the Sole Registration Code is 25344972.

### Articles of Incorporation

The Articles of Incorporation of EN has undergone a series of amendments, approved by Resolutions of the Extraordinary General Meeting of the Shareholders, within the activity restriction program of EN initiated by the EGMS Resolution no. 1 /January 30<sup>th</sup>,2015, accommodating successive staff reductions, with the successive reduction of the occupied space, the last amendment being ordered by Resolution of the Extraordinary General Meeting of Shareholders no. 2 of January 18<sup>th</sup>, 2017 whereby the reduction of the premises related to the registered office of EN was decided, at the address above.

The Articles of Incorporation of EN was further amended in July 2019, as a result of the approval of the Resolution of the Ordinary General Meeting of the Shareholders for the revocation, respectively the appointment of the external financial auditor.

## Documents of appointment/revocation of directors

EN is managed in a one-tier management system. The Board of Directors is made up of 3 directors appointed by the General Meeting of the Shareholders. The Chairperson of the Board of Directors is appointed with the unanimous consent of the shareholders, upon the proposal of each shareholder, for a period of maximum 2 years.

Over the period January 1<sup>st</sup>, 2020 - December 18<sup>th</sup>, 2020, the structure of the Board of Directors was as follows:

- Anca Dobrica: Chairperson;
- Ion Sarbulescu: Member;
- Liviu - George Fotache: Member.

As at December 31<sup>st</sup>, 2020, the members of the Board of Directors are as follows:

- Anca Dobrica: Chairperson;
- Alexandru Marciulescu: Member;
- Codrut Tudor: Member.

The decisions on the structure of the Board of Directors of EN over the period January 1<sup>st</sup>, 2020 - December 31<sup>st</sup>, 2020 were adopted by the following resolutions of the Ordinary General Meeting of the Shareholders of EN no. 5/2019, 6/2020, 8/2020, 11/2020 and 12/2020.

## The management of Energonuclear

In 2020, the executive management of EN was provided by the following manager: Nicolae Capatina: Technical Service Manager - since November 16<sup>th</sup>, 2018 (Individual Employment Contract concluded for an indefinite period as chief engineer at the Technical Service, dated May 7<sup>th</sup>, 2012) by temporary takeover of the duties of the Chief Executive Officer according to the BoD Resolutions no. 8/December 23<sup>rd</sup>, 2019, 7/June 24<sup>th</sup>, 2020 and 8/September 23<sup>rd</sup>, 2020.

## Description of activity

During 2020, EN performed activities having targeted actions necessary to continue the implementation of the project for Units 3 and 4 at Cernavoda NPP, out of which the most important were:

- ❖ Maintenance and operation services for the temporary low-voltage installation at the location of Units 3 and 4 of NPP.
- ❖ Water draining/discharge services for the structures outside and inside the buildings within the protected area at the location of Units 3 and 4 of Cernavoda NPP.

- ❖ Removal/sanitation services for the structures outside and inside the buildings within the protected area at the location of Units 3 and 4 of Cernavoda NPP.
- ❖ Providing electricity to Units 3 and 4 of Cernavoda NPP, necessary for the performance by EN and the contractors thereof of the maintenance and conservation activities for the assets of the two units.
- ❖ Works for preserving the embedded, penetrating and non-penetrating parts.
- ❖ Consulting the EN documentation under the custody of Cernavoda NPP, according to the protocol of 2018, concluded with Cernavoda NPP, in order to prepare the support documentations that were necessary for the aforementioned activities.
- ❖ Monitoring the state of the site and of the structures of Units 3 and 4 at Cernavoda NPP and pursuing the corrective actions recommended by CNCAN.
- ❖ Participating in the annual inspection of CNCAN at the site of Units 3 and 4 of Cernavoda NPP, according to CNCAN Protocol no. 16351/October 29<sup>th</sup>, 2020.
- ❖ Extension by 2 more years by CNCAN of the EN authorization for the management system in the nuclear field.
- ❖ Drafting the EN Informative Report code 83-15000-IR-006, Rev. 0 on the status of the locations of Units 3 and 4 of Cernavoda NPP.
- ❖ Activities related to the loan contract granted to EN by SNN.
- ❖ Performance of all the necessary activities for the proper operation of the inspection action of the economic-financial inspection team at the General Inspection Division of the Ministry of Public Finance.
- ❖ Providing the technical support for the Negotiation Committee (''NC''), as part of the ''SNN Team'' within the negotiations with the selected investor concerning the Investor Agreement and Articles of Incorporation of the new joint venture.
- ❖ Elaboration of informative reports for the Ministry of Energy, the Ministry of Public Finance, the Board of Directors of EN, the GMS of EN etc.
- ❖ Management of the current activities of the company (administrative, financial-accounting, current contract management, human resources, legal, procurement, etc.).
- ❖ Conclusion of contracts/follow-up of the performance of the service supply for: external auditor; accounting; specialized assistance in the design, implementation, monitoring and improvement of the Internal Control Managerial System; supply of spare/wear parts, consumables, fuel, etc.; communications (telephony, internet); banking services; lease of premises and furniture.

The resources of EN are mainly derived from the draws from the shareholder loan contract concluded by SNN with EN, and from cash contributions historically made by the shareholders.

As at December 31<sup>st</sup>, 2020, EN had 5 employees working up to 40 hours a week.

## **Litigations**

With regard to the litigations of EN with the employees or former employees thereof, requesting the recovery of the annual leave compensation differences for 2009-2010, representing compensations amounting to RON 556,526, which had been imposed by the application of measure no. 8 in the judgment of the Court of Auditors no. 97/2011: the time limitation notification was approved for 35 files, and, by the elaboration date of this Directors' Report, the verdict for the judgment of the admission of the time limitation petition for 1 file has not been received.

## **12. SUBSEQUENT EVENTS**

### **Changes in the management of the Company - Board of Directors**

By Resolution no. 1/January 27<sup>th</sup>, 2021 of the Ordinary General Meeting of the Shareholders ("OGMS"), the following were approved:

1. The revocation of Mr. Iulian Robert Tudorache from the position of member of the Board of Directors, as he waived his mandate (section 4 of the OGMS agenda of January 27<sup>th</sup>, 2021).
2. The revocation of Mr. Cristian Gentea from the position of member of the Board of Directors, as a result of the termination by operation of the law of the contract of mandate, considering the occurrence of a case of incompatibility, by the occupation of an elected position within the public administration (section 5 of the OGMS agenda of January 27<sup>th</sup>, 2021).
3. Approving the initiation of the procedure of selecting two members in the Board of Directors of SNN, according to the provisions of Government Emergency Ordinance no. 109/2011 on the corporate governance of public entities, as further amended and supplemented (section 6 of the OGMS agenda of January 27<sup>th</sup>, 2021)
4. Approving the empowerment of the Board of Directors of SNN for the development of the procedure of selection of two members of the Board of Directors (section 7 of the OGMS agenda of January 27<sup>th</sup>, 2021).

### **Partnership between S.N. Nuclearelectrica S.A. and US - TDA**

By the Current Report published on January 13<sup>th</sup>, 2021, SNN informed its shareholders and investors on the granting by US - TDA of a non-reimbursable grant of USD 1,277,115, in order to finance the costs for providing technical support for identifying and performing a preliminary assessment of potential nuclear locations compatible with small modular reactor ("SMR") technologies in Romania, and drafting a roadmap for licensing them.



## **Amendment of the Articles of Incorporation of the Company**

By Resolution no. 2/January 27<sup>th</sup>, 2021 of the Extraordinary General Assembly of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this item on the agenda (item 2 of the agenda of the Extraordinary General Meeting of the Shareholders of January 27<sup>th</sup>, 2021), was approved.

## **Subsidiary incorporation**

Resolution no. 2/January 27<sup>th</sup>, 2021 of the Extraordinary Meeting Assembly of the Shareholders (“EGAS”) approved the following activities for the incorporation of a new branch:

1. Approving the incorporation of a branch, fully owned by the Company, as a sole shareholder, in compliance with the note submitted to the shareholders for this item of the agenda (item 3 of the agenda of the EGMS of January 27<sup>th</sup>, 2021). The scope of business of the branch shall include “treating and removing hazardous waste, collecting hazardous waste and decontamination activities”.
2. Approving the empowerment of the Board of Directors of SNN to fulfill all the formalities for the incorporation of the new branch (item 4 of the agenda of the Extraordinary General Meeting of the Shareholders of January 27<sup>th</sup>, 2021).

### **13. STATEMENTS AND SIGNATURES**

Based on the best available information, we confirm that the Individual Financial Statements and Consolidated Financial Statements prepared in accordance with the applicable accounting standards (International Financial Reporting Standards approved by the European Union), provide a accurate and realistic image of the Financial Position of the Company and of the Group, the Financial Performance and Cash Flows for the financial year of 2020. This report, drafted according to the provisions of art. 63 of Law no. 24/2017 on the issuers of financial instruments and market operations, as further amended and supplemented, and Annex no. 15 in Regulation no. 5/2018 issued by the Financial Supervisory Authority, for the financial year ended on December 31<sup>st</sup>, 2020, contains accurate and truthful information on the development and performance of the Company and the Group, as well as a description of the main risks and uncertainties specific to the performed activity.

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

**Chief Executive Officer,  
Cosmin Ghita**

**Deputy Chief Executive Officer,  
Dan Laurentiu Tudor**

**Chief Financial Officer,  
Paul Ichim**

## 14. ANNEX 1 – ARTICLES OF INCORPORATION AMENDED IN 2020

The amendment of the Articles of Incorporation is the result of the voting mechanism in the Extraordinary General Meeting of the Shareholders of the Company, the effect of the social will that is formed, by voting, within the general meeting. According to the principles of the Organization for Economic Co-operation and Development (“OECD”) in the field of corporate governance, it is necessary to implement an effective corporate governance regime leading to transparency and efficiency, clearly regulating the distribution of the responsibilities, protecting and facilitating the exercise of the shareholders' rights and providing a fair treatment of all shareholders, including the minority ones.

SNN attaches great importance to corporate governance, being essential in order to provide a balance between the bodies of the company, for an increased protection of the majority shareholders but, in particular, of the minority shareholders, in order to achieve economic growth, efficacy and efficiency.

❖ By Resolution of the Extraordinary General Meeting of Shareholders no. 2/January 30<sup>th</sup>, 2020, the amendment of the Articles of Incorporation of SNN was approved.

Thus, art. 5 par. (4) in the Articles of Incorporation of SNN is amended in the sense of the introduction of the following new NACE codes:

1. NACE Code 0210 - Silviculture and other forestry activities;
2. NACE Code 0710 - Mining of uranium and thorium ores;
3. NACE Code 0729 - Mining of other non-ferrous metal ores;
4. NACE Code 0811 - Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate;
5. NACE Code 0812 - Operation of gravel and sand pits; mining of clays and kaolin;
6. NACE Code 0891 - Mining of chemical and fertilizer minerals;
7. NACE Code 0899 - Other sports activities;
8. NACE Code 2370 - Cutting, shaping and finishing of stone;
9. NACE Code 2391 - Production of abrasive products;
10. NACE Code 2399 - Manufacture of other non-metallic mineral products n.e.c.;
11. NACE Code 2892 - Manufacture of machinery for mining, quarrying and construction;
12. NACE Code 3812 - Collection of hazardous waste;
13. NACE Code 4313 - Test drilling and boring;
14. NACE Code 4671 - Wholesale of solid, liquid and gaseous fuels and related products;
15. NACE Code 4676 - Wholesale of other intermediate products;
16. NACE Code 4690 - Non-specialized wholesale trade;
17. NACE Code 4920 - Freight rail transport;
18. NACE Code 8690 - Other human health activities;

Thus, art. 5 par. (4) of the Articles of Incorporation of SNN shall read as follows:

“Chapter 2 - Purpose and scope of business

#### Purpose and scope of business

Art. 5. (1) The purpose of Nuclearelectrica is the generation and sale of electricity, by performing, in full observance of the applicable law, trading acts appropriate to the scope of business thereof, approved by these Articles of Incorporation.

(2) The main scope of business: NACE Code 351 – Electric power generation, transmission and distribution

(3) The main activity of the company: NACE Code 3511 - Production of electricity

(4) Secondly, the Company also carries out the following activities:

NACE Code – 0162 Support activities for animal production;

NACE Code - 0210 Silviculture and other forestry activities;

NACE Code - 0240 Service activities incidental to water transportation;

NACE Code - 0710 Mining of uranium and thorium ores;

NACE Code - 0721 Mining of uranium and thorium ores;

NACE Code - 0729 Mining of other non-ferrous metal ores;

NACE Code - 0811 Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate;

NACE Code - 0812 Operation of gravel and sand pits; mining of clays and kaolin;

NACE Code - 0891 Mining of chemical and fertilizer minerals;

NACE Code - 0899 Other sports activities;

NACE Code - 0990 Support activities for other mining and quarrying;

NACE Code - 1071 Manufacture of bread; manufacture of fresh pastry goods and cakes;

NACE Code - 1072 Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes;

NACE Code - 1085 Manufacture of prepared meals and dishes;

NACE Code - 1089 Other manufacturing n.e.c.;

NACE Code - 1610 Sawmilling and planing of wood;

NACE Code - 1622 Manufacture of assembled parquet floors;

NACE Code - 1623 Manufacture of other builders' carpentry and joinery;

NACE Code - 1624 Manufacture of wooden containers;

NACE Code - 1629 Manufacture of other products of wood; manufacture of articles of cork, straw and

other plaiting materials;

NACE Code - 1723 Manufacture of paper stationery;

NACE Code - 1812 Other printing n.e.c.;

NACE Code - 1813 Pre-press and pre-media services;

NACE Code - 1814 Binding and related services;

NACE Code - 1820 Reproduction of recorded media;

NACE Code - 2011 Manufacture of industrial gases;

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NACE Code - 2013 Manufacture of other inorganic basic chemicals;  
NACE Code - 2120 Manufacture of pharmaceutical preparations;  
NACE Code - 2369 Manufacture of other articles of concrete, plaster and cement;  
NACE Code - 2370 Cutting, shaping and finishing of stone;  
NACE Code - 2391 Production of abrasive products;  
NACE Code - 2399 Manufacture of other non-metallic mineral products n.e.c.;  
NACE Code - 2433 Cold forming or folding;  
NACE Code - 2446 Processing of nuclear fuel;  
NACE Code - 2511 Manufacture of metal structures and parts of structures;  
NACE Code - 2512 Manufacture of doors and windows of metal;  
NACE Code - 2550 Forging, pressing, stamping and roll-forming of metal; powder metallurgy;  
NACE Code - 2561 Treatment and coating of metals;  
NACE Code - 2562 Machining;  
NACE Code - 2571 Manufacture of cutlery;  
NACE Code - 2592 Manufacture of light metal packaging;  
NACE Code - 2593 Manufacture of wire products, chain and springs;  
NACE Code - 2594 Manufacture of fasteners and screw machine products;  
NACE Code - 2599 Manufacture of other fabricated metal products n.e.c.;  
NACE Code - 2812 Manufacture of fluid power equipment;  
NACE Code - 2813 Manufacture of other pumps and compressors;  
NACE Code - 2815 Manufacture of bearings, gears, gearing and driving elements;  
NACE Code - 2822 Manufacture of lifting and handling equipment;  
NACE Code - 2892 Manufacture of machinery for mining, quarrying and construction;  
NACE Code - 3299 Other manufacturing n.e.c.;  
NACE Code - 3311 Repair of fabricated metal products;  
NACE Code - 3312 Repair of machinery;  
NACE Code - 3319 Repair of other equipment;  
NACE Code - 3320 Installation of industrial machinery and equipment;  
NACE Code - 3513 Distribution of electricity;  
NACE Code - 3514 Trade of electricity;  
NACE Code - 3530 Steam and air conditioning supply;  
NACE Code - 3600 Water collection, treatment and supply;  
NACE Code - 3700 Sewerage;  
NACE Code - 3811 Collection of non-hazardous waste;  
NACE Code - 3812 Collection of hazardous waste;  
NACE Code - 3821 Treatment and disposal of non-hazardous waste;  
NACE Code - 3822 Treatment and disposal of hazardous waste;  
3831 - Disassembly (dismantling) of end-of-life machines and equipment for material recovery  
NACE Code - 3832 Recovery of sorted materials;

NACE Code - 3900 Remediation activities and other waste management services;  
NACE Code - 4110 Development of building projects;  
NACE Code - 4120 Construction of residential and non-residential buildings;  
NACE Code - 4211 Construction of roads and motorways;  
NACE Code - 4212 Construction of railways and underground railways;  
NACE Code - 4213 Construction of bridges and tunnels;  
NACE Code - 4221 Construction of utility projects for fluids;  
NACE Code - 4291 Construction of water projects;  
NACE Code - 4299 Construction of other civil engineering projects n.e.c.;  
NACE Code - 4311 Demolition;  
NACE Code - 4312 Site preparation;  
NACE Code - 4313 Test drilling and boring;  
NACE Code - 4321 Electrical installation;  
NACE Code - 4322 Plumbing, heat and air-conditioning installation;  
NACE Code - 4329 Other construction installation;  
NACE Code - 4331 Plastering;  
NACE Code - 4332 Joinery installation;  
NACE Code - 4333 Floor and wall covering;  
NACE Code - 4334 Painting and glazing;  
NACE Code - 4339 Other building completion and finishing;  
NACE Code - 4391 Roofing activities;  
NACE Code - 4399 Other specialized construction activities n.e.c.;  
NACE Code - 4511 Sale of cars and light motor vehicles (under 3.5 tons);  
NACE Code - 4519 Sale of other motor vehicles;  
NACE Code - 4520 Maintenance and repair of motor vehicles;  
NACE Code - 4662 Wholesale of machine tools;  
NACE Code - 4671 Wholesale of solid, liquid and gaseous fuels and related products;  
NACE Code - 4676 Wholesale of other intermediate products;  
NACE Code - 4677 Wholesale of waste and scrap;  
NACE Code - 4690 Non-specialized wholesale trade;  
NACE Code - 4721 Retail sale of fruit and vegetables in specialized stores;  
NACE Code - 4725 Other retail sale of food in specialized stores;  
NACE Code - 4729 Other retail sale of food in specialized stores;  
NACE Code - 4920 Freight rail transport;  
NACE Code - 4931 Urban and suburban passenger land transport;  
NACE Code - 4939 Other passenger land transport n.e.c.;  
NACE Code - 4941 Freight transport by road;  
NACE Code - 4942 Removal services;  
NACE Code - 5030 Inland passenger water transport;  
NACE Code - 5040 Inland freight water transport;

NACE Code - 5210 Warehousing and storage;  
NACE Code - 5222 Service activities incidental to water transportation;  
NACE Code - 5224 Cargo handling;  
NACE Code - 5320 Other postal and courier activities;  
NACE Code - 5510 Hotels and similar accommodation;  
NACE Code - 5520 Holiday and other short-stay accommodation;  
NACE Code - 5530 Camping grounds, recreational vehicle parks and trailer parks;  
NACE Code - 5590 Other accommodation;  
NACE Code - 5610 Restaurants;  
NACE Code – 5621 Event catering activities;  
NACE Code - 5629 Other food service activities n.e.c.;  
NACE Code - 5811 Book publishing;  
NACE Code - 5812 Publishing of directories and mailing lists;  
NACE Code - 5813 Publishing of newspapers;  
NACE Code - 5814 Publishing of journals and periodicals;  
NACE Code - 5819 Other publishing activities;  
NACE Code - 5821 Publishing of computer games;  
NACE Code - 5829 Other software publishing;  
NACE Code - 5920 Sound recording and music publishing activities;  
NACE Code - 6010 Radio broadcasting;  
NACE Code - 6020 Television programming and broadcasting activities;  
NACE Code - 6110 Wired telecommunications activities;  
NACE Code - 6120 Wired telecommunications activities;  
NACE Code - 6130 Wired telecommunications activities;  
NACE Code - 6190 Other telecommunications activities;  
NACE Code - 6201 Computer programming activities;  
NACE Code - 6202 Computer consultancy activities;  
NACE Code - 6203 Computer facilities management activities;  
NACE Code - 6209 Other information technology and computer service activities;  
NACE Code - 6311 Data processing, hosting and related activities;  
NACE Code - 6399 Other information service activities n.e.c.;  
NACE Code - 6420 Activities of holding companies;  
NACE Code - 6810 Buying and selling of own real estate;  
NACE Code - 6820 Renting and operating of own or leased real estate;  
NACE Code - 6832 Management of real estate on a fee or contract basis;  
NACE Code - 7010 Activities of head offices;  
NACE Code - 7021 Public relations and communication activities;  
NACE Code - 7022 Business and other management consultancy activities;  
NACE Code - 7111 Architectural activities;  
NACE Code - 7112 Engineering activities and related technical consultancy;  
NACE Code - 7120 Technical testing and analysis;

NACE Code - 7211 Research and experimental development on biotechnology;  
 NACE Code - 7219 Other research and experimental development on natural sciences and engineering;  
 NACE Code - 7220 Research and experimental development on social sciences and humanities;  
 NACE Code - 7311 Advertising agencies;  
 NACE Code - 7312 Media representation;  
 NACE Code - 7320 Market research and public opinion polling;  
 NACE Code - 7410 Specialized design activities;  
 NACE Code - 7420 Photographic activities;  
 NACE Code - 7430 Translation and interpretation activities;  
 NACE Code - 7490 Other professional, scientific and technical activities n.e.c.;  
 NACE Code - 7711 Renting and leasing of cars and light motor vehicles;  
 NACE Code - 7712 Renting and leasing of trucks;  
 NACE Code - 7734 Renting and leasing of water transport equipment;  
 NACE Code - 7739 Renting and leasing of other machinery, equipment and tangible goods n.e.c.;  
 NACE Code - 7740 Leasing of intellectual property and similar products, except copyrighted works;  
 NACE Code - 7810 Activities of employment placement agencies;  
 NACE Code - 7820 Temporary employment agency activities;  
 NACE Code - 7830 Other human resources provision;  
 NACE Code - 7990 Other reservation service and related activities;  
 NACE Code - 8020 Security systems service activities;  
 NACE Code - 8110 Combined facilities support activities;  
 NACE Code - 8121 General cleaning of buildings;  
 NACE Code - 8122 Other building and industrial cleaning activities;  
 NACE Code - 8129 Other cleaning activities;  
 NACE Code - 8211 Combined office administrative service activities;  
 NACE Code - 8219 Photocopying, document preparation and other specialized office support activities;  
 NACE Code - 8230 Organization of conventions and trade shows;  
 NACE Code - 8291 Activities of collection agencies and credit bureaus;  
 NACE Code - 8292 Packaging activities;  
 NACE Code - 8299 Other business support service activities n.e.c.;  
 NACE Code - 8425 Fire service activities;  
 NACE Code - 8532 Technical and vocational secondary education;  
 NACE Code - 8551 Sports and recreation education;  
 NACE Code - 8552 Cultural education (foreign languages, music, theatre, dance, fine arts, etc.);  
 NACE Code - 8559 Other education n.e.c.;  
 NACE Code - 8560 Educational support activities;



NACE Code - 8690 Other human health activities;  
NACE Code - 9312 Activities of sport clubs;  
NACE Code - 9319 Other sports activities;  
NACE Code - 9329 Other amusement and recreation activities;  
NACE Code - 9411 Activities of business and employers membership organizations;  
NACE Code - 9412 Activities of professional membership organizations;  
NACE Code - 9511 Repair of computers and peripheral equipment;  
NACE Code - 9601 Washing and (dry-)cleaning of textile and fur products.

❖ The share capital increase also took place in 2020, considering the following:

- Resolution of the Extraordinary General Meeting of the Company no. 2/January 4<sup>th</sup>, 2019, published in the Official Gazette of Romania no. 712/February 18<sup>th</sup>, 2019 approving the delegation of competence on the increase of the share capital of the Company to the Board of Directors, up to the maximum value of the authorized share capital of RON 3,015,427,980, under the provisions of art. 114, par. 1 and art. 220<sup>1</sup> of Law No. 31/1990 on trading companies, as well as in virtue of the provisions of art. 87 of Law no. 24/2017 on the issuers of financial instruments and market operations, as further amended and supplemented;
- Resolution of the Extraordinary General Meeting of the Company no. 12/December 19<sup>th</sup>, 2019, published in the Official Gazette of Romania no. 337/January 28<sup>th</sup>, 2020 approving the increase of the value limit of competence delegated by the shareholders of the company to the Board of Directors, by the Resolution of the Extraordinary General Meeting of Shareholders no. 2/January 4<sup>th</sup>, 2019, for the increase of the share capital of the Company by the value of the land of 34,170 sq.m., located in Cernavoda, 23, Energiei St., from the initial value approved by the Resolution of the Extraordinary General Assembly no. 2/January 4<sup>th</sup>, 2019 of RON 3,015,427,983, to the maximum value of RON 3,016,518,660.
- Decision of the Board of Directors of the Company no. 28/ February 24<sup>th</sup>, 2020, published in the Official Gazette of Romania, Part VI no. 1255 /April 2<sup>nd</sup>, 2020, approving the increase of the share capital of the Company by the contribution in kind and cash in the maximum amount of RON 3,016,518,660, 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, registered, dematerialized shares, at a price of RON 10/share, equal to the nominal value (without share premium).
- Proportionate Prospectus of offer related to the share capital increase, approved by ASF Decision No. 976/August 13<sup>th</sup>, 2020.
- The SNN Shareholders were able to exercise their preferential right within the subscription period, established by the Prospectus of Offer, namely August 17<sup>th</sup>, 2020 - September 16<sup>th</sup>, 2020. The shareholders recorded in the Register of Shareholders on the registration date, March 13<sup>th</sup>, 2020, had the right to subscribe and pay for shares from the current issue, on a pro rata basis in relation to their shareholding percentage in the share capital of the Company, that they hold on the registration date. The subscription rate was of 0.000457740, determined by the ratio between the maximum number of new shares issued for the exercise of the preferential right and the number of shares held by the shareholders that can exercise their preferential right. Thus, every existing shareholder recorded on

the registration date, i.e. March 13<sup>th</sup>, 2020, was able to subscribe for each share held 0.000457740 of the newly issued shares.

- Over the subscription period following the application of the subscription ratio, as a result of the report of the Central Depository, attached to this note, 16,186 allocation rights-SNNR03 were registered on September 17<sup>th</sup>, 2020, in the account of the holders in Section 2 of the Central Depository, who exercised their preferential right. We mention the fact that, in compliance with the report of the intermediary, Swiss Capital, enclosed to this note, there were no subscriptions in Section 1. Therefore, from both Sections 1 and 2, based on the enclosed reports, a number of 113,857 new shares were allocated, in the amount of RON 1,138,570, representing the contribution in kind of the Romanian State, represented by the Ministry of Economy, Energy and Business Environment, and within the exercise of the preferential right, over the subscription period August 17<sup>th</sup>, 2020 - September 16<sup>th</sup>, 2020, by the other shareholders of SNN, i.e. the people having the capacity of shareholder on the registration date (March 13<sup>th</sup>, 2020), a number of 16,186 new shares, amounting to RON 161,860, according to the report on the subscriptions made, submitted by the intermediary, SSIF Swiss Capital.

- The Resolution of the Board of Directors no. 194/September 22<sup>nd</sup>, 2020 whereby the amendment of the Articles of Association was approved, as a result of the share capital increase, in order to be submitted for approval during the next GMS to be convened.

Amendment of the Articles of Incorporation as a result of the completion of the procedure for the share capital increase, on September 24<sup>th</sup>, 2020, as follows:

4. Art. 7 of the Articles of Incorporation of SNN is amended, following the share capital increase and shall read as follows:

„Art. 7

Share capital

Art. 7 (1) The share capital of the trading company is of RON 3,016,438,940, subscribed and paid-up by the shareholders of the company. The share capital is divided into 301,643,894 shares, issued in dematerialized form, having a nominal value of RON 10.00 each.

(2) The share capital is owned by the following shareholders, as follows:

a) The Romanian State, through the Ministry of Economy, Energy and Business Environment (the relevant ministry) owns a total of 248,850,476 shares, with a total value of RON 2,488,504,760, accounting for a 82.4981 % share of the share capital of the company;

b) S.C. Fondul Proprietatea S. A. owns a total of 21,112,037 shares, with a total value of RON 211,120,370, accounting for a 6.9990 % share of the share capital of the company;

c) Other Shareholders, Romanian and foreign individuals and legal entities own a total of 31,681,381 shares, with a total value of RON 316,813,810, accounting for a 10.5029% share of the share capital of the company;

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(3) The identification details of each shareholder, the contribution of each of them to the share capital, the number of shares each is entitled to, and the participation in the total share capital are included in the Register of Shareholders, kept in a computer system of the Central Depository.

(4) The rights and obligations related to the share capital of Nuclearelectrica for the proportion of the share capital held by the Romanian State, are exercised on behalf and on account of the Romanian State, by the relevant ministry, under the authority whereof the Company is placed.

## **15. ANNEX 2 – APPOINTMENT/REVOCAION DOCUMENTS IN 2020**

Within the Ordinary General Meeting of Shareholders of January 30<sup>th</sup>, 2020, the appointment of Mr. Teodor Chirica was approved, as a temporary director, for a 4-month periodic, according to the provisions of art. 641 par. (3) and (5) of GEO no. 109/2011, as further amended and supplemented. Mr. Teodor Chirica was proposed on the list of candidates by the majority shareholder, the Ministry of Economy, Energy and Business Environment. We would like to mention that Mr. Teodor Chirica was appointed on December 19<sup>th</sup>, 2019 by the Board of Directors of SNN, upon the recommendation of the Nomination and Remuneration Committee, in the position of interim director, with a mandate duration until the Ordinary General Meeting of the Shareholders, in compliance with the provisions of art. 1372 of Law no. 31/1990.

Within the Ordinary General Meeting of Shareholders of May 28<sup>th</sup>, 2020, the extension of the duration of the mandate was approved for Mr. Teodor Minodor Chirica, mandate ending on May 30<sup>th</sup>, 2020, as interim director for a 2-month period, starting with May 31<sup>st</sup>, 2020, according to the provisions of art. 641 par. (3) and (5) of GEO no. 109/2011 as further amended and supplemented or until the mandate is accepted by a director appointed according to the provisions of GEO no. 109/2011, as further amended and supplemented.

Within the Ordinary General Meeting of Shareholders of July 27<sup>th</sup>, 2020, the appointment of Mr. Teodor Minodor Chirica as a member of the Board of Directors of SNN was approved, following the completion of the selection procedure of a director, organized in compliance with the provisions of GEO no. 109/2011 on the corporate governance of public companies, a procedure implemented by the Board of Directors of SNN assisted by an independent human resources expert, according to OGMS Resolution no. 1/January 30<sup>th</sup>, 2020. The term of office for Mr. Teodor Minodor Chirica is until September 28<sup>th</sup>, 2022, date on which the mandate of the directors in office expires.

On July 10<sup>th</sup>, 2020, SN Nuclearelectrica SA issued a current report according to art. 122 par. (1) of Law no. 24/2017 on the issuers of financial instruments and market operations and art. 234, par. (1), letter g in the ASF Regulation no. 5/2018 on the issue of financial instruments and market operations regarding Resolution no. 130/July 10<sup>th</sup>, 2020, whereby the Board of Directors took note of the resignation of Mr. Iulian Robert Tudorache from the position of member of the Board of Directors starting with August 24<sup>th</sup>, 2020. Mr. Iulian Robert Tudorache's decision to step down from the

Director position is adopted according to the provisions of art. 5.1 let. g) in the Mandate contract no. 55/September 28<sup>th</sup>, 2015 concluded between Mr. Iulian Robert Tudorache and SNN.

On July 23<sup>rd</sup>, 2020, SN Nuclearelectrica SA issued a current report in virtue of the provisions of art. 234 par. (1), letter g) in the ASF Regulation no. 5/2018 on issuers of financial instruments and market operations and Law no. 24/2017 on issuers of financial instruments and market operations regarding the fact that, in the meeting of the Board of Directors of July 23<sup>rd</sup>, 2020, the Board of Directors took note of Mr. Iulian Robert Tudorache's decision to step down from the position of BoD Chair person, and decided to appoint Mr. Teodor Minodor Chirica in the position of Chairperson of the Board of Directors of SNN, in compliance with the provisions of art. 1401 of Law 31/1990 on companies.

On November 24<sup>th</sup>, 2020, S.N. Nuclearelectrica S.A. issued a current report according to art. 122 par. (1) of Law no. 24/2017 on the issuers of financial instruments and market operations and art. 234, par. (1), letter g) of ASF Regulation no. 5/2018 on the issuers of financial instruments and market operations regarding the notification of Mr. Cristian Gentea on the termination of the term of office thereof, as a member of the Board of Directors, starting with November 19<sup>th</sup>, 2020, by operation of the law.

Mr. Cristian Gentea's notification on the termination of the mandate contract by operation of the law derives from the provisions of art. 87 par. 1 let. d) of Law no. 161/2003 on some measures providing transparency in the exercise of offices, corroborated with the provisions of art. 13.1 let. g) of the mandate contract concluded with SNN, namely the contract is terminated upon the occurrence of a case of incompatibility or an interdiction stipulated by law, as, starting with November 19<sup>th</sup>, 2020, Mr. Cristian becomes the mayor of Pitesti, a position which is incompatible with exercising the mandate of member of the Board of Directors of SNN.

## **16. ANNEX 3 – LIST OF THE ESTABLISHMENTS**

S.N. Nuclearelectrica S.A. has its head office in Bucharest, 1<sup>st</sup> District, 65. Polona Street.

## 17. ANNEX 4 – LIST OF THE BRANCHES

S.N. Nuclearelectrica S.A. has two branches that without legal status, as follows:

- ❖ Cernavoda NPP branch, established in Constanta County, Cernavoda Town, 2, Medgidiei Street, registered with the Trade Register under no. J13/3442/October 11<sup>th</sup>, 2007, operating Units 1 and 2, as well as the auxiliary services.
- ❖ FCN Pitesti Branch, established in Arges County, Mioveni Town, 1, Campului Street, registered with the Trade Register under no. J03/457/August 24<sup>th</sup>, 1998, within which nuclear fuel bundles are produced, required for the operation of Units 1 and 2 of Cernavoda NPP.

## **18. ANNEX 5 – LIST OF THE SUBSIDIARIES**

As at December 31<sup>st</sup>, 2020, SNN holds interests in only one branch – Energonuclear S.A., with a share of 100%, a company that was incorporated for the purpose of developing and implementing the accomplishment Project of Units 3 and 4 of Cernavoda NPP.

Energonuclear S.A. with the head office in Bucharest, 2<sup>nd</sup> District, 5-7, Vasile Lascar Street, 3<sup>rd</sup> floor, rooms 307, 315, 315A, 315B, 315C, 316 and 317, is registered with the Trade Register under no. J40/3999/March 25<sup>th</sup>, 2009, having the Sole Registration Code 25344972.

The main activity of Energonuclear S.A. consists of Engineering and Technical Advice related thereto – NACE code 7112.

This company has a second establishment (business unit) on the site of Cernavoda NPP – Constanta County, Cernavoda Town.

**19. ANNEX 6 – LIST OF THE MAJOR LITIGATIONS IN PROGRESS ON DECEMBER 31, 2020 (OVER 500 THOUSAND LEI), INCLUDING THOSE THAT WERE NOT MONETARILY ASSESSED**

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
<b>SNN Executive</b>								
1.	9089/101/2013	Civil Court of Law Mehedinti	Creditor	Autonomous Administration for Nuclear Activities (RAAN)	Insolvency. Winding-up bankruptcy. Claim RON 7,828,405.48	Merits	Procedure in progress.	June 03, 2021
2.	873/1259/2008	Civil Court of Law Arges	Creditor	Termoficare 2000 S.A.	Insolvency Bankruptcy. Claim RON 2.713.986,71	Merits	Procedure in progress.	May 11, 2021
3.	1794/118/2016	Criminal Court of Law Constanta	Civil party	Bucur Ionel Negulici Elena Olteanu Madalina Encica Ionel Nicola Laurentiu Daramus Victor SC Davy Security S.R.L. as a civil liability party by a legal administrator.	Prejudice 3,471,463 EUR.	Merits	Solution type: the deed is not provided by criminal law (art. 10 let. b C.P.P.).  Pursuant to art. 396 par. 5 of the criminal procedure code in ref. under art. 17 par. 2 of the criminal procedure code and art. 16 let. b of the criminal procedure code, acquits defendant Bucur Ionel for committing the crime of occupational abuse, if the public official obtained for himself or for another party an undue benefit provided by art. 132 of Law 78/2000 297 par. 1 from the Criminal Code, by applying art. 309 and art. 183 of the Criminal Code by applying art.5 of the Criminal Code (fraudulently granting the physical protection and monitoring service to S.C. Davi Security S.R.L.; S.C. Davi Protect & Security S.R.L., S.C. Davi Protect Comp S.R.L.) and for committing the crime of conflict of interests provided by art. 301 of the Criminal Code by applying art. 5 of the Criminal Code (Conflict of interests related to the security of building FE5 by S.C. Davi Security S.R.L./S.C. Davi Protect & Security S.R.L., S.C. Davi Protect Comp, S.C. Energosecurent S.R.L.). Pursuant to art. 396 par. 5 of the criminal procedure code in ref. under art. 17 par. 2 of the criminal procedure code and art. 16 let. b of the criminal procedure code, acquits Negulici Elena Marinela for committing the crime of occupational abuse and for committing the crime of conflict of interests provided by art. 301 of the Criminal Code by applying art.	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							<p>5 of the criminal code, acquits defendant Encica Ionel for committing the crime of occupational abuse, acquits defendant Nicola Laurentiu Theodor for committing the crime of occupational abuse, acquits defendant Daramus Victor for committing the crime of accessory to the crime of occupational abuse, acquits defendant Olteanu Madalina for committing the crime of occupational abuse, in virtue of art. 397 of the criminal procedure code and art. 25 of the criminal procedure code, rejects the civil case formulated by civil party S.N. Nuclearelectrica S.A., as ungrounded. Lifts the seizure instituted by Ordinance no. 279/P/2015 of January 06, 2016 of DNA – ST Constanta, as amended by authentication no. 9/19.01.2016 of Constanta Court and by Ordinance 279/P/2015 of February 11, 2016 of DNA – ST Constanta, on the assets of defendants Bucur Ionel, Negulici Elena - Marinela and Daramus Victor. Pursuant to art. 275 par. 3 of the criminal procedure code, and the judiciary expenses paid by the state continue to remain its responsibility. With appeal within 10 days from the intimation. Pronounced in public session today, 19.02.2021</p> <p>Judgment no. 125/19.02.2021.</p>	
4.	3490/121/2015*	Civil Court of Law Galati Court of Appeal Galati ICCJ	Plaintiff	S.C. ArcelorMittal Galati S.A.	Claims RON 8,575,245,78 difference amount energy sale made redundant and other associated expenses.	Retrial recourse	<p>Merits Rejects the action to oblige the defendant to pay damages deriving from contract no. 207/22.02.2013 as ungrounded.</p> <p>Appeal Approves the appeal filed by plaintiff S.N. Nuclearelectrica S.A. against civil judgment no. 278/20.12.2016 issued by Galati Court of Law - Civil Section II in Case File no. 3490/121/2015. Fully changes the appealed judgment and, in retrial. Partially admits the action. Orders the defendant ArcelorMittal Galati S.A. to pay to the plaintiff S.N. Nuclearelectrica S.A. the amount of RON 8,645,467.52, as damage compensations. Rejects as ungrounded the appeal filed against the resolution of May 26,2016 of the same court. Orders the defendant to pay to the plaintiff the amount of RON 142,132.97, trial expenses - merits and appeal. Judgment no. 227/27.09.2017.</p>	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							<p>Second appeal Admits the appeal of the appellant-defendant S.C. ArcelorMittal Galati S.A. against civil judgment no. 227/A of September 27, 2017 issued by Galati Court of Law - Civil Section I, which it annuls remanding the case for retrial to the same court. Final.</p> <p>Retrial appeal Civil judgment no. 102/A approves the appeal filed by plaintiff S.N. Nuclearelectrica S.A. against civil judgment no. 278/20.12.2016 issued by Galati Court of Law - Civil Section II in Case File no. 3490/121/2015. Fully changes the appealed judgment and, in retrial, partially approves the case. Orders the defendant ArcelorMittal Galati S.A. to pay to the plaintiff S.N. Nuclearelectrica S.A. the amount of RON 8,575,245.78, as damage compensations. Rejected as groundless the appeal filed against the judgment of 26.05.2016 issued by the Court of Law of Galati in file no. 3490/121/2015. Orders the defendant to pay to the plaintiff the amount of RON 142,132.97, trial expenses - merits and appeal. With the right to appeal, which is to be submitted to the Galati Court of Appeal, within 30 days after the issuance. Pronounced today, 26.06.2019, by making the solution available to the parties by the registry of the Court. Judgment no. 102/26.06.2019.</p> <p>Retrial recourse</p>	
5.	4946/2/2015	Administrative Bucharest Court of Appeal ICCJ	Plaintiff	Court of Accounts Intervener General Concrete	Measure annulment General Concrete	Merits	<p>Merits Admits the request. Partially cancels resolution no. 59/17.07.2015 issued by the defendant, regarding point 5, resolution no. 16/11.05.2015 issued by the defendant, regarding the measure ordered under section II.7 of the resolution, and section 3.3.1 of the Inspection Report No. 4371/ 10.04.2015 issued by the respondent. Admits the request of accessory intervention. With appeal within 15 days from intimation. Judgment no. 68/28.02.2020.</p> <p>Second appeal</p>	November 18, 2021

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
6.	45494/3/2015**	Bucharest Law Court Civil party Court of Appeal ICCJ	Plaintiff asked to pay a security	Managers S.N. Nuclearelectric a S.A. and GMS members.	Prejudice 708,407 lei. Execution of measure disposed by CC through the 2012 report regarding D&O policies.	Retrial recourse	<p>Merits</p> <p>Rejects the exception of the invoked procedure quality by the defendants Grama Mioara, Popescu Lucia -Ioana, Chiriac Cristiana and Serbanescu Cristian Ovidiu. Admits the prescription exception. Dismisses the request, stating as prescribed the right to action. Dismisses the application of calling in warranty as left without object. Compels the plaintiff to pay the following trial expenses: RON 8,226.53 towards the defendant Grama Mioara, RON 7,873.53 towards the defendant Popescu Lucia - Ioana and RON 7,925.79 towards the defendant Chiriac Cristiana. With appeal within 30 de days from the intimation. Judgment no.7583/29.11.2016.</p> <p>Appeal</p> <p>Approves the appeal. Partially cancels the appealed judgment regarding the approval of the exception of prescription of the amount of 6,465 EUR paid on 01.03.2011, of the amount of 3,397 EUR paid on 02.05.2011, of the amount of 39,250 EUR paid on 07.06.2011 and the accessories of these amounts and regarding the granting of trial expenses. Sends the case for retrial to the same court in these limits. Maintains the appealed judgement undecided. With second appeal within 30 days from communication. Pronounced in public session today, 15.12.2017.</p> <p>Second appeal</p> <p>Approves the appeals formulated by defendants Budulan Pompiliu and Teodor Minodor Chirica, Chiriac Cristiana, Grama Mioara, Popescu Lucia Ioana, Serbanescu Cristian - Ovidiu against civil judgment no. 2250 of December 15, 2017 issued by the Bucharest Court of Appeal - Civil Section V, which it cancels and sends the case for retrial to the same court. Final.</p> <p>Retrial merits</p> <p>Dismisses the appeal as reasonless. Obligates the appellant to pay trial expenses to the appellees as follows: for Chirica Minodor Teodor the amount of 22,519 lei, for Budulan Pompiliu the amount of 7,469 lei, for Chiriac Cristina the amount of 21,634 lei, for Grama Mioara the amount of 21,634 lei, for Serbanescu Cristian the amount of 6,354 lei and for Popescu Lucia the amount of 6,805 lei. With the right to appeal. Judgment no. 2215/20.12.2019.</p>	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							Second appeal	
7.	409/2/2016	Bucharest Court of Appeal	Civil Party	Tudor Ion Criminal group House of insolvency Banat liquidator CET Energoterm Resita.	Tax evasion offenses, bribery, corrupt practices RON 580,974.21.	Merits	Merits Procedure in progress.	March 12, 2021
8.	41419/3/2016	Civil Court of Law Bucharest S II	Plaintiff-Defendant	Energosec S.R.L.	SNN claims: RON 330,074.32 Claims Energosec: RON 2,206,539.80	Merits	Merits Management of the evidence with accounting expertise.	March 23, 2021
9.	5802/118/2017	Labor Constanta Court	Defendant	CNE Union for 757 employees.	Monetary rights hazardous conditions bonus.	Merits	Merits Accounting expertise administration.	March 26, 2021
10.	7036/118/2017	Labor Constanta Court	Defendant	SLEN union for 132 employees 159 plaintiffs on their own behalf.	Monetary rights hazardous conditions bonus.	Merits	Merits Technical expertise administration.	March 26, 2021
11.	26294/3/2018	Civil Bucharest Court of Law	Plaintiff	Davi Comfire	Estimated damage RON 1,915,490 +	Appeal	Merits Dismisses the application as groundless. Dismisses the application requiring the defendant to pay the trial expenses, as groundless. Compels the plaintiff to pay to the defendant the amount of RON	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Bucharest Court of Appeal ICCJ			Legal interest and trial expenses.		7,000, as trial expenses, representing the lawyer's fee. With appeal within 30 days from the intimation. Judgment no. 1060/22.04.2019. Appeal Unfounded. Brief solution: Dismisses the appeal as reasonless. Dismisses the application of the appellant requiring the defendant to pay the trial expenses, as groundless. Compels the appellant to pay the amount of RON 4.500 to the appellee as trial expenses. With second appeal within 30 days from communication. The application for appeal will be submitted to the CAB. Pronounced in public session today, 11.06.2020. Judgment no. 542/11.06.2020. Second appeal	
12.	6471/2/2018	Administrative Bucharest Court of Appeal ICCJ	Plaintiff	Court of Accounts	Measure annulment point 1 of the Authentication - Energonuclear loan.	Merits	Merits Admits the action. Partially cancels Resolution no.29/31.07.2018, respectively point.1, and Decision no.5/08.06.2018, respectively the measure ordered at point.I.4 to remove the deviation described in point 4. Compels the defendant to pay the trial expenses. With appeal within 15 days from the intimation. Judgment no. 1229/29.03.2019. Second appeal	Settled on the merits.
13.	6472/2/2018	Administrative Bucharest Court of Appeal ICCJ	Plaintiff	Court of Accounts	Measure annulment point 4 of the Authentication – Uranium.	Merits	Merits Admits the action. Partially cancels Resolution no.29/31.07.2018, respectively point.4, and Decision no.5/08.06.2018, respectively the measure ordered at point.I.8 to remove the deviation described in point 10. Compels the payment of trial expenses. With appeal within 15 days from the intimation. Judgment no. 1230/29.03.2019. Second appeal	The hearing is next.
14.	6479/2/2018	Administrative Bucharest Court of Appeal ICCJ	Plaintiff	Court of Accounts	Measure annulment point 5 in the Decision - ROEL Xerox.	Merits	Merits Partially admits the action. Partially cancels Authentication no. 29/31.07.2018 and judgment no. 5/08.06.2018, both issued by defendant C.C.R. only regarding the establishment of the damage related to the use of the respective equipment at the Ministry of Economy / Energy, only starting with the start date of the activities of the Negotiation commission for the Project of units 3 and 4 of Cernavoda (an order issued under section II.3 of judgment no. 5/08.06.2018, regarding which the administrative appeal was rejected by section 5 of Authentication no. 29/31.07.2018). Rejects	April 8, 2022

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							the rest of the case. With appeal within 15 days from intimation. Judgment no. 1730/14.05.2019. Second appeal	
15.	6481/2/2018	Administrative Bucharest Court of Appeal ICCJ	Plaintiff	Court of Accounts	Measure annulment point 3 of the Authentication - BVC substantiation.	Merits	Merits Dismisses the action as groundless. With appeal within 15 days from intimation. Judgment no. 1939/June 05, 2019.	January 13, 2022
16.	6487/2/2018	Administrative Bucharest Court of Appeal ICCJ	Plaintiff	Court of Accounts	Measure annulment point 2 of the Authentication - Non-increase of the share capital.	Merits	Merits Dismisses the action as groundless. With appeal within 15 days from intimation. Judgment no. 1940/05.06.2019.	May 4, 2022
17.	35162/299/2018*	Civil – Bucharest District 1 Court Section II Civil	Third party under seizure – SNN Debtor Claimant AAAS Appellee Ionita Stefan.	Ionita Stefan – enforcement file 959/2010 BEJ Draganescu, Ionescu, Crafcenco	Appeal against enforcement RON 2,089,042.69.	Merits retrial	Merits Rejects the exception of the lack of passive procedural quality of the third party under seizure as groundless. Rejects the appeal against the enforcement as groundless. With appeal within 15 days from intimation. Judgment no. 1611/21.03.2019. Second appeal Approves the appeal. Approves the exception of the absence of the mandatory passive lawsuit framework, invoked ex officio. Cancels the judgment and sends the case for retrial to the same court. Final. Pronounced in public session today, 14.01.2020. Judgment no. 7/14.01.2020. Retrial merits	March 16, 2021
18.	5308/2/2019	Administrative Bucharest Court of Appeal High Court of Cassation and Justice	Plaintiff	Court of Accounts.	Cancellation of the findings from the follow- up report no .7787/01.07.2019 regarding measures II.7 and II.9 of Resolution no. 16/11.05.2015.	Second appeal	Merits Admits the exception of non-admissibility. Dismisses the action as groundless. With appeal within 15 days from intimation. The recourse shall be lodged with the Bucharest Court of Appeal, under the sanction of nullity. Pronounced by making the solution available to the parties by the registry of the Court today, 16.03.2020. Judgment no. 191/16.03.2020.  Second appeal	May 11, 2022

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
19.	7086/2/2019	Administrative Bucharest Court of Appeal ICCJ	Plaintiff	Court of Accounts.	Cancellation of the findings from the follow-up report no. 10697/13.09.2019 regarding measures I.5 and II.11 of Resolution no. 5/08.06.2018.	Merits	Merits  Approves the inadmissibility exception of the request items for cancelling follow-up report no. 10697/13.09.2019, the issuance of a new follow-up report and cancelling letter no. IV/40.701/14.10.2019. Rejects the request items for cancelling follow-up report no. 10697/13.09.2019, the issuance of a new follow-up report and cancelling letter no. IV/40.701/14.10.2019, as inadmissible. Rejects the inadmissibility exception regarding the other request items. Dismisses the action as groundless. With appeal within 15 days from intimation.  Judgment no. 959/06.10.2020.	The hearing is next.
20.	31481/3/2019	Civil Bucharest Law Court Bucharest Court of Appeal	Plaintiff	Lulache Daniela, Darie Mihai, Bucur Ionel, Alexe Alexandru, Dragan Ioana, Popescu Dan, Radu Carmen, Sandulescu Alexandru, Stanescu Nicolae, Tcaciuc Sebastian	Finding of the absolute nullity of the addendums to the mandate and administration contracts return of the collected amounts plus the legal interest and the inflation rate.	Merits	Merits  In virtue of art. 242 par. 1 of the New Code of Civil Procedure suspends the judgment of the case. With appeal throughout the duration of the suspension. The appeal application shall be submitted with the Bucharest Court of Law - Civil Section VI. Pronounced today, 03.07.2020, by making the solution available to the parties by the record office of the Court. Resolution - Suspension 03.07.2020. Second appeal	March 5, 2021
21.	36200/3/2019	Civil Bucharest Law Court	Plaintiff	Ministry of Economy, Energy and Business Environment.	2,217,600 lei plus interest and inflation index - damage representing the difference between the variable indemnification collected by the BoD members and the managers for 2015-2017.	Merits	Merits  According to Art.413 par.1 section 1 from the Civil procedure code, it orders the suspension of the case until the final resolution of the file no.6481/3/2018 pending before the Bucharest Court of Appeal Section IX, administrative and fiscal litigation. With the right of appeal during the suspension, the appeal application will be submitted to the Bucharest Tribunal – Civil Section VI. Pronounced	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							in public session today, 26.05.2020. Resolution - Suspension 26.05.2020.	
22.	6026/109/2019	Labor Arges Tribunal	Defendant	Gheba Florin Ovidiu.	Appeal against Resolution No. 344/17.10.2019 on the termination of CIM and Resolution No 300/12.09.2019 - disciplinary investigation commission.	Merits	Merits 244 c.pr.civ, Solution in brief: in virtue of the provisions of art. 413 par. (1) section 1 of the Civil procedure code, it suspends the case trial until the final resolution of the case which represents the object of file no. 1012/46/2019 of Pitesti Court of Appeal. With appeal during the suspension, to be submitted at the Arges Court of Law. Pronounced today, 09.09.2020, according to art. 396 par. 2 from the Civil Procedure Code. Resolution - Suspension 09.09.2020.	The hearing is next.
23.	5462/2/2019	Administrative Bucharest Court of Appeal	Plaintiff	General Regional Directorate of Public Finance Bucharest General Directorate for the Administration of Large Taxpayers.	Cancellation of fiscal documents	Merits	Merits	May 28, 2021
24.	28932/302/2019	Civil Bucharest Law Court	Claimant.	Multipack, Starmill, Micula, Romanian State by the Ministry of Finance		Merits	Merits Rejects the complaint as without object. Orders the plaintiff to pay to appellees S.C. Multipack S.R.L. and S.C. Stramill S.R.L. 802.3 RON transportation and accommodation expenses from October 2020 and the amount of 3,000 RON representing reduced attorneys' fees of 1,500 RON for each appellee. With appeal in 30 days after the issuance, to be submitted under the sanction of nullity at the court of law. Passed in a public session. Judgment no. 1472/06.10.2020.	The hearing is next.
25.	97/2/2020	Civil Bucharest Court of Law. Bucharest Court of Appeal ICCJ	Plaintiff.	NARE (National Energy Regulatory Authority).	Cancellation of administrative order no.216/11.12.2019.	Appeal	Merits Rejects the request. Solution in brief: accepts the lateness exception for formulating requests, invoked by the defendant. Rejects the cancellation case for Decisions 2213/23.12.2019 and no. 2214/23.12.2019, and notice no. 110703/23.12.2019, as formulated with a delay. Rejects the rest of the summons as ungrounded. With second appeal within 15 days from communication, the request will	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							<p>be submitted to Bucharest Court of Appeal - Administrative and Fiscal Law Section VIII. Pronounced by making the solution available to the parties through the mediation of the registry of the Court today, 31.07.2020. Judgment no. 681/31.07.2020.</p> <p>Appeal</p> <p>Accepts the lateness exception for formulating requests, invoked by the defendant. Rejects the cancellation case for Decisions 2213/23.12.2019 and no. 2214/23.12.2019, and notice no. 110703/23.12.2019, as formulated with a delay. Rejects the rest of the summons as ungrounded. With appeal within 15 days from the intimation.</p> <p>Judgment no. 681/31.07.2020.</p> <p>Second appeal</p>	
26.	3083/3/2020	Civil Bucharest Court of Law. Bucharest Court of Appeal	Plaintiff.	National Electricity Transportation Company Transelectrica.	1,472,785 lei	Merits	<p>Merits</p> <p>Approves the summons. Orders the plaintiff to pay the amount of 1,290,533,156 lei, as damage compensations, to update this amount with the inflation rate as of 27.09.2018 and until the date of the actual payment, to pay 182,251.94 lei representing the legal penalty interest calculated from 27.09.2018 to 31.01.2020, and to continue to pay the legal penalty interest, calculated from February 01, 2020 to the date of the actual payment. It orders the plaintiff to pay 23,441.66 RON, as trial expenses, consisting of the judiciary stamp tax. Dismisses the request of the defendant on the payment of trial expenses, as groundless. With appeal within 30 de days from the intimation. The appeal application shall be submitted with the Bucharest Court of Law - Civil Section VI. Pronounced today, 22.12.2020, by making the solution available to the parties by the record office of the Court.</p> <p>Judgment no. 2698/22.12.2020.</p> <p>Appeal</p>	The hearing is next.
27.	2929/3/2020*	Administrative Bucharest Court of Law,	Respondent.	General Concrete Cernavoda.	Cancellation of the public procurement ascertaining	Merits	<p>Merits</p> <p>Postpones the case. Solution in brief: in order to allow the plaintiff to prove that it paid the judicial stamp tax.</p> <p>Session authentication 01.09.2020.</p>	March 2, 2021

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Civil Section VI			document no. 2865/15.10.2019.			
28.	1506/118/2020	Civil/ Constanta Court	Plaintiff.	U.A.T. Seimeni Commune, Romanian State by the Ministry of Public Finance, Ministry of Economy, Energy and Business Environment, Government of Romania.	Action for ascertaining the use right, servitude, free use of publicly-owned land.	Merits	Merits	May 7, 2021
29.	1663/118/2020	Civil Medgidia Court	Plaintiff	Romanian State by MFP National Administration of Romanian Waters Administratia Bazinala de Apa Dobrogea Litoral	Action for finding the right of land management related to the river basin Cismelei Valley, use, servitude, free use of public property land 31,050 sqm and 73,428 sqm.	Merits	Merits Accepts the exception of the material non-competence of the Constanta Court, invoked ex officio. Declines the competence for resolving the request in favor of the Medgidia Court. Without appeal. Judgment no. 2485/14.10.2020.	March 17, 2021
30.	2659/2/2020	Administrative litigations	Plaintiff	NARE	Cancellation of Order No. 12/2016.	Merits	Merits Rejects as groundless the application for the recovery of the material right to action within the prescription term. Approves the exception	The hearing is next.

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Bucharest Court of Appeal					of the lateness of submitting the application. Rejects the application as submitted late. Partially approves the request to notify the Constitutional Court and orders the notification of the Constitutional Court with the resolution of the non-constitutionality exception of the provisions of art. 5 paragraph 7 of GEO no. 33/2017 on amending and supplementing Electricity law no. 13/2007 and Gas law no. 351/2004, approved by Law no. 160 of October 2, 2012. Rejects the remaining of the counts of the request to notify the Constitutional Court. With appeal within 48 hours after ruling, on the rejection as inadmissible of the request to notify the Constitutional Court. With appeal within 15 days from intimation. Pronounced today, February 09, 2021, by making the solution available to the parties by the registry of the Court.  Judgment no. 139/February 09, 2021.	
31.	16597/3/2020	Civil/ Bucharest Law Court	Plaintiff - Defendant	General Concrete Cernavoda S.R.L.	Cancellation of an administrative act RON 2,760,296,490	Merits	Merits	March 15, 2021
32.	3570/2/2020	Administrative litigations/ Bucharest Court of Appeal	Plaintiff	NARE	Cancellation of documents issued by the regulation authorities. Order no. 88/2020.	Merits	Merits	March 4, 2021
33.	13682/3/2020	Bucharest Law Court	Respondent	ISPE Proiectare si Consultanta S.A.	Cancellation of a public procurement ascertaining document	Merits	Merits	March 2, 2021
<b>Cernavoda NPP Branch</b>								
1.	7023/118/2019	Labor/ Constanta Court	Respondent.	17 MID employees.	Granting a bonus of 30%.	Merits		March 25, 2021

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Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
2.	4133/118/2017	Labor / Constanta Court of Law Court of Appeal of Constanta	Respondent.	Employee group Catrangu Rica, Bejenaru Alexandru and others	Monetary rights radiological risk bonus.	Appeal	Merits Rejects the civil action as groundless. With the right to appeal within 30 days after the notification of this Judgment. Judgment no. 3233/18.12.2019. Appeal Dismisses the appeal as reasonless. Final. Pronounced today, October 12, 2020, by making the solution available to the parties. Judgment no. 268/October 12, 2020.	The hearing is next.
3.	3990/118/2018	Civil / Constanta Court of Law Court of Appeal of Constanta	Plaintiff.	CNE S.A.	The obligation to demolish the building erected on the land owned by SNN in area of 579 sq m.	Appeal	Merits Approves the action formulated by plaintiff S.N. Nuclearelectrica S.A. against NPP S.A. Cernavoda. Obligates the defendant CNE S.A. Cernavoda to demolish the building Administrative Premises for offices and archive located on the land that belongs to the plaintiff, at No. 2, Medgidiei Street, registered in the land book under no. 100480 - C226. Obligates the defendant CNE S.A. Cernavoda to pay to the plaintiff the amount of 1,020 RON representing trial expenses (20 RON judiciary stamp tax and 1,000 RON expert fee). With the right to appeal within 30 days after the communication, and the appeal is to be submitted to the Court of Law of Constanta. Judgment no. 1993/19.12.2019. Appeal Approves the appeal. Fully changes the judgment, namely it rejects the trial request as groundless. Final. Pronounced in public session today, 15.10.2020.	The hearing is next.
4.	2221/118/2019	Civil / Constanta Court of Law	Plaintiff.	Sorex S.A.	Action on the claim/return of cranes or their equivalent value - Euro 114,000.	Merits	Merits	April 15, 2021
5.	6144/118/2019	Civil/ Constanta Court	Plaintiff	Public Utilities.	Recovery of the equivalent value of the damage following the non-acceptance of the new fee - 810,257.60 RON.		Rejects the action formulated by plaintiff S.N. Nuclearelectrica S.A. against defendant S.C. Utilitati Publice Cernavoda S.R.L., as groundless. With the right to appeal within 30 days after the communication, and the appeal is to be submitted to the Court of Law of Constanta. Pronounced by making the solution available to the parties by the registry of the Court today, 01.10.2020.  Appeal	April 7, 2021

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## 20. ANNEX 7 – STAGE OF THE IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE OF BUCHAREST STOCK EXCHANGE

No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
A.1	<p><b>All companies must have an internal regulation of the Board including the terms of reference/responsibilities of the Board and key management functions of the company, and applying, inter alia, the General Principles in Section A.</b></p>	<p>SNN has an Internal Regulation of the Board of Directors and a Corporate Governance Regulation containing the terms of reference, the responsibilities of the executive management, the Board of Directors and GMS and key management functions and responsibilities of the Advisory Committees of the Board of Directors in compliance with the General Principles in Section A in the Corporate Governance Code. These terms of reference/responsibilities are brought to the knowledge of the public by means of the Internal Regulations of the Board of Directors and by means of the Governance Regulations, published on the website of the company within the "Investor Relation/Corporate Governance" section.</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
A.2	<p><b>Provisions for the management of conflicts of interest must be included in the Board regulation. In any case, Board members must notify the Board of any conflicts of interest that have arisen or may arise and refrain from participating in discussions (including by the default, unless the failure to appear would prevent the formation of the quorum) and from voting for the adoption of a resolution concerning the matter giving rise to such conflict of interest.</b></p>	<p>The provisions on the management of conflicts of interests are included in the Internal Regulations of the Board of Directors and the Corporate Governance Regulations, published on the SNN website. In terms of the management of conflicts of interest, each member of the Board of Directors provides the avoidance of a conflict of interest directly or indirectly with the Company, and, in case of occurrence of such a conflict, abstains from debating and voting on such issues, in compliance with the applicable legal provisions.</p>			
A.3	<p><b>The Board of Directors or the Supervisory Board should be made up of at least five members.</b></p>	<p>The Board of Directors of SNN is made up of 7 members. The information on the structure of the BoD is published in the Annual Report, in the Internal Regulations of the Board of Directors and on the website, in the "Investor Relation/Board of Directors" section.</p>			
A.4	<p><b>The majority of the members of the Board of Directors must not occupy an executive position. At least one member of the Board of Directors or of the Supervisory Board must be independent in case of Standard Category Companies. In the case of Premium Category companies, no less than two non-executive</b></p>	<p>SNN is a company in the Premium Category, managed by a Board of Directors with a 4-year mandate on December 31<sup>st</sup>, 2020, made up of 7 non-executive members, 2 of the 7 members of the Board of Directors are independent according to the criteria in Section A. In 2020, both the members of the Board of Directors appointed for provisional mandates and those</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
	<p><b>members of the Board of Directors or of the Supervisory Board must be independent. Each independent member of the Board of Directors or of the Supervisory Board, as applicable, must submit an affidavit upon their designation for election or re-election, as well as when any change in status occurs, indicating the elements according to which it is deemed that they are independent in terms of character and judgment.</b></p>	<p>appointed with 4-year mandates submitted their independence statements based on the criteria referred to in Art. 138<sup>2</sup> par. 2 of the Companies Law no.31/1990 and according to the criteria set forth in section A4 of the corporate governance Code of Bucharest Stock Exchange. The Annual Report presents in the "Corporate Governance Statement" chapter information on the status of independent member of the members of the Board of Directors. This information is also published on the website of SNN.</p>			
A.5	<p><b>Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of some companies and non-profit institutions, must be disclosed to the shareholders and potential investors prior to appointment and during the term of office thereof.</b></p>	<p>The Annual Report presents in the "corporate governance Statement" section information on other professional commitments and obligations of the members of the Board of Directors, including executive and non-executive positions in the Board of other companies. This information is also available on the website of SNN, in the "Investor Relation/corporate Governance/Board of Directors" section.</p>			

No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
A.6	<p><b>Any member of the Board must submit to the Board information on any relationship with a shareholder directly or indirectly owning shares representing over 5% of all voting rights. This obligation refers to any relationship that may affect the position of the member on matters decided by the Board.</b></p>	<p>This provision is included in the Internal Regulations of the Board of Directors. The information on the relationships with the shareholders directly and indirectly owning over 5% of the SNN shares have been checked based on the statements, according to the criteria stipulated in art.138<sup>2</sup> par. 2 of the Companies Law no.31/1990 and according to the criteria set forth in section A4 of the corporate governance Code of Bucharest Stock Exchange. In 2020, two members of the Board of Directors were employees of the Ministry of Energy, a shareholder directly owning more than 5% of all voting rights: Iulian-Robert Tudorache and Elena Popescu. Mr. Cristian Genta was also the Chief Executive Officer of RATEN, an entity 100% owned by the Romanian State, the majority shareholder of SNN.</p>			
A.7	<p><b>The company must appoint a Secretary of the Board in charge of supporting the activity of the Board.</b></p>	<p>The name of the Secretary of the Board of Directors is published in the SNN Annual Report for 2020, in the "Corporate Governance Statement" section.</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
A.8	<b>The corporate governance Statement will inform if an assessment of the Board has been made under the leadership of the Chairperson of the Board or of the Nomination Committee and, if so, will summarize the key measures and changes resulting therefrom. The company should have a policy/guidelines on the assessment of the Committee, including the purpose, criteria and frequency of the assessment process.</b>	According to the legal provisions of GEO 109/2011, in 2020, the activity of the members of the Board of Directors was assessed in reference to the performance indicators, and the report with the degree of fulfillment was published in the half-yearly and quarterly reports of the Board of Directors.	The members of the Board of Directors are assessed based on the performance indicators approved by the General Meeting of Shareholders and reported on a quarterly, half-yearly and yearly basis in the reports of the Board of Directors.		
A.9	<b>The corporate governance statement should contain information on the number of meetings of the Board and committees over the last year, the participation of the directors (present and absent) and a report of the Board and the committees on the activities thereof.</b>	The Annual Report for 2020 contains information on the number of sessions of the Board of Directors in 2020, as well as on the participation of the directors, in the "Corporate Governance Statement" section. The reports of the advisory committees established within the Board of Directors are also presented in the Annual Report for 2020.			
A.10	<b>The corporate governance statement should contain information on the exact number of independent members of the Board of Directors or of the Supervisory Board.</b>	The Annual Report for 2020 presents the exact number of independent members, in the "Corporate Governance Statement" section.			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
A.11	<b>The Board of Premium Category companies must establish a Nominating Committee made of people without executive positions, which will lead the procedure of appointment of new members of the Board and will make recommendations to the Board. The majority of the Nomination Committee members must be independent.</b>	Within SNN, there is an Advisory Committee for Nomination and Remuneration established in 2013. The structure of the Nominating Committee is presented on the website and in the Annual Report of the Company. The members of the Nomination and Remuneration Committee are non-executive members.	One member of the Nomination and Remuneration Committee is an independent non-executive director.		
	<b>The terms of reference of the Nomination Committee shall include a provision according to which the Nominating Committee will be made up of people not occupying executive positions, and will lead the nomination procedure for new members in the Board and will make recommendations to the Board.</b>	This provision exists in the Regulation of the Nomination and Remuneration Committee. The Members of the Nomination Committee are non-executive.			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
B.1	<p><b>The Board must establish an audit committee wherein at least one member must be an independent non-executive director. The majority of members, including the Chairperson, must have proved that they have proper qualification relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have proved and appropriate auditing or accounting experience. In the case of Premium Category companies, the audit committee must be made up of at least three members and the majority of the audit committee members must be independent.</b></p>	<p>Within SNN, there is an Audit Committee set up in 2013. The Audit Committee is made up of 3 members, all with relevant experience in the field. The structure of the Audit Committee is published on the website of SNN, at the Corporate Governance section. As at December 31<sup>st</sup>, 2020, 2 members are independent non-executive director, there being a vacancy after the termination of the contract of mandate of Mr. Cristian Dima</p>			
B.2	<p><b>The Chairperson of the audit committee must be a non-executive independent member .</b></p>	<p>The Chairperson of the Audit Committee is an independent non-executive member - Mr. Remus Vulpescu. This information is presented in the Annual Report for 2020.</p>			
B.3	<p><b>Within the responsibilities thereof, the audit committee must conduct an annual assessment of internal control system.</b></p>	<p>This provision is stipulated in the Internal Regulations of the Audit Committee published on the website of the SNN in the Corporate Governance section. Information on the annual assessment of the internal control system are set out in the Audit Committee report within the "corporate governance Statement".</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
	<p><b>If the Audit Committee assessed the internal control system, taking into account the effectiveness and scope of the internal audit function, the adequacy degree of the risk management and internal control reports submitted to the Audit Committee of the Board and the promptness and efficiency with which the executive management solves the problems or deficiencies identified following the internal control thereof and presented relevant reports submitted to the attention of the Board.</b></p>	<p>The Annual Report contains information on the control and assessment activity conducted by the Audit Committee.</p>			
B.4	<p><b>The assessment must take into account the effectiveness and scope of the internal audit function, the adequacy degree of the risk management and internal control reports submitted to the Audit Committee of the Board, the promptness and efficiency with which the executive management solves the deficiencies or the weaknesses identified as a result of the internal control thereof and the submission of relevant reports to the attention of the Board.</b></p>	<p>The Annual Report contains information on the control and assessment activity conducted by the Audit Committee (the number of internal audit assignments, the scope thereof, the number of meetings of the Audit Committee, information on the issues discussed, information about the risk management, the solving manner of the identified problems), in compliance with the provisions of the Internal Regulations of the Audit Committee.</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
B.5	<p><b>The Audit Committee must assess the conflicts of interest in relation to the transactions of the company and the subsidiaries thereof with affiliates. Information on the number and value of the transactions with affiliates.</b></p>	<p>This activity is carried out according to the obligation of the Company to monitor the compliance with the provisions of the legal framework, of the Articles of Incorporation and the applicable legislative documents concerning transactions with affiliates, according to the provision in the Internal Regulations of the Audit Committee. In 2020, the Audit Committee assessed the transactions of the Company and found that there were no conflicts of interest, a fact that is stated in the Annual Report for 2020.</p>			
B.6	<p><b>The Audit Committee must assess the effectiveness of internal control system and of the risk management system.</b></p>	<p>This provision is contained in the Internal Regulations of the Audit Committee. The result of the assessment of the effectiveness of the internal control system and of the risk management system is contained in the Annual Report.</p>			
B.7	<p><b>The audit committee must monitor the application of the generally accepted legal and internal audit standards. The audit committee must receive and assess the reports from the internal audit team.</b></p>	<p>The audit committee has stipulated the obligation of applying the legal standards and internal audit standards, as well as the assessment of the reports of the internal audit team in the Internal Regulations.</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
B.8	<b>Whenever the Code mentions reports or analyses initiated by the Audit Committee, they must be followed by periodic (at least annually) or ad-hoc reports to be forwarded to the Board at a later date.</b>	The Annual Report contains a list of the documents prepared or verified by the Audit Committee which were submitted for approval to the Board of Directors, in the "corporate governance Statement" section.			
B.9	<b>No shareholder may be granted preferential treatment over other shareholders in terms of transactions and agreements concluded by the company with shareholders and the affiliates thereof.</b>	The policy on transactions with affiliates displayed on the website of SNN provides for equal treatment for all shareholders in terms of the transactions and agreements concluded by the Company with the shareholders or the affiliates thereof.			
B.10	<b>The Council must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations the value whereof is equal to or over 5% of the net assets of the company (according to the latest financial report) is approved by the Board following a mandatory opinion of the Audit Committee of the Board and fairly disclosed to shareholders and potential investors, insofar as these transactions fall into the category of events contemplated by the reporting requirements.</b>	The Articles of Incorporation and the Internal Regulations of the Board of Directors provide for the approval by the Board of Directors of any transaction of the company with any of the companies with which it has close relationships, the value whereof equals or exceeds 5% of the net assets of the company (according to the latest financial report), following a binding opinion of the Audit Committee of the Board and fairly disclosed to the shareholders and potential investors, insofar as these transactions fall within the category of events contemplated by the reporting requirements. For transactions with unaffiliated parties, the approval competence limit of the Board of Directors is for contracts over			

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		<p>5 million Euros. According to the Articles of Incorporation, contracts with a value of more than 50 million Euros are endorsed by the Board of Directors and approved by the General Meeting of the Shareholders. These provisions are included in the policy on transactions with affiliates, displayed on website of SNN.</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
B.11	<p><b>Internal audits must be carried out by a separate structural division (Internal Audit Department) of the company or by contracting an independent third entity. Descriptive report of the Chairperson of the Audit Committee (on the assessment of the reports of the Internal Audit Department and the reporting to the designated Manager of the Internal Audit Department).</b></p>	<p>SNN has its own Audit Department. The Annual Report contains a section dedicated to the Audit Committee in the context of the "Corporate Governance Statement" presenting and assessing the audit activity within the Company.</p>			



No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
B.12	<p><b>In order to provide the fulfillment of the main functions of the Internal Audit Department, it must functionally report to the Board, via the Audit Committee. For administrative purposes within the obligations of the management responsibilities to monitor and mitigate risks, it must report directly to the Chief Executive Officer.</b></p>	<p>Reporting lines are followed exactly. The Audit Department reports to the Chief Executive Officer and to the Board of Directors.</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
C.1	<p><b>The company must publish on its website the remuneration policy and include a statement in the Annual Report on the implementation of the remuneration policy during the annual period under review. Remuneration policy must be formulated so as to allow shareholders to understand the principles and arguments underlying the remuneration of the Board members and of the Chief Executive Officer and the members of the Executive Board in the two-tier system. It must describe the process management mode and the decision-making related to the remuneration, detail the components of the remuneration of the executive management (such as salaries, annual bonuses, long-term incentives related to the value of the shares, benefits in kind, pensions and others) and describe the purpose, principles and assumptions underlying each component (including the general performance criteria related to</b></p>	<p>The remuneration policy is published on the website of the company and is included in the Annual Report. The Nomination and Remuneration Committee elaborates an annual report that is submitted to the endorsement of the Board of Directors and to the approval of the GMS. The Report of the Nomination and Remuneration Committee contains information on the principles and arguments underlying the remuneration of members of the Board of Directors and of the managers, the processing and decision-making manner related to the remuneration, the details of the remuneration components. The report also contains information on the prior notice period and compensation for revocation without a just cause. The Report of the Nomination and Remuneration Committee for 2020 is an integral part of the Annual Report.</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
	<p>any form of variable remuneration). Furthermore, the remuneration policy must specify the term of the contract of the Executive Manager and the prior notice period stipulated in the contract, as well as possible compensation for revocation without a just cause. [...] Any essential amendment occurred in remuneration policy shall be duly published on the website of the company.</p>				
D.1	<p>The Company must organize an Investor Relation service - made known to the public by the person/people in charge or as an organizational unit. In addition to the information required by the legal provisions, the company must include on its website a section dedicated to Investor Relation, in Romanian and English, with all the relevant pieces of information of interest for investors, inclusively.</p>	<p>SNN has a structure especially designed for the relation with the investors - Communication and Investor Relation Department within the Legal and Corporate Affairs Department. All materials published on the website of SNN in the "Investor Relation" section are also translated also in English.</p>			
D.1.1	<p>Main corporate regulations: Articles of Incorporation, procedures on the General Meetings of Shareholders.</p>	<p>The Articles of Incorporation and the procedure on the organization and development of the General Meetings of Shareholders are published in bilingual form on the SNN website within the "Investor Relation/Corporate Governance" section.</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
	<b>Terms of reference of the Board and committees of the Board.</b>	The terms of reference of the Board and Committees of the Board are published on the website of the company in the "Investor Relation/Corporate Governance" section.			
	<b>GMS rules and procedures.</b>	The information is published on the website of the company in the "Investor Relation - GMS Information" section.			
<b>D.1.2</b>	<b>Professional CVs of the members of the management bodies of the company, other professional commitments of the Board members, including executive and nonexecutive positions in Boards of Directors of companies or non-profit institutions.</b>	The CVs of the members of the Board are published on the website of the company. Presentation of the members of the Board of Directors on the SNN website and of this Annual Report includes non-executive and executive positions thereby occupied and other professional commitments held in other companies.			
<b>D.1.3</b>	<b>Current reports and periodic reports (quarterly, half-yearly and annual) - at least the ones stipulated in section D.8 - including current reports with detailed information on to non-compliance with this Code.</b>	Current reports including the periodical ones (quarterly, half-yearly and yearly) are published on the website of SNN, in the Corporate Governance section and contain information pertaining to this provision. The current report on nonconformities, but also the current subsequent reports on the compliance will be published on the website.			

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D.1.4	<b>Information on the general meetings of the shareholders: the agenda and informative materials; the procedure for the election of the members of the Board; the arguments supporting the proposals of candidates for election into the Board, along with their professional CVs thereof; the shareholders' question concerning items on the agenda and the answers of the company, including the passed resolutions.</b>	The information is published on the website of the company in the "Investor Relation/Information for the shareholders/GMS Info" section.			
D.1.5	<b>Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the acquirement or limitation of the rights of a shareholder, including the deadlines and principles applied to these operations. Such information will be published within a timeframe allowing investors to adopt investment decisions.</b>	All these pieces of information are published on the website of the company in the "Investor Relation/Dividends" sections.			
D.1.6	<b>Name and contact details of a person who will be able to provide, upon request, relevant information.</b>	The information is available on the website in the "Investor Relation" section. The information is also available in the Annual Report.			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
D.1.7	<b>Company presentations (e.g. presentations for investors, the presentations of the quarterly results, etc.), financial statements (quarterly, half-yearly, yearly), audit reports and annual reports.</b>	The presentations made on the occasion of the publication of quarterly and half-yearly financial results and/or during meetings with the investors/analysts are published on the website, in the "Investor Relation/information for the Shareholders/Presentations and audio files" section, accompanied by the audio recordings of the meetings and teleconferences. Half-yearly and yearly financial statements are accompanied by an Audit Report.			
D.2	<b>The company will have an annual distribution policy for dividends or other benefits to the shareholders, proposed by the Chief Executive Officer or the Managing Board and adopted by the Board under the form of a set of guidelines that the company intends to follow with respect to the distribution of the net profit. The principles of the annual policy of distribution to the shareholders will be published on the website of the company.</b>	SNN does not have a multi annual dividend policy, but it submits to the approval of the GMS, on a yearly basis, the profit distribution proposal. Information on the payment method of dividends for the years 2013, 2014 and 2015, 2016,2017,2018 and 2019 are posted on SNN website, in the "Investor Relation/Dividends" section. The distribution of the net profit for the previous years is also published on the website of the company in the "Investor Relation/Dividends" section.			

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D.3	<p><b>The company will adopt a forecast policy, whether they are made public or not. Forecast refers to the quantifiable conclusions of some studies aiming at the establishment of the global impact of a number of factors related to a future period (the so-called assumptions): by the nature thereof, this projection has a high level of uncertainty, the actual results can significantly differ from the initially presented forecasts. The forecast policy will set the envisaged frequency, timing and content of the forecasts. If they are published, forecasts may be included only in yearly, quarterly or half-yearly reports. The forecast policy will be published on the website of the company.</b></p>		<p>SNN does not have a forecast policy, as input data and estimations on to the evolution of the financial results of SNN depend, to a large extent, on the evolution of the price on the energy market. SNN is a participant on the energy market, not a price creator, thus forecasts on the evolution of this market and implicitly the financial results and the price of SNN shares would have a high degree of uncertainty.</p>		

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
D.4	<p><b>The rules of the General Meetings of Shareholders should not limit the participation of the shareholders in the general meetings and the exercise of the rights thereof. The amendments to the rules will come into force at the earliest, starting with the next meeting of the shareholders. The amendments to the rules will come into force at the earliest, starting the next General Meeting of the Shareholders.</b></p>	<p>The Internal Regulations of the General Meetings of Shareholders of SNN guarantee the shareholders' rights according to the applicable law and provide the equal treatment thereof. The Regulations are published on the SNN website in the section dedicated to the GSM. Amendments to the Regulations were posted in the News section, so as to be quickly viewed by the largest possible number of visitors. The amendments came into force upon the next General Meeting, following the approval thereof in the Board of Directors of SNN.</p>			
D.5	<p><b>External auditors will be present at the General Meeting of Shareholders when their reports are presented within these meetings.</b></p>	<p>At the General Meeting of Shareholders of SNN of April 27<sup>th</sup>, 2020 for presenting and approving the Annual Activity Report of the company, the representatives of the SNN auditor were also present.</p>			
D.6	<p><b>The Board will present the annual General Meeting of the Shareholders with a brief assessment of the internal control systems and management of significant risks, as well as with opinions on issues subject to the decision of the General Meeting.</b></p>	<p>This information is contained in the chapters "Risk management activity" and "Financial reporting, internal control and risk management" in the Annual Report of the Board of Directors, submitted to the approval of the GMS.</p>			

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No.	The provisions in the code	Comply	Do not comply or partially comply	Reason for non-compliance	Rectification term
D.7	<p><b>Any specialist, consultant, expert or financial analyst may participate in the meeting of the shareholders according to a prior invitation from the Board. Accredited journalists can also attend the general meeting of the shareholders, unless the Chairperson of the Board otherwise decides.</b></p>	<p>These provisions are included in the Internal Regulations of General Meetings of the Shareholders of SNN</p>			
D.8	<p><b>Financial quarterly and biannual reports will include information both in Romanian and in English on the key factors influencing changes in sales, operating profit, net profit and other relevant financial indicators from a quarter to another and from a year to the next one.</b></p>	<p>Financial quarterly and biannual reports include information both in Romanian and in English on the key factors influencing changes in terms of sales, operating profit, net profit and other relevant financial indicators from a quarter to another and from a year to the next one.</p>			
D.9	<p><b>A company will organize at least two meetings/ teleconferences with the analysts and investors every year. The information presented on these occasions will be published in the Investor Relation section of the website of the company on the meeting/teleconference date.</b></p>	<p>SNN organized 4 teleconferences and one face-to-face meeting with the investors, financial analysts, brokers, etc. in 2020. According to the financial calendar for 2021, SNN will organize 5 meetings with the financial analysts, out of which one will be face-to-face.</p>			

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<b>D.10</b>	<b>If a company supports various forms of artistic and cultural expression, sports, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company are part of the mission and development strategy thereof, it will publish the policy on its activity in this field.</b>	SNN published on the website thereof the statement of corporate social responsibility according to which the company performs activities of support and development of the local community, cultural activities, talented young people, research and scientific activity. The Annual Report also contains information on the policy applied by SNN in the field of corporate social responsibility. SNN publishes on a yearly basis on the website thereof the list of the sponsorships made over the previous year.			

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## **21. ANNEX 8 – REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE FOR 2020**

### **Introduction**

The Nomination and Remuneration Committee ("NRC") of the Board of Directors of SNN was established by the Resolution of the Board of Directors no. 7/April 26<sup>th</sup>, 2013, according to the provisions of Art.140<sup>2</sup> of Law no. 31/1990 republished, on trading companies, as further amended and supplemented, and according to the provisions of art. 34 of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, corroborated with the provisions of art. 20 par. (2) and par. (5) - (8) of the updated Articles of Incorporation of SNN.

NRC is a permanent committee with an advisory capacity, reporting directly to the Board of Directors of SNN, having powers of assessment, consultation and elaboration of proposals in the nomination of the members of the Board of Directors, the Managers of the Company to whom executive duties are delegated, as well as the remuneration thereof in compliance with the applicable legal regulations. NRC conducts investigations and prepares recommendations for the Board of Directors on the remuneration of the directors, managers and staff or for the nomination of candidates for various executive positions.

According to the provisions of article 55 par. (2) and (3) in the Government Emergency Ordinance no. 109/2011, NRC is bound to present the General Meeting of Shareholders with an annual report on the remunerations and other benefits granted to directors and managers during the financial year.

### **Organization**

NRC is made up of 3 members appointed from the members of the Board of Directors, the term of office of the members of this committee being valid for the period during which they are directors within the Board of Directors of SNN, the situation of the NRC members in 2020 appearing thus: Mr. Tudorache Iulian Robert - exercised the capacity of NRC member until August 24<sup>th</sup>, 2020, the date as of which he resigned from his mandate as a member of the SNN BoD. By the Decision of the Board of Directors no. 192/September 15<sup>th</sup>, 2020, Mr. Chirica Minodor Teodor was appointed NRC member; Thus, starting with September 15<sup>th</sup>,2020, the structure of the Nomination and Remuneration Committee is: Mr. Dumitru Remus Vulpescu – Chairperson; Mrs. Elena Popescu – member; Mr. Minodor Teodor Chirica – member.

For the proper fulfillment of the duties incumbent thereupon and for a good organization, the Advisory Committee for Nomination and Remuneration drafted and approved by Resolution no. 1/April 26<sup>th</sup>, 2013 its own Internal Regulations, approved by the Resolution of the Board of Directors no.7/April 26<sup>th</sup>, 2013.

By Resolution no. 30/March 13<sup>th</sup>, 2014, the Board of Directors of SNN approved a single Internal Regulation of the Consultative Committees.

Decisions within NRC are adopted by the simple majority of the members participating (or represented) in the meeting and are, for the Board of Directors, recommendations, not being mandatory. Each member of the NRC expresses a vote, respectively “for”, “against” or “abstain”. For each meeting of NRC, a resolution is drafted recording at least the following: the recommendation made by the Board of Directors, the arguments having underlain such recommendation, the cast votes.

NRC congregates whenever necessary. When a vacancy is created within the NRC, a new member is appointed by a resolution of the Board of Directors. The members of the Board of Directors being revoked automatically lose their membership in the Committees that they were part of.

Upon the proposal of the chairperson or members of consultative Committees, the Board may approve the contracting of independent external permanent individual or legal entity experts, specialists in the lines of business of the Committees, to assist the members thereof in their activity, also establishing the remuneration of these experts.

### *NRC meetings in 2020*

In 2020, NRC within the Board of Directors of SNN congregated in 11 sessions, during which it elaborated recommendations to the Board of Directors of SNN on matters within the duties thereof, as follows:

- NRC Recommendation on the initiation of the selection procedure of the Chief Financial Officer, in accordance with the provisions of GEO no. 109/2011. The Nomination and Remuneration Committee, running the selection procedure under the provisions of GEO no. 109/2011, assisted by the human resources expert, S.C. Several Consultants Romania S.R.L., having provided the services according to the provisions of art. 22.2. in the service agreement no. 516/May 2<sup>3rd</sup>, 2018, concluded with SNN; the empowerment of the executive management of SNN to notify, in writing, the human resources expert, Pluri Consultants Romania S.R.L., according to the provisions of art. 4.1 par. (4) corroborated with the provisions of art. 22.2 in the sectoral service agreement no. 516/May 23<sup>rd</sup>, 2018 concluded by SNN as purchaser, on the supply of personnel recruitment services, in order to select the Chief Financial Officer of SNN; Approval of the eligibility criteria; Approval of the announcement to be published by the company in accordance with the provisions of GEO no. 109/2011.

- NRC Recommendation on the Approval of the empowerment of NRC to run the process of selection of a SNN director; Approval of the initial component of the selection plan for a position of member in the Board of Directors of SNN; Approval of contracting the services of the independent human resources recruitment expert, having provided the selection and recruitment process of the current directors, under the same contractual terms, including the price for a recruited position (RON 2,818, VAT exclusive), according to the applicable legal provisions in the field, in order to assist NRC in running the selection process of an SNN director and of the empowerment of the executive management to run the acquisition procedure under the coordination of NRC. The terms of reference for the selection of the expert being identical to those approved by the Board Decision no. 84 / May 9<sup>th</sup>, 2018, having underlain the conclusion of contract no. 516/May 23<sup>rd</sup>, 2018 with Pluri Consultants Romania S.R.L., the independent expert in human resources recruitment, having provided the selection and recruitment process of the current directors.
- NRC recommendation on the approval of the NRC Annual Report for 2019, in order to be presented for approval to the GMS of SNN.
- NRC recommendation on the approval of the appointment of Mr. Paul Ichim as interim Chief Financial Officer, with a term of office of 4 months starting with April 1<sup>st</sup>, 2020 until July 31<sup>st</sup>, 2020, with the possibility of extension thereof, for solid reasons, up to maximum 6 months (September 31<sup>st</sup>, 2020), pursuant to art. 64<sup>^2</sup> of GEO 109/2011, as further amended and supplemented; the remuneration of the interim Chief Financial Officer established in accordance with the provisions of art. 64<sup>^2</sup> paragraph 2 of GEO 109/2011, as further amended and supplemented; Approval of the form of the mandate contract to be signed by the company with the interim Chief Financial Officer.
- CNR recommendation on the extension of the term of the mandate contract concluded by Mr. Chirica Minodor Teodor, as temporary director, for 2 months, starting with May 31<sup>st</sup>, 2020 until July 31<sup>st</sup>, 2020, this mandate terminating, by operation of the law, on the date of acceptance of the mandate by a director appointed in accordance with the provisions of GEO no. 109/2011, if the selection is completed before the aforementioned term; the form of the addendum to be signed by the company with the temporary director and the empowerment of the MEEMA representative within the GMS of SNN to sign on behalf and on account of the company the Addendum to the mandate contract of the temporary director; Maintaining the monthly gross fixed allowance for the temporary member of the Board of Directors and the variable component, as approved by the OGMS Resolution no. 1/January 30<sup>th</sup>, 2020.
- NRC Recommendation on the Matrix Form of the candidate profile prepared by Pluri Consultants Romania S.R.L., based on the Profile of the Board of Directors and the Profile of the candidate for the position of member in the Board of Directors, approved by GMS Resolution no. 6 of June 28<sup>th</sup>, 2018; the full structure of the selection plan, drawn up in accordance with the provisions of GD no. 722/2016; recruitment and selection Strategy, containing the time schedule and selection criteria,

prepared by Pluri Consultants Romania S.R.L. ; Recruitment announcement for the BoD member of SNN S.A. in the extended form, as well as the restrained form, drawn up in accordance with the Profile of the Board of Directors and the Profile of the candidate for the position of member in the Board of Directors, approved by the GMS Resolution no. 6 of June 28<sup>th</sup>, 2018; the content of the file for the candidates' application submission.

- NRC recommendation on the analysis by the Board of Directors, in order to establish the eligibility requirement of the candidates in terms of the period of time during which they have not been dismissed or revoked for non-fulfillment of the contractual obligations from a position within public institutions or companies with majority state-owned capital, respectively 7 years (duration used for the selection of the current directors of the company with a mandate contract) or 5 years (duration stipulated in art. 36 (7) of GEO 109/2011). Also, considering the Initial Report and the documentation thereto enclosed, prepared by the independent expert in human resources recruitment, S.C. Pluri Consultants Romania S.R.L., the Nomination and Remuneration Committee recommends to the Board of Directors of SNN the approval of: The content of the candidate application file; the candidate profile; the full structure of the selection plan; the recruitment announcement for the position of Chief Financial Officer of SNN in the extended form, as well as in abridged form, drawn up in accordance with the Profile of the candidates for the position of Chief Financial Officer of SNN; Matrix form of the candidate's profile for the position of Chief Financial Officer, prepared by Pluri Consultants Romania S.R.L.

- Approval: Final Report of the project for the recruitment and selection of candidates for the position of member of the Board of Directors of Societatea Nationala Nuclearelectrica SA, including the short list and matrix with the detailed results for all candidates, documents prepared by Pluri Consultants Romania SRL, as an independent expert; the report for the final appointment of the member of the Board of Directors of Societatea Nationala Nuclearelectrica SA, prepared by the Nomination and Remuneration Committee, in accordance with the provisions of art. 44 par. (7) of GD 722/2016 - for the approval of the Methodological Guidelines for the enforcement of some provisions of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises; Approval of the draft mandate contract to be concluded by the company with the member of the Board of Directors of SNN SA.

- NRC recommendation on the appointment of Mr. Ichim Paul in the position of Chief Financial Officer for a 4-year term, starting with August 1<sup>st</sup>, 2020; approval of the form of the Mandate Contract to be concluded between the company and Mr. Ichim Paul; empowerment of the Chairperson of the Board of Directors to sign the Mandate Agreement concluded by the company with Mr. Ichim Paul, as Chief Financial Officer; Approval of the gross monthly fixed allowance amounting to RON 37,077 for the fulfillment of the entrusted mandate. In order to establish the gross monthly fixed indemnity, the average for the last 12 months of the average gross monthly salary was calculated for the activity performed according to the main scope of business registered by the company, at class level,

according to the classification of activities in the national economy, communicated by the National Institute for Statistics prior to the appointment and it was taken into account that the gross monthly fixed allowance should not exceed the value of the fixed allowance of the executive director. (ii) a variable component established based on the financial and non-financial performance indicators negotiated and approved by the Board of Directors, determined in compliance with the methodology stipulated by GD no. 722/2016; The variable component of the Chief Financial Officer's remuneration is reviewed on a yearly basis, depending on the level of achievement of the goals included in the management plan and the degree of fulfillment of the financial and non-financial performance indicators approved by the Board of Directors, annex to the mandate contract.

- Recommendation of NRC on the endorsement, in order to be submitted to the approval of the General Meeting of the Shareholders of SNN, of the following proposals: initiation of the procedure for the selection of a member in the Board of Directors of Societatea Nationala Nuclearelectrica S.A., in compliance with the provisions of GEO no. 109/2011, as further amended and supplemented, considering the legal expiry of the term of office of one of the members of the Board of Directors; empowerment of the Board of Directors of SNN to run the process of selection of a member of the Board of Directors of SNN; approval of the convening of the General Meeting of the Shareholders for the approval of: The revocation of Mr. Robert Iulian Tudorache as a member of the Board of Directors of SNN SA, as a result of his resignation; Initiation of the selection procedure of a member of the Board of Directors of Societatea Nationala Nuclearelectrica S.A., in accordance with the provisions of GEO no. 109/2011, as further amended and supplemented, considering the resignation of one of the members of the Board of Directors; empowerment of the SNN Board of Directors to run the selection process of a member of the SNN Board of Directors.

- Recommendation of NRC on the Endorsement, in order to be submitted to the approval of the General Meeting of the Shareholders of SNN, of the following proposals: Initiation of the procedure for the selection of a member in the Board of Directors of Societatea Nationala Nuclearelectrica S.A., in compliance with the provisions of GEO no. 109/2011, as further amended and supplemented, considering: i) the termination of the term of office, as a result of the incompatibility with regard to the locally elected officials, arisen in the case of Mr. Cristian Gentea, as a result of the takeover, starting with November 19<sup>th</sup>, 2020, a position within the public administration; empowerment of the Board of Directors of SNN to run the process of selection of a member of the SNN Board of Directors; Approval of the convening of the General Meeting of the Shareholders for the approval of: The revocation of Mr. Cristian Gentea from the capacity of member of the Board of Directors of SNN SA, as a result of the request to resign from the mandate, considering the occupation, starting with November 19<sup>th</sup>, 2020, of a position elected within the public administration, position incompatible with the capacity of director of S.N. Nuclearelectrica S.A.; Initiation of the selection procedure of a member of the Board of Directors of Societatea Nationala Nuclearelectrica S.A., in accordance with the provisions of GEO no. 109/2011, as further amended and supplemented, considering the termination of the director's mandate, as a result of the incompatibility concerning the locally elected

representatives, occurred in the case of one of the board members; empowerment of the SNN Board of Directors to run the process of selection of a member of the SNN Board of Directors.

### **Information according to the provisions of art. 55 par. 2 and 3 of GEO no. 109/2011**

According to the provisions of art. 55 par. (2) and (3) in the Government Emergency Ordinance no. 109/2011, NRC is bound to present the General Meeting of Shareholders with an annual report on the remunerations and other benefits granted to directors and managers during the financial year.

The annual report of NRC comprises at least information on: (i) the structure of the remuneration, with the explanation of the share of the variable component and the fixed component; (ii) the performance criteria substantiating the variable component of the remuneration, the ratio of the achieved performance and the remuneration; (iii) the considerations justifying any scheme of annual bonuses or non-monetary advantages; (iv) any additional or anticipated pension systems; (v) information on contract duration, negotiated prior notice period, amount of the liquidated damages for the unjustified revocation.

#### **(i) The remuneration structure, with the explanation of the share of the variable component and the fixed component.**

SNN directors and managers receive for their activity a fixed monthly allowance and a variable compensation. The variable allowance is payable depending on the fulfillment of the indicators and performance criteria established in the mandate contracts. The fixed monthly allowance is set in accordance with the legal provisions, namely Government Emergency Ordinance no. 109/2011. The fixed and variable allowance for the members of the Board of Directors is approved by the General Meeting of the Shareholders of SNN.

The general limits of the remuneration of the managers (manager within the meaning of art. 143 of Law no. 31/1990) are approved by the General Meeting of the Shareholders; in virtue of these general limits, the Board of Directors establishes the amount of the managers' allowance.

#### **Remuneration of the managers with a mandate contract**

In January 2020, SNN had mandate contracts concluded with the managers of SNN, for a period of 4 years (starting with February 11<sup>th</sup>, 2019), as follows:

1. Mandate contract no. 64 /February 11<sup>th</sup>, 2019 concluded with Mr. Cosmin Ghita for the position of Chief Executive Officer of the company;
2. Mandate contract no. 65 /February 11<sup>th</sup>, 2019 concluded with Mr. Laurentiu Dan Tudor for the position of Deputy Chief Executive Officer;



3. Mandate contract no. 66/February 11<sup>th</sup>,2019 concluded with Mr. Adrian Gabriel Dumitriu for the position of Chief Financial Officer;

By the Decision of the Board of Directors no. 2/January 16<sup>th</sup>, 2020, the termination of the mandate contract of Mr. Adrian Gabriel Dumitriu was approved, as a result of the notification no. 15388/December 20<sup>th</sup>, 2019 of waiver of the mandate contract no. 66/February 11<sup>th</sup>, 2019.

Starting with April 1<sup>st</sup>, 2020, by the Decision of the Board of Directors no. 70/March 27<sup>th</sup>, 2020, the appointment of Mr. Paul Ichim as interim Chief Financial Officer was approved, with a term of office of 4 months, starting with April 1<sup>st</sup>, 2020 until July 31<sup>st</sup>,2020.

Starting with August 1<sup>st</sup>,2020, by the Decision of the Board of Directors no. 158/July 23<sup>rd</sup>, 2020, Mr. Paul Ichim was appointed Chief Financial Officer of SNN, with a term of office of 4 years, following the completion of the selection procedure of the Chief Financial Officer, in accordance with the provisions of GEO no. 109/2011.

### **Managers with mandate contracts (with a term of office of 4 years)**

The annual variable component is 36 times the average of the monthly gross average salary earnings for the activity performed according to the main scope of business registered by the company at class level according to NACE, communicated by the National Statistics Institute prior to the appointment, respectively the amount of RON 222,464 (36 x RON 6,179.58), according to section 3, Annex no. 3 to Addendum no. 1 to the Mandate Contracts, as amended by Addendum no. 3 to the Mandate Contracts, and is set based on three components: short term, medium term and long term.

The variable short-term component is 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 lapsed from the financial year, within 10 calendar days of the closing date of the quarterly reporting, within 15 days of the date of approval of the audited annual financial statements by the General Meeting of Shareholders, the due amount based on the cumulative achievement percentage of the key performance indicators being subsequently adjusted, according to section 4 in Annex 3 to Addendum no. 1 to the Mandate Contracts.

According to the provisions of section 3, letter c in Annex 3 to Addendum no. 1 to the Mandate Contracts, the annual variable component is granted with a percentage reduced by the degree of achievement of the key performance indicators, if these cumulatively meet within the financial year an achievement percentage less than 100%, but not lower than 75%.

The medium-term variable component is calculated and paid for a period of two financial years, based on the percentages set by the mandate contract. The amount is granted in annual instalments of 50% of the estimated medium-term value, within 15 calendar days of the date of the approval of the audited annual financial statements by the General Assembly of Shareholders, within 15 calendar days of the date of the approval by the General Assembly of Shareholders of the audited annual financial statements corresponding to such year of the mandate, ending the analysis of the medium-term goals, the due amount based on the cumulated accomplishment percentage of the medium-term key performance indicators being subsequently 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 of the date of the approval of the audited annual financial statements by the General Assembly of Shareholders, within 15 calendar days of the date of the approval by the General Assembly of Shareholders of the audited annual financial statements containing the last months of the mandate, the due amount based on the cumulated achievement percentage of the medium-term key performance indicators being subsequently adjusted.

The table below comprises the managers with mandate contracts in 2020, as well as the indemnities related to the mandate contracts for 2020:

Fixed indemnity of the managers, according to the mandate contracts:

Managers	Monthly gross fixed indemnity according to the contract [RON]	Mandate starting date	Mandate ending date
Ghita Cosmin	37,077	February 11 <sup>th</sup> , 2019	N/A
Tudor Laurentiu Dan	35,727	February 11 <sup>th</sup> , 2019	N/A
Adrian Gabriel Dumitriu	35,727	February 11 <sup>th</sup> , 2019	March 31 <sup>st</sup> , 2020
Paul Ichim	35,727	April 1 <sup>st</sup> , 2020	July 30 <sup>th</sup> , 2020
Paul Ichim	37,077	August 1 <sup>st</sup> , 2020	N/A

Variable component of Managers set by the mandate contracts for 2020:

No.	Managers	Variable component 2020 [RON]	Variable component for 2020 related to the mandate period [RON]	Short term component for 2020 - 80% of the variable component for 2020 related to the mandate period [RON]	Medium term component - 10% of the variable component for 2020 related to the mandate period from 2019 [RON]	Medium term component - 10% of the variable component for 2020 related to the mandate period from 2020 [RON]	Long term component - 10% of the variable component for 2020 related to the mandate period from 2020 [RON]
1	Ghita Cosmin	222,464	222,464	177,971	19,942	22,246	22,246
2	Tudor Laurentiu Dan	222,464	222,464	177,971	19,942	22,246	22,246
3	Paul Ichim	222,464	92,997	74,398	0	9,300	9,300
4	Adrian Gabriel Dumitriu	222,464	36,470	29,176	19,942	3,647	3,647

For the interim Chief Financial Officer according to the contract of mandate no. 69/March 31<sup>st</sup>, 2020, the variable short-term component is calculated and paid for a financial year, the amount is granted at the end of the provisional mandate from 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 the closing date of the quarterly reports, within 15 days of the date of approval of the audited annual financial statements by the General Meeting of Shareholders, the due amount based on the cumulative percentage of achievement of the key performance indicators being subsequently adjusted.

Thus, the short-term annual variable component of the interim Chief Financial Officer is calculated according to the following algorithm: 80% of 36 times the average average gross monthly salary for the activity performed according to the main scope of business, registered by the company at class level according to NACE, communicated by the National Institute of Statistics prior to the appointment (RON 7,202), but not more than the established value for the managers with mandate contract in such position, the amount of RON 222,464 (36 x RON 6,179.58) from which the variable component is determined in reference to the period of the calendar days from the mandate period, pursuant to section 3 letter d, Annex no. 3 to the Mandate Contract.

Following the running of the selection procedure, according to GEO 109/2011, the interim mandate contract of Mr. Paul Ichim ended on July 31<sup>st</sup>, 2020.

In reference to the aforementioned, the short-term variable component of the interim Chief Financial Officer for 2020 is presented in the following table:

Manager	Variable gross component 2020 [RON]	Mandate exercise period according to the Contract of mandate no. 69/2020, percentage from the total days of 2020 [%]	Variable component gross value related to the period of the interim mandate (80% of the variable component for 2020 *mandate exercise percentage according to the Contract of mandate no. 69/2020) [RON]
Paul Ichim	222,464	33%	58,731

### Remuneration of the non-executive directors

In 2020, the following people were part of the Board of Directors of SNN, people who were elected as members of the Board of Directors, with a term of office of 4 years, by the cumulative voting method, in accordance with Resolution no. 12 of September 28<sup>th</sup>, 2018 of the General Meeting of the Shareholders: Tudorache Iulian Robert, Popescu Elena, Vulpescu Dumitru Remus, Gentea Cristian, Ghita Cosmin (executive director), Anitei Mihai Daniel.

Considering the vacancy of a position of member of the Board of Directors, following the termination by operation of the law of the mandate contract of Mr. Dima Cristian corroborated with the provisions of art. 137<sup>2</sup> of Law no. 31/1990, according to which, in case of a vacancy of one or several director positions, unless the Articles of Incorporation otherwise stipulate, the board of directors proceeds to the appointment of provisional directors, until the congregation of the general meeting of the shareholders, on December 19<sup>th</sup>, 2019, by Resolution no. 216 of the Board of Directors, Mr. Chirica Minodor Teodor was appointed by the Board of Directors of SNN provisional director, until the congregation of the general meeting of the shareholders, convened for the date of January 30<sup>th</sup>, 2020. In this respect, SNN concluded with Mr. Minodor Teodor Chirica, as interim director, the mandate contract no. 67/December 19<sup>th</sup>, 2019.

By the Resolution of the Ordinary General Meeting of Shareholders no. 1/January 30<sup>th</sup>, 2020, Mr. Minodor Teodor Chirica was elected interim member of the Board of Directors, with a term of office of 4 months, respectively for the period January 30<sup>th</sup>, 2020 - May 30<sup>th</sup>, 2020; In this respect, SNN concluded with Mr. Minodor Teodor Chirica, as interim director, the mandate contract no. 68/January 30<sup>th</sup>, 2020, subsequently the contract being extended until July 27<sup>th</sup>, 2020, in accordance with the provisions of GEO 109/2011.

Starting with July 27<sup>th</sup>, 2020, by the Resolution of the Ordinary General Meeting of Shareholders no. 9/July 27<sup>th</sup>, 2020, Mr. Minodor Teodor Chirica was appointed director of SNN, starting with July 27<sup>th</sup>, 2020 until September 28<sup>th</sup>, 2022, as a result of the completion of the selection procedure of a director of SNN, in accordance with the provisions of GEO no. 109/2011; In this respect, SNN concluded with Mr. Minodor Teodor Chirica, as director, the mandate contract no. 70/July 27<sup>th</sup>, 2020.

On July 9<sup>th</sup>, 2020, Mr. Iulian Robert Tudorache notified the company about the resignation from his mandate as director, starting with August 24<sup>th</sup>, 2020. The members of the Board of Directors took note in the meeting of July 10<sup>th</sup>, 2020, of the resignation of Mr. Iulian Robert Tudorache from the position of member of the Board of Directors and implicitly the termination of the mandate contract no. 55/September 28<sup>th</sup>, 2018 of Mr. Iulian Robert Tudorache, concluded with the company.

On November 23<sup>rd</sup>, 2020, Mr. Cristian Gentea notified the Company about the fact that, starting with November 19<sup>th</sup>, 2020, he took over a position within the public administration, which is incompatible with the position of member of the Board of Directors of SNN, in compliance with the provisions of art. 87 par. 1 let. d) of Law no. 161/2003 and the provisions of art. 13.1 let. g) in the mandate contract no. 58/September 28<sup>th</sup>, 2018 concluded with SNN. The members of the Board of Directors took note in the meeting of November 23<sup>rd</sup>, 2020 of the notification on the termination, by operation of the law, of the mandate contract no. 58/September 28<sup>th</sup>, 2018 of Mr. Cristian Gentea, considering the occurrence of a case of incompatibility by him occupying an elected position within the public administration.

The table below comprises the Directors with mandate contracts in 2020, as well as the indemnities related to the mandate contracts for 2020.

The fixed allowance of the non-executive Directors, according to the contracts of mandate:

No.	Directors	Monthly gross fixed indemnity according to the contract [RON]	Mandate starting date	Mandate ending date during 2020
1	Popescu Elena	11,331	September 28 <sup>th</sup> , 2018	N/A
2	Vulpescu Dumitru Remus	11,331	September 28 <sup>th</sup> , 2018	N/A
3	Anitei Mihai Daniel	11,331	September 28 <sup>th</sup> , 2018	N/A
4	Chirica Minodor Teodor	11,331	December 19 <sup>th</sup> , 2019	July 27 <sup>th</sup> , 2020
5	Chirica Minodor Teodor	15,057	July 27 <sup>th</sup> , 2020	N/A
6	Gentea Cristian	11,331	September 28 <sup>th</sup> , 2018	November 19 <sup>th</sup> , 2020
7	Tudorahe Iulian Robert	11,331	September 28 <sup>th</sup> , 2018	August 24 <sup>th</sup> , 2020

The mandate contracts concluded by the Company with the members of the Board of Directors for a four-year term stipulate that the directors benefit from a remuneration made up of:

(i) a gross monthly fixed remuneration amounting to RON 11,331, approved by the resolution of the Ordinary General Meeting of Shareholders no. 12/September 28<sup>th</sup>, 2018 for the fulfillment of the entrusted mandate, equal to twice the average for the last 12 months of the average gross monthly salary for the activity carried out according to the main scope of business registered by the company, at class level according to the classification of the activities in the national economy, communicated by the National Institute of Statistics prior to the appointment;

(ii) a variable component established based on the financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders, determined in full observance of the methodology stipulated by GD no. 722/2016 and aiming at the long-term sustainability of the Company and providing the compliance with the good governance principles.

The Contract of Mandate concluded by the Company with Mr. Minodor Teodor Chirica, as director of SNN, for a 26-month mandate, stipulates that the director benefits from a remuneration made up of:

(i) a gross monthly fixed remuneration of RON 15,057 approved by the resolution of the Ordinary General Meeting of Shareholders no. 12/July 27<sup>th</sup>, 2020 for the fulfillment of the entrusted mandate, equal to twice the average for the last 9 months of the average gross monthly salary for the activity carried out according to the main scope of business registered by the company, at class level according to the classification of the activities in the national economy, communicated by the National Institute of Statistics prior to the appointment;

(ii) a variable component, established based on the financial and non-financial performance indicators - as such have been negotiated with the current directors in office of the company, and approved by the General Meeting of the Shareholders, by Resolution No. 3/April 10<sup>th</sup>, 2019. The variable component shall be calculated and paid in full observance of the methodology set out in Annex No. 3 to the contract of mandate.

The variable component of the directors' remuneration is reviewed on a yearly basis, depending on the level of achievement of the goals included in the management plan and the degree of achievement of the financial and non-financial performance indicators approved by the General Meeting of Shareholders.

By the Resolution of the General Meeting of Shareholders no. 3/April 10<sup>th</sup>, 2019, the following aspects were approved: the form of the addendum to be concluded to the mandate contract of the non-executive directors of the company, in the form proposed by the Ministry of Energy; the financial and non-financial indicators representing the Annex to the mandate contract of the non-executive directors, in the form proposed in Annexes 3.1 and 3.2.

The variable component of the non-executive directors, according to the contract of mandate

The annual variable component is of 12 fixed gross monthly indemnities, namely the amount of RON 135,972 (12 x RON 11,331 ), according to section 3, letter d of Annex no. 3 to Addendum no. 1 to the Mandate Contracts.

The variable short-term component is 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 lapsed from the financial year, within 10 calendar days of the closing date of the quarterly reporting, within 15 days of the date of approval of the audited annual financial statements by the General Meeting of Shareholders, the due amount based on the cumulative achievement percentage of the key performance indicators being subsequently adjusted, according to section 4 in Annex 3 to Addendum no. 1 to the Mandate Contracts.

According to the provisions of section 3, letter c in Annex 3 to Addendum no. 1 to the Mandate Contracts, the annual variable component is granted with a percentage reduced by the degree of achievement of the key performance indicators, if these cumulatively meet within the financial year an achievement percentage less than 100%, but not lower than 75%.

The medium-term variable component is calculated and paid for a period of two financial years, based on the percentages set by the mandate contract. The amount is granted in annual instalments of 50% of the estimated medium-term value, within 15 calendar days of the date of the approval of the audited annual financial statements by the General Assembly of Shareholders, within 15 calendar days of the date of the approval by the General Assembly of Shareholders of the audited annual financial statements corresponding to such year of the mandate, ending the analysis of the medium-term goals, the due amount based on the cumulated accomplishment percentage of the medium-term key performance indicators being subsequently 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 of the date of the approval of the audited annual financial statements by the General Assembly of Shareholders, within 15 calendar days of the date of the approval by the General Assembly of Shareholders of the audited annual financial statements containing the last months of the mandate, the due amount based on the cumulated achievement percentage of the medium-term key performance indicators being subsequently adjusted.

The following table shows the non-executive members of the Board of Directors, as well as the remunerations related to the mandate contracts for 2020:

No.	Directors	Fixed monthly indemnity [RON]	Variable component 2020 (12 * monthly indemnity) [RON]	Value of the short-term variable component for 2020 (80% of the variable component for 2020) related to the mandate period from 2020 [RON]	Medium term component 2020 10% of the variable component for 2020 related to the mandate period from 2019 [RON]	Medium term component 2020 10% of the variable component for 2020 related to the mandate period from 2020 [RON]	Long term component 2022 10% of the variable component for 2020 [RON]
1	Popescu Elena	11,331	135,972	108,778	13,597	13,597	13,597
2	Vulpescu Dumitru Remus	11,331	135,972	108,778	13,597	13,597	13,597
3	Anitei Mihai Daniel	11,331	135,972	108,778	13,597	13,597	13,597
4	Chirica Minodor Teodor	15,057	180,684	62,400	0	7,800	7,800
5	Gentea Cristian	11,331	135,972	90,648	13,597	11,331	11,331
6	Tudorache Iulian Robert	11,331	135,972	63,305	13,597	7,913	7,913

For the interim director of S.N. Nuclearelectrica S.A., according to the contract of mandate no. 68/March 30<sup>st</sup>, 2020 and the addendum thereto dated May 28<sup>th</sup>, 2020, the variable short-term component is calculated and paid for a financial year, the amount is granted at the end of the provisional mandate from 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 the closing date of the quarterly reports, within 15 days of the date of approval of the audited annual financial statements by the General Meeting of Shareholders, the due amount based on the cumulative percentage of achievement of the key performance indicators being subsequently adjusted.

The short-term variable annual component of the Director has the value of 80% of the 12 gross monthly fixed allowances, out of which the variable component of the director is calculated in reference to the period of calendar days of the mandate period, according to section 3, letter d, Annex no. 3 to the Contract of mandate.

According to section 6 in annex no. 3 to the Contract of mandate no. 68/January 30<sup>th</sup>, 2020, in case the mandate terminates before the end of the term of the office period, for reasons not related to the person of the Director, the variable component shall be granted pro rata, accordingly, until the last calendar day of activity during the mandate term.



Following the running of the selection procedure, according to GEO 109/2011, according to the GMS Decision no. 9/July 2020, the interim mandate contract of Mr. Chirica Minodor Teodor terminated on July 27<sup>th</sup>, 2020.

In reference to the aforementioned, the short-term variable component of the interim director for 2020 is presented in the following table:

Director	Gross monthly indemnity [RON]	Variable gross component for the year of 2020 [RON]	Mandate exercise period according to the Contract of mandate no. 68/2020, percentage from the total days of 2020 [%]	Variable component gross short-term value related to the period of the interim mandate of director (80% of the variable component for 2020 *mandate exercise percentage according to the Contract of mandate no. 68/2020) [RON]
Chirica Minodor Teodor	11,331	135,972	48%	52,213

**(ii) Performance criteria underlying the variable component of the remuneration; ratio of the accomplished performance and remuneration.**

**Financial and non-financial indicators, variable component of the directors' remuneration**

1. The financial and non-financial indicators (operational and for corporate governance), distributed over a short, medium and long term, with the related shares and with the indication of the verification tools thereof, are specified in the annex to the mandate contract, as follows:

- a. Annex 3.1 - Financial and non-financial indicators broken down per each year corresponding to the mandate period;
- b. Annex 3.2 - Financial and non-financial indicators broken down per each quarter of the annual financial year.

2. The Agent shall benefit from the variable component of the remuneration, subject to the cumulative fulfillment of the targets related to the key performance indicators set out in Annex 3.1 and Annex 3.2 to the contract of mandate, as follows:

- a. The annual variable component shall be granted in a percentage of 100%, if the key performance indicators cumulatively meet an achievement percentage equal to or above 100%;
- b. The annual variable component is granted pro rata, in relation to the months of activity during the last year of the mandate;

c. The annual variable component is granted in a percentage reduced by the degree of achievement of the key performance indicators, if these cumulatively meet, within the financial year, an achievement percentage less than 100%, but not lower than 75%. If the key performance indicators cumulatively record, within a financial year, an achievement percentage below 75%, the annual variable component is not granted.

The calculation formula is:

- $\text{PrICP} = 100\%$  results  $\text{PrCv} = 100\%$
- $75\% \leq \text{PrICP} < 100\%$  results  $\text{PrCv} = \text{PrICP achieved (\%)}$
- $\text{PrICP} < 75\%$  results  $\text{PrCv} = 0\%$

where: PrICP – achievement percentage of the Key Performance Indicator

PrCv – granting percentage of the Variable Component

d. The annual variable component of the Director amounts to 12 gross fixed monthly allowances, the short, medium and long term value of the component is determined by applying the percentage shares specified in Annex 3.1, resulting in the variable component payment value for each year of the mandate, according to the following algorithm:

- The var. comp. for 2019 is calculated: 80% for reaching the objectives of 2019 (short term) + 10% for reaching the objectives of 2020 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate);
- The var. comp. for 2020 is calculated: 80% for reaching the objectives of 2020 (short term) + 10% for reaching the objectives of 2020 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate)
- The var. comp. for 2021 is calculated: 80% for reaching the objectives of 2021 (short term) + 10% for reaching the objectives of 2022 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate)
- The var. comp. for 2022 is calculated: 80% for reaching the objectives of 2022 (short term) + 10% for reaching the objectives of 2022 (medium term) + 10% for reaching the objectives of 2022 (long term, at the end of the mandate).

3. The variable short-term component is 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 lapsed from the financial year, within 10 calendar days of the closing date of the quarterly reports, and, within 15 days of the date of approval of the audited annual financial statements by the General Meeting of Shareholders, the due amount based on the cumulative achievement percentage of the key performance indicators being subsequently adjusted.

4. In the event the cumulative achievement percentage of key performance indicators for a quarter is below 75%, the granting of the share of the annual variable component is suspended until the end of the financial year, the difference being subsequently settled within 15 calendar days of the date of approval of the audited annual financial statements by the General Meeting of Shareholders.
5. The medium-term variable component is calculated and paid for a period of two financial years, based on the percentages set in Annex 3.1. The amount is paid in annual instalments of 50% of the estimated medium-term value, within 15 calendar days of the date of approval of the audited annual financial statements by the General Meeting of Shareholders, and within 15 calendar days of the date of approval by the General Meeting of Shareholders of the audited annual financial statements corresponding to such year from the mandate, indicated in Annex 3.1, ending the period under review of the medium-term objectives, and the due amount based on the cumulated accomplishment percentage of the medium-term key performance indicators being subsequently adjusted.
6. The long-term variable component is calculated and paid for the entire mandate of four years of activity. The amount is paid in annual instalments of 25% of the estimated medium-term value, within 15 calendar days of the date of the approval of the audited annual financial statements by the General Assembly of Shareholders, within 15 calendar days of the date of the approval by the General Assembly of Shareholders of the audited annual financial statements containing the last months of the mandate, the due amount based on the cumulated achievement percentage of the medium-term key performance indicators being subsequently adjusted.
7. If the key performance indicators record cumulated in the financial year an implementation percentage lower than 75%, granting the medium and long term variable component share is suspended until the closure of the financial year of the medium and long mandate period, respectively, the difference being adjusted within 15 calendar days of the date of the approval of the audited annual financial statements by the General Assembly of Shareholders, for the medium and long period, respectively, of the mandate.
8. If the mandate ceases before the end of the term of the mandate, for reasons not related to the person of the Director, the variable component is granted pro rata, accordingly, until the last full month of activity during the mandate term.
9. If the mandate terminates before the end of the term of the mandate, for reasons related to the person of the Director, the company is entitled to claim and the Director undertakes to return the full amount granted during that year, representing the payment of the variable component related to the year in which the termination of the mandate became effective.

The key performance indicators and the achievement degree may be amended, as applicable, in the following situations:

- a) Force majeure, as such is defined by law;
- b) Other causes not imputable to the directors and not affecting the achievement of the goals and targets set for the entire mandate.

Targets may be amended in case of a rectification of the Income and Expense Budget, approved within the terms of the law and of the Articles of Incorporation.

11. The description, verification tool and target values of the key performance indicators are specified in Annex 3.1 and Annex 3.2, respectively, to the mandate contract

12. The financial performance indicators are verified in reference to the obtained values of these indicators, as such are registered in the financial -accounting records of the company.

13. The method of verification of non-financial indicators is performed by analyzing the state of achievement of these indicators included in the Reports/Formulas indicated in the "Verification tools" column in Annex 3.1, and Annex 3.2, respectively, to the mandate contract.

#### **Considerations justifying any scheme of annual bonuses or non-cash benefits.**

SNN does not grant bonuses to directors and managers under mandate contracts.

According to the mandate contracts concluded by the Company with the Managers, they benefit from a gross monthly fixed indemnification and a variable component set based on financial and non-financial performance indicators negotiated and approved by the Board of Directors, determined in full observance of the methodology stipulated by GD no. 722/2016, for the fulfilment of the entrusted mandate, and the following monetary advantages:

1. Professional liability insurance, the amount insured being of 3 million Euro;
2. The right to reimbursement of travel expenses for professional purposes;
3. The right for the entire period of time during which they were Manager within SNN to be considered seniority and/or years of service in the electricity, thermal and nuclear field;
4. The right to permanently benefit from a company car (the cost whereof will be fully borne by SNN) company telephone, laptop, desktop, office equipment, fax machines, logistics, stationery etc. and any other devices/equipment/facilities that are specific to the level of representation of the position of Manager;
5. The right to benefit from an office space, according to the position of Manager thereof, with all the appropriate equipment and facilities;

6. The right to benefit from insurance against occupational accidents and occupational diseases, at the expense of the Company;
7. The right to benefit from the services of a secretariat, whereupon the cost of the salaries corresponding to this position will be fully covered by the Company;
8. The right to request mediation, consultancy and/or other protective measures from the Board of Directors, the General Meeting of the Shareholders, the confederation, federation or employer organization that the Company is part of, in resolving conflict situations with the trade unions and/or the employees' representatives, as well as with other organizations, with the right to receive, in these cases, the necessary legal assistance, at the expense of SNN;
9. The right to have a protocol fund from the protocol fund of the Company, approved by the Board of Directors;
10. The right to be provided with a job corresponding to the training and professional experience thereof within SNN (according to an individual employment contract of indefinite duration, concluded within the terms of the law), and all rights related to this job, according to legal provisions and/ or of the Collective Labour Agreement applicable to the Company, after the termination of the mandate contract for any reason, or after the dismissal from this position for reasons not related to them.

According to the mandate contracts concluded by the Company with the Directors, they benefit from:

- For the directors whose term of office is of 4 years, the gross fixed monthly remuneration amounting to RON 11,331, approved by the Resolution of the Ordinary General Meeting of Shareholders no. 12/September 28<sup>th</sup>, 2018 for the accomplishment of the entrusted mandate, equal to twice the average for the last 12 months of the average gross monthly salary for the activity performed according to the main scope of business registered by the company at class level according to the classification of activities in the national economy, by the National Institute of Statistics, prior to the appointment.

For the directors whose term of office is of 26 months, a gross monthly fixed remuneration amounting to RON 15,057, approved by Resolution no. 9/July 27<sup>th</sup>, 2020 of the Ordinary General Meeting of Shareholders, for the fulfillment of the entrusted mandate, equal to twice the average for the last 12 months of the average gross monthly salary for the activity performed according to the main scope of business registered by the company at class level according to the classification of activities in the national economy, by the National Institute of Statistics, prior to the appointment.

- The variable component established based on the financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders, determined in full observance of the methodology stipulated by GD no. 722/2016 and aiming at the long-term sustainability of the Company and providing the compliance with the good governance principles. The variable component of the directors' remuneration is reviewed on a yearly basis, depending on the level of achievement of the goals included in the management plan and the degree of achievement of the financial and non-financial performance indicators approved by the General Meeting of Shareholders.

**Any supplementary pension schemes or anticipated. - Not applicable.**

**Information on the term of the contract, the negotiated prior notice period, the amount of the liquidated damages for unjustified revocation.**

According to the mandate contracts concluded by the company with the SNN managers:

The mandate contracts concluded by the Managers with SNN for a 4-year term stipulate the right to withdraw from the position of Manager, subject to prior written notice to the Company, at least 90 (ninety) business days prior to the withdrawal; with the consent of the Company, expressed by a Resolution of the Board of Directors, this prior notice period may be shorter.

In case of an unexpected or unjustified revocation of a Director, they are entitled to receive from the Company liquidated damages representing the equivalent value of the gross monthly fixed indemnities for the unfulfilled period of the Mandate Contract, irrespective of the date on which the revocation occurs.

The liquidated damages are paid within 30 business days of the termination date of the Mandate Contract concluded with the company.

The liquidated damages that the Chief Executive Officer is entitled to according to the aforementioned provisions is the sole compensation in the event the Chief Executive Officer is unjustifiably dismissed.

According to the mandate contracts concluded by the company with the SNN directors:

The mandate contracts concluded by the members of the Board of Directors with SNN for a 4-year term, stipulate the right to withdraw from the position of Director, subject to sending a written notification to the Company, at least 30 (thirty) business days prior to the withdrawal; with the consent of the Company, expressed by the General Meeting of the Shareholders, this prior notice period may be shorter.

In case of an unexpected or unjustified revocation of a director, they are entitled to receive from the Company liquidated damages for the unfulfilled period of the Mandate Contract.

If the revocation occurs within the first 3 (three) years of mandate, the director is entitled to receive liquidated damage representing the fixed monthly allowances for the remaining period unfulfilled from the mandate contract, but not more than 24 fixed monthly allowances.

If the revocation occurs within the last year of the mandate, the director is entitled to receive liquidated damages representing the fixed monthly allowances for the remaining period unfulfilled from the mandate contract, but not more than 6 fixed monthly allowances.

The mandate contract concluded by the member of the Board of Directors with SNN for a period of 26 months, the right to withdraw from the capacity of Director, under the condition of communicating in writing to the Company a notice, at least 30 (thirty) business days prior to the withdrawal; with the consent of the Company expressed by the General Meeting of the Shareholders, this notice period may be shorter; in case the revocation occurs until September 28<sup>th</sup>, 2021, the director is entitled to receive liquidated damages representing the fixed monthly allowances for the period not fulfilled from the mandate contract, but not more than 24 fixed monthly allowances. If the revocation occurs within the last year of the mandate, the director is entitled to receive liquidated damages representing the fixed monthly allowances for the remaining period unfulfilled from the mandate contract, but not more than 6 fixed monthly allowances.

The liquidated damages are paid within 30 business days of the termination date of the Mandate Contract.

The liquidated damages that the director is entitled to according to the aforementioned provisions is the sole compensation in case of occurrence of the unjustified revocation of the director.

### **Advisory Committee for Nomination and Remuneration,**

**Remus Vulpescu**

**Elena Popescu**

**Minodor Teodor Chirica**

## **22. ANNEX 9 – NON – FINANCIAL REPORTING**

The non-financial reporting is prepared in compliance with Directive 2014/95/EU of the European Parliament and of the Council, based on the Guidelines on reporting non-financial information (2017/C215/01) and contains non-financial information and information regarding the diversity of the company's activities, relevant, useful and applicable to a producer of nuclear energy such as SN Nuclearelectrica SA, exemplified through performance indicators allowing all interested categories of the public to compare the relevant annual results, through reference to policies, procedures and authorizations applicable and used by SNN.

Given the specific nature of SNN, the production of energy through nuclear procedure and the manufacture of nuclear fuel bundles in order to operate the two Cernavoda NPP units, objectively, not all the indicators specified in the above mentioned guidelines are applicable to the company.

This non-financial statement includes information and data on the main business that influence both the company and its stakeholders, the environment and the population, and provides a comprehensive description of all impacting factors, the management method and results, with a view of illustrating the company's responsibility towards all these categories of the public and the environment.

### **1. Business model**

#### **1.1. Own organization and structure**

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

SNN was incorporated on July 2, 1998 by Government Resolution no. 365/1998, following the reorganization of the Romanian energy system. Before the reorganization, the nuclear power plant was part of RENEL, national vertically integrated company that was divided in different national companies owned by the state. SNN operates in compliance with the Romanian law and the Articles of Incorporation.



The shareholding structure as at December 31, 2020 appears thus:

Shareholder type	Number of shares owned	% share capital ownership
Romanian State - Ministry of Economy, Energy and Business Environment	248,850,476	82.4981%
Other shareholders	52,793,418	17.5019%
<b>Total</b>	<b>301,643,894</b>	<b>100%</b>

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

CNE branch (Nuclear - Electric Station) Cernavoda, with the registered office in Cernavoda, 2, Medgidiei Street, registered with the Trade Register under no. J13/3442/October 11<sup>th</sup>, 2007, provides the operation of the two nuclear units, based on CANDU technology type, as well as the management of all SNN assets in Cernavoda (except for Units 1 and 2 in operation, Units 3 and 4 in different construction stages, Unit 5 for which the shareholders of the Company approved the change of destination since March 2014, namely, the use thereof for the performance of the activities related to the operation of Units 1 and 2, and also the central heating system). The two units have a installed capacity around 700 MW each (MWe 706.5 Unit 1 and MWe 704.8 MWe Unit 2).

FCN Branch (Nuclear Fuel Plant) Pitesti, with the head office in Mioveni, 1, Campului Street, registered with the Trade Register under no. J03/457/August 24<sup>th</sup>, 1998, where CANDU fuel bundles are made for Units 1 and 2 of Cernavoda.

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

According to the Government initial strategy, the construction of CNE Cernavoda Units 3 and 4 will be completed by Energonuclear S.A., a subsidiary of SNN, incorporated in 2009. In compliance with the Resolution of the Shareholders no. 8/June 12<sup>th</sup>, 2020, the Board of Directors was empowered to initiate the procedures/steps/actions on the termination of negotiations with CGN, as well as the termination of the legal effects (by agreement of the parties, termination, etc.) of the following documents: "Memorandum of Understanding on the development, construction, operation and decommissioning of Units 3 and 4 of CNE Cernavoda (MoU) and (ii) Investor Agreement in preliminary form". The Board of Directors was also empowered SNN to initiate the necessary steps for the analysis and crystallization of strategic options for the construction of new nuclear power generation capacities. On October 9<sup>th</sup>, 2020 the Agreement was concluded in Washington DC between the Government of Romania and the Government of the United States of America on the

cooperation related to the nuclear-energy projects in Cernavoda and in the civil nuclear energy sector in Romania: In reference to the investment projects implemented by SNN, the stage of authorizing this agreement mainly refers to the extension of the capacity of the NPP Cernavoda and the Project for Revamping Unit 1 of NPP Cernavoda. Also, the US Government expressed its interest, via the US Import Export Bank, to support the global funding of the projects, in full observance of the policies, procedures and the decision independence of these institutions, this financial component being included in the Inter-Government Agreement.

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

Units 1 and 2 use, on an annual basis, approximately 11,000 nuclear fuel bundles, each containing around 19 kg of uranium. In order to produce the necessary fuel, NFP Pitesti operates at maximum capacity. In 2020, NFP Pitesti branch manufactured 10,800 nuclear fuel bundles and delivered to NPP Cernavoda 10,080 nuclear fuel bundles, according to the manufacturing and delivery plan.

## **1.2. Market on which the company operates**

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

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

- ❖ On the competition market by energy sale-purchase contracts on the markets managed by the market operator OPCOM S.A.: mainly PCCB – LE and PCCB - NC (centralized market for bilateral electricity contracts with the method trading contracts by extended tender procedures and the method of trading contracts according to which contracts are distributed by continuous negotiations), PZU (following-day market) and PCSU (universal service centralized market) and PC-OTC (the centralized market with double negotiation of bilateral electricity contracts).
- ❖ On the balancing market managed by Transelectrica S.A., in case of positive unbalance.
- ❖ By the energy supply contracts concluded with two consumers supplied directly from the installations of NPP Cernavoda, according to the electricity manufacture license.

The thermal energy produced and sold both in 2019 and 2018, by means of CNE Cernavoda, was exclusively delivered to the local supplier of thermal power. In Cernavoda, SNN is the only manufacturer delivering thermal power in a centralized system. Starting with 2020, small quantities (0.5% of the sold thermal energy) were also sold to end clients/economic agents.

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

- ❖ Energy producers;
- ❖ Compania de Transport a Energiei Electrice, Transelectrica S.A.;
- ❖ Energy distributors;
- ❖ Energy suppliers;
- ❖ Energy traders.

The supply of electricity was performed in 2020 on the regulated and competition-based market.

On date of this Report, there is no data published by ANRE on the electricity market in 2020, on December 31<sup>st</sup>, 2020. According to the ANRE market monitoring report for November, the market share of the manufacturers with dispatch units depending on the electricity delivered in the networks in January-November was for SNN of 20.91%, whereas the value of the indicator calculated for Hidroelectrica was of 29.38% and for C.E. Oltenia of 14.40%.

According to the statistical data centralized by Transelectrica S.A. until now, in 2020, the SNN production represented 20% of the total electricity produced in Romania (net values: January - November period).

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

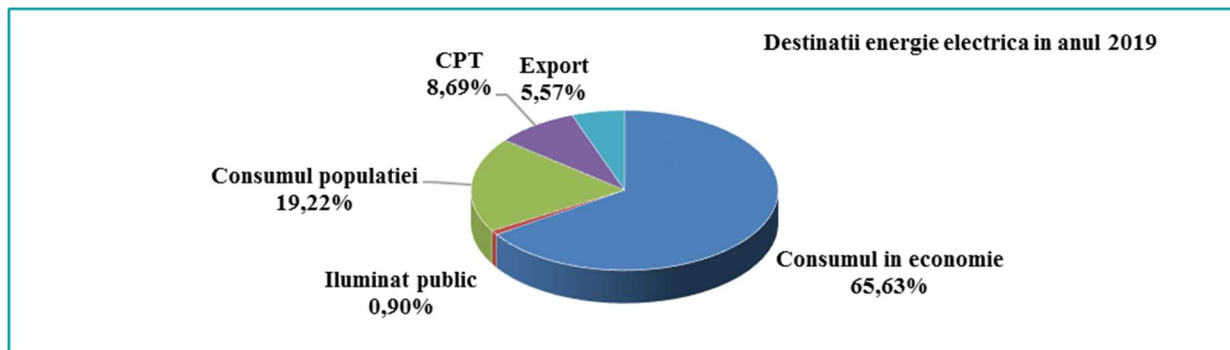
Structure of the energy production	2020 (January - November period)		2019	
	GWh	%	GWh	%
Conventional power plants	18,171	35.9%	23,799	40.1%
Hydro power plants	14,189	28.0%	15,829	26.7%
Nuclear power plants	10,417	20.6%	11,280	19.0%
Wind power plants	6,180	12.2%	6,745	11.4%
Photovoltaic power plants	1,668	3.3%	1,734	2.9%
<b>Total</b>	<b>50,625</b>	<b>100%</b>	<b>59,387</b>	<b>100%</b>

*Source: National Institute of Statistics – Press release no. 19/2021.*

For the first 11 months, the estimated gross energy production in Romania decreased almost 6.5% in 2020 as compared to 2019, whereas the estimated consumption dropped by 4%. In 2019, national exports decreased by 40.6% as compared to the value of the previous year, reaching a value of 4,375.9 GWh, representing 37% from the population consumption, which is 11,746,6 GWh, out of a total national consumption of 48,545.9 GWh for 11 months (except for own technological consumption in networks and stations).

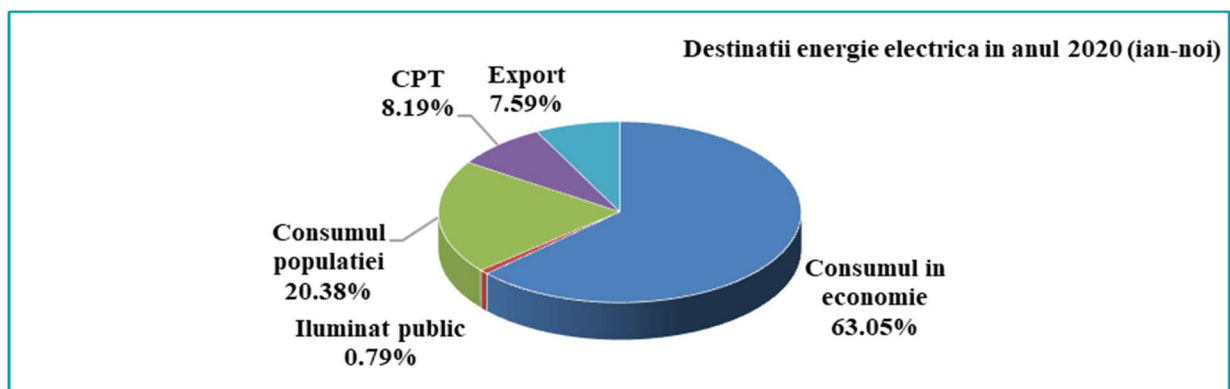
In 2020, the quantity of electricity sold by SNN was 10,805 GWh (including the quantity sold on the balancing market), whereas, in 2019, the sold quantity was 10,652 GWh (including the quantity sold on the balancing market).

Therefore, while in 2018, SNN sales represented nearly 19.1% of the final energy consumption needs, in 2019, SNN sales represented nearly 19.3 % of the final energy consumption of the national economy, which was 55,298.9 GWh (down by 1% as compared to 2018).



**Source:**

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



**Source:**

National Institute of Statistics – Press release no. 19/2021 (CPT: own technological consumption in networks and stations).

### 1.3.Strategic objectives

The company has its mission, goals and values defined in a coherent way. The general goals represent a comprehensive picture of SNN's annual objectives, which in turn are supported and fulfilled by annual plans and specific programs. Alongside the other major producers on the Romanian electricity market, SNN will have the mission to ensure the satisfaction of domestic electricity demand, under specific conditions in terms of the plants' nuclear safety and environment protection, and the safety of the population and of its own staff.

Among the main characteristics of SNN we can recall: the high value of the installed capacity utilization factor, low CO<sub>2</sub> emissions, the low dependence on the cost of energy produced by the variations in the price of uranium, the relatively constant and predictable production costs, the high level of technical training of the operating personnel.

The strategic goals are developed based on the national and international context, such as: the support given by the Romanian Government to the nuclear energy sector, the need to rehabilitate the obsolete power generation capacities, the electricity demand synchronized with the evolution of the GDP, the tendency for diversification of energy production capacities (the support given to production from renewable energy sources; the impact of petrol price increases), the development of new major power producing companies that will have extensive capacities and will be active at international level.

### **Objectives and measures to achieve them**

As regards the operation of nuclear units in conditions of nuclear safety and security for personnel, population, environment and production assets:

- ❖ Maintaining a maximum degree of availability of the technological systems and security functions.
- ❖ Improving/maintaining the high level of professional training of the personnel operating the two nuclear units.
- ❖ Maintaining the volume of radioactivity releases in water and air below the regulated level.
- ❖ Maintaining affiliations with the international organizations in the field of nuclear energy, and, if necessary, affiliation with other organizations.
- ❖ Providing the oversight function.

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

- ❖ Carrying out the maintenance and repair plans to increase the reliability of the equipment and systems and the operation of the nuclear units in safe and secure conditions.
- ❖ Running the lifetime management programs of Cernavoda NPP components and systems (reactor, steam generator, turbo-generator, etc.).
- ❖ Continuation of the replacement programs for the used and discontinued components and equipment.
- ❖ Development on time and in conditions of maximum quality the programs of mandatory annual inspections of the vital nuclear components (fuel channels, heat exchangers, etc.)
- ❖ Maintaining the above-average installed power utilization coefficient of the nuclear industry.
- ❖ Implementation of the strategy on the diversification of the supply sources with the raw material necessary for the production of nuclear fuel.

By the OGMS Resolution SNN no. 7/June 12<sup>th</sup>, 2020, the SNN shareholders approved the Investment Strategy of Societatea Nationala Nuclearelectrica S.A. related to the period July 1<sup>st</sup>, 2020 - July 1<sup>st</sup>, 2025 (hereinafter referred to as the “Strategy”). The strategy was elaborated according to the requirements of the Order of the Minister of Economy, Energy and Business Environment no. 893/April 16<sup>th</sup>, 2020, being structured on the component being subsumed to the duties and powers of the Board of Directors and the executive management - major investment Goals, and respectively on the component deriving from the development requirements of the electricity sector in Romania - Refurbishment Project of Unit 1 of Cernavoda NPP and the Project for Units 3 and 4 of Cernavoda NPP.

The elaboration of the Strategy took into account the specificity and uniqueness of the main scope of business of the company - the production of electricity and heat through nuclear processes - in the national economic framework, taking into account with priority the principles of nuclear safety, which prevails.

Main milestones of the Investment strategy for 2020-2025:

(A) Major investment goals:

- (1) Investments and capital repairs made on Unit 1, respectively Unit 2 during the scheduled outages.
- (2) Production of Cobalt-60 at Cernavoda NPP.
- (3) Extension of the life cycle of Unit 1 by re-tubing the reactor and refurbishing the main systems (studies).
- (4) Intermediate Dry Storage Spent Fuel Facility (DICA).
- (5) Modernization and Expansion of the Physical Security System.
- (6) Fit-out of Unit 5.
- (7) D2O Tritium Removal Installation.
- (8) Projects for modernizing, integrating and securing the informational flow and the IT infrastructure (hardware and software) within SNN - Digital Upgrade.

Among the major investment goals, 6 goals will be financed from SNN own sources, and will be included in the annual investment and endowment programs of SNN enclosed to BVC, except for the project (2) Cobalt 60 Production at Cernavoda NPP - where the value of the project and the financing structure are going to be finalized - and the project (7) D2O Tritium Removal Plant - the financing whereof will be provided from SNN own sources and attracted sources (loans).

(B) Major strategic objectives:

- (1) Project for Refurbishing Unit 1;
- (2) Project for Units 3 and 4.

The development and implementation of these projects depend on the adoption of decisions at the level of the Romanian authorities, including a set of support measures: state guarantees for loans, contracts for the difference, etc., identifying and structuring financing depending on a set of prior decisions of the Romanian authorities.

In the first quarter of 2021, the Board of Directors of SNN, in application of the mandate granted by the shareholders by Resolution no. 8/June 12<sup>th</sup>, 2020 of the Extraordinary General Meeting of the SNN Shareholders, to initiate the necessary steps for the analysis and crystallization of the strategic options for the construction of new energy production capacities from nuclear sources, will submit to the General Meeting of the Shareholders the new Strategy for the Continuation of the Project for Units 3 and 4 of Cernavoda NPP and respectively the implementation measures thereof.

As regards the electricity trading strategy:

- ❖ Long-term contracting in advance, in order to provide the stability of the revenues of the company and decrease the risk of electricity price volatility.
- ❖ Obtaining for the entire interval 2018 - 2022, a sale price of over RON 180/MWh.

As regards the improvement of the indicators on the financial performances of the Company and the fulfillment of the three financial indicators indicated in the contract with EURATOM, we have in view:

- ❖ Maximizing the use of the capabilities of the company with direct effect on obtaining proper cost structures, in compliance with the nuclear safety culture.
- ❖ Consolidation of the operational cash flows of the company, in order to provide the necessary liquidity for the current investment projects, as well as for the increase of the bankability of the major investment projects run by SNN.
- ❖ Providing the necessary liquidity for the payment of the installments due on the contracted loans.
- ❖ Strengthening the capacity of self-financing of the activity (CAF) in the conditions of the observance of the nuclear safety regulations.

As regards the maintenance of a foreseeable/predictable dividend policy of the company:

- ❖ Maintaining a dividend granting rate of at least 60% of the remaining accounting profit after the corporate tax deduction.

As regards the optimization and streamlining of the organizational structure of the Company:

- ❖ The optimization considers the implementation of an organizational structure allowing the maximization of the capabilities of the company as a fundamental element of the sustainability of the competitive advantages.
- ❖ Creating a system for the allocation of the internal resources allowing the maximization, efficiency and adequacy of uses, with direct effect of obtaining cost-effective structures.
- ❖ In the context of the consolidation of the Nuclear Safety culture, we aim at implementing an organizational structure based on clearly defined roles, removal of the inadequate role redundancy, goal cascading, alignment of the skills with the current changing requirements, based on the good corporate governance rules, with a fluent vertical and horizontal communication system.

- ❖ Alignment of the organizational structure with the other 3 dimensions of the organization: human resources, process system and technology.

As regards the observance of the principles of corporate governance and the code of ethics and integrity:

- ❖ Compliance with all the legal provisions and recommendations of the Romanian capital market institutions on the corporate governance principles.
- ❖ Carrying out a regular benchmarking with entities at international level and adopting the best international practices.
- ❖ Zero tolerance to deviations from the SNN Code of Ethics.

As regards the responsible and active involvement in corporate social responsibility actions:

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

As regards maintaining/attracting highly qualified personnel, in the conditions of a specialized labour market:

- ❖ Adopting a human resources strategy for attraction, training and retention.
- ❖ Implementation of cooperation programs with the Polytechnic University of Bucharest and Faculties with technical profile at national level, especially in the operating areas of SNN, adjusted to the personnel needs of SNN on medium and long term, for granting scholarships.
- ❖ Implementation of informative campaigns at national and local level in high-schools, in order to attract young people both for enrollment in specialized faculties (energy specialization) and to attract graduates of vocational schools.
- ❖ Development of internship programs for students and individual mentoring programs for young employees.
- ❖ Adoption of measures specific to the field of human resources on the increase of the satisfaction level of the highly qualified personnel and the retention thereof, correlated with the current and long-term needs of SNN.
- ❖ Implementing a remuneration system based on individual performance, by the analysis of the individual performance indicators.

For the development/improvement of the reporting, control and risk management capabilities, paying more attention to the investor relationship, SNN aims at:

- ❖ Integration/correlation of the corporate risk management processes and mechanisms (other than the operating ones addressed by regulations, standards and practices of the nuclear industry) with the



risk management processes and mechanisms related to the operating activities of the nuclear power plant, in order to provide a proper addressing of the risks that the organization is exposed to, in the sense of the completeness of addressing them.

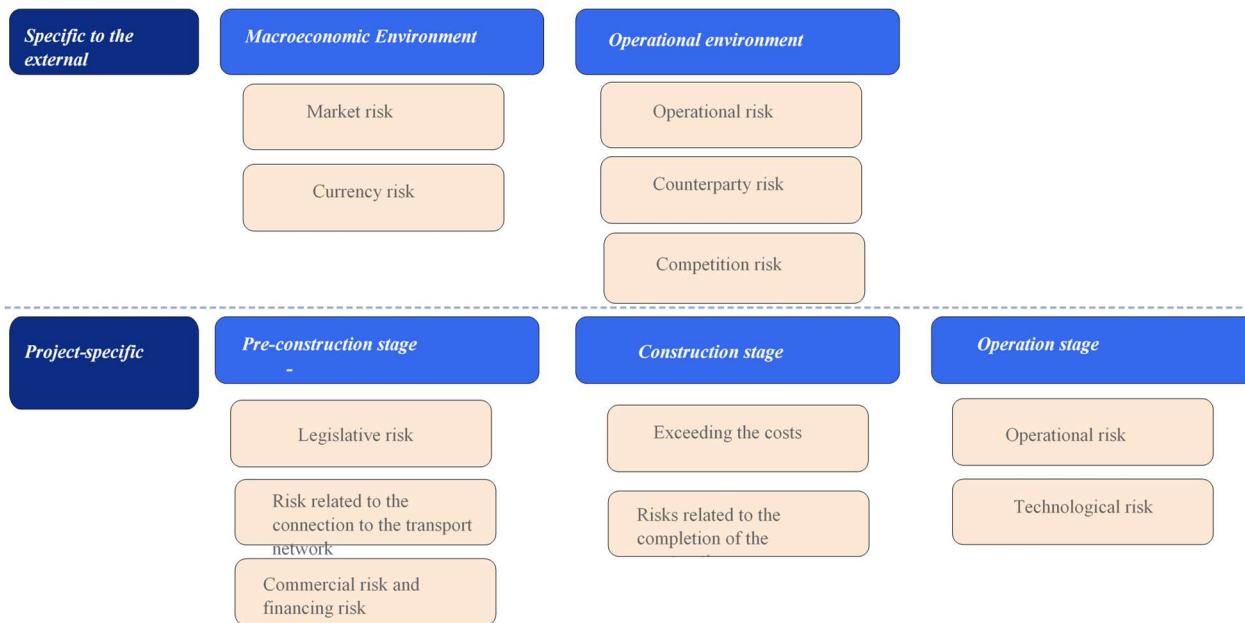
- ❖ Reviewing, improving and/or developing (as appropriate) the corporate risk management processes and tools, as well as periodically reviewing and/or recalibrating/adjusting risk management tools (e.g. internal procedures, algorithms and models, assessment, risk profile, risk tolerance limit, operational and information flows).
- ❖ Increasing the level of knowledge of the personnel of the Company on risk management, especially by conducting training sessions for the staff of SNN Centrala, Cernavoda NPP and FCN Pitesti.
- ❖ Improvement of the information flows of information circulation on the risks within the organization, both in order to better manage them at the locations where there is exposure, and to better apply the principle of informed decision-making from a risk perspective (RIDM - Risk - Informed Decision Making).
- ❖ Development of an internal framework to provide business continuity (BCM - Business Continuity Management).

## **2. Register of risks and main trends and factors that can impact development**

SNN established, in the development strategy 2015-2025, the main medium and long term strategies with the main focus of maintaining nuclear safety, the continuous growth and increase of its shareholders' profits, and the analysis of the risks of the activity is important in this context.

Medium and long term, the activity of SNN will be influenced both by the evolution of electricity prices and by the investment projects that the Company will develop: extending the life cycle of Unit 1, participating in the development of Units 3 and 4, continuing the development of DICA, setting up the funds needed for the solutions for the final storage of burnt fuel and building a tritium removal installation (CTRF - Cernavoda Tritium Removal Facility).

Consequently, the main risks in terms of SNN's activity and goals (market-related risks and project development) were analyzed. The diagram below comprises the overview of the main objectives, the critical elements in relation to the implementation of the strategies and the risks SNN will be faced with.



*Main specific risks of SNN*

### 3. Due diligence policy and process

#### 3.1. Unitary management of the Company

##### **Structure. Appointment of members. Eligibility criteria.**

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

Within the Ordinary General Meeting of Shareholders of 30.01.2020, the appointment of Mr. Teodor Chirica was approved, as a temporary director, for 4 months, according to the provisions of art. 641 par. (3) and (5) of GEO no. 109/2011, as further amended and supplemented. Mr. Teodor Chirica was proposed on the list of candidates by the majority shareholder, the Ministry of Economy, Energy and Business Environment. We would like to mention that Mr. Teodor Chirica was appointed on 19.12.2019 by the Board of Directors of SNN, upon the recommendation of the Nomination and Remuneration Committee, in the position of provisional director, with a mandate duration until the Ordinary General Meeting of Shareholders, according to the provisions of art. 1372 of Law no. 31/1990.

Within the Ordinary General Meeting of Shareholders of 28.05.2020, the extension of the mandate for Mr. Teodor Minodor Chirica was approved, which ends on 30.05.2020, as provisional director for 2 months, as of 31.05.2020, according to the provisions of art. 641 par. (3) and (5) of GEO no.

109/2011 as further amended and supplemented or until the mandate is accepted by a director appointed according to the provisions of GEO no. 109/2011, as further amended and supplemented.

Within the Ordinary General Meeting of Shareholders of 27.07.2020, the appointment of Mr. Teodor Minodor Chirica as a member of the Board of Directors of SNN, following the completion of the selection procedure of a director, organized according to the provisions of GEO no. 109/2011 on the corporate governance of public companies, a procedure implemented by the Board of Directors of SNN assisted by an independent expert in human resources, according to OGMS resolution no. 1/30.01.2020. The term of the mandate for Mr. Teodor Minodor Chirica is until 28.09.2022, the date when the mandate of the directors in office expires.

On July 10, 2020, SN Nuclearelectrica SA issued a current report according to art. 122 par. (1) of Law no. 24/2017 on the issuers of financial instruments and market operations and art. 234, par. (1), letter g of ASF Regulation no. 5/2018 on the issuance of financial instruments and market operations regarding Resolution no. 130/July 10, 2020, whereby the Board of Directors took note of the resignation of Mr. Iulian Robert Tudorache from the position of member of the Board of Directors as of 24.08.2020. The decision of Mr. Iulian Robert Tudorache to step down from the Director position is adopted according to the provisions of art. 5.1 let. g) of Mandate contract no. 55/28.09.2015 concluded between Mr. Iulian Robert Tudorache and SNN.

On 23.07.2020, SN Nuclearelectrica SA issued a current report according to the provisions of art. 234 par. (1), letter g) from ASF Regulation no. 5/2018 on issuers of financial instruments and market operations and Law no. 24/2017 on issuers of financial instruments and market operations regarding the fact that in the meeting of the Board of Directors of 23.07.2020, the Board of Directors took note of the decision of Mr. Iulian Robert Tudorache to step down from the position of BoD Chairman, and decided to appoint Mr. Teodor Minodor Chirica in the position of Chairman of the Board of Directors of SNN, according to the provisions of art. 1401 of Law 31/1990 on companies.

The President of the Board is elected by the Board of Directors from among its members, in the person of Mr. Teodor Minodor Chirica, after Mr. Iulian Robert Tudorache stepped down from the position of BoD Chairman. The Chairman of the Board is appointed for a period that may not exceed the term of his/her mandate of director, and may be dismissed any time by the Board of Directors.

On 24.11.2020, SN Nuclearelectrica SA issued a Current Report according to art. 122 par. (1) of Law no. 24/2017 on the issuers of financial instruments and market operations and art. 234, par. (1), letter g of ASF Regulation no. 5/2018 on the issuance of financial instruments and market operations regarding the notification of Mr. Cristian Gentea on the legal termination of his mandate as a member of the Board of Directors as of 19.11.2020.

The notification of Mr. Cristian Gentea on the legal termination of the mandate contract derives from the provisions of art. 87 par. 1 let. d) of Law no. 161/2003 on some measures for ensuring transparency in exercising positions corroborated with the provisions of art. 13.1 let. g) of the mandate contract concluded with SNN, namely the contract is terminated upon the occurrence of a case of incompatibility or an interdiction provided by the law, as starting from 19.11.2020 Mr. Cristian becomes the mayor of Pitesti, a position which is incompatible with exercising the mandate of member of the Board of Directors of SNN.

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

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

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

As at 31.12.2020, the directors of the Company are as follows:

First name and Surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Term of office expiry date
Iulian - Robert Tudorache	46 years	Attorney-at-law	18 years	Chairperson of the Board of Directors  (non-executive member)	September 28 <sup>th</sup> , 2018  (final mandate for 4 years according to OGMS resolution 12/September 28 <sup>th</sup> , 2018)  Mandate contract concluded on August 24 <sup>th</sup> , 2020 following the waiver of the mandate	August 24 <sup>th</sup> , 2020

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First name and Surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Term of office expiry date
Cristian Gentea	57 years old	Physician engineer	31 years	Non-executive member of the Board of Directors	September 28 <sup>th</sup> , 2018  (final mandate for 4 years according to OGMS resolution 12/September 28 <sup>th</sup> , 2018)	November 19 <sup>th</sup> , 2020
					Mandate contract concluded on November 19 <sup>th</sup> , 2020 following the notification of Mr. Cristian Gentea on the legal termination of his mandate as a member of the Board of Directors.	
Elena Popescu	61 years old	Nuclear station engineer	35 years	Non-executive member of the Board of Directors	September 28 <sup>th</sup> , 2018  (final mandate for 4 years according to OGMS resolution 12/September 28 <sup>th</sup> , 2018)	September 28 <sup>th</sup> , 2022
Cristian Dima	53 years old	Economist	27 years	Non-executive independent member of the Board of Directors	September 28 <sup>th</sup> , 2018  (final mandate for 4 years according to OGMS resolution 12/September 28 <sup>th</sup> , 2019)	October 9 <sup>th</sup> , 2019
					Mandate contract concluded on October 9 <sup>th</sup> , 2019, according to the provisions of art.	

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First name and Surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Term of office expiry date
					13.1 letter k) in the Mandate Contract.	
Mihai Daniel Anitei	51 years old	Mechanical engineer	22 years	Non-executive independent member of the Board of Directors	September 28 <sup>th</sup> , 2018  (permanent mandate for 4 years according to OGMS Resolution 12/September 28 <sup>th</sup> , 2018)	September 28 <sup>th</sup> , 2022
Cosmin Ghita	31 years	Economist	10 years	Executive member of the Board of Directors	September 28 <sup>th</sup> , 2018  (permanent mandate for 4 years according to OGMS Resolution 12/September 28 <sup>th</sup> , 2018)	September 28 <sup>th</sup> , 2022
Remus Vulpescu	49 years old	Legal Adviser	25 years	Non-executive independent member of the Board of Directors	September 28 <sup>th</sup> , 2018  (permanent mandate for 4 years according to OGMS Resolution 12/September 28 <sup>th</sup> , 2018)	September 28 <sup>th</sup> , 2022
					December 28 <sup>th</sup> , 2017  (interim mandate according to OGSM Resolution 10/December 20 <sup>th</sup> , 2017)	April 28 <sup>th</sup> , 2018
	75 years old	Engineer	51 years		December 19 <sup>th</sup> , 2019	January 30 <sup>th</sup> , 2020

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First name and Surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Term of office expiry date
Teodor Minodor Chirica				Non-executive member of the Board of Directors	January 30 <sup>th</sup> ,2020 (mandate for 4 months, according to OGMS Resolution 1/January 30 <sup>th</sup> ,2020)	May 30 <sup>th</sup> , 2020
					May 31 <sup>st</sup> , 2020 (mandate extension for 2 months, according to OGMS Resolution no. 6/May 28 <sup>th</sup> , 2020)	July 31 <sup>st</sup> , 2020
					July 27 <sup>th</sup> , 2020 (permanent mandate according to OGMS Resolution no. 9/July 27 <sup>th</sup> , 2020) following the completion of the selection procedure according to GEO 109/2011	September 28 <sup>th</sup> , 2022

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

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

Technologies for Nuclear Energy, an entity 100% owned by the Romanian State, a majority shareholder of SNN).

As at 31.12.2020, the members of the Board of Directors have no shares in SNN.

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

### **3.2. Attributions of the Board of Directors**

The main goals of the Board of Directors appointed for a 4-year mandate, starting with September 28<sup>th</sup>, 2018:

As regards the operation of nuclear units in conditions of nuclear safety and security for personnel, population, environment and production assets:

- ❖ Maintaining a maximum degree of availability of the technological systems and security functions.
- ❖ Improving/maintaining the high level of professional training of the personnel operating the two nuclear units.
- ❖ Maintaining the volume of radioactivity releases in water and air below the regulated level.
- ❖ Maintaining affiliations with the international organizations in the field of nuclear energy, and, if necessary, affiliation with other organizations.
- ❖ Providing the oversight function.

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

- ❖ Carrying out the maintenance and repair plans to increase the reliability of the equipment and systems and the operation of the nuclear units in safe and secure conditions.
- ❖ Running the lifetime management programs of Cernavoda NPP components and systems (reactor, steam generator, turbo-generator, etc.).
- ❖ Continuation of the replacement programs for the used and discontinued components and equipment.
- ❖ Development on time and in conditions of maximum quality the programs of mandatory annual inspections of the vital nuclear components (fuel channels, heat exchangers, etc.)
- ❖ Maintaining the above-average installed power utilization coefficient of the nuclear industry.
- ❖ Implementation of the strategy on the diversification of the supply sources with the raw material necessary for the production of nuclear fuel.



By the OGMS Resolution SNN no. 7/June 12<sup>th</sup>, 2020, the SNN shareholders approved the Investment Strategy of Societatea Nationala Nuclearelectrica S.A. related to the period July 1<sup>st</sup>, 2020 - July 1<sup>st</sup>, 2025 (hereinafter referred to as the “Strategy”). The strategy was elaborated according to the requirements of the Order of the Minister of Economy, Energy and Business Environment no. 893/April 16<sup>th</sup>, 2020, being structured on the component being subsumed to the duties and powers of the Board of Directors and the executive management - major investment Goals, and respectively on the component deriving from the development requirements of the electricity sector in Romania - Refurbishment Project of Unit 1 of Cernavoda NPP and the Project for Units 3 and 4 of Cernavoda NPP.

The elaboration of the Strategy took into account the specificity and uniqueness of the main scope of business of the company - the production of electricity and heat through nuclear processes - in the national economic framework, taking into account with priority the principles of nuclear safety, which prevails.

Main milestones of the Investment strategy for 2020-2025:

(A) Major investment goals:

- (1) Investments and capital repairs made on Unit 1, respectively Unit 2 during the scheduled outages.
- (2) Production of Cobalt-60 at Cernavoda NPP.
- (3) Extension of the life cycle of Unit 1 by re-tubing the reactor and refurbishing the main systems (studies).
- (4) Intermediate Dry Storage Spent Fuel Facility (DICA).
- (5) Modernization and Expansion of the Physical Security System.
- (6) Fit-out of Unit 5.
- (7) D2O Tritium Removal Installation.
- (8) Projects for modernizing, integrating and securing the informational flow and the IT infrastructure (hardware and software) within SNN - Digital Upgrade.

Among the major investment goals, 6 goals will be financed from SNN own sources, and will be included in the annual investment and endowment programs of SNN enclosed to BVC, except for the project (2) Cobalt 60 Production at Cernavoda NPP - where the value of the project and the financing structure are going to be finalized - and the project (7) D2O Tritium Removal Plant - the financing whereof will be provided from SNN own sources and attracted sources (loans).

(B) Major strategic objectives:

- (1) Project for Refurbishing Unit 1;
- (2) Project for Units 3 and 4.

The development and implementation of these projects depend on the adoption of decisions at the level of the Romanian authorities, including a set of support measures: state guarantees for loans, contracts for the difference, etc., identifying and structuring financing depending on a set of prior decisions of the Romanian authorities.

In the first quarter of 2021, the Board of Directors of SNN, in application of the mandate granted by the shareholders by Resolution no. 8/June 12<sup>th</sup>, 2020 of the Extraordinary General Meeting of the SNN Shareholders, to initiate the necessary steps for the analysis and crystallization of the strategic options for the construction of new energy production capacities from nuclear sources, will submit to the General Meeting of the Shareholders the new Strategy for the Continuation of the Project for Units 3 and 4 of Cernavoda NPP and respectively the implementation measures thereof.

As regards the electricity trading strategy:

- ❖ Long-term contracting in advance, in order to provide the stability of the revenues of the company and decrease the risk of electricity price volatility.
- ❖ Obtaining for the entire interval 2018 - 2022, a sale price of over RON 180/MWh.

As regards the improvement of the indicators on the financial performances of the Company and the fulfillment of the three financial indicators indicated in the contract with EURATOM, we have in view:

- ❖ Maximizing the use of the capabilities of the company with direct effect on obtaining proper cost structures, in compliance with the nuclear safety culture.
- ❖ Consolidation of the operational cash flows of the company, in order to provide the necessary liquidity for the current investment projects, as well as for the increase of the bankability of the major investment projects run by SNN.
- ❖ Providing the necessary liquidity for the payment of the installments due on the contracted loans.
- ❖ Strengthening the capacity of self-financing of the activity (CAF) in the conditions of the observance of the nuclear safety regulations.

As regards the maintenance of a foreseeable/predictable dividend policy of the company:

- ❖ Maintaining a dividend granting rate of at least 60% of the remaining accounting profit after the corporate tax deduction.

As regards the optimization and streamlining of the organizational structure of the Company:

- ❖ The optimization considers the implementation of an organizational structure allowing the maximization of the capabilities of the company as a fundamental element of the sustainability of the competitive advantages.
- ❖ Creating a system for the allocation of the internal resources allowing the maximization, efficiency and adequacy of uses, with direct effect of obtaining cost-effective structures.
- ❖ In the context of the consolidation of the Nuclear Safety culture, we aim at implementing an organizational structure based on clearly defined roles, removal of the inadequate role redundancy, goal cascading, alignment of the skills with the current changing requirements, based on the good corporate governance rules, with a fluent vertical and horizontal communication system.

❖ Alignment of the organizational structure with the other 3 dimensions of the organization: human resources, process system and technology.

As regards the observance of the principles of corporate governance and the code of ethics and integrity:

- ❖ Compliance with all the legal provisions and recommendations of the Romanian capital market institutions on the corporate governance principles.
- ❖ Carrying out a regular benchmarking with entities at international level and adopting the best international practices.
- ❖ Zero tolerance to deviations from the SNN Code of Ethics.

As regards the responsible and active involvement in corporate social responsibility actions:

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

As regards maintaining/attracting highly qualified personnel, in the conditions of a specialized labour market:

- ❖ Adopting a human resources strategy for attraction, training and retention.
- ❖ Implementation of cooperation programs with the Polytechnic University of Bucharest and Faculties with technical profile at national level, especially in the operating areas of SNN, adjusted to the personnel needs of SNN on medium and long term, for granting scholarships.
- ❖ Implementation of informative campaigns at national and local level in high-schools, in order to attract young people both for enrollment in specialized faculties (energy specialization) and to attract graduates of vocational schools.
- ❖ Development of internship programs for students and individual mentoring programs for young employees.
- ❖ Adoption of measures specific to the field of human resources on the increase of the satisfaction level of the highly qualified personnel and the retention thereof, correlated with the current and long-term needs of SNN.
- ❖ Implementing a remuneration system based on individual performance, by the analysis of the individual performance indicators.

For the development/improvement of the reporting, control and risk management capabilities, paying more attention to the investor relationship, SNN aims at:

- ❖ Integration/correlation of the corporate risk management processes and mechanisms (other than the operating ones addressed by regulations, standards and practices of the nuclear industry) with the risk management processes and mechanisms related to the operating activities of the nuclear power plant, in order to provide a proper addressing of the risks that the organization is exposed to, in the sense of the completeness of addressing them.
- ❖ Reviewing, improving and/or developing (as appropriate) the corporate risk management processes and tools, as well as periodically reviewing and/or recalibrating/adjusting risk

management tools (e.g. internal procedures, algorithms and models, assessment, risk profile, risk tolerance limit, operational and information flows).

- ❖ Increasing the level of knowledge of the personnel of the Company on risk management, especially by conducting training sessions for the staff of SNN Centrala, Cernavoda NPP and FCN Pitesti.
- ❖ Improvement of the information flows of information circulation on the risks within the organization, both in order to better manage them at the locations where there is exposure, and to better apply the principle of informed decision-making from a risk perspective (RIDM - Risk - Informed Decision Making).
- ❖ Development of an internal framework to provide business continuity (BCM - Business Continuity Management).

By the Resolution of the Board of Directors no. 187/ October 29<sup>th</sup>, 2018, the administration component of the Administration Plan was approved. By the Resolution of the Board of Directors no. 33/ March 7<sup>th</sup>, 2019, the management component of the Management Plan and the Management Plan in its entirety were approved.

By Resolution no. 3/April 10<sup>th</sup>, 2019 of the Ordinary General Meeting of the SNN Shareholders no. 3/April 10<sup>th</sup>, 2019 the following were approved:

- the financial and non-financial performance indicators that will represent an annex to the mandate contract of non-executive directors;
- the amount of the annual variable component of the remuneration of non-executive directors, in the amount of 12 fixed monthly allowances;
- the form of the addendum to be concluded to the mandate contract of non-executive directors.

In 2020, the Board of Directors of SNN was convened 44 times, in order to make the necessary decisions to manage the company, in compliance with the powers established by the Articles of Incorporation of SNN, the Corporate Governance Regulation and the Internal Regulations for the meeting of the Board of Directors, 3 meetings taking place with physical presence, 19 by electronic vote and 22 by teleconference.

The preponderance of the meetings of the Board of Directors organized by teleconference is given by the implementation of all the necessary measures to avoid the spread of COVID 19 in the context of the triggered pandemic.

The presence of the members of the Board of Directors at the meetings organized with the physical presence, as well as organized by teleconference depending on the duration of the members' mandate, including the revocation.

BoD Members	Attendance meetings (3)	Teleconference meetings (22)
Iulian-Robert Tudorache (mandate ending date August 24 <sup>th</sup> , 2020)	1/2	15/15
Elena Popescu	2/3	19/22
Teodor Chirica	2/3	19/22
Cosmin Ghita	3/3	22/22
Mihai Anitei	3/3	20/22
Remus Vulpescu	3/3	21/22
Cristian Gentea (mandate ending date November 19 <sup>th</sup> , 2020)	2/3	17/19

In compliance with the provisions of the Articles of Association of SNN, the Corporate Governance Regulation and the Internal Regulations for the meetings of the Board of Directors, the members of the Board of Directors granted representation mandates to other members of the Board of Directors for meetings that they could not attend in person or by telephone, the representativeness and quorum requirements being thus provided. The meetings of the Board of Directors of SNN are statutorily valid in the conditions of the presence of the majority of the members thereof.

Starting with October 31<sup>st</sup>, 2019, the secretary of the Board of Directors is Mrs. Oana Andrusca, PR Specialist within SNN. In 2020, the Secretary of the Board of Directors is Mrs. Oana Andrusca, Public Relations Specialist within SNN.

Attendance of the members of the Board of Directors in the 17 attendance meetings, depending on the duration of the members' term of office, revocation included.

### **3.3. Advisory committees on the level of the Board of Directors**

According to the Articles of Incorporation of the Company and in compliance with G.E.O. no. 109/2011, the Board of Directors of SNN set up 4 advisory committees, made up of at least 2 members of the Board of Directors.

#### **The Advisory Committee for Nomination and Remuneration**

This committee was established according to art. 34 in GEO no. 109/2011, by Resolution no. 7 of the Board of Directors of April 26<sup>th</sup>, 2013.

#### **The Advisory Audit Committee**

This committee was established according to art. 34 in GEO no. 109/2011, by Resolution no. 8 of the Board of Directors of April 30<sup>th</sup>, 2013.

#### **The Advisory Committee for Nuclear Safety**

This committee was established according to art. 34 in GEO no. 109/2011, by Resolution no. 27 of the Board of Directors of August 26<sup>th</sup>, 2013.

#### **The Advisory Committee for Strategy, Development and Large Investment Projects**

This committee was established according to art. 34 in GEO no. 109/2011, by Resolution no. 27 of the Board of Directors of August 26<sup>th</sup>, 2013.

The Advisory Committees are in charge of performing analyses and elaborating recommendations for the Board of Directors, in the specific fields, being bound to periodically submit activity reports to the members of the Board of Directors.

The main responsibilities of the Advisory Committees are stipulated in the Internal Regulations approved by the Board of Directors, and available on the SNN website.

Each Advisory Committee has appointed a secretary and a chairperson.

By the Resolution of the Board of Directors no. 210/ December 6<sup>th</sup>, 2019, the chairpersons of the Advisory Committees are the following directors:

The Advisory Committee for Nomination and Remuneration	Remus Vulpescu
The Advisory Audit Committee	Remus Vulpescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

### 3.4.Nuclear security policy

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

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

Nuclear security as a field is a set of technical and organizational measures designed to:

- provide the operation of the nuclear plants under safety conditions;
- prevent and limit the damage thereto;
- provide the protection of the personnel, the population and the environment against radiation or radioactive contamination

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

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

The nuclear security philosophy of CANDU power stations is based on the “in-depth defense” concept, which ensures a gradual protection in case of the occurrence of equipment malfunctions, human errors, transitory conditions anticipated in operation or accidents, including in case of serious accidents. In order to implement this concept, the project provides several successive protection barriers against the uncontrolled release of radioactive materials in the environment. Besides the five major barriers against the release of fission products to the population from a CANDU power station: the fuel matrix, the fuel sheath, the chamber of the primary circuit, the room of the envelope and the exclusion area, the system project included passive or active characteristics, designed to prevent or limit the consequences of process damage or accident sequences, which could thus lead to releases of radioactive materials in the environment.

Up to present date, no CANDU type NPP recorded events or accidents posing a threat to the health and security of the population. In supplement of the measures intended for the fully safe operation of the plant, planning and preparation for emergency situations is a pre-requisite for the authorization of the operation of a nuclear power plant. Within Cernavoda NPP, the emergency preparedness is verified and improved by quarterly, yearly or general drills and exercises (once every 3-4 years). After the Fukushima accident, the European Commission and the Group of European Regulators of the SNN decided that the nuclear security of nuclear plants in Europe is to be reviewed based on transparent and extended risk assessments referred to as “Stress tests”. The technical purpose of these stress tests was defined considering the risks pointed out by the events occurred at Fukushima. The following issued were stressed: initiation events, such as earthquakes or floods, the consequences of losing the security functions during such events, as well as management difficulties of severe accidents.

Cernavoda NPP, along with AECL Canada and ANSALDO Italy, issued the “Reassessment report of nuclear security margins”. The assessment made proves the fact that Units 1 and 2 at Cernavoda NPP comply with the nuclear security requirements established by the project and that they can face severe earthquakes and floods, as well as the total loss of electrical energy and cooling water supply. Moreover, methods and procedures were planned for managing possible severe accidents. Methods to prevent and mitigate the consequences of accidents which may determine the melting of the active area were also identified.

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

In addition, a large number of employees take part in various training courses, evaluations, benchmarking, working groups, seminars both in the country and abroad, especially those of international organizations such as IAEA, WANO, COG, FORATOM, and so on. At the same time, the Company is focusing on the continued development of its employees, especially in terms of nuclear security, risk management and quality assurance.

*CANDU System:*

- Thermal power 2062 MW(t);
- Gross electric power 706.5 MW(e);
- Internal service consumption <8%;
- Number of fuel channels 380;
- Number of loops 2;
- Number of steam generators 4;
- Pressure (D<sub>2</sub>O) in the primary circuit 9.89 MPa;
- Temperature at the outlet of the primary circuit 310 °C;
- Saturated steam pressure (H<sub>2</sub>O) 4.6 MPa;
- Supply water temperature 187.20 °C.

The CANDU reactor consumes natural uranium, using heavy nuclear water (isotopic content over 99.75% D<sub>2</sub>O) as moderator and cooling agent, in two independent, separate, closed-circuit systems.

In the 4 steam generators, the heat in the primary circuit is taken over by the light water from the secondary circuit, by turning it into saturated steam. It expands in the turbine formed from a medium pressure body and 3 low pressure bodies, producing the mechanical energy required to actuate the electric generator.

On exiting the turbine, by extracting the residual heat with the help of cooling water taken from the Danube, the steam is condensed. The circuit is resumed by repumping the condensate in order to supply the steam generators.



### 3.5.Environment protection activity

#### Monitoring CO2 emissions

- By the normal operation of the nuclear units, greenhouse effect gas is not released, on the contrary, since starting up Units 1 and 2 of Cernavoda NPP, we have avoided the release into the atmosphere of 170 million tons of CO2
- Annually, Units 1 and 2 of Cernavoda NPP avoid the release of 12 million tons of CO2 into the atmosphere, thus contributing to the reaching of the environment targets.



Currently, the Company owns certifications for environment protection system, as follows:

#### Cernavoda NPP Branch

- (i) The environment authorization for S.N. Nuclearelectrica S.A. - NPP Cernavoda branch - Unit 1 and Unit 2 of the Nuclear Power Station of Cernavoda issued by Government Resolution no. 84/15.02.2019, published in Official Gazette no. 152/26.02.2019. The Authorization covers all the assets and activities related to the operation of NPP Cernavoda Units 1 and 2, including both the nuclear component of the plant and the classic one.
- (ii) The Authorization regarding the greenhouse gas emissions no. 83/February 01, 2013, revised on November 06, 2019, issued by the National Agency for Environment Protection for the period 2013-2020, which states that the Startup Thermal plant, the Backup Diesel Groups and the Emergency Diesel Groups of each unit as well as the motor pump of the fire extinguishing system fall under the legislation regarding the reduction of greenhouse gas emissions.
- (iii) Water Management Authorization no. 131/18.06.2019, no. 1 on "Water supply and wastewater disposal for Units 1 and 2 of Cernavoda Nuclearelectrica Power Plant" valid until 30.06.2021.

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

### **FCN Pitesti Branch**

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

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

(c) Certificate no. 56 on the Environment Management System of SNN - Cernavoda NPP Branch for the production of electrical and thermal energy, using nuclear resources and support and related activities, according to the provisions of standard SR EN ISO 14001:2015 (ISO 14001:2015), issued by IQNet and SRAC on May 7<sup>th</sup>, 2019 and valid until April 24<sup>th</sup>, 2022.

(d) Certificate no. 4309 on the Environment Management System of SNN – Pitesti NFP branch for the nuclear fuel processing activity, according to the conditions from the EN ISO 14001:2015 standard, issued by IQNet and SRAC on October 2<sup>nd</sup>, 2019 and valid until November 4<sup>th</sup>, 2022.

The impact of the operation of the Power Plant and of the nuclear fuel plant on the environment is constantly monitored and reported in accordance with the requirements of the operational and environment permits. For both branches, the Company observed in 2020 the limits for pollutants set in the environmental permits.

Over the period January 1<sup>st</sup>, 2020 – December 31<sup>st</sup>, 2020 within SNN and the branches thereof, there were no events with impact on the environment, the population and its own personnel and that of the contractors.

All the environmental reports were drafted and sent by the agreed deadlines, according to the provisions in the permits, protocols and additional requests.

According to the Investors' Agreement, SNN was responsible for obtaining the environmental approval for the investment "Continuation and completion of the works at Units 3 and 4 of Cernavoda NPP". The procedure for obtaining the environmental approval was started in 2006 and ended in September 2013, by the issue of the environmental approval According to the specific environmental

law for nuclear objectives, the environmental approval was issued by Government Resolution no. 737/2013.

The total volume of solid radioactive waste, for both units of NPP Cernavoda, generated in 2020, was 60.07 m<sup>3</sup>. In total, until the present, in 1996 - 2020, the total volume of solid radioactive waste, for both units, is of 1005.94 m<sup>3</sup>.

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

#### *Cernavoda NPP's policy for managing the fuel used*

- a) Wet storage in the used fuel pool of the unit for a period of minimum 6 years;
- b) Dry storage for spent fuel in intermediate storage for a period of 50 years.

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

The warehouse is gradually built, according to DICA Strategy for long-term development. Up to the present date, there are 11 MACSTOR 200 modules, with a capacity of 12,000 bundles per module.

In 2020, 6000,000 fuel bundles were transferred to the Intermediary Burnt Fuel Warehouse from Unit 1 and 6000 bundles from Unit 2.

FCN Pitesti monitors the gaseous radioactive effluents in the atmosphere through the dispersion chimneys as well as the liquid effluents, in accordance with the conditions in the permits. According to these conditions, FCN Pitesti may release in the atmosphere a volume of radioactive gaseous effluents of maximum 10<sup>9</sup> m<sup>3</sup>/year. The volume of gaseous radioactive effluents released in the atmosphere in 2020 represented 78.8% from the authorized volume.

NFP Pitesti transferred in 2020 a volume of 1050 m<sup>3</sup> of liquid radioactive effluents to the Cleaning Station of the Nuclear Research Institute (SE-ICN), which represented 52.5% of the maximum authorized volume.

A volume of 440 m<sup>3</sup> of radioactive liquid waste was transferred for treatment to the Radioactive Waste Treatment Station of the Nuclear Research Institute (STDR-ICN).

13,303.8 kg of non-burnable radioactive solid waste (DSRN) and 4,653.1 kg of burnable radioactive solid waste (DSRI) were generated. Three transfers of non-burnable radioactive solid waste (DSRN) were performed to the final storage facility for low-level radioactive solid waste from CNU, Feldioara branch, the amount of 11,762.5 kg DSRN. Also, 3,749.1 kg of burnable radioactive solid waste (DSRI) were transferred for treatment by incineration to STDR-ICN Pitesti.

## Radiation protection program

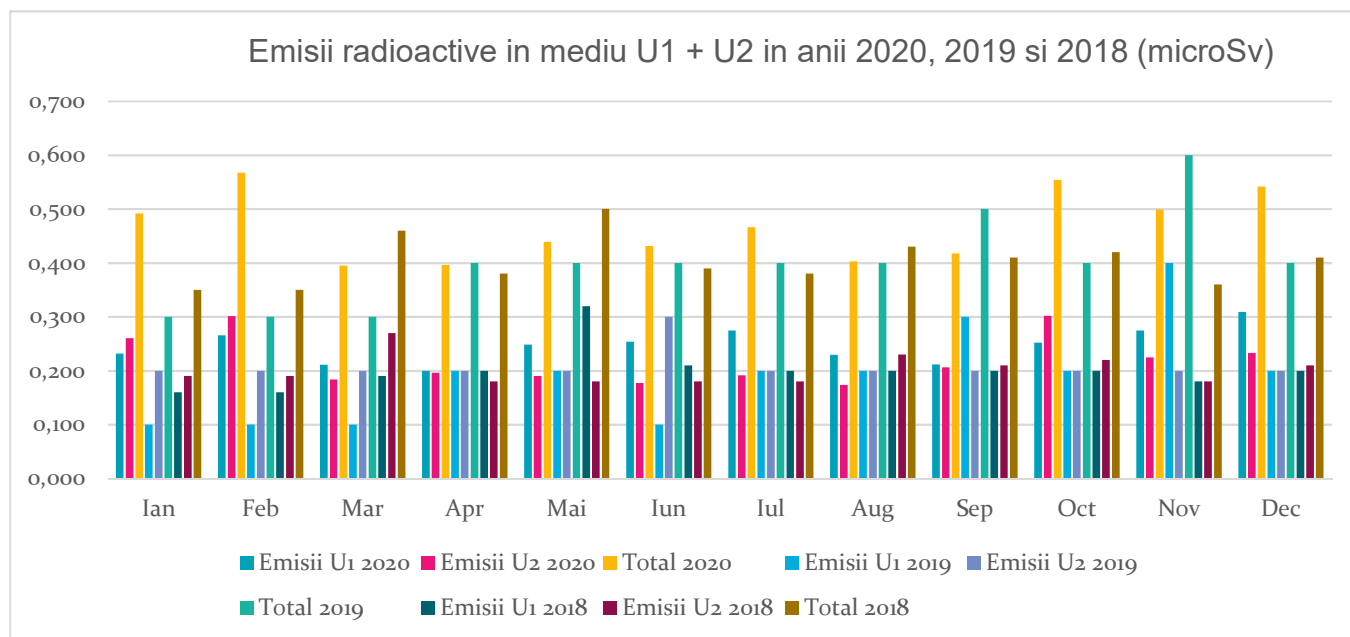
The main objective of SNN operational radiation protection program is to maintain professional exposure as low as reasonably achievable in compliance with the ALARA principle.

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

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

The radioactive emissions in water and air were kept quite below the authorized limits for the Power Plant. The actual annual dose for a person in the critical group, due to the radioactive emissions in the environment (Unit 1 and Unit 2) was 0.0056 mSv in 2020, whereas the annual average dose received by a member of the public in the natural background is of 2.4 mSv. More detailed information on the radiological impact are provided by the SNN report - "Environmental Report".

Radioactive emissions in the environment U1 + U2 in 2020 (microSv)



In 2020, the achieved collective dose was of 719.51 mSv/employee, the annual average dose for employees with recordable doses was of 0.99 mSv, and the individual maximum dose was of 7.5 mSv. The legal limit for the effective dose for the professionally exposed workers is of 20 mSv/year, and the administrative limit at NPP is 14 mSv/year. Neither of these limits was exceeded.

At the end of 2020, the internal collective dose was of 185.51 mSv/employee, representing 25.8% of the total dose within the Power Plant.

The Radioprotection Department periodically elaborates and sends reports on the evolution of the collective doses and of the ALARA performance indicators, thus raising the involvement of the personnel of the Power Plan in the control and optimization process for the professional exposure to ionizing radiation. The achievement of these goals is monitored via the ALARA process and the ALARA committees operate with excellent results. With an average dose per unit of 360 mSv/employee, Cernavoda NPP remains, according to the information to date, one of the highest performing power plants in the CANDU group.

The radioprotection program of the NFP Pitesti branch has as goals to maintain a very low exposure to ionizing radiation, individual radiological monitoring and of the labour environment in compliance with the applicable law and the requirements in the operating permits issued by CNCAN.

For the external exposure to ionizing radiations, the entire personnel of NFP Pitesti is monitored using Thermal-luminescent Dose-meters (TLDs) measured within the Personal Radiation Protection and Dose-meter Laboratory of NFP (LRDP-NFP), assigned by CNCAN as a certified dose-meter authority with assigning certificate NFP ODD06/12/2020 valid for the period October 27, 2020 – October 26, 2025.

In 2020, the collective dose of NFP was 494.038 mSv/employee, out of which the collective dose following the external exposure was 444.772 mSv/employee. The collective dose following the internal exposure (49.266 mSv/person) represented approximately 10% of the collective dose of NFP for 2020. The individual average annual dose was 1.27 mSv/year, a dose representing 8.5% of the administrative control limit for the actual individual annual dose of the professionally exposed personnel imposed by NFP Pitesti (LCA-15 mSv).

NFP Pitesti manufactured in 2020 a volume of 10,800 bundles with natural uranium dioxide. Out of these, 10,080 bundles were delivered to NPP Cernavoda, for the 2 units in operation, as follows: 5,040 bundles of nuclear fuel to Unit 1 and 5,040 bundles of nuclear fuel to Unit 2.

The nuclear fuel malfunction rate in 2020 was 0% for Unit 1 and 0% for Unit 2. For 2020, the average discharge combustion degree was 166,617.4 MWh/kg U for Unit 1, and 180,562 MWh/kg U for Unit 2. Thus, the high quality and performance of the nuclear fuel were validated during the operation of the 2 reactors.

FCN Pitesti continued to monitor both the participating personnel and the means of transport, with the purpose of the correlated assessment of the doses, reporting on a yearly basis to CNCAN the status thereof, and, after each transport, it elaborated a report on the performance mode thereof.

### **3.6. Research and development activity**

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

### **3.7. Operating authorizations and licences**

The company operates via the two Branches thereof, in virtue of the following main categories of particular authorizations, special licenses and specific rights:

- a) Site authorization no. I/605/September 30<sup>th</sup>, 1978, issued by the State Committee for Nuclear Power;
- b) Authorizations in the nuclear field issued by the National Commission for Nuclear Activities Control (CNCAN);
- c) Licenses issued by the National Energy Regulatory Authority (ANRE);
- d) Other authorizations.

#### **(a) Site authorization no. I/605/September 30<sup>th</sup>, 1978, issued by the State Committee for Nuclear Energy**

The site authorization was issued for Cernavoda site for the construction of a CANDU-PHWR 4x660MWe nuclear power plant, made up of four nuclear reactors. The authorization was issued in virtue of Law no. 61/1974 and the Nuclear Safety Regulations for “Nuclear reactors and nuclear power plants” dated 1975 and provides for the main technical characteristics of the nuclear power plant.

#### **(b) Authorizations in the nuclear field issued by CNCAN**

Pursuant to art. 8 par. (1) of the Law no. 111/1996, for the development of the activities and/or use of the sources contemplated by this law, the operators must obtain specific authorizations issued by CNCAN, in full observance of the specific authorization procedure specific to each type of activity or source. At the end of 2019, the following authorizations in the nuclear field are in force for SNN:

(i) Authorizations issued by CNCAN in the nuclear field for Cernavoda NPP Subsidiary:

- Nuclear safety authorization for the operation and maintenance of Cernavoda Nuclear Power Plant, Unit 1, authorization no. SNN Cernavoda NPP U1 – 01/2013. The authorization was issued for a period of 10 years, starting with May 1<sup>st</sup>, 2013 until April 30<sup>th</sup>, 2023;
- Nuclear safety authorization for the operation and maintenance of Cernavoda Nuclear Power Plant, Unit 2, authorization no. SNN Cernavoda NPP U2 – 01/2020. The authorization was issued for a period of 10 years, starting with December 8<sup>th</sup>, 2020 until December 7<sup>th</sup>, 2030;
- Building permit for Modules 12, 13, 14, 15, 16 and 17 of the Intermediary Burnt Fuel Warehouse, permit no. SNN Construction DICA 02/2020. The authorization is valid until June 19<sup>th</sup>, 2025;
- Nuclear safety authorization for the operation and maintenance of modules 1, 2, 3, 4, 5, 6, 7, 8, 9,10 and 11 of the Intermediary Burnt Fuel Warehouse, authorization no. SNN DICA 06/2020. The authorization was issued on June 9<sup>th</sup>, 2020 and is valid until June 8<sup>th</sup>, 2023;
- Authorization for the quality management system for the operation, design, supply, repair and maintenance and use of software products, in the nuclear field. Authorization no. SNN NPP Cernavoda – 01/2019 is issued for a period of 2 years, from May 1<sup>st</sup>, 2019 until April 30<sup>th</sup>, 2021;

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

(a) Authorization for the Quality Management System in the nuclear field no. 20-026 issued according to Art. 24 of Law no. 111/1996, for production activities in the nuclear field, for 2 years, from September 18<sup>th</sup>, 2020 until September 17<sup>th</sup>, 2022;

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

- i. Authorization LP/007/2020 for owning ionizing radiation sources, radiologic installations with ionizing radiation sources, devices generating ionizing radiations, nuclear installations for processing and manufacturing nuclear fuel, nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest, equipment and devices provided in Government Decision no. 916/2002, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;
- ii. Authorization LP/008/2020 for the use of closed ionizing radiation sources, radiological installations, equipment and devices generating ionizing radiations, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;
- iii. Authorization LP/009/2020 for handling closed radiation sources, radiological installations with closed sources and radioactive waste, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;
- iv. Authorization LP/010/2020 for the processing of nuclear raw materials, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;
- v. Authorization LP/011/2020 for the manufacture of nuclear fuel valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;
- vi. Authorization LP/012/2020 for the temporary storage of nuclear raw materials, nuclear fuel and radioactive waste, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;

- vii. Authorization LP/013/2020 for the supply of nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest and double-use materials, valid from January 31<sup>st</sup>, 2020 until January 30<sup>th</sup>, 2022;
  - viii. Authorization FCN Transport\_20/2018 for the transportation of radioactive materials, valid January 10<sup>th</sup>, 2019 until January 9<sup>th</sup>, 2024;
  - ix. Authorization AN/081/2017 for ownership of unpublished information, valid from March 31<sup>st</sup>, 2017 until November 28<sup>th</sup>, 2021.
- (c) By Assignment Certificate no. NFP ODD 12/2020, CNCAN updated the appointment of the Radiation Protection laboratory and dosimeter personnel within NFP Pitesti as Dosimetry Body, valid from October 27<sup>th</sup>, 2020 until October 26<sup>th</sup>, 2025.

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

- (a) Authorization for the quality management system for management activities in the nuclear field. Authorization no. SNN EX-01/2019 was issued for a period of 2 years, from May 1<sup>st</sup>, 2019 until April 30<sup>th</sup>, 2021;
- (b) Authorization no. PD/205/2018 for ownership of heavy water for Units 3 and 4, valid from October 26<sup>th</sup>, 2018 until October 25<sup>th</sup>, 2023.

(iv) CNCAN authorized personnel. For Cernavoda NPP Branch, the company holds 17 CNCAN permits for management personnel, 6 CNCAN permits for personnel with specific training positions and 50 CNCAN permits for operational staff in the control rooms of the two Units. For the FCN Pitesti branch, the Company holds 32 permits for nuclear activities, level 2. The company also has 4 permits for management personnel from the Head Office and 4 approvals for members of the Board of Directors.

### **(c) Licenses issued by ANRE**

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

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

- a) License no. 5/December 3<sup>rd</sup>, 1999 for the production of electric power granted by the ANRE Decision no. 80/ December 3<sup>rd</sup>, 1999;



b) License no. 244/March 26<sup>th</sup>, 2001 for the production of thermal energy granted by ANRE Decision no. 341/March 26<sup>th</sup>, 2001, withdrawn starting with May 27<sup>th</sup>, 2020 by ANRE Decision 847/May 27<sup>th</sup>, 2020, and replaced by License no. 2218/May 27<sup>th</sup>, 2020 for the commercial exploitation of the thermal power production capacities, granted by ANRE Decision no. 848/May 27<sup>th</sup>, 2020.

c) License no. 962/October 21<sup>st</sup>, 2010 for the supply of electricity granted by ANRE Decision no. 2597/October 21<sup>st</sup>, 2010, expired on October 21<sup>st</sup>, 2020, and replaced by License no. 2236 /September 30<sup>th</sup>, 2020 for the activity of electricity supply, granted by ANRE Decision 1715 / September 30<sup>th</sup>, 2020, valid starting with October 21<sup>st</sup>, 2020.

The company complied, both over previous years and in 2020, with the provisions of the conditions associated to the aforementioned licenses.

License no. 5/December 3<sup>rd</sup>, 1999 authorizes the company to produce electric power by the commercial operation of the power capacities related to the electric power production units. The license came into force on December 3<sup>rd</sup>, 1999 and is valid for a period of 25 years. By the ANRE Decision no. 1683/November 1<sup>st</sup>, 2007, the license was amended to increase the installed capacity factor of the company from 706.5 MW to 1,413 MW and to approve other conditions associated to the license as well, after the commissioning of NPP Cernavoda Unit 2.

License no. 244/March 26<sup>th</sup>, 2001 authorizes the Company to perform the activity of generating thermal energy by the commercial operation of the power capacities related to the units of electrical and heating power generation consisting of two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The license came into force on March 26<sup>th</sup>, 2001 and is valid for a period of 25 years. By the ANRE Decision no. 1684/November 1<sup>st</sup>, 2007, the license was amended to approve the existing conditions related to the license. SNN delivers thermal power to the local thermal power distribution company – Utilitati Publice SA Cernavoda, as well as to some end consumers in the locality of Cernavoda – economic agents, social and cultural institutions.

License no. 2218/May 27<sup>th</sup>, 2020 authorizes the Company to perform the commercial operation of the thermal power production capacity by the commercial operation of the power capacities related to the units of electrical and thermal power generation consisting of two heat exchangers with a total thermal power of 44 Gcal/h and 40 MW. The license came into force on May 27<sup>th</sup>, 2020 and is valid for a period of 25 years.

License no. 962/October 21<sup>st</sup>, 2010 for the supply of electric power authorizes the Company to perform the activity of electricity supply on the energy retail market and came into force on October 26<sup>th</sup>, 2010. By the ANRE Decision no. 2000/September 23<sup>rd</sup>, 2015, the license was amended for the extension of the validity of the license till October 21<sup>st</sup>, 2020. Starting with October 21<sup>st</sup>, 2020, License no. 2236/ September 30<sup>th</sup>, 2020 for the activity of electricity supply for a period of 10 years.

#### **(d) Other authorizations**

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

#### **4. Integrated management system**

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

The Management System developed and implemented within SNN S.A. treats in a coherent, coordinated and unitary manner the components related to nuclear safety, protection against ionizing radiation, environmental protection, quality, safety and health of workers, physical protection, protection against cyber threats, control of nuclear safeguards, protection of classified information, planning and response to emergencies, capitalization of electricity produced and issues related to economic performance and ensures that the requirements thereof are not addressed separately from nuclear safety, having priority over any other requirements, considerations and interests.

The implementation of the management system provides the premises for identifying and integrating all legal and regulatory requirements, good practices and standards adopted voluntarily, in order to accomplish the general goals of the company and meet the expectations of all "stakeholders".

The requirements of the SNN Management System apply to all activities and processes performed within SNN S.A.

The management of SNN SA has delegated to the Branches the responsibility for developing and implementing parts of the SNN Management System for the specific activities therein performed, without this leading to the reduction of its liability in terms of the overall efficiency of the system. Consequently, the Branches have developed their own Management Systems in correlation with the requirements of the SNN Management System, as well as with the legal requirements

applicable to the specific field of business. The Management Systems of the Branches are reviewed and accepted by the SNN management.

The integrated management system applied by Cernavoda NPP is focused on meeting the nuclear safety requirements deriving from the CNCAN regulations and requirements underlying the issue of the operation permit of Units 1 and 2 in Cernavoda and the burnt fuel depot (DICA) and is developed in accordance with the requirements of the IAEA GSR Part 2 standard and the CNCAN Standards for Quality Management Systems voluntarily integrating the requirements of the management standards ISO 14001, ISO 45001, ISO 17025, ISO 27001, ISO 37001 the requirements of the EMAS Regulation - Eco Management and Audit Scheme (Community Environmental Management and Audit System). The management system of Cernavoda NPP is authorized by CNCAN according to the provisions of Law no. 111/1996 for “Activities of operation, design, supply, repair and maintenance, use and maintenance of software products in the nuclear field” (CNCAN authorization no. SNN NPP Cernavoda – 01/2019, valid until April 30<sup>th</sup>, 2021).

The integrated management system applied by FCN Pitesti is focused on meeting the requirements deriving from the CNCAN regulations and requirements underlying the issue of the operating permits associated with the nuclear fuel production activity and is developed in accordance with the requirements of Canadian standard CSA N299.2-16 and of CNCAN Norms for Quality Management Systems voluntarily integrating the requirements of the management standards ISO 14001, ISO 45001, ISO 17025, ISO 37001 and the requirements of the EMAS Regulation - Eco Management and Audit Scheme (Community Environmental Management and Audit System). The management system of FCN Pitesti is authorized according to the requirements of Law no. 111/1996 for “Manufacturing activities in the nuclear field, class 2 of gradual application granted to the management system” (CNCAN authorization no. 20-026, valid until September 17<sup>th</sup>, 2022).

Cernavoda NPP and FCN Pitesti branches hold certificates of conformity of the Management System with the requirements of the ISO 14001 “Environmental Management Systems” and ISO 45001 “Occupational Health and Safety Management Systems” standards.

Both branches are registered in the EMAS environmental management community system according to Regulation (EC) no. 1221/2009 of the European Parliament and of the Council of November 25<sup>th</sup>, 2009 on the voluntary participation of organizations in a Community eco-management and audit scheme (EMAS) and Commission Regulation (EU) 2017/1505 of August 28<sup>th</sup>, 2017 amending Annexes I, II, III. Within SNN S.A., the Headquarters and the Branches of Cernavoda NPP and FCN Pitesti, an anti-bribery management system was implemented and certified according to the ISO 37001: 2016 standard. The integration of the anti-bribery system in the management system of SNN S.A. contributes to the development of the culture of integrity and transparency, as well as of a business environment promoting ethics and compliance.

## 5. Environment management policy

### Commitment for environment protection

- Formalized in SNN objectives
- Implemented according to the management program described below

The environment management process is developed and applied by the Cernavoda NPP to ensure the protection and control of the environment during the performance of activities with direct or indirect potential environmental impact.

Cernavoda NPP has established and implemented specific requirements leading to the mitigation/removal of any potentially negative impact on the environment, as a result of the performance of the activities of the plant.

The requirements set by the Cernavoda NPP derive both from the application of the regulations specific to the nuclear field and the applicable environmental legislation and from the voluntary adherence to the requirements of the ISO 14001: 2015 standard and to Regulation (EC) 1221/2009 on the voluntary participation of organizations in a Community eco-management and audit scheme (EMAS).

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

The conclusions of the annual audits carried out by the certification body demonstrate that we have a functional environmental management that is part of the organization's integrated management system, which is continually improving and it is aligned with international environmental and population protection requirements. The management of Cernavoda NPP pays particular attention to the aspects of communication and transparency towards all stakeholders: staff, population, local authorities, national authorities, NGOs, media, aiming to create and maintain a realistic picture, based on facts and concrete data that will strengthen the positive characteristic of nuclear energy given the insignificant impact on the environment.

Risks associated with the conduct of activities are identified, evaluated, recorded, and measures are provided to prevent / minimize their occurrence by implementing a risk management process.

Cernavoda NPP implements and maintains a deep defense concept, which includes technical and procedural barriers to prevent and mitigate the effects of accidents, response to emergencies, taking into account equipment-related and human performance initiators, as well as credible severe external conditions (earthquakes, floods, bad weather, etc.) that may affect the operation of the plant.

Cernavoda NPP has established clear principles underlying the performance of activities that might have direct or indirect impact on the environment.

Below are listed some of them:

- The preparation and performance of any activity will be analyzed in terms of:
  - Effects on ecosystems;
  - Efficient use of energy and resources;
  - Prevention of pollution.
- Cernavoda NPP ensures:
  - The implementation of environmental legislative requirements in all the processes and activities of the plant;
  - The preparation, encouragement and accountability of the entire personnel for the performance of all activities so as the impact on the environment is reduced as much as possible;
  - The assessment of environmental performance and the continuous and effective communication with the interested civil organizations, the local community and regulatory and control authorities in relation to the continuous improvement of environmental performances;
  - The impact on the environment is established according to the assessment of each activity and for each individual work.

The first certification of the environmental system was obtained in 2004, maintaining it through the annual approval following the audits and the recertification every 3 years. Maintaining the certification and the EMAS registration obtained in 2018 is the proof and guarantee that the commitments assumed by Cernavoda NPP have been complied with.

### **Constant reporting of environment issued**

Cernavoda NPP reports regularly on environmental issues in compliance with EMAS Registration Certificate no. RO-000017, valid from October 15, 2018 to October 15, 2021. (page 52) EMAS reports are published separately and can be accessed on the web page here <https://www.nuclearelectrica.ro/cne/protectia-mediului-si-a-personalului/emas/>.

## Efficient use of resources

Cernavoda NPP promotes the rational use of energy and natural resources, ensuring a balance between environment, energy and economy. It prevents the impact on the environment and this relates both to its own operating activities and to those of its business partners.

This commitment is translated into:

- Integration of the sustainable development concept into projects and investments;
- Complying with the environment legislation and agreements;
- Continuous improvement of the environment performance.

Partners are assisted in achieving their own environmental goals.

Environmental protection at Cernavoda NPP has been and is a permanent and responsible concern of all staff. Cernavoda NPP has established and implemented specific requirements leading to the mitigation of the impact on the environment, as a result of the performance of the activities of the plant.

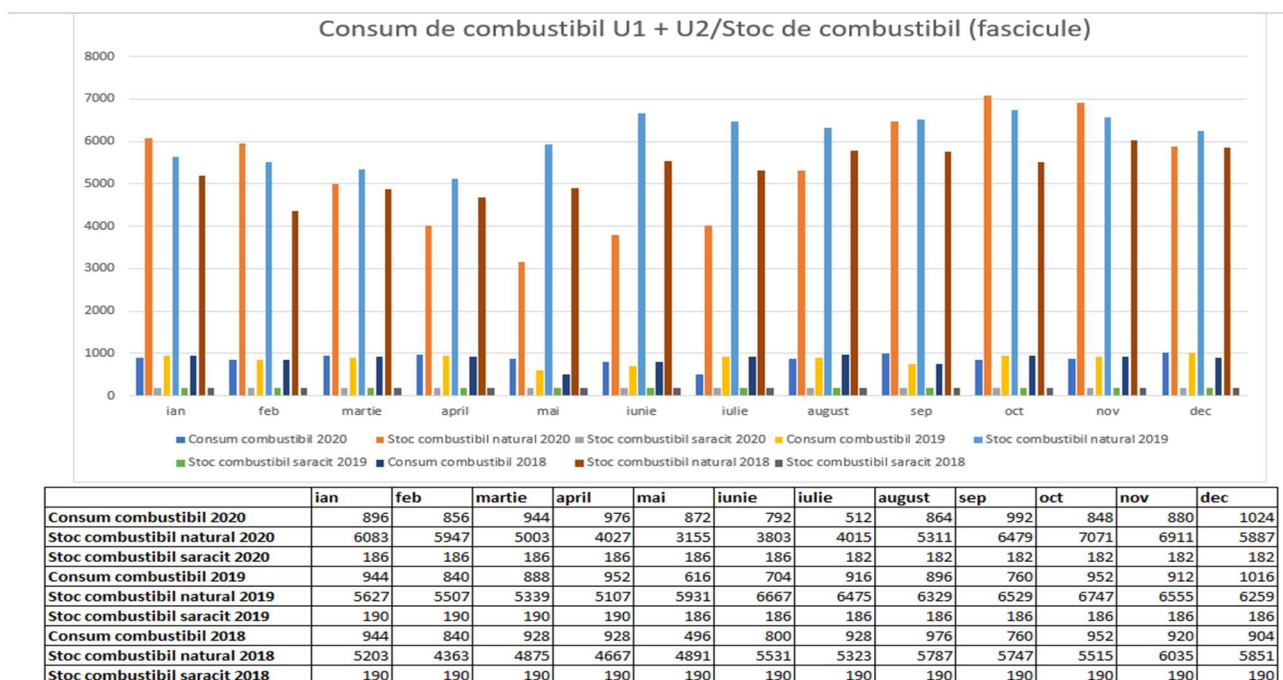
Details of activities and results/ environmental performance are contained in the document “Environmental Statement” available to the public on the SNN website.

In 2018, the Level I and II Environmental Balance Sheet and the Balance Sheet Reports were drawn up, the results and conclusions drawn by the developer validating the compliance of Cernavoda NPP Branch with the environmental protection requirements.

According to Law 132 of June 30, 2010 on the selective collection of waste in public institutions, SNN selectively collected and recycled the following waste:

Waste selectively collected in 2020	Waste selectively collected in 2019
Waste selectively collected in the branch of NPP Cernavoda: - Paper waste code 20 01 01 -15848 kg - Plastic waste code 15 01 02 - 235 kg - Glass waste code 15 01 07 - 150 kg - Metal waste code 15 01 04 - 20 kg	Waste selectively collected in the branch of NPP Cernavoda - Paper waste code 20 01 01 -22,700 kg - Plastic waste code 15 01 02 - 559 kg - Glass waste code 15 01 07 - 510 kg
Waste selectively collected in the branch of NFP Pitesti: - Paper waste code 20 01 01 -1800 kg - Plastic waste code 15 01 02 - 295 kg	Waste selectively collected in the branch of NFP Pitesti: - Paper waste code 20 01 01 - 2030 kg - Plastic waste code 15 01 02 - 480 kg
Waste selectively collected at the SNN headquarters: - Paper waste code 20 01 01 -1510 kg - Plastic waste code 15 01 02 - 69.12 kg - Glass waste code 15 01 07 - 600 kg - Metal waste code 15 01 04 - 30.72 kg	Waste selectively collected at the SNN headquarters: - Paper waste code 20 01 01 -1016.22 kg - Plastic waste code 15 01 02 - 73.36 kg

The consumption of nuclear fuel is monitored from year to year, in order to monitor the resources use efficiency.



THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.  
 IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

## Consulting stakeholders

SNN applies the provisions of the Aarhus and Espoo agreement on organizing public consultations regarding infrastructure projects with radiological impact. In 2020, there were no investment projects fitting into the obligation of organizing consultations with stakeholders. Also, NPP Cernavoda maintains a relationship of close cooperation with the local community of Cernavoda by exchange of information and the common resolution of community problems. The NPP Cernavoda branch organizes in cooperation with the Local Council of Cernavoda the Committee for Informing and Consulting the population in order to identify community problems and establishing common actions. Also, population information centers operate in Cernavoda and Constanta, where public events, debates and presentations are organized.

### 5.1.Environmental Monitoring Program at Cernavoda NPP

#### Commitment for monitoring environment performance

The Cernavoda Nuclear Power Plant has been developing socio-demographic studies since the early 1980s and has implemented environmental radioactivity monitoring programs.

The choice of the nuclear power plant site was done in line with the specifications of the Republican Nuclear Safety Norms, which provide both the factors to be taken into consideration when establishing the site in terms of nuclear safety, as well as the demographic criteria regarding the areas of exclusion and reduced population.

The factors that have been considered include, on the one hand, the physical characteristics of the site (seismological, geological, meteorological and hydrological), the socio-demographic and land use characteristics, on the other hand, and the reactor design features and the proposed operating mode (the use and maximum power level, nature and radioactivity inventory, technical norms and standards applied to the reactor design, nuclear security characteristics considered in the technical calculations of the facility and existing barriers in the release of radioactive materials into the environment).

In order to protect the population against the risk of exposure to radiation, around each reactor an exclusion area, with a radius of 1 km and a reduced population area of 2 km have been established.

For the most accurate estimation of the impact of the operation of the power plant on the environment, during the period 1984 - 1994 the pre-operational environmental monitoring program was carried out at the Cernavoda NPP. The measurements made within this program detected the environmental radioactivity changes that occurred following the Chernobyl accident in 1986. Starting with 1990, the values of radionuclide concentrations in the environmental factors returned to the normal values before 1986.



## Emission monitoring program

- Nuclearelectrica monitors emissions (other than emissions of greenhouse effect gas) according to the radioprotection program of NPP Cernavoda.
- Approximately 1200 samples from 115 locations are collected annually, in order to determine the radioactivity of the environment in the Cernavoda NPP area.
- The reports on the level of effluents in the environment are reported on a daily basis (on the radio and at the Cernavoda City Hall for public display) and on a monthly basis (at institutions).

### *Monitoring the radioactivity of environmental samples*

The Nuclear Power Plant has implemented, starting with the commissioning of Unit 1, an environmental radioactivity monitoring program, based on the requirements of the national legislation and internationally validated practices in the nuclear industry. In compliance with international practices, the plant built and fitted its own Environmental Radioactivity Control Laboratory and established a network of sampling points or positioning continuous monitoring stations, in different locations within a radius of 30 km around the plant.

The routine environmental monitoring program elaborated at Cernavoda NPP was approved by CNCAN in 1995, after it was audited by AIEA [International Agency for Atomic Energy]. The implementation of this program commenced in March 1996.

In terms of the content of radioactivity, the following samples are collected and analyzed:

- air (deposit on particle and iodine filters, water vapor in the air; carbon-14 in the air);
- water (water from the Danube, soil infiltration water, deep water, water from the Danube - Black Sea Canal, rainwater, drinking water);
- soil;
- spontaneous vegetation;
- fish sediment;
- meat (chicken, beef, pork);
- milk;
- vegetables (lettuce, spinach, radishes, cucumbers, tomatoes, green onions, peppers, cabbage, potatoes, green beans, aubergines);
- cereals (wheat, corn);
- fruits (strawberries, cherries, apricots, peaches, grapes);
- eggs;
- wet atmospheric deposits;
- DTLs (thermal-luminescent dosimeters that measure the integrated gamma dose for 3 months).

Approximately 1200 samples from 115 locations are collected annually, in order to determine the radioactivity of the environment in the Cernavoda NPP area.

A network of 62 monitoring points with thermal-luminescent dosimeters (DTL) for the measurement of the gamma dose has been established around the power plant and across an area with a radius of 30 Km around the plant. Gamma spectrometry analyzes, global alpha/beta analyzes and specific assays for the detection of tritium and carbon C-14 were carried out through liquid scintillation spectrometry. Food samples for the analysis are procured from local producers or from the agri-food market in Cernavoda, Seimeni, Medgidia, Satu Nou. The results of the environment's radiological monitoring are compared with the results of the pre-operational environmental monitoring program carried out in the period 1984 – 1996. Up to now no changes in the radioactivity of the environment in the area of Cernavoda city have been detected, in relation to the period prior to the commissioning of the nuclear unit. The Environmental Control Laboratory of Cernavoda SNN is notified by CNCAN through Appointment certificate no. NPP LCM ODN 07/2018 valid until 08.11.2021, as Dosimetric Notified Body and Appointment certificate no. NPP LCM LI – 03/ 2019 valid until 31.05.2022 as a Testing Laboratory on environmental sample measurements.

#### *Inter - comparisons*

CNCAN and in order to demonstrate the credibility of the environment measurements, the Environmental Control Laboratory participates in international intercomparison exercises.

The Environmental Control Laboratory is a member of the PROCORAD Association of France (Association for Radiotoxicological Measurements) and has been participating with good and very good results in intercomparison exercises for radioactivity measurements since 2002.

In 2005, the Environmental Control Laboratory was nominated by CNCAN as a member of IAEA's ALMERA Network (Analytical Laboratories for the Measurement of Environmental Radioactivity) and since 2006 it has participated annually in the performance tests organized within the network.

The Environment Control Laboratory participates in inter-comparison exercises periodically organized by the European Commission by the Joint Research Center laboratories.

In 2020, the Environment Control Laboratory participated in the International Intercomparative Exercises organized by COG at the Chalk River Laboratories in Canada, for dosimetry readings, and obtained very good results for the Laboratory of Individual Dosimetry, successfully meeting the acceptance criteria imposed by national and international standards.

NPP Cernavoda is authorized (by a water management authorization) to use as cooling water from the Danube River, via the Danube - Black Sea canal, canal pond I, by the related sluice. The discharge of the cooling water is made in Danube River, under normal operating conditions, but there is the possibility of changing the discharge to Danube - Black Sea canal, canal pond II, depending on certain conditions.

For the chemical control of water from the secondary circuit of NPP, U1 and U2, specific chemical substances are used: hydrazine, morpholine.

The water treatment station produces, stores and delivers fully demineralized water for certain systems of the two nuclear-electric units. The water treatment system consists of pre-treating gross water by dosage with ferric chloride and adjuvant, then filtering, followed by the demineralization of water.

## **5.2. Program for the physical – chemical monitoring of the liquid effluent and non – radioactive gaseous material**

### **Water management program**

- The NPP Cernavoda branch uses water for cooling the operating units according to water management authorization no. 131/18.06.2019, on “Supplying with water and discharging the used water for Units 1 and 2 at the Nuclear Power Station Cernavoda” valid until 30.06.2021, and water management authorization no. 230/04.12.2019 issued by the Romanian Waters National Administration for the Intermediary Warehouse for Burnt Fuel of Cernavoda (DICA) valid until 30.06.2022.
- SNN annually pays a fee to the Romanian Waters National Administration for the water quantity consumed by the power station. This program was designed and applied to check and control the quality of the water discharged from Cernavoda NPP and to demonstrate the observance of the requirements of the Environment Authorization and Water Management Authorization.
- According to this program, all chemicals used for the chemical conditioning of the power plant systems are monitored in the liquid effluent.
- The treatments with control agent of the microbiological load are carried out locally, only on the technological process water circuit, having the purpose of limiting the fixation and growth of shells in pipelines and equipment.
- The chemicals used to obtain demineralised water are monitored and neutralized prior to the discharge into the effluent.

The concentrations of all these substances in the liquid effluent fall below the authorized discharge limit.

Studies have been conducted regarding the thermal impact of the discharge of hot water into the Danube and the Danube - Black Sea Canal and the temperature of the hot water discharged is measured so that it is within the limits set in the Water Management Authorization.

The non-radioactive gaseous effluent physical-chemical monitoring program is designed to allow for the determination of the concentrations of pollutants (other than radioactive ones) in environmental factors. This requirement is specific only for continuous operation periods longer than 5 days for the stacks of the Startup Thermal Station. In the impact area of the emissions, the following pollutants are determined: carbon dioxide, sulfur oxides, nitrogen oxides, suspended particulates.

The purpose of this program is to provide accurate data on non-radioactive gaseous effluent quality to CTP chimneys to demonstrate compliance with applicable legal limits.

Emissions of carbon dioxide from EU-ETS facilities falling under the greenhouse gas emissions trading scheme, according to the GES Authorization and the related monitoring plan are determined by calculation according to the applicable regulations.

Emissions of carbon dioxide from EU-ETS facilities falling under the greenhouse gas emissions trading scheme, according to the GES Authorization and the related Measures Plan are determined by calculation according to the applicable regulations.

Emissions of pollutants from chimneys of combustion facilities (similar to EU-ETS facilities) are determined on a monthly basis to pay fees to the Environment Fund.

#### *Radioactive effluent monitoring program at Cernavoda NPP*

Independent of the Environment Radioactivity Monitoring Program, a Liquid and Gaseous Radioactive Effluent Monitoring Program is implemented at Cernavoda NPP, which ensures the control and monitoring of the radioactive emissions at the point of discharge by means of measuring systems: Liquid Effluent Monitor and Gaseous Effluent Monitor. These systems ensure the continuous monitoring of the potential radioactive effluent emissions and the provision of representative samples necessary to assess the radiological impact on the environment.

The results of the Liquid and Gaseous Radioactive Effluent Monitoring Program in the period 1996-2020 confirm a much lower emission level compared to the legal limits and the constraints set by the regulatory body (CNCAN).

### 5.3. Monitoring potentially radioactive gaseous and liquid effluents

Any potentially contaminated air discharge is directed towards the discharge shaft, which disperses it into the environment. The air is monitored on an on-going basis and based on the results of the analyzes, estimates of the additional dose that a person in the population could receive due to these discharges are made. Each year approximately 1500 filters are measured at every unit in order to determine the radioactive gas emissions.

The discharge of potentially radioactive water is done in the condenser cooling water canal, ensuring a dilution of minimum 1:2900 (generally the dilution is 1:7000). During the discharge, waters are permanently monitored by the monitor of radioactive liquid effluents, which stops the discharge if an alarm occurs. The radioactivity measuring performed on the potentially radioactive water samples are used for estimating the additional dose a person from the population could receive because of these discharges. Annually, for the monitoring of potentially radioactive liquid effluents coming from a unit, about 1500 samples of water from a unit are analyzed in the laboratory.

Throughout the 24 years of operation of Unit 1 and 13 years of operation of Unit 2, the annual effective radiation dose collected by a person in the critical group of the population from the area of Cernavoda, caused by radioactive emissions from the nuclear power plant, including tritium, have not exceed 10 microSv, being hundreds of times smaller than the dose produced by the natural radiation source, which, for Romania has an average value of 2,400 microSv/year.

### Monitoring the radioactivity of environmental samples

In terms of the content of radioactivity, the following samples are collected and analyzed:

- air (deposit on particle and iodine filters, water vapor in the air; carbon-14 in the air);
- water (water from the Danube, soil infiltration water, deep water, water from the Danube - Black Sea Canal, rainwater, drinking water);
- soil;
- spontaneous vegetation;
- fish sediment;
- meat (chicken, beef, pork);
- milk;
- vegetables (lettuce, spinach, radishes, cucumbers, tomatoes, green onions, peppers, cabbage, potatoes, green beans, aubergines);
- cereals (wheat, corn);
- fruits (strawberries, cherries, apricots, peaches, grapes);
- eggs;
- wet atmospheric deposits;
- DTLs (thermal-luminescent dosimeters that measure the integrated gamma dose for 3 months).

Approximately 1200 samples from 115 locations are collected annually, in order to determine the radioactivity of the environment in the Cernavoda NPP area.

The power plant has built and equipped its own Radioactivity Control Laboratory, the Dosimetry Laboratory, where radioactive effluent samples are measured, as well as a Radioactive Waste Characterization Laboratory. The laboratories carrying out radioactivity analyzes in the environmental samples are accredited by CNCAN (National Commission for Nuclear Activities Control), in compliance with the requirements of the law. In addition, the laboratories are included in inter-comparative programs organized by the IAEA or the European Commission and International Associations of accredited laboratories for those types of measurements.

### *Working in a radiation field*

In order to control the work in a radiation field, procedures are developed to ensure the assessment and identification of radiological hazards and the adequate protection measures for the performance and management of the works.

- a) A radiation field work permit (authorization) system is in place to ensure that all the activities in a radiation field are checked and approved at an appropriate hierarchical level before they are carried out. The level of approval increases proportionally with the increase of hazards.
- b) For works in fields with high levels of radiation, a rigorous work planning process is established, which demonstrates that all necessary factors have been taken into consideration, and that the radiation doses will be consistent with the ALARA\* principle.
- c) The personnel of the Radiation Protection Department is involved in the planning, approval and management of works with high radiological risk.

\* ALARA = As Low As Reasonably Achievable This process includes measurements of radiation fields, protection equipment, contamination and irradiation control, use of special tools, work procedures, training facilities, worker qualification and training, as well as surveillance.

### *Dose limits*

The dose limits used at Cernavoda NPP are in line with the Rules on Radiological Safety Base Requirements (CNCAN Order 138/2018) and the recommendations of the International Commission on Radiological Protection (ICRP) set out in publication 103.

The targets for individual and collective doses are set on an annual basis. Dose-limiting objectives are set for certain works and teams of workers, depending on the existing situation, as a measure of intermediate control.

Furthermore, there is a system in place for controlling the collected doses, identifying problematic areas and taking corrective measures in due time.

*Monitoring work premises. Contamination control.*

The radiologically controlled area is an area subject to special rules with the purpose of protection against ionizing radiation and of preventing the dissemination of radioactive contamination, and where the access is controlled.

From this point of view, RD-01364-RP009 "Radiation Protection Policy, Principles and Regulations at Cernavoda NPP", together with RD-01364-RP002, the "Control of personnel radiation exposure" process cover a main element: they establish the work areas to be monitored, in order to provide information on the radiological hazards in the plant.

The nature and frequency of work premises monitoring are set so as to allow:

- the assessment of radiological conditions in all work premises;
- the estimation of exposures in the controlled area.

Routine monitoring of work premises has the purpose of confirming the satisfactory conditions of the working environment for the performance of activities and of underlining the changes that may require the review of work procedures.

The monitoring related to certain activities has the purpose of providing information about the radiological conditions in the areas in which they are to be carried out and is the basis for the immediate decisions that are being taken for their performance.

The following are being monitored:

- Radiological conditions in work premises;
- Contamination of the personnel;
- Contamination of materials and equipment;

The communication and recording of monitoring results are carried out in compliance with the procedures developed by the Radiation Protection Department.

*Personnel training in the field of Radiation Protection*

A key element in the safe operation of a nuclear power plant is its personnel. Employees and external workers are selected and trained with the purpose of ensuring their capacity to safely perform the tasks they have received.

The training program provides the theoretical and practical training in Radiation Protection for a sufficient number of employees within the Power Plant and external contractors, at a level that allows for their own radiation protection and their accountability for the protection of other people.

### *Personnel Dosimetry*

Cernavoda NPP has the responsibility to ensure the radiological monitoring of the working environment for the professionally exposed workers and visitors during the performance of its authorized activities.

The correct measurement and recording of the doses collected by the professionally exposed staff of Cernavoda NPP and by contractors is a very important element of the “Control of personnel radiation exposure” process.

The dosimetry program of Cernavoda NPP is based on the requirements of the applicable national legislation and on the latest recommendations of the International Commission for Radiological Protection.

The dosimetry program, including the methods used and their technical justification, is developed by the Radiation Protection Department.

The doses collected by the personnel professionally exposed at Cernavoda NPP are due to the external and internal exposures characteristic of a CANDU-type reactor.

External exposure represents the exposure to radioactive sources located outside the human body.

The main source for external irradiation in a CANDU type power plant is gamma radiation.

The measurement of the individual gamma dose is carried out using a thermal-luminescent detector dosimeter (TLD). Wearing the dosimeter is mandatory throughout the activity carried out in the radiologically controlled area.

Thermal-luminescent dosimeters are also used to measure the dose on the extremities, the thermal-luminescent pills being attached in the areas with the highest irradiation (fingers, wrists, ankles).

In a CANDU power plant, the neutron doses have a small contribution to external irradiation and are monitored in turn using a neutron flowmeter.

Internal exposure (contamination) is the process of penetration into the body of radioactive materials by means of inhalation, ingestion or through the skin.



The main source for indoor exposure in a CANDU-type power plant is heavy tritiated water vapors.

The internal dose due to this source is determined by analyzing urine samples based on the liquid scintillator detection technique. The frequency of sample measurement depends on the concentration of tritium in the urine from the last measured sample. The more the concentration of tritium in the urine increases, the interval between the supply of two biological samples decreases, ranging from monthly to daily.

Internal doses due to other sources are determined through direct measurement of the personnel at the Human Body Counter, with a frequency that depends on the nature of the activity performed. Measurements with the human body counter are carried out monthly, quarterly, annually, or once every three years.

#### *Recording the doses*

For the correct recording and retrieval of doses, a recording system in electronic format (database type) and on paper is in place. In addition to the evidence of the collected doses, the system also keeps records of the analytical results of all samples.

Maintaining the organization's commitment for the reduction of personnel exposure has led to top results regarding the collective doses collected, which have placed both units in the top 25% of power plants evaluated by WANO.

#### *Inter-comparisons*

For the validation of the working methods in compliance with ISO 17025 and the CNCAN norms on individual dosimetry and radon, approved by Order 180 of 17.11.2020 and in order to demonstrate the credibility of the dose measurements for the personnel and the population, the Individual Dosimetry Laboratory participates in international inter-comparison exercises.

The Individual Dosimetry Laboratory is a member of the French Association PROCORAD (Association for Radiotoxic Measurements) and participates in inter-comparison exercises on internal dosimetry measurements since 2001.

The results obtained in the inter-comparison exercises by internal dosimetry measurements, in the period 2001 - 2018 were good and very good. The results obtained in the "Tritium measurement in urine" category, where the dosimetry laboratory qualified as reference laboratory in the years 2004, 2006, 2007 and in the category "C-14 measurements in the urine" where it qualified in "Top 4" best performing laboratories of PROCORAD Association in the years 2001, 2004, 2006, 2007, 2008 and

2009, 2010, 2012, 2013 should be noted and in category “C14&H3 measurements in urine” where it qualified as a Reference laboratory in 2012 and 2018.

For external dosimetry measurements, the laboratory participated in 1999 in an exercise organized by IAEA, and, as of 2007 is participating in the inter-comparison exercises (Performance Tests for Dosimetry Systems with TLD used in CANDU power plants) organized by COG.

The results obtained in the inter-comparison exercises in the period 2001 - 2018 were good and very good. The results obtained in the "Tritium measurement in urine" category, where the dosimetry laboratory qualified as reference laboratory in the years 2004, 2006, 2007 and in the category "C-14 measurements in the urine" where it qualified in "Top 4" best performing laboratories of PROCORAD Association in the years 2001, 2004, 2006, 2007, 2008 and 2009, 2010, 2012, 2013 should be noted and in category “C14&H3 measurements in urine” where it qualified as a Reference laboratory in 2012 and 2018.

The International Intercomparative Exercises for external dosimetry measurements, organized by COG in period 2007-2018 at Chalk River Laboratories in Canada showed that the Laboratory of Individual Dosimetry obtained good and very good results, and successfully met the acceptance criteria imposed by national and international standards.

#### **5.4. Radioactive waste management**

Management policies and principles observe the national and international requirements regarding radioactive waste. Cernavoda NPP has the facilities required for the intermediate storage of radioactive waste, in secure installations for the personnel, as well as for the population and the environment.

Radioactive waste is the result of day-to-day maintenance activities, repairs, scheduled or unscheduled power plant outages, and is managed completely separately from conventional waste.

The radioactive waste generated as a result of these activities is represented by:

- solids (plastic, cellulose, glass, wood, purification filters, filters from ventilation systems etc.);
- organic liquids (oil, solvent, scintillator liquid);
- (flammable) organic solid-liquid mixtures;
- watery solid-liquid mixtures (slurry).
- solid and liquid chemical waste.

Their collection and sorting is carried out by qualified personnel, following rules and criteria specified by procedures. The sorting activity applies to all types of radioactive waste.

For each type of radioactive waste (solids, organic liquids, mixtures of solids and organic liquids, mixtures of solids and watery liquids and solid chemicals / liquids) various criteria are followed:

- source of origin (service building, reactor building)
- type of material (plastic, cellulose, metal, wood, oil, solvents etc.)
- content of radionuclide (short, medium or long lifetime)
- contact dose rate (weak active, medium active).

After the sorting, radioactive waste is stored in special stainless steel containers.

Organic liquid radioactive waste (flammable) organic solid-liquid mixtures are stored in the service building and is subsequently solidified in order to eliminate potential flammability hazards.

Radioactive watery solid-liquid mixture waste (slurry) is stored in stainless steel barrels in the service building, and are subjected to a tarter treatment process for drying by methods of removing the water content.

Radioactive solid and liquid waste is kept in the service building in containers which are compatible with the chemical properties and are to be treated by authorized operators.

Radioactive waste management aims at identifying and controlling all radioactive waste produced and maintaining the generation of radioactive waste at the minimum practicable level.

The reduction of the volume of waste produced is achieved by compaction (using a hydraulic press), by applying treatment methods by burning radioactive solid waste that can be burnt and melting radioactive metal waste, by authorized external operators by the unconditional release of the waste from the authorization conditions of CNCAN.

The storage of solid or solidified radioactive waste is ensured throughout the period of operation of the power plant under optimum security and conservation conditions. The final disposal of these types of waste will only take place after the consolidation in solid, safe matrices, which would ensure that at least for 300 years these shall not have a negative impact on the environment.

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

- wet storage in the used fuel pool of the reactor for a period of minimum 6 years;
- dry storage for used fuel in the intermediate dry storage for a period of 50 years.

The intermediary storage is located at the Cernavoda NPP site, at approx. 700 m away from Unit 1, the transport being carried out on an internal road that allows the maintenance of an integrated physical protection system.

The storage will be carried out in stages, including 27 storage modules with a capacity of 12.000 bundles/module, which will ensure the storage of used fuel resulted from the operation of Cernavoda NPP, Units 1 and 2 for 50 years. To date, 9 modules have been built.

### *Environmental Protection Activity at NFP Pitesti*

Within NFP-Pitesti there is a constant concern for the nuclear security policy to be in line with the context in which Romania has committed itself to observe the international documents to which it has adhered (treaties, agreements, conventions, arrangements etc.). For environmental protection, NFP-Pitesti has implemented its own program in compliance with the Romanian and European legislation. Environment management procedures are developed in compliance with the SR EN ISO 14001:2015 standard and are the result of applying within NFP the Environment Management System that is part of NFP's Integrated Management System.

The Environmental Policy is an integral part of *NFP's Policy on Nuclear Security, Quality, Environment, Safety and Health at Work*, and NFP has also set *its own Environmental Goals and Targets*.

The Environment Authorization for SN Nuclearelectrica S.A. - Nuclear Fuel Plant branch of Pitesti issued by Government Resolution no. 24/2019 published in the Official Gazette no. 87bis/04.02.2019 seeks to keep under control all the elements resulting from the activities carried out and which could have an impact on the environmental factors and the population.

NFP-Pitesti carries out the external communication with interested parties according to the legal requirements for reporting, situations, records, statistics, announcements, notifications, memos etc. to the environmental authorities (Ministry of Environment, Waters and Forests and the subordinated institutions, the National Commission for Nuclear Activities Control, the Nuclear Agency and Radioactive Waste etc.)

NFP-Pitesti has developed and implemented environmental monitoring programs providing measurements for the radioactivity of the environment and for non-radioactive elements on environmental factors: air, water, groundwater, soil, vegetation, dose and dose rates, noise, but also for emissions into the atmosphere of radioactive gaseous effluents and radioactive effluents from NFP at the Treatment Station of the Nuclear Research Institute in Pitesti. Following the monitoring operations, monitoring reports are being elaborated, which are submitted periodically to the Arges Environmental Protection Agency, the National Environmental Protection Agency and CNCAN in compliance with the Communication Protocol concluded between SNN SA and the Ministry of Environment, Waters and Forests regarding the method for achieving the special conditions and other requirements included in the "Environmental Authorization for the Operation of the Nuclear Fuel Plant Branch of Pitesti". Furthermore, NFP-Pitesti is reporting online, in compliance with the

Integrated Monitoring System the emissions of noxious emissions from motor vehicles and used oil waste.

Within the waste management program set out in the Radiological Security Manual of NFP, periodic reports are being submitted to CNCAN, APM and ANDR for radioactive solid and liquid waste.

For investments in terms of environmental protection, packaging, radioactive and non-radioactive waste, recyclable waste and materials, environment fund etc. NFP-Pitesti drafts reports and situations on a periodic basis, which it submits to ANPM, GNM CJ Arges, APM Arges, ANDR, SNN SA.

The environmental monitoring for the NFP-ICN platform and in its vicinity is performed by ICN-Pitesti with the contribution of NFP, in compliance with the environment radioactivity monitoring program of the ICN-NFP Pitesti platform, approved by CNCAN.

NFP-Pitesti carries out the measurements and monitors all transports of radioactive materials in the form of UO<sub>2</sub> sintering powder, nuclear fuel bundles, weak active radioactive solid waste from/to CNU Feldioara and Cernavoda NPP, respectively.

The Environmental monitoring report and the Environment radioactivity monitoring report are being elaborated on an annual basis, reports that are posted on the site.

#### *Radiological security activity at NFP Pitesti*

The activity of protection against ionizing radiation (radiological protection and radiological security) in NFP is carried out according to Law 111/1996 on the safe deployment, regulation and control of nuclear activities, republished, the specific norms elaborated by the National Commission for Nuclear Activities Control (CNCAN) and the regulations imposed by the Ministry of Health (MS), as amended and supplemented. At the same time, the protection activity against ionizing radiation is designed according to the radiological risks characteristic for a CANDU nuclear fuel plant based on natural and depleted uranium. Pursuant to them, within the NFP, as nuclear goal, only personnel professionally exposed to ionizing radiation is working, with the NFP managing establishing and maintaining a radiation protection program adequate for the specific nature of the plant. For the application of the radiation protection program, NFP has developed domain-specific documents: Radiological Security Manual, Radiation Protection Control Plans, Radiation Protection Procedures, Specific Programs, and obtained operating licenses every two years from CNCAN for all the activities that is performing in the nuclear field: possession, use, handling, processing, production, temporary storage, supply, transport of radioactive materials etc. It has also obtained the sanitary authorization for operation in the nuclear field from the Arges Public Health Department.

For the measurement of individual external doses within NFP, the Laboratory of Radiation Protection and Personnel Dosimetry, appointed by CNCAN as a dosimetric body (currently LRDP has assignment certificate FCN\_ODD 12/2020 valid for period 27.10.2020 – 26.10.2025). Dosimetric and Radiation Protection measurements are also being carried out in the Laboratory of Radiation Protection and Personnel Dosimetry, with apparatuses, equipment, devices, devices and sources of radiation included in the operating authorizations of NFP-Pitesti.

For the validation of the working methods in compliance with ISO 17025 and the radiological safety norms issued by CNCAN and in order to demonstrate the credibility of the dose measurements for the personnel and the population, the Personnel Radioprotection and Dosimetry Laboratory participates in international inter-comparison exercises, with the latest taking place in 2018 (with EURADOS).

The radiological security activity takes place within the Nuclear Security Department, Radiation Protection and Personnel Dosimetry Laboratory.

#### *Radiation protection means within NFP*

In order to achieve the protection of NFP personnel and to minimize to the extent possible the risk of ionizing radiation contamination and occupational exposure, employees are provided, free of charge, with a wide range of personal protective equipment and personal protective equipment against ionizing radiation. Furthermore, NFP has under its own endowment collective radiation protective equipment and a modern ventilation system.

In the same context, within NFP, appropriate measures have been taken in compliance with the law, for the protection against ionizing radiation during interventions, emergency situations, during pregnancy, or removal for medical reasons from working in a field of radiations.

#### *Radiological monitoring of the working environment*

##### ❖ Monitoring airborne particulate matter with uranium/radioactive aerosols

It takes place in NFP areas where work with open radiation sources is being carried out: UO<sub>2</sub> powders, crude and sintered UO<sub>2</sub> pills. Daily air samples are taken with the Central Aerosol Sampling System or using manual pumps and are radiometrically measured in an automatic or manual system within the LRDP.

### *Monitoring the radioactive contamination of surfaces*

Total surface contamination (fixed and unfixed) is measured by means of direct beta measurements and unfixed contamination by wiping the surface with special materials (smears) and measuring their alpha radioactivity in LRDP.

### *Monitoring the radiation fields (dose rates and doses)*

The measurement of dose rates and doses is carried out in particular at workplaces where significant quantities of nuclear material (containers with UO<sub>2</sub> powder, crude and sintered pills of UO<sub>2</sub>, nuclear fuel elements and bundles) are present, but also within the perimeter of NFP by means of direct measurements or by dosimetric recording.

### *Individual radiological monitoring*

#### ❖ Measuring, assessing, recording and evidence of individual external doses

The entire personnel of NFP is systematically monitored with a monthly frequency for the *individual external dose* received, using the TLD as a means of individual monitoring. TLDs must be worn throughout the entire working time. TLDs are measured within the LRDP, where the interpretation and recording of the *individual external doses* measured takes place.

#### ❖ Assessing, recording and evidence of individual internal doses

*The individual internal dose* is determined only for the personnel exposed directly to open sources of radiation (airborne powders with uranium / radioactive aerosols), using the results of the Central Aerosol Sampling System. By summing up the *annual individual internal dose* with the *annual individual external dose*, the *total annual individual dose* is obtained.

The average annual total individual dose collected by NFP's professionally exposed personnel is around 1.2-1.5 mSv/year in relation to the maximum allowable dose limit of 20 mSv/year, according to the law and the administrative control limit of 15 mSv/year set by NFP as of 01.01.2015, according to the ALARA principle.

#### ❖ Monitoring internal contamination

This is carried out for the personnel directly exposed to open sources of radiation, by analyzing the uranium and beryllium in urine according to an established program.

## *Reporting*

The results of the radiological monitoring of the working environment and of the individual radiological monitoring are periodically reported to CNCAN and DSP Arges, according to the requirements set out under the authorizations. All monitoring records are maintained and archived in the Nuclear Security Document Archive for the periods provided for by the law. For the individual monitoring of employees, the records are kept in individual dossiers with exposure to ionizing radiation until the age of 75 but not less than 30 years after leaving NFP.

## *Training the personnel professionally exposed within NFP in the field of radiological security*

The activity takes place in compliance with the provisions of the CNCAN norms based on a procedure-led system. The radiological security course takes place at the beginning of each year and is followed by the verification of the knowledge and the periodical release/approval of level 1 nuclear activity performance for the field of Nuclear Raw Materials, specialization Manufacture of Fuel Elements. All the employees of NFP hold Permits for performing level 1 nuclear activities, issued by NFP.

A number of 32 employees hold permits to exercise activities in the nuclear field of level 2, issued by CNCAN in the domain of Nuclear Raw Materials, specialist area Manufacture of Fuel Elements, Activities with open and closed sources of radiation, Generators of radiation and Transport of Radioactive Materials.

NFP-Pitesti provides the regular training of persons with responsibilities in the field of radiological security assurance by means of refreshing courses in the field of radioactive protection, held once every 5 years. The last two courses took place according to the approvals issued by CNCAN in the periods 16-20.09.2013 (20 persons) and 18.07.2019 – 24.07.2019 (39 persons) at the registered office of NFP-Pitesti with lecturers from the National Center for Training and Specialization in the Nuclear Domain IFIN Magurele.



## 6. Results and key performance indicators

### 6.1. Production of electric and thermal energy

During the reporting period, the process of production of electricity and heat was carried out under normal conditions.

❖ At U1 the capacity factor at the beginning of 2020 at the end of December was 87.29%, in December 2020 was 101.11% and in December 486770.5 MWh were delivered, with a total annual net quantity of 4,963,252.8 MWh.

❖ At U2 the capacity factor at the beginning of 2020 at the end of December was 98.32%, in December 2020 was 99.7% and in December 482045.0 MWh were delivered, with a total annual net quantity of 5,611,815.4MWh.

The refueling program at U1 was achieved 100% (65/65).

The refueling program at U2 was achieved 100% (62/62).

The gross production of electricity of the two operational units of CNE Cernavoda was 11,466,405 MWh in 2020; from this gross production, the own technological consumption of the Units during the operation, and during the outages ensured from own production was 909 thousand MWh in 2020.

Thus, the electricity produced and delivered in the National Energy System (“NES”) was of 10,557,776 MWh in the year of 2020, as compared to 2019 (10,346,746 MWh), accounting for a 2% decrease. The increase is mainly due to the operation of amendment of the thresholds triggering the ROPT local supra-power protection systems (the system of protecting the reactor at high zonal powers) implemented at the end of last year at Unit 1 of Cernavoda NPP, which caused the increase of the reactor power, after cleaning the steam generators in 2016.

The net electricity production program approved by the Board of Directors for 2020 (revision February 2020) considered an amount of 10,391,265 MWh, being achieved at a 101.6% rate.

The installed power usage factor, recorded by each operational unit within CNE Cernavoda in 2020, and cumulated since the start of the commercial usage (Unit 1 on December 2<sup>nd</sup>, 1996, Unit 2 on November 1<sup>st</sup>, 2007) was as follows:

Cernavoda NPP unit	Cumulated 2020	Cumulated from the commercial commissioning
Unit 1	87.29%	90.54%
Unit 2	98.32%	94.45%

The lower value of the factor for using the installed capacity at Unit 1 CNE Cernavoda reflects the influence of the scheduled outage for an actual duration of 1,053 hours, recorded starting with June 20<sup>th</sup>, at 11:00, completed on August 3<sup>rd</sup>, at 08:00. The unplanned extension of the scheduled outage of Unit 1 CNE Cernavoda lasted 65.5 hours, the resynchronization moment being on August 6<sup>th</sup> at 04:04.

In August, there was an unscheduled stop of Unit 2 of Cernavoda NPP, with a duration of 46.6 hours, starting with August 29<sup>th</sup> at 08:21.

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

The electrical power of Units 1 and 2 CNE Cernavoda in 2020 was influenced by the duration of the planned outage of Unit 1, amounting to 1,053 hours, its unscheduled extension by 59 hours, the unscheduled stop of 6.5 hours in August 5<sup>th</sup>, recharges with fuel and conjunctural causes, and by the unscheduled stop of Unit 2 amounting to 46.6 hours, which started on August 29<sup>th</sup>.

The annual energy quantity that SNN can produce by the two Cernavoda NPP units thereof is approximately 10.6 TWh (net), given the fact that the units are operated at a high capacity factor. The energy produced by SNN in period January 1<sup>st</sup> - November 30<sup>th</sup>, 2020 had a weight of approximately 20% in the total energy produced in Romania (net values).

Power production in 2019 – 2020:

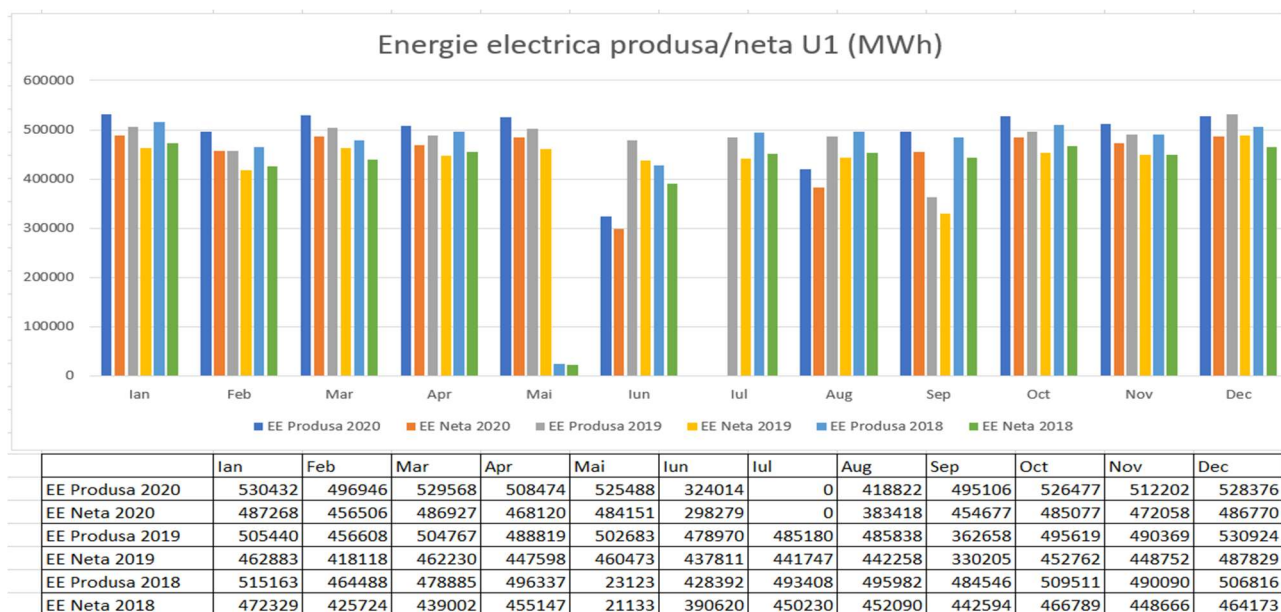
Output	2020			2019		
	Unit 1	Unit 2	Total	Unit 1	Unit 2	Total
Gross production (GWh)	5,395	6,070	<b>11,466</b>	5,788	5,492	<b>11,280</b>
Net production (GWh)	4,963	5,611	<b>10,575</b>	5,293	5,075	<b>10,368</b>
Capacity factor (%)	87.29	98.32	<b>92.81</b>	93.86	89.18	<b>91.52</b>

The planned and unplanned outages for each unit:

Event	Number outage days	
	2020	2019
Planned outage U1	43.9	-
Planned outage U2	-	31.3
<b>Subtotal planned outages</b>	<b>43.9</b>	<b>31.3</b>
Unplanned outage U1	2.7	6.67
Unplanned outage U2	1.9	4.1
<b>Subtotal unplanned outages</b>	<b>4.6</b>	<b>10.77</b>
<b>Total</b>	<b>48.5</b>	<b>42.07</b>

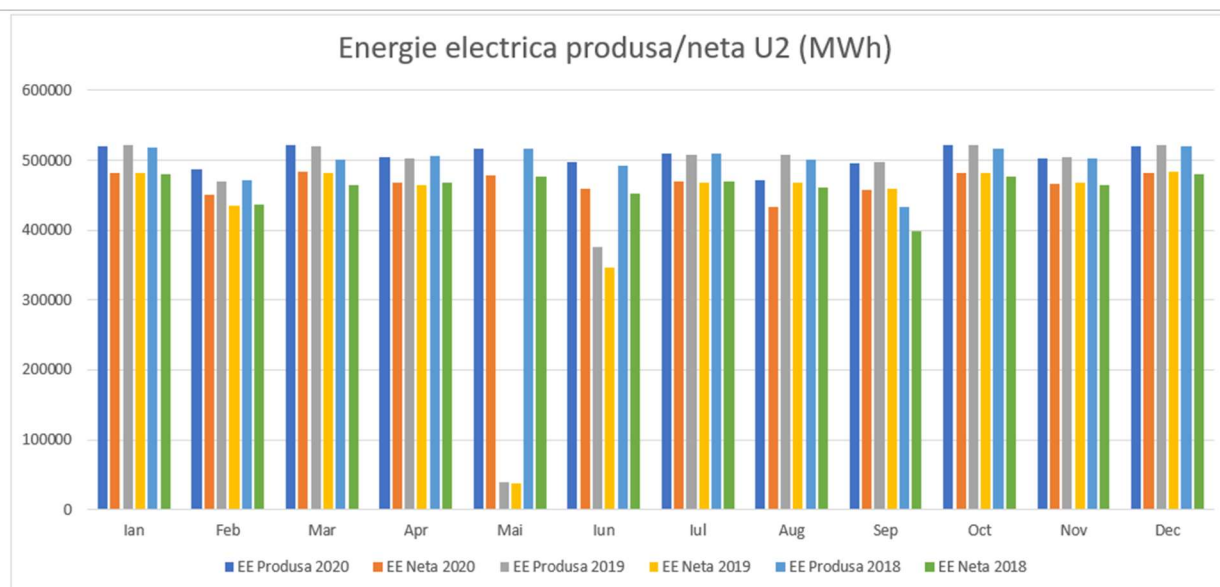
The number of hours of unplanned outages was within the number estimated according to the 2020 production program (12 days).

The main indicators of the production activity are shown in the following graphics



Total 2020		Total 2019		Total 2018	
Produced E	Net E	Produced E	Net E	Produced E	Net E
5,395,904	4,963,253	5,787,876	5,292,668	5,386,742	4,928,499
Own average technological consumption: 8.02%		Own average technological consumption: 8.57%		Own average technological consumption: 8.52%	

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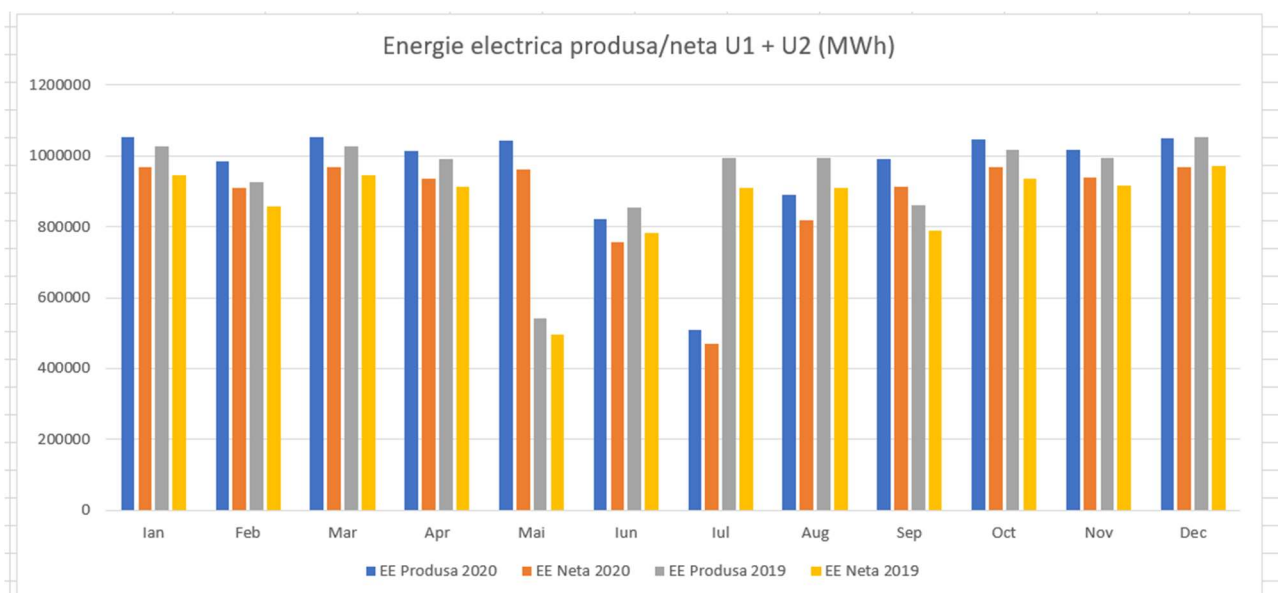
	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
EE Produsa 2020	520917	487941	521720	504868	516612	497094	509397	470783	495831	520966	503571	520800
EE Neta 2020	482146	451531	482815	467194	477671	459334	469921	433659	457579	482130	465793	482045
EE Produsa 2019	521050	470153	520846	503167	39962	375326	508145	507427	497706	521128	505194	522187
EE Neta 2019	482036	434694	481563	465236	36911	346130	468261	467640	459431	482155	467905	483579
EE Produsa 2018	518704	471717	501670	505611	516767	492255	509888	501498	432506	516363	503577	520137
EE Neta 2018	479703	436316	463751	467891	477570	453191	469600	461048	398486	476886	465373	481024

Total 2020		Total 2019		Total 2018	
Produced E	Net E	Produced E	Net E	Produced E	Net E
6,070,500	5,611,815	5,492,291	5,075,542	5,990,693	5,530,839

Own average  
technological  
consumption:  
7.56%

Own average  
technological  
consumption:  
7.60%

Own average  
technological  
consumption:  
7.68%



	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
EE Produsa 2020	1051349	984887	1051288	1013342	1042100	821108	509397	889605	990937	1047443	1015773	1049176
EE Neta 2020	969414	908037	969742	935315	961823	757613	469921	817076	912256	967207	937851	968815
EE Produsa 2019	1026490	926762	1025613	991986	542645	854296	993325	993265	860364	1016747	995563	1053111
EE Neta 2019	944919	858812	943793	912834	497384	783942	910007	909899	789637	934918	916658	971408

Total 2020

Total 2019

Produced E

Net E

Produced E

Net E

11,466,405

10,575,068

11,280,167

10,368,211

Own technological  
consumption of electricity

Own technological consumption of  
electricity

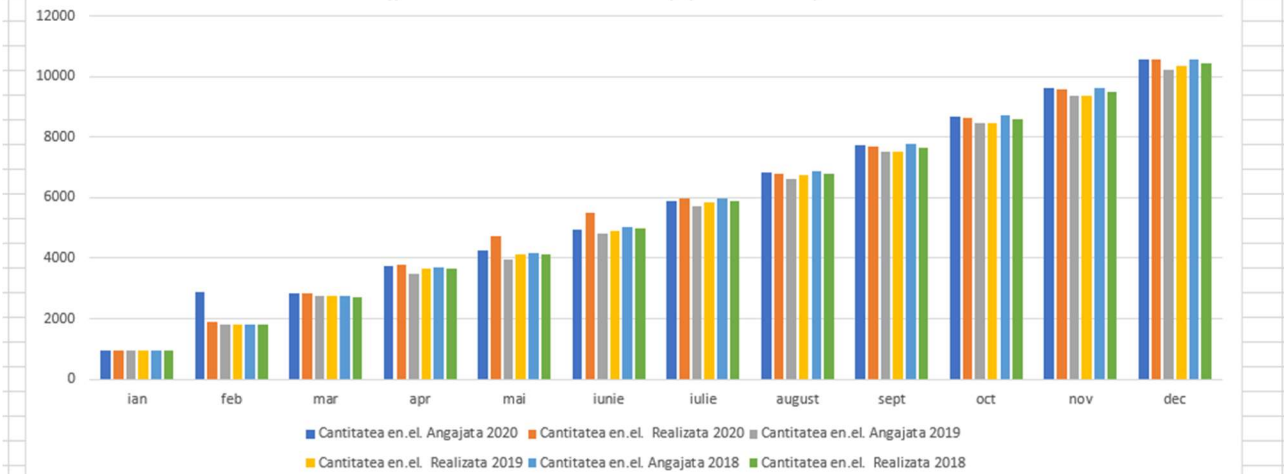
Cumulatively accomplished in  
2020: 7.79%

Cumulatively accomplished in  
2019: 8.08%

Provided in the project:  
max 10.00%

Provided in the project:  
max. 10.00%

### Cantitatea de energie electrica programata/realizata (pentru comercializare) (mii MWh)

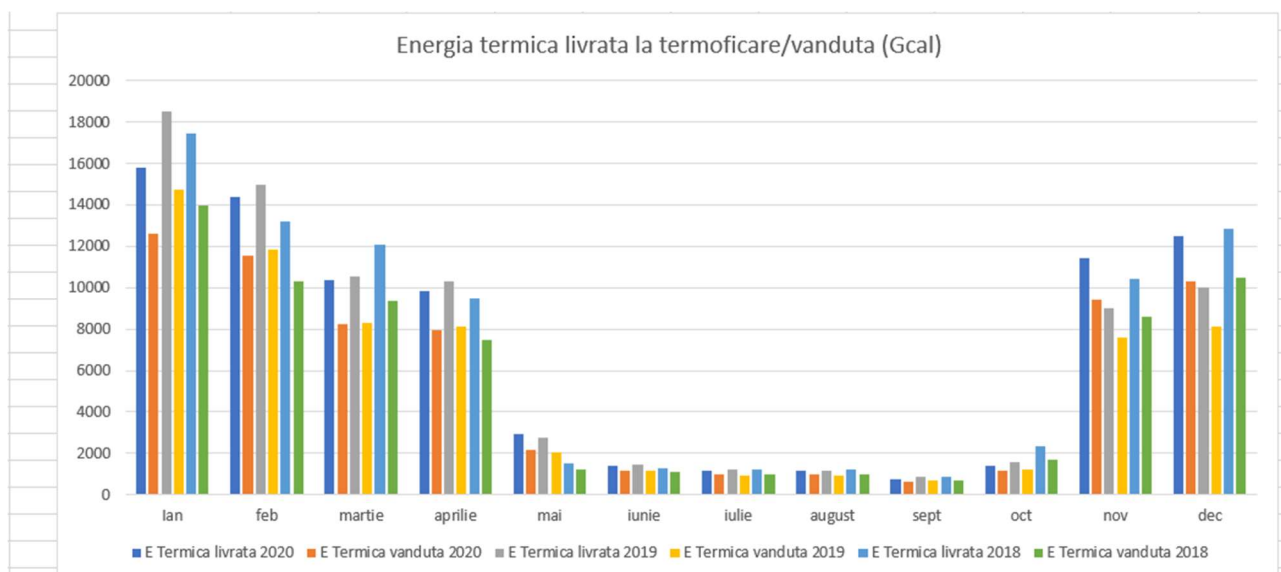


	ian	feb	mar	apr	mai	iunie	iulie	august	sept	oct	nov	dec
Cantitatea en.el. Angajata 2020	964	2866	2827	3759	4261	4953	5891	6822	7734	8691	9618	10578
Cantitatea en.el. Realizata 2020	960	1877	2847	3783	4744	5499	5960	6772	7684	8651	9589	10558
Cantitatea en.el. Angajata 2019	941	1791	2732	3486	3968	4814	5726	6634	7526	8461	9365	10228
Cantitatea en.el. Realizata 2019	945	1798	2742	3654	4142	4919	5829	6739	7524	8459	9375	10347
Cantitatea en.el. Angajata 2018	953	1815	2767	3687	4177	5032	5955	6876	7777	8722	9634	10581
Cantitatea en.el. Realizata 2018	952	1814	2714	3637	4128	4969	5889	6802	7640	8584	9498	10443

Percentage achieved in 2020: 99.81%

Percentage achieved in 2019: 101.16%

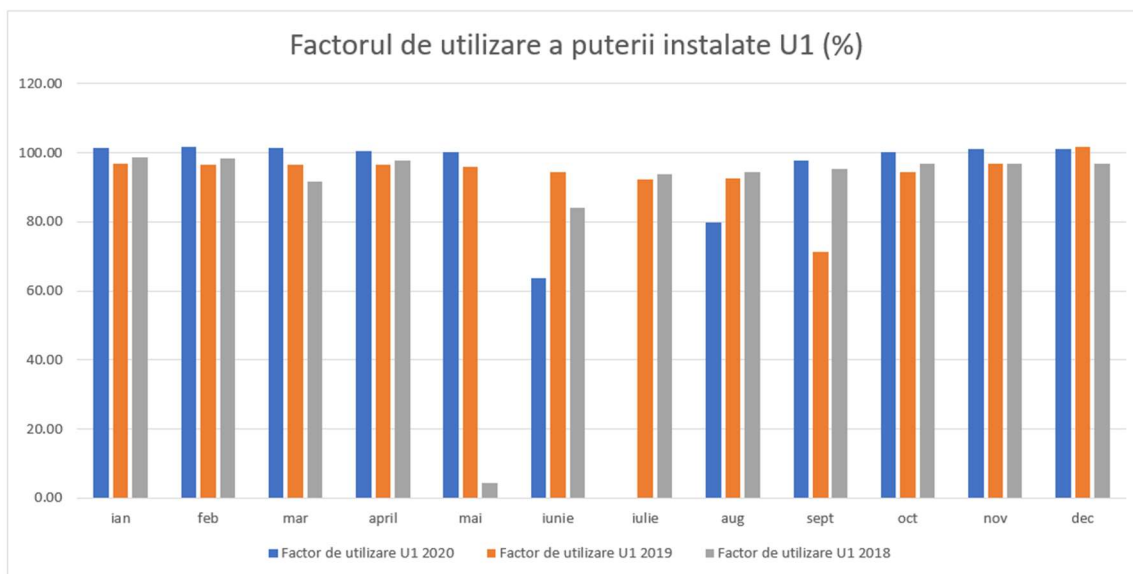
Percentage achieved in 2018: 98.69%



	ian	feb	martie	aprilie	mai	iunie	iulie	august	sept	oct	nov	dec
E Termica livrata 2020	15809	14400	10352	9824	2929	1398	1158	1166	750.93	1406	11455	12513
E Termica vanduta 2020	12595	11567	8237	7946	2198	1150	996	1010	633	1148	9428	10283
E Termica livrata 2019	18500	14945	10525	10310	2764	1439	1202	1148	894	1598	8983	10011
E Termica vanduta 2019	14735	11816	8307	8112	2067	1184	937	915	721	1225	7576	8144
E Termica livrata 2018	17427	13183	12054	9460	1501	1313	1212	1204	847	2356	10407	12836
E Termica vanduta 2018	13977	10318	9354	7499	1205	1118	1005	1000	698	1682	8603	10479

Total 2020		Total 2019		Total 2018	
Thermal E delivered	Thermal E sold	Thermal E delivered	Thermal E sold	Thermal E delivered	Thermal E sold
83,260	67,189	82,320	65,737	83,799	66,940

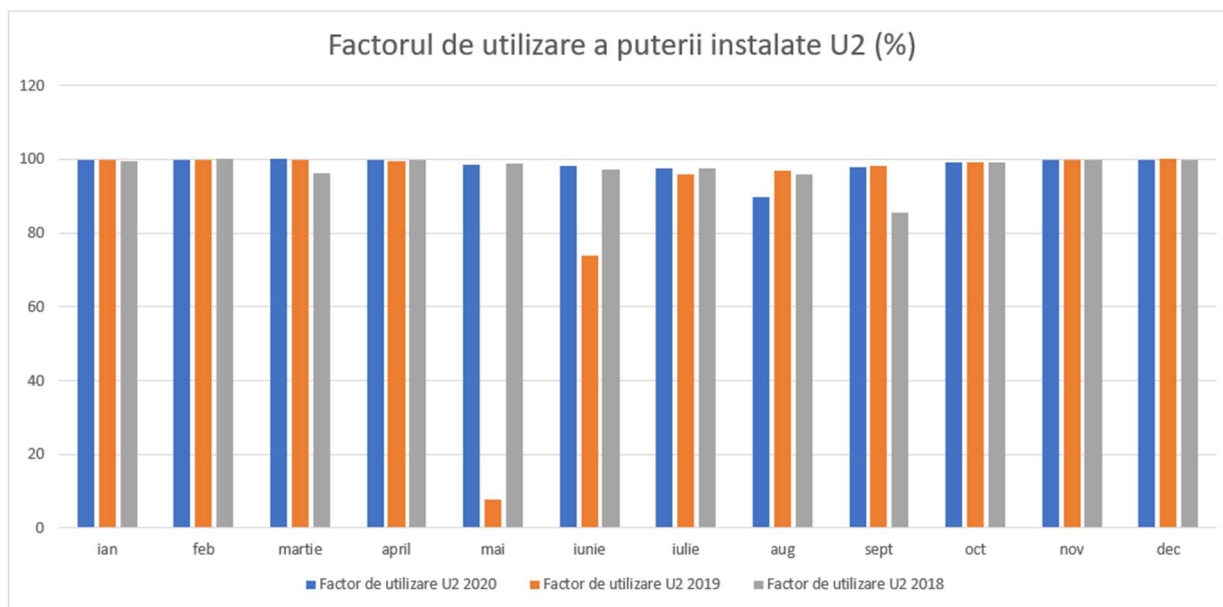
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	ian	feb	mar	april	mai	iunie	iulie	aug	sept	oct	nov	dec
<b>Factor de utilizare U1 2020</b>	101.53	101.64	101.37	100.38	100.1	63.75	0	79.87	97.64	100.34	101.05	101.11
<b>Factor de utilizare U1 2019</b>	96.78	96.7	96.6	96.47	95.96	94.46	92.41	92.54	71.43	94.37	96.79	101.6
<b>Factor de utilizare U1 2018</b>	98.6	98.5	91.7	97.9	4.4	84.2	93.8	94.3	95.2	96.8	96.8	97

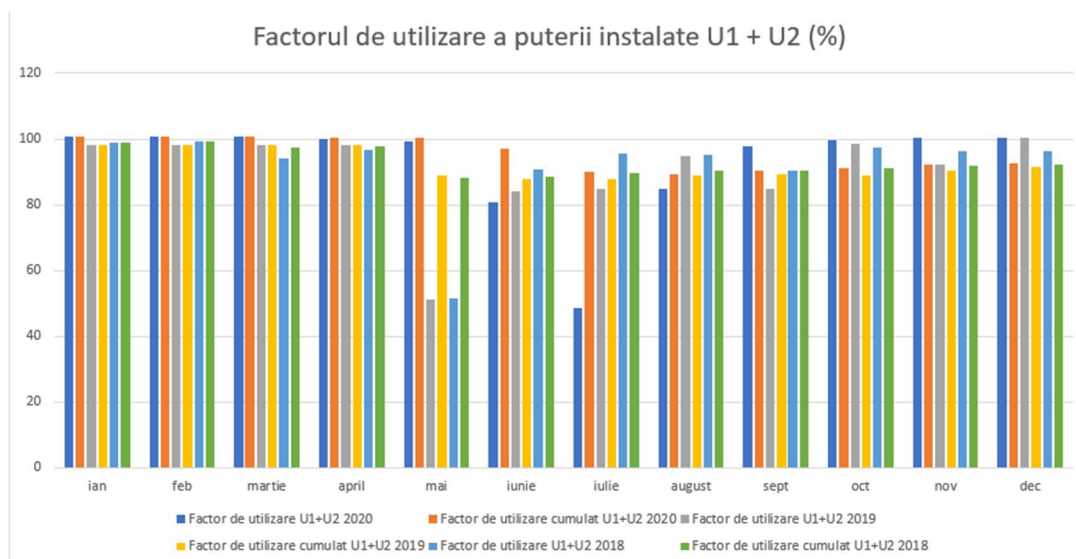
Estimated 2020 87.5% (internal NPP target)	Cumulated 2020 U1 87.29%	Estimated 2019 92% (internal NPP target)	Cumulated 2019 U1 93.86%	Estimated 2018 87.4% (internal NPP target)	Cumulated 2018 U1 87.31%
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	ian	feb	martie	april	mai	iunie	iulie	aug	sept	oct	nov	dec
<b>Factor de utilizare U2 2020</b>	99.87	99.93	100.01	99.77	98.57	98.13	97.39	89.83	97.71	99.28	99.77	99.7
<b>Factor de utilizare U2 2019</b>	99.93	99.75	99.71	99.53	7.63	73.96	95.93	96.82	98.14	99.3	99.89	100.01
<b>Factor de utilizare U2 2018</b>	99.45	100.1	96.34	99.81	98.89	97.27	97.44	95.95	85.49	99.01	99.67	99.78

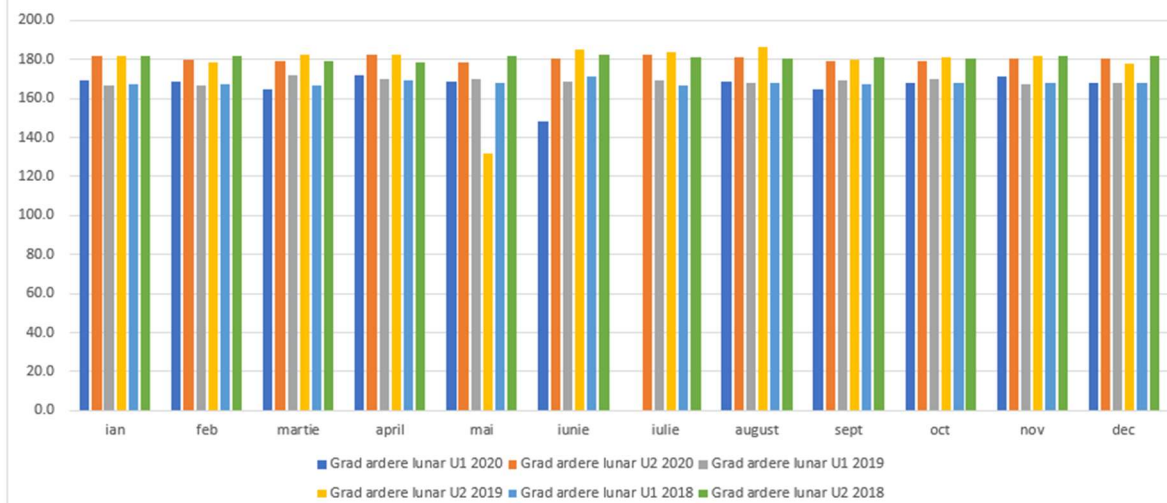
Estimated	Cumulated	Estimated	Cumulated	Estimated	Cumulated
2020	2020 U2	2019	2019 U2	2018	2018 U2
97%	98.32%	90%	89.18%	99%	97.43%
(internal NPP target)		(internal NPP target)		(internal NPP target)	



	ian	feb	martie	april	mai	iunie	iulie	august	sept	oct	nov	dec
Factor de utilizare U1+U2 2020	100.7	100.7	100.69	100.07	99.3	80.94	48.7	84.85	97.67	99.81	100.41	100.41
Factor de utilizare cumulată U1+U2 2020	100.7	100.7	100.73	100.57	100.32	97.12	90.07	89.41	90.31	91.28	92.1	92.8
Factor de utilizare U1+U2 2019	98.26	98.28	98.1	98	51.1	84.28	84.95	94.71	84.92	98.52	92.24	100.22
Factor de utilizare cumulată U1+U2 2019	98.26	98.28	98.28	98.1	88.88	87.92	87.92	88.91	89.11	88.9	90.55	91.52
Factor de utilizare U1+U2 2018	99.05	99.29	94.03	96.86	51.65	90.75	95.65	95.15	90.39	97.55	96.23	96.41
Factor de utilizare cumulată U1+U2 2018	99.05	99.16	97.4	97.77	88.3	88.7	89.72	90.41	90.41	91.18	91.81	92.37

Cumulated 2020: 91.28%	Estimated 2020: 92%	Cumulated 2019: 91.52%	Estimated 2019: 91%	Cumulated 2018: 92.37%	Estimated 2018: 93%
Cumulated consumption 2020: 10,456		Cumulated consumption 2019: 10,396		Cumulated consumption 2018: 10,376	

### Grad de ardere combustibil nuclear (MWh/ KgU)



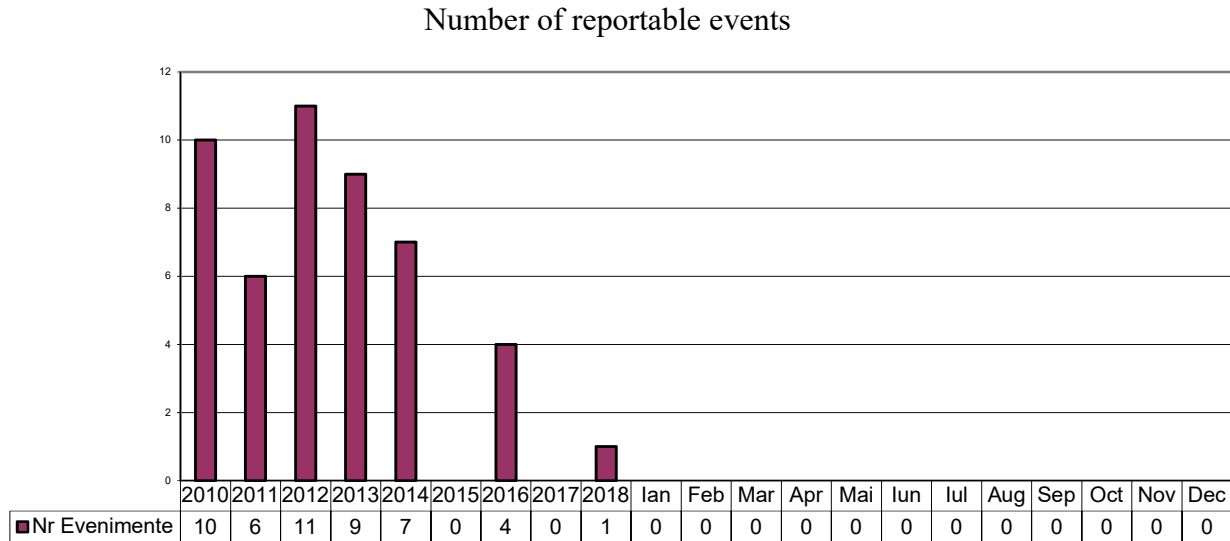
	ian	feb	martie	april	mai	iunie	iulie	august	sept	oct	nov	dec
<b>Grad ardere lunar U1 2020</b>	169.3	168.9	165.0	172.1	168.9	148.5	168.7	168.7	165	168.2	171.1	168.2
<b>Grad ardere lunar U2 2020</b>	181.6	179.8	179.3	182.4	178.5	180.7	182.6	181.0	179.3	179.1	180.2	180.2
<b>Grad ardere lunar U1 2019</b>	166.5	166.5	172	169.7	170.2	168.7	169.3	168.1	169.2	169.8	167.6	167.9
<b>Grad ardere lunar U2 2019</b>	182.12	178.4	182.8	182.3	131.8	185.1	183.7	186.6	179.6	181.3	181.7	177.7
<b>Grad ardere lunar U1 2018</b>	167.64	167.5	166.4	169.5	167.8	171.6	166.5	168.3	167.5	167.7	167.7	167.7
<b>Grad ardere lunar U2 2018</b>	182.1	181.6	179	178.6	181.9	182.4	181.2	180.4	181	180.2	181.8	181.8

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## 7. Nuclear security aspects

The operation activity was conducted without events with impact on nuclear safety, upon the own personnel, population and environment.

During the reporting period, no reportable operating event was recorded exceeding Level 1 on the international scale of nuclear events, regarding the degradation of deep defense barriers, impact on site or outside (indicator 1) and no human error leading to an event with consequences.



Classification on the ines scale (indicator 1):

Level 0: 0/ Level 1: 0 Limit 2019: 1

*Radioprotection / occupational safety and health / fire safety aspects*

### ***Radiation protection of personnel, population and environment***

No special events have been recorded regarding the radiation protection of personnel, the population and the environment.

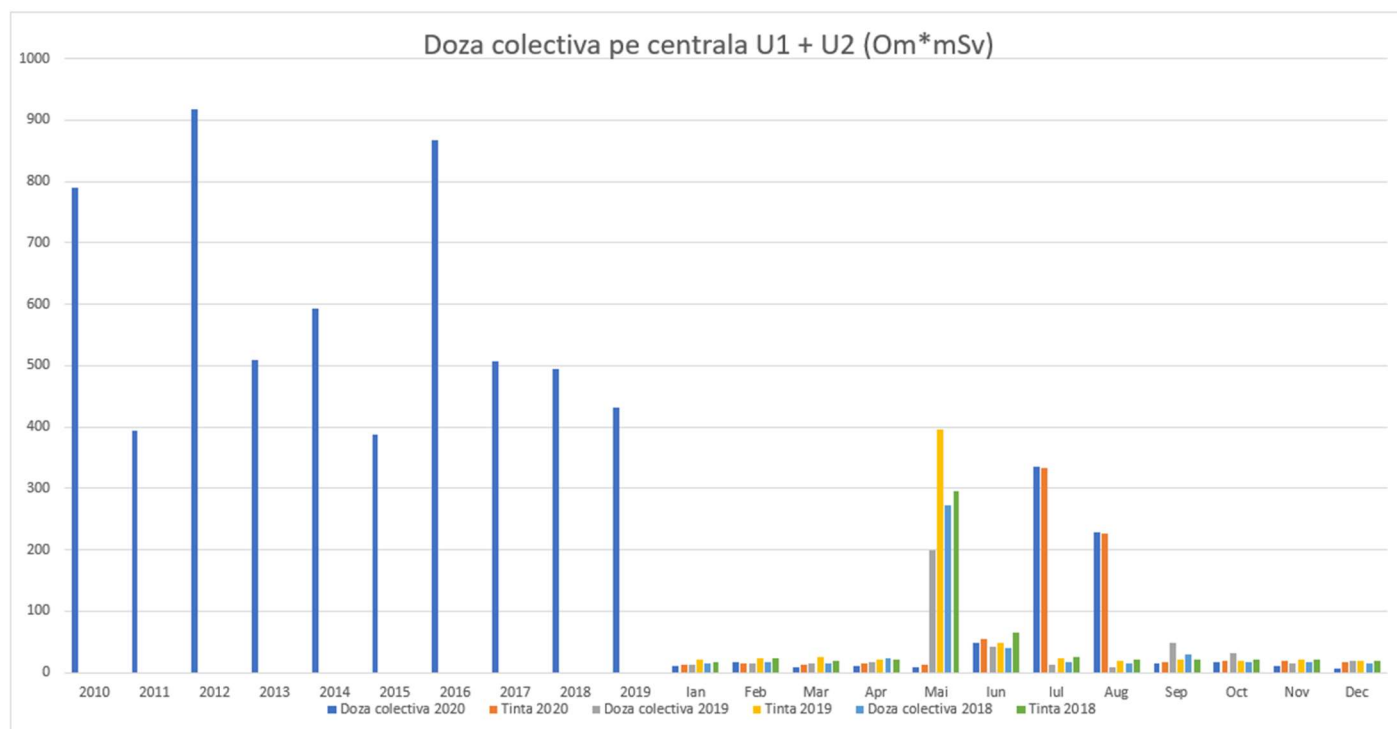
The dose for a representative person in the population, collected from the radioactive emissions is about 2.000 times lower than the legal dose limit.

During December 2020, the routine individual dosimetry surveillance was ensured for 2,254 professionally exposed workers (NPP employees and contractors) and 2243 biological samples were analyzed.

Information on monitoring and controlling individual doses  
(for professionally exposed personnel)

No.	ALARA Indicator	Measuring Unit	Value
1	Maximum legal limit of the individual dose	mSv/an	20
2	Maximum administrative limit of the individual dose	mSv/an	14
3	2019 target for the maximum individual dose	mSv/an	7
4	Maximum individual dose cumulated since the beginning of 2020	mSv	7.5

Collective dose per power plant, U1 + U2 (Om\*mSv)

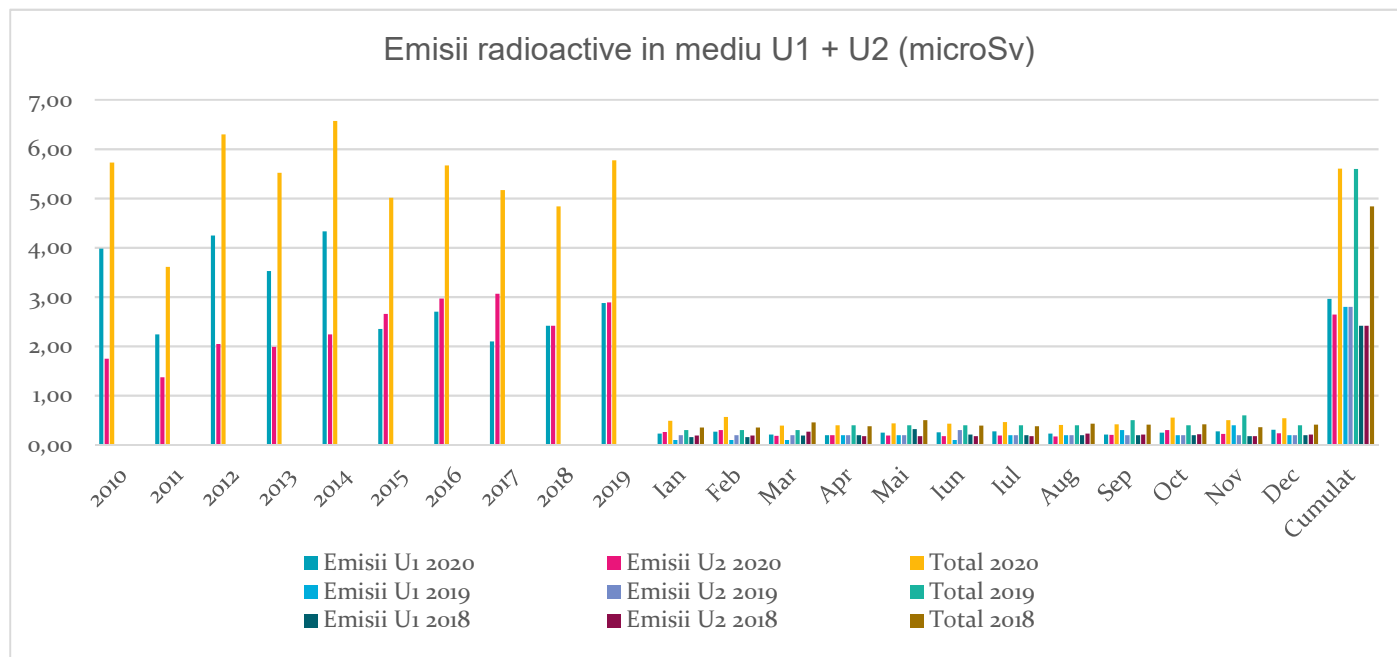


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec
Doza colectiva 2020	790	393	918	509	592	388	868	507	494.03	432.6	12.39	15.89	12.99	10.974	9.236	48.012	334.462	228.226	15.321	17.827	11.393	6.942
Tinta 2020											12.39	15.89	12.99	14.1	12.14	54.22	332.79	227.08	16.48	19.69	19.12	18.11
Doza colectiva 2019											12.57	15.37	16	17.821	199.574	42.768	12.504	8.96	47.58	32.1	15.91	18.78
Tinta 2019											21.1	23.8	24.58	21.1	395.7	47.8	23.85	19.77	20.42	20.2	20.88	18.78
Doza colectiva 2018											14	18	14	22.73	273.14	39.14	17.239	15.417	29.616	17.608	16.638	15.26
Tinta 2018											18	24	20	20.3	295.62	65.4	26.3	20.9	21.84	21.5	21.22	19.54

Cumulated	Annual	Cumulated	Annual	Cumulated	Annual
2020:	limit:	2019:	limit:	2018	limit:
71.51	755	432.6	655	494.03	576

*NB: The collective dose per the power plant, cumulated from the beginning of the year is calculated as the sum of individual doses.*

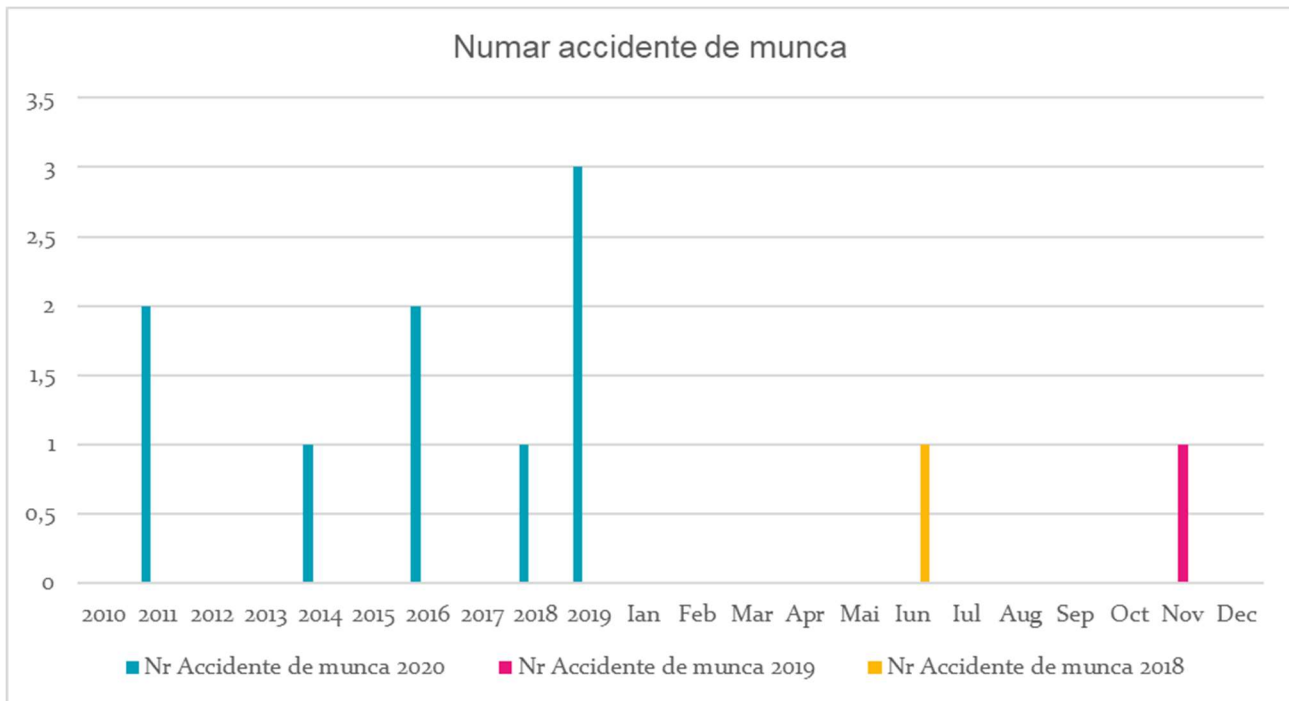
## Radioactive emissions in the environment U1+U2 (microSv)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec	Cumulat	
Emisii U1 2020	3.98	2.24	4.25	3.53	4.33	2.35	2.70	2.10	2.42	2.88	0.232	0.266	0.211	0.200	0.249	0.254	0.275	0.229	0.212	0.252	0.274	0.309	2.962	
Emisii U2 2020	1.75	1.37	2.05	1.99	2.24	2.66	2.97	3.07	2.42	2.89	0.260	0.301	0.184	0.196	0.191	0.177	0.192	0.174	0.206	0.302	0.225	0.233	2.641	
Total 2020	5.73	3.61	6.30	5.52	6.57	5.01	5.67	5.17	4.84	5.77	0.492	0.567	0.395	0.396	0.439	0.431	0.466	0.403	0.418	0.554	0.499	0.542	5.604	
Emisii U1 2019											0.100	0.100	0.100	0.200	0.200	0.100	0.200	0.200	0.300	0.200	0.400	0.200	0.200	2.800
Emisii U2 2019											0.200	0.200	0.200	0.200	0.200	0.300	0.200	0.200	0.200	0.200	0.200	0.200	0.200	2.800
Total 2019											0.300	0.300	0.300	0.400	0.400	0.400	0.400	0.400	0.500	0.400	0.600	0.400	0.400	5.600
Emisii U1 2018											0.160	0.160	0.190	0.200	0.320	0.210	0.200	0.200	0.200	0.200	0.200	0.180	0.200	2.420
Emisii U2 2018											0.190	0.190	0.270	0.180	0.180	0.180	0.180	0.230	0.210	0.220	0.180	0.210	0.210	2.420
Total 2018											0.350	0.350	0.460	0.380	0.500	0.390	0.380	0.430	0.410	0.420	0.360	0.410	0.410	4.840

*Dose restriction for Cernavoda NPP = 100 microSv/year/unit + 50 microSv/year DICA*  
*Legal limit for the population (according to the Fundamental Radiation Protection Norm NSR01) =*  
*1,000 microSv / year*

Occupational safety and health / fire safety  
Work accidents



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Ian	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec	
Nr Accidente de munca 2020	0	2	0	0	1	0	2	0	1	3	0	0	0	0	0	0	0	0	0	0	0	0	0
Nr Accidente de munca 2019											0	0	0	0	0	0	0	0	0	0	0	1	0
Nr Accidente de munca 2018											0	0	0	0	0	0	1	0	0	0	0	0	0

NB: The cause for the occurrence of accidents is lack of attention while traveling.

There were no fires or fire starts from 2007 to the present.

### 8. Main risks and their management

The main objectives of SNN on medium and long term are maintaining nuclear safety and increase company performance, risk management becoming an important activity in this context. By the complex nature of the activities undertaken (manufacturing of nuclear fuel, electricity and heat production by operating nuclear units, power sales, procurement, stock activity etc.), the Company is exposed to various risks for which the management take all necessary steps to minimize them at an acceptable level.

The internal management inspection system is essentially an inspection of the obtained performance and it is adequate to best cover the interests pursued by the public entity in achieving its objectives.

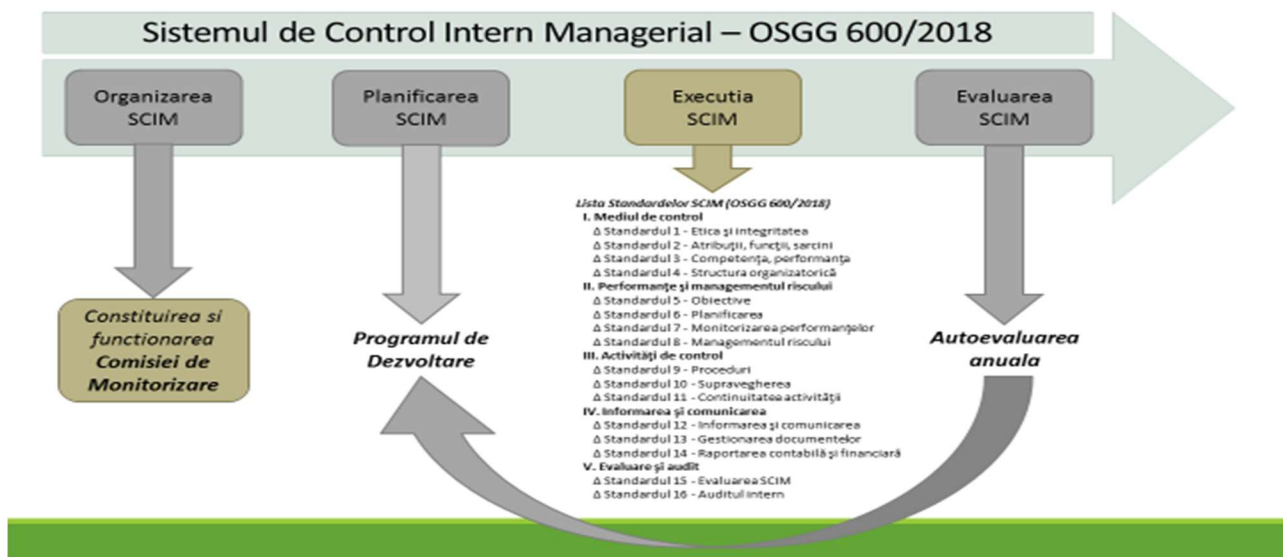
Regarding and perceived as a management function, the internal management inspection is the responsibility of the managers of the public entities, who have the obligation to design, implement and develop it continuously.

In S.N. Nuclearelectrica S.A. the internal management inspection system is adapted to the specificity and size of the company, by considering the particularities of the legal framework of organization and operation, as well as the internal management inspection standards, in correlation with the management systems implemented within SNN (headquarters and branches) in order to ensure the compliance with all the applicable legal requirements, norms and standards (OSGG no. 600/2018, Law no. 111/1996, CNCAN Norms, etc.).

According to Order of the General Secretariat of the Government no. 600/2018 regarding the approval of the Management Internal Control Code of public entities, in S.N. Nuclearelectrica S.A., the management internal control system operates with a variety of procedures, means, actions, provisions regarding all aspects related to the entity's activities. This set of elements is established and implemented by the company's management, in order to allow it to have a good control over the operation of the entity overall, and is the management internal control tool that consists of the following elements: objectives, means, information system, organization, procedures, control.

Based on the information provided by the management internal inspections, the management of the company consolidates its managerial decisions regarding the plan of activity, the organization and coordination of the structures from the organizational chart of the company, the precise determination of the responsibilities by structures and the persons involved in the activities of the entity.

The management internal inspection by its objectives and procedures aims at: ensuring a proper use of resources (financial, human) and their correlation with the objectives of the entity; improving the informational flow; increasing intelligibility, risk management, fraud prevention and detection, and document quality.



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As a result of the diversity of the performed activities (nuclear fuel manufacture, electricity and thermal energy manufacture by operating nuclear units, energy sales, public procurement, stock exchange activities, etc.), S.N. Nuclearelectrica S.A. owns one of the most complex internal inspection environments, with an organizational culture aimed at continuous improvement, which wants to ensure supervision in all essential points. The purpose of the internal management inspection system is to prevent errors and irregularities, to preventively remove the underlying causes and to perfect the inspected activities. The internal management control provides to the managers data on the progress or regress in achieving the intended objectives, and essentially represents a control of the obtained performance.

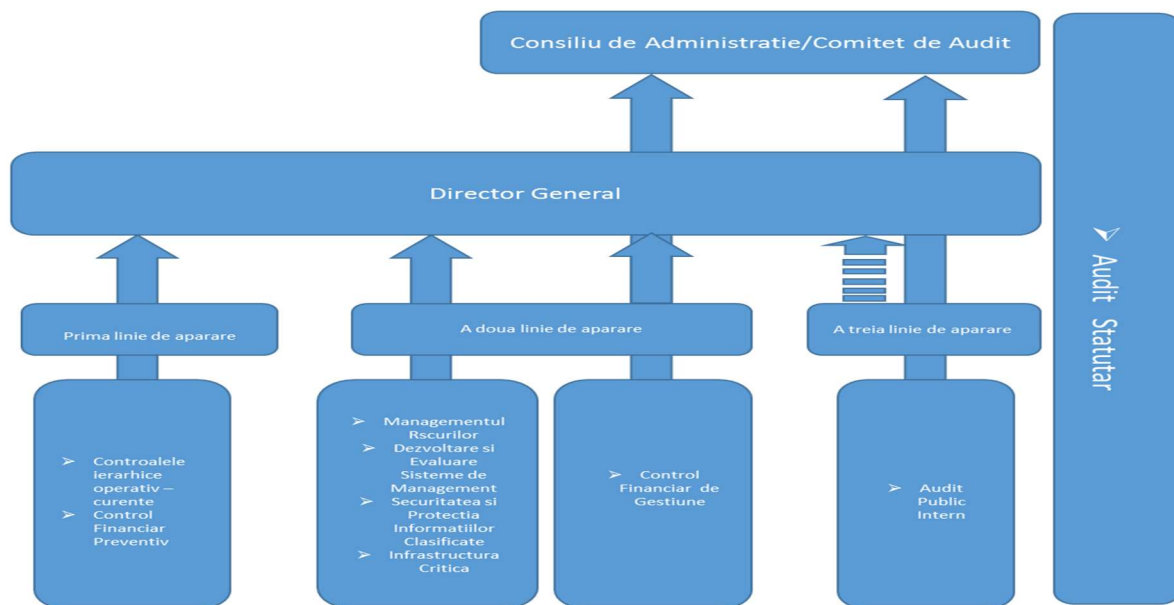
The managers of SN Nuclearelectrica SA are involved in the continuous implementation and improvement of the internal management system, ensuring the organizational framework and allocating resources for developing the internal inspection system, namely the assimilation of international best practices in the field, as basis for the systemic and transparent management of the organization, the basis for reaching objectives under conditions of regularity, effectiveness, economical management and efficiency.

Consequently, the company ensures the compliance with the requirements of the standards promoted by the General Secretariat of the Government and Order no. 600/2018, which stipulates that the establishment of the internal management control system is the responsibility of the managers, the implementation and development of the internal management control system, the operation of its self-assessment, and drafting/submitting the report on the system of internal management control system constitute performance indicators for the manager of the unit.

Thus, the organizational model of SNN aims at ensuring the legal segregation and independence requirements of the defense levels, assimilated to the best practices and standards of the COSO model.

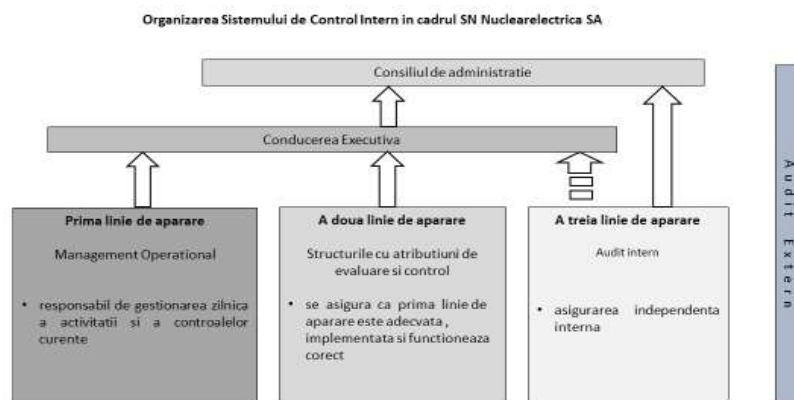
According to best practices and the requirements of OSGG no. 600/2018, SNN implements the model of "3 defense lines":

## Organizarea sistemului de control intern in cadrul SN Nuclearelectrica SA



Where:

- The first line is represented by the operational management, responsible for the daily management of the activities and current inspections;
- The second line of defense is represented by the structures that have assessment and inspection attributions in ensuring that the first line of defense is adequate, implemented, and operates properly. These Departments have some degree of independence from the first line of defense, and can also intervene directly in modifying and developing the inspection, management and risk management systems;
- The third line of defense, ensuring internal independence - internal audit - must provide to the Board of Directors / the Audit Committee and the Executive Management with an independent and objective assurance on the operation of the internal inspection and risk management system within the Company.



The establishment of the internal management inspection is based on internal inspection standards that are grouped into five components of internal management inspection:

- Inspection environment - groups the matters related to organization, human resources management, ethics, deontology and integrity;
- Performance and risk management - addresses management issues related to objective setting, planning (multi-annual planning), scheduling (management plan), performance (performance monitoring) and risk management;
- Inspection activities - refers to the drafting of procedures, the continuity of processes and activities, the separation of duties, supervision;
- Information and communication - this section groups matters related to the creation of an adequate informational system and a system of reports regarding the implementation of the management plan, the budget, the use of resources and the management of documents;
- The assessment of the internal management inspection system and internal audit - the issue addressed by this group of standards refers to the development of the capacity to assess the internal management inspection, in order to ensure the continuity of the process of its improvement.

In view of the monitoring, coordination and methodological guidance of the implementation and development of the internal control / management system, the Chief Executive Officer of SN Nuclearelectrica SA ordered, by a resolution, the update of the Monitoring Commission (CM-SCIM), according to the organizational modifications, so that its size and structure ensure the representation of all the entities of the organization and cover the specific competence of the management, information and monitoring of the company activities towards the achievement of its objectives.

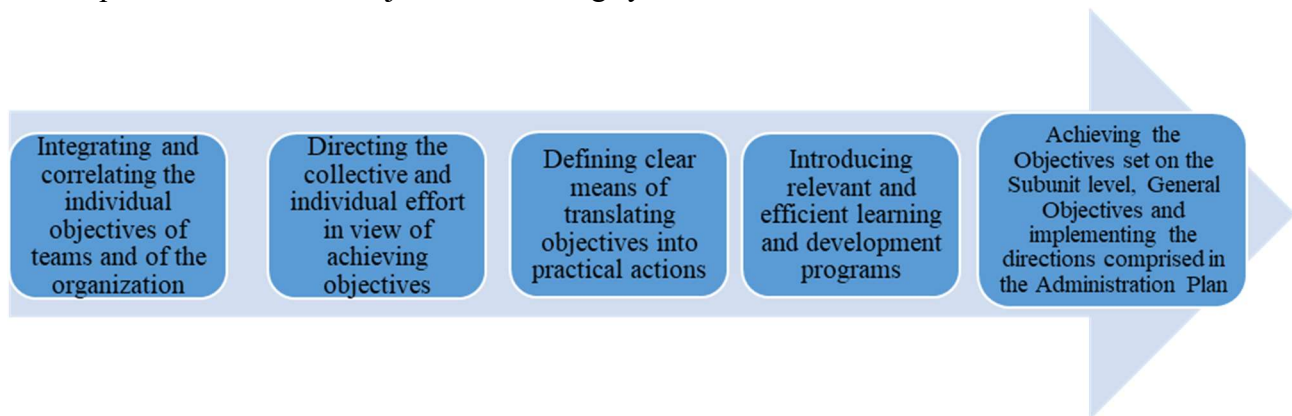
In order to monitor, coordinate and methodologically guide the implementation and development of the internal management inspection system, the Chief Executive Officer of SN Nuclearelectrica SA orders, by a resolution, to update, according to organizational modifications, to the Monitoring Commission that coordinates the process of updating the general and specific objectives, the procedural activities, the risk management process, the performance monitoring system, the status of the procedures and of the monitoring and reporting system, respectively notifications to the managers of the company.

Thus, the Commission for Monitoring the Internal Management Control System is operational, coordinated by the Deputy Chief Executive Officer as chairman, with attributions and responsibilities regarding:

### *Objectives*

- Coordinates the process of updating general and specific objectives, of the performance monitoring and reporting system, and notifying the Chief Executive Officer.
- Analyzes the notification, drafted based on the annual reports of the managers of the departments, regarding performance monitoring, in order to be approved by the monitoring commission and submitted to the Chief Executive Officer of S.N. Nuclearelectrica S.A.

The implementation of the objective cascading system aims to:



General objectives can only be achieved with the convergent and synchronized participation of the entire organization. The organizational alignment of all the components from the organizational structure is performed by defining, for each of them, the same set of instruments for translating the directions comprised in the Administration Plan in operational terms: setting general objections by presenting in a synthetic form the directions comprised in the Administration Plan, by considering both the administration component and the management component, deriving objectives on subunit levels (Head Office, Cernavoda NPP branch and Pitesti NFP branch) and its division into specific departmental objectives, by setting implementation means, targets and performance indicators.

In S.N. Nuclearelectrica S.A. the general objectives are closely correlated to the mission, vision and goals of the company, based on hypotheses and premises according to the provisions of the articles of incorporation, by complying with the principles of economical management, efficiency and effectiveness.

The objectives on the level of the Bucharest headquarters, the NPP Cernavoda Branch and the NFP Pitesti Branch, considering the assumptions comprised in the management plan, by transposing the general objectives in a detailed manner, on the level of each subunit from the organizational structure.

In view of the monitoring, coordination and methodological guidance of the implementation and development of the internal control / management system, the Chief Executive Officer of SN Nuclearelectrica SA sets, by an internal resolution, the structure of the Monitoring Commission (CM-SCIM), according to the organizational modifications, in order to ensure the representation of all the entities of the organization, and cover all the specific competence of the management, information and monitoring of the company activities towards the achievement of its objectives.

Consequently, the Commission for Monitoring the Internal / Management Control System (CM-SCIM) according to the attributions of coordinating the process of setting and updating objectives, the system for monitoring performance and for reporting and informing the Chief Executive Officer, analyzed and approved the Report for monitoring objectives by the performance indicators on the level of the company in 2020, based on the reports of the managers of the departments on the first management level, according to the internal regulations and according to the legal requirements provided by Standard 5 - Objectives, and Standard no. 7 - Performance Monitoring of OSGG 600/2018.

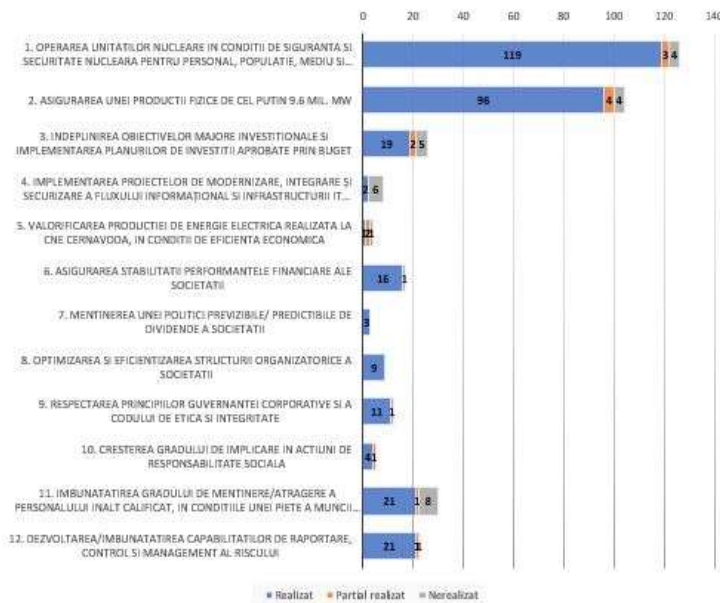
Thus, the monitoring showed a high degree of achieving specific objectives on the level of SNN, namely 88%, despite the unprecedented challenges and the unpredictability of the global crisis generated by the COVID-19 pandemic, as the organization management to promptly respond, focusing on the internal needs and ensuring business continuity, maintaining activities and operations on optimum levels. Consequently, this situation is the result of the actions performed within the organization, and the implemented measures had high efficiency, and could counteract the potential side effects generated by the actions that were necessary for fighting the pandemic.

Synthetically, the dashboard on company level and by each subunit is as follows:

## OBIECTIVE S.N. NUCLEARELECTRICA S.A. 2020



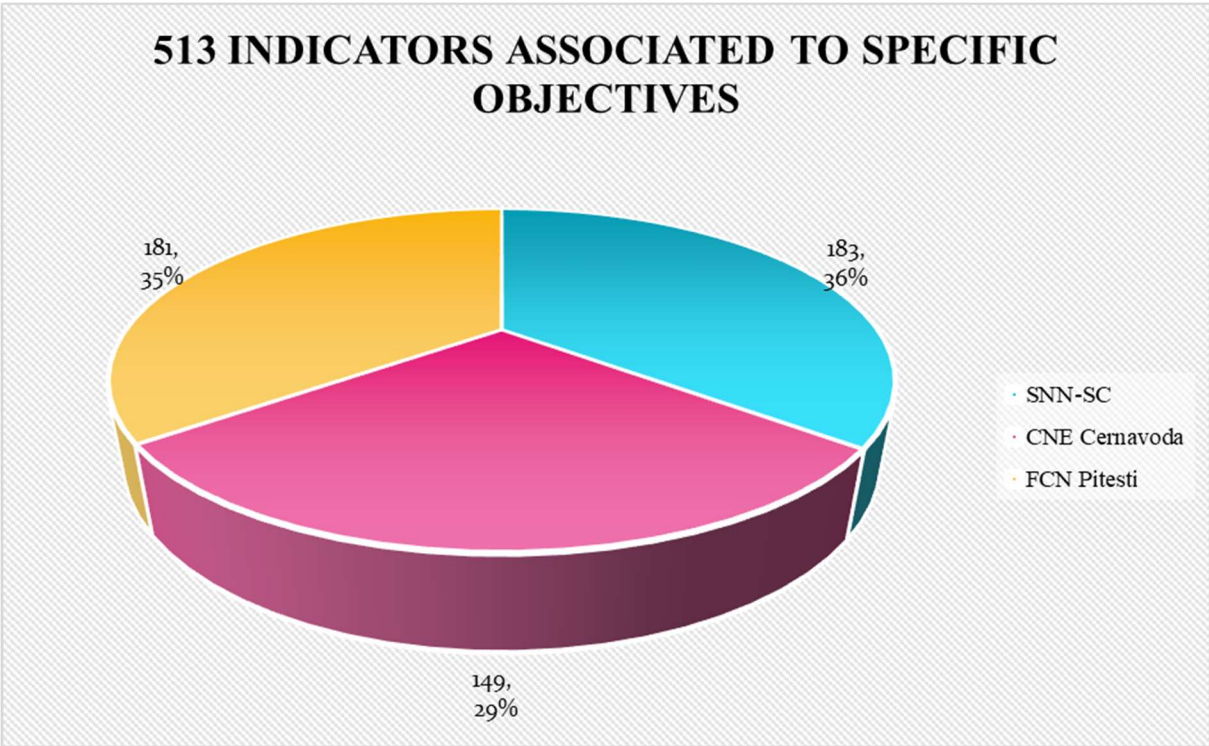
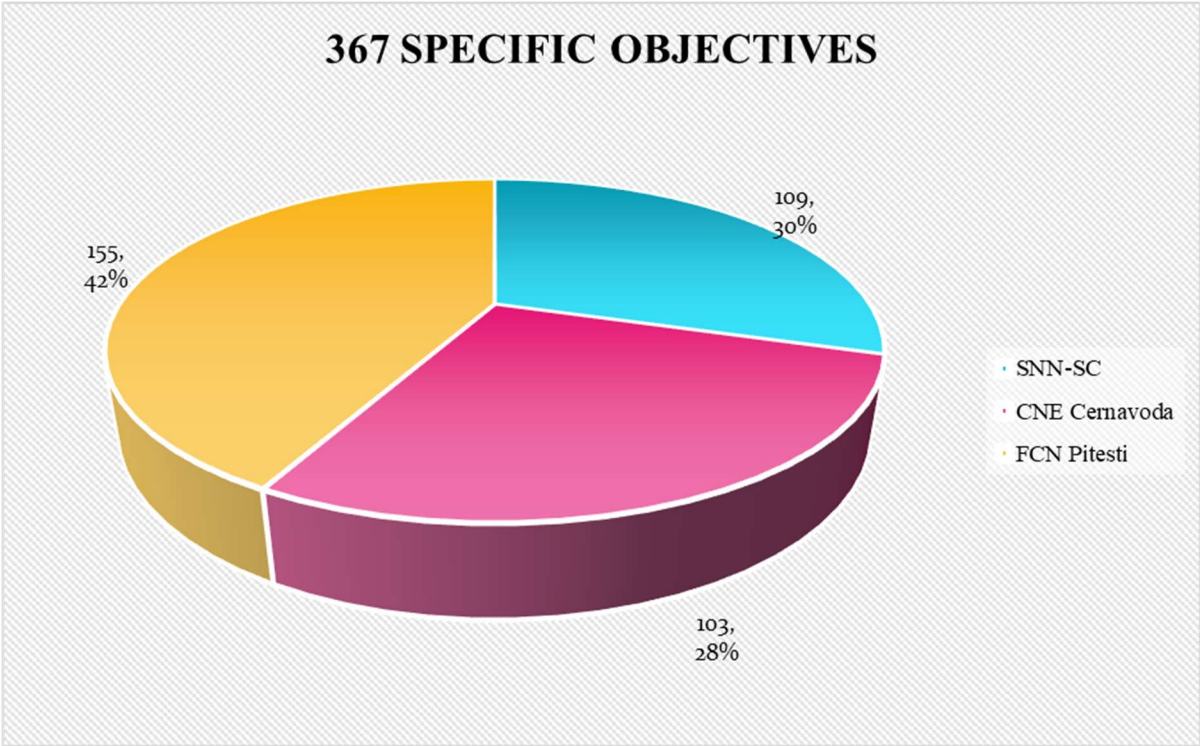
Gradul de realizare a obiectivelor generale SNN



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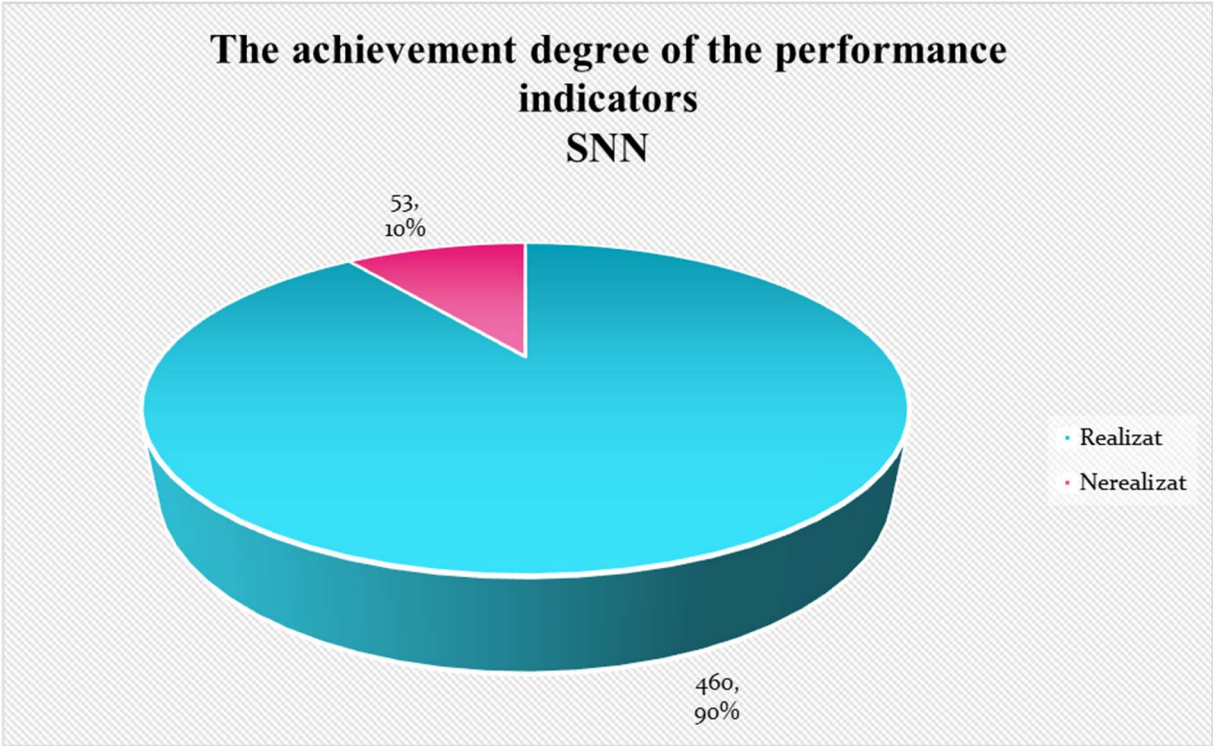
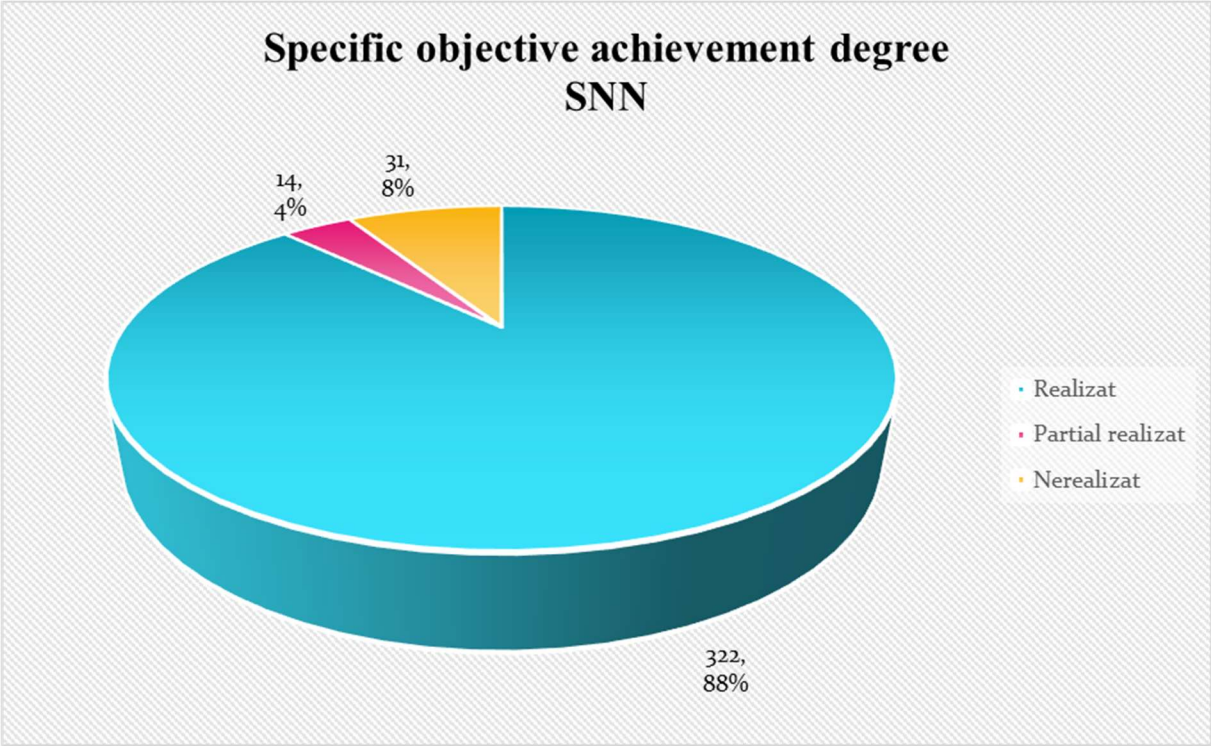
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According to the specific objectives for 2020 and the associated performance indicators, the distribution on SNN level is as follows:



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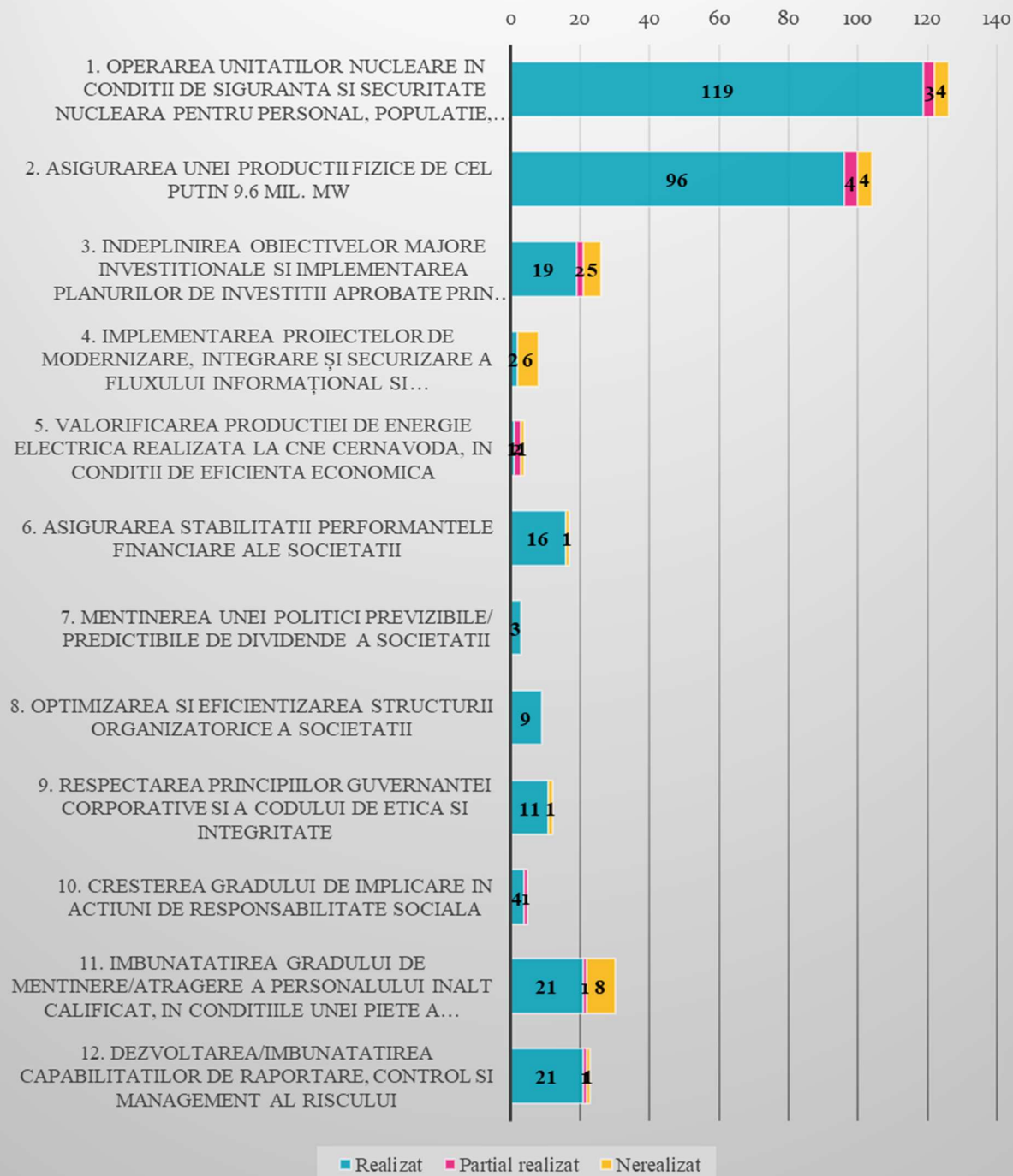
On the SNN level, the degree of achieving specific objectives and the associated performance indicators, synthetically, for 2020, are as follows:



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## SNN general objective achievement degree depending on specific objectives



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## *Procedures*

- Coordinates the process of updating procedural activities and the situation of procedures.
- Coordinates the process of drafting documented procedures in order to regularly, economically, efficiently and effectively achieve the objectives of the company.

## *Implementing, developing and assessing the internal management inspection system*

- Drafts the development program of the internal management system, called the Development Program, which is updated annually.
- Ascertains the stage of implementing and developing the internal management inspection system on the level of the company;
- The stage of implementing and developing the internal management inspection systems on the level of public entities, ascertained by the monitoring commission following the annual self-assessment action, is subject to notification, by drafting annual centralizing reports, according to the template provided in the centralizing report on the stage of implementing and developing the internal management inspection system, which is reported, until the legal deadlines.

## **Risk management**

The risk management process is under the responsibility of the Chairman of the Monitoring Committee, and considering the size, complexity and environment specific to nuclear activities, the responsibilities regarding risk management are performed / fulfilled by the Risk Management Service (SMR) within the Audit and Risk Management Division (DAMR) together with risk managers and the SNN staff.

In fulfilling its attributions, the Internal management inspection monitoring commission analyzes the risk management process based on the Risk Management Reports issued by SMR and prioritizes the significant risks that may affect the achievement of the objectives.

The monitoring commission annually reviews and approves the levels of the risk profile and of the risk tolerance limit, based on the proposals of SMR regarding them, and then these are approved by the managers of the company. Also, the Commission analyzes the “Plan of implementing actions for managing high risks” in order to submit them for the approval of the Chief Executive Officer.

For 2020-2021, SNN approved the following risk profile:

Risk Name	2020 share	2021 share	2020 risk level	2021 risk level	2020 trend	2021 trend
Operational risk	40%	40%	Low	Low	→	↗
Market/price risk	5%	5%	Medium	Medium	↗	↗
Credit/counterparty risk	5%	5%	Medium	High	→	↗
Competition risk	5%	5%	High	High	↗	↗
Macroeconomic risk	5%	5%	High	High	→	↗
Regulatory /legislative risk	10%	10%	High	High	→	↗
Risk associated to investment/maintenance/refurbishment works	10%	10%	High	High	↗	↗
Project risk (U3 & U4)	10%	10%	High	High	↗	↗
Risk associated to the absence of specialized labour force	10%	10%	High	High	↗	↗
Total risk profile	100%	100%	Medium	Medium	→	↗

The Risk Management Service assesses the total risk level from the risk profile of SNN as remaining at the “Average” level in 2020.

The assessment of the risk level for 2020-2021 considers the measures taken by the SNN managers in order to protect the personnel and continue the operation of the power station in the context of the Covid-19 pandemic, measures which:

- allowed the continuation of the operation of the power station under nuclear safety and security conditions on operational levels similar to the levels before the outbreak of the pandemic, and
- they were deemed by all SNN employees as adequate, or the SNN employees were content and very content about them, according to the survey questionnaire internally administered regarding the measures taken by SNN during the pandemic.

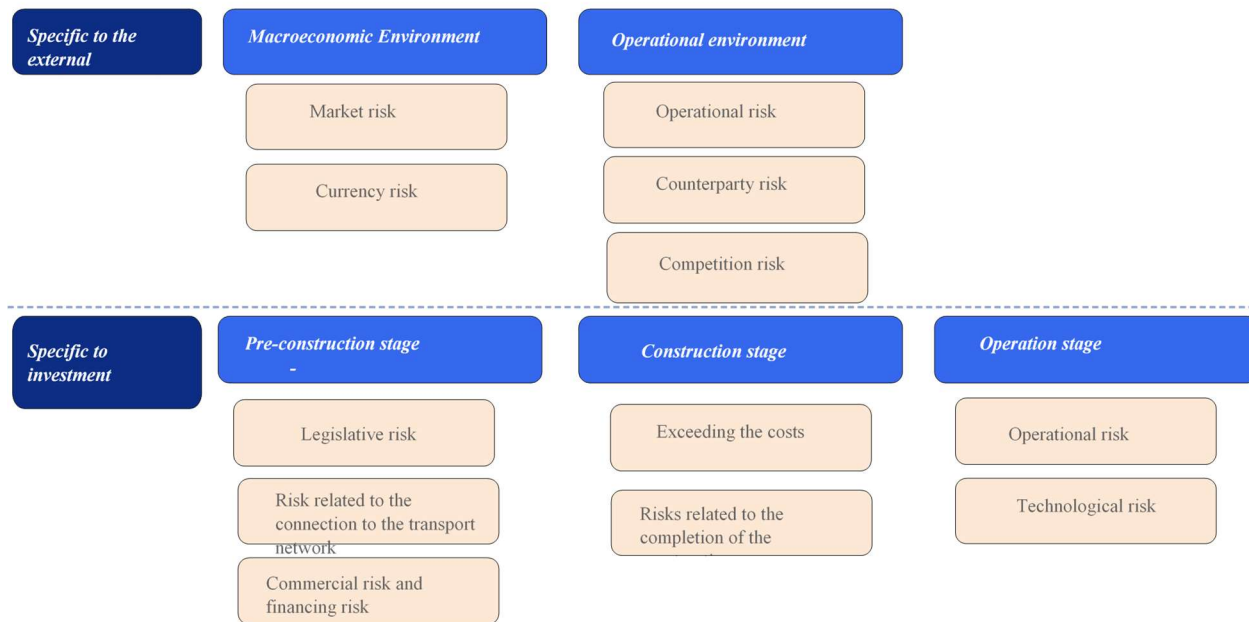
*Risk analysis regarding the current activities and business strategy*

SNN as a company of national importance whose shares are listed on the stock exchange, has defined a business strategy ("Strategy of Societatea Nationala Nuclearelectrica SA for 2015-2025"), in which business, corporate governance and social responsibility objectives are combined in order to fulfill the mission and goals mandated by AGA, as well as the role assumed in society.

SNN established, in the development strategy 2015-2025, the main medium and long term strategies with the main focus of maintaining nuclear safety, the continuous growth and increase of its shareholders' profits, and the analysis of the risks of the activity is important in this context.

Medium and long term, the activity of SNN will be influenced both by the evolution of electricity prices and by the investment projects that the Company will develop: extending the life cycle of Unit 1, participating in the development of Units 3 and 4, continuing the development of DICA, setting up the funds needed for the solutions for the final storage of burnt fuel and building a tritium removal installation (CTRF - Cernavoda Tritium Removal Facility).

Consequently, the main risks in terms of SNN's activity and goals (market-related risks and project development) were analyzed. The diagram below comprises the overview of the main objectives, the critical elements in relation to the implementation of the strategies and the risks SNN will be faced with.



*Main specific risks of SNN*

Macroeconomic Environment

The future profitability of the operations of the Company and the feasibility of its projects depend on the market conditions from Romania and those from the countries with which it performs commercial operations, especially in the European Union. The main risk factors associated with the macroeconomic environment are grouped into the following three categories:

*Market risk*

The market risk category includes general market risks and risks associated with the Romanian electricity market. This risk combines the effects of macroeconomic performance, the evolution of the electricity market and the volatility of the electricity price, being generated by the fluctuation of the electricity price and the fluctuation of the prices of raw materials and materials, the reduced

number of suppliers or commercial partners and the lack of long-term contracts. The materialization of the market risk has a direct impact on the overall performance of the Company.

#### *Legislative/regulation risk*

Legislative risk is represented by changes that may occur in the legislative framework of Romania and/or the European Union with direct applicability, without the necessity of transposing it into the national legislation. Possible changes may refer to imposing new taxes or setting standards and/or requirements for nuclear security by community, local and central authorities, and/or by the authority that regulates the nuclear energy field. The effect of the legislative risk may be the un-estimated increase of production costs, which may determine the drop of profit margins.

Besides the individual risk that can be generated by a single regulation (regulation, directives, law, ordinance, etc.), the Company is exposed to legislative / regulation risk and from the perspective of the high number of national and international regulation and / or inspection entities and / or professional associations, which address the activities of the Company, in this context there is the possibility that the regulations issued by various authorities are contradictory.

#### *Currency risk*

The currency risk is determined by the current activities of the Company considering that some of them involve transactions in foreign currency. These transactions include the repayment of loans contracted in order to fund Unit 2 (in EUR, USD and CAD), technical support and contributions for decommissioning the two units.

#### *Operational environment*

The Company's current operations are influenced by various additional risk factors that have a major impact on current profitability. The main categories of risks are the following:

#### *Operational risk*

*Operational risk* is associated with the risk of loss risk resulting either from the use of inadequate processes, people, or internal systems or which have not fulfilled their function properly, or from external events, and includes legal risk.

Operational risks are intrinsically associated with the activities of the Company, with its capacity to generate revenues and maintain the competitive operational margin and are closely related to the market position, the identification and assessment of investments, generated profits / losses, potential fines, penalties, sanctions, a deficient establishment or management of contractual obligations. These risks depend on the Company's capacity of providing the necessary quantities of electricity that it has undertaken to provide under the contracts concluded on the regulated market and competitive market, considering both planned and unplanned outages for Units 1 and 2.

The occurrence of operational risks can be materialized in equipment malfunctions, human errors, the defective operation of operational processes, which can ultimately lead to unplanned outages.

Similarly, prolonged and extreme drought or other external events (e.g. powerful storms, extreme cold, failure of the electricity transmission network of Transelectrica, pandemics) may have a major impact on the production and/or distribution of electricity.

One of the measures that may mitigate these risks is to consider the negotiation of long-term contracts with predefined prices and specific commercial terms on liquidation and damages, in order to reduce the volatility of the collection period by providing the cash flow that is necessary for operations and investments. Other measures that may mitigate operational risk may be represented by the ability of the Company to plan activity interruptions in the periods when the price of electricity decreases or the ability of the Company to conclude contracts to compensate for unrealized production when the units do not produce enough electricity because of unplanned activity outages.

Among the events that were external to the Company and which required and/or will require taking risk decisions are the Covid-19 pandemic and the modification of the framework which regulates the energy market.

The Covid-19 pandemic negatively affected societies and human activities all over the world. The isolation measures and mobility restrictions that were internationally adopted as methods of response to the spread of the pandemic accentuated the synchronized decrease of growth both regarding the real (production) activity and the activity of the financial services.

SNN estimates that the evolutions of 2021 remain uncertain, and will strongly depend on the evolution of the pandemic, especially the evolution of the new strains of the virus, the vaccination of the population, the degree to which the population complies with the protection measures, and the degree to which the business models, the investment sentiment and/or the consumption habits will incur modifications which will allow the recovery of economies to pre-pandemic levels.

In this context, SNN has adapted its activity during the pandemic in order to protect its personnel and business partners, and also in order to protect its financial results, and will continue to do so in 2021.

The modification of the energy market regulation framework is part of the actions carried out on an international level for global decarbonization purposes.

In this context, Romania and SNN are aligned to the actions carried out by the European Union, which completed a comprehensive review of the policy framework in the energy field by adopting a set of legislative acts generically called Clean Energy for all Europeans Package (or Clean Energy Package – CEP), for the purpose of facilitating the EU transition from the use of fossil fuels to clean energy,

and in order to help the decrease by 40% of greenhouse effect gas until 2030, compared to the levels of 1990.

In this context, the clean energy produced by SNN is of strategic importance for Romania, and the projects for the development of reactors 3 and 4 of the power station of SNN and continuing the initiatives of small modular reactors are high priorities.

#### *Counterparty risk*

Counterparty risk is the risk of business partners not acting according to the terms and conditions specified in the concluded contracts, as a result of the failure, intentional (refusal to pay) or unintentional (inability to pay) to pay a debt to SNN, judicial reorganization, bankruptcy or the voluntary winding-up of a SNN counterparty.

SNN has commercial partners both as a seller and as a buyer of electricity, as well as a buyer of the goods, equipment and services that are necessary for performing its current activities.

In the context of market liberalization, SNN will seek to conclude predominantly long-term electricity sales contracts for most of its production capacity, this being a condition for ensuring the cash flow imposed by credit institutions, especially considering the additional funding that is needed to perform the investments. In order to mitigate this risk, the Company has a policy for selecting commercial partners based on their credit risk, seeking to conclude such contracts only with solvent traders.

#### *Competitive risk*

Competition risk must be analyzed in the context of aligning the day-ahead market (“PZU”) of Romania, in compliance with the price coupling mechanism of the markets from the Czech Republic, Slovakia and Hungary, and the Company is exposed to increased regional competition generated by future improvements, refurbishment, extensions and new constructions expected to be made by the manufacturers on the respective electricity markets. At the same time, renewable energy projects are very volatile in terms of production, due to the lack of forecasts on the availability of fuel sources (e.g. wind, solar energy).

#### *Risk associated to investment/maintenance/refurbishment works*

This risk is manifested in close connection to the funds of the Company, the procurement and maintenance plan, conducting studies and the analyses that are necessary for substantiating the plans, structure and training of the personnel, equipment / installations suppliers.

#### *Risk associated to the absence of specialized labour force*

This risk is manifested both in relation to the losses of specialized knowledge as a result of the retirement of the specialists of the Company, as well as in relation to specialists leaving for other better paid jobs, and also in the absence of programs for attracting qualified young people, to be

trained and specialized both in the field of operation and maintenance, and in the fields related to the implementation of the proposed investment program.

#### Analysis of Company-specific risk factors

No.	Risk category	Level	Impact	Mitigation method
1. Macroeconomic Environment				
1.1	Market risk	Medium	High	Long-term bilateral contracts, with fixed prices or well-defined price formulas.
1.2	Regulatory /legislative risk	Medium	Moderate	Using the best technologies that ensure environment durability. Continuous communication with the authorities
1.3	Currency risk	Medium	High	Negotiating price conditions including the currency risk.
2. Operational environment				
2.1	Operational risk	Low	High	Maintaining high operation and production standards.
2.2	Counterparty risk	Medium	High	Well-designed and detailed long-term contracts Applying a rating system for the parties with whom bilateral contracts are concluded. Securities (cash in Company accounts, letters of guarantee, insurance policies, commitment letters, security accounts).
2.3	Competition risk	Medium	Moderate	Continuously monitoring of the markets. Applying a cost control policy.
The "level" of the risk category defines the probability of occurrence: high, medium and low. The "impact" of the risk category defines the potential monetary impact on the company performance: strong, moderate, weak.				

#### *Improving the internal risk management framework*

In order to develop and improve its reporting, inspection and risk management capabilities, the Company performs actions intended to continuously improve its risk management framework, and the performed measures include:

- Increasing the degree of collecting risk information and using it in taking informed decisions, risk-wise;
- The reduction of the times for the dissemination of risk information (risk management), including by computerizing support instruments, a purpose for which SNN implemented in 2020 a risk management application, which improves the dissemination of risk information in the organization, thus contributing to taking informed risk-based decisions;



- Periodically revising the counterparty risk for the counterparties on the energy markets and for issuers of security instruments in favor of SNN;
- Increasing the level of Company personnel knowledge on risk management;
- Reviewing and/or recalibrating / periodically adjusting risk management instruments.

### *Risk Insurance*

Significant risk insurance policies on SNN level are as follows:

- 1) Property Insurance Policy - Units 1 and 2 CNE Cernavoda and FCN Pitesti - all types of risks, including mechanical and electrical destruction, for a cumulated liability limit (insured amount) of USD 1,560,000.
- 2) Third party liability insurance policy for nuclear damage with a liability limit (insured amount) of DST 300,000,000.
- 3) Civil / professional liability insurance policy for SNN directors and managers ("D&O") for a liability limit (insured amount of EUR 33,000,000).

Besides these insurance, the Company has concluded RCA policies, CASCO policies (voluntary motor insurance) and an insurance policy against work accidents and occupational diseases for employees.

### *Annual assessment of the internal management inspection system*

In order to ascertain the degree of implementing the internal inspection standards as of December 31, 2020, the company performed the annual self-assessment and carried out the following actions:

- Debating in the work session of initiating the operation of self-assessing the implementation degree of the internal/management inspection standards, and following the discussions the company agreed on the action performance schedule, according to the notification drafted by the Technical Secretariat within the Financial and Managerial Inspection Department.
- Implementing the self-assessment function and assessing the implementation degree of the internal inspection / management standards by the Resolution of the Chief Executive Officer of S.N. Nuclearelectrica S.A., namely:
  - ✓ Filling in by each department from the organizational chart of the company the “Questionnaire for the self-assessment of the stage for implementing the internal management control standards”, provided in annex no. 4.1, and the department manager assuming responsibility for the accuracy of the data, information and findings from them, based on the management responsibility principle;

- ✓ Drafting by the technical secretariat of the Monitoring Commission for the “Synthetic situation of the self-assessment results”, provided in annex no. 4.2, by centralizing the information from the self-assessment questionnaires, signed and transmitted by the department managers;
  - ✓ Drafting by the technical secretariat of the Monitoring Commission of Chapter II from the “Centralizing report on the stage for the implementation and development of the internal management control system”;
  - ✓ Assessing the compliance degree of the internal management control system with the internal management control standards, in relation to the number of implemented standards.
- The Commission for monitoring the internal management system approved the documentation and results of the annual self-assessment operation for the implementation stage of the internal inspection / management standards on the level of SNN, namely:
    - Centralizing report on the stage of implementing and developing the internal inspection / management system as at December 31, 2020;
    - Implementation stage of the internal inspection / management standards, according to the results of the self-assessment as at December 31, 2020;
    - Report on the internal inspection / management system as at December 31, 2020 with the “Synthetic report on the results of the self-assessment”;
    - The Internal Management Inspection System Development Program 2021.

The self-assessment operation showed that S.N. Nuclearelectrica S.A. has an internal inspection / management system whose design and application allows the managers and, as the case may be, the Board of Directors, to provide reasonable assurance that the resources allocated to achieving the general and specific objectives were used legally, regularly, effectively, efficiently and in an economical manner.

Thus, by “*Report on the internal management system as at December 31, 2020*”, drafted according to art. 4 par. (3) of Government Ordinance no. 119/1999 on the internal/management inspection and preventive financial inspection (republished), as further amended and supplemented, and according to the Instructions annexed to Order no. 600/2018, the Chief Executive Officer of SNN states that the result of the self-assessment “*is based on a realistic, fair, complete and trustworthy assessment of the internal inspection / management system, formulated based on its self-assessment based on the principle of truth and assuming responsibility by the managers. The internal inspection / management system comprises inspection mechanisms, and the application of the measures for increasing its effectiveness is based on the assessment of risks*”.

Regarding the characteristics of the specific internal inspection / management system of the organization, the annual report on the internal inspection / management system as at December 31, 2020 ascertained the following aspects:

- The Commission for monitoring the internal inspection / management system is operational

The Commission for monitoring the internal inspection / management system (CM-SCIM) is updated and operational, and its activity is performed according to procedure CM00-01 - “Organization and Operation Regulation of the Commission for Monitoring the Implementation and Development of the Internal Inspection / Management System”. In 2020, according to the organizational modifications, by resolutions of the Chief Executive Officer of S.N. Nuclearelectrica S.A., the members of the Commission for Monitoring the Internal Inspection System CM-SCIM were nominated.

- The program for the development of the internal inspection / management system is partially implemented and updated annually and whenever it is necessary.

The Internal management control system development program in 2020 was implemented 88%, as follows: out of the total of 33 actions, 29 were implemented, one action was partially implemented, and 3 actions are in progress, and are reported in the Internal management control system development program for 2021.

- The risk management process is organized and monitored

In 2020 the company reviewed and updated procedure MR-00-01– Risk management within S.N. “Nuclearelectrica”- S.A.; the Commission for monitoring the internal inspection / management system (CM-SCIM) analyzes the performance of the risk management process based on the quarterly drafted risk report, subject to the approval of the Chief Executive Officer of SN Nuclearelectrica SA. Also, CM-SCIM sets the risk profile and the risk tolerance limit, annually, approved by the company managers.

- The documented procedures are drafted, inventorying procedural activities and updating the procedures represent permanent activities, and a continuous process in which every functional structure of SNN is involved, as follows:

- Within SNN - Bucharest headquarters, the procedures related to the processes and activities are as follows: 22 processes documented in process charts; 148 procedures which describe specific and procedure-based activities.

The issued documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.

- Within the NFP Pitesti Branch, the procedures related to the processes and activities are as follows: 24 processes documented in process charts; 53 system procedures; 62 general procedures; other 833 documents representing: technical procedures, guarantee inspection, environment, radioprotection, occupational health and safety, fire protection, physical protection, etc., (radioprotection manual) that regulate operation, technological, inspection and control activities.

Documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.

- Within the NPP Cernavoda branch the procedures related to the processes and activities are as follows: 30 RD procedures - also called Reference Documents, describing the 28 processes of the power station plus 2 other reference documents that do not describe processes, procedures which specify the operating policies and principles or the radio protection regulation - RD-01364-L001, RD-01364-RP009; 147 SI procedures - also called power station instructions, which detail the sub-processes and activities within the processes; 277 PSP procedures - specific process procedures which indicate the performance of process segments and present the interface with other processes; Other documents: IDP (internal departmental procedures), OM (operating manuals), OI (operating instructions), IR (information reports), OMT (Operational Maintenance Testing), AOP (abnormal operating procedures), SOS (standard operating sequences), etc.

Documents are analyzed with preset frequencies (every 3 or 5 years depending on the type of the document) in order to determine the adequacy to work practices and / or the necessity to update them.

- The performance monitoring system is established and assessed for the objectives and activities of the entity, by performance indicators.

✓ In 2020, according to procedure CM-00-03 - “Setting and monitoring objectives within SNN SA”, within the organization starting from the general objectives of the company, the objectives of the SNN subunits were updated and cascaded into specific (departmental) objectives, with related indicators and targets, in order to ensure a system for monitoring and reporting the stage of implementing general and specific objectives, by key performance indicators (KPI).

Thus, the self-assessment showed that as of December 31, 2020, the internal inspection / management system of SN Nuclearelectrica SA is according to the standards comprised in the internal inspection / management code, and all 16 inspection standards are implemented.

### *Administration financial inspection*

The Financial and Management Control of S.N. Nuclearelectrica S.A. is organized and implemented in compliance with the provisions of Government Emergency Ordinance no. 94/2011 regarding the organization and operation of the economic-financial inspection, approved by Law no. 107/2012 and GR no. 1151/2012 on the approval of the Methodological norms related to the organization and implementation of the administration financial inspection, covering all the structures from the organizational chart of the company.

The organization of the administration financial inspection within S.N. Nuclearelectrica S.A. is based on the necessity that on the level of the company there is an efficient inspection system, ensuring the integrity of the patrimony; the enhancement of the budget and economic-financial discipline; the compliance with the legal provisions applicable to the activity, the internal regulations and decisions; increasing efficiency in using the allocated resources.

The Financial Administration Inspection is an economic instrument that is subscribed to the objectives assumed by the administration plan on the consolidation of the internal inspection system, and serves the interests of SNN by:

- actions of preventing and/or detecting dysfunctions;
- verification actions, namely granting the preventive inspection approval for the revenue and expense draft.

Development and improvement of the financial administration inspection enhances the quality, performance and responsibility of financial management in the process of using the resources of the entity.

The objectives of the administration financial inspection are:

- Ensuring the integrity of the patrimony as a monetary expression of the economic means with their financing sources, and the financial results of the economic activity;
- Increasing the efficiency of using the allocated resources by verifying the legality, regularity and compliance of operations, identifying the weaknesses of the internal inspection system that generated errors or allowed the occurrence of fraud, inadequate or fraudulent administration;
- Enhancing budgetary and economic-financial discipline;
- Complying with the legal provisions, regulations and internal decisions.

The goal of the administration financial inspection is to inform the Board of Directors of S.N. Nuclearelectrica S.A. and communicate to the Chief Executive Officer performance information, and information regarding:

- performing operations in an orderly, ethical, economic and efficient manner;
- complying with responsibility obligations; compliance with the applicable laws and internal regulations;
- protecting resources against losses, abuses and damages;
- enhancing the internal inspection system, in order to efficiently prevent irregularities and recover the losses caused by irregularities or fraud.

Within S.N. Nuclearelectrica S.A. the organization of the administration financial inspection complies with the segregation principles, and the Department of Financial and Management Inspection (DCFM) is responsible for performing the administration financial inspection (CFG) in all subunits of SNN (head office, Cernavoda NPP branch, NFP Pitesti branch) and has operational independence by being directly subordinated to the Chief Executive Officer.

Also, according to the legal provisions, the Board of Directors is quarterly, or whenever it is necessary, informed on the implementation and results of the financial administration inspection.

Within SNN, the administration financial inspection is performed based on the annual activity schedule and half-year schedules approved by the Chief Executive Officer of the Company, based on its own specific procedures, issued according to the legal provisions applicable to the activity - GEO no. 94/2011 on the organization and operation of economic-financial inspection, approved by Law no. 107/2012 and GR no. 1151/2012 for approving the Methodological norms regarding the manner of organizing and exercising administration financial inspection and by assimilating the best practices in the field.

In 2020, the specific objectives of the financial administration inspection activity were achieved, the approved activity program (20 inspection missions) was entirely implemented, and all the 3 subunits, the Headquarters, the CNE Cernavoda Branch and the FCN Pitesti Branch, were included in the verifications.

Also, in 2020, besides the approved inspection program, 8 unannounced / thematic operations ordered by the Chief Executive Officer, outside the working hours, operational guidance actions and for optimizing internal inspection activities, according to the legal attributions of drafting economic and financial analyses for the management in order to substantiate decisions and improve performance, and according to the internal regulations on internal inspection verification, guidance and optimization actions, which serve to the management and interests of SNN by preventing or detecting dysfunctions in order to assimilate best practices and implement actions for increasing efficiency.

In summary, the inspection activities targeted the following general objectives:

1. Complying with the legal provisions in the substantiation of the revenue and expense budget of SN Nuclearelectrica SA;
2. Monitoring the implementation of the measures set following the administration financial inspection, asking for plans of measures, the accuracy and truthfulness of reports regarding the implementation of the measures approved by the inspection reports drafted by DCFM, verifying the compliance with the set deadlines;
3. The tax on the revenues obtained by non-resident parties; substantiating documents, the calculation method and complying with bank transfer deadlines;
4. The manner of acknowledging current assets and assets such as inventory, including spare parts, from the category of tangible assets; the manner of complying with the legal regulations and internal regulations on receiving, keeping, preserving and using current assets such as inventory, including spare parts, from the category of tangible assets;
5. Complying with the legal provisions and internal regulations regarding collections and payments in RON and foreign currency in cash by the cash department: checking the manner of making cash payments (business trips, small purchases); checking the manner of drafting and using substantiating documents regarding payments in cash in RON and foreign currency; checking the manner in which the accounting records are managed regarding payments and collections in cash (in RON and foreign currency);
6. Manner of acknowledging services provided by third parties; accuracy, necessity and usefulness of incurred expenses;
7. The accounting and fiscal treatment of transportation means from its own vehicle fleet;
8. Complying with the legal provisions in the implementation of the revenue and expense budget of SNN SA.

The deficiencies found by the inspection acts approved by the management of SNN represent non-compliance cases, deviations from the compliance with legal acts or internal procedures in force, for which 45 corrective measures, deadlines and responsibilities for resolution were established.

SNN has adhered to the basic values, principles, goals and monitoring mechanism of the National Anti-corruption Strategy for 2016-2020, to this end expressing its resolute decision to:

- condemn corruption in all its forms and to states its commitment to fight against this phenomenon by all legal means at its disposal;
- take corruption prevention actions as elements of the management plans and to assess them regularly as part of management performance in order to increase the institutional integrity;
- support and promote the implementation of anti-corruption legal framework which is mainly targeted at preventing corruption, increasing the level of anti-corruption awareness, fighting against

corruption based on administrative actions, approving the integrity plans and developing the related monitoring and assessment system;

- strengthen the operational independence of internal inspection and audit structures and boost the implementation of internal/management inspection systems;
- perform a regular self-assessment of the level of mandatory prevention action implementation;
- adopting all the actions required to avoid the conflicts of interests and incompatibilities, as well as to put the public interest above any other interest, by complying with the transparency principle applied to the decision-making process and free access to public interest information.

With the help of the compliance activity, SNN employees are trained in relation to the situations where they use the positions and responsibilities within the company in order to obtain undue patrimonial or non-patrimonial benefits for themselves, their families or other close persons generate conflicts of interests, and regarding the risks they face and assume if they get involved in such activities.

*Thematic aspects: environment matters*

*Significant information regarding the prevention and control of pollution*

Cernavoda NPP ensures the observance of the fundamental principles regarding the management of radioactive waste and radioactive emissions resulting from the operation of the plant.

Radioactive effluents are discharged into the environment only if:

- Radioactive emissions are within the limits authorized by CNCAN;
- The emissions are controlled;
- The control of radioactive emissions is optimized according to the ALARA principle.

The Radiation Protection Department identifies all radioactive effluent release routes.

All significant routes of release of radioactive effluents are monitored based on approved procedures using appropriate measuring equipment and methods.

The effluent samples are analyzed within the Cernavoda NPP laboratories or the laboratories accredited by CNCAN in order to determine the quantities of radioactive materials discharged.

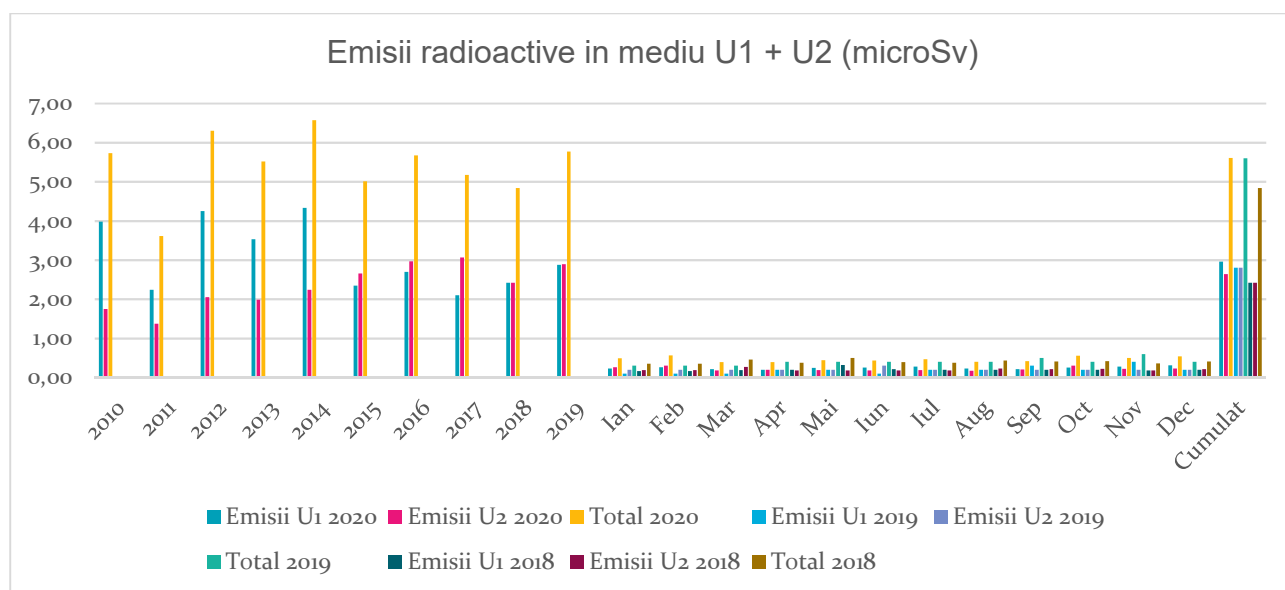
Actual discharges of liquid and gaseous effluents are controlled by careful operation of the power plant systems in compliance with the operating procedures.



The operating characteristics of the power plant systems are carefully checked by the responsible personnel according to the power plant processes, in order to ensure that the systems are operating according to the design.

The operation objectives are set so that the doses collected by the population as a result of gaseous and liquid effluent discharges comply with the limits and restrictions approved by CNCAN (200 microSv / year 100 microSv / year / unit) and the internal administrative limits (8.5 microSv/year 4.5 microSv/year/U1, 4 microSv/year/U2). According to the performance indicator for the monitoring of the radiological impact on the environment and the population, the radioactive emissions from U1 and U2, expressed in dose units (microSv) for one person in the critical group were recorded a lot under the dose restriction approved by CNCAN.

### Radioactive emissions in the environment (mSv) (U1 + U2):



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Jan	Feb	Mar	Apr	Mai	Iun	Iul	Aug	Sep	Oct	Nov	Dec	Cumulat	
Emisii U1 2020	3.98	2.24	4.25	3.53	4.33	2.35	2.70	2.10	2.42	2.88	0.232	0.266	0.211	0.200	0.249	0.254	0.275	0.229	0.212	0.252	0.274	0.309	2.962	
Emisii U2 2020	1.75	1.37	2.05	1.99	2.24	2.66	2.97	3.07	2.42	2.89	0.260	0.301	0.184	0.196	0.191	0.177	0.192	0.174	0.206	0.302	0.225	0.233	2.641	
Total 2020	5.73	3.61	6.30	5.52	6.57	5.01	5.67	5.17	4.84	5.77	0.492	0.567	0.395	0.396	0.439	0.431	0.466	0.403	0.418	0.554	0.499	0.542	5.604	
Emisii U1 2019											0.100	0.100	0.100	0.200	0.200	0.100	0.200	0.200	0.200	0.200	0.200	0.200	0.200	2.800
Emisii U2 2019											0.200	0.200	0.200	0.200	0.200	0.300	0.200	0.200	0.200	0.200	0.200	0.200	0.200	2.800
Total 2019											0.300	0.300	0.300	0.400	0.400	0.400	0.400	0.400	0.400	0.500	0.400	0.600	0.400	5.600
Emisii U1 2018											0.160	0.160	0.190	0.200	0.320	0.210	0.200	0.200	0.200	0.200	0.200	0.180	0.200	2.420
Emisii U2 2018											0.190	0.190	0.270	0.180	0.180	0.180	0.180	0.180	0.230	0.210	0.220	0.180	0.210	2.420
Total 2018											0.350	0.350	0.460	0.380	0.500	0.390	0.380	0.430	0.410	0.420	0.360	0.410	0.410	4.840

The monitoring of the radioactivity of environmental factors is carried out in compliance with the requirements of the national and European legislation and the recommendations of international agencies, with the purpose of assessing the potential changes in the level of radioactivity in the environmental factors specific to the area and of confirming the minimal impact of the operation of the Cernavoda NPP on the population and the environment.

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.

IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

## *Waste Management Strategy at Cernavoda NPP*

In compliance with the Law 111/1996 on the safe deployment, regulation, authorization and control of nuclear activities, and with the Fundamental Norms for the safe management of radioactive waste, issued by the Order of the President of CNCAN no. 56 of March 25, 2004, the Norms regarding the classification of radioactive waste, issued by the Order of the President of CNCAN no. 156/2005, the safety rules for radioactive waste pre-storage activities, used closed sources and spent nuclear fuel, issued through CNCAN Order no. 148/2017, NPP Cernavoda is responsible for managing the radioactive waste generated by its own activity and has the following obligations:

- a) Collection, segregation, characterization, treatment and intermediate storage of radioactive waste under safe conditions;
- b) Treatment and conditioning of radioactive waste for final disposal in compliance with the acceptance criteria to be established issued by AN&DR and authorized by CNCAN;
- c) Release, under the CNCAN authorization regime, of the wastes meeting the release requirements in order to reduce the total volume of waste to be conditioned for final disposal;
- d) Monitoring the total radioactivity activity that accumulates in the Solid Radioactive Waste Intermediate Storage for falling within the limits of the operating authorization;
- e) Reporting of radioactive waste specific information regarding the volume produced and their characteristics to CNCAN and AN&DR according to the requirements of the mentioned norms, in force, for filling in the national database.

The total volume of solid radioactive waste, for both units of NPP Cernavoda, generated in 2020, was 60.07 m<sup>3</sup>. In total, until the present, in 1996 - 2020, the total volume of solid radioactive waste, for both units, is of 1005.94 m<sup>3</sup>.

The production of energy through nuclear processes does not lead to the release of CO<sub>2</sub> emissions. On the contrary, through the operation of the two CANDU reactors at Cernavoda NPP, the release into the atmosphere of 12 million tons of CO<sub>2</sub> per year is avoided.

### *Thematic aspects: social and workforce aspects*

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

The employees' activities are performed according to the established work schedule, the job description, and the Organization and Operation Regulation ("ROF"), updated in 2020 by including all the organizational entities within SNN, including within the Company branches, by indicating the subordination and coordination relations of the processes, including between the head office and branches. The updated Internal Regulations were approved by the Board of Directors of SNN by Decision no. 107/June 15<sup>th</sup>, 2020. The main activities, duties, responsibilities as well as the relationships between the departments of the company are stipulated in the updated Internal Regulations of the Company. The manner of enforcement of legal provisions and internal legislative provisions on labour discipline is set by the Internal Regulations, reviewed in November 2018, and updated in the last part of 2019, applicable since February 10<sup>th</sup>, 2020.

The normative act that governs the labor relationships in the Company is the Labor Code - Law no. 53/2003, as further amended and supplemented, according to which, during 2020, between the Company's Board of Directors and its employees, represented by the Cernavoda NPP Union - union which is representative at unit level with legal personality, the Collective Employment Contract of SNN (CCM SNN) was signed and registered with the Bucharest Territorial Labor Inspectorate in period December 01, 2020 - November 30, 2021.

The company currently uses a standard individual employment contract both for the employees hired for a definite period of time and for the employees hired for an indefinite period. The standard individual employment contract complies with the clauses stipulated by Order no. 64/2003 on the approval of the framework template of the Individual Employment Contract.

The company evaluates its employees according to an internal procedure, annually or periodically, at an interval of 3 - 6 months (in the case of some personnel members who are under observation). The Internal Regulations applicable at Company level, contain all the provision categories provided by the Labor Code. The Internal Regulations were made available to the employees on the Intranet page of the company and have full effect on the employees since the date of the publication. Social and labor-related aspects are transposed into SNN's Collective Labor Agreement ("CLA") and SNN SA's Internal Regulations ("IR").

The Collective Labor Agreement within the organization includes all the rights and obligations of the parties, in compliance with the Internal Regulations, the Code of Conduct and are transposed into the Individual Labor Agreements concluded with no discrimination.

The employment is done following the selection and recruitment process, which is based on the provisions of the Labor Code, the Collective Labor Agreement negotiated between the representatives of the management and the representative trade unions according to Law no. 62/2011, Law on Social Dialogue and the internal procedures in force.

## Right of free association

- SNN employees have the right of free association and participation in union activities according to the internal regulations and the individual employment contract of SNN employees.
- In SNN there are 4 employee unions: The NPP Cernavoda union, the SLEN 90 union, the Operatom union and the NFP Pitesti union.
- Employee consultation processes - Consultations with the trade unions on topics related to nuclear security (in CSSM).
- Informing the unions on the financial statements of the company and the revenue and expense budget.

The relationship with the trade unions is permanent and consists in meetings/consultations with them, and the provisions of the SNN CLA are negotiated following permanent consultations of the Commission appointed by the management, as well as by the trade unions.

As far as the human capital management is concerned, the company is involved and constantly invests in the quality of workers, through continuous training and preparation and by promoting the meritocracy as component part of the motivation system documented and implemented within SNN SA.

SNN maintains a tradition regarding the attention to the training of young specialists and the support of university study programs by supporting professional practice programs and involving the students in approaching current topics and of interest for SNN SA in practical academic works and those for taking the bachelor or master degree exams.

The management team of SNN SA intends to develop the collaboration with the university environment through a greater involvement regarding the training of practical skills of young people, becoming familiarized with their expectations and needs, and adapting their own existing programs mainly as part of the company's operating activities adapted thereto, in order to increase the attractiveness of SNN and the recognition of the employer brand. With the promulgation of Law no.177 of July 19, 2018 on internship, SNN SA appreciated the significant contribution made by this legal provision in increasing the professional quality, both informal and formal, of young specialists, by attracting, motivating and actively involving them within the company, and the selection of candidates was initiated in 2020 for an internship program at the SNN headquarters

The company's management is fully involved in the organizational development, the creation of a culture adapted to the current economic environment, the increasing challenges the labor market is faced with, and combating the phenomenon of migration. In this regard, a complex program of organizational diagnostics was accessed, run with the support of a specialized consultant and with relevant expertise in this field, in order to highlight the strengths and weaknesses in the way SNN SA

is conducting its business, as well as to identify the causes generating them, for organizational development by exploiting opportunities and removing dysfunctionalities.

In the context imposed by the coronavirus pandemic, professional activities were maintained by implementing continuity plans on the level of each SNN unit, which contained the isolation of the essential personnel in order to ensure the operation of the production capacities within CNE Cernavoda. Also in this context, besides the sanitary protection measures, medical filter, covid testing and social distancing, the company adopted forms of remote working by allowing employees to work from home, and subsequently by introducing teleworking, a situation which required the adaptation of CCM and the related HR policies.

SNN SA meets all the premises of a brand of employer, credible inside and attractive outside, with any campaign for the attraction and retention of personnel starting from the clear establishment of the objectives, the identification of talents and their development, models of working as part of a team and individually, allowing for the valorization of the abilities of every employee.

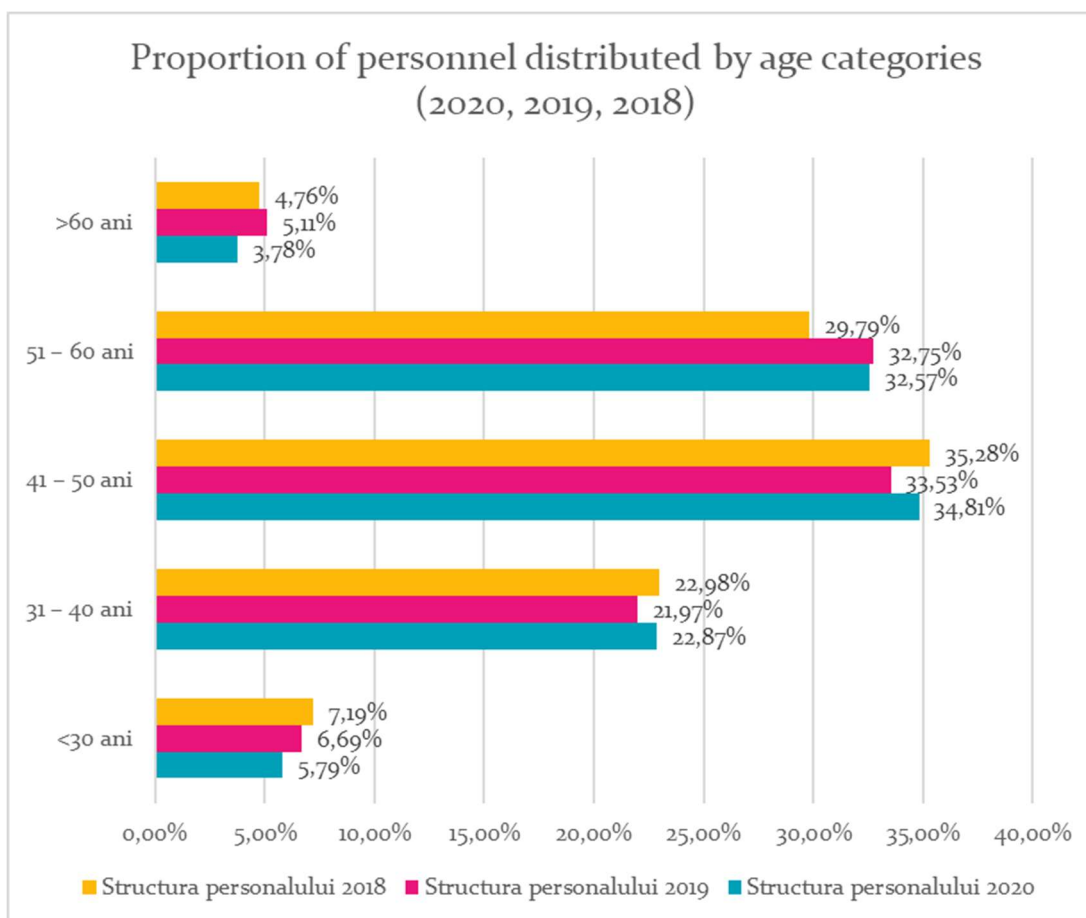
## 9. Centralized Key Performance Indicators (KPI) within SNN

	<b>Personnel structure 2020</b>	<b>Personnel structure 2019</b>	<b>Personnel structure 2018</b>
<b>Age groups</b>	<b>Average age/Category</b>	<b>Average age/Category</b>	<b>Average age/Category</b>
<30 years	5.79%	6.69%	7.19%
31 – 40 years	22.87%	21.97%	22.98%
41 – 50 years	34.81%	33.53%	35.28%
51 – 60 years	32.57%	32.75%	29.79%
>60 years	3.78%	5.11%	4.76%

### Workforce diversity monitoring

- SNN monitors the evolution of the workforce regarding the diversity pertaining to age, gender, work conditions, education
- SNN employees are recruited according to the provisions of the Labor Code, by ensuring the equal and ethical treatment of candidates.
- Employees benefit from training regarding the ethical treatment and non-discrimination by drafting and publishing «The Business Ethics and Code of Conduct of SN Nuclearelectrica SA», «The ethics and compliance program of SN Nuclearelectrica SA» «The compliance guide» available on the SNN website, in the Investor Relation section, Regulations.

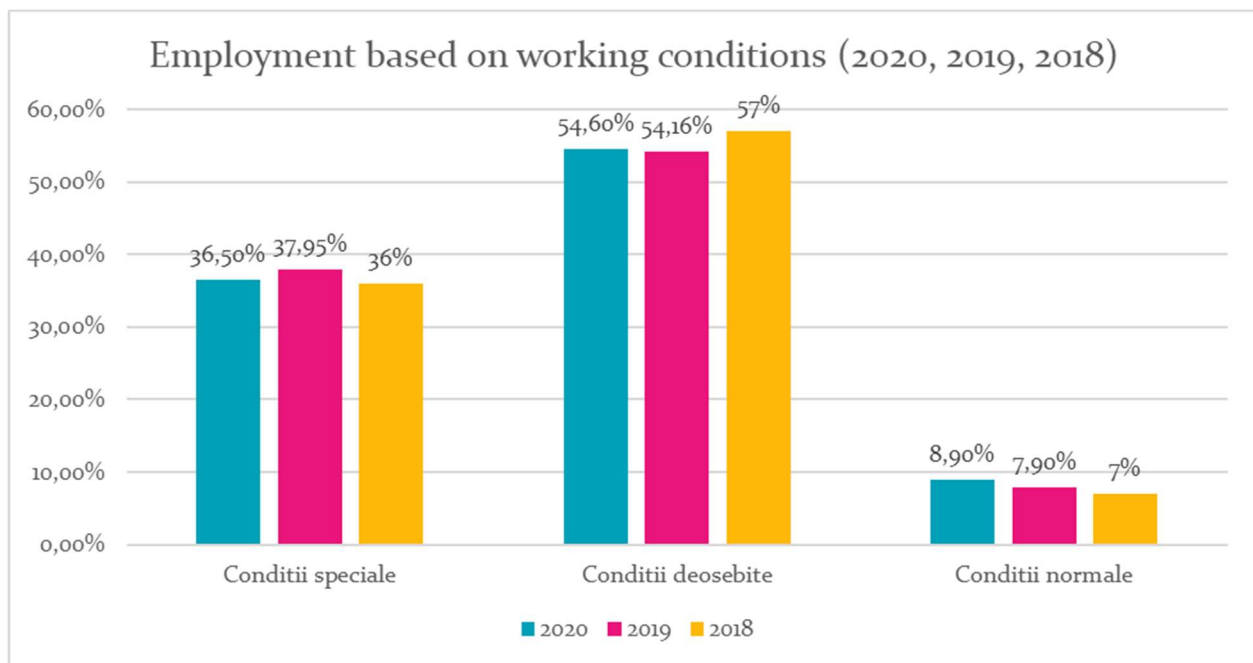
- The management and administrative responsibilities on ensuring equality, diversity and freedom of expression are assumed according to the Ethics Code of the Board of Directors, available on the SNN website, in the Investor relation section, Regulations.



Employees entitled to parental leave, per gender

The average of employees who are raising children, by genders, is presented in the table below:

Year	CNE	FCN	SNN Head Office	Average	
2020	0.40%	1.40%	6.00%	0.99%	Women raising children.
	0.07%	0.28%	0.00%	0.1%	Men raising children.
2019	0.73%	1.10%	6.16%	1.16%	Women raising children.
	0.12%	0.00%	0.00%	0.09%	Men raising children
2018	0.51%	0.56%	3.08%	0.68%	Women raising children.
	0.13%	0.00%	0.00%	0.10%	Men raising children.



Personnel fluctuation rate:

<b>2020</b>	<b>12.08%</b>
<b>2019</b>	3.80%
<b>2018</b>	6%

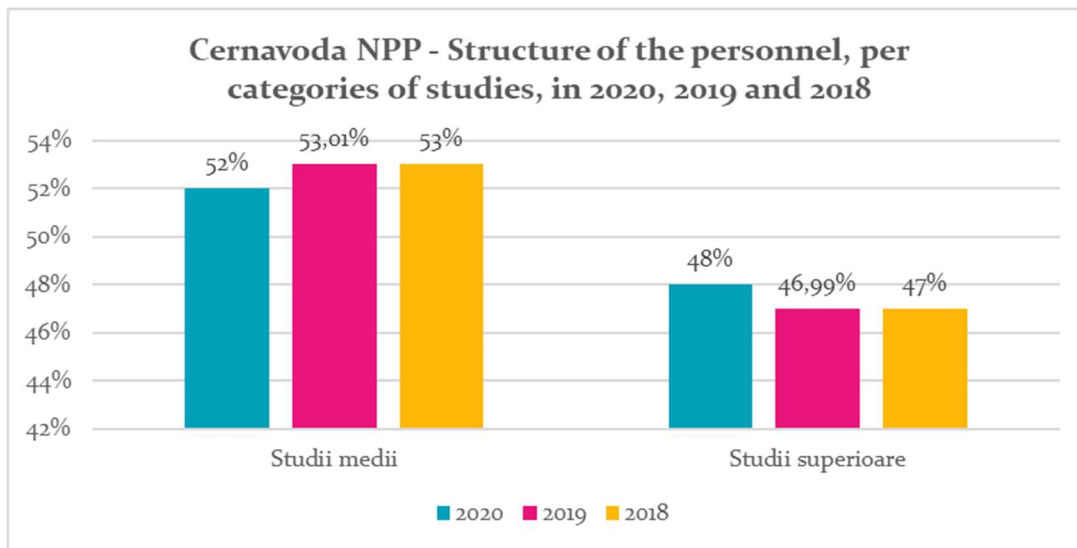
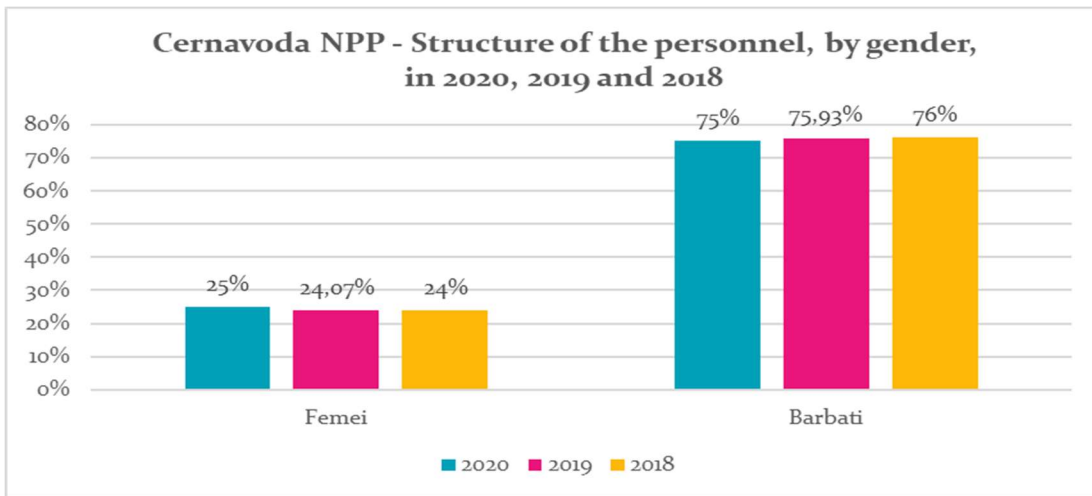
Share of employees working with temporary contracts, per gender - Very low.

<b>2020</b>	<b>2.09%</b>
<b>2019</b>	1.63%
<b>2018</b>	1%

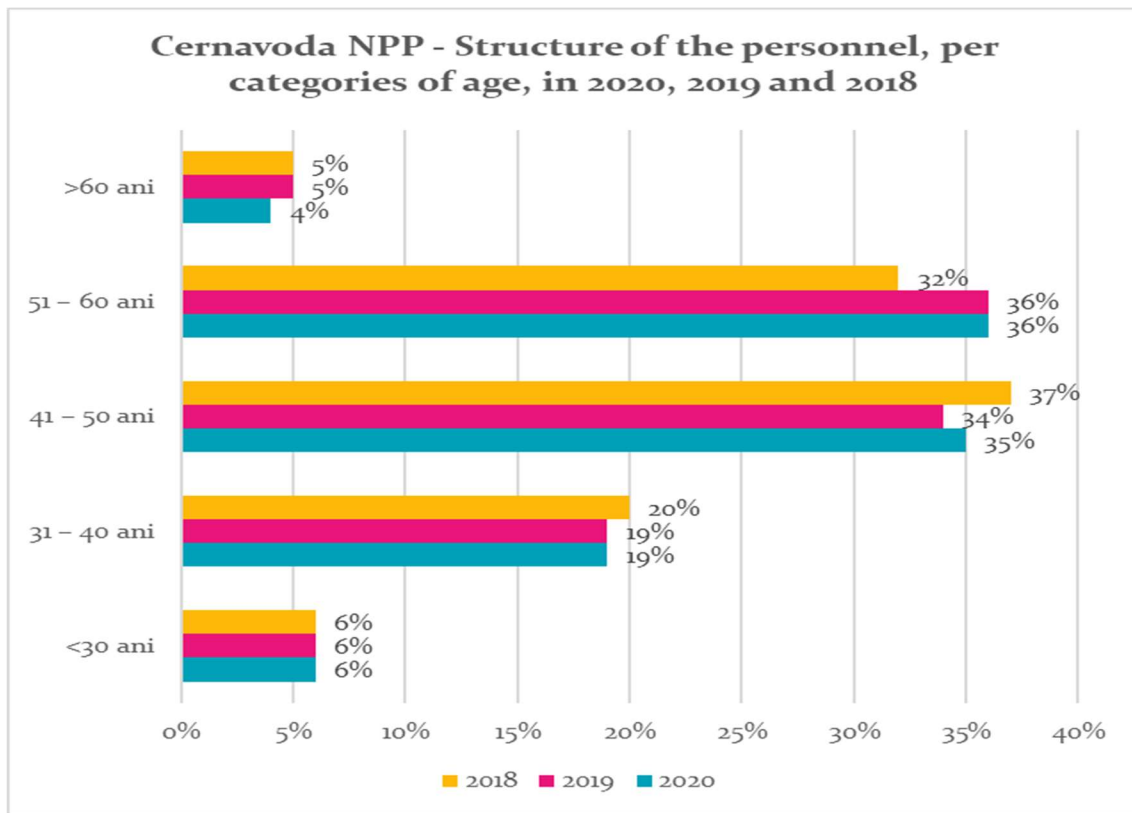
The average number of training hours per year for each employee, per gender - The degree of continuous and initial training in a nuclear power plant is a mandatory requirement and reaches an average of:

<b>2020</b>	<b>51.24 h/employee</b>
<b>2019</b>	134.6 h/employee
<b>2018</b>	114.37 h/employee

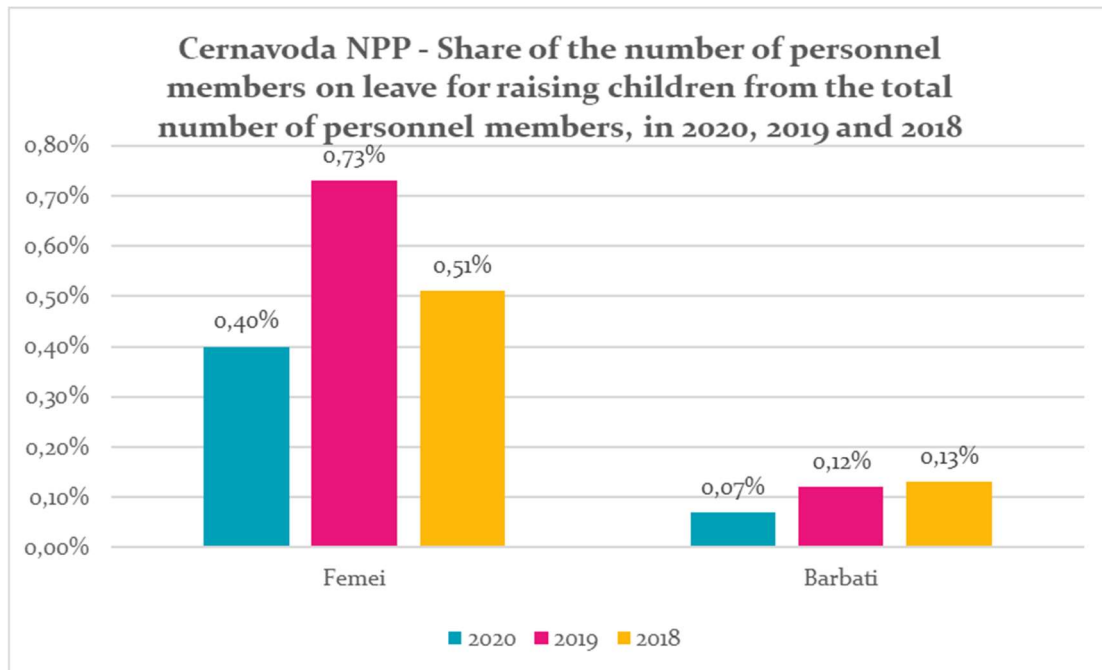
## Key Performane Indicators (KPIs) related to the Cernavoda NPP Branch



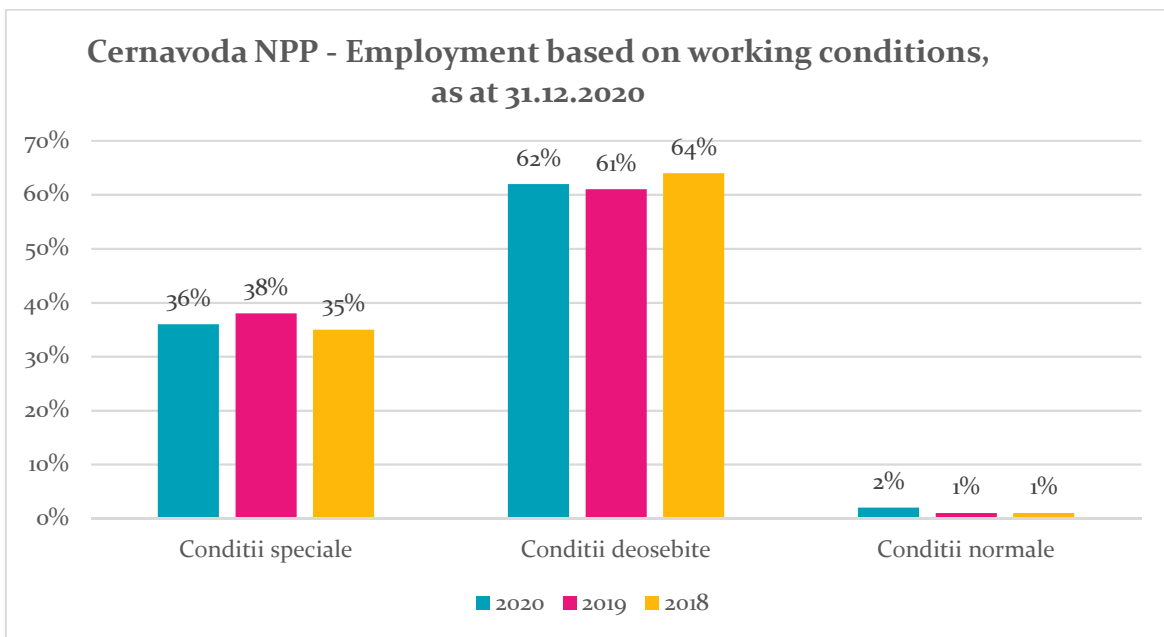




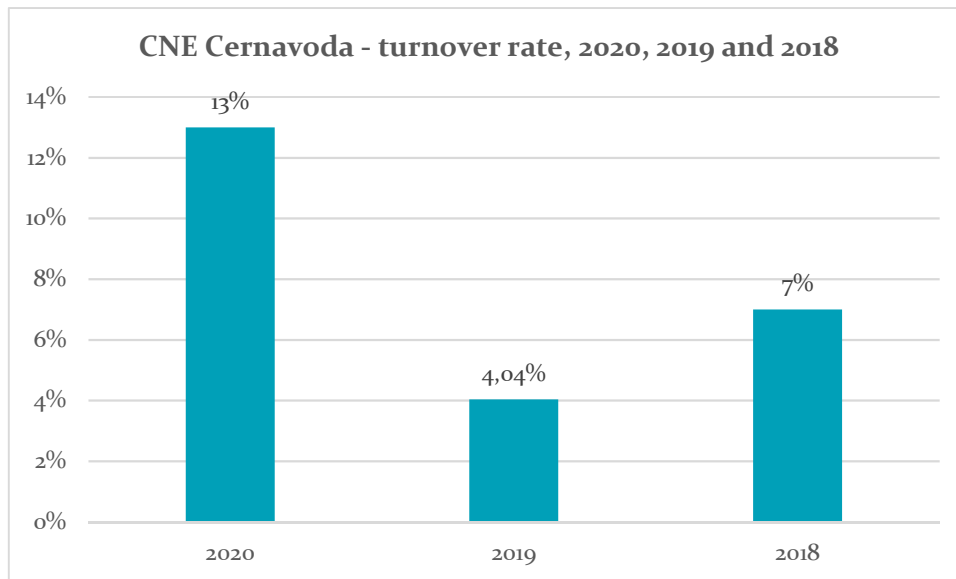
Employees entitled to parental leave, per gender.



Employees participating in activities with a high risk of accidents or specific diseases.

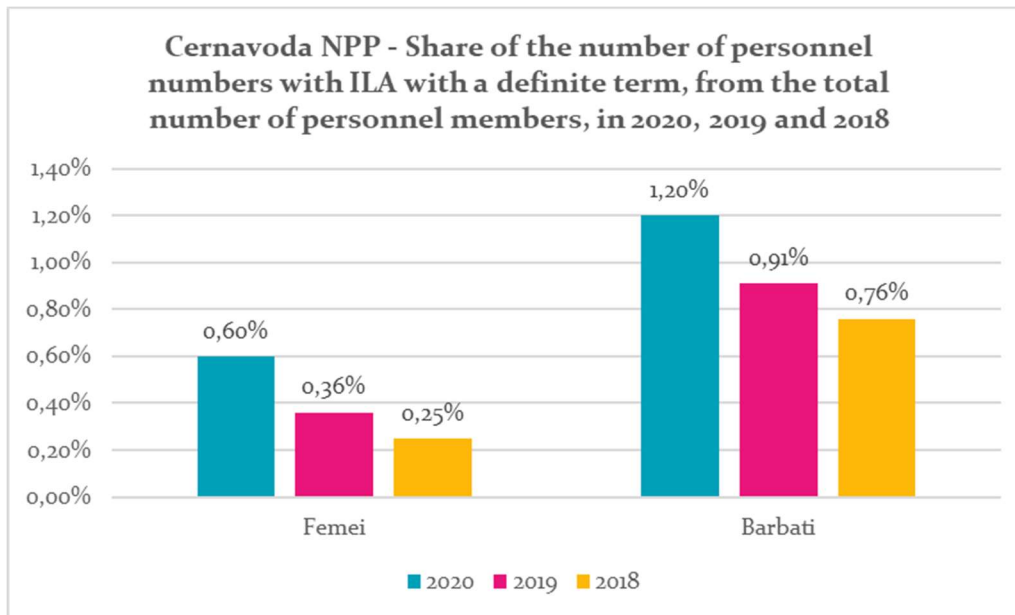


#### Personnel turnover rate

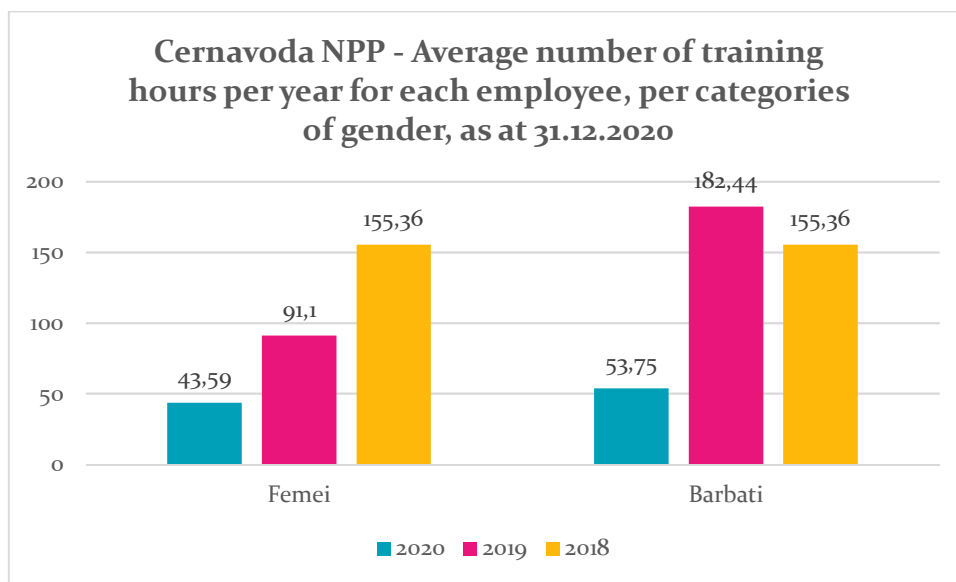


The turnover rate significantly increased at the end of 2020 (with an accelerated trend in the second part of the year) because of the uncertainty of the legislation applicable for public pensions, which caused a significant number of employees to request pensioning by reducing the standard pensioning age, thus capitalizing the work periods under special or difficult work conditions.

Weight of employees working with temporary contracts, per gender.

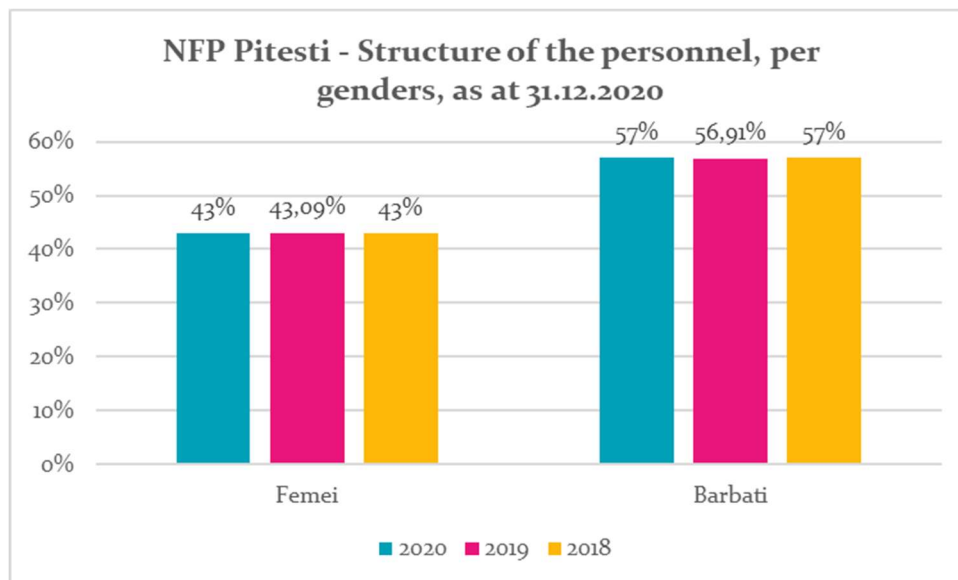
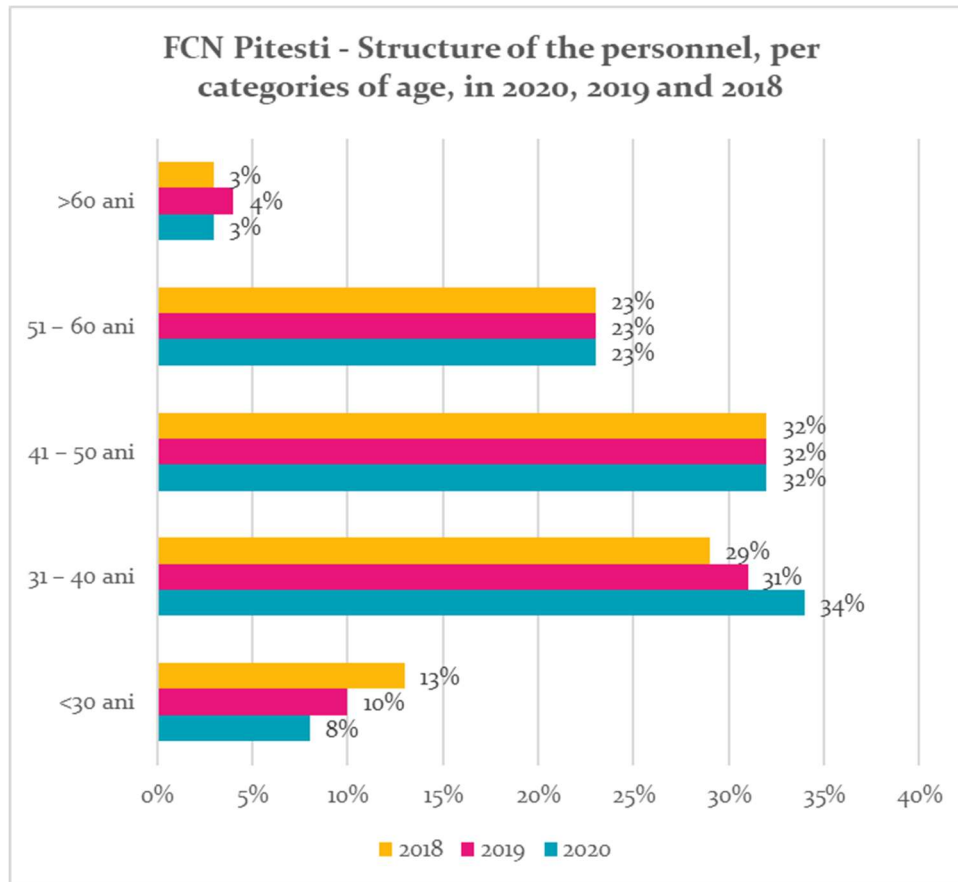


Average number of training hours per year for each employee, per gender.

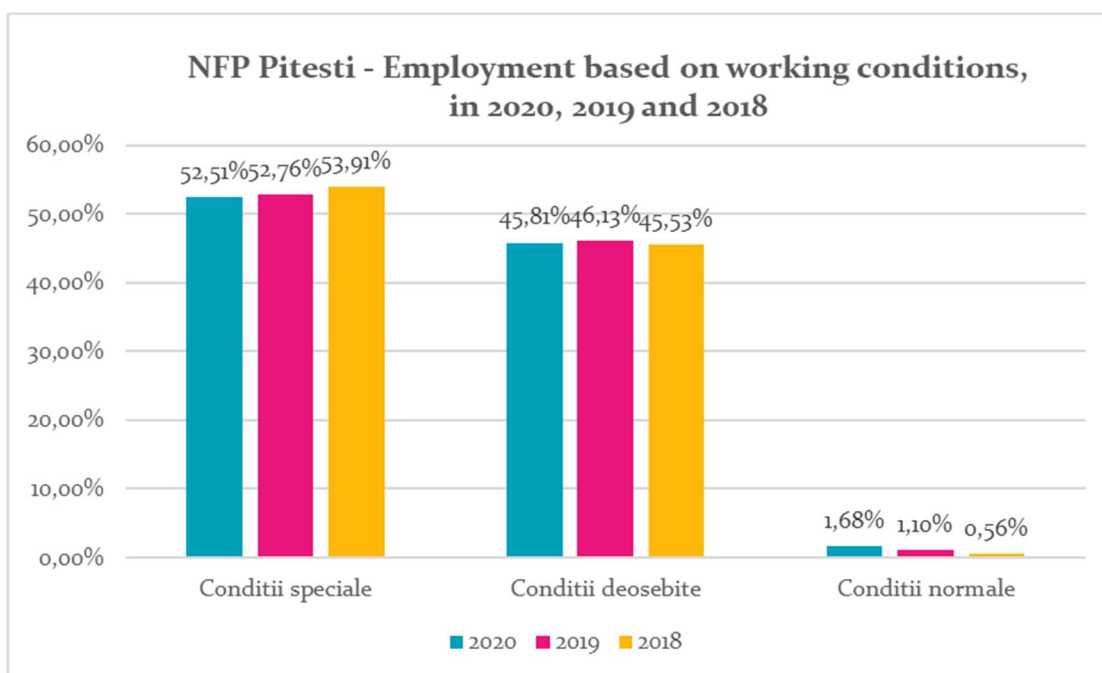
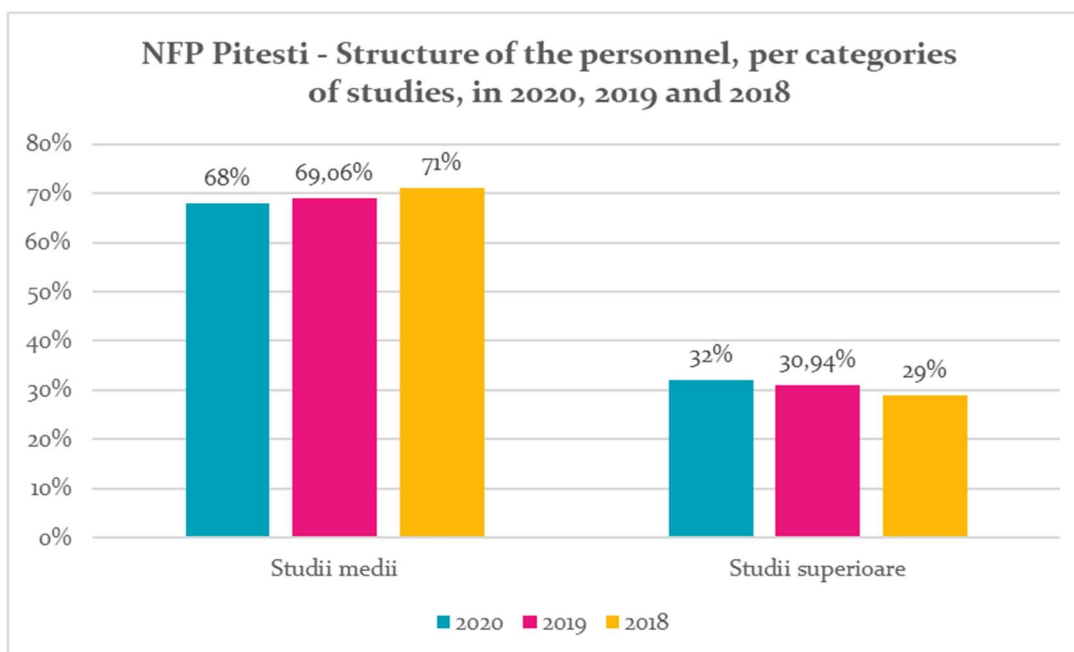


Number of people with disabilities employed 11.

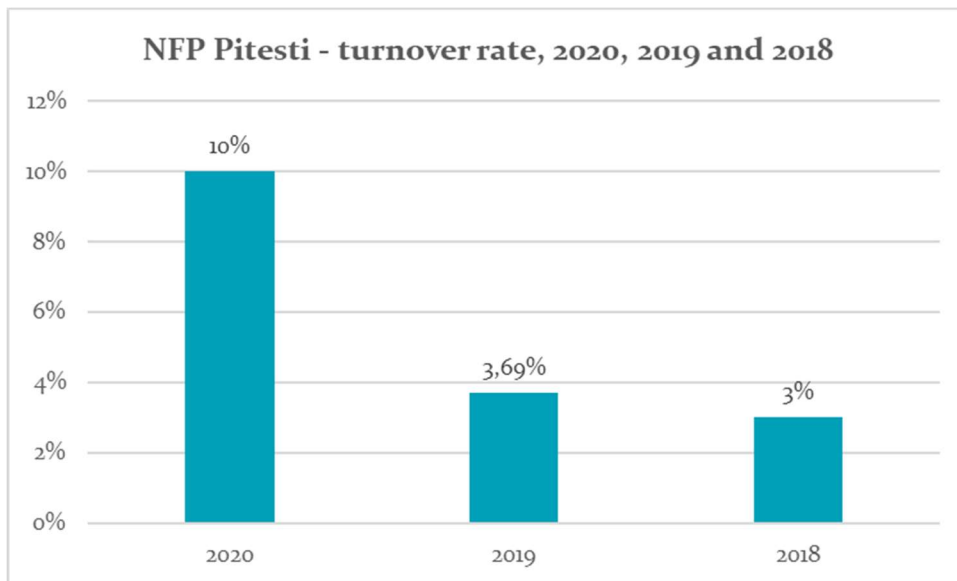
## Key Performane Indicators (KPIs) related to the NFP Pitesti Branch



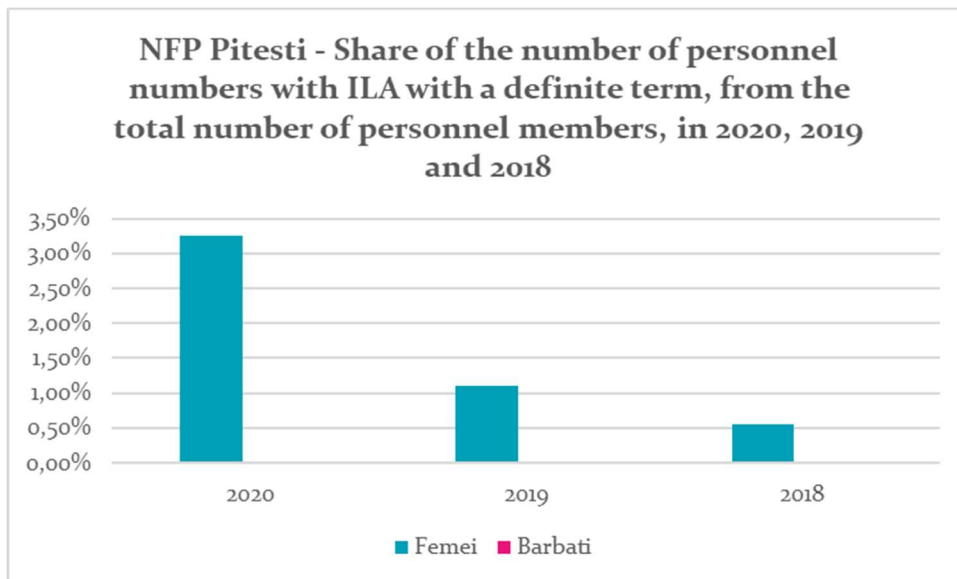
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The turnover rate significantly increased in the second part of 2020 because of the uncertainty of the legislation applicable for public pensions, which caused a high number of employees to request pensioning by reducing the standard pensioning age, thus capitalizing the work periods under special or difficult work conditions.



*Number of work accidents, types of injuries or occupational diseases*

In 2020, NFP did not record any work accidents, and did not record any occupational diseases.

NFP does not have any people with disabilities employed.

## **Mentorship programs**

- Implementing a solid internal mentorship program is one of the management objectives and an objective of the human resource policy
- On-job mentoring is performed by coaching, shadowing and training multi-disciplinary teams.
- Young graduates of specialized faculties have the opportunity of enlisting in the paid internship of SNN, and of subsequently obtaining a job within the company, based on a selection-based competitive procedure.

## **10. Observance of human rights**

The human resources strategies and policies, the action directions of the administrative and executive management, aim for the observance of human rights in compliance with the international and national legislation. In this regard, Nuclearelectrica pays attention through its policies and strategies to: the principle of equality of rights and equality of chances, the right to life, health protection and the right to a healthy environment, the right to defense and non-discriminatory access to justice, individual freedom and the right of free circulation, freedom of expression, freedom of information, the right to elect and be elected, the right to work and the right to strike, the right to association, the protection of people with disabilities, the right to petition, the right to legislative initiatives, the protection of children and youth.

SNN recorded no cases with a major impact on human rights in relation to the current activity or the decisions adopted. The admission and settlement of any complaints, the mitigation of cases of human rights breached and the adoption of settlement measures are carried out according to the Ethics Commission Regulations.

Through SNN's CLA, the Internal Regulations of SNN SA, Procedure RD-01364-HR001 Human Resources and Organizational Development, SNN manages issues that are related to the observance of human rights, including the freedom of association.

## **11. Fight against corruption and bribery**

### **Compliance, ethics and integrity**

- Offering and accepting bribes are strictly forbidden by the ethics code of the Board of Directors, the Business Ethics and Code of Conduct of SN Nuclearelectrica SA, the Ethics and Compliance Program of SN Nuclearelectrica SA, available on the SNN website, in the Investor relation section, Regulations.
- Qualification and training courses are annually organized in the field of business ethics and compliance.

- In 2020, SNN obtained the ISO 37001/2016 standard for the anti-bribery management system.
- The internal compliance guides clearly define various types of facilitation payments and scenarios, so that there are no doubts on the expected ethical behavior.

SNN continued the process of optimizing the internal procedural framework regarding the compliance, prevention and integrity warnings, and performed, in parallel, sustained activities of familiarizing the entire personnel with the principles and provisions of the related procedural framework.

Besides the online advertising and promotion of all the modifications to the procedural framework, SNN organized and implemented several training sessions, in which approximately 1600 employees participated.

The anti-bribery management system developed on the level of SNN is certified according to the requirements of the ISO 37001: 2016 standard and especially considers the following processes:

- Declaring presents and other benefits;
- Avoiding conflicts of interests;
- Mandate of the ethics adviser and of the compliance officer;
- Protection of the integrity whistleblower;
- Prevention measures for managing sensitive functions;
- Sponsorships, donations and other charitable activities;
- Employee deductions.

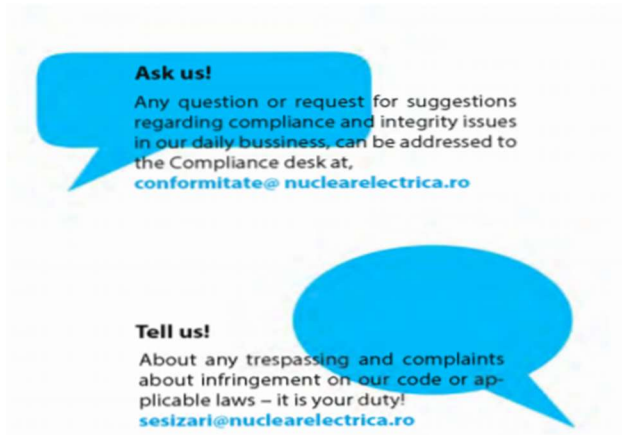
In order to ensure the integration of the requirements of the anti-bribery management systems in the processes of the company, the internal normative anticorruption framework was consolidated and developed by drafting operational policies, procedures and instructions, namely:

- The Anticorruption policy, designed to encourage and facilitate the activity of preventing and fighting corruption deeds, setting anticorruption principles for all employees, setting up a framework for setting, reviewing and achieving anticorruption objectives adopted by the company by joining the National Anticorruption Strategy.
- The procedure “Manner of complying with the Anticorruption policy” which regulates the field and structure of the compliance function established in order to ensure the compliance with the principles set in the Anticorruption Policy.
- The procedure regarding the “Implementation of financial and non-financial anticorruption compliance inspections” that describes the manner of implementing relevant inspections for preventing, detecting and investigating corruption risks.
- The procedure for assessing business partners from the perspective of the risks associated to the anticorruption compliance system which describes the manner in which the analysis of commercial partners is performed in order to minimize the risks generated by the transactions performed by SNN S.A.



## Whistleblower protection policy

- The policy and methods of whistleblowing non-compliance practices and behaviors is notified to the employees by internal regulations, and means are provided, including for anonymous complaints (the integrity warning tool on the SNN website).



- Protecting whistleblowers is regulated in the Compliance Guide and in the Business Ethics and Code of Conduct of SN Nuclearelectrica SA.
- The SNN structure has specialized departments and structures for investigating complaints and protecting whistleblowers: the compliance officer, the ethics officer, the compliance office.
- The information received by the non-compliance whistleblowing program are not made public, in order to protect whistleblowers and the investigation, unless there is a legal process.

## 12. Consolidated non – financial statement

### Group presentation

SNN has one branch, namely Energonuclear S.A. (“EN”), with an interest in the share capital of 100% as at December 31, 2020. It enters within the consolidation perimeter.

The establishment of EN S.A., company whose mission is the development of the execution project for the Units 3 and 4 from Cernavoda Nuclear Power Plant, was achieved by promoting a shareholding structure, where SNN holds a participation share of 51% of the share capital (according to the Government Resolution no. 643/2007, as it was amended by the Government Resolution no. 691/2008). According to the Investment Agreement, according to which the EN was founded, signed on December 25th, 2008 and approved by the Government Resolution no. 1565/2008, the shareholding initial structure is: SNN 51%, RWE, GDF Suez, ENEL and CEZ each with 9,15%, and ArcelorMittal and Iberdrola each with 6,2%.

After the withdrawal from the Project of the CEZ shareholders (as at December 30th, 2010) and RWE, GDF Suez and Iberdrola (as at February 28th, 2011), Enel (January 16th, 2014) and ArcelorMittal (January 17th, 2014), SNN acquired by share transfer agreements, the cumulated share held by them within EN, managing, as a result of these operations, to hold as at January 17, 2014 a share of 100% in the share capital of EN. The share capital of EN on December 31, 2020 is 146,152,998.73 lei, representing the equivalent of 35,000,000 euros. The share capital is divided into 37,105,029 ordinary nominative shares with a nominal value of 3.9389 lei per share.

The headquarters of the company EN is in Bucharest, 5-7 Vasile Lascar st., 3rd floor, offices no. 307, 315, 315A, 315B, 315C, 316, 317. The running number in the Trade Register is J40/3999/2009, and the Unique Registration Code is 25344972.

### Articles of incorporation

The Articles of Incorporation of EN was amended, and the amendments were approved by Resolutions of the Extraordinary General Meeting of Shareholders, within the program for limiting the activities of EN initiated by EGMS no. 1/30.01.2015, and accommodated successive reductions of personnel and successive reductions of premises, and the last amendment was ordered by the Resolution of the Extraordinary General Meeting of Shareholders no. 2 of January 18, 2017, which decided to reduce the area of the registered office at EN, at the aforementioned address.

The articles of incorporation of EN was modified in July 2019 following the approval of the Resolution of the Ordinary General Meeting of Shareholders for revoking the former external financial auditor and for appointing a new one.

EN is managed in a one-tier management system. The Board of Directors consists of 3 directors appointed by the General Meeting of Shareholders. The Chairman of the Management Board is appointed with the unanimous consent of the shareholders, on the proposal of each shareholder, for a period of maximum 2 years.

In period 01.01.2020 - 18.12.2020 the structure of the Board of Directors was as follows:

- Anca Dobrica: Chairman;
- Ion Sarbulescu: Member;
- Liviu - George Fotache: Member.

As at December 31, 2020, the members of the Board of Directors are as follows:

- Anca Dobrica: Chairman;
- Alexandru Marciulescu: Member;
- Codrut Tudor: Member.

The decisions regarding the structure of the Board of Directors of EN in period January 01, 2020 - December 31, 2020 were taken by the following resolutions of the Ordinary General Meeting of Shareholders of EN no. 5/2019, 6/2020, 8/2020, 11/2020 and 12/2020.

### **The management of Energonuclear**

In 2020, the executive management of EN was ensured by the following manager: Nicolae Capatina: Technical Service Manager - as at November 16, 2018 (Individual Employment Contract concluded for an indeterminate period as chief engineer at the Technical Service, dated May 7, 2012) by temporarily taking over the duties of the Chief Executive Officer according to BoD Resolutions 8/23.12.2019, 7/24.06.2020 and 8/23.09.2020.

### **Description of activity**

In 2020, EN performed activities that targeted actions necessary for continuing the implementation of the project for Units 3 and 4 NPP Cernavoda, out of which the most important were:

- ❖ Maintenance and operation services for the temporary low-voltage installation at the location of Units 3 and 4 of the NPP.
- ❖ Services of water draining/discharge for the structures outside and inside the buildings within the protected area at the location of Units 3 and 4 of NPP Cernavoda.
- ❖ Services of removal/hygienization for the structures outside and inside the buildings within the protected area at the location of Units 3 and 4 of NPP Cernavoda.
- ❖ Providing electricity to Units 3 and 4 of NPP Cernavoda, necessary for the performance by EN and its contractors of activities of maintenance and conservation of the assets of the two units.
- ❖ Works for preserving embedded, penetrating and non-penetrating parts.
- ❖ Consulting the EN documentation under custody at NPP Cernavoda according to the protocol of 2018, concluded with NPP Cernavoda, in order to prepare the support documentations that were necessary for the aforementioned activities.
- ❖ Monitoring the state of the site and of the structures of Units 3 and 4 NPP Cernavoda and pursuing the corrective actions recommended by CNCAN.
- ❖ Participating in the annual inspection of CNCAN at the location of Units 3 and 4 of NPP Cernavoda, according to CNCAN Protocol no. 16351/29.10.2020.
- ❖ Extension by 2 more years by CNCAN of the EN authorization for the management system in the nuclear field.
- ❖ Drafting the EN Informative Report code 83-15000-IR-006, Rev. 0 on the status of the locations of Units 3 and 4 of NPP Cernavoda.
- ❖ Activities related to the loan contract granted to EN by SNN.

- ❖ Performance of all the necessary activities for the proper operation of the inspection action of the economic-financial inspection team at the General Inspection Division of the Ministry of Public Finance.
- ❖ Insurance of the technical assistance for the Negotiation Committee (“CN”), as a part of the “SNN Team” during the negotiations with the selected investor regarding the Investor Agreement and Articles of Incorporation of the new mixed company.
- ❖ Drafting information reports for the Ministry of Energy, the Ministry of Public Finance, the Board of Directors of EN, GMS of EN, etc.
- ❖ Managing the current activities of the company(administrative, financial-accounting, current contract management, human resources, legal, procurement, etc.).
- ❖ Concluding contracts / monitoring the provision of services for: external auditor; accounting; specialized assistance in the design, implementation, monitoring and improvement of the Internal Management Inspection System; supplying spare / replacement parts, consumable, fuel, etc.; communications (telephony, internet); banking services; leasing premises and furniture.

The resources of EN mainly come from the draws from the shareholder loan contract concluded by SNN with EN, and from cash contributions historically made by shareholders.

On December 31, 2020, EN had 5 employees working up to 40 hours a week.

## **Litigations**

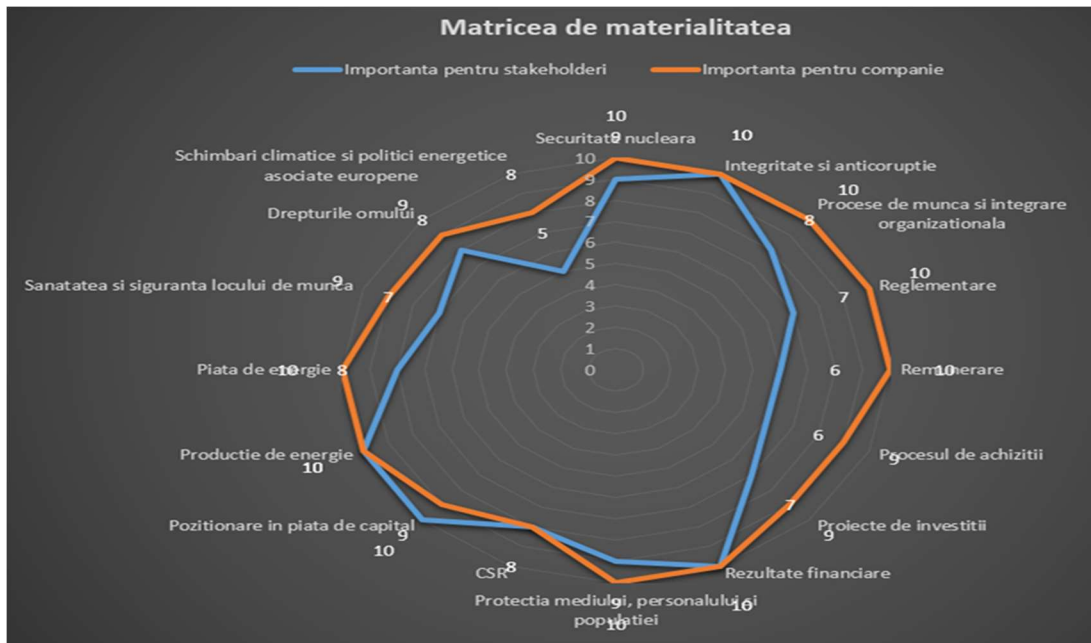
Regarding the litigations of EN with its employees or former employees, requesting the recovery of annual leave compensation differences for 2009-2010, representing compensations in value of 556,526 lei, which had been ordered by applying measure no. 8 from the judgment of the Court of Auditors no. 97/2011: the cancellation notification for 35 files was approved, and the judgment for settling the cancellation application for 1 file has not been received until the date of this Directors’ Report.

## **Corporate Social Responsibility program**

- In 2020, SNN implemented an ample CSR program and sponsorships of approximately 10 million RON, a program which impacted almost 2 million Romanians, according to the information from the Annual report and from the CSR report 2020.
- The CSR and sponsorship activities are performed according to the CSR policy of SNN available on the SNN website, the provisions of sponsorship law 32/1994, GO 2/2015 and the internal procedure for granting sponsorships, the information notified to potential applicants for sponsorships on the SNN website, the CSR section, Request a sponsorship from SNN.
- SNN constantly consults the local community by the Community Information and Consultation Council, which represents a forum for debating and resolving the problems of the local community.

- SNN constantly maps the stakeholders that impact and may be impacted by the SNN activities and updates this list, positioning itself on the market on several levels in order to respond to the preoccupations of all stakeholders: population, local community, mass-media, investors, authorities, international community.
- The relations with the local community are managed by specialized department on the level of the headquarters and branches of NPP Cernavoda.
- There is a formal mechanism for submitting complaints, including by the integrity warning tool, and by the forms related to the application of Law 544/2001..
- Public consultations are held for infrastructure investment projects with radiological impact, when applicable, according to the provisions transposed into the national legislation of the Aarhus and Espoo agreements. In 2020, there were no investment projects with radiological impact for which it would be necessary to hold public consultations
- Development of relations with the local community represents one of the objectives assumed by the SNN managers by the expectation letter (<https://www.nuclearelectrica.ro/ir/wp-content/uploads/sites/9/2020/04/Scrisoare-de-asteptari-RO.pdf>).
- The local community has access, on a daily basis, to information on the operation of the power station by the following contact points: a daily radio broadcast which communicates information about effluents, production, significant events, displaying on electronic panels in the city, a monthly news bulletin of NPP Cernavoda, the information centers from Cernavoda and Constanta.

## Materiality matrix 2020



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**23. ANNEX 10 – INDIVIDUAL FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED ON DECEMBER 31, 2020**

**CERTIFIED MANAGEMENT SYSTEM  
ISO 37001**



**S.N. Nuclearelectrica S.A.**

**Individual Financial Statements  
as at and for the financial year ended on  
December 31, 2020**

Prepared in accordance with  
the Public Finances Minister's Order no. 2844/2016 on the approval  
of the accounting regulations compliant with the  
International Financial Reporting Standards adopted by the  
European Union

## Individual Financial Position for the financial year ended on December 31, 2020

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

	Note	December 31, 2020 (audited)	December 31, 2019 (audited, restated)*	January 1, 2019 (audited, restated)*
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	5,794,727,840	6,056,697,319	6,364,461,135
Assets representing rights of use underlying assets under a leasing contract	6	621,233	-	-
Intangible assets	7	53,470,674	60,760,656	54,834,052
Financial assets at amortised cost	8	5,056,031	42,836,031	110,474,559
Financial investments in subsidiaries	9	141,666,101	141,666,101	141,666,101
<b>Total non-current assets</b>		<b>5,995,541,879</b>	<b>6,301,960,107</b>	<b>6,671,435,847</b>
<b>Current assets</b>				
Inventories	10	435,434,531	402,936,159	368,742,400
Assets classified as held for sale	11	2,231,633	2,231,633	-
Trade receivables	12	157,943,751	169,994,236	157,665,341
Other financial assets at amortised cost	13	85,367,796	81,706,755	36,230,570
Bank deposits	14	1,621,384,000	58,879,494	20,954,979
Cash and cash equivalents	14	546,565,840	1,793,145,389	1,611,175,766
<b>Total current assets</b>		<b>2,848,927,551</b>	<b>2,508,893,666</b>	<b>2,194,769,056</b>
<b>Total assets</b>		<b>8,844,469,430</b>	<b>8,810,853,773</b>	<b>8,866,204,903</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital, out of which:				
<i>Subscribed and paid in share capital</i>		3,211,941,683	3,210,641,253	3,210,641,253
<i>Inflation adjustments to the share capital</i>		3,016,438,940	3,015,138,510	3,015,138,510
Share premiums		195,502,743	195,502,743	195,502,743
Reserve paid in advance		31,474,149	31,474,149	31,474,149
Revaluation reserve		21,553,537	21,553,537	21,553,537
Retained earnings		198,799,898	227,996,066	257,407,532
		4,055,915,983	3,843,269,056	3,658,054,141
<b>Total equity</b>	15	<b>7,519,685,250</b>	<b>7,334,934,061</b>	<b>7,179,130,612</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long term borrowings	17	290,478,567	499,908,597	683,967,469
Long term lease liabilities	6	515,074	-	-
Provisions for risks and expenses	19	235,409,546	213,470,997	182,883,283
Deferred revenues		86,067,969	100,412,631	114,757,293
Deferred tax liability	20	66,526,912	80,743,008	102,644,715
Employee benefit obligations	21	43,102,434	41,621,644	38,617,348
<b>Total non-current liabilities</b>		<b>722,100,502</b>	<b>936,156,877</b>	<b>1,122,870,108</b>
<b>Current liabilities</b>				
Trade and other payables	18	285,020,150	220,236,112	197,107,880
Current portion of provisions for risks and expenses	19	57,272,874	65,442,649	33,831,052
Current tax liability	20	32,049,397	13,329,182	98,958,158
Deferred revenues		16,228,454	27,863,600	30,913,233
Current portion of long term borrowings	17	211,995,082	212,891,292	203,393,860
Current portion of lease liabilities	6	117,721	-	-
<b>Total current liabilities</b>		<b>602,683,678</b>	<b>539,762,835</b>	<b>564,204,183</b>
<b>Total liabilities</b>		<b>1,324,784,180</b>	<b>1,475,919,712</b>	<b>1,687,074,291</b>
<b>Total equity and liabilities</b>		<b>8,844,469,430</b>	<b>8,810,853,773</b>	<b>8,866,204,903</b>

\* See Note 2 letter (g) for explanations on restatement following the reclassification of certain indicators.

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**Individual Profit or Loss for the financial year ended on December 31, 2020***(All amounts are presented in RON, unless otherwise indicated.)*

	Note	2020 (audited)	2019 (audited)
<b>Revenues</b>			
Sales of electricity		2,432,279,475	2,365,563,574
Electricity transmission revenues		13,724,548	12,208,626
<b>Total revenues</b>	<b>22</b>	<b>2,446,004,023</b>	<b>2,377,772,200</b>
Other income	<b>23</b>	54,167,930	39,660,952
<b>Operating expenses</b>			
Depreciation and amortization		(544,752,111)	(555,552,520)
Personnel expenses	<b>24</b>	(440,280,607)	(425,597,378)
Cost of traded electricity		(56,596,319)	(84,160,189)
Repairs and maintenance		(66,177,703)	(63,139,508)
Electricity transmission expenses		(13,724,548)	(12,208,626)
Cost of spare parts		(15,356,809)	(16,311,993)
Cost of nuclear fuel		(132,766,256)	(106,122,681)
Other operating expenses	<b>25</b>	(459,125,682)	(524,914,494)
<b>Total operating expenses</b>		<b>(1,728,780,035)</b>	<b>(1,788,007,389)</b>
<b>Operating profit</b>		<b>771,391,918</b>	<b>629,425,763</b>
Finance costs		(40,513,514)	(65,486,790)
Finance income		84,530,211	67,336,735
<b>Financial result</b>	<b>26</b>	<b>44,016,697</b>	<b>1,849,945</b>
<b>Profit before corporate tax</b>		<b>815,408,615</b>	<b>631,275,708</b>
Corporate tax expenses, net	<b>20</b>	(116,086,386)	(95,608,444)
<b>Profit for the period</b>		<b>699,322,229</b>	<b>535,667,264</b>

The Individual Financial Statements have been signed on March 15, 2021 by:

**Cosmin Ghita**  
Chief Executive Officer**Paul Ichim**  
Chief Financial Officer



**Individual Statement of Comprehensive Income for the financial year ended on December 31, 2020***(All amounts are presented in RON, unless otherwise indicated.)*

	Note	2020 (audited)	2019 (audited)
<b>Profit for the period</b>		<b>699,322,229</b>	<b>535,667,264</b>
<b>Other items of the comprehensive income</b>			
<b>Items that cannot be reclassified in profit or loss</b>			
Revenue from revaluation of buildings and land, net		34,757,342	35,013,650
Deferred tax related to the revaluation reserve		(5,561,174)	(5,602,184)
Actuarial (loss) on defined benefits plan		(5,539,153)	(625,400)
Result carried forward from other adjustments		(11,910,921)	(324,104)
<b>Other items of the comprehensive income</b>		<b>11,746,094</b>	<b>28,461,962</b>
<b>Total aggregate comprehensive earnings for the period</b>		<b>711,068,323</b>	<b>564,129,226</b>
<b>Earnings per share</b>	<b>16</b>		
Basic earnings per share (RON/share)		<b>2.32</b>	<b>1.78</b>
Diluted earnings per share (RON/share)		<b>2.32</b>	<b>1.78</b>

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**Individual Statement of Changes in Equity for the financial year ended on December 31, 2020**

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

Note	Share capital	Inflation adjustments to the share capital	Share premiums	Reserve paid in advance	Revaluation reserve	Retained earnings	Total equity
<b>Balance as at January 1, 2020 (audited, restated)</b>	<b>3,015,138,510</b>	<b>195,502,743</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>227,996,066</b>	<b>3,843,269,056</b>	<b>7,334,934,061</b>
<b>Comprehensive income</b>							
<i>Profit of the financial year</i>						<b>699,322,229</b>	<b>699,322,229</b>
<i>Other items of the comprehensive income</i>							
Actuarial (loss) on defined benefits plan						(5,539,153)	<b>(5,539,153)</b>
Transfer of the revaluation reserve to the result carried forward					(29,196,168)	(29,196,168)	-
Result carried forward from other adjustments						(11,910,921)	<b>(11,910,921)</b>
<b>Total comprehensive earnings for the financial year</b>	<b>15</b>	-	-	-	<b>(29,196,168)</b>	<b>711,068,323</b>	<b>681,872,155</b>
<b>Transactions with the shareholders, recognized only in equity</b>							
Share capital increase							<b>1,300,430</b>
Distributed dividends						(498,421,396)	<b>(498,421,396)</b>
<b>Transactions with the shareholders, recognized only in equity</b>	<b>15</b>	<b>1,300,430</b>	-	-	-	<b>(498,421,396)</b>	<b>(497,120,966)</b>
<b>Balance as of December 31, 2020 (audited)</b>	<b>3,016,438,510</b>	<b>195,502,743</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>198,799,898</b>	<b>4,055,915,983</b>	<b>7,519,685,250</b>

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**Individual Statement of Changes in Equity for the financial year ended on December 31, 2019**

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

	Note	Share capital	Inflation adjustments to the share capital	Share premiums	Reserve paid in advance	Revaluation reserve	Retained earnings	Total equity
<b>Balance as of January 1, 2019 (audited)</b>		<b>3,015,138,510</b>	<b>195,502,743</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>257,407,532</b>	<b>3,658,054,141</b>	<b>7,179,130,612</b>
<b>Comprehensive income</b>								
<i>Profit of the financial year</i>							<i>535,667,264</i>	<i>535,667,264</i>
<i>Other items of the comprehensive income</i>								
Actuarial (loss) on defined benefits plan							(625,400)	<b>(625,400)</b>
Transfer of the revaluation reserve to the result carried forward						(29,411,466)	29,411,466	-
Result carried forward from other adjustments							(324,104)	<b>(324,104)</b>
<b>Total comprehensive earnings for the financial year</b>	<b>15</b>					<b>(29,411,466)</b>	<b>564,129,226</b>	<b>534,717,760</b>
<b>Transactions with the shareholders, recognized only in equity</b>								
Distributed dividends	<b>15</b>						(378,914,311)	(378,914,311)
<b>Transactions with the shareholders, recognized only in equity</b>							<b>(378,914,311)</b>	<b>(378,914,311)</b>
<b>Balance as at December 31, 2019 (audited, restated)</b>		<b>3,015,138,510</b>	<b>195,502,743</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>227,996,066</b>	<b>3,843,269,056</b>	<b>7,334,934,061</b>

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## Individual Statement of Cash Flows for the financial year ended on December 31, 2020

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

	<b>2020</b> <b>(audited)</b>	<b>2019</b> <b>(audited)</b>
<b>Cash flows from operating activities</b>		
Profit before corporate tax	815,408,615	631,275,708
<b>Adjustments for:</b>		
Depreciation and amortization	544,752,111	555,552,520
Impairment on trade receivables	(7,634)	(478,197)
Value adjustments on inventories	(1,242,734)	(2,367,782)
Provisions corresponding to operating liabilities, risks and expenses	7,043,921	62,119,697
Earnings/(Losses) from asset assignment	(1,186,948)	404,837
Net financial (revenues)	(44,392,618)	(2,921,805)
<b>Changes in:</b>		
Decrease/(Increase) in trade receivables	12,058,010	(11,850,325)
Decrease/(Increase) in other financial assets at amortised cost	7,094,002	(46,279,154)
(Increase) in inventories	(36,062,245)	(31,825,977)
(Increase) in assets classified as held for sale	-	(2,231,633)
Variation of deferred revenues	(25,979,808)	(17,394,295)
Increase of trade liabilities and other liabilities	27,592,282	15,163,567
<b>Cash flows generated from operating activities</b>	<b>1,305,076,953</b>	<b>1,149,167,161</b>
Paid corporate tax	(111,766,825)	(203,139,127)
Collected interests	47,212,401	55,421,404
Paid interest	(3,578,795)	(9,959,106)
Collected dividends	3,764	-
<b>Net cash flow from the operating activity</b>	<b>1,236,947,498</b>	<b>991,490,332</b>
<b>Cash flows from investing activities</b>		
Purchases of intangible assets	(4,803,264)	(24,542,534)
Purchases of tangible assets	(238,561,278)	(226,440,766)
Proceeds from sale of tangible assets	1,186,948	141,615
(Increase)/Decrease in bank deposits and financial assets at amortised cost	(1,524,724,506)	29,714,013
<b>Net cash flow used in investment activities</b>	<b>(1,766,902,100)</b>	<b>(221,127,672)</b>
<b>Cash flow from financing activities</b>		
Repayments of borrowings	(218,307,866)	(216,374,987)
Dividend payments	(498,276,179)	(372,018,050)
Payments related to lease liabilities, interest included	(202,762)	-
Share capital increase	161,860	-
<b>Net cash flow from financing activities</b>	<b>(716,624,947)</b>	<b>(588,393,037)</b>
<b>Net (reduction)/ increase in cash and cash equivalents</b>	<b>(1,246,579,549)</b>	<b>181,969,623</b>
<b>Cash and cash equivalents as of January 1 (see Note 14)</b>	<b>1,793,145,389</b>	<b>1,611,175,766</b>
<b>Cash and cash equivalents as at December 31 (see Note 14)</b>	<b>546,565,840</b>	<b>1,793,145,389</b>

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## Notes to the Individual Financial Statements prepared for the financial year ended on December 31, 2020

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

### 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 status, CNE Cernavoda (Nuclear Power Plant) – with the registered office in Constanta County, Cernavoda Town, 2, Medgidiei Street, registered with the Trade Register under number J13/3442/2007, and FCN Pitesti (Nuclear Fuel Plant) - with the registered office in Arges County, Mioveni Town, 1, Campului Street, registered with the Trade Register under number J03/457/1998, respectively. The address of the registered office is Municipality of Bucharest, 1 District, 65, Polona Street.

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

The main activity of the company consists in electricity and thermal energy production by nuclear processes. The main place of business is within the Branch Cernavoda NPP, where the Company owns and operates two operational nuclear reactors (Unit 1 and Unit 2). The two nuclear operational reactors are based on CANDU technology (Canada Deuterium Uranium type PHWR).

In Cernavoda, the Company owns two other nuclear reactors in the early stages of construction (Unit 3 and Unit 4). The project for the Increase of the Production Capacity is planned to be completed by the Energonuclear S.A. subsidiary (for further details, see Note 9). Resolution no. 8/12.06.2020 of the Extraordinary General Meeting of Shareholders ("EGMS") approved the following: (i) Repealing of the "Strategy for the continuation of the project for Units 3 and 4 of Cernavoda NPP by the organization of an investor selection procedure" (2014) as well as the "Revised Strategy for the continuation of the project for Units 3 and 4 of Cernavoda NPP by the organization of an investor selection procedure" (2018) (item 2 of the EGMS agenda of June 12, 2020), (ii) Empowering the Board of Directors of SNN to initiate procedures/steps/actions concerning the termination of negotiations with CGN, as well as the cessation of legal effects (by the agreement of the parties, termination, etc.) of the following documents: "Memorandum of Understanding on the development, construction, operation and decommissioning of Units 3 and 4 of Cernavoda NPP (MoU)" and "Investor Agreement in preliminary form", respectively (item 3 of the EGMS agenda of June 12, 2020) and (iii) Empowering the SNN Board of Directors to initiate the steps for the analysis and crystallization of the strategic options for the construction of new nuclear power generation capacities (item 4 of the EGMS agenda of June 12, 2020). By Resolution of the Prime Minister of Romania no. 281/14.07.2020, published in the Official Gazette of Romania, Part I, no. 618/14.VII.2020, the Strategic Coordination Committee for the Implementation of the Project for Cernavoda NPP Units 3 and 4 was set up. On October 9, 2020 the Agreement between the Government of Romania and the Government of the United States of America was signed on the cooperation related to the nuclear-energy projects in Cernavoda and in the civil nuclear energy sector in Romania. The signing stage mainly aims, among others, at the extension of the capacity of Cernavoda NPP nuclear power plant.

The Company owns a reactor (Unit 5) for which the Group shareholders approved the change of 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. At the beginning of 2020, the Atomic Energy International Agency (AIEA) conducted a benchmark assessment of the design requirements for the investment objective Location Emergency Control Center (CCUA) - Unit 5 and an assessment of the technical requirements on the qualification of equipment to hazards (especially seismic qualification). The presentations defended by international AIEA experts within the benchmarking indicated a new qualification method/strategy, namely proving the seismic margin by using seismic experience as an alternative method for the qualification of critical systems in the Emergency Situations Facilities Building (CFSU). In June 2020, CNCAN agreed to use the seismic experience as an alternative method for demonstrating the seismic qualification of critical equipment, and in July 2020 the seismic qualification guide and the list of seismically qualified systems/equipment for the CFSU were updated. In the context of the aforementioned considerations, a revised timetable for the relaunch strategy was drawn up, indicating the accomplishment of this goal in June 2022.

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## **1. REPORTING ENTITY (CONTINUED)**

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

The electricity sector is regulated by the National Energy Regulatory Authority (“ANRE”), an autonomous public institution. Starting with March 2019, the Company participated both on the competitive segment, and on the regulated market segment, where ANRE has set, by means of yearly / half-year decision, 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 25).

As at December 31, 2020 the shareholders of the Company are: The Romanian State by the Ministry of Economy, Energy and Business Environment, holding 248,850,476 shares, representing 82.4981% of the share capital, and shareholders holding together 52,793,418 shares, representing 17.5019% of the share capital.

Since November 4, 2013, the shares of the Company have been traded at Bucharest Stock Exchange, under the issuing symbol SNN.

## **2. BASIS OF PREPARATION**

### **a) Declaration of conformity**

The Individual financial Statements have been prepared in accordance with the Order of the Ministry of Public Finance no. 2.844/2016 on the approval of the accounting regulations compliant with the International Financial Reporting Standards (“IFRS”), as further amended (“OMPF 2.844/2016”). Within the meaning of OMPF 2.844/2016, the International Financial Reporting Standards are those adopted in accordance with the procedure stipulated by the European Commission Regulation no. 1.606/2002 of the European Parliament and of the Council dated July 19, 2002 on the application of the international accounting standards. (“IFRS adopted by the European Union”).

The Individual Financial Statements prepared as at and for the financial year ended on December 31, 2020 were audited by an financial auditor of SNN – S.C. Mazars Romania S.R.L.

These Individual Financial Statements were authorized for issue and signed on March 15, 2021 by the management of the Company.

### **b) Going concern**

These financial statements were drafted based on the going concern principle, implying the fact that the Company will continue doing business, without a significant reduction thereof, in the foreseeable future as well.

From the analyses made on the implications of the Covid-19 pandemic on the activity of the Company, the management considers that the ongoing business thereof will not be affected (see Note 4).

### **c) Presentation of the financial statements**

The Individual Financial Statements are presented in compliance with the requirements of IAS 1 "Presentation of the financial statements" and IAS 27 – “Individual Financial Statements”. The Company 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.

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## **2. BASIS OF PREPARATION (CONTINUED)**

### **d) Basis of assessment**

The individual financial statements have been prepared under the historical cost, except for some categories of property, plant and equipment which are measured at fair value, as shown in the accounting policies (see Note 3c). Other financial assets and liabilities, as well as non-financial assets and liabilities, are presented at amortized cost, revalued value or historical cost.

### **e) Functional and presentation currency**

The financial statements are presented in Romanian LEI ("RON" or "LEU"), which is the functional currency of the Company. All financial information is presented in RON, unless otherwise indicated.

### **f) Use of estimates and judgments**

The preparation of the Individual Financial Statements in compliance with IFRS adopted by the European Union implies the use by the management of estimates, judgment and assumptions that affect the application of the accounting policies, as well as the carried forward amounts of assets, liabilities, income and expenses, useful life of non-current assets (see Note 3c), assumptions used in determining the fair value (see Note 4), assumptions made in determining the fair value of tangible assets (property, plant and equipment) (see Note 5), the transfer to tangible assets (property, plant and equipment) of those spare parts which meet the recognition criteria required by IAS 16 (see Note 5), the recoverability of trade receivables (refer to Note 12), assumptions on the net recoverable value of inventories (see Note 10), assumptions on the calculation of employee benefits (see Note 21), the period on which the governmental grants are transferred to the profit and loss account (see Note 3q and Note 23), estimates on the radioactive and non-radioactive waste management obligations (Note 19).

The judgments and assumptions associated with these estimates are based on historical experience and other factors deemed as reasonable in the context of these estimates. The results of these estimates form the basis of the judgments on the carrying amounts of the assets and debts that cannot be obtained from other sources of information. The obtained results may be different from the value of the estimates.

Judgments and their underlying assumptions are periodically reviewed. Revisions to accounting estimates are acknowledged in the period in which the estimate is revised if the revision only affects that period or in the period in which the estimate is revised and in future periods if the estimates affect both the current period and future periods.

The judgments made by the management in applying IFRS having a significant effect on the financial statements as well as the estimates implying a significant risk of a material adjustment over the next year are presented in Notes 4 and 28.

### **g) Presentation items**

As at December 31, 2020, the Company considered the reclassification (renaming or breakdown) of certain indicators in the Financial position statement, in order to comply with the submittal requirements requested by IFRS. This reclassification is not a result of the amendment of the accounting policies or corrections of errors within the meaning of IAS 8 "Accounting policies, accounting estimate changes and errors".

## 2. BASIS OF PREPARATION (CONTINUED)

### g) Presentation items (continued)

Thus, the considered reclassifications are as follows:

(i) **Financial assets.** This has been renamed Financial assets at amortised cost.

Financial position statement (excerpt)	December 31, 2019 (audited)	Reclassification	December 31, 2019 (audited, restated)	January 1, 2019 (audited)	Reclassification	January 1, 2019 (audited, restated)
Financial assets	42,836,031	(42,836,031)	-	110,474,559	(110,474,559)	-
Financial assets at amortised cost	-	42,836,031	42,836,031	-	110,474,559	110,474,559

(ii) **Financial investments.** This position has been renamed Financial investments in subsidiaries.

Financial position statement (excerpt)	December 31, 2019 (audited)	Reclassification	December 31, 2019 (audited, restated)	January 1, 2019 (audited)	Reclassification	January 1, 2019 (audited, restated)
Financial investments in subsidiaries	-	141,666,101	141,666,101	-	141,666,101	141,666,101
Financial investments	141,666,101	(141,666,101)	-	141,666,101	(141,666,101)	-

(iii) **Inventory.** This position has been broken down per row items, thus:

Financial position statement (excerpt)	December 31, 2019 (audited)	Reclassification	December 31, 2019 (audited, restated)
Assets classified as held for sale	-	2,231,633	2,231,633
Inventories	405,167,792	(2,231,633)	402,936,159

(iv) **Trade receivables** and other receivables and Payments made in advance. These positions merged and were subsequently broken down per row items thus:

Financial position statement (excerpt)	December 31, 2019 (audited)	Reclassification	December 31, 2019 (audited, restated)	January 1, 2019 (audited)	Reclassification	January 1, 2019 (audited, restated)
Trade receivables	-	169,994,236	169,994,236	-	157,665,341	157,665,341
Other financial assets at amortised cost	-	81,706,755	81,706,755	-	36,230,570	36,230,570
Payments made in advance	31,416,822	(31,416,822)	-	10,201,321	(10,201,321)	-
Trade receivables and other receivables	220,284,169	(220,284,169)	-	183,694,590	(183,694,590)	-

The significant accounting policies presented below have been consistently applied to all periods presented in these financial statements.

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### a) Transactions in foreign currency

Trades in foreign currencies are translated into RON at exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currency at the year-end are expressed in RON at the exchange rate displayed by the National Bank of Romania valid for the last banking day of the year. Gains and losses from exchange rate differences, realized or unrealized, are included in the profit and loss of the year. The exchange rates on December 31, 2020 and December 31, 2019 for the major currencies the Company trades in are as follows:

	Average exchange rate		Exchange rate on	
	2020	2019	December 31 <sup>st</sup> , 2020	December 31 <sup>st</sup> , 2019
RON/EUR	4.8371	4.7452	4.8694	4.7793
RON/USD	4.2440	4.2379	3.9660	4.2608
RON/CAD	3.1647	3.1948	3.1127	3.2702
RON/GBP	5.4423	5.4113	5.4201	5.6088
RON/CHF	4.4997	4.4033	4.5201	4.2652

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 valued at historical cost in a foreign currency are converted 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 1, 2004. Therefore, the provisions of IAS 29 were adopted in the preparation of the financial statements until December 31, 2003.

#### c) Tangible assets

##### *Recognition and assessment*

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### c) Tangible assets (continued)

##### *Recognition and valuation (continued)*

Tangible assets, except for lands and buildings, are stated at cost, less accumulated depreciation, and impairment adjustment. Land and buildings are separately valued 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 by January 1, 2012, was transferred to the retained earnings in a distinct analytical account. Revaluation reserves arising after the date of transition to IFRS, as a result of revaluations, are recorded as such in the financial statements. The revaluation surplus, both the one existing on the date of transition to IFRS and the subsequent one, is realized during the depreciation of tangible assets or upon disposal.
- Machines, equipment, and other assets (fewer special constructions, administrative and other buildings, including nuclear power plant), are recorded at the historical cost minus any accumulated depreciation and any accumulated impairment loss.
- Non-current assets in progress are recorded at the historical purchase or construction cost or inflated cost (restated in reference to the measuring unit existent 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 within the extension if the production capacity is also included; since heavy water is not used and is not chemically impaired, it is initially and subsequently valued at cost.

Units 1, 2, 3, 4 and 5 were considered a single project, and therefore the costs incurred before 1990 were not accounted separately for each unit. In 1991, the Company conducted a cost allocation for each unit. This reallocation represents the basis for the fixed assets included in the tangible assets under construction.

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

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

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 as at December 31, 2018 by the independent valuer (Primoval S.R.L., member of the National Association of Certified Assessors in Romania - ANEVAR). Prior to this revaluation, the lands and constructions were revalued on December 31, 2015, the special constructions were revalued on December 31, 2013, the administrative buildings on December 31, 2002, and the lands on December 31, 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"; nevertheless, 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### c) Tangible assets (continued)

##### *Recognition and valuation (continued)*

If the carrying amount of an asset is impaired as a result of a revaluation, this decrease is recognized in the profit and loss account; the decrease is, however, recorded in other comprehensive income items, to the extent to which there is credit balance in the revaluation surplus for that asset. The decrease recognized in other comprehensive income items reduces the amount accumulated in equity under the "revaluation reserves" position.

##### *Subsequent expenses*

Subsequent expenses related to an 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 2020 and for Unit 2 in 2019.

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

##### *Amortization*

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

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

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

<b>Asset</b>	<b>Useful life in years</b>
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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### c) Tangible assets (continued)

##### *Amortization (continued)*

The estimated useful life of Units 1 and 2, respectively 30 years, take into account a number of 210,000 operating hours designed per Unit, equivalent to 80% capacity factor over a 30-year period. By December 31, 2020, the cumulated capacity factor achieved since the commissioning of Unit 1 is 90.54% and 94.45% 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; nevertheless, this is a simplistic linear extrapolation since it is expected that the average capacity factor achieved so far in both units will decrease gradually by the end of the initial useful life due to creep of the fuel channels, therefore due to the inherent physical impairment of the units.

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

The management of the Company truly believes it is possible to successfully extend the number of running hours for Unit 1, by adding a number of hours over the designed operation hours (210,000 hours), which would provide the operation of Unit 1 until 2026 and, therefore, would allow to maintain the remaining duration of the estimated useful life, the estimated useful life for the first cycle of operation being of 30 years. The extension of the number of hours of initial operation depends on the results of the analyses and assessments having been contracted in December 2019 and to be completed in July 2022, predominantly influenced by the technical condition of Unit 1, as well as by the decision of the regulator (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 over the next period in connection with the life cycle of Unit 2, the life expectancy is also 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 25 more years after refurbishment.

Depending on the actual results related to the extension 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.

Heavy water (loads for Units 1 and 2), buildings and other facilities, equipment and vehicles are presented in Note 5 under the name of "Machinery, equipment and other assets". Inspections and overhauls, capitalized in accordance with IAS 16, are presented in Note 5 and are reflected in the carrying amount of "Nuclear Power Plants".

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

The carrying amount of the asset is adjusted to the recoverable value if the carrying amount 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 the carrying amount thereof, being recognized as operational revenues or operational expenses in the profit and loss account.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **c) Tangible assets (continued)**

##### ***Amortization (continued)***

The costs of the borrowings contracted especially for the construction of an element of non-current asset is capitalized in the cost of the asset by the date on which the activities for the preparation of the asset are performed, in view of the preset use or sale thereof.

##### ***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.

##### ***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.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### d) Non-current assets held for sale (continued)

##### *Acknowledgment of the loss from depreciation and resummptions*

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 at December 31, 2020, the Company holds assets for sale in the amount of RON 2,231,633 (December 31, 2019: RON 2,231,633). No impairment loss was recorded.*

#### e) Leasing

##### *(i) Acknowledgment*

As at January 1, 2019, in compliance with IFRS 16 "Leases", a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time, in exchange for a consideration.

As a lessee, in virtue of the lease for the premises intended for the registered office, the Company recognized an asset related to the right to use the underlying asset and a leasing debt derived from this contract.

As a lessor, the financial statements remain unaffected by the introduction of the new standard.

Exceptions to the application of IFRS 16 may be:

- leases with a lease term of 12 months or less and which do not contain purchase options, and
- leasing contracts where the underlying asset has a small value.

The Company ascertained that the criteria on the application of the exceptions were not met, as a result of which it restated the leases as lessee, according to IFRS 16. The Company has concluded asset lease and land concession contracts, for which the initial value of the asset has been estimated related to the right of use at an amount equal to the debt updated at the time of the transaction derived from these contracts, of RON 801,003.

##### *(ii) Valuation*

The company, as a lessee, initially values at cost the asset related to the right to use. The cost of the asset related to the right to use consists of the value of the initial valuation of the debt derived from the leasing contract, the lease payments made from January 1, 2019 (IFRS 16 enforcement date), or at the beginning of the performance thereof or prior to this date, the initial direct costs incurred by the lessee, an estimate of the costs to be borne by the lessee minus any leasing incentives received.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e) Leasing (continued)

##### (ii) Valuation (continued)

The Company, as lessee, also assesses the debt derived from the lease at the updated value of the lease payments that are not paid at that date. The update is made using the default interest rate in the lease if that rate can be immediately determined. If this rate cannot be immediately determined, the lessee's marginal loan rate is used.

The carrying amount of the asset valued on the cost-based model is the cost of the initial valuation less any accumulated amortization and any accumulated impairment loss and adjusted in reference to any revaluations of the debt derived from the lease.

##### (iii) Depreciation

The underlying asset is depreciated using the straight-line method. If the ownership is not transferred or there is no purchase option on the underlying asset until the end of the term thereof, the asset is depreciated from the contract starting date until the first date between the end of the useful life and the end of the contractual term also including the contract extension or termination options.

##### (iv) Leasing debt

On the date of initial recognition of the lease liability, the updated value of the lease payments comprises fixed payments less any receivable lease incentives and variable lease payments depending on an index or rate, initially measured based on the index or rate at the beginning of the contract (e.g., the consumer price index).

The updated value of leasing payments that are not paid on the recognition date is determined for the duration of a lease taking into account the periods covered by the contract extension options, if the Company has reasonable certainty that it will exercise that option and the periods covered by contract termination options, if the Company has reasonable assurance that it will not exercise that option.

Utility costs do not represent a component of the debt derived from the leasing contract, being recognized in profit or loss as invoices are issued.

The debt derived from the leasing contract is subsequently assessed by increasing the carrying amount to reflect the interest related to the debt, reducing the carrying amount to reflect the lease payments made and revaluing the carrying amount as a result of amendments to the contract (example of amendments: term of the contract, amendments to the leasing payments, asset purchase options, interest rate, termination of the contract).

##### (v) Derecognition

The asset related to the right of use is derecognized on the occasion of rescission or termination of the contract and is reflected by the decrease of the carrying amount of the asset related to the right of use and recognition in profit or loss of gains/loss related with the amendment of the leasing contract.

#### **Amendment to IFRS 16, "Leases" - rent payment concessions determined by Covid-19**

As a result of the COVID-19 pandemic, financial leasing contracts may be amended, in the sense of concessions being granted by the lessors. Such concessions could take a variety of forms, including granting grace periods from rent payments and postponing lease payments. On May 28, 2020, the IASB issued an amendment to IFRS 16, providing an optional practical tool for tenants to assess whether such lease concession related to COVID-19 is an amendment to the lease. Tenants may opt to account for such rent concessions in the same way as if there were no rent amendments. In many cases, this will result in the concession being accounted for as variable lease payments over the period(s) of occurrence of the event or circumstance triggering the reduced payment.

In 2020, the Company did not obtain concessions from lessors, so that no amendments to the contracts were recorded and implicitly amendments to the accounting treatments applied in compliance with the provisions of IFRS 16.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 expense on research activities conducted in order to gain knowledge or new scientific or technical interpretations are recognized in the profit and loss account when incurred.

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

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

##### *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.

The Company owns intangible assets derived from purchases and not internally generated. The useful lives are established depending on the period over which the asset can be used, for a definite period between 2 and 8 years. Windows, MS Office, and software program licenses have a useful life between 2 and 3 years, and software specific to the operation of the nuclear power plant have a useful life between 5 and 8 years. The Company does not own intangible assets purchased through government grants.

#### g) Financial assets and liabilities

##### *Classification*

The company adopted IFRS 9 "Financial Instruments".

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

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

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



### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **g) Financial assets and liabilities (continued)**

##### ***Classification (continued)***

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

##### *Financial assets valued 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.

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

##### *Financial assets at fair value through profit or loss*

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

##### ***Acknowledgment***

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

##### ***Set-offs***

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **g) Financial assets and liabilities (continued)**

##### ***Valuation***

###### *Valuation at the amortized cost*

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

###### *Valuation at fair value*

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

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

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

##### ***Identification and valuation of value depreciation***

###### *Financial assets measured at the amortized cost*

The expected credit loss represents the difference between all the contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive, updated at the initial effective interest rate.

A financial asset or group of financial assets is impaired as a result of credit risk if one or several events have occurred, having a negative impact on the estimated future cash flows of the assets.

The Company assesses whether the credit risk for a financial asset has increased significantly since initial recognition based on the information available at no cost or undue effort, which is an indicator of significant increases in credit risk since the initial recognition.

The Company recognizes in profit or loss the amount of changes in credit loss expected over the life of financial assets as a gain or loss from impairment.

The impairment gain or loss is determined as the difference between the carrying amount of the financial asset and the updated value of the future cash flows, using the effective interest rate of the financial asset at the initial moment.

The Company recognizes favorable changes in expected credit loss throughout the life as an impairment gain, even if expected credit loss throughout the life is less than the value of the expected credit loss that was included in the cash flows estimated upon the initial recognition.

##### ***Derecognition***

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **g) Financial assets and liabilities (continued)**

##### ***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.

Upon derecognition of equity instruments designated in the category of financial assets measured at fair value through other items of the comprehensive income, gains or losses representing favorable or unfavorable differences in valuation, highlighted in revaluation reserves, are recognized in other items of the comprehensive income representing realized surplus - IFRS 9).

Upon derecognition of the financial assets, the retained earnings on the date of transition to IFRS 9 is transferred to retained earnings representing realized surplus.

A gain or loss related to a financial asset that is measured at amortized cost is recognized in the current profit or loss when the asset is derecognized.

#### **h) Other financial assets and liabilities**

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

#### **i) Investments in subsidiaries**

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

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

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

#### **j) Depreciation of assets other than the financial ones**

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

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

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.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### k) Inventories

Inventories consist of consumables, spare parts that do not meet criteria for recognition as tangible assets, safety stock, uranium and other inventories necessary for the performance of activity of the Company. These are recorded as inventories when purchased and then expensed when consumed.

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

The inventories recorded by the Company comprise:

- nuclear fuel raw material, regardless of the form in which they are found in the production cycle of nuclear fuel bundles;
- other raw materials and materials.

The cost of raw materials for nuclear fuel and production in progress includes direct costs such as raw materials, directly attributable salary costs and various production-specific services. The discharge of nuclear fuel is done according to the components making up this inventory item (uranium, zirconia, production costs) as the nuclear fuel bundles are loaded in the reactor. Discharge is made at WAC.

According to the IAS 2 standard on "Inventories", the cost of outgoing inventories must be determined applying the first-in, first-out method (FIFO) or the weighted average cost method (WAC). By to December 31, 2015 inclusively, the Company used the FIFO method.

Following the analysis of the inventories made by the management of the Company, it resulted that the use of WAC method would produce more credible results in the annual financial statements, for the users thereof. In this context, starting with the January 1, 2016, the accounting policy used in order to determine the cost in the case of inventory outflows was changed from FIFO to the WAC method.

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

- The FIFO method assumes that outflows are valued at the purchase or production cost of the first inflow. 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 over the period.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **l) Trade receivables**

Trade receivables are initially recorded at the invoiced value and subsequently valued using the effective interest method less the impairment loss value. A provision for impairment is established when there is clear evidence that the Company will not be able to collect receivables at the set term. Significant financial difficulties of the debtor, the probability for them to enter bankruptcy or financial reorganization, late payments (over 360 days) are considered indicators that these receivables may require value adjustments.

An impairment loss related to a financial asset valued at amortized cost is calculated as the difference between the carrying amount thereof and the current value of the forecast, updated future cash flows, using the initial actual interest rate of the asset. The carrying value is reduced using an account for depreciation adjustments and the loss is recorded in the profit and loss account under the "Other operating expenses" position.

#### **m) Cash and cash equivalents**

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

The "Bank deposits" position in the statement of financial position refer to those bank deposits having an initial maturity of between 3 and 12 months, but having a related commitment, i.e., they are collateral deposits related to letters of bank guarantee, issued by banks on behalf of the Company, in favour of some clients.

The "Financial assets valued at amortized cost" position in the financial position statement also contains the collateral deposits related to the aforementioned letters of guarantee, but with a maturity of over 12 months.

#### **n) Share capital**

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

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

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

#### **o) Legal reserve**

Legal reserves are established as follows: 5% comes from the gross profit at the end of the year until the total legal reserves reach 20% of the share capital subscribed and paid-up, in compliance with the legal provisions. These reserves are deductible upon the calculation of corporate tax at the rate stipulated by the Tax Code and are only distributable upon the liquidation of the Company. The legal reserve is distributed on the balance sheet date. The legal reserve is found within the "retained earnings" position.

#### **p) Reserve paid in advance**

The prepaid reserve represents the cash contributions made by the shareholders of the Company for a future issue of shares by the Company. These contributions are recorded on credit in the prepaid reserve, when there is no possibility for the advance payments to be returned, and the obligation of the Company is only to issue a fixed number of shares.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### q) Government grants

Government grants related to the purchase of tangible assets are accounted as deferred revenue at fair value, when there is reasonable assurance that they will be received, and the Company 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.

#### r) Employee Benefits

##### (i) Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net liabilities of the Company in reference to the defined benefits plans are calculated separately for each single plan, estimating the amount of future benefits that employees have obtained in exchange for the services provided over the current and previous periods; these benefits are updated to the present value. Any unrecognized costs of previous services, as well as the fair value of the assets of the benefit plan are deducted.

The calculation is made on a yearly basis 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. In order to calculate the present value of the economic benefits, all minimum financing requirements applicable to any plan of the Company are considered. An economic benefit is available for the Company if it is attainable over the life of the plan or upon the settlement of the debts in the plan.

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

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

The Company recognizes gains or losses related to the decrease or settlement of a defined benefit plan when such decrease or settlement occurs.

The gain or loss on the curtailment or settlement must 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 gain or loss related to any past related service cost not having been previously recognized.

##### (ii) Other long-term benefits granted to employees

The net liability of the Company in terms of long-term benefits granted to employees is the amount of future benefits that employees have earned in return for the services provided over the current period and the previous one. This benefit is updated in order to determine the fair value thereof, and the fair value of any related asset is deducted. These benefits are estimated using the projected credit factor method. Any actuarial gain or loss is recognized in the profit or loss account 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 provided. A provision is recognized at the estimated amount to be paid for short-term benefits in the form of bonuses or employees' participation in profits, only if the Company has a present, legal or constructive obligation to pay this amount for past services rendered by employees and this obligation can be reliably estimated.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### s) Provisions for risks and expenses

A provision is recognized if, as a result of a past event, the Company has a present, legal or constructive obligation that can be estimated reliably, and it is likely that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows by using a pre-tax discount rate reflecting the current market valuations related to the time value of money and the risks specific to the liability. The depreciation 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 on the storage thereof. The provision for the management of low and medium radioactive waste and the provision for the management of non-radioactive waste are determined as the updated value of the future management expenses thereof. 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) *Income from energy sales*

In order to recognize revenues from the sale of electricity, the Company applies the provisions of IFRS 15 “Revenue Recognition”.

IFRS 15 clarifies the manner in which the performance obligation in a contract is identified, the manner in which it is determined whether an entity acts in its own name or as an intermediary and whether the revenues obtained must be recognized at a specific moment or time.

IFRS 15 establishes a five-step model which is applied to revenues derived from a contract with a client (excluding contracts contemplated by other standards such as IFRS 16, IFRS 9, IFRS 4, etc.), regardless of the time of the transaction or the industry. The requirements of the standard will also be applied for the recognition and measurement of gains and loss from the sale of certain assets, other than financial, which are not the result of the regular activity of the Company (e.g., sale of tangible and intangible assets). The Company assessed the impact of these changes on the financial position and performance thereof but did not identify any significant items until the reporting date, December 31<sup>st</sup>, 2020.

The Company analyzed the main revenue flows being represented by the sales of electricity and heat and other revenues, by applying the “five-step” model provided for by IFRS 15. Based on the results of the analysis of contractual terms for the main types of contracts related to each significant revenue flow, the Company concluded that IFRS 15 does not have a significant impact on the financial statements, as compared to the recognition of revenues in accordance with IAS 18 and IAS 11.

The Company delivers goods (electricity and heat) for which it considers that the recognition of revenues should take place at some point in time, at the time when the control over the asset is transferred to the client, namely upon the delivery of the goods.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### u) Acknowledgement of revenues and expenses (continued)

##### (ii) *Financial revenues and expenses*

Financial revenues mainly include the interest income on bank deposits and cash, revenues from dividends, as well as the foreign currency difference gain. Financial revenues are recognized in the profit and loss account on an accrual basis, using the effective interest method. The effective interest rate represents the rate accurately updating payments and cash collections expected in the future, over the expected life span of the financial asset or liability (or, where applicable, for a shorter period) at the carrying amount of the financial asset or liability.

The value of the interest related to the debt derived from the leasing contract is determined using a discount rate which can be the interest rate in the contract or the marginal loan rate of the lessee and is recognized in profit or loss.

Dividend revenues are recognized in profit or loss on the date on which the right to receive such revenues is established. The company obtains dividend revenues from the subsidiary Energonuclear S.A.

Financial expenses mainly comprise the interest expense on loans and foreign currency difference loss. All costs 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.

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

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

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

The Company considered that the debt acknowledgment moment is determined by the existence of assets in the patrimony thereof, representing the tax base and, consequently, the debt for the special building tax and local duties and taxes was fully acknowledged on January 1<sup>st</sup> in compensation for the related expense.

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



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### v) Scopes of business

A scope of business is identified by IFRS 8 « Scope of business » as being a component of an entity:

- engaging in activities from which it may earn revenues and incur expenses, including revenues and expenses related to transactions with other components of the same entity;
- the operating results whereof are periodically reviewed by the main operational decisionmaker, in order to make decisions about the allocation of the resources per segment and assessment of the performances thereof; and
- For which distinct financial information is available.

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

The identification of a single reportable segment is based on the following elements:

- The Company produces and delivers only electricity and heat. The share of revenues obtained from the delivery of thermal power is only 0.3%.
- The production activity takes place only on the Romanian territory.
- The two functional nuclear units and the nuclear fuel plant are located in Romania.
- The energy delivery is preponderantly made on the Romanian territory, to legal entities.
- The regulatory framework is unitary for the entire Company. The Company applies the accounting regulations compliant with the International Financial Reporting Standards ("IFRS") approved by OMFP no. 2.844 / 2016, and the energy sector in Romania is regulated by the National Energy Regulatory Authority ("ANRE").

In order to meet the presentation needs in the financial statements, we mention the following:

- *IFRS 8.32. - Information on products and services.* As indicated in *Note 1 Reporting entity*, the main activity of the Company consists in the production of electricity and thermal power through nuclear processes.
- *IFRS 8.33. - Information on the geographical segmentation:*
  - a) Value of the revenues obtained from the sale of electricity on the Romanian territory and outside it.* The revenues obtained from the sale of electricity to customers established in Romania represent approximately 85.5%, the difference being represented by customers established in the Republic of Slovenia, Denmark, the United Kingdom of Great Britain and Northern Ireland and the Czech Republic.
  - b) Value of the fixed assets located in Romania and outside Romania.* All fixed assets of the Company are located on the Romanian territory.
- *IFRS 8.34. - Information on the main clients.* The transactions registered with the main clients are presented both in *Note 12 Trade receivables and other receivables*, as well as in *Note 28 let. b) Management of significant risks. Credit risk.* where the exposure of the Company to concentrated credit, risk was addressed.

#### 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 31, 2020 and December 31, 2019, 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 shareholders of the Company to the weighted average number of ordinary shares outstanding over the period. Weighted average 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 over such 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 following the meeting of some specified conditions. The goal of diluted earnings per share is correlated with the basic earnings per share, namely, to provide the interest of each ordinary share in the performance of the entity.

#### **z) Subsequent Events**

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### aa) Related parties

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

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

#### bb) Implications of new International Financial Reporting Standards (IFRS)

During the current year, the Company has applied all new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant to its operations and are effective for the accounting periods beginning on January 1, 2020, approved by the European Union.

##### A. Initial application of new amendments to existing standards in force for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are in force for the current reporting period:

- (i) **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Materiality - adopted by the EU on November 29, 2019 (applicable for annual periods beginning on or after January 1, 2020)
- (ii) **Amendments to IFRS 3 "Business Combinations"** - Definition of an enterprise - adopted by the EU on April 21, 2020 (applicable to business combinations the purchase date whereof is on or after the first annual reporting period starting on or after January 1, 2020; and purchases of assets having take place starting with or after such period)
- (iii) **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Assessment" and IFRS 7 "Financial Instruments: Disclosures"** - Reform of the Interest Rate Reference Index - adopted by the EU on January 15, 2020 (applicable for the annual periods starting on or after January 1, 2020)
- (iv) **Amendments to IFRS 16 "Leases"** - Rent concessions as a consequence of Covid-19 (adopted by the EU on October 9, 2020 and applicable for annual periods starting on or after June 1, 2020)
- (v) **Amendments to the References to the Conceptual Framework of IFRS** - adopted by the EU on November 29, 2019 (applicable for the annual periods starting on or after January 1, 2020).

The adoption of these amendments to the existing standards did not lead to significant changes in the financial statements of the Company.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

##### **B. Standards and amendments to the existing standards issued by the IASB and adopted by the EU, but not yet in force**

On the date of approval of these financial statements, the following amendments to the existing standards have been issued by the IASB and adopted by the EU, but are not yet in force:

##### **i) Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and the related entity or joint venture (enforcement date: The European Commission has decided to postpone the approval for an indefinite period)**

The amendments clarify the fact that in a transaction involving a related entity or joint venture, the degree of recognition of the gain or loss depends on the extent to which the assets sold or contributed represent an enterprise, so that:

- a gain or loss is fully recognized when a transaction between an investor and the related entity or joint venture involves the transfer of an asset or assets representing an enterprise (whether or not it is incorporated in a subsidiary);
- a gain or loss is partially recognized when a transaction between an investor and a related entity or joint venture involves assets not representing an enterprise, even if those assets are incorporated in a subsidiary.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **ii) Amendments to IAS 1 Presentation of Financial Statements: Classification of debts into current and long-term debts (enforcement date: the annual periods starting on January 1, 2023)**

The amendments clarify the fact that a classification of debts into current or long-term debts is based solely on the right of the entity to defer the settlement at the end of the reporting period. The right of the entity to defer settlement for at least twelve months after the reporting date must not be unconditional but must have an economic fund. The classification is not affected by the intentions or expectations of the management in terms of the measure and the moment when the entity will exercise its right. The amendments also clarify situations that are considered debt settlement.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **iii) Amendments to IAS 16 Tangible assets: Proceeds before estimated use (enforcement date: annual periods starting on January 1, 2022)**

The amendments prohibit the deduction from the cost of an item of tangible assets of all revenues made from the sale of products obtained from such asset until being brought to the location and condition necessary for such asset to function as desired. Instead, the company recognizes revenues from the sale of these products, including the cost of production of these products, in profit or loss.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **iv) Amendments to IAS 37 Provisions, contingent liabilities, and contingent assets: Onerous contracts - Cost of fulfilling a contract (enforcement date: annual periods starting on January 1, 2022)**

The amendments clarify the fact that the costs of performing a contract include all costs directly related to that contract. Costs directly relating to a contract include either marginal costs for the performance of that contract (e.g., direct labor, materials) or an allocation of other costs that directly relate to the performance of the contracts (e.g., allocation of depreciation expenses for an item of property, plant and equipment used to perform the contract).

The company does not consider that these amendments will have a significant effect on the financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

##### **v) Amendments to IFRS 9 Financial Instruments (enforcement date: annual periods starting on January 1, 2022)**

The amendments clarify the fact that when assessing an exchange of financial liabilities between a debtor and a creditor taking place under substantially different conditions, the fees to be included along with the updated value of cash flows according to the new terms include only fees paid or received between the debtor and the creditor, including the fees paid or received on behalf of the other.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **vi) Amendments to IFRS 9, IAS 39 and IFRS 7 - Reform of the interest rate reference index (enforcement date: annual periods starting on January 1, 2021)**

These amendments provide certain exemptions in the reform of the interest rate reference index. Exemptions relate to hedge accounting and provide that the reform of the interest rate reference index should not, in general, cease hedge accounting. An entity must continue to apply all the other provisions related to hedge accounting in the case of hedging relationships directly affected by the reform of the interest rate reference index. Nevertheless, any inefficiency of the hedge should continue to be recorded in the profit and loss account. Given the generic nature of hedges involving contracts based on the interest rate reference index, the exemptions will affect companies in all industries.

The "reform of the interest rate benchmark" phrase refers to the reform of the entire market of an interest rate reference index, including the replacement of an interest rate reference index with an alternative reference rate, such as the one resulting from the recommendations formulated in the report of July 2014 of the Financial Stability Board, entitled Reforming Major Interest Rate Benchmarks.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **vii) Amendments to IFRS 3 "Business Combinations" - Definition of the conceptual framework with amendments to IFRS 3 (applicable for the annual periods starting on or after January 1, 2022)**

Definition of an enterprise, issued by the IASB on October 22<sup>nd</sup>, 2018. Amendments have been introduced to improve the definition of an enterprise. The amended definition emphasizes the fact that the product of an enterprise consists in providing goods and services to customers, whereas the previous definition focused on results under the form of dividends, lower costs or other economic benefits for investors and others. In addition to amending the text of the definition, the Council provided additional guidance.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **viii) IFRS 17 "Insurance Contracts" including amendments to IFRS 17 (applicable for the annual periods starting on or after January 1, 2023)**

The new standard stipulates that insurance obligations must be valued at an actual realizable value and provides a more uniform valuation and presentation approach for all insurance contracts. These requirements have the role of obtaining a consistent, principle-based accounting of insurance contracts. IFRS 17 prevails over IFRS 4 "Insurance Contracts" and related interpretations when applied. The amendments to IFRS 17 "Insurance Contracts" issued by the IASB on June 25, 2020 postpone the date of initial application of IFRS 17 by two years for annual periods beginning on or after January 1<sup>st</sup>, 2023. Furthermore, the amendments introduce simplifications and clarifications to certain requirements in the standard and provide for additional facilities for the initial application of IFRS 17.

The company does not consider that these amendments will have a significant effect on the financial statements. This standard does not apply to the Company.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

##### **ix) Amendments to IFRS 4 “Insurance Contracts” - Extension of the temporary exemption from the application of IFRS 9 (the expiry date of the temporary exemption from the application of IFRS 9 has been extended for the annual periods starting on or after January 1, 2023)**

Extension of the temporary exemption from the application of IFRS 9, issued by the IASB on June 25, 2020. The amendments change the fixed expiry date of the temporary exemption in IFRS 4 Insurance Contracts from the application of IFRS 9 Financial Instruments, so that entities apply IFRS 9 for the annual periods starting on or after January 1, 2023.

The company does not consider that these amendments will have a significant effect on the financial statements. This standard does not apply to the Company.

##### **x) IFRS 14 “Deferred accounts related to regulated activities” (applicable for the annual periods starting on or after January 1, 2016) - The European Commission has decided not to issue the approval process for this interim standard and to wait for the final standard**

This standard is intended to allow entities first adopting IFRS, and currently recognizing deferred accounts related to activities regulated under previously generally accepted accounting policies, to continue to do so upon transition to IFRS.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **xi) Amendments to various standards due to “IFRS Improvements (2018-2020 Cycle)” resulting from the annual IFRS Improvement Project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the primary purpose of removing the inconsistencies and clarifying certain forms (amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for the annual periods starting on or after January 1, 2022. The amendment to IFRS 16 refers only to an illustrative example, so that no enforcement date is mentioned).**

The amendments: (a) clarify the fact that the subsidiary applying paragraph D16 (a) of IFRS 1 may cumulatively assess exchange rate differences using the amounts reported by the parent-company, depending on the date of the transition to IFRS for the parent-company (IFRS 1); (b) clarify the fees that an entity includes when applying the "10 percent" test in paragraph B3.3.6 of IFRS 9 to assess whether it has to derecognise a financial liability. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the entity or the lender on behalf of the other (IFRS 9); (c) remove from the presentation the example of the lessor reimbursing the cost of improvements to the leased premises in order to solve any confusion related to the treatment of leasing incentives that may arise due to the way the leasing incentives are presented in that example (the illustrative example 13 enclosed to IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxable cash flows when assessing the fair value of a biological asset by the use a discounted value technique (IAS 41).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will not have a significant impact on the financial statements during the initial application period.

#### 4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

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

The management discussed the development, selection, presentation and application of critical accounting policies and estimates. These presentations supplement the comments on financial risk management (see Note 28).

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

##### **Key sources of the uncertainty of estimates**

###### *(i) Impairment adjustments for the assets measured at the amortized cost*

Assets recorded at amortized cost are valued for impairment in accordance with the accounting policy described in *Note 3 (g) Identification and assessment of value impairment*.

The valuation of receivables for impairment is performed individually and is based on the best estimate of the management of the present value of the cash flows expected to be received. In order to estimate these flows, the management makes certain estimates on the financial situation of the counterparty. Each asset is individually analyzed. The accuracy of the adjustments depends on the estimation of future cash flows for the specific counterparties.

###### *(ii) Determining the fair value of financial instruments*

The fair value of financial instruments that are not traded on an active market is determined using the valuation techniques described in the accounting policy in *Note 3 (g) Valuation*. For rarely traded financial instruments for which there is no price transparency, fair value is less objective and is determined using various levels of estimates of liquidity, concentration, uncertainty of the market factors, price assumptions and other risks affecting such financial instrument.

###### *(iii) Hierarchy of fair values*

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

The company uses for the calculation of fair value the following hierarchy of methods:

Level 1: quoted (unadjusted) prices on active markets for identical assets and liabilities

Level 2: inputs other than the quoted prices included in Level 1 that are observable for assets or liabilities, either directly (i.e. prices, prices quoted on markets that are not active) or indirectly (i.e. derived from prices)

Level 3: entries for assets or liabilities that are not based on observable market data (unobservable entries). This category includes all instruments for which the valuation technique includes items that are not based on observable data and for which unobservable input parameters can have a significant effect on the valuation of the instrument. This category includes instruments that are valued based on quoted prices for similar instruments, but for which adjustments are largely based on unobservable data or estimates, in order to reflect the difference between the two instruments.

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

Fair value is the amount for which the financial instrument may be exchanged in usual transactions conducted under objective conditions between willing parties knowingly, other than those determined by the liquidation or forced sale. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. As at December 31, 2020 and December 31, 2019, 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 the carrying amount thereof.

#### 4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

##### (iii) Hierarchy of fair values (continued)

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

The table below analyzes the financial instruments recorded at fair value according to the valuation method:

	Carrying amount	Fair value	Level
<b>December 31, 2020 (audited)</b>			
<b>Financial assets</b>			
Financial assets at amortised cost	5,056,031	5,056,031	2
Trade receivables	157,943,751	157,943,751	2
Other financial assets at amortised cost	85,367,796	85,367,796	2
Cash and cash equivalents	546,565,840	546,565,840	2
Bank deposits	1,621,384,000	1,621,384,000	2
	<b>2,416,317,418</b>	<b>2,416,317,418</b>	
	Carrying amount	Fair value	Level
<b>December 31, 2020 (audited)</b>			
<b>Long-term financial liabilities</b>			
Long term loans	290,478,567	290,478,567	2
Debts from long-term leasing contracts	515,074	515,074	2
Deferred revenues	86,067,969	86,067,969	2
	<b>377,061,610</b>	<b>377,061,610</b>	
<b>Short-term financial liabilities</b>			
Trade payable and other liabilities	285,020,150	285,020,150	2
Debts from short-term leasing contracts	117,721	117,721	2
Current portion of long-term loans	211,995,082	211,995,082	2
Deferred revenues	16,228,454	16,228,454	2
	<b>513,361,407</b>	<b>513,361,407</b>	



#### 4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

	Carrying amount	Fair value	Level
<b>December 31, 2019 (audited, restated)</b>			
<b>Financial assets</b>			
Financial assets valued at the amortized cost	42,836,031	42,836,031	2
Trade receivables	169,994,236	169,994,236	2
Other assets valued at the amortized cost	81,706,755	81,706,755	2
Cash and cash equivalents	1,793,145,389	1,793,145,389	2
Bank deposits	58,879,494	58,879,494	2
	<b>2,146,561,905</b>	<b>2,146,561,905</b>	
	Carrying amount	Fair value	Level
<b>December 31, 2019 (audited, restated)</b>			
<b>Long-term financial liabilities</b>			
Long term loans	499,908,597	499,908,597	2
Deferred revenues	100,412,631	100,412,631	2
	<b>600,321,228</b>	<b>600,321,228</b>	
<b>Short-term financial liabilities</b>			
Trade payable and other liabilities	220,236,112	220,236,112	2
Current portion of long-term loans	212,891,292	212,891,292	2
Deferred revenues	27,863,600	27,863,600	2
	<b>460,991,004</b>	<b>460,991,004</b>	

(iv) *Classification of financial assets and liabilities*

The accounting policies of the Company provide the basis for assets and liabilities to be included, at the initial moment, in various accounting categories.

*Revaluation of tangible assets*

Tangible assets consisting of lands and buildings are subject to revaluation, and changes in fair value are recognized in other items of comprehensive income.

(v) *Fair value measurement*

On December 31, 2018, the tangible assets of the Company were valued by an external, independent appraiser, authorized by the National Association of Authorized Appraisers in Romania ("ANEVAR"). The revaluations of lands and constructions on December 31, 2018 were made based on the following methods, in compliance with the valuation principles and techniques contained in the ANEVAR Standards for the valuation of assets:

- Direct comparison method for the lands owned in exclusive quota;
- Residual method for lands owned in undivided share;
- Revenue method, in the case of the two administrative buildings;
- Replacement cost method for special constructions and other assets.

(vi) *Fair value hierarchy*

Based on the input data used in the valuation technique, the fair value of tangible assets was classified at level 3 of the fair value hierarchy.

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.

IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

#### 4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

##### *(vii) Implications of the Covid-19 pandemic*

##### **Implications of the Covid-19 pandemic**

The economic turmoil caused by the Covid-19 pandemic has brought a whole series of constraints to the global economic activities and has had an impact on some of the activities of the Company. In order to protect the personnel and to provide the continuity of operation and production, the company adopted the measure of postponing the planned outage of Unit 1 at Cernavoda NPP and temporarily suspended the activity of FCN Pitesti, without recording any impact on production. In the case of FCN Pitesti, simultaneously with the resumption of the activity, the factory fully fulfilled its manufacturing plan and the agreed work schedule. Also, another effect of the pandemic was felt in the purchase of goods and services.

##### **Nuclear power production in Romania**

As an effect of the Covid-19 pandemic, the Company had to make some adjustments to the activities thereof, in order to protect the essential personnel, to reschedule the planned outage of Unit 1 and to temporarily suspend the activity of the nuclear fuel plant between April 1, 2020 - May 18, 2020.

The logistical measures adopted were unprecedented and went as far as the need to isolate the staff, 840 people for 75 days, during the peak period of the pandemic. Also, in reference to international practices, it was decided to postpone the planned shutdown of Unit 1, given the complexity of the project and the very large number of specialized personnel involved.

The measures adopted led during 2020 to maintain all the processes and activities of the company at a normal level, without delays in project implementation schedules or delays in the decision-making and operational flow.

In terms of operation, SNN has maintained its high standard of nuclear safety, Romania still remaining on the first places globally in terms of the factor of utilization of installed capacity, which is eloquent for the quality of operation, nuclear safety and current investment and maintenance program.

Despite the challenges brought by the Covid-19 pandemic, the investment projects carried out by the Company continued according to the established work schedules, among which we list: Refurbishment of U1, the projects for Units 3 and 4 and the detritification installation. Besides these complex projects, the Company, according to the Resolution of the General Meeting no. 4/30.03.2020, continued the steps, in the form of a due diligence analysis, for taking over some assets of Feldioara, CNU branch, and of the Tulghes-Grinties exploitation perimeter, in order to provide the synchronization with the strategy of gradual transition to the acquisition of oxide uranium from the international market, approved by the GMS in 2019, and maintaining the capabilities of the integrated fuel cycle, to the operational advantage of the Company.

The net electricity production program for 2020 was revised in June 2020, as a result of the rescheduling of the planned outage of U1, which was achieved in a proportion of 101.6%, the program for the manufacture and delivery of nuclear fuel bundles was also fully fulfilled in 2020.

##### **Estimates of the impact of the Covid-19 pandemic in the Financial Statements**

Although 2020 was a challenging and difficult year due to the pandemic context, the Company obtained very good financial results, complied with and fulfilled its investment programs, the program for the manufacture and delivery of nuclear beams, the program for the production of electricity and heat. and obtained an operating profit (EBITDA) higher by approximately 11.1% compared to the same period of the previous year.

The Company's operating expenses registered a decreasing trend compared to the previous year, of approximately 3%, the pandemic context determining increases only in some expenses such as protective equipment, sanitation services, expenses with isolated personnel, and cost reductions due to restrictions travel instituted by state authorities (less travel costs, vocational training courses and seminars).

#### **4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)**

*(vii) Implications of the Covid-19 pandemic (continued)*

##### **Estimates of the impact of the Covid-19 pandemic in the Financial Statements (continued)**

##### **Other general aspects regarding the activity of Societies in a pandemic context**

###### **(i) Liquidity risk**

As resulting both from the Cash Flow Statement and from Note 28, the Company has a solid liquidity, represented by cash and cash equivalents, deposits and other liquid financial assets, in the amount of RON 2.4 billion, increasing as compared to the financial year of 2019, when it recorded RON 2.0 billion (see Notes 12, 13 and 14). The company has a solid policy of managing financial resources, aiming at maintaining a high liquidity of cash and investing in low-risk financial instruments, respectively, placing cash in short-term bank deposits, with a maturity of up to 12 months.

###### **(ii) Sales and trade receivables - Impairment adjustments for trade receivables**

The Company has calculated impairment adjustments for trade receivables based on the credit risk impairment history, in accordance with IFRS 9. Despite the support measures provided by the government and those implemented by the Company for the customers thereof, the Covid-19 pandemic should have led to an increase in the value of bad debts, a situation that is not yet visible on December 31, 2020, in fact, both the depreciation adjustments and trade receivables decreased in 2020, as compared to 2019 (see Note 28 b). According to the risk analyses made within the Company, the necessary depreciation adjustments in 2020 did not exceed the depreciation adjustments considered in 2019. Moreover, in 2020, the Company managed to collect some of the outstanding receivables of the previous years.

In the business clients' segment, at the upper end of the portfolio (large clients), from the case-by-case monitoring of the credit risk, no significant increases were identified, small and medium clients also recording insignificant variations of the credit risk, aspect to be found in the value of the depreciation adjustments recorded in the year.

###### **(iii) Tangible assets - Investments**

The Covid-19 pandemic had a moderate overall impact on gross investments. Through early and coherent planning, the Company carried out major investment projects according to the established work schedules and implicitly a part of the current investments, the degree of realization of investments in 2020 being 72.35% (absolute value RON 223.9 million), as compared to 85.20% in 2019 (absolute value RON 218.5 million). The target of 60% of the degree of achievement for the year of 2020 being fulfilled.

###### **(iv) IFRS 16 – Leasing Contracts**

As a result of the COVID-19 pandemic, financial leasing contracts may be amended, in the sense of concessions being granted by the lessors. Such concessions could take a variety of forms, including granting grace periods from rent payments and postponing lease payments. On May 28, 2020, the IASB issued an amendment to IFRS 16, providing an optional practical tool for tenants to assess whether such lease concession related to COVID-19 is an amendment to the lease. Tenants may opt to account for such rent concessions in the same way as if there were no rent amendments. In many cases, this will result in the concession being accounted for as variable lease payments over the period(s) of occurrence of the event or circumstance triggering the reduced payment.

In 2020, the Company did not obtain concessions from lessors, so that no amendments to the contracts were recorded and implicitly amendments to the accounting treatments applied in compliance with the provisions of IFRS 16.

###### **(v) Inventories**

Given the specific activity of the Company, the effects of the Covid-19 pandemic were insignificant. The company was not affected by the lockdown restrictions, the inventories being used in the production process, nor did it record any write-offs as an effect of the decrease of the net realizable value as compared to the cost. The value of the adjustments for the depreciation of inventories as at December 31, 2020 amounts to RON 51,834,621 (December 31, 2019: RON 52,788,117). See Note 10.

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#### **4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)**

*(vii) Implications of the Covid-19 pandemic (continued)*

##### **Estimates of the impact of the Covid-19 pandemic in the Financial Statements (continued)**

###### **(vi) Provisions, contingent liabilities, and assets**

The management of the Group periodically analyzes the ongoing litigations and, after consulting with the legal advisers or lawyers thereof, decides on the necessity to create provisions for the amounts involved or to present them in the financial statements.

In the opinion of the management of the Company, there are no current legal actions or claims having a significant impact on the financial earnings and the financial position of the Company not having been presented in these financial statements.

###### **(vii) Government support measures**

The Romanian Government issued in 2020 several emergency ordinances on some fiscal measures in the context created by the Covid-19 pandemic, establishing procedural-fiscal measures to support the taxpayers paying corporate tax.

Thus, under GEO no. 33/2020 and GEO 99/2020, the Company benefited from a bonus calculated on the corporate tax due, amounting to RON 8 million (see Note 20).

The company did not benefit from other government support measures.

###### **(viii) Other assets, liabilities, income, and expenses**

In addition to the information mentioned in the previous paragraphs, the Covid-19 pandemic did not involve any other specific use of judgments, estimates or assumptions to determine the value of assets or liabilities, income, and expenses over the period (as compared to those mentioned in Note 2 f).

## 5. PROPERTY, PLANT AND EQUIPMENT

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	Total
<b>Cost</b>					
<b>Balance as of January 1, 2019 (audited)</b>	<b>32,302,399</b>	<b>4,677,768,128</b>	<b>1,621,742,571</b>	<b>860,864,324</b>	<b>7,192,677,421</b>
Additions	-	-	24,819,413	194,842,745	219,662,158
Transfers	-	74,616,462	21,485,075	(96,101,537)	-
Transfer to intangible assets	-	-	-	(2,400,260)	(2,400,260)
Transfer in assets held for sale	(120,740)	-	(2,110,893)	-	(2,231,633)
Transfer from inventories	-	-	(48,181)	5,158,567	5,110,386
Spare parts reclassified as fixed assets	-	-	42,735,091	(11,864,683)	30,870,408
Derecognition of U2 inspections	-	(46,771,637)	-	-	(46,771,637)
Derecognition of the drainage investments	-	-	-	(5,040,010)	(5,040,010)
Reclassification of heavy water	-	632,672,849	(632,672,849)	-	-
Disposals	-	-	(3,623,763)	-	(3,623,763)
<b>Balance as of December 31, 2019 (audited, restated)</b>	<b>32,181,659</b>	<b>5,338,285,801</b>	<b>1,072,326,466</b>	<b>945,459,145</b>	<b>7,388,253,071</b>
<b>Balance as at January 1, 2020 (audited, restated)</b>	<b>32,181,659</b>	<b>5,338,285,801</b>	<b>1,072,326,466</b>	<b>945,459,145</b>	<b>7,388,253,071</b>
Additions	-	13,446,230	14,476,884	243,823,194	271,746,308
Transfers	-	98,783,914	13,877,261	(112,661,174)	-
Transfer to intangible assets	-	-	-	(59,130)	(59,130)
Transfer in assets held for sale	-	-	-	-	-
Transfer from inventories	-	-	-	(1,397,605)	(1,397,605)
Spare parts reclassified as fixed assets	-	-	10,720,889	(10,720,889)	-
Derecognition of U1 inspections	-	(60,300,259)	-	-	(60,300,259)
Derecognition of the drainage investments	-	-	-	-	-
Heavy water derecognition	-	(1,766,443)	-	-	(1,766,443)
Disposals	(56,678)	-	(1,335,463)	(6,245)	(1,398,386)
<b>Balance as of December 31, 2020 (audited)</b>	<b>32,124,981</b>	<b>5,388,449,243</b>	<b>1,110,066,036</b>	<b>1,064,437,295</b>	<b>7,595,077,555</b>
<b>Depreciation and impairment adjustments</b>					
<b>Balance as of January 1, 2019 (audited)</b>	<b>550,782</b>	<b>83,657,435</b>	<b>604,284,249</b>	<b>139,723,821</b>	<b>828,216,287</b>
Depreciation charges	-	419,408,749	106,586,058	-	525,994,807
Accumulated amortization for U2 inspections	-	(46,771,637)	-	-	(46,771,637)
Offset of accumulated disposals	-	-	(3,237,033)	-	(3,237,033)
Derecognition of the accumulated amortization of transfers into inventory	-	-	(48,181)	-	(48,181)
Reclassification of heavy water	-	215,583,234	(215,583,234)	-	-
Impairment adjustments	-	-	7,429,167	19,972,344	27,401,511
<b>Balance as of December 31, 2019 (audited, restated)</b>	<b>550,782</b>	<b>671,877,780</b>	<b>499,431,025</b>	<b>159,969,165</b>	<b>1,331,555,752</b>
<b>Balance as at January 1, 2020 (audited, restated)</b>	<b>550,782</b>	<b>671,877,780</b>	<b>499,431,025</b>	<b>159,969,165</b>	<b>1,331,555,752</b>
Depreciation charges	-	447,437,604	75,293,407	-	522,731,011
Accumulated amortization for U1 inspections	-	(60,300,259)	-	-	(60,300,259)
Offset of accumulated disposals	-	(1,766,443)	(1,741,499)	-	(3,507,941)
Impairment adjustments	-	-	22,980,374	(13,109,222)	9,871,152
<b>Balance as of December 31, 2020 (audited)</b>	<b>550,782</b>	<b>1,057,248,682</b>	<b>595,963,307</b>	<b>146,586,943</b>	<b>1,800,349,715</b>
<b>Carrying amount</b>					
<b>Balance as of December 31, 2019 (audited)</b>	<b>31,630,877</b>	<b>4,666,408,021</b>	<b>572,895,440</b>	<b>785,762,980</b>	<b>6,056,697,319</b>
<b>Balance as of December 31, 2020 (audited)</b>	<b>31,574,199</b>	<b>4,331,200,560</b>	<b>514,102,729</b>	<b>917,850,351</b>	<b>5,794,727,840</b>

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## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (i) 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 amortization amount to RON 215,583,234.

During 2020, the Company purchased 6.5 tons of heavy water from the National Administration of State Reserves and Special Issues ("ANRSPS") required for Units 1 and 2, amounting to RON 13,446,230 (in 2019, 7.8 tons were purchased, amounting to RON 15,763,228).

In 2019, GMS Resolution 5/23.04.2019 approved the sale of asset "Singles' accommodation unit". Thus, from the "Machinery, equipment and other assets" position and from the "Lands" position, the amounts related to this asset were transferred to assets, namely RON 2,159,074 and RON 120,740, which are reflected in the "Transfer to assets held for sale" line. The amounts comprise the building, the related land, the central heating network connection installation, parking fittings, sports ground, green areas, situated at 14, Salciei Street, Cernavoda Town, Constanta County.

### (ii) Non-current assets in progress

On December 31, 2020, the net carrying amount of the assets in progress, amounting to RON 917,850,351, includes the following items:

- Investment for increasing the production capacity with a net carrying amount of RON 506,632,392 (December 31, 2019: RON 507,128,812);
- Investments related to Units 1 and 2, in total amount of RON 411,217,959, the most representative ones being:
  - ✓ Refurbishment of U1 amounting to 48,306,873 RON (December 31, 2019: RON 3,497,938);
  - ✓ D2O tritium removal installation worth RON 63,445,743 (December 31, 2019: RON 63,238,682);
  - ✓ Construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to RON 24,453,897 (December 31, 2019: RON 25,402,167);
  - ✓ Improvement of the nuclear security systems following the Fukushima event, amounting to RON 34,959,367 (December 31, 2019: RON 34,941,782);
  - ✓ Equipment and materials for investments amounting to RON 45,205,001 (December 31, 2019: RON 47,683,884);
  - ✓ Modernization of the physical protection system amounting to RON 20,894,894 (December 31, 2019: RON 16,766,486).

The value of the investment for the increase of the production capacity is RON 508,330,959, out of which the carrying amount of Units 3 and 4 is RON 273,960,000 (December 31, 2019: RON 273,960,000), the rest representing heavy water especially purchased for Units 3 and 4, namely approx. 75 tons, the carrying amount whereof as at December 31, 2020 is RON 159,238,387 (December 31, 2019: RON 159,238,387), as well as equipment and other assets for Units 3 and 4, amounting to RON 75,132,572 (December 31, 2019: RON 75,628,992). Before 1991, 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.

As at December 31, 2020, the gross carrying amount for **Unit 5** is RON 137 million (December 31, 2019: RON 137 million). As at December 31, 2013, the Company recognized a depreciation adjustment of 100% of Unit 5 since, there were no plans to resume the construction thereof as a nuclear unit. In March 2014, the shareholders of the Company approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation, following which an asset with a different use than the initial use of Unit 5 will result.

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### *(iii) Non-current assets in progress (continued)*

The main **investments commissioned** by the Company in 2020 from the ongoing projects related to Units 1 and 2 are represented by: carrying out the annual inspections performed during the planned outage of Unit 1 in the amount of RON 95,498,260, installation of spare parts on the equipment in operation in the amount of RON 24,806,319, special dredging works of the Danube-Black Sea Canal in the amount of RON 955,530.

### *(iv) Impairment adjustments*

As at December 31, 2019, the Company records impairment adjustments for the assets in total amount of RON 27,401,511, out of which RON 19,369,715 are related to spare parts reclassified from the financial position of “Inventories” to the “Tangible assets” item. In 2020, it resumes the amount of RON 13,495,795 from the impairment adjustment of the reclassified spare parts. The value of the impairment adjustments as at December 31, 2020 is in the amount of RON 9,871,152.

As at December 31, 2020, the Company has fixed assets purchased based on credit from suppliers (commercial credit) amounting to RON 47,821,880 (December 31, 2019: RON 16,086,321).

### *(v) Revaluation, depreciation method and life span*

Buildings and lands are recognized at fair value, based on periodic valuations made by independent external appraisers. The revaluation surplus included in the revaluation reserve is capitalized by transfer to retained earnings when the asset is derecognised or as it is used (see Note 15). All the other tangible assets are recognized at the historical cost less the depreciation.

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

Depreciation is calculated using the straight-line method for allocation of the revalued cost or value of the assets, net of their residual values, over their estimated useful lives as follows:

<b>Asset</b>	<b>Useful life in years</b>
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

See Note 3 (c) for the other accounting policies relevant for tangible assets.

### *(vi) Significant estimates - valuation of lands and buildings*

Information on land and building valuation is presented in Note 4 (v).

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

*(vii) The carrying amount that would have been recognized if land and buildings had been valued at cost in accordance with IAS 16.77 (e)*

If lands and buildings had been valued at the historical cost, the values would have been:

	<u>December 31, 2020</u> <u>(audited)</u>	<u>December 31, 2019</u> <u>(audited, restated)</u>
<b>Land</b>		
Cost	23,091,101	23,091,101
Accumulated depreciation	-	-
Net carrying amount	<u>23,091,101</u>	<u>23,091,101</u>
	<u>December 31, 2020</u> <u>(audited)</u>	<u>December 31, 2019</u> <u>(audited, restated)</u>
<b>Buildings</b>		
Cost	6,336,222,933	6,242,123,070
Accumulated depreciation	(3,477,254,730)	(3,236,062,999)
Net carrying amount	<u>2,858,968,203</u>	<u>3,006,060,071</u>

### *(viii) Decommissioning of nuclear units*

Unit 1 is designed to operate until 2026, and Unit 2 until 2037. The Company has not recorded a provision for the decommissioning of the two units, as 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 undertakes the responsibility for the management of the entire decommissioning process at the end of the useful life of the two units and for the permanent storage of the resulting waste (see Note 15). The expense on the contributions of the Company to ANDR over the year of 2020 amounts to RON 102,246,544 (December 31, 2019: RON 98,249,692).

### *(ix) Assets pledged as security*

As at December 31, 2020, and December 31, 2019 the Company has no pledged or mortgaged assets.



## 6. ASSETS REPRESENTING RIGHTS OF USE UNDERLYING ASSETS UNDER A LEASING CONTRACT

The Company adopted IFRS 16, which is why it recognized in the financial position statement assets and liabilities related to the restatement of the leases concluded as a lessee.

The Company has concluded asset lease and land concession contracts, for which the initial value of the asset has been estimated related to the right of use at an amount equal to the debt updated at the time of the transaction derived from these contracts, of RON 801,003.

### (i) Amounts recognized in the financial position Statement

Assets representing rights of use underlying assets under a leasing contract	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Land	801,003	-
Debts from leasing contracts	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Short-term	117,721	-
Long-term	515,074	-
	<b>632,795</b>	-

### (ii) Amounts recognized in the profit or loss Statement

	Note	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Depreciation of the assets representing rights of use		179,770	-
Interest expenses	<b>26</b>	21,737	-

The total cash receipts related to the contracts over the period ended on December 31, 2020 amounted to RON 202,762.

### (iii) Recognition of leasing contracts

Information on the recognition of leasing contracts pursuant to IFRS 16 are presented in Note 3 (e).

## 7. INTANGIBLE ASSETS

	Licenses and software	Software for the nuclear plant	Total
<b>Cost</b>			
<b>Balance as of January 1, 2019 (audited)</b>	<b>212,316,615</b>	<b>49,197,724</b>	<b>261,514,339</b>
Additions	25,440,407	46,949	25,487,356
Transfers and reallocations	3,547,314	(3,547,314)	-
Transfers	(9,854,482)	9,854,482	-
Transfer form tangible assets	2,400,260	-	2,400,260
Disposals	(636,739)	(56,376)	(693,115)
<b>Balance as of December 31, 2019 (audited, restated)</b>	<b>233,213,373</b>	<b>55,495,466</b>	<b>288,708,839</b>
<b>Balance as at January 1, 2020 (audited, restated)</b>	<b>233,213,373</b>	<b>55,495,466</b>	<b>288,708,839</b>
Additions	4,803,263	-	4,803,263
Transfer form tangible assets	59,130	-	59,130
Disposals	(88,420)	(205,985)	(294,405)
<b>Balance as of December 31, 2020 (audited)</b>	<b>237,987,346</b>	<b>55,289,481</b>	<b>293,276,827</b>
<b>Accumulated depreciation</b>			
<b>Balance as of January 1, 2019 (audited)</b>	<b>177,766,138</b>	<b>28,914,150</b>	<b>206,680,287</b>
Depreciation charges	15,827,403	6,133,608	21,961,011
Amortization related to disposals	(636,739)	(56,376)	(693,115)
<b>Balance as of December 31, 2019 (audited, restated)</b>	<b>192,956,802</b>	<b>34,991,382</b>	<b>227,948,183</b>
<b>Balance as at January 1, 2020 (audited, restated)</b>	<b>192,956,802</b>	<b>34,991,382</b>	<b>227,948,183</b>
Depreciation charges	6,380,431	5,771,945	12,152,376
Amortization related to disposals	(88,420)	(205,985)	(294,405)
<b>Balance as of December 31, 2020 (audited)</b>	<b>199,248,812</b>	<b>40,557,342</b>	<b>239,806,154</b>
<b>Carrying amount</b>			
<b>Balance as at January 1, 2019</b>	<b>34,550,447</b>	<b>20,283,574</b>	<b>54,834,052</b>
<b>Balance as of December 31, 2019 (audited)</b>	<b>40,256,571</b>	<b>20,504,084</b>	<b>60,760,656</b>
<b>Balance as of December 31, 2020 (audited)</b>	<b>38,738,534</b>	<b>14,732,139</b>	<b>53,470,674</b>

As at December 31, 2020, the intangible assets owned by the Company represent purchased licenses and software products, and not internally generated. The company does not record contractual commitments for development costs.

The accounting policies on intangible assets are presented in Note 3 (f).

## 8. FINANCIAL ASSETS AT AMORTISED COST

On December 31, 2020, the Company records in the “Financial assets at amortised cost” the contributions thereof as a member of the European Mutual Association of Civil Insurance and Reinsurance for Nuclear Damages (“ELINI”), the Romanian Stock Exchange (“BRM”) and the Romanian Atomic Forum - Romatom (“ROMATOM”).

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Bank deposits due within 12 months*)	-	37,780,000
ELINI contribution	5,032,931	5,032,931
Contribution to the Romanian Commodity Exchange	23,000	23,000
ROMATOM contribution	100	100
<b>Total</b>	<b>5,056,031</b>	<b>42,836,031</b>

\*) On December 31, 2019, the letters of bank guarantee for which collateral bank deposits have been set up, the maturity whereof is longer than 12 months, are set up in favour of OPCOM, Transelectrica and CIGA Energy.

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## 9. FINANCIAL INVESTMENTS IN SUBSIDIARIES

As at December 31, 2020, the Company records in the position of "Financial investments in subsidiaries" the investment held in the subsidiary Energonuclear S.A. ("Energonuclear"). company with headquarters in Bucharest, 2 District, 5-7, Vasile Lascar Street, 3 floor and registered with the Trade Register under the number J40/3999/25.03.2009, having sole registration code 25344972, fiscal attribute RO. The main business of Energonuclear consists in "Engineering activities and technical consultancy related to it"– NACE Code 7112.

As at December 31, 2020 and December 31, 2019, the Company owns 100% of the share capital of Energonuclear. The shareholding value as at December 31, 2020 and December 31, 2019 amounts to **RON 141,666,101**.

By the EGMS Resolution of SNN no. 4/11.07.2017, the shareholders of SNN approved the granting by SNN of a loan convertible in shares amounting to maximum RON 5,500,000 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 31, 2020, Energonuclear requested the granting of instalments in total amount of RON 4,400,000, out of the maximum amount, for which the Company recorded a capitalized interest of RON 232,512. As at December 31, 2020 the shareholder loan was not converted into shares.

## 10. INVENTORIES

As at December 31, 2020 and December 31, 2019, the inventories are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Spare parts	185,856,408	180,640,083
Consumables and other materials	56,565,105	56,264,140
Nuclear fuel	193,639,358	158,829,051
Uranium	39,292,794	55,554,976
Other inventories	11,915,487	4,436,027
Adjustments for depreciation of inventories	(51,834,621)	(52,788,118)
<b>Total</b>	<b>435,434,531</b>	<b>402,936,159</b>

### (i) *Inventory valuation*

Costs are valued at the weighted average cost (WAC) in accordance with IAS 2. See Note 3 (k) for the other accounting policies relevant for inventories.

### (ii) *Amounts recognized in the profit or loss account Statement*

The value of inventory recognized as expenditure over the financial year can be found in the positions of "Expenses on spare parts" and "Cost of nuclear fuel" in the profit and loss account and other items of the comprehensive income, amounting to RON 148,123,065 (December 31, 2019: RON 122,434,674).

The value of inventories recognized as expenses during the financial year in accordance with the provisions of IAS 2.34, representing scrapped, damaged, derecognized inventories, as at December 31, 2020, is in the amount of RON 984,963 (December 31, 2019: RON 712,944). SNN periodically analyzes the evolution of inventories, constituting in time depreciation adjustments for inventories considered to be depreciated. Consequently, for decommissioned inventories, the Company has set up impairment adjustments, which it restated as revenues when it decommissioned them. The effect on the profit or loss statement being insignificant.

The value of the adjustments for the depreciation of inventories as at December 31, 2020 amounts to RON 51,834,621 (December 31, 2019: RON 52,788,117). During 2020, depreciation adjustments were established in the amount of RON 815,027 (December 31, 2019: RON 555,693) and depreciation adjustments in the amount of RON 2,057,762 were resumed as revenues (December 31, 2019: RON 2,923,475).

In 2020, no write-offs of decommissioned inventories were recorded.

### (iii) *Pledged inventories*

As of December 31, 2020, the Company does not record pledged or mortgaged inventories.

## 11. ASSETS CLASSIFIED AS HELD FOR SALE

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Land	120,740	120,740
Constructions	1,823,567	1,823,567
Fittings and plants	287,326	287,326
<b>Total</b>	<b>2,231,633</b>	<b>2,231,633</b>

In 2019, by the GMS Resolution no. 5/23.04.2019, the sale of the asset "Single's accommodation unit" was approved, owned by the Company, located at 14, Salciei Street, Cernavoda Town, Constanta County, made up of: construction, related land, connection installation to the district heating network, parking arrangements, sports field, green areas. There are currently bidders, and the sale is expected to be completed during 2021.

## 12. TRADE RECEIVABLES

As at December 31, 2020 and December 31, 2019, trade receivables appear as follows:

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Trade receivables	168,045,626	180,490,398
Adjustments for impairment of trade receivables	(10,101,875)	(10,496,161)
<b>Total</b>	<b>157,943,751</b>	<b>169,994,236</b>

As at December 31, 2020, the main trade receivables in the balance are towards: Electrica Furnizare S.A. – RON 52,907,721 (December 31, 2019: RON 29,966,395), E.ON Energie Romania S.A. – RON 14,460,257 (December 31, 2019: RON 19,567,382), CEZ Vanzare S.A. – RON 14,293,834 (December 31, 2019: RON 13,561,964), Autonomous Administration for Nuclear Activities (RAAN) – RON 7,825,064 (December 31, 2019: RON 7,825,064), Enel Energie Muntenia S.A. – RON 7,766,356 (December 31, 2019: RON 9,743,785) and Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. – RON 7,594,618 (December 31, 2019: RON 0).

The sales made during 2020 to: Romanian Electricity and Gas Market Operator “OPCOM” S.A. represented approximately 19% (2019: 10%), Electrica Furnizare S.A. represented approximately 18% (2019: 15%) and E.ON Energie Muntenia S.A. represented approximately 10% (2019: 5%).

The Company's exposure to credit and market risks as well as the value adjustments related to trade receivables are presented in Note 28.

As at December 31, 2020, the "Trade receivables" and "Adjustments for the impairment of trade receivables" include a net amount of RON 11,864,125 related to receivables from affiliates (December 31, 2019: RON 1,286,285).

As at December 31, 2020 the "Duties and Taxes" position represents the VAT to be recovered amounting to RON 33,562,819 (December 31, 2019: RON 26,287,786).

## 13. OTHER FINANCIAL ASSETS AT AMORTISED COST

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Other receivables	37,875,290	24,414,557
Impairment adjustments for other receivables	(596,559)	(3,074,604)
Taxes and duties	37,765,898	28,949,980
Payments made in advance	10,323,167	31,416,822
<b>Total</b>	<b>85,367,796</b>	<b>81,706,755</b>

As at December 31, 2020, the positions "Other receivables" and "Impairment adjustments for other receivables" include a net amount of RON 4,632,512 related to receivables from affiliated parties (December 31, 2019: RON 3,629,787), of which RON 4,632,512 represent the loan granted to the Energonuclear S.R.L. subsidiary, including capitalized interest.

#### 14. CASH AND CASH EQUIVALENTS, BANK DEPOSITS

On December 31, 2020 and December 31, 2019, the cash and cash equivalents appear as follows:

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Cash on hand	91,753	133,112
Current accounts in banks in RON	118,692,137	162,068,114
Current accounts in banks in foreign currency	1,741,506	25,096,121
Bank deposits shorter than 3 months	425,556,000	1,604,778,300
Other cash equivalents	484,444	1,069,742
<b>Total cash and cash equivalents</b>	<b>546,565,840</b>	<b>1,793,145,389</b>

On December 31, 2020 and December 31, 2019, the bank deposits with original maturities longer than 3 months and shorter than a year are as follows:

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Bank deposits	<b>1,621,384,000</b>	<b>58,879,494</b>

**(i) Reconciliation with the Cash Flow Statement**

The above items are reconciled with the value of cash presented in the cash flow Statement at the end of the financial year, as follows:

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Cash on hand	91,753	133,112
Current accounts in banks	120,433,643	187,164,235
Bank deposits with initial maturity shorter than 3 months	425,556,000	1,604,778,300
Other cash equivalents	484,444	1,069,742
	<b>546,565,840</b>	<b>1,793,145,389</b>

**(ii) Classification as cash equivalents**

Term deposits are presented as cash equivalents if they have a maturity of 3 months or less from the date of incorporation. See Note 3 (m) for the other accounting policies of the Company on cash and cash equivalents.

**(iii) Restricted cash**

Current accounts opened in banks are permanently available to the Company and are not restricted or encumbered.

Bank deposits are permanently at the disposal of the Company and are not restricted or encumbered by charges.

As at December 31, 2019, the Company had letters of bank guarantee issued by various banks, in favour of third parties in total amount of RON 96,659,494, for which a cash guarantee was set up under the form of collateral deposits, divided as follows: RON 58,879,494 in the position of "Bank deposits" related to the letters of bank guarantee with a maturity of up to one year and RON 37,780,000 in the position "Financial assets at amortised cost" related to the letters of bank guarantee with a maturity of more than one year. These letters of bank guarantee were contracted for the participation of the company in the electricity market, mainly representing the electricity sales of the Company. As at December 31, 2020, the Company holds letters of bank guarantee for credit facilities, without collateral deposits, in the amount of RON 117,028,702.

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## 15. EQUITY

### *Share capital*

The Company was established by separation from the former Autonomous Electricity Administration (“RENEL”). The share capital represents the contribution of the State to the incorporation of Company on June 30, 1998 (restated with inflation up to December 31, 2003) plus subsequent increases.

According to the Articles of Incorporation, the authorized capital of the Company is of RON 3,016,518,660. The subscribed and paid-up share capital as at December 31, 2020 is of RON 3,016,438,940, under the authorized capital.

As at December 31, 2020 and December 31, 2019, the share capital includes the effect of restatements registered over the previous years, according to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The structure of the share capital appears as follows:

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Subscribed and paid-in share capital (nominal value)	3,016,438,940	3,015,138,510
Differences related to the restatement according to IAS 29	195,502,743	195,502,743
<b>Share capital (restated value)</b>	<b>3,211,941,683</b>	<b>3,210,641,253</b>

As of December 31, 2020, the value of the subscribed and paid-up statutory share capital is of RON 3,016,438,940, consisting of 301,643,894 ordinary shares, each with a nominal value of RON 10.

The last share capital increase took place in 2020 by subscribing a number of 130,043 new shares, in the amount of RON 1,300,430, representing the in-kind contribution of the Romanian State, represented by the Ministry of Economy, Energy and Business Environment and in cash of the shareholders of the Company. The share capital increase was made based on the Proportional Offer Prospectus related to the share capital increase, approved by the ASF Decision no. 976/13.08.2020 and of the Resolutions of the Extraordinary General Meeting no. 2/04.01.2019 and no. 12/19.12.2019, registered with the National Trade Register Office according to the amended Certificate no. 484154/30.09.2020.

Holders of ordinary shares are entitled to receive dividends, as such are declared at certain periods of time, and are entitled to vote on one share during the General Meetings of the Shareholders of the Company.

The shareholding structure as at December 31, 2020 and December 31, 2019 is as follows:

<b>Shareholders</b>	<b>Number of shares</b> <b>December 31<sup>s</sup> 2020</b>	<b>% of the</b> <b>share</b> <b>capital</b>	<b>Number of shares</b> <b>December 31, 2019</b>	<b>% of the</b> <b>share</b> <b>capital</b>
The Romanian State - Ministry of Energy*)	248,850,476	82.4981%	248,736,619	82.4959%
Fondul Proprietatea S.A.	-	-	21,268,355	7.0539%
Other shareholders	52,793,418	17.5019%	31,508,877	10.4502%
<b>Total</b>	<b>301,643,894</b>	<b>100%</b>	<b>301,513,851</b>	<b>100%</b>

\*) Starting with February 11, 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. 68/06.11.2019.

### *Share premiums*

In November 2013, the Company issued 28,100,395 ordinary shares at Bucharest Stock Exchange through an initial public offer 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 a share premium of RON 31,474,149.

## 15. EQUITY (CONTINUED)

### *Prepaid reserve*

The prepaid reserves amount to RON 21,553,537 as at December 31, 2020 and December 31, 2019 and represent objectives of public utility at Cernavoda NPP (RON 5,439,321 as at December 31, 2020 and December 31, 2019), budgetary allocations for the period 2007-2011 for the construction of the Training and Recreation Center for Youth and Children in Cernavoda (RON 16,114,216 as at December 31, 2020 and December 31, 2019).

### *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 31, 2020 is of RON 194,928,188 (December 31, 2019: RON 154,157,757).

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 at December 31, 2020, the revaluation reserve amounts to RON 198,799,898 (December 31, 2019: RON 227,996,066), net of deferred tax related to the revaluation reserve. The last revaluation of lands, buildings and constructions took place on December 31<sup>st</sup>, 2018 by an independent valuer, Primoval SRL, member of the National Association of Certified Assessors in Romania ("ANEVAR").

During 2020, the Company recognized a decrease of the revaluation reserve amounting to RON 34,757,342 following the transfer thereof into retained earnings (2019: RON 30,013,650).

### *Retained earnings*

The retained earnings are the cumulated earnings of the Company. The retained earnings are distributed based on the annual financial statements prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards.

During the financial year ended on December 31, 2020, the Company distributed dividends amounting to RON 498,421,396 from the net profit of the financial year of 2019, according to the OGMS Resolution no. 5/27.04.2020 (2019: 378,914,310 RON distributed from the net profit of the financial year of 2018, according to the OGMS Resolution no. 5/23.04.2019). Unpaid net dividends as at December 31, 2020 amounted to RON 800,583 (December 31, 2019: RON 655,353).

### *Movements of the retained earnings*

	Note	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
<b>Balance as at January 1</b>		<b>3,843,269,056</b>	<b>3,658,054,141</b>
<b>Net profit of the period</b>		<b>699,322,229</b>	<b>535,667,264</b>
Actuarial (loss) on defined benefits plan		(5,539,153)	(625,400)
Result carried forward from other adjustments		(11,910,921)	(324,104)
Transfer of the revaluation reserve to the result carried forward		29,196,168	29,411,466
Dividends		(498,421,396)	(378,914,311)
<b>Balance as at December 31</b>		<b>4,055,915,983</b>	<b>3,843,269,056</b>

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## 15. EQUITY (CONTINUED)

### *Retained earnings (continued)*

The Company recorded in 2020 in the position "Retained earnings from other adjustments" amounts representing costs of the previous periods, derived from: regularization of the ANRE fee for the year of 2019 in the amount of RON 4.96 million, CMP corrections for uranium inventory for 2019 in the amount of RON 5.09 million, taxes additionally established according to ANAF Decision no. F-MC\_111/February 18<sup>th</sup>, 2020, for the period 2012 - 2017, in the amount of RON 0.90 million and other transactions related to the previous years in the amount of RON 0.95 million.

### *Dividends and Profit Distribution*

In compliance with the statutory and legal provisions in force, the Ordinary General Meeting of Shareholders approves and sets dividends. The Board of Directors of the Company proposed the following distribution of net profit to the shareholders.

<b>Net profit to be distributed for the financial year of 2020</b>	<b>699,322,229</b>
Legal reserves	40,770,431
Other reserves representing tax facilities stipulated by law	5,424,567
Dividends	472,117,575
Other reserves (own sources for financing)	181,009,656
<b>Profit remained undistributed</b>	<b>-</b>

The net profit allocation proposal complies with the provisions of Government Ordinance no. 64/2001 on profit distribution within national entities, national companies, and companies with fully or majority state-owned capital, as well as autonomous administrations, as further amended and supplemented.

The amounts proposed to be distributed under the form of "employees' participation in profit" are up to 10% of the net profit, but not more than the level of an average monthly base salary per employee in 2020 and taking into account the average number of employees in 2020. The profit-sharing obligation has been established by the income and expense budget approved for 2020, so that the provisions of art. 1 par. 1 let. e) in the Government Ordinance no. 64/2001 are complied with. The amounts representing the employees' participation in profit is not a direct distribution of the net profit, these being forecast at the end of the financial year and distributed in the next financial year, after approval of the net profit distribution. Therefore, the net income of the financial year 2020 includes a provision for employees' participation in profit (derived from the accounting profit) in the amount of RON 21.3. million.

The amounts allocated to the legal reserve shall be determined under the provisions of art. 183 of Law no. 31/1990 according to which "at least 5% from the company profit shall be taken every year for the creation of the reserve fund, until it reaches at least one fifth of the share capital". The amount allocated to the legal reserve was taken in the end of the financial year, representing the mandatory allocation amounting to RON 40,770,431.

Other reserves representing tax facilities provided by law (RON 5,424,567) are allocated based on art. 22 par. (1) of Law no. 227/2015 on the Tax Code, as further amended and supplemented; they relate to the exempt corporate tax related to the profit invested in technological equipment, computers and peripherals, machinery and home appliances, control and billing equipment, as well as produced and/or purchased software, as stipulated in subgroup 2.1 class 2.2.9 in the "Catalogue on classification and the normal useful life of fixed assets" used for the purpose of the development of the economic activity. The amount allocated to reserves is the amount of the profit invested in this equipment, net of the legal reserve (5%).

The proposed gross dividends (RON 472,117,575) represent a distribution of 70% of the profit after deducting from the net profit of the financial year (RON 699,322,229) the legal reserve (RON 40,770,431) and the reserves accounting for tax facilities (RON 5,424,567).

## 16. EARNINGS PER SHARE

As at December 31, 2020 and December 31, 2019, the earnings per share are:

(i) *Basic earnings per share*

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited, restated)</u>
<b>Net profit of the financial year</b>	<b>699,322,229</b>	<b>535,667,264</b>
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of ordinary shares issued during the period	130,043	-
<b>Weighted-average number of ordinary shares as at December 31</b>	<b>301,541,641</b>	<b>301,513,851</b>
<b>Basic earnings per share (RON/share)</b>	<b>2.32</b>	<b>1.78</b>

(ii) *Diluted earnings per share*

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited, restated)</u>
<b>Net profit of the financial year</b>	<b>699,322,229</b>	<b>535,667,264</b>
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of shares issued during the period	130,043	-
Weighted-average number of ordinary shares at the end of the period	301,541,641	301,513,851
<b>Weighted-average number of ordinary shares (diluted) on December 31</b>	<b>301,541,641</b>	<b>301,513,851</b>
<b>Diluted earnings per share (RON/share)</b>	<b>2.32</b>	<b>1.78</b>

## 17. BORROWINGS

The situation of the loans held by the Company on December 31, 2020, respectively December 31, 2019, is as follows:

	<b>December 31, 2020 (audited)</b>	< 1 year	> 1 year	<b>December 31, 2019 (audited, restated)</b>	< 1 year	> 1 year
Bank loans	<b>502,335,190</b>	211,856,623	290,478,567	<b>712,424,017</b>	212,515,420	499,908,597
Interest	<b>138,459</b>	138,459	-	<b>375,872</b>	375,872	-
<b>Total</b>	<b>502,473,649</b>	211,995,082	290,478,567	<b>712,799,889</b>	212,891,292	499,908,597

### Bank loans

Reimbursements of borrowings during the financial year ended on December 31, 2020 were:

	Currency	Interest rate	Value	Year of final maturity
<b>Balance as at January 1, 2020 (audited)</b>			<b>712,424,017</b>	
New drawings				
<b>Reimbursements, out of which</b>			<b>(218,307,867)</b>	
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.7%	(37,351,762)	2022
Societe Generale – AECL BC	CAD	CDOR 6M + 0.375%	(68,944,355)	2022
EURATOM	EUR	EURIBOR 6M + 0.08%	(112,011,750)	2024
<b>Exchange rate differences</b>			<b>1,644,400</b>	
<b>Commitment fees</b>			<b>6,574,640</b>	
<b>Balance as of December 31, 2020 (audited)</b>			<b>502,335,190</b>	

### (i) Long term borrowings

As at December 31, 2020 and December 31, 2019, the **long-term** borrowings from credit institutions appear as follows:

	<b>December 31, 2020 (audited)</b>	<b>December 31, 2019 (audited, restated)</b>
Societe Generale - ANSALDO BC	56,158,539	91,865,702
Societe Generale - AECL BC	102,033,230	178,660,043
EURATOM	354,005,380	458,334,870
<b>Total borrowings</b>	<b>512,197,149</b>	<b>728,860,615</b>
Less: Current part of long-term loans	(218,431,261)	(219,090,059)
Less: Balance of commitment and insurance fees (long term)	(3,287,320)	(9,861,959)
<b>Total long-term loans net of the short-term part</b>	<b>290,478,567</b>	<b>499,908,597</b>

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## 17. BORROWINGS (CONTINUED)

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 obtained loan was EUR 115.3 million. The amount due as at December 31, 2020 is EUR 11.5 million (December 31, 2019: EUR 19.22 million). The reimbursement is divided into 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan carries a floating interest rate EURIBOR at six months plus a margin of 0.45% for the first 15 years and EURIBOR at six months plus a margin of 0.7% 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 obtained loan was of CAD 327.8 million. The amount due on December 31, 2020 is of CAD 32.78 million (December 31, 2019: CAD 54.63 million). The reimbursement is divided into 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan carries a floating CDOR interest rate at six months plus a margin of 0.375%. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

c) *The loan granted by EURATOM*

The loan was granted by EURATOM to the Company in 2004. The initial value of the loan was EUR 223.5 million. The amount due as at December 31, 2020 is EUR 72.70 million (December 31, 2019: EUR 95.90 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 20 million (December 31, 2019: EUR 30 million); (ii) Second instalment with a balance of EUR 36 million (December 31, 2019: EUR 45 million) and (iii) Third instalment with a balance of EUR 16.7 million (December 31, 2019: EUR 20.9 million). The repayment of the first instalment will be made in 20 instalments payable during 2013-2022, the repayment of the second instalment will be made in 20 instalments payable during 2015-2024 and the repayment of the third instalment will be made in 16 instalments payable during 2017-2024. The loan carries a floating interest rate EURIBOR at six months plus a margin of 0.080% for the first two installments and EURIBOR at six months plus a margin of 0.079% for the third installment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

The loan agreement comprises certain financial clauses: (i) the debt service coverage ratio must be at least 1.5; (ii) the degree of indebtedness must not exceed the value 2; (iii) the revenues recorded by the Company must be sufficient to cover the operating and maintenance costs of Units 1 and 2, as well as interest 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 at December 31, 2020 and December 31, 2019, the financial indicators required by EURATOM are met. All loans have been contracted to finance the construction of Unit 2.

The Company has not entered into any hedging arrangements with respect to liabilities in foreign currency or interest rate exposure. The fair value of long-term loans, which was estimated discounting future contractual cash flows using the current market interest rate available for similar financial instruments, does not significantly differ from the aforementioned values.

## 17. BORROWINGS (CONTINUED)

### 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 from SG are guaranteed by foreign insurers (COFACE) and promissory notes are issued by the Company in favour of the creditor.

### (ii) Short-term borrowings

As at December 31, 2020 and December 31, 2019, the **short-term** borrowings appear as follows:

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Current portion of long-term borrowings	218,431,262	219,090,059
Interests related to the long-term borrowings	138,459	375,872
Short-term commitment and insurance fees	(6,574,639)	(6,574,639)
<b>Total short-term borrowings</b>	<b>211,995,082</b>	<b>212,891,292</b>

## 18. TRADE PAYABLES AND OTHER LIABILITIES

As at December 31, 2020 and December 31, 2019, trade payables and other liabilities appear as follows:

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Non-current asset providers	47,821,880	16,086,321
Trade payables	81,911,514	82,971,731
Obligations related to employees' liabilities	23,467,273	20,531,067
Payables to the State	106,932,895	93,595,144
Gross dividends payable	826,280	668,882
Other payables	24,060,308	6,382,967
<b>Total</b>	<b>285,020,150</b>	<b>220,236,112</b>

As at December 31, 2020, the main providers in the balance, from the "Non-current asset providers" and "Suppliers" positions, are: GE Global Parts & Products – RON 24,595,377 (December 31, 2019: RON 0), Apele Romane Bucharest – RON 12,404,839 (December 31, 2019: RON 11,923,228), Candu Energy Inc. – RON 11.062.778 (December 31, 2019: RON 7,927,602), General Concrete S.R.L. – RON 6.047.323 (December 31, 2019: RON 3,575,409), Concelex S.R.L. – RON 5,346,922 (December 31, 2019: 0 RON) and General Electric Global Services GmbH – Sucursala Romania – RON 4,854,327 (December 31, 2019: RON 0).

As at December 31, 2020, "Accounts payable and other liabilities" include the amount of RON 35,472,326 (December 31, 2019: RON 31,671,319) related to liabilities to affiliates, out of which, under the "Suppliers" and "Non-current assets suppliers" positions, the amount of RON 22,698,744 (December 31, 2019: RON 22,793,340) and under the "Payables to the State" position, the amount of RON 12,773,582 (December 31, 2019: RON 8,868,052), representing the contribution to ANDR, for the decommissioning of nuclear facilities and the permanent storage of radioactive waste.

As at December 31, 2020, the "Payables to the State" position includes the debt related to local taxes and duties set by state authorities in 2020, amounting to RON 63,925,514 (December 31, 2019: RON 56,508,340), which, according to IFRIC 21 - Taxes, is recognized on December 31. The maturity of these taxes and duties is during the financial year of 2020.

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## 19. PROVISIONS FOR RISKS AND EXPENSES

As at December 31, 2020 and December 31, 2019, respectively, the Company has recognized the following provisions, included under the "Provisions for risks and expense" position and the "Current share of provisions for risks and expenses" position:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Obligations on the Intermediary Used Fuel Storage (DICA)	70,262,388	69,361,429
Obligations on the low and medium radioactive and non-radioactive waste	103,884,325	97,050,892
Salary increase litigation provision	97,209,259	87,801,325
Employees' participation to the profit	21,326,448	18,700,000
Provisions for litigations	-	6,000,000
<b>Total</b>	<b>292,682,420</b>	<b>278,913,646</b>

As at December 31, 2020, the provisions in total amount of RON 292,682,420 represent long-term and short-term liabilities, as follows:

	<b>Current part</b>	<b>Long-term part</b>
	<b>(&lt; 1 year)</b>	<b>(&gt; 1 year)</b>
Obligations on the Intermediary Used Fuel Storage (DICA)	26,596,716	43,665,672
Obligations on the low and medium radioactive and non-radioactive waste	9,349,710	94,534,615
Salary increase litigation provision	-	97,209,259
Employees' participation to the profit	21,326,448	-
<b>Total</b>	<b>57,272,874</b>	<b>235,409,546</b>

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

See Note 3 (s) for the relevant accounting policies for provisions.

## 20. CORPORATE TAX

The corporate tax recognized in the profit and loss account:

	<u>2020</u> <u>(audited)</u>	<u>2019</u> <u>(audited, restated)</u>
Current corporate tax expense	130,125,891	117,510,151
Net (income) from the deferred tax	(14,039,505)	(21,901,707)
<b>Total</b>	<b>116,086,386</b>	<b>95,608,444</b>

Receivables and liabilities related to the deferred taxes are valued as at December 31, 2020 and December 31, 2019 at the 16% effective tax rate, representing the tax rate currently implemented.

### Reconciliation of effective tax rate:

	<u>2020</u> <u>(audited)</u>	<u>2019</u> <u>(audited, restated)</u>
<b>Profit before corporate tax</b>	<b>815,408,615</b>	<b>631,275,708</b>
<b>Tax in compliance with the statutory 16% tax rate (2019: 16%)</b>	<b>130,465,378</b>	<b>101,004,113</b>
<b>Effect on the corporate tax of the:</b>		
Legal reserve	(6,523,269)	(5,050,206)
Tax amortization	(1,177,057)	(1,113,308)
Non-taxable revenues	(10,653,565)	(8,971,483)
Non-deductible expenses	25,964,520	31,904,903
Revaluation reserve gains	10,465,489	11,590,465
Temporary differences	(14,039,505)	(21,901,707)
Sponsoring	(9,499,748)	(10,897,352)
Reinvested profit	(913,611)	(956,982)
Discounts pursuant to G.O. 33/2020 and G.O. 99/2020	(8,002,247)	-
<b>Corporate tax expense</b>	<b>116,086,386</b>	<b>95,608,444</b>

The deferred tax consists of:

<u>December 31, 2020</u> <u>(audited)</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Tangible assets		120,113,342	120,113,342
Intangible assets		1,362,970	1,362,970
Inventories	(881,818)		(881,818)
Trade receivables	(1,687,382)		(1,687,382)
Liabilities related to employees' benefits	(5,850,125)		(5,850,125)
Employees' participation in the profit	(3,412,232)		(3,412,232)
Salary increase provision	(15,553,480)		(15,553,480)
Annual leaves not taken	(724,373)		(724,373)
Taxes and duties	(10,218,498)		(10,218,498)
Radioactive and non-radioactive waste	(16,621,492)		(16,621,492)
<b>Net tax (asset)/liability</b>	<b>(54,949,400)</b>	<b>121,476,312</b>	<b>66,526,912</b>

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## 20. CORPORATE TAX (CONTINUED)

<b>December 31, 2019</b> <b>(audited, restated)</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
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)
Liabilities related to employees' benefits	(5,513,746)		(5,513,746)
Employees' participation in the profit	(2,992,000)		(2,992,000)
Salary increase provision	(14,048,212)		(14,048,212)
Annual 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)
<b>Net tax (asset)/liability</b>	<b>(52,067,520)</b>	<b>132,810,528</b>	<b>80,743,008</b>

The movement table on the deferred tax debt in 2020 and 2019 is as follows:

	<b>Balance as at December 31, 2018 (audited)</b>	<b>Deferred tax recognized in profit and loss</b>	<b>Deferred tax directly recognized in other items of comprehensive earnings</b>	<b>Balance as of December 31, 2019 (audited)</b>	<b>Deferred tax recognized in profit and loss</b>	<b>Deferred tax directly recognized in other items of comprehensive earnings</b>	<b>Balance as of December 31, 2020 (audited)</b>
Tangible assets	143,913,930	(11,970,631)	5,602,184	131,943,299	(11,653,365)	5,485,517	120,113,342
Intangible assets	1,995,784	(1,128,555)	-	867,229	495,741	-	1,362,970
Inventories	(1,421,116)	193,249	-	(1,227,867)	346,048	-	(881,818)
Trade receivables	(3,410,935)	1,264,325	-	(2,146,609)	459,228	-	(1,687,382)
Liabilities related to employees' benefits	(5,133,123)	(380,623)	-	(5,513,746)	(336,379)	-	(5,850,125)
Salary increase provision	(5,589,944)	(8,458,268)	-	(14,048,212)	(1,505,268)	-	(15,553,480)
Employees' participation in the profit	(2,560,000)	(432,000)	-	(2,992,000)	(420,232)	-	(3,412,232)
Annual leaves not taken	(512,778)	(109,212)	-	(621,990)	(102,384)	-	(724,373)
Taxes and duties	(9,013,385)	(15,568)	-	(9,028,953)	(1,189,545)	-	(10,218,498)
Radioactive and non-radioactive waste	(15,623,718)	95,576	-	(15,528,143)	(1,093,349)	-	(16,621,492)
Other provisions	-	(960,000)	-	(960,000)	960,000	-	-
<b>Net tax (asset)/liability</b>	<b>102,644,715</b>	<b>(21,901,707)</b>	<b>5,602,184</b>	<b>80,743,008</b>	<b>(14,039,505)</b>	<b>5,485,517</b>	<b>66,526,912</b>

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## 21. EMPLOYEE BENEFITS

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Retirement benefits	25,716,845	25,710,198
Anniversary bonuses	5,780,360	5,905,461
Benefits in case of death	862,058	910,676
Retirement benefits in the energy field	10,743,171	9,095,310
<b>Total</b>	<b>43,102,434</b>	<b>41,621,644</b>

On December 31, 2020, the Company has the following obligations:

- to pay to retiring employees retirement premiums varying between 2 and 3 basic salaries depending on the number of years of experience in the field of electricity, thermal and nuclear power;
- to pay jubilee premium employees depending on the number of years of uninterrupted seniority in the field of electricity, thermal and nuclear power;
- to pay an allowance to the employee's family, in case of their death;
- to pay to the retiring employees an energy benefit, representing the equivalent value of the electricity quota of 1,200 KWh/year. The criterion for granting this benefit is 15 years of experience in the energy field, out of which at least the last 10 years within the Company. This benefit is granted as of April 1, 2017.

The following assumptions were taken into account for the application of IAS 19 "Employee Benefits" as at December 31, 2020 and December 31, 2019.

<b>Assessment date</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Number of employees	2,011	2,153
Wage increase rate	The management of the company estimated an increase of 0% in 2021 and with the annual rate of increase of consumer prices communicated by the National Forecast Commission for 2022 and the following years. The inflation rate was estimated based on the 2021 Winter Forecast, issued by the National Strategy and Forecast Commission, as follows: 2.5% in 2021, 2.4% in 2022, 2.3% in 2023 and 2.2% per year of the period 2024-2036 and following a decreasing trend in the following years.	The management of the company estimated an increase of 3.2% in 2020 and with the annual rate of increase in consumer prices communicated by the National Forecast Commission. For 2021 and the following years, we still considered an average salary increase with the annual inflation rate estimated at the annual inflation target of 2.5%.
Rate of increase in the price of kWh	The kWh price updated as at December 31, 2020 was of RON 0.7179. For the period 2021-2030, the estimates provided by the Company and an evolution in the same trend for the following years were used.	The kWh price updated as at December 31, 2019 was of RON 0.6683. For the period 2020-2030, the estimates provided by the Company and an evolution in the same trend for the following years were used.
Weighted average discount rate	3.00%	4.25%
Mortality tables	Romanian Population Mortality Table for 2018 issued by the National Institute of Statistics.	Romanian Population Mortality Table for 2013 issued by the National Institute of Statistics.
Gross average wage	8,336	8,392

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## **21. EMPLOYEES BENEFITS (CONTINUED)**

The assumptions herein above have been considered taking into account:

- bond yields on the active market at the end of December 2020. The available residual terms up to maturity were 1-11 years and 14 years. For the other durations, the discount rate was estimated using the Smith-Wilson extrapolation method;
- the estimated long-term inflation rate 2.0% p.a. (December 31, 2019: 2.0%);
- the actual estimate long-term yield on government bonds 1.6% p.a. (December 31, 2019: 2.05%);
- liquidity premium for Romania 0% (December 31, 2019: 0%);
- weighted average discount rate of 3.00% (December 31, 2019: 4.25%).

## 22. REVENUES FROM ELECTRICITY SALES

### (i) Revenues from electricity sales

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Sales of electricity on the regulated market	404,796,955	259,323,436
Sales of electricity on the free market	2,021,681,916	2,099,883,595
Sales of thermal energy	5,773,558	6,329,627
Revenues from the sale of green certificates	27,046	26,916
<b>Total</b>	<b>2,432,279,475</b>	<b>2,365,563,574</b>

### (ii) Amount of energy sold

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Quantity of electricity sold on the regulated market (MWh)	2,181,607	1,376,963
Quantity of electricity sold on the free market (MWh)	8,589,781	9,245,123
	<b>10,771,388</b>	<b>10,622,086</b>

<sup>\*)</sup> The presented quantity of sold energy does not include the quantity of energy corresponding to the income from positive unbalances valued on the Balancing Market, amounting to 33,757 MWh for the financial year ended on December 31, 2020 (30,137 MWh for the financial year ended on December 31, 2019).

The electricity sector is regulated by the National Energy Regulatory Authority (“ANRE”), an autonomous public institution. 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. 216/11.12.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 2213/23.12.2019, the quantity assigned to SNN for the first half-year of 2020 for regulated contracts was 1,087 GWh, out of which 701.4 GWh for Q1 2020 and 385.6 GWh for Q2 2020. For the first half-year of 2020, ANRE established a regulated price for SNN of 188.47 RON/MWh (without T<sub>g</sub>). For the second half-year of 2020, ANRE issued Order no. 88/12.06.2020 for approving the Methodology for setting regulated fees and prices applied by last-instance providers to end clients for period July 1 - December 31, 2020 [...]. According to ANRE Resolution no. 1077/29.06.2020, the quantity assigned to SNN for the second half-year of 2020 for regulated contracts was 1,095 GWh, out of which 394.9 GWh for Q3 2020 and 700.1 GWh for Q4 2020. For the second half-year of 2020, ANRE established a regulated price for SNN of 182.63 RON/MWh (without T<sub>g</sub>). Thus, the Company sold 20.2% energy on the regulated market (2019: 12.9%).

On the competitive market, in 2020, the Company delivered 79.5% of the energy sold (2019: 86.8%). The average sale price of electricity sold by the Company on this market in 2020 was 235.36 RON/MWh (2019: 227.13 RON/MWh) value, which does not include T<sub>g</sub>.

The Company is a participant in the balancing market, according to the convention of participation in the balancing market concluded with C.N. Transelectrica S.A. and set up a security in the amount of RON 50,000, valid until June 22, 2021 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 20, 2021.

The Company performs the activity of generating thermal energy by the operation of the power capacities related to the units of electrical and heating power generation consisting of two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The Company delivers thermal energy to the local thermal energy distribution company S.C. Utilitati Publice S.A. Cernavoda, as well as to other final consumers in the locality Cernavoda – business entities, social-cultural institutions. The sales of thermal power in 2020 amount to RON 5,773,558 (December 31, 2019: RON 6,329,627).

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## 23. OTHER INCOMES

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited)</u>
Income from investment subsidies	14,344,816	14,368,732
Income from compensations, fines, and penalties	387,337	1,924,537
Other revenues	39,435,777	23,367,683
<b>Total</b>	<b><u>54,167,930</u></b>	<b><u>39,660,952</u></b>

Subsidies for investment (long-term deferred income) were granted in 2007 and consisted of cancellation of penalties and liabilities related to the loan agreements. Subsidies are recorded in the profit and loss account as revenues over the period 2007-2026, for the remaining useful life of Unit 1.

## 24. PERSONNEL EXPENSES

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited)</u>
Wages and salaries	405,649,447	393,674,514
Expenditure on social security and assimilated costs	34,631,160	31,922,864
<b>Total personnel expenses</b>	<b><u>440,280,607</u></b>	<b><u>425,597,378</u></b>

In 2020, the breakdown of employees per categories appears as follows:

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited)</u>
Executive personnel	143	158
Operating personnel	1,868	1,995
<b>Total actual number of employees</b>	<b><u>2,011</u></b>	<b><u>2,153</u></b>

## 25. OTHER OPERATING EXPENSES

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited)</u>
Expenses on services provided by third parties	87,501,426	89,758,160
Expenses on ANDR	102,246,544	98,249,692
Energy and water expenses	80,009,660	79,490,421
Expenses on fuel and other consumables	50,103,743	42,147,140
Expenses on the ANRE contribution	4,227,661	42,501,390
Expenses on insurance premiums	12,530,425	12,701,686
Transport and telecommunication expenses	7,271,177	8,727,006
Building tax expenses	63,230,788	55,838,095
Expenses related to provisions and value adjustments, net	5,236,830	55,123,571
Other operating expenses	46,767,428	40,377,333
<b>Total</b>	<b><u>459,125,682</u></b>	<b><u>524,914,494</u></b>

### *Expenses on ANDR*

Starting with 2007, following the Government Decision no. 1080/2007 on the safe management of the radioactive waste and the decommissioning of the nuclear installations, the Company is bound 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.

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## 25. OTHER OPERATING EXPENSES (CONTINUED)

### *Expenses on the ANRE contribution*

The contribution to ANRE calculated based on ANRE Order no. 1/2020, according to which the Company pays 0.1% of the turnover for 2019, made from the activities carried out based on the licenses held, amounting to RON 4,227,661 (December 31, 2019: RON 42,501,390). For the year of 2019, the contribution was paid under the ANRE Order no. 114/2018, which set a percentage of 2% of the turnover achieved from the activities performed under the licenses held.

### *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 2020, the Company established provisions amounting to RON 37,515,487 (2019: RON 87,434,905) and reversed provisions amounting to RON 32,278,657 (2019: RON 32,311,334). From among the provisions established in 2020, RON 16,746,459 represents the preliminary provision representing the salary increase (December 31, 2019: RON 52,864,172), RON 10,142,359 represents the update of the provision for the intermediary burnt fuel tank ("DICA") (2019: RON 14,705,612) and RON 9,811,642 represents the update of the provision for low and medium radioactive waste (2019: RON 13,261,430).

### *Other operating expenses*

The "Other operating expenses" position includes the expenses related to the operating permits, paid to CNCAN Bucharest, amounting to RON 9,900,000 (December 31, 2019: RON 9,900,000), as well as other taxes and contributions paid to governmental and non-governmental organizations amounting to RON 3,944,856 (December 31, 2019: RON 3,570,853).

## 26. FINANCIAL REVENUES AND EXPENSES

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Income from interests	58,507,005	54,618,436
Foreign exchange difference gains	26,019,088	12,717,011
Income from dividends	3,764	1,288
Other financial revenues	354	
<b>Total financial revenues</b>	<b>84,530,211</b>	<b>67,336,735</b>
Foreign exchange difference loss	(27,270,721)	(49,088,767)
Interest-related expenses	(13,242,793)	(16,398,023)
<b>Total financial expenses</b>	<b>(40,513,514)</b>	<b>(65,486,790)</b>
<b>Net financial expenses</b>	<b>44,016,697</b>	<b>1,849,945</b>

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## 27. TRANSACTIONS WITH RELATED-PARTIES

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

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

The Company has made significant transactions with other state-owned or -controlled companies, including: electricity sales (OPCOM S.A., Muntenia Nord S.A. Electricity Distribution Company); electricity acquisitions (S.P.E.E.H. Hidroelectrica S.A.); acquisition of electricity transmission and balancing services (C.N. Transelectrica S.A.); acquisition of natural uranium in the form of sinterable UO<sub>2</sub> powder (National Uranium Company S.A.); acquisition of processing services for non-compliant materials containing natural uranium from the FCN Pitesti Branch, in order to recover uranium in the form of sinterable UO<sub>2</sub> powder (Compania Nationala a Uraniului S.A.); acquisition of radioactive water treatment services resulting from production activities (Autonomous Directorate of Nuclear Energy Technologies - Pitesti Nuclear Research Institute) and payment of contribution for the management of the decommissioning process of the two units and for the final storage of nuclear waste at the end of the useful life of the two units, as well as for the permanent storage of the resulting waste (Nuclear and Radioactive Waste Agency - ANDR).

During the performance of the activity thereof, the Company identified the following transactions and balances with the main related parties:

	Sales		Receivables as at	
	2020 (audited)	2019 (audited)	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	455,539,765	236,626,767	1,113,446	610,066
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	69,322,692	-	7,594,618	-
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	12,873,830	30,739,320	1,297,584	-
Utilitati Publice S.A. Cernavoda	5,831,586	6,411,004	2,929,630	1,248,170
Autonomous Administration of Technologies for Nuclear Energy - CITON	259,326	77,956	1,712	-
C.N. Transelectrica S.A.	141,364	32,639,617	17,370	15,103
Energionuclear S.A.	110,596	106,555	4,632,801	3,630,903
Compania Nationala Administratia Canalelor Navigabile S.A.	5,707	6,284	1,363	1,415
Autonomous Administration of Technologies for Nuclear Energy - ICN	2,899	4,034	-	-
National Institute for Research and Development for Cryogenic and Isotopic Technologies	336	210	-	-
Compania Nationala a Uraniului S.A.	168	126	-	22,679,314
<b>Total</b>	<b>544,088,269</b>	<b>306,611,873</b>	<b>17,588,524</b>	<b>28,184,971</b>

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## 27. TRANSACTIONS WITH RELATED-PARTIES (CONTINUED)

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

	Purchases		Payables as at	
	2020 (audited)	2019 (audited)	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Nuclear and Radioactive Waste Agency	102,246,544	98,249,692	12,773,582	8,868,052
Compania Nationala a Uraniului S.A.	60,002,814	43,127,948	395,198	195,757
Romanian Waters Bucharest	59,599,292	59,530,703	12,404,839	11,923,228
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	37,373,814	42,605,855	145,698	12,420
C.N. Transelectrica S.A.	13,903,800	12,436,882	1,501,313	2,673,283
Administratia Bazinala de Apa Dobrogea Litoral	11,531,933	11,208,392	2,979,375	3,165,422
National Commission for Nuclear Activities Control	9,502,850	9,201,100	-	-
Autonomous Administration of Technologies for Nuclear Energy - ICN	6,220,184	6,163,338	1,791,690	2,022,158
S.P.E.E.H. Hidroelectrica S.A.	6,095,220	-	-	-
Compania Nationala Administratia Canalelor Navigabile S.A.	5,202,540	5,938,002	1,028,044	1,034,812
National Energy Regulatory Authority	4,232,661	42,511,640	120,446	-
Raja S.A.	3,183,919	3,229,063	503,590	578,783
Complexul Energetic Oltenia	2,777,818	-	935,580	-
Autonomous Administration of Technologies for Nuclear Energy - CITON	1,392,343	957,802	581,291	821,141
Compania Nationala pentru Controlul Cazanelor, Instalatiilor de Ridicat si Recipientelor sub Presiune S.A.	91,051	24,486	27,666	1,737
National Institute for Research and Development for Cryogenic and Isotopic Technologies	90,560	225,978	36,890	36,890
Utilitati Publice S.A. Cernavoda	83,863	468,646	25,496	83,771
National Administration of States Reserves and Special Matters	-	15,564,733	-	-
<b>Total</b>	<b>323,531,206</b>	<b>351,444,260</b>	<b>35,250,700</b>	<b>31,417,454</b>

The balance of debts to affiliates as at December 31, 2020 and December 31, 2019 presented above does not include advances payments received from customers, affiliates.

### (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 (see Note 12).

## 27. TRANSACTIONS WITH RELATED-PARTIES (CONTINUED)

### (iii) Compensation to the management of the Company

The management of the Company is made up of:

- The members of the Board of Directors having concluded mandate contracts with the Company;
- The managers with mandate contracts within the Group;
- Other managers within the Company having concluded the individual employment contracts, within the terms stipulated in the collective labour agreements, as applicable.

The members of the Board of Directors have concluded management (mandate) contracts with the Company, the remuneration thereof being approved by the General Meeting of the Shareholders. The managers with mandate contracts are remunerated based on the contractual provisions within the general limits approved by GMS. Detailed information on the remuneration of the 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.

	<u>2020</u> <u>(audited)</u>	<u>2019</u> <u>(audited, restated)</u>
Remuneration of the management of the Company (gross amounts)	10,967,887	9,800,079
	<u><b>10,967,887</b></u>	<u><b>9,800,079</b></u>



## 28. MANAGEMENT OF SIGNIFICANT RISKS

The main risks that the Company is exposed to are:

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

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

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

### a) Market risk

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

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

#### *(i) Price risk*

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

In 2020, the quantity of electricity sold on the competitive market represented 54.7% of the total volume of electricity sold, and, on the spot market (PZU + PI), an amount of electricity representing 24.8% was sold. The average sale price on bilateral contracts in 2020 was 266.05 RON/MWh, with Tg included (December 31, 2019: 228.01 RON/MWh, with Tg included), and, on the spot market (PZU + PI), the average price was 169.88 RON/MWh, with Tg included (December 31, 2019: 225.23 RON/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 31, 2020 by RON 244,020,342 (December 31, 2019: RON 237,133,981), a negative 10% variation having a net impact equal and of opposite sign.

#### *(ii) Interest rate risk*

The company faces the interest rate risk due to the exposure to unfavorable interest rate fluctuations. The change of the interest rates on the market directly influences the revenues and expenditure related to the financial assets and liabilities bearing variable interest rates and the market value of those bearing fixed interests. As at December 31, 2020 and December 31, 2019, most assets and liabilities of the Company are interest bearing. As a result, the Company is directly affected by the risk of interest rate fluctuations. Cash and cash equivalents are generally invested at interest rates for up to one year. Nevertheless, the decrease in market returns may affect the valuation value of the assets held by the Company.

## 28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

### a) Market risk (continued)

#### (ii) Interest rate risk (continued)

Out of the total financial liabilities of the Company, the only liabilities bearing variable interest are long-term bank loans. For more information on the contractual maturity of the interest-bearing financial assets and liabilities of the Company, see Note 28 (c) Liquidity risk. The Company does not use derivative financial instruments to protect itself against interest rate fluctuations. The impact on the net profit of the Company of a  $\pm 1.00\%$  change of the interest rate related to the interest-bearing assets and liabilities is of  $\pm$  RON 5,023,352 (December 31, 2019:  $\pm$  RON 7,288,606).

	Carrying amount (*)	
	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
<b>Fixed rate instruments</b>		
Financial assets	2,046,940,000	1,701,437,794
	<u>2,406,940,000</u>	<u>1,701,437,794</u>
<b>Variable rate instruments</b>		
Financial liabilities	(502,335,190)	(728,860,615)
	<u>(502,335,190)</u>	<u>(728,860,615)</u>

(\*) Gross carrying amount, prior to the deduction of the transaction costs.

#### *Sensitivity analysis of cash flows for variable interest rate instruments*

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

	Profit or loss	
	+ 1.00% Increase	- 1.00% Decrease
<b>December 31, 2020</b>		
Variable rate instruments	(7,288,606)	7,288,606
<b>Cash flow sensitivity (net)</b>	<u>(7,288,606)</u>	<u>7,288,606</u>
<b>December 31, 2019</b>		
Variable rate instruments	(7,288,606)	7,288,606
<b>Cash flow sensitivity (net)</b>	<u>(7,288,606)</u>	<u>7,288,606</u>

#### (iii) Currency risk

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

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

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## 28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

### a) Market risk (continued)

#### (iii) Currency risk (continued)

The financial assets and liabilities expressed in RON and other currencies as at December 31, 2020 and December 31, 2019 are presented in the following tables.

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
<b>December 31, 2020</b>							
<b>Financial assets</b>							
Cash, cash equivalents and deposits	2,167,949,840	2,166,192,417	508,393	715,776	201,855	330,538	860
Trade receivables	157,943,751	157,808,118	-	4,785	40,483	90,365	-
Payments made in advance	10,323,167	10,323,167	-	-	-	-	-
Tangible assets (down payments)	82,083,795	39,538,638	24,410,824	15,256,576	2,877,757	-	-
<b>Gross exposure</b>	<b>2,418,300,553</b>	<b>2,373,862,340</b>	<b>24,919,218</b>	<b>15,977,136</b>	<b>3,120,095</b>	<b>420,904</b>	<b>860</b>
<b>Financial liabilities</b>							
Trade payables and providers of non-current assets	(129,733,394)	(82,107,470)	(26,113,835)	(2,364,253)	(19,144,045)	(3,790)	-
Loans	(512,197,149)	-	(410,163,919)	-	(102,033,230)	-	-
<b>Gross exposure</b>	<b>(641,930,543)</b>	<b>(82,107,470)</b>	<b>(436,277,754)</b>	<b>(2,364,253)</b>	<b>(121,177,275)</b>	<b>(3,790)</b>	<b>-</b>
<b>Net exposure in the statement of financial position (audited)</b>	<b>1,776,370,010</b>	<b>2,291,754,870</b>	<b>(411,358,537)</b>	<b>13,612,883</b>	<b>(118,057,180)</b>	<b>417,113</b>	<b>860</b>

(\*) Gross carrying amount, prior to the deduction of the transaction costs.

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
<b>December 31, 2019</b>							
<b>Financial assets</b>							
Cash, cash equivalents and deposits	1,852,024,883	1,826,087,871	24,804,479	686,083	417,286	28,206	958
Trade receivables	169,994,236	169,843,790	7,523	4,589	14,163	124,171	-
Payments made in advance	23,925,205	23,925,205	-	-	-	-	-
Tangible assets (down payments)	27,363,148	20,337,435	297,390	1,743,608	4,984,714	-	-
<b>Gross exposure</b>	<b>2,073,307,473</b>	<b>2,040,194,301</b>	<b>25,109,392</b>	<b>2,434,280</b>	<b>5,416,163</b>	<b>152,378</b>	<b>958</b>
<b>Financial liabilities</b>							
Trade payables and providers of non-current assets	(99,058,052)	(81,915,639)	(3,271,323)	(2,439,833)	(11,429,069)	(2,187)	-
Loans	(728,860,615)	-	(550,200,572)	-	(178,660,043)	-	-
<b>Gross exposure</b>	<b>(827,918,667)</b>	<b>(81,915,639)</b>	<b>(553,471,895)</b>	<b>(2,439,833)</b>	<b>(190,089,112)</b>	<b>(2,187)</b>	<b>-</b>
<b>Net exposure in the statement of financial position (audited)</b>	<b>1,245,388,806</b>	<b>1,958,278,663</b>	<b>(528,362,503)</b>	<b>(5,553)</b>	<b>(184,672,949)</b>	<b>150,190</b>	<b>958</b>

(\*) Gross carrying amount, prior to the deduction of the transaction costs.

The following exchange rates have been used:

	Average exchange rate		Exchange rate on	
	2020	2019	December 31, 2020	December 31, 2019
RON/EUR	4.8371	4.7452	4.8694	4.7793
RON/USD	4.2440	4.2379	3.9660	4.2608
RON/CAD	3.1647	3.1948	3.1127	3.2702
RON/GBP	5.4423	5.4113	5.4201	5.6088
RON/CHF	4.4997	4.4033	4.5201	4.2652

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## 28. 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 31, 2020 and December 31, 2019 would have increased the gross profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	<b>Profit 2020</b> <b>(audited)</b>	<b>Profit 2019</b> <b>(audited)</b>
EUR	41,135,854	52,836,250
USD	(1,361,288)	555
CAD	11,805,718	18,467,295
GBP	(41,711)	(151,019)
CHF	(86)	(96)
<b>Total</b>	<b>51,538,486</b>	<b>71,288,986</b>

A 10% depreciation of the national currency against the following foreign currencies as at December 31, 2020 and December 31, 2019 would have had a similar, but opposite sign effect on the amounts shown above, assuming that all other variables remained constant.

	<b>Loss 2020</b> <b>(audited)</b>	<b>Loss 2019</b> <b>(audited)</b>
EUR	(41,135,854)	(52,836,250)
USD	1,361,288	(555)
CAD	(11,805,718)	(18,467,295)
GBP	41,711	151,019
CHF	86	96
<b>Total</b>	<b>(51,538,486)</b>	<b>(71,288,986)</b>

### b) Credit risk

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

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

As at December 31, 2020, the Company is exposed to a concentrated credit risk, considering the fact that approximately 40% of the trade receivables are towards Electrica Furnizare S.A. and towards E.ON Energie Romania S.A. (see Note 12). 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), seeking to reduce the counterparty risk, by limiting the exposure towards a single financial institution. The main financial institutions where the financial assets are placed are shown below:

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## 28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

### b) Credit risk (continued)

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
EximBank S.A.	583,003,131	240,781,847
CEC Bank S.A.	551,837,328	68,000,000
Alpha Bank S.A.	285,603,341	282,014,514
Garanti Bank S.A.	237,357,678	256,013,619
Unicredit Bank S.A.	234,439,863	273,235,001
Banca Comerciala Romana S.A.	209,130,038	146,303,362
BRD Societe Generale S.A.	64,196,103	77,796,807
Treasury of Bucharest Municipality	1,436,579	1,436,571
Citi Bank Romania	76,818	80,008
OTP Bank S.A.	2,875	175,926,809
Banca Transilvania S.A.	1,728	70,796,406
Credit Agricole Bank S.A.	180	206,516,355
Libra Internet Bank S.A.	-	90,382,575
Other	864,178	521,009
<b>Total cash, bank deposits and financial assets</b>	<b>2,167,949,840</b>	<b>1,889,804,883</b>

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

	Net value	
	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
<b>Financial assets</b>		
Trade receivables	157,943,751	220,284,169
Bank deposits	1,621,384,000	58,879,494
Cash and cash equivalents	546,565,840	1,793,145,389
Other receivables	85,367,796	31,416,822
	<b>2,411,261,387</b>	<b>2,103,725,874</b>

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

	Gross value December 31, 2020 (audited)	Value adjustments as at December 31, 2020 (audited)	Gross value December 31, 2019 (audited, restated)	Value adjustments as at December 31, 2019 (audited, restated)
Not past due	156,122,145	-	169,522,876	-
Past due 1-30 days	969,654	-	445,870	-
Past due 31-90 days	183,835	-	24,792	-
Past due 91-180 days	321,381	-	-	-
Past due 181-270 days	346,736	-	-	-
Past due 271-365 days	-	-	698	-
Past due more than one year	10,101,875	(10,101,875)	10,496,161	(10,496,161)
<b>Total</b>	<b>168,045,626</b>	<b>(10,101,875)</b>	<b>180,490,397</b>	<b>(10,496,161)</b>

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## 28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

### b) Credit risk (continued)

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

	<u>Gross value December 31, 2020 (audited)</u>	<u>Value adjustments as at December 31, 2020 (audited)</u>	<u>Gross value December 31, 2019 (audited, restated)</u>	<u>Value adjustments as at December 31, 2019 (audited, restated)</u>
Not past due	85,367,796	-	50,286,478	-
Past due 1-30 days	-	-	400	-
Past due 31-90 days	-	-	1,193	-
Past due 91-180 days	-	-	1,861	-
Past due 181-270 days	-	-	-	-
Past due 271-365 days	-	-	-	-
Past due more than one year	596,559	(596,559)	3,074,604	(3,074,604)
<b>Total</b>	<u><u>85,964,355</u></u>	<u><u>(596,559)</u></u>	<u><u>53,364,536</u></u>	<u><u>(3,074,604)</u></u>

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

	<u>December 31, 2020 (audited)</u>	<u>December 31, 2019 (audited, restated)</u>
<b>Balance at the beginning of the year</b>	(10,496,161)	<b>(10,858,933)</b>
Recognized impairment adjustments, net of resumptions	394,286	362,772
<b>Balance at the end of the year</b>	<u><u>(10,101,875)</u></u>	<u><u>(10,496,161)</u></u>

### c) Liquidity risk

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

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

## 28. 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 31, 2020, and for the financial year ended on December 31, 2019, thus:

	Carrying amount December 31, 2020 (audited)	Contract value	> 1 year	> 1 year	Carrying amount December 31, 2019 (audited, restated)
<b>Financial assets</b>					
Cash and current accounts	546,565,840	546,565,840	546,565,840	-	1,793,145,389
Deposits in banks	1,621,384,000	1,621,384,000	1,621,384,000	-	58,879,494
Trade receivables	157,943,751	157,943,751	157,943,751	-	169,994,236
Financial assets valued at the amortized cost	5,056,031	5,056,031	-	5,056,031	42,836,031
Other assets valued at the amortized cost	85,367,796	85,367,796	85,367,796	-	81,706,755
<b>Total financial assets</b>	<b>2,416,317,418</b>	<b>2,416,317,418</b>	<b>2,411,261,387</b>	<b>5,056,031</b>	<b>2,146,561,905</b>
<b>Financial liabilities</b>					
Loans	502,473,649	502,473,649	211,995,082	290,478,567	712,799,889
Trade payables	285,020,150	285,020,150	285,020,150	-	220,236,112
Debts from leasing contracts	632,795	632,795	117,721	515,074	-
Other financial liabilities	102,296,423	102,296,423	16,228,454	86,067,969	128,276,231
<b>Total financial liabilities</b>	<b>890,423,017</b>	<b>890,423,017</b>	<b>513,361,407</b>	<b>377,061,610</b>	<b>1,061,312,232</b>
<b>Liquidity surplus</b>	<b>1,525,894,401</b>	<b>1,525,894,401</b>	<b>1,897,899,980</b>	<b>(372,005,579)</b>	<b>1,085,249,673</b>

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

### d) Taxation Risk

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

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

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

## **28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)**

### **e) Operational risk**

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

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

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

### **f) Compliance risk**

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

### **g) Capital adequacy**

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



## 29. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

### *(i) Taxation*

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still different interpretations of tax law. In certain situations, the tax authorities may treat certain aspects differently, proceeding to the calculation of additional taxes and duties and of the related interests and default penalties. In Romania, the fiscal year remains open for fiscal verification for 5 years. The management of the Company considers that the tax liabilities included in these financial statements are adequate and is not aware of certain circumstances that would lead to potential significant liabilities in this respect.

### *(i) Other check-ups*

Based on the Tax Inspection Notice FMC 163/23.07.2018, starting with August 23, 2018 at the headquarters of the Company, a control team appeared for the verification of the corporate tax for the period 2012 - 2017, income tax for the revenues obtained in Romania by non-residents, dividend revenues obtained from Romania by non-residents and revenues from royalties obtained from Romania by non-residents for the period 2015 - 2017, VAT for the period 2013 - 2017, tax on interest revenues obtained from Romania by non-residents for the period 2015 - 2017. The tax inspection ended by RIF no. FMC 27/18.02.2020, registered with SNN under no. 2621/21.02.2020, and by the Notice of Assessment on the main fiscal liabilities related to the tax base differences established within the tax inspection no. FMC 111/18.02.2020, debts amounting to RON 2,453,799 were established. For the accessories related to these debts, SNN submitted to ANAF a Request for the cancellation of the accessories, registered with SNN under no. 3164/03.03.2020 and with ANAF under no. 11264/03.03.2020, whereby it requested the cancellation thereof according to art. 27 in the Government Ordinance no. 6/2019 on the establishment of tax facilities. Consequently, ANAF issued a decision for the annulment of the accessory payment liabilities no. 559/06.03.2020.

By letter no. IV/40.786/06.10.2020, registered with SNN under no. 11.644/06.10.2020, the Court of Auditors of Romania communicated that, starting with October 26, 2020, it will carry out the documentation action on the manner of implementation of the measures ordered by Decisions no. 5/2018, no. 16/2015 and no. 14/2012. As a result of this action, the Follow-up Report no. 13552/25.11.2020 was prepared on the manner of implementation of the measures ordered by Decision no. 5/2018.

### *(ii) Insurance policies*

As at December 31, 2020, the following operational insurance policies are in force:

- Property insurance policy for material damages, all risks, including mechanical and electrical destruction (for Units 1 and 2 at Cernavoda NPP and FCN Pitesti). The indemnity limit is USD 1,560 million per total year for all damages.
- Third party liability insurance policy for nuclear damage. The indemnity limit is DST 300 million (for Units 1 and 2 at Cernavoda NPP)
- Civil/professional liability insurance policy for SNN directors and managers ("D&O"), in order to limit the liability (insured amount of 33 million EUR).

### *(iii) Environmental issues*

The Company recorded no liability as at December 31, 2020 and December 31, 2019 for any anticipated costs relating to environmental issues, including legal and consulting fees, site studies, the design and implementation of remediation plans. The responsibility for decommissioning of nuclear installations was taken over by ANDR (see Notes 5 and 25). 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 31, 2020 are not significant. Nevertheless, the enforcement of environmental regulations in Romania is evolving and the application thereof by the government authorities is continuously being reconsidered. The Group periodically assesses the obligations incumbent thereupon under the environmental regulations. The established obligations are immediately acknowledged. Potential liabilities, which might arise as a result of the amendment in the existing regulations, civil litigations or the law, cannot be estimated, but could be significant. In the context of the applicable law, the management considers that there are no significant debts for the damages brought to the environment.

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## 29. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

### (iv) Ongoing litigations

During 2020, the Company was involved in a number of legal proceedings arising during its normal course of business. The management periodically analyzes the ongoing litigations and, after consulting with the legal advisers or lawyers thereof, decides on the necessity to create provisions for the amounts involved or to present them in the financial statements.

In the opinion of the management of the Company, there are no current legal actions or claims having a significant impact on the financial earnings and the financial position of the Company not having been presented in these individual financial statements.

### (v) Commitments

1.1.1

As at December 31, 2020, the total amount of commitments is fully reflected under the position "*Trading and other liabilities*", representing capital and operating expenses.

### (vi) Guarantees

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

As at December 31, 2020, the total value of the letters of bank guarantee issued in favor of customers for contracts concluded on PCCB-NC, PCCB-LE and PCSU amounts to RON 55.80 million, for FUI amounts to RON 20.0 million and in favor of OPCOM for the participation to DAM and IM amounts to RON 37.28 million.

Moreover, on December 31, 2020, the Company has established letters of guarantee issued in favor of Transelectrica S.A. and Ciga Energy S.A. amounting to RON 3.96 million, with the role of ensuring the liquidity on the Balancing Market, through the establishment by each of Party Responsible for Balancing of a financial guarantee in favor of Transelectrica S.A. and Ciga Energy S.A., respectively, on the account of the Convention of the Party Responsible for the Balancing concluded between the Company as license holder and Transelectrica S.A. and Ciga Energy S.A., respectively.

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

As at December 31, 2020 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 - Anti-Fraud Directorate General.

As at December 31, 2020, the value of the bank guarantee letters issued by clients in favor of the Company for the contracts concluded on PCCB-NC, PCCB-LE and PCSU is in amount of RON 493,8 million and RON 20.0 million for the regulated market. These guarantees cover the risk of unfulfilling the contractual obligations assumed by the clients through the energy sale contracts.

## 30. FEES

The Company concluded on June 16, 2020, 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 2020 charged for all the services of limited review of the financial statements as at June 30<sup>th</sup>, 2020, auditing of the financial statements as at December 31, 2020 and other audit services (analysis, verification and agreed procedures) in 2020 amount to RON 208,266.

The Company also benefited from tax consultancy services under the monthly subscription and transfer pricing services. The services were provided by BDO Tax S.R.L, and the total value of the fees (VAT exclusive) charged during the financial year ended on December 31, 2020 is in the amount of RON 102,673.

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### **31. FURTHER INFORMATION**

#### *(i) Details on the group of companies*

The Company is part of a group of companies controlled by the Romanian State represented by the Ministry of Energy. The Company does not belong as a subsidiary of another group of companies for which consolidated annual financial statements are prepared.

#### *(ii) Employees of the Company*

The average number of employees of the Company during 2020 was of 2,028 (2019: 2,038 employees). As at December 31, 2020 the actual number of employees is 2,011 (2019: 2,153 employees).

As at December 31, 2020, the Company has 143 employees in executive positions (2019: 158 employees) and 1,868 employees in operating positions (2019: 1,995 employees).

### **32. SUBSEQUENT EVENTS**

#### **Changes in the management of the Company - Board of Directors**

By Resolution no. 1/27.01.2021 of the Ordinary General Meeting of Shareholders ("OGMS"), the following were approved:

1. The revocation of Mr. Iulian Robert Tudorache from the position of member of the Board of Directors, as he waived his mandate (item 4 of the OGMS agenda of January 27, 2021).
2. The revocation of Mr. Cristian Gentea from the position of member of the Board of Directors, as a result of the termination by operation of the law of the contract of mandate, considering the occurrence of a case of incompatibility, by the occupation of an elected position within the public administration (item 5 of the OGMS agenda of January 27, 2021).
3. Approving the initiation of the procedure of selecting two members in the Board of Directors of SNN, according to the provisions of Government Emergency Ordinance no. 109/2011 on the corporate governance of public entities, as further amended and supplemented (item 6 of the OGMS agenda of January 27, 2021).
4. Approving the empowerment of the Board of Directors of SNN for the development of the procedure of selection of two members of the Board of Directors (item 7 of the OGMS agenda of January 27, 2021).

#### **Partnership between S.N. Nuclearelectrica S.A. and US - TDA**

By the Current Report published on January 13, 2021, SNN informed its shareholders and investors on the granting by US - TDA of a non-reimbursable grant of USD 1,277,115, in order to finance the costs for providing technical support for identifying and performing a preliminary assessment of potential nuclear locations compatible with small modular reactor ("SMR") technologies in Romania and drafting a roadmap for licensing them.

#### **Amendment of the Articles of Incorporation of the Company**

By Resolution no. 2/27.01.2021 of the Extraordinary General Assembly of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this item on the agenda (item 2 of the agenda of the Extraordinary General Meeting of the Shareholders of January 27<sup>th</sup>, 2021), was approved.

## **32. SUBSEQUENT EVENTS (CONTINUED)**

### **Subsidiary incorporation**

Resolution no. 2/27.01.2021 of the Extraordinary Meeting Meeting of the Shareholders (“EGMS”) approved the following activities for the incorporation of a new subsidiary:

1. Approving the incorporation of a subsidiary, fully owned by the Company, as a sole shareholder, in compliance with the note submitted to the shareholders for this item of the agenda (item 3 of the agenda of the EGMS of January 27, 2021). The scope of business of the subsidiary shall include “treating and removing hazardous waste, collecting hazardous waste and decontamination activities”.

2. Approving the empowerment of the Board of Directors of SNN to fulfill all the formalities for the incorporation of the new subsidiary (item 4 of the agenda of the Extraordinary General Meeting of the Shareholders of January 27, 2021).

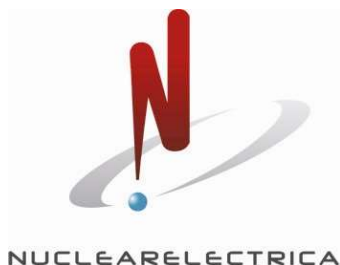
**Date: March 15, 2021**

**Cosmin Ghita**  
**Chief Executive Officer**

**Paul Ichim**  
**Chief Financial Officer**

## 24. ANNEX 11 – CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2020

CERTIFIED MANAGEMENT SYSTEM  
**ISO 37001**



### **S.N. Nuclearelectrica S.A.**

#### **Consolidated Financial Statements as at and for the financial year ended on December 31, 2020**

Prepared in accordance with  
the Public Finances Minister's Order no. 2844/2016 on the approval  
of the accounting regulations compliant with the  
International Financial Reporting Standards adopted by the  
European Union

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## Statement of Consolidated Financial Position as at December 31, 2020

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

	Note	December 31, 2020 (audited)	December 31, 2019 (audited, restated)*	January 1, 2019 (audited, restated)*
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	5,940,495,002	6,201,492,171	6,507,789,378
Assets representing rights of use underlying assets under a leasing contract	6	621,233	-	-
Intangible assets	7	53,471,202	60,761,185	54,834,581
Financial assets at amortised cost	8	5,056,031	42,836,031	110,474,559
<b>Total non-current assets</b>		<b>5,999,643,468</b>	<b>6,305,089,387</b>	<b>6,673,098,518</b>
<b>Current assets</b>				
Inventories	9	435,410,839	402,924,598	368,741,789
Assets classified as held for sale	10	2,231,633	2,231,633	-
Trade receivables	11	157,943,506	169,993,753	157,663,336
Other financial assets at amortised cost	12	80,764,407	78,151,073	33,846,794
Bank deposits	13	1,621,384,000	58,879,494	20,954,979
Cash and cash equivalents	13	546,867,387	1,793,501,617	1,611,958,742
<b>Total current assets</b>		<b>2,844,601,772</b>	<b>2,505,682,168</b>	<b>2,193,165,640</b>
<b>Total assets</b>		<b>8,844,245,240</b>	<b>8,810,771,555</b>	<b>8,866,264,158</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital, out of which:		3,211,941,683	3,210,641,253	3,210,641,253
<i>Subscribed and paid in share capital</i>		<i>3,016,438,940</i>	<i>3,015,138,510</i>	<i>3,015,138,510</i>
<i>Inflation adjustments to the share capital</i>		<i>195,502,743</i>	<i>195,502,743</i>	<i>195,502,743</i>
Share premiums		31,474,149	31,474,149	31,474,149
Reserve paid in advance		21,553,548	21,553,548	21,553,537
Revaluation reserve		1,820,339,902	1,820,339,902	1,820,339,902
Retained earnings		2,434,020,626	2,250,680,741	2,094,981,448
<b>Total equity</b>	14	<b>7,519,329,908</b>	<b>7,334,689,593</b>	<b>7,178,990,289</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long term borrowings	16	290,478,567	499,908,597	683,967,469
Long term lease liabilities		515,074	-	-
Provisions for risks and expenses	18	235,409,546	213,470,997	182,883,283
Deferred revenues		86,067,969	100,412,631	114,757,293
Deferred tax liability	19	66,526,911	80,743,008	102,644,715
Employee benefit obligations	20	43,102,434	41,621,644	38,617,348
<b>Total non-current liabilities</b>		<b>722,100,501</b>	<b>936,156,877</b>	<b>1,122,870,108</b>
<b>Current liabilities</b>				
Trade and other payables	17	285,151,303	220,398,362	197,307,458
Current portion of provisions for risks and expenses	18	57,272,874	65,442,649	33,831,052
Current tax liability		32,049,397	13,329,182	98,958,158
Deferred revenues		16,228,454	27,863,600	30,913,233
Current portion of long term borrowings	16	211,995,082	212,891,292	203,393,860
Current portion of lease liabilities		117,721	-	-
<b>Total current liabilities</b>		<b>602,814,831</b>	<b>539,925,085</b>	<b>564,403,761</b>
<b>Total liabilities</b>		<b>1,324,915,332</b>	<b>1,476,081,962</b>	<b>1,687,273,869</b>
<b>Total equity and liabilities</b>		<b>8,844,245,240</b>	<b>8,810,771,555</b>	<b>8,866,264,158</b>

\* See Note 2 letter (g) for explanations on restatement following the reclassification of certain indicators.

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## Consolidated Statement of Profit or Loss for the financial year ended on December 31, 2020

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

	Note	2020 (audited)	2019 (audited)
<b>Revenues</b>			
Sales of electricity	21	2,432,278,539	2,365,555,997
Electricity transmission revenues		13,724,548	12,208,626
<b>Total revenues</b>		<b>2,446,003,087</b>	<b>2,377,764,623</b>
Other income	22	54,162,991	39,658,214
<b>Operating expenses</b>			
Depreciation and amortization		(544,752,111)	(555,552,520)
Personnel expenses	23	(440,280,607)	(425,597,378)
Cost of traded electricity		(56,596,319)	(84,160,189)
Repairs and maintenance		(66,177,703)	(63,139,508)
Electricity transmission expenses		(13,724,548)	(12,208,626)
Cost of spare parts		(15,356,809)	(16,311,993)
Cost of nuclear fuel		(132,766,256)	(106,122,681)
Other operating expenses	24	(459,125,681)	(524,914,499)
<b>Total operating expenses</b>		<b>(1,728,780,034)</b>	<b>(1,788,007,394)</b>
<b>Operating profit</b>		<b>771,386,044</b>	<b>629,415,443</b>
Finance costs		(40,514,791)	(65,487,330)
Finance income		84,426,488	67,243,861
<b>Financial result</b>	25	<b>43,911,697</b>	<b>1,756,531</b>
<b>Profit before corporate tax</b>		<b>815,297,741</b>	<b>631,171,974</b>
Corporate tax expenses, net	19	(116,086,386)	(95,608,865)
<b>Profit for the period</b>		<b>699,211,355</b>	<b>535,563,109</b>

The Consolidated Financial Statements have been signed on March 15, 2021 by:

**Cosmin Ghita**  
Chief Executive Officer

**Paul Ichim**  
Chief Financial Officer

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**Consolidated Statement of Comprehensive Income for the financial year ended on December 31, 2020***(All amounts are presented in RON, unless otherwise indicated.)*

	Note	2020 (audited)	2019 (audited)
<b>Profit for the period</b>		<b>699,211,355</b>	<b>535,563,109</b>
<b>Other items of the comprehensive income</b>			
<b>Items that will not be reclassified in the profit and loss account</b>			
Revenue from revaluation of buildings and land		34,757,342	35,013,650
Deferred tax related to the revaluation reserve		(5,561,174)	(5,602,184)
Result carried forward from other adjustments		(11,910,921)	(324,104)
Actuarial (loss) on defined benefits plan		(5,539,153)	(625,400)
<b>Total other items of the comprehensive income</b>		<b>11,746,094</b>	<b>28,461,962</b>
<b>Total aggregate comprehensive earnings for the period</b>		<b>710,957,449</b>	<b>564,025,071</b>
<b>Earnings per share</b>			
Basic earnings per share (RON/share)	15	2.32	1.78
Diluted earnings per share (RON/share)	15	2.32	1.78

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**Consolidated Financial Statement of Changes in Equity for the financial year ended on December 31, 2020**

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

	Note	Subscribed and paid in share capital	Inflation adjustments to the share capital	Share premiums	Reserve paid in advance	Revaluation reserve	Earnings carried forward	Total equity
<b>Balance as at January 1, 2020 (audited, restated)</b>		<b>3,015,138,510</b>	<b>195,502,743</b>	<b>31,474,149</b>	<b>21,553,548</b>	<b>1,820,339,902</b>	<b>2,250,680,741</b>	<b>7,334,689,593</b>
<b>Comprehensive income</b>								
<b>Profit for the period</b>		-	-	-	-	-	<b>699,211,355</b>	<b>699,211,355</b>
<b>Other items of the comprehensive income</b>								
Actuarial (loss) on defined benefits plan		-	-	-	-	-	(5,539,153)	<b>(5,539,153)</b>
Result carried forward from other adjustments		-	-	-	-	-	(11,910,921)	<b>(11,910,921)</b>
<b>Total aggregate comprehensive earnings for the period</b>		-	-	-	-	-	<b>681,761,281</b>	<b>681,761,281</b>
<b>Transactions with the shareholders, recognized only in equity</b>								
Distributed dividends	14	-	-	-	-	-	(498,421,396)	<b>(498,421,396)</b>
Share capital increase		1,300,430	-	-	-	-	-	<b>1,300,430</b>
<b>Total transactions with the shareholders, recognized only in equity</b>		<b>1,300,430</b>	-	-	-	-	<b>(498,421,396)</b>	<b>(497,120,966)</b>
<b>Balance as of December 31, 2020 (audited)</b>		<b>3,016,438,940</b>	<b>195,502,743</b>	<b>31,474,149</b>	<b>21,553,548</b>	<b>1,820,339,902</b>	<b>2,434,020,626</b>	<b>7,519,329,908</b>

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**Consolidated Financial Statement of Changes in Equity for the financial year ended on December 31, 2019**

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

Note	Subscribed and paid in share capital	Inflation adjustments to the share capital	Share premiums	Reserve paid in advance	Revaluation reserve	Retained earnings	Total equity
<b>Balance as of January 1, 2019 (audited)</b>	<b>3,210,641,253</b>	-	<b>31,474,149</b>	<b>21,553,537</b>	<b>1,820,339,902</b>	<b>2,094,981,447</b>	<b>7,178,990,288</b>
Effect of restatements	(195,502,743)	195,502,743	-	-	-	-	-
<b>Balance as at January 1, 2019 (audited, restated)</b>	<b>3,015,138,510</b>	<b>195,502,743</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>1,820,339,902</b>	<b>2,094,981,447</b>	<b>7,178,990,288</b>
<b>Comprehensive income</b>							
<b>Profit for the period</b>	-	-	-	-	-	<b>535,563,109</b>	<b>535,563,109</b>
<b>Other items of the comprehensive income</b>							
Actuarial (loss) on defined benefits plan	-	-	-	-	-	(625,400)	<b>(625,400)</b>
Other reserves	-	-	-	11	-	-	<b>11</b>
Result carried forward from other adjustments	-	-	-	-	-	(324,104)	<b>(324,104)</b>
<b>Total aggregate comprehensive earnings for the period</b>	-	-	-	<b>11</b>	-	<b>534,613,505</b>	<b>534,613,616</b>
<b>Transactions with the shareholders, recognized only in equity</b>							
Distributed dividends	-	-	-	-	-	(378,914,311)	<b>(378,914,311)</b>
<b>Total transactions with the shareholders, recognized only in equity</b>	-	-	-	-	-	<b>(378,914,311)</b>	<b>(378,914,311)</b>
<b>Balance as at December 31, 2019 (audited, restated)</b>	<b>3,015,138,510</b>	<b>195,502,743</b>	<b>31,474,149</b>	<b>21,553,548</b>	<b>1,820,339,902</b>	<b>2,250,680,741</b>	<b>7,334,689,593</b>

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## Consolidated Financial Statement of Cash Flows for the financial year ended on December 31, 2019

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

	2020 (audited)	2019 (audited, restated)
<b>Cash flows from operating activities</b>		
Profit before corporate tax	815,297,741	631,171,974
<b>Adjustments for:</b>		
Depreciation and amortization	544,752,111	555,552,520
Impairment on trade receivables	(7,634)	(478,197)
Value adjustments on inventories	(1,242,734)	(2,367,782)
Provisions corresponding to operating liabilities, risks and expenses	7,043,921	62,119,697
Earnings/(Losses) from asset assignment	(1,186,948)	404,837
Net financial (revenues)	(44,287,618)	(2,828,768)
<b>Changes in:</b>		
Decrease/(Increase) in trade receivables	12,057,772	(11,852,221)
Decrease/(Increase) in other financial assets at amortised cost	8,141,709	(45,106,874)
(Increase) in inventories	(36,050,114)	(31,815,027)
(Increase) in assets classified as held for sale	-	(2,231,633)
Variation of deferred revenues	(25,979,808)	(17,394,295)
Increase of trade liabilities and other liabilities	27,020,748	15,098,868
<b>Cash flows generated from operating activities</b>	<b>1,305,559,145</b>	<b>1,150,273,099</b>
Paid corporate tax	(111,766,825)	(203,139,548)
Collected interests	47,109,697	55,327,173
Paid interest	(3,578,795)	(9,959,106)
<b>Net cash flow from the operating activity</b>	<b>1,237,323,222</b>	<b>992,501,618</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(4,803,264)	(24,542,534)
Purchases of tangible assets	(238,991,683)	(227,878,800)
Proceeds from sale of tangible assets	1,186,948	141,615
(Increase)/Decrease in bank deposits and financial assets at amortised cost	(1,524,724,506)	29,714,013
<b>Net cash flow used in investment activities</b>	<b>(1,767,332,505)</b>	<b>(222,565,706)</b>
<b>Cash flow from financing activities</b>		
Repayments of borrowings	(218,307,866)	(216,374,987)
Dividend payments	(498,276,179)	(372,018,050)
Payments related to lease liabilities, interest included	(202,762)	-
Share capital increase	161,860	-
<b>Net cash flow from financing activities</b>	<b>(716,624,947)</b>	<b>(588,393,037)</b>
<b>Net (reduction)/increase in cash and cash equivalents</b>	<b>(1,246,634,229)</b>	<b>181,542,875</b>
<b>Cash and cash equivalents as at January 1 (see Note 13)</b>	<b>1,793,501,617</b>	<b>1,611,958,742</b>
<b>Cash and cash equivalents as at December 31 (see Note 13)</b>	<b>546,867,387</b>	<b>1,793,501,617</b>

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## Notes to the Consolidated Financial Statements prepared for the financial year ended on December 31, 2020

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

### 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 status, CNE Cernavoda (Nuclear Power Plant) – with the registered office in Constanta County, Cernavoda Town, 2, Medgidiei Street, registered with the Trade Register under number J13/3442/2007, and FCN Pitesti (Nuclear Fuel Plant) - with the registered office in Arges County, Mioveni Town, 1, Campului Street, registered with the Trade Register under number J03/457/1998, respectively. The registered office address is Romania, Municipality of Bucharest, 1 District, 65, Polona Street.

As at December 31, 2020 and December 31, 2019, the parent-Company holds 100% of Energonuclear S.A. ("Energonuclear"); company with the head office in Bucharest, 2 District, 5-7, Vasile Lascar Street, 3 floor and registered with the Trade Register under number J40/3999/2009, having sole registration code 25344972, fiscal attribute RO. The main business of Energonuclear consists in "Engineering activities and technical consultancy related to it" – NACE Code 7112.

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, sole registration code 10874881, fiscal attribute RO.

These Consolidated Financial Statements prepared on and for the financial year ended on December 31, 2020 comprise the Financial Statements of the parent-Company and the subsidiary thereof, 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 Company owns and operates two operational nuclear reactors (Unit 1 and Unit 2). The two nuclear operational reactors are based on CANDU technology (Canada Deuterium Uranium type PHWR).

In Cernavoda, the Group owns two other nuclear reactors in the early stages of construction (Unit 3 and Unit 4). The project for the Increase of the Production Capacity is planned to be completed by the Energonuclear S.A. subsidiary (for further details, see Note 9). Resolution no. 8/12.06.2020 of the Extraordinary General Meeting of Shareholders ("EGMS") approved the following: (i) Repealing of the "Strategy for the continuation of the project for Units 3 and 4 of Cernavoda NPP by the organization of an investor selection procedure" (2014) as well as the "Revised Strategy for the continuation of the project for Units 3 and 4 of Cernavoda NPP by the organization of an investor selection procedure" (2018) (item 2 of the EGMS agenda of June 12, 2020), (ii) Empowering the Board of Directors of SNN to initiate procedures/steps/actions concerning the termination of negotiations with CGN, as well as the cessation of legal effects (by the agreement of the parties, termination, etc.) of the following documents: "Memorandum of Understanding on the development, construction, operation and decommissioning of Units 3 and 4 of Cernavoda NPP (MoU)" and "Investor Agreement in preliminary form", respectively (item 3 of the EGMS agenda of June 12, 2020) and (iii) Empowering the SNN Board of Directors to initiate the steps for the analysis and crystallization of the strategic options for the construction of new nuclear power generation capacities (item 4 of the EGMS agenda of June 12, 2020). By Resolution of the Prime Minister of Romania no. 281/14.07.2020, published in the Official Gazette of Romania, Part I, no. 618/14.VII.2020, the Strategic Coordination Committee for the Implementation of the Project for Cernavoda NPP Units 3 and 4 was set up. On October 9, 2020 the Agreement between the Government of Romania and the Government of the United States of America was signed on the cooperation related to the nuclear-energy projects in Cernavoda and in the civil nuclear energy sector in Romania. The signing stage mainly aims, among others, at the extension of the capacity of Cernavoda NPP nuclear power plant.

## 1. REPORTING ENTITY (CONTINUED)

The Group owns a reactor (Unit 5) for which the Group shareholders approved the change of 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. At the beginning of 2020, the Atomic Energy International Agency (AIEA) conducted a benchmark assessment of the design requirements for the investment objective Location Emergency Control Center (CCUA) - Unit 5 and an assessment of the technical requirements on the qualification of equipment to hazards (especially seismic qualification). The presentations defended by international AIEA experts within the benchmarking indicated a new qualification method/strategy, namely proving the seismic margin by using seismic experience as an alternative method for the qualification of critical systems in the Emergency Situations Facilities Building (CFSU). In June 2020, CNCAN agreed to use the seismic experience as an alternative method for demonstrating the seismic qualification of critical equipment, and in July 2020 the seismic qualification guide and the list of seismically qualified systems/equipment for the CFSU were updated. In the context of the aforementioned considerations, a revised timetable for the relaunch strategy was drawn up, indicating the accomplishment of this goal in June 2022.

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

The electricity sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution. Starting with March 2019, the Group participated both on the competitive segment, and on the regulated market segment, where ANRE has set, by means of yearly / half-year decision, 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 25).

As at December 31, 2020 the shareholders of the Group are: The Romanian State by the Ministry of Economy, Energy and Business Environment, holding 248,850,476 shares, representing 82.4981% of the share capital, and shareholders holding together 52,793,418 shares, representing 17.5019% of the share capital.

Since November 4, 2013, the shares of the parent-Company have been traded at Bucharest Stock Exchange, under the issuing symbol SNN.

## 2. BASIS OF PREPARATION

### a) Declaration of conformity

The Consolidated Financial Statements of the Group have been prepared according to the Public Finance Minister's Order no. 2.844/2016 on the approval of the accounting regulations compliant with the International Financial Reporting Standards ("IFRS") ("OMPF 2844/2016"). As per the OMPF 2.844/2016, the International Financial Reporting Standards represent the standards adopted in accordance with the procedure stipulated by the European Commission Regulation no. 1.606/2002 of the European Parliament and of the Council dated July 19, 2002 on the application of the international accounting standards.

The accounting records of the branch are 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 accounts 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 31, 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.

## **2. BASIS OF PREPARATION (CONTINUED)**

### **a) Declaration of conformity (continued)**

The Consolidated Financial Statements prepared as at and for the financial year ended on December 31, 2020 were audited by an financial auditor of the Group – S.C. Mazars Romania S.R.L.

These Consolidated Financial Statements were authorized for issue and signed on March 15, 2021 by the management of the Group.

### **b) Going concern**

These financial statements were drafted based on the going concern principle, implying the fact that the Group will continue doing business, without a significant reduction thereof, in the foreseeable future as well.

From the analyses made on the implications of the Covid-19 pandemic on the activity of the Group, the management considers that the ongoing business thereof will not be affected (see Note 4).

### **c) 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.

### **d) 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 based on the going concern principle.

### **e) 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.

### **f) Use of estimates and judgments**

The preparation of the Individual Financial Statements in compliance with IFRS adopted by the European Union implies the use by the management of estimates, judgment and assumptions that affect the application of the accounting policies, as well as the carried forward amounts of assets, liabilities, income and expenses, useful life of non-current assets (see Note 3c), assumptions used in determining the fair value (see Note 4), assumptions made in determining the fair value of tangible assets (property, plant and equipment) (see Note 5), the transfer to tangible assets (property, plant and equipment) of those spare parts which meet the recognition criteria required by IAS 16 (see Note 5), the recoverability of trade receivables (refer to Note 11), assumptions on the net recoverable value of inventories (see Note 9), assumptions on the calculation of employee benefits (see Note 20), the period on which the governmental grants are transferred to the profit and loss account (see Note 3q and Note 22), estimates on the radioactive and non-radioactive waste management obligations (Note 24).

The judgments and assumptions associated with these estimates are based on historical experience and other factors deemed as reasonable in the context of these estimates. The results of these estimates form the basis of the judgments on the carrying amounts of the assets and debts that cannot be obtained from other sources of information. The obtained results may be different from the value of the estimates.

## 2. BASIS OF PREPARATION (CONTINUED)

### f) Use of estimates and judgments (continued)

Judgments and their underlying assumptions are periodically reviewed. Revisions to accounting estimates are acknowledged in the period in which the estimate is revised if the revision only affects that period or in the period in which the estimate is revised and in future periods if the estimates affect both the current period and future periods.

The judgments made by the management in applying IFRS having a significant effect on the financial statements as well as the estimates implying a significant risk of a material adjustment over the next year are presented in Notes 4 and 28.

### g) Presentation items

As at December 31, 2020, the Company considered the reclassification (renaming or breakdown) of certain indicators in the Financial position statement, in order to comply with the submittal requirements requested by IFRS. This reclassification is not a result of the amendment of the accounting policies or corrections of errors within the meaning of IAS 8 "Accounting policies, accounting estimate changes and errors".

Thus, the considered reclassifications are as follows:

**(i) Financial assets.** This has been renamed Financial assets valued at amortised cost.

Financial position statement (excerpt)	December 31, 2019 (audited)	Reclassification	December 31, 2019 (audited, restated)	January 1, 2019 (audited)	Reclassification	January 1, 2019 (audited, restated)
Financial assets	42,836,031	(42,836,031)	-	110,474,559	(110,474,559)	-
Financial assets at amortised cost	-	42,836,031	42,836,031	-	110,474,559	110,474,559

**(ii) Inventory.** This position has been broken down per row items, thus:

Financial position statement (excerpt)	December 31, 2019 (audited)	Reclassification	December 31, 2019 (audited, restated)
Assets classified as held for sale	-	2,231,633	2,231,633
Inventories	405,156,231	(2,231,633)	402,924,598

**(iii) Trade receivables** and other receivables and Payments made in advance. These positions merged and were subsequently broken down per row items thus:

Financial position statement (excerpt)	December 31, 2019 (audited)	Reclassification	December 31, 2019 (audited, restated)	January 1, 2019 (audited)	Reclassification	January 1, 2019 (audited, restated)
Trade receivables	-	169,993,753	169,993,753	-	157,663,336	157,663,336
Other financial assets at amortised cost	-	78,151,073	78,151,073	-	33,846,794	33,846,794
Payments made in advance	31,416,822	(31,416,822)	-	10,201,321	(10,201,321)	-
Trade receivables and other receivables	216,728,004	(216,728,004)	-	181,308,809	(181,308,809)	-

**(iv) Share capital.** This position has been broken down per row items, thus:

Financial position statement (excerpt)	December 31, 2019 (audited)	Reclassification	December 31, 2019 (audited, restated)
Subscribed and paid in share capital	-	3,015,138,510	3,015,138,510
Inflation adjustments to the share capital	-	195,502,743	195,502,743
Share capital	3,210,641,253	(3,210,641,253)	-

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## **2. BASIS OF PREPARATION (CONTINUED)**

### **h) Subsidiaries**

Subsidiaries 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 upon the assessment of the control.

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

*As at December 31, 2020 and December 31, 2019, the Group has a single subsidiary, Energonuclear S.A.*

As at December 31, 2020, the Company records in the position of "Financial investments in subsidiaries" the investment held in the subsidiary Energonuclear S.A. ("Energonuclear"), company with headquarters in Bucharest, 2 District, 5-7, Vasile Lascar Street, 3 floor and registered with the Trade Register under the number J40/3999/25.03.2009, having sole registration code 25344972, fiscal attribute RO. The main business of Energonuclear consists in "Engineering activities and technical consultancy related to it" – NACE Code 7112.

As at December 31, 2020 and December 31, 2019, the Company owns 100% of the share capital of Energonuclear. The shareholding value as at December 31, 2020 and December 31, 2019 amounts to RON 141,666,101.

By the EGMS Resolution of SNN no. 4/11.07.2017, the shareholders of SNN approved the granting by SNN of a loan convertible in shares amounting to maximum RON 5,500,000 to the Energonuclear S.A. ("EN") subsidiary, in order to finance the maintenance and conservation activities for the site of Units 3 and 4 of Cernavoda NPP. Until December 31, 2020, Energonuclear requested the granting of instalments in total amount of RON 4,400,000, out of the maximum amount, for which SNN recorded a capitalized interest of RON 232,512. As at December 31, 2020 the shareholder loan was not converted into shares.

### **i) Related entities**

Related 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.

*As at December 31, 2020 and December 31, 2019, investments in related entities were not identified.*

### **j) Transactions removed 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 currency

Trades in foreign currencies are translated into RON at exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currency at the year-end are expressed in RON at the exchange rate displayed by the National Bank of Romania valid for the last banking day of the year. Gains and losses from exchange rate differences, realized or unrealized, are included in the profit and loss of the year. The exchange rates on December 31, 2020 and December 31, 2019 for the major currencies the Group trades in are as follows:

	Average exchange rate		Exchange rate on	
	2020	2019	December 31, 2020	December 31, 2019
RON/EUR	4.8371	4.7452	4.8694	4.7793
RON/USD	4.2440	4.2379	3.9660	4.2608
RON/CAD	3.1647	3.1948	3.1127	3.2702
RON/GBP	5.4423	5.4113	5.4201	5.6088
RON/CHF	4.4997	4.4033	4.5201	4.2652

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 valued at historical cost in a foreign currency are converted 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 1, 2004. Therefore, the provisions of IAS 29 were adopted in the preparation of the financial statements until December 31, 2003.

In order to prepare the consolidated financial statements on December 31, 2020, the Group adjusted the following non-monetary items, in order to be expressed in the unit of measure on December 31, 2003:

- ✓ Share capital (see Note 14);
- ✓ Tangible assets purchased by December 31, 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 valued 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 by January 1, 2012, was transferred to the retained earnings in a distinct analytical account. Revaluation reserves arising after the date of transition to IFRS, as a result of revaluations, are recorded as such in the financial statements. The revaluation surplus, both the one existing on the date of transition to IFRS and the subsequent one, is realized during the depreciation of tangible assets or upon disposal.
- Machines, equipment, and other assets (fewer special constructions, administrative and other buildings, including nuclear power plant), are recorded at the historical cost minus any accumulated depreciation and any accumulated impairment loss.
- Non-current assets in progress are recorded at the historical purchase or construction cost or inflated cost (restated in reference to the measuring unit existent 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 within the extension if the production capacity is also included; since heavy water is not used and is not chemically impaired, it is initially and subsequently valued 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 reallocation represents the basis for the fixed assets included in the tangible assets under construction.

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **c) Tangible assets (continued)**

##### ***Recognition and valuation (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 as at 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 31, 2015, the special constructions were revalued on December 31, 2013, the administrative buildings on December 31, 2002, and the lands on December 31, 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"; nevertheless, 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, this decrease is recognized in the profit and loss account; the decrease is, however, recorded in other comprehensive income items, to the extent to which there is credit balance in the revaluation surplus for that asset. The decrease recognized in other comprehensive income items reduces the amount accumulated in equity under the "revaluation reserves" position.

##### ***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 2020 and for Unit 2 in 2019.

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

##### ***Amortization***

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### c) Tangible assets (continued)

##### *Amortization (continued)*

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

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

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

The estimated useful life of Units 1 and 2, respectively 30 years, take into account a number of 210,000 operating hours designed per Unit, equivalent to 80% capacity factor over a 30-year period. By December 31, 2020, the cumulated capacity factor achieved since the commissioning of Unit 1 is 90.54% and 94.45% 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; nevertheless, this is an simplistic linear extrapolation since it is expected that the average capacity factor achieved so far in both units will decrease gradually by the end of the initial useful life due to creep of the fuel channels, therefore 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. In February 2017, 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 analyses and assessments to be carried out to prove the functionality of Unit 1 at Cernavoda NPP up to 245,000 actual operating hours. These analyses and assessments will underlie the extension of the operating permit for Unit 1.

The management of the Company truly believes it is possible to successfully extend the number of running hours for Unit 1, by adding a number of hours over the designed operation hours (210,000 hours), which would provide the operation of Unit 1 until 2026 and, therefore, would allow to maintain the remaining duration of the estimated useful life, the estimated useful life for the first cycle of operation being of 30 years. The extension of the number of hours of initial operation depends on the results of the analyses and assessments having been contracted in December 2019 and to be completed in July 2022, predominantly influenced by the technical condition of Unit 1, as well as by the decision of the regulator (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 over the next period in connection with the life cycle of Unit 2, the life expectancy is also 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 25 more years after refurbishment.

Depending on the actual results related to the extension 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.

Heavy water (loads for Units 1 and 2), buildings and other facilities, equipment and vehicles are presented in Note 5 under the name of "Machinery, equipment and other assets". Inspections and overhauls, capitalized in accordance with IAS 16, are presented in Note 5 and are reflected in the carrying amount of "Nuclear Power Plants".

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **c) Tangible assets (continued)**

##### ***Amortization (continued)***

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

The carrying amount of the asset is adjusted to the recoverable value if the carrying amount 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 the carrying amount thereof, being recognized as operational revenues or operational expenses in the profit and loss account.

The costs of the borrowings contracted especially for the construction of an element of non-current asset is capitalized in the cost of the asset by the date on which the activities for the preparation of the asset are performed, in view of the preset use or sale thereof.

##### ***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 resumptios*

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 at December 31, 2020, the Company holds assets for sale in the amount of RON 2,231,633 (December 31, 2019: RON 2,231,633). No impairment loss was recorded.*

#### e) Leasing

##### *(i) Acknowledgment*

As at January 1, 2019, in compliance with IFRS 16 "Leases", a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time, in exchange for a consideration.

As a lessee, in virtue of the lease for the premises intended for the registered office, the Group recognized an asset related to the right to use the underlying asset and a leasing debt derived from this contract.

As a lessor, the financial statements remain unaffected by the introduction of the new standard.

Exceptions to the application of IFRS 16 may be:

- leases with a lease term of 12 months or less and which do not contain purchase options, and
- leasing contracts where the underlying asset has a small value.

The Group ascertained that the criteria on the application of the exceptions were not met, as a result of which it restated the leases as lessee, according to IFRS 16. The Group has concluded asset lease and land concession contracts, for which the initial value of the asset has been estimated related to the right of use at an amount equal to the debt updated at the time of the transaction derived from these contracts, of RON 801,003.

##### *(ii) Valuation*

The group, as lessee, also assesses the debt derived from the lease at the updated value of the lease payments that are not paid at that date. The update is made using the default interest rate in the lease, if that rate can be immediately determined. If this rate cannot be immediately determined, the lessee's marginal loan rate is used.

The carrying amount of the asset valued on the cost-based model is the cost of the initial valuation less any accumulated amortization and any accumulated impairment loss and adjusted in reference to any revaluations of the debt derived from the lease.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e) Leasing (continued)

##### *(iii) Depreciation*

The underlying asset is depreciated using the straight-line method. If the ownership is not transferred or there is no purchase option on the underlying asset until the end of the term thereof, the asset is depreciated from the contract starting date until the first date between the end of the useful life and the end of the contractual term also including the contract extension or termination options.

##### *(iv) Leasing debt*

On the date of initial recognition of the lease liability, the updated value of the lease payments comprises fixed payments less any receivable lease incentives and variable lease payments depending on an index or rate, initially measured based on the index or rate at the beginning of the contract (e.g., the consumer price index).

The updated value of leasing payments that are not paid on the recognition date is determined for the duration of a lease taking into account the periods covered by the contract extension options, if the Company has reasonable certainty that it will exercise that option and the periods covered by contract termination options if the Company has reasonable assurance that it will not exercise that option.

Utility costs do not represent a component of the debt derived from the leasing contract, being recognized in profit or loss as invoices are issued.

The debt derived from the leasing contract is subsequently assessed by increasing the carrying amount to reflect the interest related to the debt, reducing the carrying amount to reflect the lease payments made and revaluing the carrying amount as a result of amendments to the contract (example of amendments: term of the contract, amendments to the leasing payments, asset purchase options, interest rate, termination of the contract).

##### *(v) Derecognition*

The asset related to the right of use is derecognized on the occasion of rescission or termination of the contract and is reflected by the decrease of the carrying amount of the asset related to the right of use and recognition in profit or loss of gains/loss related with the amendment of the leasing contract.

#### **Amendment to IFRS 16, “Leases” - rent payment concessions determined by Covid-19**

As a result of the COVID-19 pandemic, financial leasing contracts may be amended, in the sense of concessions being granted by the lessors. Such concessions could take a variety of forms, including granting grace periods from rent payments and postponing lease payments. On May 28<sup>th</sup>, 2020, the IASB issued an amendment to IFRS 16, providing an optional practical tool for tenants to assess whether such lease concession related to COVID-19 is an amendment to the lease. Tenants may opt to account for such rent concessions in the same way as if there were no rent amendments. In many cases, this will result in the concession being accounted for as variable lease payments over the period(s) of occurrence of the event or circumstance triggering the reduced payment.

In 2020, the Group did not obtain concessions from lessors, so that no amendments to the contracts were recorded and implicitly amendments to the accounting treatments applied in compliance with the provisions of IFRS 16.

#### **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 expense on research activities conducted in order to gain knowledge or new scientific or technical interpretations are recognized in the profit and loss account when incurred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e) Intangible assets (continued)

##### Research and development (continued)

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

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

##### *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.

The Group owns intangible assets derived from purchases and not internally generated. The useful lives are established depending on the period over which the asset can be used, for a definite period between 2 and 8 years. Windows, MS Office and software program licenses have a useful life between 2 and 3 years, and software specific to the operation of the nuclear power plant have a useful life between 5 and 8 years. The Group does not own intangible assets purchased through government grants.

#### 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 valued 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.



### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **g) Financial assets and liabilities (continued)**

##### ***Classification (continued)***

##### *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.

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 valued 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 valued at amortized cost using the effective interest method, minus any depreciation loss.

#### **i) 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 earnings.

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 in 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 reviewed 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 recoverable 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.

#### **j) Inventories**

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **j) Inventories (continued)**

The inventories recorded by the Group comprise:

- nuclear fuel raw material, regardless of the form in which they are found in the production cycle of nuclear fuel bundles;
- other raw materials and materials.

The cost of raw materials for nuclear fuel and production in progress includes direct costs such as raw materials, directly attributable salary costs and various production-specific services. The discharge of nuclear fuel is done according to the components making up this inventory item (uranium, zirconia, production costs) as the nuclear fuel bundles are loaded in the reactor. Discharge is made at WAC.

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

Following the analysis of the inventories made by the management of the Group, it resulted that the use of WAC method would produce more credible results in the annual financial statements, for the users thereof. In this context, starting with the January 1<sup>st</sup>, 2016, the accounting policy used in order to determine the cost in the case of inventory outflows was changed from FIFO to the WAC method.

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

- The FIFO method assumes that outflows are valued at the purchase or production cost of the first inflow. 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 over the period.

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

#### **k) Trade receivables and other receivables**

Trade receivables are initially recorded at the invoiced value and subsequently valued using the effective interest method less the impairment loss value. A provision for impairment is established when there is clear evidence that the Group will not be able to collect receivables at the set term. Significant financial difficulties of the debtor, the probability for them to enter bankruptcy or financial reorganization, late payments (over 360 days) are considered indicators that these receivables may require value adjustments.

An impairment loss related to a financial asset valued at amortized cost is calculated as the difference between the carrying amount thereof and the current value of the forecast, updated future cash flows, using the initial actual interest rate of the asset. The carrying value is reduced using an account for depreciation adjustments and the loss is recorded in the profit and loss account under the "Other operating expenses" position.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **l) Cash and cash equivalents**

The "Cash and cash equivalents" position 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 the initial maturity thereof, and whose pre-maturity liquidation, in case of occurrence of circumstances determining this need, does not cause any loss.

The "Bank deposits" position in the statement of financial position refer to those bank deposits having an initial maturity of between 3 and 12 months, but having a related commitment, i.e. they are collateral deposits related to letters of bank guarantee, issued by banks on behalf of the Group, in favour of some clients.

The "Financial assets valued at amortized cost" position in the financial position statement also contains the collateral deposits related to the aforementioned letters of guarantee, but with a maturity of over 12 months.

#### **m) 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.

#### **n) Legal reserve**

Legal reserves are established as follows: 5% comes from the gross profit at the end of the year until the total legal reserves reach 20% of the share capital subscribed and paid-up, in compliance with the legal provisions. These reserves are deductible upon the calculation of corporate tax at the rate stipulated by the Tax Code and are only distributable upon the liquidation of the Group. The legal reserve is distributed on the balance sheet date. The legal reserve is found within the "retained earnings" position.

#### **o) Reserve paid in advance**

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 no possibility for the advance payments to be returned, and the obligation of the Group is only to issue a fixed number of shares.

#### **p) Government grants**

Government grants related to the purchase of tangible assets are accounted 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)

#### q) Employee Benefits

##### (i) Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net liabilities of the Group in reference to the defined benefits plans are calculated separately for each single plan, estimating the number of future benefits that employees have obtained in exchange for the services provided over the current and previous periods; these benefits are updated to the present value. Any unrecognized costs of previous services, as well as the fair value of the assets of the benefit plan are deducted.

The calculation is made on a yearly basis 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 upon the settlement of the debts in the plan.

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

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

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 must 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 gain or loss related to any past related service cost not having been previously recognized.

##### (ii) Other long-term benefits granted to employees

The net liability of the Group in terms of long-term benefits granted to employees is the amount of future benefits that employees have earned in return for the services provided over the current period and the previous one. This benefit is updated in order to determine the fair value thereof, and the fair value of any related asset is deducted. These benefits are estimated using the projected credit factor method. Any actuarial gain or loss is recognized in the profit or loss account 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 provided. 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 reliably estimated.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### r) 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 reflecting the current market valuations related to the time value of money and the risks specific to the liability. The depreciation 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 on the storage thereof. The provision for the management of low and medium radioactive waste and the provision for the management of non-radioactive waste are determined as the updated value of the future management expenses thereof. 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.

#### s) 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.

#### t) 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) Income from energy sales*

In order to recognize revenues from the sale of electricity, the Group applies the provisions of IFRS 15 “Revenue Recognition”.

IFRS 15 clarifies the manner in which the performance obligation in a contract is identified, the manner in which it is determined whether an entity acts in its own name or as an intermediary and whether the revenues obtained must be recognized at a specific moment or time.

IFRS 15 establishes a five-step model which is applied to revenues derived from a contract with a client (excluding contracts contemplated by other standards such as IFRS 16, IFRS 9, IFRS 4, etc.), regardless of the time of the transaction or the industry. The requirements of the standard will also be applied for the recognition and measurement of gains and loss from the sale of certain assets, other than financial, which are not the result of the regular activity of the Group (e.g., sale of tangible and intangible assets). The Group assessed the impact of these changes on the financial position and performance thereof but did not identify any significant items until the reporting date, December 31, 2020.

The Group analyzed the main revenue flows being represented by the sales of electricity and heat and other revenues, by applying the “five-step” model provided for by IFRS 15. Based on the results of the analysis of contractual terms for the main types of contracts related to each significant revenue flow, the Group concluded that IFRS 15 does not have a significant impact on the financial statements, as compared to the recognition of revenues in accordance with IAS 18 and IAS 11.

The group delivers goods (electricity and heat) for which it considers that the recognition of revenues should take place at some point in time, at the time when the control over the asset is transferred to the client, namely upon the delivery of the goods.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### t) Acknowledgement of revenues and expenses (continued)

##### (ii) Financial revenues and expenses

Financial revenues mainly include the interest income on bank deposits and cash, revenues from dividends, as well as the foreign currency difference gain. Financial revenues are recognized in the profit and loss account on an accrual basis, using the effective interest method. The effective interest rate represents the rate accurately updating payments and cash collections expected in the future, over the expected life span of the financial asset or liability (or, where applicable, for a shorter period) at the carrying amount of the financial asset or liability.

The value of the interest related to the debt derived from the leasing contract is determined using an discount rate which can be the interest rate in the contract or the marginal loan rate of the lessee and is recognized in profit or loss.

Financial expenses mainly comprise the interest expense on loans and foreign currency difference loss. All costs 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.

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 of 2014. Within the scope, the Group identified the tax on special constructions and local duties and taxes. The Group recognized the liability related to these duties and taxes upon the occurrence of the activity determining the payment, as defined by the relevant law. A liability related to duties and taxes is progressively estimated only if the activity determining the payment occurs over a certain period.

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

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

The Group considered that the debt acknowledgment moment is determined by the existence of assets in the patrimony thereof, representing the tax base and, consequently, the debt for the special building tax and local duties and taxes was fully acknowledged on January 1<sup>st</sup> in compensation for the related expense.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### u) Scopes of business

A scope of business is identified by IFRS 8 « Scope of business » as being a component of an entity:

- engaging in activities from which it may earn revenues and incur expenses, including revenues and expenses related to transactions with other components of the same entity;
- the operating results whereof are periodically reviewed by the main operational decisionmaker, in order to make decisions about the allocation of the resources per segment and assessment of the performances thereof; and
- For which distinct financial information is available.

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

The identification of a single reportable segment is based on the following elements:

- The group produces and delivers only electricity and heat. The share of revenues obtained from the delivery of thermal power is only 0.3%.
- The production activity takes place only on the Romanian territory.
- The two functional nuclear units and the nuclear fuel plant are located in Romania.
- The energy delivery is preponderantly made on the Romanian territory, to legal entities.
- The regulatory framework is unitary for the entire Company. The Group applies the accounting regulations compliant with the International Financial Reporting Standards ("IFRS") approved by OMFP no. 2.844 / 2016, and the energy sector in Romania is regulated by the National Energy Regulatory Authority ("ANRE").

In order to meet the presentation needs in the financial statements, we mention the following:

- *IFRS 8.32. - Information on products and services.* As indicated in *Note 1 Reporting entity*, the main activity of the Group consists in the production of electricity and thermal power through nuclear processes.

- *IFRS 8.33. - Information on the geographical segmentation:*

a) *Value of the revenues obtained from the sale of electricity on the Romanian territory and outside it.* The revenues obtained from the sale of electricity to customers established in Romania represent approximately 85.5%, the difference being represented by customers established in the Republic of Slovenia, Denmark, the United Kingdom of Great Britain and Northern Ireland and the Czech Republic.

b) *Value of the fixed assets located in Romania and outside Romania.* All fixed assets of the Group are located on the Romanian territory.

- *IFRS 8.34. - Information on the main clients.* The transactions registered with the main clients are presented both in *Note 11 Trade receivables and other receivables*, as well as in *Note 27 let. b) Management of significant risks. Credit risk* where the exposure of the Group to concentrated credit, risk was addressed.

#### v) 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.

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.



### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **v) Corporate tax (continued)**

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 31<sup>st</sup>, 2020 and December 31<sup>st</sup>, 2019, the corporate tax rate was of 16%.

#### **w) 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.

#### **x) Earnings per share**

Earnings per share is calculated by dividing the profit and loss attributable to the shareholders of the Group to the weighted average number of ordinary shares outstanding over the period. Weighted average 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 over such 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 following the meeting of some specified conditions. The goal of diluted earnings per share is correlated with the basic earnings per share, namely, to provide the interest of each ordinary share in the performance of the entity.

#### **y) 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.

#### **z) 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 23).

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### aa) Implications of new International Financial Reporting Standards (IFRS)

During the current year, the Company has applied all new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant to its operations and are effective for the accounting periods beginning on January 1, 2020, approved by the European Union.

#### A. Initial application of new amendments to existing standards in force for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are in force for the current reporting period:

**(i) Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Materiality - adopted by the EU on November 29, 2019 (applicable for annual periods beginning on or after January 1, 2020)

**(ii) Amendments to IFRS 3 “Business Combinations”** - Definition of an enterprise - adopted by the EU on April 21, 2020 (applicable to business combinations the purchase date whereof is on or after the first annual reporting period starting on or after January 1, 2020; and purchases of assets having take place starting with or after such period)

**(iii) Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Assessment” and IFRS 7 “Financial Instruments: Disclosures”** - Reform of the Interest Rate Reference Index - adopted by the EU on January 15, 2020 (applicable for the annual periods starting on or after January 1, 2020)

**(iv) Amendments to IFRS 16 “Leases”** - Rent concessions as a consequence of Covid-19 (adopted by the EU on October 9, 2020 and applicable for annual periods starting on or after June 1, 2020)

**(v) Amendments to the References to the Conceptual Framework of IFRS** - adopted by the EU on November 29, 2019 (applicable for the annual periods starting on or after January 1, 2020).

The adoption of these amendments to the existing standards did not lead to significant changes in the financial statements of the Company.

#### B. Standards and amendments to the existing standards issued by the IASB and adopted by the EU, but not yet in force

On the date of approval of these financial statements, the following amendments to the existing standards have been issued by the IASB and adopted by the EU, but are not yet in force:

**i) Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and the related entity or joint venture (enforcement date: The European Commission has decided to postpone the approval for an indefinite period)**

The amendments clarify the fact that in a transaction involving a related entity or joint venture, the degree of recognition of the gain or loss depends on the extent to which the assets sold or contributed represent an enterprise, so that:

- a gain or loss is fully recognized when a transaction between an investor and the related entity or joint venture involves the transfer of an asset or assets representing an enterprise (whether or not it is incorporated in a subsidiary);
- a gain or loss is partially recognized when a transaction between an investor and a related entity or joint venture involves assets not representing an enterprise, even if those assets are incorporated in a subsidiary.

The company does not consider that these amendments will have a significant effect on the financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **aa) The implications of new International Financial Reporting Standards (IFRS) (continued)**

##### **ii) Amendments to IAS 1 Presentation of Financial Statements: Classification of debts into current and long-term debts (enforcement date: the annual periods starting on January 1, 2023)**

The amendments clarify the fact that a classification of debts into current or long-term debts is based solely on the right of the entity to defer the settlement at the end of the reporting period. The right of the entity to defer settlement for at least twelve months after the reporting date must not be unconditional but must have an economic fund. The classification is not affected by the intentions or expectations of the management in terms of the measure and the moment when the entity will exercise its right. The amendments also clarify situations that are considered debt settlement.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **iii) Amendments to IAS 16 Tangible assets: Proceeds before estimated use (enforcement date: annual periods starting on January 1, 2022)**

The amendments prohibit the deduction from the cost of an item of tangible assets of all revenues made from the sale of products obtained from such asset until being brought to the location and condition necessary for such asset to function as desired. Instead, the company recognizes revenues from the sale of these products, including the cost of production of these products, in profit or loss.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **iv) Amendments to IAS 37 Provisions, contingent liabilities, and contingent assets: Onerous contracts - Cost of fulfilling a contract (enforcement date: annual periods starting on January 1, 2022)**

The amendments clarify the fact that the costs of performing a contract include all costs directly related to that contract. Costs directly relating to a contract include either marginal costs for the performance of that contract (e.g., direct labor, materials) or an allocation of other costs that directly relate to the performance of the contracts (e.g., allocation of depreciation expenses for an item of property, plant and equipment used to perform the contract).

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **v) Amendments to IFRS 9 Financial Instruments (enforcement date: annual periods starting on January 1, 2022)**

The amendments clarify the fact that when assessing an exchange of financial liabilities between a debtor and a creditor taking place under substantially different conditions, the fees to be included along with the updated value of cash flows according to the new terms include only fees paid or received between the debtor and the creditor, including the fees paid or received on behalf of the other.

The company does not consider that these amendments will have a significant effect on the financial statements.

##### **vi) Amendments to IFRS 9, IAS 39 and IFRS 7 - Reform of the interest rate reference index (enforcement date: annual periods starting on January 1, 2021)**

These amendments provide certain exemptions in the reform of the interest rate reference index. Exemptions relate to hedge accounting and provide that the reform of the interest rate reference index should not, in general, cease hedge accounting. An entity must continue to apply all the other provisions related to hedge accounting in the case of hedging relationships directly affected by the reform of the interest rate reference index. Nevertheless, any inefficiency of the hedge should continue to be recorded in the profit and loss account. Given the generic nature of hedges involving contracts based on the interest rate reference index, the exemptions will affect companies in all industries.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **aa) The implications of new International Financial Reporting Standards (IFRS) (continued)**

The "reform of the interest rate benchmark" phrase refers to the reform of the entire market of an interest rate reference index, including the replacement of an interest rate reference index with an alternative reference rate, such as the one resulting from the recommendations formulated in the report of July 2014 of the Financial Stability Board, entitled Reforming Major Interest Rate Benchmarks.

The company does not consider that these amendments will have a significant effect on the financial statements.

#### **vii) Amendments to IFRS 3 “Business Combinations” - Definition of the conceptual framework with amendments to IFRS 3 (applicable for the annual periods starting on or after January 1, 2022)**

Definition of an enterprise, issued by the IASB on October 22<sup>nd</sup>, 2018. Amendments have been introduced to improve the definition of an enterprise. The amended definition emphasizes the fact that the product of an enterprise consists in providing goods and services to customers, whereas the previous definition focused on results under the form of dividends, lower costs or other economic benefits for investors and others. In addition to amending the text of the definition, the Council provided additional guidance.

The company does not consider that these amendments will have a significant effect on the financial statements.

#### **viii) IFRS 17 “Insurance Contracts” including amendments to IFRS 17 (applicable for the annual periods starting on or after January 1, 2023)**

The new standard stipulates that insurance obligations must be valued at an actual realizable value and provides a more uniform valuation and presentation approach for all insurance contracts. These requirements have the role of obtaining a consistent, principle-based accounting of insurance contracts. IFRS 17 prevails over IFRS 4 “Insurance Contracts” and related interpretations when applied. The amendments to IFRS 17 “Insurance Contracts” issued by the IASB on June 25, 2020 postpone the date of initial application of IFRS 17 by two years for annual periods beginning on or after January 1, 2023. Furthermore, the amendments introduce simplifications and clarifications to certain requirements in the standard and provide for additional facilities for the initial application of IFRS 17.

The company does not consider that these amendments will have a significant effect on the financial statements. This standard does not apply to the Company.

#### **ix) Amendments to IFRS 4 “Insurance Contracts” - Extension of the temporary exemption from the application of IFRS 9 (the expiry date of the temporary exemption from the application of IFRS 9 has been extended for the annual periods starting on or after January 1, 2023)**

Extension of the temporary exemption from the application of IFRS 9, issued by the IASB on June 25, 2020. The amendments change the fixed expiry date of the temporary exemption in IFRS 4 Insurance Contracts from the application of IFRS 9 Financial Instruments, so that entities apply IFRS 9 for the annual periods starting on or after January 1, 2023.

The company does not consider that these amendments will have a significant effect on the financial statements. This standard does not apply to the Company.

#### **x) IFRS 14 “Deferred accounts related to regulated activities” (applicable for the annual periods starting on or after January 1, 2016) - The European Commission has decided not to issue the approval process for this interim standard and to wait for the final standard**

This standard is intended to allow entities first adopting IFRS, and currently recognizing deferred accounts related to activities regulated under previously generally accepted accounting policies, to continue to do so upon transition to IFRS.

The company does not consider that these amendments will have a significant effect on the financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **aa) The implications of new International Financial Reporting Standards (IFRS) (continued)**

**xi) Amendments to various standards due to “IFRS Improvements (2018-2020 Cycle)”** resulting from the annual IFRS Improvement Project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the primary purpose of removing the inconsistencies and clarifying certain forms (amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for the annual periods starting on or after January 1<sup>st</sup>, 2022. The amendment to IFRS 16 refers only to an illustrative example, so that no enforcement date is mentioned).

The amendments: (a) clarify the fact that the subsidiary applying paragraph D16 (a) of IFRS 1 may cumulatively assess exchange rate differences using the amounts reported by the parent-company, depending on the date of the transition to IFRS for the parent-company (IFRS 1); (b) clarify the fees that an entity includes when applying the "10 percent" test in paragraph B3.3.6 of IFRS 9 to assess whether it has to derecognise a financial liability. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the entity or the lender on behalf of the other (IFRS 9); (c) remove from the presentation the example of the lessor reimbursing the cost of improvements to the leased premises in order to solve any confusion related to the treatment of leasing incentives that may arise due to the way the leasing incentives are presented in that example (the illustrative example 13 enclosed to IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxable cash flows when assessing the fair value of a biological asset by the use a discounted value technique (IAS 41).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will not have a significant impact on the financial statements during the initial application period.

#### 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 supplement the comments on financial risk management (see Note 27).

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

##### **Key sources of the uncertainty of estimates**

###### *(i) Impairment adjustments for the assets measured at the amortized cost*

Assets recorded at amortized cost are valued for impairment in accordance with the accounting policy described in *Note 3 (g) Identification and assessment of value impairment*.

The valuation of receivables for impairment is performed individually and is based on the best estimate of the management of the present value of the cash flows expected to be received. In order to estimate these flows, the management makes certain estimates on the financial situation of the counterparty. Each asset is individually analyzed. The accuracy of the adjustments depends on the estimation of future cash flows for the specific counterparties.

###### *(ii) Determining the fair value of financial instruments*

The fair value of financial instruments that are not traded on an active market is determined using the valuation techniques described in the accounting policy in *Note 3 (g) Valuation*. For rarely traded financial instruments for which there is no price transparency, fair value is less objective and is determined using various levels of estimates of liquidity, concentration, uncertainty of the market factors, price assumptions and other risks affecting such financial instrument.

###### *(iii) 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 at December 31, 2020 and December 31, 2019, 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 the carrying amount thereof.

#### 4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

(iii) Hierarchy of fair values (continued)

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

The table below analyzes the financial instruments recorded at fair value according to the valuation method:

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>December 31, 2020 (audited)</b>			
<b>Financial assets</b>			
Financial assets valued at the amortized cost	5,056,031	5,056,031	2
Trade receivables	157,943,506	157,943,506	2
Other assets valued at the amortized cost	80,764,407	80,764,407	2
Cash and cash equivalents	546,867,387	546,867,387	2
Bank deposits	1,621,384,000	1,621,384,000	2
	<b>2,412,015,331</b>	<b>2,412,015,331</b>	
<b>December 31, 2020 (audited)</b>			
<b>Long-term financial liabilities</b>			
Long term loans	290,478,567	290,478,567	2
Debts from long-term leasing contracts	515,074	515,074	2
Deferred revenues	86,067,969	86,067,969	2
	<b>377,061,610</b>	<b>377,061,610</b>	
<b>Short-term financial liabilities</b>			
Trade payable and other liabilities	285,151,303	285,151,303	2
Debts from short-term leasing contracts	117,721	117,721	2
Current portion of long-term loans	211,995,082	211,995,082	2
Deferred revenues	16,228,454	16,228,454	2
	<b>513,492,560</b>	<b>513,492,560</b>	

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IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION  
PREVAILS.

#### 4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

	<u>Carrying amount</u>	<u>Fair value</u>	<u>Level</u>
<b>December 31, 2019 (audited, restated)</b>			
<b>Financial assets</b>			
Financial assets valued at the amortized cost	42,836,031	42,836,031	2
Trade receivables	169,993,753	169,993,753	2
Other assets valued at the amortized cost	78,151,073	78,151,073	2
Cash and cash equivalents	1,793,501,617	1,793,501,617	2
Bank deposits	58,879,494	58,879,494	2
	<u><b>2,143,361,968</b></u>	<u><b>2,143,361,968</b></u>	
	<u><b>Carrying amount</b></u>	<u><b>Fair value</b></u>	<u><b>Level</b></u>
<b>December 31, 2019 (audited, restated)</b>			
<b>Long-term financial liabilities</b>			
Long term loans	499,908,597	499,908,597	2
Deferred revenues	100,412,631	100,412,631	2
	<u><b>600,321,228</b></u>	<u><b>600,321,228</b></u>	
<b>Short-term financial liabilities</b>			
Trade payable and other liabilities	220,398,362	220,398,362	2
Current portion of long-term loans	212,891,292	212,891,292	2
Deferred revenues	27,863,600	27,863,600	2
	<u><b>461,153,254</b></u>	<u><b>461,153,254</b></u>	

*(iv) Classification of financial assets and liabilities*

The accounting policies of the Group provide the basis for assets and liabilities to be included, at the initial moment, in various accounting categories.

*Revaluation of tangible assets*

Tangible assets consisting of lands and buildings are subject to revaluation, and changes in fair value are recognized in other items of comprehensive income.

*(v) Fair value measurement*

On December 31, 2018, the tangible assets of the parent Company were valued by an external, independent appraiser, authorized by the National Association of Authorized Appraisers in Romania ("ANEVAR"). The revaluations of lands and constructions on December 31, 2018 were made based on the following methods, in compliance with the valuation principles and techniques contained in the ANEVAR Standards for the valuation of assets:

- Direct comparison method for the lands owned in exclusive quota;
- Residual method for lands owned in undivided share;
- Revenue method, in the case of the two administrative buildings;
- Replacement cost method for special constructions and other assets.

*(vi) Fair value hierarchy*

Based on the input data used in the valuation technique, the fair value of tangible assets was classified at level 3 of the fair value hierarchy.



#### 4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

##### *(vii) Implications of the Covid-19 pandemic*

##### **Implications of the Covid-19 pandemic**

The economic turmoil caused by the Covid-19 pandemic has brought a whole series of constraints to the global economic activities and has had an impact on some of the activities of the Company. In order to protect the personnel and to provide the continuity of operation and production, the company adopted the measure of postponing the planned outage of Unit 1 at Cernavoda NPP and temporarily suspended the activity of FCN Pitesti, without recording any impact on production. In the case of FCN Pitesti, simultaneously with the resumption of the activity, the factory fully fulfilled its manufacturing plan and the agreed work schedule. Also, another effect of the pandemic was felt in the purchase of goods and services.

##### **Nuclear power production in Romania**

As an effect of the Covid-19 pandemic, the Company had to make some adjustments to the activities thereof, in order to protect the essential personnel, to reschedule the planned outage of Unit 1 and to temporarily suspend the activity of the nuclear fuel plant between April 1, 2020 - May 18, 2020.

The logistical measures adopted were unprecedented and went as far as the need to isolate the staff, 840 people for 75 days, during the peak period of the pandemic. Also, in reference to international practices, it was decided to postpone the planned shutdown of Unit 1, given the complexity of the project and the very large number of specialized personnel involved.

The measures adopted led during 2020 to maintain all the processes and activities of the company at a normal level, without delays in project implementation schedules or delays in the decision-making and operational flow.

In terms of operation, SNN has maintained its high standard of nuclear safety, Romania still remaining on the first places globally in terms of the factor of utilization of installed capacity, which is eloquent for the quality of operation, nuclear safety and current investment and maintenance program.

Despite the challenges brought by the Covid-19 pandemic, the investment projects carried out by the Company continued according to the established work schedules, among which we list: Refurbishment of U1, the projects for Units 3 and 4 and the detritification installation. Besides these complex projects, the Company, according to the Resolution of the General Meeting no. 4/30.03.2020, continued the steps, in the form of a due diligence analysis, for taking over some assets of Feldioara, CNU branch, and of the Tulghes-Grinties exploitation perimeter, in order to provide the synchronization with the strategy of gradual transition to the acquisition of oxide uranium from the international market, approved by the GMS in 2019, and maintaining the capabilities of the integrated fuel cycle, to the operational advantage of the Company.

The net electricity production program for 2020 was revised in June 2020, as a result of the rescheduling of the planned outage of U1, which was achieved in a proportion of 101.6%, the program for the manufacture and delivery of nuclear fuel bundles was also fully fulfilled in 2020.

##### **Estimates of the impact of the Covid-19 pandemic in the Financial Statements**

Although 2020 was a challenging and difficult year due to the pandemic context, the Company obtained very good financial results, complied with and fulfilled its investment programs, the program for the manufacture and delivery of nuclear beams, the program for the production of electricity and heat. and obtained an operating profit (EBITDA) higher by approximately 11.1% compared to the same period of the previous year.

The Company's operating expenses registered a decreasing trend compared to the previous year, of approximately 3%, the pandemic context determining increases only in some expenses such as protective equipment, sanitation services, expenses with isolated personnel, and cost reductions due to restrictions travel instituted by state authorities (less travel costs, vocational training courses and seminars).

#### **4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)**

*(vii) Implications of the Covid-19 pandemic (continued)*

##### **Estimates of the impact of the Covid-19 pandemic in the Financial Statements (continued)**

###### **(i) Liquidity risk**

As resulting both from the Cash Flow Statement and from Note 28, the Company has a solid liquidity, represented by cash and cash equivalents, deposits and other liquid financial assets, in the amount of RON 2.4 billion, increasing as compared to the financial year of 2019, when it recorded RON 2.0 billion (see Notes 12, 13 and 14). The company has a solid policy of managing financial resources, aiming at maintaining a high liquidity of cash and investing in low risk financial instruments, respectively, placing cash in short-term bank deposits, with a maturity of up to 12 months.

###### **(ii) Sales and trade receivables - Impairment adjustments for trade receivables**

The Company has calculated impairment adjustments for trade receivables based on the credit risk impairment history, in accordance with IFRS 9. Despite the support measures provided by the government and those implemented by the Company for the customers thereof, the Covid-19 pandemic should have led to an increase in the value of bad debts, a situation that is not yet visible on December 31, 2020, in fact, both the depreciation adjustments and trade receivables decreased in 2020, as compared to 2019 (see Note 28 b). According to the risk analyses made within the Company, the necessary depreciation adjustments in 2020 did not exceed the depreciation adjustments considered in 2019. Moreover, in 2020, the Company managed to collect some of the outstanding receivables of the previous years.

In the business clients' segment, at the upper end of the portfolio (large clients), from the case-by-case monitoring of the credit risk, no significant increases were identified, small and medium clients also recording insignificant variations of the credit risk, aspect to be found in the value of the depreciation adjustments recorded in the year.

###### **(iii) Tangible assets - Investments**

The Covid-19 pandemic had a moderate overall impact on gross investments. Through early and coherent planning, the Company carried out major investment projects according to the established work schedules and implicitly a part of the current investments, the degree of realization of investments in 2020 being 72.35% (absolute value RON 223.9 million), as compared to 85.20% in 2019 (absolute value RON 218.5 million). The target of 60% of the degree of achievement for the year of 2020 being fulfilled.

###### **(iv) IFRS 16 – Leasing Contracts**

As a result of the COVID-19 pandemic, financial leasing contracts may be amended, in the sense of concessions being granted by the lessors. Such concessions could take a variety of forms, including granting grace periods from rent payments and postponing lease payments. On May 28<sup>th</sup>, 2020, the IASB issued an amendment to IFRS 16, providing an optional practical tool for tenants to assess whether such lease concession related to COVID-19 is an amendment to the lease. Tenants may opt to account for such rent concessions in the same way as if there were no rent amendments. In many cases, this will result in the concession being accounted for as variable lease payments over the period(s) of occurrence of the event or circumstance triggering the reduced payment.

In 2020, the Company did not obtain concessions from lessors, so that no amendments to the contracts were recorded and implicitly amendments to the accounting treatments applied in compliance with the provisions of IFRS 16.

###### **(v) Inventories**

Given the specific activity of the Company, the effects of the Covid-19 pandemic were insignificant. The company was not affected by the lockdown restrictions, the inventories being used in the production process, nor did it record any write-offs as an effect of the decrease of the net realizable value as compared to the cost. The value of the adjustments for the depreciation of inventories as at December 31<sup>st</sup>, 2020 amounts to RON 51,834,621 (December 31<sup>st</sup>, 2019: RON 52,788,117). See Note 10.

#### **4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)**

*(vii) Implications of the Covid-19 pandemic (continued)*

##### **Estimates of the impact of the Covid-19 pandemic in the Financial Statements (continued)**

###### **(vi) Provisions, contingent liabilities and assets**

The management of the Group periodically analyzes the ongoing litigations and, after consulting with the legal advisers or lawyers thereof, decides on the necessity to create provisions for the amounts involved or to present them in the financial statements.

In the opinion of the management of the Company, there are no current legal actions or claims having a significant impact on the financial earnings and the financial position of the Company not having been presented in these financial statements.

###### **(vii) Government support measures**

The Romanian Government issued in 2020 several emergency ordinances on some fiscal measures in the context created by the Covid-19 pandemic, establishing procedural-fiscal measures to support the taxpayers paying corporate tax.

Thus, under GEO no. 33/2020 and GEO 99/2020, the Company benefited from a bonus calculated on the corporate tax due, amounting to RON 8 million (see Note 20).

The company did not benefit from other government support measures.

###### **(viii) Other assets, liabilities, income, and expenses**

In addition to the information mentioned in the previous paragraphs, the Covid-19 pandemic did not involve any other specific use of judgments, estimates or assumptions to determine the value of assets or liabilities, income and expenses over the period (as compared to those mentioned in Note 2 f).

## 5. PROPERTY, PLANT AND EQUIPMENT

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	Total
<b>Cost</b>					
<b>Balance as of January 1, 2019 (audited)</b>	<b>32,302,399</b>	<b>4,677,768,128</b>	<b>1,957,346,184</b>	<b>1,012,849,615</b>	<b>7,680,266,326</b>
Additions	-	-	24,819,413	196,309,909	221,129,322
Transfers	-	74,616,462	21,485,075	(96,101,537)	-
Transfer to intangible assets	-	-	-	(2,400,260)	(2,400,260)
Transfer in assets held for sale	(120,740)	-	(2,110,893)	-	(2,231,633)
Inventory transfer	-	-	(48,181)	5,158,567	5,110,386
Spare parts reclassified as fixed assets	-	-	42,735,091	(11,864,683)	30,870,408
Derecognition of U2 inspections	-	(46,771,637)	-	-	(46,771,637)
Derecognition of the drainage investments	-	-	-	(5,040,010)	(5,040,010)
Reclassification of heavy water	-	632,672,849	(632,672,849)	-	-
Disposals	-	-	(3,623,763)	-	(3,623,763)
<b>Balance as of December 31, 2019 (audited, restated)</b>	<b>32,181,659</b>	<b>5,338,285,802</b>	<b>1,407,930,078</b>	<b>1,098,911,600</b>	<b>7,877,309,139</b>
<b>Balance as at January 1, 2020 (audited, restated)</b>	<b>32,181,659</b>	<b>5,338,285,802</b>	<b>1,407,930,078</b>	<b>1,098,911,600</b>	<b>7,877,309,139</b>
Additions	-	13,446,230	14,476,884	244,796,058	272,719,171
Transfers	-	98,783,914	13,877,261	(112,661,174)	-
Inventory transfer	-	-	-	(1,397,605)	(1,397,605)
Spare parts reclassified as fixed assets	-	-	10,720,889	(10,720,889)	-
Transfer to intangible assets	-	-	-	(59,130)	(59,130)
Derecognition of U1 inspections	-	(60,300,259)	-	-	(60,300,259)
Derecognition of the drainage investments	-	-	-	-	-
Heavy water derecognition	-	(1,766,443)	-	-	(1,766,443)
Disposals	(56,678)	-	(1,335,463)	(6,245)	(1,398,386)
<b>Balance as of December 31, 2020 (audited)</b>	<b>32,124,981</b>	<b>5,388,449,243</b>	<b>1,445,669,649</b>	<b>1,218,862,614</b>	<b>8,085,106,486</b>
<b>Depreciation and impairment adjustments</b>					
<b>Balance as of January 1, 2019 (audited)</b>	<b>550,782</b>	<b>83,657,435</b>	<b>939,888,417</b>	<b>148,380,315</b>	<b>1,172,476,948</b>
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
<b>Balance as of December 31, 2019 (audited, restated)</b>	<b>550,782</b>	<b>671,877,780</b>	<b>835,035,747</b>	<b>168,352,659</b>	<b>1,675,816,967</b>
<b>Balance as at January 1, 2020 (audited, restated)</b>	<b>550,782</b>	<b>671,877,780</b>	<b>835,035,747</b>	<b>168,352,659</b>	<b>1,675,816,967</b>
Depreciation charges	-	447,437,604	75,293,961	-	522,731,565
Cumulative depreciation of U1 inspections derecognized	-	(60,300,259)	-	-	(60,300,259)
Offset of accumulated disposals	-	(1,766,443)	(1,741,499)	-	(3,507,941)
Impairment adjustments	-	-	22,980,374	(13,109,222)	9,871,152
<b>Balance as of December 31, 20 (audited)</b>	<b>550,782</b>	<b>1,057,248,682</b>	<b>931,568,583</b>	<b>155,243,437</b>	<b>2,144,611,484</b>
<b>Carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as of January 1, 2019 (audited)</b>	<b>31,751,617</b>	<b>4,594,110,693</b>	<b>1,017,457,767</b>	<b>864,469,300</b>	<b>6,507,789,378</b>
<b>Balance as at December 31, 2019 (audited, restated)</b>	<b>31,630,877</b>	<b>4,666,408,022</b>	<b>572,894,331</b>	<b>930,558,941</b>	<b>6,201,492,171</b>
<b>Balance as of December 31, 2020 (audited)</b>	<b>31,574,199</b>	<b>4,331,200,560</b>	<b>514,101,066</b>	<b>1,063,619,177</b>	<b>5,940,495,002</b>

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.  
IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### *(i) Nuclear plants, machinery, equipment, and other assets*

During 2019, the Group 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 amortization amount to RON 215,583,234.

During 2020, the Group purchased 6.5 tons of heavy water from the National Administration of State Reserves and Special Issues ("ANRSPS") required for Units 1 and 2, amounting to RON 13,446,230 (in 2019, 7.8 tons were purchased, amounting to RON 15,763,228).

In 2019, GMS Resolution 5/23.04.2019 approved the sale of asset "Singles' accommodation unit". Thus, from the "Machinery, equipment and other assets" position and from the "Lands" position, the amounts related to this asset were transferred to assets, namely RON 2,159,074 and RON 120,740, which are reflected in the "Transfer to assets held for sale" line. The amounts comprise the building, the related land, the central heating network connection installation, parking fittings, sports ground, green areas, situated at 14, Salciei Street, Cernavoda Town, Constanta County.

### *(ii) Non-current assets in progress*

On December 31, 2020, the net carrying amount of the assets in progress, amounting to RON 1,063,619,177, includes the following items:

- Investment for increasing the production capacity with a net carrying amount of RON 652,640,442 (December 31, 2019: RON 652,064,717);
- Investments related to Units 1 and 2, in total amount of RON 410,978,735, the most representative ones being:
  - ✓ Refurbishment of U1 amounting to 48,306,873 RON (December 31, 2019: RON 3,497,938);
  - ✓ D2O tritium removal installation worth RON 63,445,743 (December 31, 2019: RON 63,238,682);
  - ✓ Construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to RON 24,453,897 (December 31, 2019: RON 25,402,167);
  - ✓ Improvement of the nuclear security systems following the Fukushima event, amounting to RON 34,959,367 (December 31, 2019: RON 34,941,782);
  - ✓ Equipment and materials for investments amounting to RON 45,205,001 (December 31, 2019: RON 47,683,884);
  - ✓ Modernization of the physical protection system amounting to RON 20,894,894 (December 31, 2019: RON 16,766,486).

The value of the investment for the increase of the production capacity is RON 654,336,130, out of which the carrying amount of Units 3 and 4 is RON 273,960,000 (December 31, 2019: RON 273,960,000), the rest representing heavy water especially purchased for Units 3 and 4, namely approx. 75 tons, the carrying amount whereof as at December 31, 2020 is RON 159,238,387 (December 31, 2019: RON 159,238,387), as well as equipment and other assets for Units 3 and 4, amounting to RON 221,137,743 (December 31, 2019: RON 214,809,343). Before 1991, 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.

As at December 31, 2020, the gross carrying amount for **Unit 5** is RON 137 million (December 31, 2019: RON 137 million). As at December 31, 2013, the Group recognized a depreciation adjustment of 100% of Unit 5 since, there were no plans to resume the construction thereof as a nuclear unit. In March 2014, the shareholders of the Company approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation, following which an asset with a different use than the initial use of Unit 5 will result.

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### *(iii) Non-current assets in progress (continued)*

The main **investments commissioned** by the Company in 2020 from the ongoing projects related to Units 1 and 2 are represented by: carrying out the annual inspections performed during the planned outage of Unit 1 in the amount of RON 95,498,260, installation of spare parts on the equipment in operation in the amount of RON 24,806,319, special dredging works of the Danube-Black Sea Canal in the amount of RON 955,530.

### *(iv) Impairment adjustments*

As at December 31, 2019, the Group records impairment adjustments for the assets in total amount of RON 27,401,511, out of which RON 19,369,715 are related to spare parts reclassified from the financial position of "Inventories" to the "Tangible assets" item. In 2020, it resumes the amount of RON 13,495,795 from the impairment adjustment of the reclassified spare parts. The value of the impairment adjustments as at December 31, 2020 is in the amount of RON 9,871,152.

As at December 31, 2020, the Group has fixed assets purchased under credit from providers (commercial credit) amounting to RON 47,823,021 (December 31, 2019: RON 16,166,790).

### *(v) Revaluation, depreciation method and life span*

Buildings and lands are recognized at fair value, based on periodic valuations made by independent external appraisers. The revaluation surplus included in the revaluation reserve is capitalized by transfer to retained earnings when the asset is derecognised or as it is used (see Note 14). All the other tangible assets are recognized at the historical cost less the depreciation.

The last revaluation of lands and constructions took place as at 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 31, 2015, the special constructions were revalued on December 31, 2013, the administrative buildings on December 31, 2002, and the lands on December 31, 2009.

Depreciation is calculated using the straight-line method for allocation of the revalued cost or value of the assets, net of their residual values, over their estimated useful lives as follows:

<b>Asset</b>	<b>Useful life in years</b>
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

See Note 3 (c) for the other accounting policies relevant for tangible assets.

### *(vi) Significant estimates - valuation of lands and buildings*

Information on land and building valuation is presented in Note 4 (v).

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

*(vii) The carrying amount that would have been recognized if land and buildings had been valued at cost in accordance with IAS 16.77 (e)*

If lands and buildings had been valued at the historical cost, the values would have been:

	<u>December 31, 2020</u> <u>(audited)</u>	<u>December 31, 2019</u> <u>(audited, restated)</u>
<b>Land</b>		
Cost	23,091,101	23,091,101
Accumulated depreciation	-	-
Net carrying amount	<u>23,091,101</u>	<u>23,091,101</u>
	<u>December 31, 2020</u> <u>(audited)</u>	<u>December 31, 2019</u> <u>(audited, restated)</u>
<b>Buildings</b>		
Cost	6,336,222,933	6,242,123,070
Accumulated depreciation	(3,477,254,730)	(3,236,062,999)
Net carrying amount	<u>2,858,968,203</u>	<u>3,006,060,071</u>

### *(viii) Decommissioning of nuclear units*

Unit 1 is designed to operate until 2026, and Unit 2 until 2037. The Group has not recorded a provision for the decommissioning of the two units, as 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 undertakes the responsibility for the management of the entire decommissioning process at the end of the useful life of the two units and for the permanent storage of the resulting waste (see Note 15). The expense on the contributions of the Company to ANDR over the year of 2020 amounts to RON 102,246,544 (December 31, 2019: RON 98,249,692).

### *(ix) Assets pledged as security*

As at December 31, 2020, respectively December 31, 2019, the Group has no pledged or mortgaged assets.

## 6. ASSETS REPRESENTING RIGHTS OF USE UNDERLYING ASSETS UNDER A LEASING CONTRACT

The Group adopted IFRS 16, which is why it recognized in the financial position statement assets and liabilities related to the restatement of the leases concluded as a lessee.

The Group has concluded asset lease and land concession contracts, for which the initial value of the asset has been estimated related to the right of use at an amount equal to the debt updated at the time of the transaction derived from these contracts, of RON 801,003.

### (i) Amounts recognized in the financial position Statement

Assets representing rights to use underlying assets under a leasing contract	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Land	801,003	-
Debts from leasing contracts	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Short-term	117,721	-
Long-term	515,074	-
	632,795	-

### (ii) Amounts recognized in the profit or loss Statement

	Note	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Depreciation of the assets representing rights of use		179,770	-
Interest expenses	26	21,737	-

The total cash receipts related to the contracts over the period ended on December 31, 2020 amounted to RON 202,762.

### (iii) Recognition of leasing contracts

Information on the recognition of leasing contracts pursuant to IFRS 16 are presented in Note 3 (c).



## 7. INTANGIBLE ASSETS

	Licenses and software	Power plant software and other intangible assets	Total
<b>Cost</b>			
<b>Balance as of January 1, 2019 (audited)</b>	<b>212,624,346</b>	<b>49,194,600</b>	<b>261,818,946</b>
Additions	25,440,407	46,949	25,487,356
Transfers	(9,854,482)	9,854,482	-
Transfers and reallocations	3,547,314	(3,547,314)	-
Transfer form tangible assets	2,400,260	-	2,400,260
Disposals	(636,739)	(56,376)	(693,115)
<b>Balance as of December 31, 2019 (audited, restated)</b>	<b>233,521,105</b>	<b>55,492,341</b>	<b>289,013,446</b>
<b>Balance as at January 1, 2020 (audited, restated)</b>	<b>233,521,105</b>	<b>55,492,341</b>	<b>289,013,446</b>
Additions	4,803,263		4,803,263
Transfer form tangible assets	59,130		59,130
Disposals	(88,420)	(205,985)	(294,405)
<b>Balance as of December 31, 2020 (audited)</b>	<b>238,295,077</b>	<b>55,286,357</b>	<b>293,581,434</b>
<b>Accumulated depreciation</b>			
<b>Balance as of January 1, 2019 (audited)</b>	<b>177,903,692</b>	<b>29,080,673</b>	<b>206,984,365</b>
Depreciation charges	15,827,403	6,133,608	21,961,011
Amortization related to disposals	(636,739)	(56,376)	(693,115)
<b>Balance as of December 31, 2019 (audited, restated)</b>	<b>193,094,356</b>	<b>35,157,905</b>	<b>228,252,261</b>
<b>Balance as of January 1, 2020 (audited, restated)</b>	<b>193,094,356</b>	<b>35,157,905</b>	<b>228,252,261</b>
Depreciation charges	6,380,431	5,771,945	12,152,376
Amortization related to disposals	(88,420)	(205,985)	(294,405)
<b>Balance as of December 31, 2020 (audited)</b>	<b>199,386,367</b>	<b>40,723,865</b>	<b>240,110,232</b>
<b>Carrying amount</b>			
<b>Balance as of January 1, 2019 (audited)</b>	<b>34,720,654</b>	<b>20,113,927</b>	<b>54,834,581</b>
<b>Balance as of December 31, 2019 (audited)</b>	<b>40,426,749</b>	<b>20,334,436</b>	<b>60,761,185</b>
<b>Balance as of December 31, 2020 (audited)</b>	<b>38,908,710</b>	<b>14,562,492</b>	<b>53,471,202</b>

As at December 31, 2020, the intangible assets owned by the Company represent purchased licenses and software products, and not internally generated. The company does not record contractual commitments for development costs. The accounting policies on intangible assets are presented in Note 3 (f).

## 8. FINANCIAL ASSETS AT AMORTISED COST

On December 31, 2020, the Company records in the "Financial assets valued at amortised cost" the contributions thereof as a member of the European Mutual Association of Civil Insurance and Reinsurance for Nuclear Damages ("ELINI"), the Romanian Stock Exchange ("BRM") and the Romanian Atomic Forum - Romatom ("ROMATOM").

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Bank deposits due within 12 months*)	-	37,780,000
ELINI contribution	5,032,931	5,032,931
Contribution to the Romanian Commodity Exchange	23,000	23,000
ROMATOM contribution	100	100
<b>Total</b>	<b>5,056,031</b>	<b>42,836,031</b>

\*) On December 31, 2019, the letters of bank guarantee for which collateral bank deposits have been set up, the maturity whereof is longer than 12 months, are set up in favour of OPCOM, Transelectrica and CIGA Energy.

## 9. INVENTORIES

As at December 31, 2020 and December 31, 2019, the inventories are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Spare parts	185,856,408	180,640,081
Consumables and other materials	56,565,105	56,264,140
Nuclear fuel	193,639,358	158,829,051
Uranium	39,292,794	55,554,976
Other inventories	11,891,795	4,424,467
Adjustments for depreciation of inventories	(51,834,621)	(52,788,117)
<b>Total</b>	<b>435,410,839</b>	<b>402,924,598</b>

### *(i) Inventory valuation*

Costs are valued at the weighted average cost (WAC) in accordance with IAS 2. See Note 3 (j) for the other accounting policies relevant for inventories.

### *(ii) Amounts recognized in the profit or loss account Statement*

The value of inventory recognized as expenditure over the financial year can be found in the positions of "Expenses on spare parts" and "Cost of nuclear fuel" in the profit and loss account and other items of the comprehensive income, amounting to RON 148,123,065 (December 31, 2019: RON 122,434,674).

The value of inventories recognized as expenses during the financial year in accordance with the provisions of IAS 2.34, representing scrapped, damaged, derecognized inventories, as at December 31, 2020, is in the amount of RON 984,963 (December 31, 2019: RON 712,944). SNN periodically analyzes the evolution of inventories, constituting in time depreciation adjustments for inventories considered to be depreciated. As a result, for discarded inventories, the Group set up impairment adjustments, which it resumed on revenues upon the write-off thereof. The effect on the profit or loss statement being insignificant.

The value of the adjustments for the depreciation of inventories as at December 31, 2020 amounts to RON 51,834,621 (December 31, 2019: RON 52,788,117). During 2020, depreciation adjustments were established in the amount of RON 815,027 (December 31, 2019: RON 555,693) and depreciation adjustments in the amount of RON 2,057,762 were resumed as revenues (December 31, 2019: RON 2,923,475).

In 2020, no write-offs of decommissioned inventories were recorded.

### *(iii) Pledged inventories*

As at December 31, 2020, the Group does not record pledged or mortgaged inventories.

## 10. ASSETS CLASSIFIED AS HELD FOR SALE

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Land	120,740	120,740
Constructions	1,823,567	1,823,567
Fittings and plants	287,326	287,326
<b>Total</b>	<b>2,231,633</b>	<b>2,231,633</b>

In 2019, by the GMS Resolution no. 5/23.04.2019, the sale of the asset "Single's accommodation unit" was approved, owned by the Company, located at 14, Salciei Street, Cernavoda Town, Constanta County, made up of: construction, related land, connection installation to the district heating network, parking arrangements, sports field, green areas. There are currently bidders, and the sale is expected to be completed during 2021.

## 11. TRADE RECEIVABLES

As at December 31, 2020 and December 31, 2019, trade receivables appear as follows:

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Trade receivables	168,045,381	180,489,914
Adjustments for impairment of trade receivables	(10,101,875)	(10,496,161)
<b>Total</b>	<b>157,943,506</b>	<b>169,993,753</b>

As at December 31, 2020, the main trade receivables in the balance are towards: Electrica Furnizare S.A. – RON 52,907,721 (December 31, 2019: RON 29,966,395), E.ON Energie Romania S.A. – RON 14,460,257 (December 31, 2019: RON 19,567,382), CEZ Vanzare S.A. – RON 14,293,834 (December 31, 2019: RON 13,561,964), Autonomous Administration for Nuclear Activities (RAAN) – RON 7,825,064 (December 31, 2019: RON 7,825,064), Enel Energie Muntenia S.A. – RON 7,766,356 (December 31, 2019: RON 9,743,785) and Societatea de Distributie a Energiei Electrice Muntenia Nord S.A. – RON 7,594,618 (December 31, 2019: RON 0).

The sales made during 2020 to: Romanian Electricity and Gas Market Operator “OPCOM” S.A. represented approximately 19% (2019: 10%), Electrica Furnizare S.A. represented approximately 18% (2019: 15%) and EON Energie Muntenia S.A. represented approximately 10% (2019: 5%) of the total revenues of the Group.

The exposure of the Group to the credit and market risks as well as the value adjustments related to trade receivables are presented in Note 27.

As at December 31, 2020, the "Trade receivables" and "Adjustments for the impairment of trade receivables" include a net amount of RON 11,863,836 related to receivables from affiliates (December 31, 2019: RON 1,285,168).

## 12. OTHER FINANCIAL ASSETS AT AMORTISED COST

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Other receivables	33,253,870	20,799,707
Impairment adjustments for other receivables	(596,559)	(3,074,604)
Taxes and duties	37,783,929	29,009,148
Payments made in advance	10,323,167	31,416,822
<b>Total</b>	<b>80,764,407</b>	<b>78,151,073</b>

As at December 31, 2020, the positions "Other receivables" and "Adjustments for impairment of other receivables" do not include an amount corresponding to affiliates (December 31, 2019: RON 0).

As at December 31, 2020 the "Duties and Taxes" position represents the VAT to be recovered amounting to RON 33,580,707 (December 31, 2019: RON 26,346,859).

### 13. CASH AND CASH EQUIVALENTS, BANK DEPOSITS

On December 31, 2020 and December 31, 2019, the cash and cash equivalents appear as follows:

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Cash on hand	97,259	139,491
Current accounts in banks in RON	118,970,396	162,400,154
Current accounts in banks in foreign currency	1,759,289	25,113,930
Bank deposits shorter than 3 months	425,556,000	1,604,778,300
Other cash equivalents	484,443	1,069,742
<b>Total cash and cash equivalents</b>	<b>546,867,387</b>	<b>1,793,501,617</b>

On December 31, 2020 and December 31, 2019, the bank deposits with original maturities longer than 3 months and shorter than a year are as follows:

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Bank deposits	<b>1,621,384,000</b>	<b>58,879,494</b>

#### *(i) Reconciliation with the Cash Flow Statement*

The above items are reconciled with the value of cash presented in the cash flow Statement at the end of the financial year, as follows:

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Cash on hand	97,259	139,491
Current accounts in banks	120,729,685	187,514,084
Bank deposits with initial maturity shorter than 3 months	425,556,000	1,604,778,300
Other cash equivalents	484,443	1,069,742
	<b>546,867,387</b>	<b>1,793,501,617</b>

#### *(ii) Classification as cash equivalents*

Term deposits are presented as cash equivalents if they have a maturity of 3 months or less from the date of incorporation. See Note 3 (m) for the other accounting policies of the Group on cash and cash equivalents.

#### *(iii) Restricted cash*

Current accounts opened in banks are permanently available to the Group and are not restricted or encumbered.

Bank deposits are permanently available to the Group and are not restricted or encumbered.

As at December 31, 2019, the Group had letters of bank guarantee issued by various banks, in favour of third parties in total amount of RON 96,659,494, for which a cash guarantee was set up under the form of collateral deposits, divided as follows: RON 58,879,494 in the position of "Bank deposits" related to the letters of bank guarantee with a maturity of up to one year and RON 37,780,000 in the position "Financial assets at amortized cost" related to the letters of bank guarantee with a maturity of more than one year. These letters of bank guarantee were contracted for the participation of the company in the electricity market, mainly representing the electricity sales of the Group. As at December 31, 2020, the Group holds letters of bank guarantee for credit facilities, without collateral deposits, in the amount of RON 117,028,702.

## 14. EQUITY

### *Share capital*

The parent-Company was established by separation from the former Autonomous Electricity Administration (“RENEL”). The share capital represents the contribution of the Romanian State to the incorporation of the Company on June 30, 1998 (restated for inflation up to December 31, 2003) plus subsequent additions.

According to the Articles of Incorporation, the authorized capital of the Company is of RON 3,016,518,660. The subscribed and paid-up share capital as at December 31, 2020 is of RON 3,016,438,940, under the authorized capital.

As at December 31, 2020 and December 31, 2019, the share capital includes the effect of restatements registered over the previous years, according to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The reconciliation of the share capital is as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Subscribed and paid-in share capital (nominal value)	3,016,438,940	3,015,138,510
Differences related to the restatement according to IAS 29	195,502,743	195,502,743
<b>Share capital (restated value)</b>	<b>3,211,941,683</b>	<b>3,210,641,253</b>

As of December 31, 2020, the value of the subscribed and paid-up statutory share capital is of RON 3,016,438,940, consisting of 301,643,894 ordinary shares, each with a nominal value of RON 10.

The last share capital increase took place in 2020 by subscribing a number of 130,043 new shares, in the amount of RON 1,300,430, representing the in-kind contribution of the Romanian State, represented by the Ministry of Economy, Energy and Business Environment and in cash of the shareholders of the Company. The share capital increase was made based on the Proportional Offer Prospectus related to the share capital increase, approved by the ASF Decision no. 976/13.08.2020 and of the Resolutions of the Extraordinary General Meeting no. 2/04.01.2019 and no. 12/19.12.2019, registered with the National Trade Register Office according to the amended Certificate no. 484154/30.09.2020.

Holders of ordinary shares are entitled to receive dividends, as such are declared at certain periods of time, and are entitled to vote on one share during the General Meetings of the Shareholders of the Company.

The shareholding structure as at December 31, 2020 and December 31, 2019 is as follows:

<b>Shareholders</b>	<b>Number of shares</b>	<b>% of the</b>	<b>Number of shares</b>	<b>% of the</b>
	<b>December 31, 2020</b>	<b>share</b>	<b>December 31, 2019</b>	<b>share</b>
		<b>capital</b>		<b>capital</b>
The Romanian State - Ministry of Energy*)	248,850,476	82.4981%	248,736,619	82.4959%
Fondul Proprietatea S.A.	-	-	21,268,355	7.0539%
Other shareholders	52,793,418	17.5019%	31,508,877	10.4502%
<b>Total</b>	<b>301,643,894</b>	<b>100%</b>	<b>301,513,851</b>	<b>100%</b>

\*) Starting with February 11, 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. 68/06.11.2019.

### *Share premiums*

In November 2013, the Group issued 28,100,395 ordinary shares at Bucharest Stock Exchange, through an initial public offer and through the exercise of the preemptive right by the shareholder Fondul Proprietatea S.A. The collected amount of RON 312,478,099 was formed by the increase of the share capital of RON 281,003,950 and a share premium of RON 31,474,149.

## 14. EQUITY (CONTINUED)

### *Prepaid reserve*

The prepaid reserves amount to RON 21,553,537 as at December 31, 2019 and December 31, 2018 and represent objectives of public utility at Cernavoda NPP (RON 5,439,321 as at 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 Cernavoda (RON 16,114,216 as at December 31, 2019 and December 31, 2018).

### *Legal reserves*

According to the legal requirements, the Group 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 31, 2020 is of RON 195,218,328 (December 31, 2019: RON 154,447,897).

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 at December 31, 2020, the revaluation reserve amounts to RON 1,820,339,902 (December 31, 2019: 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 Company. The retained earnings are distributed based on the annual financial statements prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards.

During the financial year ended on December 31, 2020, the parent company distributed dividends amounting to RON 498,421,396 from the net profit of the financial year of 2019, according to the OGMS Resolution no. 5/27.04.2020 (2019: 378,914,310 RON distributed from the net profit of the financial year of 2018, according to the OGMS Resolution no. 5/23.04.2019). Unpaid net dividends as at December 31, 2020 amounted to RON 800,583 (December 31, 2019: RON 655,353).

### *Movements of the retained earnings*

	Note	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
<b>Balance as at January 1</b>		<b>2,250,680,741</b>	<b>2,094,981,447</b>
<b>Net profit of the period</b>		<b>699,211,355</b>	<b>535,563,109</b>
Actuarial (loss) on defined benefits plan		(5,539,153)	(625,400)
Result carried forward from other adjustments		(11,910,921)	(324,104)
Dividends		(498,421,396)	(378,914,311)
<b>Balance as at December 31</b>		<b>2,434,020,626</b>	<b>2,250,680,741</b>

The group recorded in 2020 in the position "Retained earnings from other adjustments" amounts representing costs of the previous periods, derived from: regularization of the ANRE fee for the year of 2019 in the amount of RON 4.96 million, CMP corrections for uranium inventory for 2019 in the amount of RON 5.09 million, taxes additionally established according to ANAF Decision no. F-MC\_111/18.02.2020, for the period 2012 - 2017, in the amount of RON 0.90 million and other transactions related to the previous years in the amount of RON 0.95 million.

### *Dividends*

During the financial year ended on December 31, 2020, the parent-Company declared dividends amounting to RON 498,421,396 (December 31, 2019: RON 378,914,310), and Energonuclear S.A. branch declared dividends amounting to RON 1.995 (December 31, 2019: RON 95).

## 15. EARNINGS PER SHARE

As at December 31, 2020 and December 31, 2019, the earnings per share are:

### (i) Basic earnings per share

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited, restated)</u>
<b>Net profit of the financial year</b>	<b>699,211,355</b>	<b>535,563,109</b>
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of ordinary shares issued during the period	130,043	-
<b>Weighted-average number of ordinary shares as at December 31</b>	<b>301,541,641</b>	<b>301,513,851</b>
<b>Basic earnings per share (RON/share)</b>	<b>2.32</b>	<b>1.78</b>

### (ii) Diluted earnings per share

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited, restated)</u>
<b>Net profit of the financial year</b>	<b>699,211,355</b>	<b>410,565,969</b>
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of shares issued during the period	130,043	-
Weighted-average number of ordinary shares at the end of the period	301,541,641	301,513,851
<b>Weighted-average number of ordinary shares (diluted) on December 31</b>	<b>301,541,641</b>	<b>301,513,851</b>
<b>Diluted earnings per share (RON/share)</b>	<b>2.32</b>	<b>1.78</b>

## 16. BORROWINGS

The situation of the loans held by the Group on December 31, 2019, respectively December 31, 2020, is as follows:

	<b>December 31, 2020 (audited)</b>	< 1 year	> 1 year	<b>December 31, 2019 (audited, restated)</b>	< 1 year	> 1 year
Bank loans	<b>502,335,190</b>	211,856,623	290,478,567	<b>712,424,017</b>	212,515,420	499,908,597
Interest	<b>138,459</b>	138,459	-	<b>375,872</b>	375,872	-
<b>Total</b>	<b>502,473,649</b>	211,995,082	290,478,567	<b>712,799,889</b>	212,891,292	499,908,597

### Bank loans

Reimbursements of borrowings during the financial year ended on December 31, 2020 were:

	Currency	Interest rate	Value	Year of final maturity
<b>Balance as at January 1, 2020 (audited)</b>			<b>712,424,017</b>	
New drawings				
<b>Reimbursements, out of which</b>			<b>(218,307,867)</b>	
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.7%	(37,351,762)	2022
Societe Generale – AECL BC	CAD	CDOR 6M + 0.375%	(68,944,355)	2022
EURATOM	EUR	EURIBOR 6M + 0.08%	(112,011,750)	2024
<b>Exchange rate differences</b>			<b>1,644,400</b>	
<b>Commitment fees</b>			<b>6,574,640</b>	
<b>Balance as of December 31, 2020 (audited)</b>			<b>502,335,190</b>	

### (i) Long term loans

As at December 31, 2020 and December 31, 2019, the **long-term** loans from credit institutions appear as follows:

	<b>December 31, 2020 (audited)</b>	<b>December 31, 2019 (audited, restated)</b>
Societe Generale - ANSALDO BC	56,158,539	91,865,702
Societe Generale - AECL BC	102,033,230	178,660,043
EURATOM	354,005,380	458,334,870
<b>Total borrowings</b>	<b>512,197,149</b>	<b>728,860,615</b>
Less: Current part of long-term loans	(218,431,261)	(219,090,059)
Less: Balance of commitment and insurance fees (long term)	(3,287,320)	(9,861,959)
<b>Total long-term loans net of the short-term part</b>	<b>290,478,567</b>	<b>499,908,597</b>



## 16. BORROWINGS (CONTINUED)

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 Parent Company in 2002. The initial value of the obtained loan was EUR 115.3 million. The amount due as at December 31, 2020 is EUR 11.5 million (December 31, 2019: EUR 19.22 million). The reimbursement is divided into 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan carries a floating interest rate EURIBOR at six months plus a margin of 0.45% for the first 15 years and EURIBOR at six months plus a margin of 0.7% 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 Parent Company in 2002. The initial value of the obtained loan was of CAD 327.8 million. The amount due on December 31, 2020 is of CAD 32.78 million (December 31<sup>st</sup>, 2019: CAD 54.63 million). The reimbursement is divided into 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan carries a floating CDOR interest rate at six months plus a margin of 0.375%. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

### *c) The loan granted by EURATOM*

The loan was granted by EURATOM to the Parent Company in 2004. The initial value of the loan was EUR 223.5 million. The amount due as at December 31, 2020 is EUR 72.70 million (December 31, 2019: EUR 95.90 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 20 million (December 31, 2019: EUR 30 million); (ii) Second instalment with a balance of EUR 36 million (December 31, 2019: EUR 45 million) and (iii) Third instalment with a balance of EUR 16.7 million (December 31, 2019: EUR 20.9 million). The repayment of the first instalment will be made in 20 instalments payable during 2013-2022, the repayment of the second instalment will be made in 20 instalments payable during 2015-2024 and the repayment of the third instalment will be made in 16 instalments payable during 2017-2024. The loan carries a floating interest rate EURIBOR at six months plus a margin of 0.080% for the first two installments and EURIBOR at six months plus a margin of 0.079% for the third installment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

The loan agreement comprises certain financial clauses: (i) the debt service coverage ratio must be at least 1.5; (ii) the degree of indebtedness must not exceed the value 2; (iii) the revenues recorded by the Company must be sufficient to cover the operating and maintenance costs of Units 1 and 2, as well as interest 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 at December 31, 2020 and December 31, 2019, 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 with respect to liabilities in foreign currency or interest rate exposure. The fair value of long-term loans, which was estimated discounting future contractual cash flows using the current market interest rate available for similar financial instruments, does not significantly differ from the aforementioned values.

### **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 from SG are guaranteed by foreign insurers (COFACE) and promissory notes are issued by the Company in favour of the creditor.

## 16. BORROWINGS (CONTINUED)

### (ii) Short-term borrowings

As at December 31, 2020 and December 31, 2019, the **short-term** borrowings appear as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Current portion of long-term loans	218,431,262	219,090,059
Interests related to the long-term borrowings	138,459	375,872
Short-term commitment and insurance fees	(6,574,639)	(6,574,639)
<b>Total short-term loans</b>	<b>211,995,082</b>	<b>212,891,292</b>

## 17. TRADE PAYABLES AND OTHER LIABILITIES

As at December 31, 2020 and December 31, 2019, the providers and other liabilities are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Non-current asset providers	47,823,021	16,166,790
Trade payables	81,934,103	83,013,147
Obligations related to employees' liabilities	23,476,989	20,545,047
Payables to the State	106,952,143	93,621,529
Payable dividends	826,280	668,882
Other payables	24,138,767	6,382,967
<b>Total</b>	<b>285,151,303</b>	<b>220,398,362</b>

As at December 31, 2020, the main providers in the balance, from the "Non-current asset providers" and "Suppliers" positions, are: GE Global Parts & Products – RON 24,595,377 (December 31, 2019: RON 0), Apele Romane Bucharest – RON 12,404,839 (December 31, 2019: RON 11,923,228), Candu Energy Inc. – RON 11,062,778 (December 31, 2019: RON 7,927,602), General Concrete S.R.L. – RON 6,047,323 (December 31, 2019: RON 3,575,409), Concelex S.R.L. – RON 5,346,922 (December 31, 2019: 0 RON) and General Electric Global Services GmbH – Sucursala Romania – RON 4,854,327 (December 31, 2019: RON 0).

As at December 31, 2020, "Accounts payable and other liabilities" include the amount of RON 34,472,326 (December 31, 2019: RON 31,671,319) related to liabilities to affiliates, out of which, under the "Suppliers" and "Non-current assets suppliers" positions, the amount of RON 22,698,744 (December 31, 2019: RON 22,793,340) and under the "Payables to the State" position, the amount of RON 12,773,582 (December 31, 2019: RON 8,868,052), representing the contribution to ANDR, for the decommissioning of nuclear facilities and the permanent storage of radioactive waste.

As at December 31, 2019, the "Payables to the State" position includes the debt related to local taxes and duties set by state authorities in 2020, amounting to RON 64,002,080 (December 31, 2019: RON 56,588,394), which, according to IFRIC 21 - Taxes, is recognized on December 31. The maturity of these taxes and duties is during the financial year of 2019.

## 18. PROVISIONS FOR RISKS AND EXPENSES

As at December 31, 2020 and December 31, 2019, respectively, the Group has recognized the following provisions, included under the "Provisions for risks and expenses" position and the "Current part of provisions for risks and expenses" position:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Obligations on the Intermediary Used Fuel Storage (DICA)	70,262,388	69,361,429
Obligations on the low and medium radioactive and non-radioactive waste	103,884,325	97,050,892
Salary increase litigation provision	97,209,259	87,801,325
Employees' participation to the profit	21,326,448	18,700,000
Provisions for litigations	-	6,000,000
<b>Total</b>	<b>292,682,420</b>	<b>278,913,646</b>

As at December 31, 2020, the provisions in total amount of RON 292,682,420 represent long-term and short-term liabilities, as follows:

	<b>Current part</b>	<b>Long-term part</b>
	<b>(&lt; 1 year)</b>	<b>(&gt; 1 year)</b>
Obligations on the Intermediary Used Fuel Storage (DICA)	26,596,716	43,665,672
Obligations on the low and medium radioactive and non-radioactive waste	9,349,710	94,534,615
Salary increase litigation provision	-	97,209,259
Employees' participation to the profit	21,326,448	-
<b>Total</b>	<b>57,272,874</b>	<b>235,409,546</b>

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

See Note 3 (r) for the relevant accounting policies for provisions.

## 19. CORPORATE TAX

The corporate tax recognized in the profit and loss account:

	<u>2020</u> <u>(audited)</u>	<u>2019</u> <u>(audited, restated)</u>
Current corporate tax expense	130,125,891	117,510,572
Net (income) from the deferred tax	(14,039,505)	(21,901,707)
<b>Total</b>	<b>116,086,386</b>	<b>(95,608,865)</b>

Receivables and liabilities related to the deferred taxes are valued as at December 31, 2020 and December 31, 2019 at the 16% effective tax rate, representing the tax rate currently implemented.

### Reconciliation of effective tax rate:

	<u>2020</u> <u>(audited)</u>	<u>2019</u> <u>(audited, restated)</u>
<b>Profit before corporate tax</b>	<b>815,408,615</b>	<b>631,278,486</b>
<b>Tax in compliance with the statutory 16% tax rate (2018: 16%)</b>	<b>130,465,378</b>	<b>101,004,558</b>
<b>Effect on the corporate tax of the:</b>		
Legal reserve	(6,523,269)	(5,050,229)
Tax amortization	(1,177,057)	(1,113,308)
Non-taxable revenues	(10,653,565)	(8,971,483)
Non-deductible expenses	25,964,520	31,904,903
Revaluation reserve gains	10,465,489	11,590,465
Temporary differences	(14,039,505)	(21,901,707)
Sponsoring	(9,499,748)	(10,897,352)
Reinvested profit	(913,611)	(956,982)
Discounts pursuant to G.O. 33/2020 and G.O. 99/2020	(8,002,247)	-
<b>Corporate tax expense</b>	<b>116,086,386</b>	<b>95,608,865</b>

The deferred tax consists of:

<u>December 31, 2020</u> <u>(audited)</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Tangible assets		120,113,342	120,113,342
Intangible assets		1,362,970	1,362,970
Inventories	(881,818)		(881,818)
Trade receivables	(1,687,382)		(1,687,382)
Liabilities related to employees' benefits	(5,850,125)		(5,850,125)
Employees' participation in the profit	(3,412,232)		(3,412,232)
Salary increase provision	(15,553,480)		(15,553,480)
Annual leaves not taken	(724,373)		(724,373)
Taxes and duties	(10,218,498)		(10,218,498)
Radioactive and non-radioactive waste	(16,621,492)		(16,621,492)
<b>Net tax (asset)/liability</b>	<b>(54,949,400)</b>	<b>121,476,312</b>	<b>66,526,912</b>

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## 19. CORPORATE TAX (CONTINUED)

December 31, 2019 (audited, restated)	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)
Liabilities related to employees' benefits	(5,513,746)		(5,513,746)
Employees' participation in the profit	(2,992,000)		(2,992,000)
Salary increase provision	(14,048,212)		(14,048,212)
Annual 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)
<b>Net tax (asset)/liability</b>	<b>(52,067,520)</b>	<b>132,810,528</b>	<b>80,743,008</b>

The movement table on the deferred tax debt in 2020 and 2019 is as follows:

	Balance as at December 31, 2018 (audited)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other items of comprehensive earnings	Balance as of December 31, 2019 (audited)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other items of comprehensive earnings	Balance as of December 31, 2020 (audited)
Tangible assets	143,913,930	(11,970,631)	5,602,184	131,943,299	(11,653,365)	5,485,517	120,113,342
Intangible assets	1,995,784	(1,128,555)	-	867,229	495,741	-	1,362,970
Inventories	(1,421,116)	193,249	-	(1,227,867)	346,048	-	(881,818)
Trade receivables	(3,410,935)	1,264,325	-	(2,146,609)	459,228	-	(1,687,382)
Liabilities related to employees' benefits	(5,133,123)	(380,623)	-	(5,513,746)	(336,379)	-	(5,850,125)
Salary increase provision	(5,589,944)	(8,458,268)	-	(14,048,212)	(1,505,268)	-	(15,553,480)
Employees' participation in the profit	(2,560,000)	(432,000)	-	(2,992,000)	(420,232)	-	(3,412,232)
Annual leaves not taken	(512,778)	(109,212)	-	(621,990)	(102,384)	-	(724,373)
Taxes and duties	(9,013,385)	(15,568)	-	(9,028,953)	(1,189,545)	-	(10,218,498)
Radioactive and non- radioactive waste	(15,623,718)	95,576	-	(15,528,143)	(1,093,349)	-	(16,621,492)
Other provisions	-	(960,000)	-	(960,000)	960,000	-	-
<b>Net tax (asset)/liability</b>	<b>102,644,715</b>	<b>(21,901,707)</b>	<b>5,602,184</b>	<b>80,743,008</b>	<b>(14,039,505)</b>	<b>5,485,517</b>	<b>66,526,912</b>

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## 20. EMPLOYEE BENEFITS

	<b>December 31, 2020</b> <b>(audited)</b>	<b>December 31, 2019</b> <b>(audited, restated)</b>
Retirement benefits	25,716,845	25,710,198
Anniversary bonuses	5,780,360	5,905,461
Benefits in case of death	862,058	910,676
Retirement benefits in the energy field	10,743,171	9,095,310
<b>Total</b>	<b>43,102,434</b>	<b>41,621,644</b>

As at December 31, 2020, the Group has the following obligations:

- to pay to retiring employees retirement premiums varying between 2 and 3 basic salaries depending on the number of years of experience in the field of electricity, thermal and nuclear power;
- to pay jubilee premium employees depending on the number of years of uninterrupted seniority in the field of electricity, thermal and nuclear power;
- to pay an allowance to the employee's family, in case of their death;
- to pay to the retiring employees an energy benefit, representing the equivalent value of the electricity quota of 1,200 KWh/year. The criterion for granting this benefit is 15 years of experience in the energy field, out of which at least the last 10 years within the Company. This benefit is granted as of April 1, 2017.

The following assumptions were taken into account for the application of IAS 19 "Employee Benefits" as at December 31, 2020 and December 31, 2019.

<b>Assessment date</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Number of employees	2,011	2,153
Wage increase rate	The management of the company estimated an increase of 0% in 2021 and with the annual rate of increase of consumer prices communicated by the National Forecast Commission for 2022 and the following years. The inflation rate was estimated based on the 2021 Winter Forecast, issued by the National Strategy and Forecast Commission, as follows: 2.5% in 2021, 2.4% in 2022, 2.3% in 2023 and 2.2% per year of the period 2024-2036 and following a decreasing trend in the following years.	The management of the company estimated an increase of 3.2% in 2020 and with the annual rate of increase in consumer prices communicated by the National Forecast Commission. For 2021 and the following years, we still considered an average salary increase with the annual inflation rate estimated at the annual inflation target of 2.5%.
Rate of increase in the price of kWh	The kWh price updated as at December 31, 2020 was of RON 0.7179. For the period 2021-2030, the estimates provided by the Company and an evolution in the same trend for the following years were used.	The kWh price updated as at December 31, 2019 was of RON 0.6683. For the period 2020-2030, the estimates provided by the Company and an evolution in the same trend for the following years were used.
Weighted average discount rate	3.00%	4.25%
Mortality tables	Romanian Population Mortality Table for 2018 issued by the National Institute of Statistics.	Romanian Population Mortality Table for 2013 issued by the National Institute of Statistics.
Gross average wage	8,336	8,392

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION.  
IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

## 20. EMPLOYEES BENEFITS (CONTINUED)

The assumptions herein above have been considered taking into account:

- bond yields on the active market at the end of December 2020. The available residual terms up to maturity were 1-11 years and 14 years. For the other durations, the discount rate was estimated using the Smith-Wilson extrapolation method;
- the estimated long-term inflation rate 2.0% p.a. (December 31, 2019: 2.0%);
- the actual estimate long-term yield on government bonds 1.6% p.a. (December 31, 2019: 2.05%);
- liquidity premium for Romania 0% (December 31, 2019: 0%);
- weighted average discount rate of 3.00% (December 31, 2019: 4.25%).

## 21. REVENUES FROM ELECTRICITY SALES

### (i) Revenues from electricity sales

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Sales of electricity on the regulated market	404,796,955	259,323,436
Sales of electricity on the free market	2,021,681,915	2,099,877,476
Sales of thermal energy	5,773,558	6,329,627
Revenues from the sale of green certificates	26,111	25,458
<b>Total</b>	<b>2,432,278,539</b>	<b>2,365,555,997</b>

### (ii) Amount of energy sold<sup>\*)</sup>

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Quantity of electricity sold on the regulated market (MWh)	2,181,607	1,376,963
Quantity of electricity sold on the free market (MWh)	8,589,764	9,245,123
<b>Total</b>	<b>10,771,371</b>	<b>10,622,086</b>

<sup>\*)</sup> The presented quantity of sold energy does not include the quantity of energy corresponding to the income from positive unbalances valued on the Balancing Market, amounting to 33,757 MWh for the financial year ended on December 31, 2020 (30,137 MWh for the financial year ended on December 31, 2019).

The electricity sector is regulated by the National Energy Regulatory Authority (“ANRE”), an autonomous public institution. The electricity sector is regulated by the National Energy Regulatory Authority (“ANRE”), an autonomous public institution. 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. 216/11.12.2019 for approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance suppliers. According to ANRE Resolution no. 2213/23.12.2019, the quantity assigned to SNN for the first half-year of 2020 for regulated contracts was 1,087 GWh, out of which 701.4 GWh for Q1 2020 and 385.6 GWh for Q2 2020. For the first half-year of 2020, ANRE established a regulated price for SNN of 188.47 RON/MWh (without T<sub>g</sub>). For the second half-year of 2020, ANRE issued Order no. 88/12.06.2020 for approving the Methodology for setting regulated fees and prices applied by last-instance providers to end clients for period July 1 - December 31, 2020 [...]. According to ANRE Resolution no. 1077/29.06.2020, the quantity assigned to SNN for the second half-year of 2020 for regulated contracts was 1,095 GWh, out of which 394.9 GWh for Q3 2020 and 700.1 GWh for Q4 2020. For the second half-year of 2020, ANRE established a regulated price for SNN of 182.63 RON/MWh (without T<sub>g</sub>). Thus, the Company sold 20.2% energy on the regulated market (2019: 12.9%).

On the competitive market, in 2020, the Group delivered 79.5% of the energy sold (2019: 86.8%). The average sale price of electricity sold by the Group on this market in 2020 was of 235.36 RON/MWh (2019: 227.13 RON/MWh) value, which does not include T<sub>g</sub>.

The parent-Company is a participant in the balancing market, according to the convention of participation in the balancing market concluded with C.N. Transelectrica S.A. and set up a security in the amount of RON 50,000, valid until June 22, 2021 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 December 20, 2021.

The Parent Company performs the activity of generating thermal energy by the operation of the power capacities related to the units of electrical and heating power generation consisting of two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The Parent Company delivers thermal energy to the local thermal energy distribution company S.C. Utilitati Publice S.A. Cernavoda, as well as to other final consumers in the locality Cernavoda – business entities, social-cultural institutions. The sales of thermal power in 2020 amount to RON 5,773,558 (December 31, 2019: RON 6,329,627).



## 22. OTHER INCOMES

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Income from investment subsidies	14,344,816	14,368,732
Income from compensations, fines and penalties	387,337	1,924,538
Other revenues	39,430,838	23,364,944
<b>Total</b>	<b>54,162,991</b>	<b>39,658,214</b>

Subsidies for investment (long-term deferred income) were granted in 2007 and consisted of cancellation of penalties and liabilities related to the loan agreements. Subsidies are recorded in the profit and loss account as revenues over the period 2007-2026, for the remaining useful life of Unit 1.

## 23. PERSONNEL EXPENSES

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Wages and salaries	405,649,447	393,674,514
Expenditure on social security and assimilated costs	34,631,160	31,922,864
<b>Total personnel expenses</b>	<b>440,280,607</b>	<b>425,597,378</b>

In 2020, the breakdown of employees per categories appears as follows:

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Executive personnel	143	159
Operating personnel	1,868	2,002
<b>Total actual number of employees</b>	<b>2,011</b>	<b>2,153</b>

## 24. OTHER OPERATING EXPENSES

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Expenses on services provided by third parties	87,501,426	89,758,163
Expenses on ANDR	102,246,544	98,249,691
Energy and water expenses	80,009,660	79,490,421
Expenses on fuel and other consumables	50,103,743	42,147,140
Expenses on the ANRE contribution	4,227,661	42,501,390
Expenses on insurance premiums	12,530,425	12,701,686
Transport and telecommunication expenses	7,271,177	8,727,006
Building tax expenses	63,230,788	55,838,095
Expenses related to provisions and value adjustments, net	5,236,830	55,123,571
Other operating expenses	46,767,427	40,377,336
<b>Total</b>	<b>459,125,681</b>	<b>524,914,499</b>

### *Expenses on ANDR*

Starting with 2007, following the Government Decision no. 1080/2007 on the safe management of the radioactive waste and the decommissioning of the nuclear plants, the Company is bound to make two types of contributions to 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.

## 24. OTHER OPERATING EXPENSES (CONTINUED)

### *Expenses on the ANRE contribution*

The contribution to ANRE calculated based on ANRE Order no. 1/2020, according to which the Company pays 0.1% of the turnover for 2019, made from the activities carried out based on the licenses held, amounting to RON 4,227,661 (December 31, 2019: RON 42,501,390). For the year of 2019, the contribution was paid under the ANRE Order no. 114/2018, which set a percentage of 2% of the turnover achieved from the activities performed under the licenses held.

### *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 2020, the Company established provisions amounting to RON 37,515,487 (2019: RON 87,434,905) and reversed provisions amounting to RON 32,278,657 (2019: RON 32,311,334). From among the provisions established in 2020, RON 16,746,459 represents the preliminary provision representing the salary increase (December 31, 2019: RON 52,864,172), RON 10,142,359 represents the update of the provision for the intermediary burnt fuel tank ("DICA") (2019: RON 14,705,612) and RON 9,811,642 represents the update of the provision for low and medium radioactive waste (2019: RON 13,261,430).

### *Other operating expenses*

The "Other operating expenses" position includes the expenses related to the operating permits, paid to CNCAN Bucharest, amounting to RON 9,900,000 (December 31, 2019: RON 9,900,000), as well as other taxes and contributions paid to governmental and non-governmental organizations amounting to RON 3,944,856 (December 31, 2019: RON 3,570,853).

## 25. FINANCIAL REVENUES AND EXPENSES

	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>
Income from interests	58,404,301	54,524,205
Foreign exchange difference gains	26,020,064	12,718,463
Income from dividends	1,769	1,193
Other financial revenues	354	-
<b>Total financial revenues</b>	<b>84,426,488</b>	<b>67,243,861</b>
Foreign exchange difference loss	(27,271,998)	(49,089,307)
Interest-related expenses	(13,242,793)	(16,398,023)
<b>Total financial expenses</b>	<b>(40,514,791)</b>	<b>(65,487,330)</b>
<b>Net financial income/(expense)</b>	<b>43,911,697</b>	<b>1,756,531</b>

## 26. 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 the governmental authorities and agencies thereof, collectively referred to as state-owned companies.

The Group has made significant transactions with other state-owned or -controlled companies, including: electricity sales (OPCOM S.A., Muntenia Nord S.A. Electricity Distribution Company); electricity acquisitions (S.P.E.E.H. Hidroelectrica S.A.); acquisition of electricity transmission and balancing services (C.N. Transelectrica S.A.); acquisition of natural uranium in the form of sinterable UO<sub>2</sub> powder (National Uranium Company S.A.); acquisition of processing services for non-compliant materials containing natural uranium from the FCN Pitesti Branch, in order to recover uranium in the form of sinterable UO<sub>2</sub> powder (Compania Nationala a Uraniului S.A.); acquisition of radioactive water treatment services resulting from production activities (Autonomous Directorate of Nuclear Energy Technologies - Pitesti Nuclear Research Institute) and payment of contribution for the management of the decommissioning process of the two units and for the final storage of nuclear waste at the end of the useful life of the two units, as well as for the permanent storage of the resulting waste (Nuclear and Radioactive Waste Agency - ANDR).

During the performance of the activity thereof, the Group identified the following transactions and balances with the main related parties:

	Sales		Receivables as at	
	2020 (audited)	2019 (audited)	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	455,539,765	236,626,767	1,113,446	610,066
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	69,322,692	-	7,594,618	-
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	12,873,830	30,739,320	1,297,584	-
Utilitati Publice S.A. Cernavoda	5,831,586	6,411,004	2,929,630	1,248,170
Autonomous Administration of Technologies for Nuclear Energy - CITON	259,326	77,956	1,712	-
C.N. Transelectrica S.A.	141,364	32,639,617	17,370	15,103
Compania Nationala Administratia Canalelor Navigabile S.A.	5,707	6,284	1,363	1,415
Autonomous Administration of Technologies for Nuclear Energy - ICN	2,899	4,034	-	-
National Institute for Research and Development for Cryogenic and Isotopic Technologies	336	210	-	-
Compania Nationala a Uraniului S.A.	168	126	-	22,679,314
<b>Total</b>	<b>543,977,673</b>	<b>306,505,318</b>	<b>12,955,723</b>	<b>24,554,068</b>

## 26. TRANSACTIONS WITH RELATED-PARTIES (CONTINUED)

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

	Purchases		Payables as at	
	2020 (audited)	2019 (audited)	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Nuclear and Radioactive Waste Agency	102,246,544	98,249,692	12,773,582	8,868,052
Compania Nationala a Uraniului S.A.	60,002,814	43,127,948	395,198	195,757
Romanian Waters Bucharest	59,599,292	59,530,703	12,404,839	11,923,228
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	37,373,814	42,605,855	145,698	12,420
C.N. Transelectrica S.A.	13,903,800	12,436,882	1,501,313	2,673,283
Administratia Bazinala de Apa Dobrogea Litoral	11,531,933	11,208,392	2,979,375	3,165,422
National Commission for Nuclear Activities Control	9,502,850	9,201,100	-	-
Autonomous Administration of Technologies for Nuclear Energy - ICN	6,220,184	6,163,338	1,791,690	2,022,158
S.P.E.E.H. Hidroelectrica S.A.	6,095,220	-	-	-
Compania Nationala Administratia Canalelor Navigabile S.A.	5,202,540	5,938,002	1,028,044	1,034,812
National Energy Regulatory Authority	4,232,661	42,511,640	120,446	-
Raja S.A.	3,183,919	3,229,063	503,590	578,783
Complexul Energetic Oltenia	2,777,818	-	935,580	-
Autonomous Administration of Technologies for Nuclear Energy - CITON	1,392,343	957,802	581,291	821,141
Compania Nationala pentru Controlul Cazanelor, Instalatiilor de Ridicat si Recipientelor sub Presiune S.A.	91,051	24,486	27,666	1,737
National Institute for Research and Development for Cryogenic and Isotopic Technologies	90,560	225,978	36,890	36,890
Utilitati Publice S.A. Cernavoda	83,863	468,646	25,496	83,771
National Administration of States Reserves and Special Matters	-	15,564,733	-	-
<b>Total</b>	<b>323,531,206</b>	<b>351,444,260</b>	<b>35,250,700</b>	<b>31,417,454</b>

### 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 (see Note 11).

## 26. TRANSACTIONS WITH RELATED-PARTIES (CONTINUED)

### iii) Compensation to the management of the Group

The management of the Group is made up of:

- The members of the Board of Directors of the company and of the Energonuclear subsidiary having concluded mandate contracts with the Company;
- The managers with mandate contracts within the Group;
- Other managers within the Group having concluded the individual employment contracts, within the terms stipulated in the collective labour agreements, as applicable.

The members of the Board of Directors have concluded management (mandate) contracts with the Group, the remuneration thereof being approved by the General Meeting of the Shareholders. The managers with mandate contracts are remunerated based on the contractual provisions within the general limits approved by GMS. Detailed information on the remuneration of the 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.

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited, restated)</u>
Remuneration of the management of the Group (gross amounts)	11,229,473	10,058,578
	<u><b>11,229,473</b></u>	<u><b>10,058,578</b></u>

## 27. 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 efficiently manage the risks and opportunities. The financial department prepares on a regular basis cash flow forecasts, for the purpose of helping 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 2020, the quantity of electricity sold on the competitive market represented 54.7% of the total volume of electricity sold, and, on the spot market (PZU + PI), an amount of electricity representing 24.8% was sold. The average sale price on bilateral contracts in 2020 was 266.05 RON/MWh, with Tg included (December 31, 2019: 228.01 RON/MWh, with Tg included), and, on the spot market (PZU + PI), the average price was 169.88 RON/MWh, with Tg included (December 31, 2019: 225.23 RON/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 31, 2020 by RON 244,020,342 (December 31, 2019: RON 237,133,981), 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 31, 2020, and December 31, 2019, 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 27 (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  $\pm 1.00\%$  change of the interest rate related to the interest-bearing assets and liabilities is of  $\pm$  RON 5,023,352 (December 31, 2019:  $\pm$  RON 7,288,606).

## 27 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

### a) Market risk (continued)

#### (ii) Interest rate risk (continued)

	Carrying amount (*)	
	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
<b>Fixed rate instruments</b>		
Financial assets	2,046,940,000	1,701,437,794
	<b>2,406,940,000</b>	<b>1,701,437,794</b>
<b>Variable rate instruments</b>		
Financial liabilities	(502,335,190)	(728,860,615)
	<b>(502,335,190)</b>	<b>(728,860,615)</b>

(\*) Gross carrying amount, prior to the deduction of the transaction costs.

#### *Sensitivity analysis of cash flows for variable interest rate instruments*

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

	Profit or loss	
	+ 1.00% Increase	- 1.00% Decrease
<b>December 31, 2020</b>		
Variable rate instruments	(7,288,606)	7,288,606
<b>Cash flow sensitivity (net)</b>	<b>(7,288,606)</b>	<b>7,288,606</b>
<b>December 31, 2019</b>		
Variable rate instruments	(7,288,606)	7,288,606
<b>Cash flow sensitivity (net)</b>	<b>(7,288,606)</b>	<b>7,288,606</b>

#### (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.

## 27 MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

### a) Market risk (continued)

#### (iii) Currency risk (continued)

The financial assets and liabilities expressed in RON and other currencies as at December 31, 2020 and December 31, 2019 are presented in the following tables.

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
<b>December 31, 2020</b>							
<b>Financial assets</b>							
Cash, cash equivalents and deposits	2,168,251,387	2,166,471,812	525,832	716,981	205,364	330,538	860
Trade receivables	157,943,506	157,807,873	-	4,785	40,483	90,365	-
Payments made in advance	10,323,167	10,323,167	-	-	-	-	-
Tangible assets (down payments)	82,083,795	39,538,638	24,410,824	15,256,576	2,877,757	-	-
<b>Gross exposure</b>	<b>2,418,601,855</b>	<b>2,374,141,490</b>	<b>24,936,656</b>	<b>15,978,342</b>	<b>3,123,604</b>	<b>420,904</b>	<b>860</b>
<b>Financial liabilities</b>							
Trade payables and providers of non-current assets	(129,757,123)	(82,131,200)	(26,113,835)	(2,364,253)	(19,144,045)	(3,790)	-
Loans	(512,197,149)	-	(410,163,919)	-	(102,033,230)	-	-
<b>Gross exposure</b>	<b>(641,954,272)</b>	<b>(82,131,200)</b>	<b>(436,277,754)</b>	<b>(2,364,253)</b>	<b>(121,177,275)</b>	<b>(3,790)</b>	<b>-</b>
<b>Net exposure in the statement of financial position (audited)</b>	<b>1,776,647,583</b>	<b>2,292,010,290</b>	<b>(411,341,098)</b>	<b>13,614,089</b>	<b>(118,053,671)</b>	<b>417,113</b>	<b>860</b>

(\*) Gross carrying amount, prior to the deduction of the transaction costs.

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
<b>December 31, 2019</b>							
<b>Financial assets</b>							
Cash, cash equivalents and deposits	1,852,381,111	1,826,421,645	24,817,464	690,940	420,986	29,117	958
Trade receivables	169,993,753	169,843,307	7,523	4,589	14,163	124,171	-
Payments made in advance	23,925,205	23,925,205	-	-	-	-	-
Tangible assets (down payments)	27,363,148	20,337,435	297,390	1,743,608	4,984,714	-	-
<b>Gross exposure</b>	<b>2,073,663,218</b>	<b>2,040,527,593</b>	<b>25,122,378</b>	<b>2,439,137</b>	<b>5,419,863</b>	<b>153,289</b>	<b>958</b>
<b>Financial liabilities</b>							
Trade payables and providers 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)	-	-
<b>Gross exposure</b>	<b>(828,040,553)</b>	<b>(82,037,525)</b>	<b>(553,471,895)</b>	<b>(2,439,833)</b>	<b>(190,089,112)</b>	<b>(2,187)</b>	<b>-</b>
<b>Net exposure in the statement of financial position (audited)</b>	<b>1,245,622,665</b>	<b>1,958,490,068</b>	<b>(528,349,517)</b>	<b>(696)</b>	<b>(184,669,250)</b>	<b>151,101</b>	<b>958</b>

(\*) Gross carrying amount, prior to the deduction of the transaction costs.

The following exchange rates have been used:

	Average exchange rate		Exchange rate on	
	2020	2019	December 31, 2020	December 31, 2019
RON/EUR	4.8371	4.7452	4.8694	4.7793
RON/USD	4.2440	4.2379	3.9660	4.2608
RON/CAD	3.1647	3.1948	3.1127	3.2702
RON/GBP	5.4423	5.4113	5.4201	5.6088
RON/CHF	4.4997	4.4033	4.5201	4.2652

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## 27 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 31, 2020 and December 31, 2019 would have increased the gross profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	<b>Profit 2020</b>	<b>Profit 2019</b>
	<b>(audited)</b>	<b>(audited)</b>
EUR	41,134,110	52,834,952
USD	(1,361,409)	70
CAD	11,805,367	18,466,925
GBP	(41,711)	(15,110)
CHF	(86)	(96)
<b>Total</b>	<b>51,536,271</b>	<b>71,286,740</b>

A 10% depreciation of the national currency against the following foreign currencies as at December 31, 2020 and December 31, 2019 would have had a similar, but opposite sign effect on the amounts shown above, assuming that all other variables remained constant.

	<b>Loss 2020</b>	<b>Loss 2019</b>
	<b>(audited)</b>	<b>(audited)</b>
EUR	(41,134,110)	(52,834,952)
USD	1,361,409	(70)
CAD	(11,805,367)	(18,466,925)
GBP	41,711	15,110
CHF	86	96
<b>Total</b>	<b>(51,536,271)</b>	<b>(71,286,740)</b>

### 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.

As at December 31, 2020, the Group is exposed to a concentrated credit risk, considering the fact that approximately 40% of the trade receivables are towards Electrica Furnizare S.A. and towards E.ON Energie Romania S.A. (see Note 11). 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), seeking to reduce the counterparty risk, by limiting the exposure towards a single financial institution. The main financial institutions where the financial assets are placed are shown below:

## 27. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

### b) Credit risk (continued)

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
EximBank S.A.	583,003,131	240,781,847
CEC Bank S.A.	551,837,328	68,000,000
Alpha Bank S.A.	285,603,341	282,014,514
Garanti Bank S.A.	237,357,678	256,013,619
Unicredit Bank S.A.	234,439,863	273,235,001
Banca Comerciala Romana S.A.	209,130,038	146,303,362
BRD Societe Generale S.A.	64,492,145	78,146,656
Treasury of Bucharest Municipality	1,436,579	1,436,571
Citi Bank Romania	76,818	80,008
OTP Bank S.A.	2,875	175,926,809
Banca Transilvania S.A.	1,728	70,796,406
Credit Agricole Bank S.A.	180	206,516,355
Libra Internet Bank S.A.	-	90,382,575
Other	869,683	527,388
<b>Total cash, bank deposits and financial assets</b>	<b>2,168,251,387</b>	<b>1,890,161,111</b>

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

	Net value	
	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
<b>Financial assets</b>		
Trade receivables	157,943,506	169,993,753
Bank deposits	1,621,384,000	58,879,494
Cash and cash equivalents	546,867,387	1,793,501,617
Other assets valued at the amortized cost	80,764,407	78,151,073
	<b>2,406,959,300</b>	<b>2,100,525,937</b>

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

	Gross value December 31, 2020 (audited)	Value adjustments as at December 31, 2020 (audited)	Gross value December 31, 2019 (audited)	Value adjustments as at December 31, 2019 (audited)
Not past due	156,121,900	-	169,522,876	-
Past due 1-30 days	969,654	-	445,870	-
Past due 31-90 days	183,835	-	24,792	-
Past due 91-180 days	321,381	-	-	-
Past due 181-270 days	346,736	-	-	-
Past due 271-365 days	-	-	698	-
Past due more than one year	10,101,875	(10,101,875)	10,496,161	(10,496,161)
<b>Total</b>	<b>168,045,381</b>	<b>(10,101,875)</b>	<b>180,490,397</b>	<b>(10,496,161)</b>

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## 27. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

### b) Credit risk (continued)

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

	<b>Gross value December 31, 2020 (audited)</b>	<b>Value adjustments as at December 31, 2020 (audited)</b>	<b>Gross value December 31, 2019 (audited, restated)</b>	<b>Value adjustments as at December 31, 2019 (audited, restated)</b>
Not past due	80,735,426	-	46,730,314	-
Past due 1-30 days	17,888	-	400	-
Past due 31-90 days	10,156	-	1,193	-
Past due 91-180 days	-	-	1,861	-
Past due 181-270 days	-	-	-	-
Past due 271-365 days	-	-	-	-
Past due more than one year	597,497	(596,559)	3,074,605	(3,074,604)
<b>Total</b>	<b>81,360,967</b>	<b>(596,559)</b>	<b>49,808,372</b>	<b>(3,074,604)</b>

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

	<b>December 31, 2020 (audited)</b>	<b>December 31, 2019 (audited, restated)</b>
<b>Balance at the beginning of the year</b>	(10,496,161)	<b>(10,858,933)</b>
Recognized impairment adjustments, net of resumptons	394,286	362,772
<b>Balance at the end of the year</b>	<b>(10,101,875)</b>	<b>(10,496,161)</b>

### 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.

## 27. 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 31, 2020, and for the financial year ended on December 31, 2019, thus:

	Carrying amount December 31, 2020 (audited)	Contract value	> 1 year	> 1 year	Carrying amount December 31, 2019 (audited, restated)
<b>Financial assets</b>					
Cash and current accounts	546,867,387	546,867,387	546,867,387	-	1,793,501,617
Deposits in banks	1,621,384,000	1,621,384,000	1,621,384,000	-	58,879,494
Trade receivables	157,943,506	157,943,506	157,943,506	-	169,993,753
Financial assets valued at the amortized cost	5,056,031	5,056,031	-	-	42,836,031
Other assets valued at the amortized cost	80,764,407	80,764,407	80,763,470	938	78,151,073
<b>Total financial assets</b>	<b>2,412,015,331</b>	<b>2,412,015,331</b>	<b>2,406,958,363</b>	<b>938</b>	<b>2,143,361,968</b>
<b>Financial liabilities</b>					
Loans	502,473,649	502,473,649	211,995,082	290,478,567	712,799,889
Trade payables	285,151,303	285,151,303	285,151,303	-	220,398,362
Debts from leasing contracts	632,795	632,795	117,721	515,074	-
Other financial liabilities	102,296,423	102,296,423	16,228,454	86,067,969	220,398,362
<b>Total financial liabilities</b>	<b>890,554,170</b>	<b>890,554,170</b>	<b>513,492,560</b>	<b>377,061,610</b>	<b>1,061,474,482</b>
<b>Liquidity surplus</b>	<b>1,521,461,161</b>	<b>1,521,461,161</b>	<b>1,893,465,803</b>	<b>(377,061,610)</b>	<b>1,081,887,486</b>

\*) 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.

## **27. 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 may relate to the imposition by local and central authorities or by the energy regulatory authority (ANRE) of new contractual provisions or tax amendments. This risk is limited by continuously monitoring and assessing the impact on the Company by legislative amendments.

### **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.

## 28. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

### *(i) Taxation*

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still different interpretations of tax law. In certain situations, the tax authorities may treat certain aspects differently, proceeding to the calculation of additional taxes and duties and of the related interests and default penalties. In Romania, the fiscal year remains open for fiscal verification for 5 years. The management of the Group considers that the tax liabilities included in these financial statements are adequate and is not aware of certain circumstances that would lead to potential significant liabilities in this respect.

### *(ii) Other check-ups*

Based on the Tax Inspection Notice FMC 163/23.07.2018, starting with August 23, 2018 at the headquarters of the Company, a control team appeared for the verification of the corporate tax for the period 2012 - 2017, income tax for the revenues obtained in Romania by non-residents, dividend revenues obtained from Romania by non-residents and revenues from royalties obtained from Romania by non-residents for the period 2015 - 2017, VAT for the period 2013 - 2017, tax on interest revenues obtained from Romania by non-residents for the period 2015 - 2017. The tax inspection ended by RIF no. FMC 27/18.02.2020, registered with SNN under no. 2621/21.02.2020, and by the Notice of Assessment on the main fiscal liabilities related to the tax base differences established within the tax inspection no. FMC 111/18.02.2020, debts amounting to RON 2,453,799 were established. For the accessories related to these debits, SNN submitted to ANAF a Request for the cancellation of the accessories, registered with SNN under no. 3164/03.03.2020 and with ANAF under no. 11264/03.03.2020, whereby it requested the cancellation thereof according to art. 27 in the Government Ordinance no. 6/2019 on the establishment of tax facilities. Consequently, ANAF issued a decision for the annulment of the accessory payment liabilities no. 559/06.03.2020.

By letter no. IV/40.786/06.10.2020, registered with SNN under no. 11.644/06.10.2020, the Court of Auditors of Romania communicated that, starting with October 26, 2020, it will carry out the documentation action on the manner of implementation of the measures ordered by Decisions no. 5/2018, no. 16/2015 and no. 14/2012. As a result of this action, the Follow-up Report no. 13552/25.11.2020 was prepared on the manner of implementation of the measures ordered by Decision no. 5/2018.

### *(iii) Insurance policies*

As at December 31, 2020, the following operational insurance policies are in force:

- Property insurance policy for material damages, all risks, including mechanical and electrical destruction (for Units 1 and 2 at Cernavoda NPP and FCN Pitesti). The indemnity limit is USD 1,560 million per total year for all damages.
- Third party liability insurance policy for nuclear damage. The indemnity limit is DST 300 million (for Units 1 and 2 at Cernavoda NPP)
- Civil/professional liability insurance policy for SNN directors and managers ("D&O"), in order to limit the liability (insured amount of 33 million EUR).

### *(iv) Environmental issues*

The Group recorded no liability as at December 31, 2019 and December 31, 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 31, 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.

Nevertheless, the enforcement of environmental regulations in Romania is evolving and the application thereof by the government authorities is continuously being reconsidered. The Group periodically assesses the obligations incumbent thereupon under the environmental regulations. The established obligations are immediately acknowledged. Potential liabilities, which might arise as a result of the amendment in the existing regulations, civil litigations or the law, cannot be estimated, but could be significant. In the context of the applicable law, the management considers that there are no significant debts for the damages brought to the environment.

## 28. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

### (v) *Ongoing litigations*

During 2020, the Group was involved in a number of legal proceedings arising during the normal course of business thereof. The management periodically analyzes the ongoing litigations and, after consulting with the legal advisers or lawyers thereof, decides on the necessity to create provisions for the amounts involved or to present them in the financial statements.

In the opinion of the management of the Group, there are no current legal actions or claims having a significant impact on the financial earnings and the financial position of the Group, not having been presented in these financial statements.

### (vi) *Commitments*

As at December 31, 2020, 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).

As at December 31, 2020, the total value of the letters of bank guarantee issued in favor of customers for contracts concluded on PCCB-NC, PCCB-LE and PCSU amounts to RON 55.80 million, for FUI amounts to RON 20.0 million and in favor of OPCOM for the participation to DAM and IM amounts to RON 37.28 million.

As at December 31, 2020, the Group also has established letters of guarantee issued in favor of Transelectrica S.A. and Ciga Energy S.A. amounting to RON 3.96 million, with the role of ensuring the liquidity on the Balancing Market, through the establishment by each of Party Responsible for Balancing of a financial guarantee in favor of Transelectrica S.A. and Ciga Energy S.A., respectively, on the account of the Convention of the Party Responsible for the Balancing concluded between the Company as license holder and Transelectrica S.A. and Ciga Energy S.A., respectively.

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

As at December 31, 2020 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 - Anti-Fraud Directorate General.

As at December 31, 2020, 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 493,8 million and RON 20.0 million for the regulated market. These guarantees cover the risk of unfulfilling the contractual obligations assumed by the clients through the energy sale contracts.

## 29. FEES

The Group concluded on June 16, 2020, 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 2020 charged for all the services of limited review of the financial statements as at June 30, 2020, auditing of the financial statements as at December 31, 2020 and other audit services (analysis, verification and agreed procedures) in 2020 amount to RON 208,266.

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 on December 31, 2020 is in the amount of RON 102,673.

### **30. FURTHER INFORMATION**

#### *(i) Details on the Group*

The Company is part of a group of companies controlled by the Romanian State represented by the Ministry of Energy. The Company does not belong as a subsidiary of another group of companies for which consolidated annual financial statements are prepared.

#### *(ii) Employees of the Company*

The average number of employees of the Group during 2020 was of 2,028 (2019: 2,038 employees). As at December 31, 2020 the actual number of employees is 2,011 (2019: 2,153 employees).

As at December 31, 2020, the Group has 143 employees in executive positions (2019: 158 employees) and 1,868 employees in operating positions (2019: 1,995 employees).

### **31. SUBSEQUENT EVENTS**

#### **Changes in the management of the Parent Company - Board of Directors**

By Resolution no. 1/27.01.2021 of the Ordinary General Meeting of Shareholders ("OGMS"), the following were approved:

5. The revocation of Mr. Iulian Robert Tudorache from the position of member of the Board of Directors, as he waived his mandate (item 4 of the OGMS agenda of January 27, 2021).
6. The revocation of Mr. Cristian Gentea from the position of member of the Board of Directors, as a result of the termination by operation of the law of the contract of mandate, considering the occurrence of a case of incompatibility, by the occupation of an elected position within the public administration (item 5 of the OGMS agenda of January 27, 2021).
7. Approving the initiation of the procedure of selecting two members in the Board of Directors of SNN, according to the provisions of Government Emergency Ordinance no. 109/2011 on the corporate governance of public entities, as further amended and supplemented (item 6 of the OGMS agenda of January 27, 2021).
8. Approving the empowerment of the Board of Directors of SNN for the development of the procedure of selection of two members of the Board of Directors (item 7 of the OGMS agenda of January 27, 2021).

#### **Partnership between the Parent Company and US – TDA**

By the Current Report published on January 13, 2021, SNN informed its shareholders and investors on the granting by US - TDA of a non-reimbursable grant of USD 1,277,115, in order to finance the costs for providing technical support for identifying and performing a preliminary assessment of potential nuclear locations compatible with small modular reactor ("SMR") technologies in Romania and drafting a roadmap for licensing them.

#### **Amendment of the Articles of Incorporation of the Parent Company**

By Resolution no. 2/27.01.2021 of the Extraordinary General Assembly of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this item on the agenda (item 2 of the agenda of the Extraordinary General Meeting of the Shareholders of January 27, 2021), was approved.



### **31. SUBSEQUENT EVENTS (CONTINUED)**

#### **Subsidiary incorporation**

Resolution no. 2/27.01.2021 of the Extraordinary Meeting Meeting of the Shareholders (“EGMS”) approved the following activities for the incorporation of a new subsidiary:

1. Approving the incorporation of a subsidiary, fully owned by the Company, as a sole shareholder, in compliance with the note submitted to the shareholders for this item of the agenda (item 3 of the agenda of the EGMS of January 27, 2021). The scope of business of the subsidiary shall include “treating and removing hazardous waste, collecting hazardous waste and decontamination activities”.
2. Approving the empowerment of the Board of Directors of SNN to fulfill all the formalities for the incorporation of the new subsidiary (item 4 of the agenda of the Extraordinary General Meeting of the Shareholders of January 27, 2021).

**Date: March 15, 2021**

**Cosmin Ghita**  
**Chief Executive Officer**

**Paul Ichim**  
**Chief Financial Officer**