



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. 2.844/2016 on the approval
of the accounting regulations compliant with the
International Financial Reporting Standards adopted by the
European Union

S.N. Nuclearelectrica S.A.
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)*
Assets			
Non-current assets			
Property, plant and equipment	5,940,495,002	6,201,492,171	6,507,789,378
Assets representing rights of use underlying assets under a leasing contract	621,233	-	-
Intangible assets	53,471,202	60,761,185	54,834,581
Financial assets at amortised cost	5,056,031	42,836,031	110,474,559
Total non-current assets	5,999,643,468	6,305,089,387	6,673,098,518
Current assets			
Inventories	435,410,839	402,924,598	368,741,789
Assets classified as held for sale	2,231,633	2,231,633	-
Trade receivables	157,943,506	169,993,753	157,663,336
Other financial assets at amortised cost	80,764,407	78,151,073	33,846,794
Bank deposits	1,621,384,000	58,879,494	20,954,979
Cash and cash equivalents	546,867,387	1,793,501,617	1,611,958,742
Total current assets	2,844,601,772	2,505,682,168	2,193,165,640
Total assets	8,844,245,240	8,810,771,555	8,866,264,158
Equity and liabilities			
Equity			
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
Total equity	7,519,329,908	7,334,689,593	7,178,990,289
Liabilities			
Non-current liabilities			
Long term borrowings	290,478,567	499,908,597	683,967,469
Long term lease liabilities	515,074	-	-
Provisions for risks and expenses	235,409,546	213,470,997	182,883,283
Deferred revenues	86,067,969	100,412,631	114,757,293
Deferred tax liability	66,526,911	80,743,008	102,644,715
Employee benefit obligations	43,102,434	41,621,644	38,617,348
Total non-current liabilities	722,100,501	936,156,877	1,122,870,108
Current liabilities			
Trade and other payables	285,151,303	220,398,362	197,307,458
Current portion of provisions for risks and expenses	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	211,995,082	212,891,292	203,393,860
Current portion of lease liabilities	117,721	-	-
Total current liabilities	602,814,831	539,925,085	564,403,761
Total liabilities	1,324,915,332	1,476,081,962	1,687,273,869
Total equity and liabilities	8,844,245,240	8,810,771,555	8,866,264,158

* See Note 2 letter (g) for explanations on restatement following the reclassification of certain indicators.

S.N. Nuclearelectrica S.A.

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)
Revenues			
Sales of electricity	21	2,432,278,539	2,365,555,997
Electricity transmission revenues		13,724,548	12,208,626
Total revenues		2,446,003,087	2,377,764,623
Other income	22	54,162,991	39,658,214
Operating expenses			
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)
Total operating expenses		(1,728,780,034)	(1,788,007,394)
Operating profit		771,386,044	629,415,443
Finance costs		(40,514,791)	(65,487,330)
Finance income		84,426,488	67,243,861
Financial result	25	43,911,697	1,756,531
Profit before corporate tax		815,297,741	631,171,974
Corporate tax expenses, net	19	(116,086,386)	(95,608,865)
Profit for the period		699,211,355	535,563,109

The Consolidated Financial Statements presented from page 1 to 76 have been signed on March 15, 2021 by:

Cosmin Ghita
Chief Executive Officer

Paul Ichim
Chief Financial Officer

S.N. Nuclearelectrica S.A.

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)
Profit for the period		699,211,355	535,563,109
Other items of the comprehensive income			
Items that will not be reclassified in the profit and loss account			
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)
Total other items of the comprehensive income		11,746,094	28,461,962
Total aggregate comprehensive earnings for the period		710,957,449	564,025,071
Earnings per share			
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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S.N. Nuclearelectrica S.A.

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
Balance as at January 1, 2020 (audited, restated)	3,015,138,510	195,502,743	31,474,149	21,553,548	1,820,339,902	2,250,680,741	7,334,689,593
Comprehensive income							
Profit for the period	-	-	-	-	-	699,211,355	699,211,355
Other items of the comprehensive income							
Actuarial (loss) on defined benefits plan	-	-	-	-	-	(5,539,153)	(5,539,153)
Result carried forward from other adjustments	-	-	-	-	-	(11,910,921)	(11,910,921)
Total aggregate comprehensive earnings for the period	-	-	-	-	-	681,761,281	681,761,281
Transactions with the shareholders, recognized only in equity							
Distributed dividends	-	-	-	-	-	(498,421,396)	(498,421,396)
Share capital increase	1,300,430	-	-	-	-	-	1,300,430
Total transactions with the shareholders, recognized only in equity	1,300,430	-	-	-	-	(498,421,396)	(497,120,966)
Balance as of December 31, 2020 (audited)	3,016,438,940	195,502,743	31,474,149	21,553,548	1,820,339,902	2,434,020,626	7,519,329,908

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S.N. Nuclearelectrica S.A.

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
Balance as of January 1, 2019 (audited)	3,210,641,253	-	31,474,149	21,553,537	1,820,339,902	2,094,981,447	7,178,990,288
Effect of restatements	(195,502,743)	195,502,743	-	-	-	-	-
Balance as at January 1, 2019 (audited, restated)	3,015,138,510	195,502,743	31,474,149	21,553,537	1,820,339,902	2,094,981,447	7,178,990,288
Comprehensive income							
Profit for the period	-	-	-	-	-	535,563,109	535,563,109
Other items of the comprehensive income							
Actuarial (loss) on defined benefits plan	-	-	-	-	-	(625,400)	(625,400)
Other reserves	-	-	-	11	-	-	11
Result carried forward from other adjustments	-	-	-	-	-	(324,104)	(324,104)
Total aggregate comprehensive earnings for the period	-	-	-	11	-	534,613,505	534,613,616
Transactions with the shareholders, recognized only in equity							
Distributed dividends	-	-	-	-	-	(378,914,311)	(378,914,311)
Total transactions with the shareholders, recognized only in equity	-	-	-	-	-	(378,914,311)	(378,914,311)
Balance as at December 31, 2019 (audited, restated)	3,015,138,510	195,502,743	31,474,149	21,553,548	1,820,339,902	2,250,680,741	7,334,689,593

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S.N. Nuclearelectrica S.A.

Consolidated Financial Statement of Cash Flows for the financial year ended on December 31, 2020

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

	2020	2019
	(audited)	(audited, restated)
Cash flows from operating activities		
Profit before corporate tax	815,297,741	631,171,974
Adjustments for:		
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)
Changes in:		
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
Cash flows generated from operating activities	1,305,559,145	1,150,273,099
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)
Net cash flow from the operating activity	1,237,323,222	992,501,618
Cash flows from investing activities		
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
Net cash flow used in investment activities	(1,767,332,505)	(222,565,706)
Cash flow from financing activities		
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	-
Net cash flow from financing activities	(716,624,947)	(588,393,037)
Net (reduction)/increase in cash and cash equivalents	(1,246,634,229)	181,542,875
Cash and cash equivalents as at January 1 (see Note 13)	1,793,501,617	1,611,958,742
Cash and cash equivalents as at December 31 (see Note 13)	546,867,387	1,793,501,617

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S.N. Nuclearelectrica S.A.

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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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S.N. Nuclearelectrica S.A.

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 (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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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S.N. Nuclearelectrica S.A.

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.)

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.

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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.)***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)	-

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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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.)

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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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S.N. Nuclearelectrica S.A.

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.)

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.

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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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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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:

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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".

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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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Non-current assets held for sale (continued)

Subsequent valuation

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

Non-current assets held for sale are not amortized.

Acknowledgment of the loss from depreciation and resumptions

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

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

Derecognition

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

A fixed asset that is no longer classified as held for sale is measured at the lower of:

- the amount carried forward before being classified as held for sale, adjusted for any impairment, depreciation or revaluation required if the asset or group intended for disposal was not classified as held for sale; and
- the value recoverable on the date of the decision not to sell.

As 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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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 28th, 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.

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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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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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 1st, 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.

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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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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.

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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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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 1st 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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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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 31st, 2020 and December 31st, 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).

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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.

Notes from 1 - 31 are an integral part of these consolidated 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.

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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 22nd, 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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

S.N. Nuclearelectrica S.A.

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.)

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 1st, 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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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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.

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S.N. Nuclearelectrica S.A.

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.)

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:

	Carrying amount	Fair value	Level
December 31, 2020 (audited)			
Financial assets			
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
	2,412,015,331	2,412,015,331	
	Carrying amount	Fair value	Level
December 31, 2020 (audited)			
Long-term financial liabilities			
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
	377,061,610	377,061,610	
Short-term financial liabilities			
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
	513,492,560	513,492,560	

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S.N. Nuclearelectrica S.A.

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.)***4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)**

	Carrying amount	Fair value	Level
December 31, 2019 (audited, restated)			
Financial assets			
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>2,143,361,968</u>	<u>2,143,361,968</u>	
	Carrying amount	Fair value	Level
December 31, 2019 (audited, restated)			
Long-term financial liabilities			
Long term loans	499,908,597	499,908,597	2
Deferred revenues	100,412,631	100,412,631	2
	<u>600,321,228</u>	<u>600,321,228</u>	
Short-term financial liabilities			
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>461,153,254</u>	<u>461,153,254</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.

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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).

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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)

(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 28th, 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 31st, 2020 amounts to RON 51,834,621 (December 31st, 2019: RON 52,788,117). See Note 10.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

S.N. Nuclearelectrica S.A.

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.)

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).

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S.N. Nuclearelectrica S.A.

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)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	Total
Cost					
Balance as of January 1, 2019 (audited)	32,302,399	4,677,768,128	1,957,346,184	1,012,849,615	7,680,266,326
Additions	-	-	24,819,413	196,309,909	221,129,322
Transfers	-	74,616,462	21,485,075	(96,101,537)	-
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)
Balance as of December 31, 2019 (audited, restated)	32,181,659	5,338,285,802	1,407,930,078	1,098,911,600	7,877,309,139
Balance as at January 1, 2020 (audited, restated)	32,181,659	5,338,285,802	1,407,930,078	1,098,911,600	7,877,309,139
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)
Balance as of December 31, 2020 (audited)	32,124,981	5,388,449,243	1,445,669,649	1,218,862,614	8,085,106,486
Depreciation and impairment adjustments					
Balance as of January 1, 2019 (audited)	550,782	83,657,435	939,888,417	148,380,315	1,172,476,948
Depreciation charges	-	419,408,749	106,586,611	-	525,995,360
Cumulative depreciation of U2 inspections derecognized	-	(46,771,637)	-	-	(46,771,637)
Offset of accumulated disposals	-	-	(3,237,033)	-	(3,237,033)
Derecognition of the accumulated amortization of transfers into inventory	-	-	(48,181)	-	(48,181)
Reclassification of heavy water	-	215,583,234	(215,583,234)	-	-
Impairment adjustments	-	-	7,429,167	19,972,344	27,401,511
Balance as of December 31, 2019 (audited, restated)	550,782	671,877,780	835,035,747	168,352,659	1,675,816,967
Balance as at January 1, 2020 (audited, restated)	550,782	671,877,780	835,035,747	168,352,659	1,675,816,967
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
Balance as of December 31, 20 (audited)	550,782	1,057,248,682	931,568,583	155,243,437	2,144,611,484
Carrying amount	-	-	-	-	-
Balance as of January 1, 2019 (audited)	31,751,617	4,594,110,693	1,017,457,767	864,469,300	6,507,789,378
Balance as at December 31, 2019 (audited, restated)	31,630,877	4,666,408,022	572,894,331	930,558,941	6,201,492,171
Balance as of December 31, 2020 (audited)	31,574,199	4,331,200,560	514,101,066	1,063,619,177	5,940,495,002

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S.N. Nuclearelectrica S.A.

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)

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.

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S.N. Nuclearelectrica S.A.

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)

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:

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

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).

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S.N. Nuclearelectrica S.A.

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)

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>
Land		
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>
Buildings		
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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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S.N. Nuclearelectrica S.A.

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)***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 (e).

Notes from 1 - 31 are an integral part of these consolidated financial statements.

This a free translation from the Romanian version.

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S.N. Nuclearelectrica S.A.

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)

7. INTANGIBLE ASSETS

	Licenses and software	Power plant software and other intangible assets	Total
Cost			
Balance as of January 1, 2019 (audited)	212,624,346	49,194,600	261,818,946
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)
Balance as of December 31, 2019 (audited, restated)	233,521,105	55,492,341	289,013,446
Balance as at January 1, 2020 (audited, restated)	233,521,105	55,492,341	289,013,446
Additions	4,803,263	-	4,803,263
Transfer form tangible assets	59,130	-	59,130
Disposals	(88,420)	(205,985)	(294,405)
Balance as of December 31, 2020 (audited)	238,295,077	55,286,357	293,581,434
Accumulated depreciation			
Balance as of January 1, 2019 (audited)	177,903,692	29,080,673	206,984,365
Depreciation charges	15,827,403	6,133,608	21,961,011
Amortization related to disposals	(636,739)	(56,376)	(693,115)
Balance as of December 31, 2019 (audited, restated)	193,094,356	35,157,905	228,252,261
Balance as of January 1, 2020 (audited, restated)	193,094,356	35,157,905	228,252,261
Depreciation charges	6,380,431	5,771,945	12,152,376
Amortization related to disposals	(88,420)	(205,985)	(294,405)
Balance as of December 31, 2020 (audited)	199,386,367	40,723,865	240,110,232
Carrying amount			
Balance as of January 1, 2019 (audited)	34,720,654	20,113,927	54,834,581
Balance as of December 31, 2019 (audited)	40,426,749	20,334,436	60,761,185
Balance as of December 31, 2020 (audited)	38,908,710	14,562,492	53,471,202

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
Total	5,056,031	42,836,031

*) 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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S.N. Nuclearelectrica S.A.

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)

9. INVENTORIES

As at December 31, 2020 and December 31, 2019, the inventories are as follows:

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
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)
Total	435,410,839	402,924,598

(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

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Land	120,740	120,740
Constructions	1,823,567	1,823,567
Fittings and plants	287,326	287,326
Total	2,231,633	2,231,633

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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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S.N. Nuclearelectrica S.A.

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)

11. TRADE RECEIVABLES

As at December 31, 2020 and December 31, 2019, trade receivables appear as follows:

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Trade receivables	168,045,381	180,489,914
Adjustments for impairment of trade receivables	(10,101,875)	(10,496,161)
Total	157,943,506	169,993,753

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

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
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
Total	80,764,407	78,151,073

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).

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S.N. Nuclearelectrica S.A.

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)***13. 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	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
Total cash and cash equivalents	546,867,387	1,793,501,617

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	1,621,384,000	58,879,494

(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	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
	546,867,387	1,793,501,617

(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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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S.N. Nuclearelectrica S.A.

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)

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:

	December 31, 2020	December 31, 2019
	(audited)	(audited, restated)
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
Share capital (restated value)	3,211,941,683	3,210,641,253

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:

Shareholders	Number of shares	% of the	Number of shares	% of the
	December 31, 2020	share	December 31, 2019	share
		capital		capital
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%
Total	301,643,894	100%	301,513,851	100%

*) 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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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S.N. Nuclearelectrica S.A.

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)***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)
Balance as at January 1		2,250,680,741	2,094,981,447
<i>Net profit of the period</i>		699,211,355	535,563,109
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)
Balance as at December 31		2,434,020,626	2,250,680,741

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).

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S.N. Nuclearelectrica S.A.

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)

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>
Net profit of the financial year	699,211,355	535,563,109
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	-
Weighted-average number of ordinary shares as at December 31	301,541,641	301,513,851
Basic earnings per share (RON/share)	2.32	1.78

(ii) Diluted earnings per share

	<u>2020</u>	<u>2019</u>
	<u>(audited)</u>	<u>(audited, restated)</u>
Net profit of the financial year	699,211,355	410,565,969
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of shares issued during the period	130,043	-
Weighted-average number of ordinary shares at the end of the period	301,541,641	301,513,851
Weighted-average number of ordinary shares (diluted) on December 31	301,541,641	301,513,851
Diluted earnings per share (RON/share)	2.32	1.78

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S.N. Nuclearelectrica S.A.

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)

16. BORROWINGS

The situation of the loans held by the Group on December 31, 2019, respectively December 31, 2020, is as follows:

	December 31, 2020 (audited)	< 1 year	> 1 year	December 31, 2019 (audited, restated)	< 1 year	> 1 year
Bank loans	502,335,190	211,856,623	290,478,567	712,424,017	212,515,420	499,908,597
Interest	138,459	138,459	-	375,872	375,872	-
Total	502,473,649	211,995,082	290,478,567	712,799,889	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
Balance as at January 1, 2020 (audited)			712,424,017	
New drawings				
Reimbursements, out of which			(218,307,867)	
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
Exchange rate differences			1,644,400	
Commitment fees			6,574,640	
Balance as of December 31, 2020 (audited)			502,335,190	

(i) Long term loans

As at December 31, 2020 and December 31, 2019, the **long-term** loans from credit institutions appear as follows:

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
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
Total borrowings	512,197,149	728,860,615
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)
Total long-term loans net of the short-term part	290,478,567	499,908,597

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S.N. Nuclearelectrica S.A.

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)

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 31st, 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.

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S.N. Nuclearelectrica S.A.

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)

16. BORROWINGS (CONTINUED)**(ii) Short-term borrowings**

As at December 31, 2020 and December 31, 2019, the **short-term** borrowings appear as follows:

	December 31, 2020	December 31, 2019
	(audited)	(audited, restated)
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)
Total short-term loans	211,995,082	212,891,292

17. TRADE PAYABLES AND OTHER LIABILITIES

As at December 31, 2020 and December 31, 2019, the providers and other liabilities are as follows:

	December 31, 2020	December 31, 2019
	(audited)	(audited, restated)
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
Total	285,151,303	220,398,362

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.

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S.N. Nuclearelectrica S.A.

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)

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:

	December 31, 2020	December 31, 2019
	(audited)	(audited, restated)
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
Total	292,682,420	278,913,646

As at December 31, 2020, the provisions in total amount of RON 292,682,420 represent long-term and short-term liabilities, as follows:

	Current part	Long-term part
	(< 1 year)	(> 1 year)
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	-
Total	57,272,874	235,409,546

"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.

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S.N. Nuclearelectrica S.A.

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)***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)
Total	<u>116,086,386</u>	<u>(95,608,865)</u>

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>
Profit before corporate tax	815,408,615	631,278,486
Tax in compliance with the statutory 16% tax rate (2018: 16%)	130,465,378	101,004,558
Effect on the corporate tax of the:		
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)	-
Corporate tax expense	<u>116,086,386</u>	<u>95,608,865</u>

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)
Net tax (asset)/liability	<u>(54,949,400)</u>	<u>121,476,312</u>	<u>66,526,912</u>

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S.N. Nuclearelectrica S.A.

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)

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)
Net tax (asset)/liability	(52,067,520)	132,810,528	80,743,008

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	-	-
Net tax (asset)/liability	102,644,715	(21,901,707)	5,602,184	80,743,008	(14,039,505)	5,485,517	66,526,912

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S.N. Nuclearelectrica S.A.

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)

20. EMPLOYEE BENEFITS

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
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
Total	43,102,434	41,621,644

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.

Assessment date	December 31, 2020	December 31, 2019
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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S.N. Nuclearelectrica S.A.

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)

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%).

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S.N. Nuclearelectrica S.A.

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)***21. REVENUES FROM ELECTRICITY SALES****(i) Revenues from electricity sales**

	2020	2019
	(audited)	(audited)
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
Total	2,432,278,539	2,365,555,997

(ii) Amount of energy sold^{*)}

	2020	2019
	(audited)	(audited)
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
Total	10,771,371	10,622,086

^{*)} 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_g). 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_g). 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_g.

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).

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S.N. Nuclearelectrica S.A.

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)***22. OTHER INCOMES**

	2020	2019
	(audited)	(audited)
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
Total	54,162,991	39,658,214

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

	2020	2019
	(audited)	(audited)
Wages and salaries	405,649,447	393,674,514
Expenditure on social security and assimilated costs	34,631,160	31,922,864
Total personnel expenses	440,280,607	425,597,378

In 2020, the breakdown of employees per categories appears as follows:

	2020	2019
	(audited)	(audited)
Executive personnel	143	159
Operating personnel	1,868	2,002
Total actual number of employees	2,011	2,153

24. OTHER OPERATING EXPENSES

	2020	2019
	(audited)	(audited)
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
Total	459,125,681	524,914,499

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.

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S.N. Nuclearelectrica S.A.

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)

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

	2020	2019
	(audited)	(audited)
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	-
Total financial revenues	84,426,488	67,243,861
Foreign exchange difference loss	(27,271,998)	(49,089,307)
Interest-related expenses	(13,242,793)	(16,398,023)
Total financial expenses	(40,514,791)	(65,487,330)
Net financial income/(expense)	43,911,697	1,756,531

Notes from 1 - 31 are an integral part of these consolidated financial statements.

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S.N. Nuclearelectrica S.A.

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)

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. Hidroelectrică S.A.); acquisition of electricity transmission and balancing services (C.N. Transelectrica S.A.); acquisition of natural uranium in the form of sinterable UO₂ 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 UO₂ powder (Compania Natională 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 Distribuție a Energiei Electrice Muntenia Nord S.A.	69,322,692	-	7,594,618	-
Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A.	12,873,830	30,739,320	1,297,584	-
Utilități 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 Națională Administrația 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 Națională a Uraniului S.A.	168	126	-	22,679,314
Total	543,977,673	306,505,318	12,955,723	24,554,068

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S.N. Nuclearelectrica S.A.

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)***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	-	-
Total	323,531,206	351,444,260	35,250,700	31,417,454

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).

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S.N. Nuclearelectrica S.A.

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)

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>11,229,473</u>	<u>10,058,578</u>

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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).

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S.N. Nuclearelectrica S.A.

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)***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)
Fixed rate instruments		
Financial assets	2,046,940,000	1,701,437,794
	<u>2,406,940,000</u>	<u>1,701,437,794</u>
Variable rate instruments		
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
December 31, 2020		
Variable rate instruments	(7,288,606)	7,288,606
Cash flow sensitivity (net)	<u>(7,288,606)</u>	<u>7,288,606</u>
December 31, 2019		
Variable rate instruments	(7,288,606)	7,288,606
Cash flow sensitivity (net)	<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 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.

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S.N. Nuclearelectrica S.A.

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)

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
December 31, 2020							
Financial assets							
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	-	-
Gross exposure	2,418,601,855	2,374,141,490	24,936,656	15,978,342	3,123,604	420,904	860
Financial liabilities							
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)	-	-
Gross exposure	(641,954,272)	(82,131,200)	(436,277,754)	(2,364,253)	(121,177,275)	(3,790)	-
Net exposure in the statement of financial position (audited)	1,776,647,583	2,292,010,290	(411,341,098)	13,614,089	(118,053,671)	417,113	860

(*) Gross carrying amount, prior to the deduction of the transaction costs.

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
December 31, 2019							
Financial assets							
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	-	-
Gross exposure	2,073,663,218	2,040,527,593	25,122,378	2,439,137	5,419,863	153,289	958
Financial liabilities							
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)	-	-
Gross exposure	(828,040,553)	(82,037,525)	(553,471,895)	(2,439,833)	(190,089,112)	(2,187)	-
Net exposure in the statement of financial position (audited)	1,245,622,665	1,958,490,068	(528,349,517)	(696)	(184,669,250)	151,101	958

(*) 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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S.N. Nuclearelectrica S.A.

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)***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.

	Profit 2020 (audited)	Profit 2019 (audited)
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)
Total	51,536,271	71,286,740

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.

	Loss 2020 (audited)	Loss 2019 (audited)
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
Total	(51,536,271)	(71,286,740)

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:

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S.N. Nuclearelectrica S.A.

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)

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
Total cash, bank deposits and financial assets	2,168,251,387	1,890,161,111

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

	Net value	
	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Financial assets		
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
	2,406,959,300	2,100,525,937

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)
Total	168,045,381	(10,101,875)	180,490,397	(10,496,161)

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S.N. Nuclearelectrica S.A.

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)

27. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)**b) Credit risk (continued)**

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

	Gross value December 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	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)
Total	81,360,967	(596,559)	49,808,372	(3,074,604)

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

	December 31, 2020 (audited)	December 31, 2019 (audited, restated)
Balance at the beginning of the year	(10,496,161)	(10,858,933)
Recognized impairment adjustments, net of resumptons	394,286	362,772
Balance at the end of the year	(10,101,875)	(10,496,161)

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.

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S.N. Nuclearelectrica S.A.

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)***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)
Financial assets					
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
Total financial assets	2,412,015,331	2,412,015,331	2,406,958,363	938	2,143,361,968
Financial liabilities					
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
Total financial liabilities	890,554,170	890,554,170	513,492,560	377,061,610	1,061,474,482
Liquidity surplus	1,521,461,161	1,521,461,161	1,893,465,803	(377,061,610)	1,081,887,486

*) 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.

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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.

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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.

Notes from 1 - 31 are an integral part of these consolidated financial statements.

S.N. Nuclearelectrica S.A.

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)

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.

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S.N. Nuclearelectrica S.A.

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)

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:

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 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.

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S.N. Nuclearelectrica S.A.

Notes to the Consolidated Financial Statements prepared for the financial year ended on December 31, 2020
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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

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