



DISCLAIMER: In order to comply with the provisions of Government Ordinance 26/2013, Order of the Minister of Public Finance no. 3818/2019 and Law no. 317/2021, on the content and format of the revenue and expenditure budget models, **the estimation of the indicators achieved for the year of 2021** in reference to the budgeted level of the year of 2022 **was made based on the trial balance issued on January 7th, 2022, balance not representing the trial balance related to the unaudited preliminary annual financial results for the year of 2021.** The preliminary unaudited annual financial results for the year of 2021 are going to be published on February 24th, 2022, as per the financial calendar, and the final audited annual financial statements for the year of 2021 are going to be approved by SNN General Shareholders Meeting on April 28th, 2022, in compliance with the approved and published financial calendar.

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

**NOTE
on the substantiation of the draft of the Revenue and Expenditure Budget
of S.N. “Nuclearelectrica” S.A. for the year of 2022**

The revenue and expenditure budget (“BVC”) of S.N. Nuclearelectrica S.A. (“SNN”) for the year of 2022 was drafted according to the provisions of GO [Government Ordinance] 26/2013 *on enhancing financial discipline at the level of economic operators where the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold majority interest*, as further amended and supplemented, regulating:

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

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

- Law no. 317/2021 of the state budget for the year of 2022;
- GO 26/2013 on enhancing financial discipline on the level of economic operators where the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold majority interest, as further amended and supplemented;
- MFP [Ministry of Public Finance] Order No. 3.818/2019 on approving the format and structure of the revenue and expenditure budget, and the substantiating annexes thereof;
- GEO [Government Emergency Ordinance] 109/2011 on corporate governance, as further amended and supplemented;
- Government Ordinance no. 64/2001 on the distribution of profit in national entities, national companies and trading companies with full or majority state capital, as well as within autonomous administrations, as amended and supplemented;
- Law no. 227/2015 on the Civil Code, as further amended and supplemented;
- Collective labour agreement of the company (“CCM”) valid in the year of 2022;
- other applicable regulations and laws, in force.

The revenue and expenditure budget for the year of 2022 was subject to a financial administrative inspection according to the provisions of GD [Government Decision] no. 1151/2012 on the approval of the methodological guidelines on organizing and exercising the financial administrative inspection, being approved.

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

In order to comply with the provisions of Government Ordinance 26/2013, Order of the Minister of Public Finance no. 3818/2019 and Law no. 317/2021, on the content and format of the revenue and expenditure budget models, the estimation of the indicators achieved for the year of 2021 in reference to the budgeted level of the year of 2022 was made based on the trial balance issued on January 7th, 2022, **balance not representing the trial balance related to the unaudited preliminary annual financial results for the year of 2021. The preliminary unaudited annual financial results for the year of 2021 are going to be published on February 24th, 2022, as per the financial calendar, and the final audited annual financial statements for the year of 2021 are going to be approved by SNN General Shareholders Meeting on April 28th, 2022, in compliance with the approved and published financial calendar.**

The revenue and expenditure budget draft for the year of 2022 sets out a **gross profit of 2,569,518 thousand RON (+1,632,841 thousand RON, i.e. +174.3% vs. budgeted for 2021, +1,367,343 thousand RON, i.e. +113.7% vs. preliminarily achieved in 2021) and a net profit of 2,152,734 thousand RON (+172.0% vs. budgeted for 2021, +111.5% vs. preliminarily achieved in 2021)**. The results are obtained based on total revenues of 5,186,756 thousand RON (+70.8% vs. budgeted for 2021, +60.0% vs. preliminarily achieved in 2021) and total expenses of 2,617,238 thousand RON (+24.6% vs. budgeted for 2021, +28.3% vs. preliminarily achieved in 2021), as well as based on the estimation of the corporate tax at 416,784 thousand RON (+186.7% vs. budgeted for 2021, +126.0% vs. preliminarily achieved in 2021).

*The percentage comparisons presented below refer to the amounts budgeted for the year of 2022 in relation to the values **preliminarily achieved** for the year of 2021, being indicated as “+/- x%”, unless otherwise specified.*

I. TOTAL REVENUES

The total revenues were estimated at **5,186,756 thousand RON** (+60.0%), of which operating revenues of **5,100,618 thousand RON** (+60.3%) and financial revenues **86,138 thousand RON** (+41.2%).

1. Operating revenues (row 2) amounting to **5,100,618 thousand RON** comprising revenues from the sold production amounting to **5,027,967 thousand RON** (+62.0%) (row 3), of which revenues from the sale of the products representing electric and thermal power amount to **5,025,766 thousand RON** (+62.0%) (row 4).

1.1. Revenues from the sale of electricity - 5,019,758 thousand RON, at a quantity scheduled for sale of **10,597 GWh**, resulting an average weighted sale price of **473.68 RON/MWh** (price without Tg)

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

a. Schedule of the electricity delivery by Cernavoda NPP

The quantity of electricity planned to be **delivered** was estimated based on **the electricity production schedule for the year of 2022 approved** by Resolution no. 221/December 21st, 2021, of the Board of Directors of SNN at the level of **10,187 thousand MWh**. A quantity estimated as needed to be purchased in order to optimize the sale mix is added to this value, especially during the planned and unplanned outages. The production and delivery schedule was drafted by considering the operation of the nuclear units at a high capacity factor, similar to the levels from the previous years for a multiannual period, a duration of planned outages at Unit 1 of approximately 53.4 days, as well as unplanned outages at Units 1 and 2, based on the long-term historical data. In the nuclear industry, unplanned outages are part of a normal operation of the nuclear units, and the prudential management requires a number of unplanned outage hours depending on multiannual average values.

b. SNN electricity sale schedule

The forecast of revenues was based on a **sale schedule of 10,597 thousand MWh** and on the **contracts already concluded** until the date of drafting the BVC, for deliveries of electricity which shall take place in 2022 (74,6% of the total quantity to be sold), as well as on the price premises related to the average price on various OPCOM [*Romanian Electricity and Gas Market Operator*] platforms, for the **quantity remaining to be contracted**.

Thus, from combining the data related to the certain quantities and prices of the concluded sale transactions, with the hypotheses related to the quantities remaining to be sold and the estimated prices, it results that the value of the electricity production forecasted to be sold/delivered in the year of 2022 is of **5,019,758 thousand RON** (without TG).

c. Obtaining certain revenues, given a limited production capacity

One must mention that in SNN, **the production capacity is limited by the installed power of the two operational nuclear reactors which already operate at a high average capacity factor**, significantly over the industry average value, and by the duration of the planned outages of Unit 1 of 53.4 days and the number of hours of unplanned outages that was budgeted. Units 1 and 2 are first in the world by the combined factor of using the production capacity after commissioning. The prices on the competition-based market are freely formed, based on the competition, by the ratio between demand and supply. Thus, the predominant element of influence on the operating revenues is represented by the market price of the electricity. **Nevertheless, for the year of 2022, there is a high degree of certainty regarding the achievement of the revenues proposed by this BVC draft, considering the relevant proportion of the already contracted quantity.**

1.2. Revenues from the sale of thermal power - 6,008 thousand RON

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

Thus, the forecasted value to be obtained from the sale of thermal energy in 2022 is of **6,008 thousand RON**, therefore a low weight in the total operating revenues.

1.3. Revenues from royalties and rents (row 6) were estimated at the amount of **788 thousand RON** representing revenues obtained from leasing lands and administrative premises, and **other revenues (row 7)** amounting to **1.412 thousand RON** are represented by various revenues, including revenues from the sale of green certificates.

1.4. Revenues from the sale of commodities (row 8) amounting to **15,180 thousand RON (+12.5%)** represent the value of electricity transportation. The transportation fee set by ANRE Order no. 124/2021 is of RON 1.49/MWh (regulated fee), starting with January 1st, 2022, therefore estimated for the entire year of 2022 at this value. This type of revenues has a corresponding value in the cost of the sold commodities, invoiced to SNN clients.

1.5. Revenues from the production of non-current assets (row 12) amounting to **40,800 thousand RON** represent the capitalized value of the costs regarding the personnel assigned to the projects for the Refurbishment of Unit 1 and the Tritium Removal Facility (CTRF), projects developed according to the SNN Investment Strategy for the period July 1st, 2020 - July 1st, 2025, and carried out through Cernavoda NPP Branch. For more details regarding the budgeted amounts, see the information outlined in Chapter C.

16. Revenues related to the cost of the production in progress (row 13) – 1,813 thousand RON, estimated according to the planned production of nuclear fuel bundles at Pitesti NFP.

1.7. Other operating revenues (row 14) amounting to **14,859 thousand RON (-43.0%)**, mainly represent revenues from investment subsidies, representing loan reimbursements and interest payments made by the Romanian State to banks, on behalf of SNN, for financing Unit 1. These amounts are taken over as revenues on a yearly basis, as the fixed assets financed from such subsidies are amortized. These revenues also estimate revenues from the sale of tangible assets expected to be obtained following the capitalization of some unused assets. The significant difference recorded in reference to the preliminary achieved values of the year of 2021 is determined by the registration in 2021 of some revenues from the sale of some assets contemplated by IFRS 5 “Assets held for sale” and of some revenues from penalties and compensations.

2. Financial revenues, amounting to **86,138 thousand RON (+41.2%)**, were estimated based on the forecasts of revenues from various exchange rate differences and interests to be paid by banks at deposits in RON and foreign currencies set up by the company, revenues from interests forecasted on a level below the one realized in the previous year, compared to the average interest rates from the previous year, and the estimated average balance of monetary liquidities.

II. TOTAL EXPENSES

Total expenses of 2,617,238 thousand RON (+28.3%) include operating expenses of **2,580,090 thousand RON (+28.7%)** and financial expenses of **37,148 thousand RON (+5.3%)**.

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

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

1. Operating expenses amounting to 2,580,090 thousand RON (+28.7% vs. preliminarily achieved in 2021, +25.2% vs. budgeted for 2021) are made up of expenses on goods and services, expenses on taxes, duties and assimilated payments, expenses on personnel and other operating expenses.

A. Expenses on goods and services amounting to 946,936 thousand RON (+40.2% vs. preliminarily achieved in 2021, +28.8% vs. budgeted for 2021) include the expenses detailed below:



INDICATORS	Row no.	Provisions for the previous year 2021		2022	%	%	
		Approved	Preliminary / Achieved 2021				
		according to OGMS Resolution no. 11/28.10.2021					
0	1	2	3	4	5=4/2	6=4/3	
A1	Inventory expenses	31	488.728	472.735	640.395	131%	135%
A2	Expenses with services provided by third parties	39	111.807	96.518	122.083	109%	126%
A3	Expenses with third party services	45	134.770	105.932	184.459	137%	174%
Total			735.304	675.184	946.936	129%	140%

A1 - Expenses on inventories amounting to **640,395 thousand RON** (+35.5% vs. preliminarily achieved in 2021, +31.0% vs. budgeted for 2021), represent the consumption of raw materials and materials necessary for both the current maintenance schedule with the Power Station operational, and for the maintenance schedule provided to be implemented in planned or unplanned outages, namely spare parts, auxiliary materials, other consumables, inventory items and occupational protection equipment, consumption of energy, water and gas, expenses with commodities (electricity purchased from the free market during the outages, purchasing green certificates, tax for introducing the energy in the transportation network paid at CN Transelectrica SA – regional transportation fee Tg).

A1 - Inventory expenses	Row no.	Provisions for the previous year 2021			2022	%	%
		Approved	Preliminary / Achieved 2021				
		according to OGMS Resolution no. 11/28.10.2021					
0	1	2	3	4	5=4/2	6=4/3	
a) expenses with raw materials	32	138.840	140.062	157.862	114%	113%	
b) expenses with consumables	33	80.938	70.256	97.758	121%	139%	
c) expenses regarding materials such as inventory items	36	3.545	2.214	4.267	120%	193%	
d) energy and water expenses	37	85.889	83.347	90.823	106%	109%	
e) commodity expenses	38	179.517	176.856	289.684	161%	164%	
Total		488.728	472.735	640.395	131%	135%	

a) Expenses on raw materials amounting to **157,862 thousand RON** (+ 12.7% vs. preliminarily achieved in 2021, +13.7% vs. budgeted for 2021) represent the consumption of uranium sintering powder, in order to manufacture nuclear fuel. The expenses forecast for the year of 2022 were primarily determined based on the physical production and the estimated costs for purchasing uranium powder and Zircaloy-4 products. The expenses on sintering U powder in UO₂ were calculated by considering the uranium inventory existing as at December 31st, 2021, and the average of the prices of the latest orders launched to CNU and Kazatomprom. If the price of the powder, which shall be regulated/contracted, has significant variations compared to the budget estimate (increase/decrease), this budget position must be rectified.

b) Expenses on consumables amounting to **97,758 thousand RON** (+39.1% vs. preliminarily achieved in 2021, +20.8% vs. budgeted for 2021), are made up of:

- expenses on spare parts (28,890 thousand RON), expenses mainly generated by the programs for the current maintenance, repair and replacement of nuclear units (this expense chapter does not include essential and vital spare parts, and critical ones, elements which, given that they have a period of use longer than 1 year, are acknowledged according to IAS 16 in assets, for which the amortization is calculated);
- fuel expenses (3,780 thousand RON), increase of approximately 1,243 thousand RON, justified by the increase in the price of light liquid fuel (LLF) used both for the operation of the Diesels of the two units, and for the Thermal Start-up Power Plant;
- expenses on other materials and consumables (65,088 thousand RON) represent the consumption of materials for current maintenance and repairs, radio protection and labor protection, administrative, such as: technical and special gas, oils, chemicals, radio protection materials and other consumables for the maintenance and operation of the plant. An increase of approximately 8,455 thousand RON is represented by the increase in expenses with protection food according to the CCM provisions valid in the year of 2022.

c) Expenses regarding materials such as inventory items amounting to **4,267 thousand RON**. In the year of 2022, additional expenses were estimated in the amount of approximately 2,053 thousand RON, intended especially to support the activities of the departments of maintenance and repair, radiation protection, administrative and physical protection, representing individual equipment necessary for body protection, office furniture and office accessories necessary for the work spaces, fingerprint readers, as well as furniture necessary for the endowment of the accommodation spaces in the Complex.

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

d) Energy and water expenses amounting to **90,823 thousand RON** (+9.0% vs. preliminarily achieved in 2021, +5.7% vs. budgeted for 2021), including technological water expenses, the consumption of current water and electricity for the outdoor premises. The expenses on technological water represent expenses for using cooling water from the Danube, which, for the year of 2022, record values similar to the values budgeted for the year of 2021, the fee (25.58 thousand RON/cubic meter) being established in the virtue of the provisions of Law no. 122/2020 amending and supplementing Law No. 107/1996, and the necessity to transit higher volumes of water on canal pool I Danube Black Sea Canal (“CDMN”). The increase in the expenses on utilities for the outdoor spaces is determined by the increase of the electricity, thermal and gas supply fees, according to the notifications received from the providers.

e) Expenses on commodities amounting to **289,684 thousand RON**. This category includes:

- **the equivalent value of the transportation of electricity** at the regulated fee (TG) paid by CN “Transelectrica” SA for injecting the electricity in the electricity transportation network, which is also found in the revenues from commodity sales, at the same values, **15,180 thousand RON** being invoiced and recovered from clients, the rate charged being of 1.49 RON/MWh, starting with January 1st, 2022, according to ANRE Order no. 124/2021;

- **expenses on the electricity estimated to be purchased** from the free market during the outages - **274,504 thousand RON**, especially unplanned outages. This quantity is provided for complying with the obligations resulting from the contracts for selling electricity concluded with clients, considering the unavailable quantities caused by the outages. The variation in relation to the level preliminarily achieved in the year of 2021 derives from including the quantity of electricity to be purchased in order to cover the production deficit during the planned or unplanned outages, in order to allow the sale of additional quantities, in order to optimize the sale mix.

This expense chapter can obtain performance savings (such as those achieved in the year of 2021), but only if the number of hours of unplanned outages is significantly lower than the number of hours of budgeted unplanned outages, and the cost of the purchased energy is lower than or equal to the budgeted level.

According to the recommendations formulated by the manufacturer and the standards from the industry, for a CANDU 6 power station approximately 150 hours of unplanned outages a year are estimated for each unit. Prudentially, SNN estimates for the year of 2022 a number of hours of unplanned outages of approximately 240 hours for the two nuclear reactors, however, depending on the actual operation of the power station, the number of hours of unplanned outage actually obtained can be lower or higher than the planned one; for example, in the year of 2021, approximately 268 hours of unplanned outages were budgeted, and approximately 354,3 hours were achieved. Concomitantly, in the performance, the price at which electricity was purchased in order to cover the deficit during the planned and unplanned outages was higher than the price at which this expense was budgeted (+26%), which cannot be controlled by SNN. Consequently, there can be performance savings, but which cannot be ignored or reduced when the BVC is drafted; on the other hand, exceeding the number of hours of unplanned outages, namely the fluctuation of the purchase price for this energy necessity, can cause the budgeted expenses to be exceeded.

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

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

The afore-mentioned aspects have led to the increase of the level estimated for the commodity expenses (a chapter which reflects the electricity purchased for planned and unplanned outages), both to the level budgeted for 2021 and to the level preliminarily achieved in the year of 2021.

A2 - Expenses on services provided by third parties amounting to **122,083 thousand RON** (+26.5% vs. preliminarily achieved in 2021, 9.2% vs. budgeted for 2021). The estimated level of the services is based on the specific operation requirements, and on the contracts in progress which generally are multi-annual, so the level of the fees from the contracts is certain.

A2 - Other expenses with services provided by third parties		Row no.	Provisions for the previous year 2021		2022	%	%
			according to OGMS Resolution no. 11/28.10.2021	Preliminary / Achieved 2021			
0		1	2	3	4	5=4/2	6=4/3
a)	expenses with maintenance and repairs	40	98.578	83.744	105.244	107%	126%
b)	rent expenses	41	649	510	2.297	354%	450%
c)	insurance premiums	44	12.580	12.263	14.543	116%	119%
Total			111.807	96.518	122.083	109%	126%

a) Expenses on maintenance and repairs (105,244 thousand RON), comprising both the services necessary for the current maintenance program with the power station operational for all the systems of the power station (electrical systems, ventilation systems, mechanical systems, the monitoring of process parameters, of equipment and installations from the fixed front, the sieve room and the pump room, the room for power transformers, for lifting installations, for the “STA” water treatment station, etc.), and the maintenance and repair services of Unit 1 scheduled for the planned outage of May - June 2022 (those repair and maintenance services that does not represent investments, but expenses).

The proposed value for this expense chapter is correlated with the maintenance and repair program, included in the Annual Activity Plan. For the year of 2022, under this chapter, the value increased by approx. 25.7% in reference to the one preliminarily achieved in the year of 2021, as a result of not carrying out some activities in the maintenance program from 2021 and maintaining the necessities for the accomplishment of this program in 2022, such as: maintenance services and maintenance of diesel units approximately 8,587 thousand RON, investigation services, transformer repair, testing and conservation approximately 4,400 thousand RON, as well as due to new activities, which were not foreseen in the 2021 budget, such as: emergency plugging within GA approximately 1,217 thousand RON, maintenance for interzonal monitors 2,705 thousand RON, maintenance for the air tritium monitoring system approximately 1,097 thousand RON, etc.

b) Rent expenses (2,297 thousand RON) comprise the expenses regarding leased areas for storing equipment and materials administered by the NPP, in the Saligny area, the rent for the nitrogen and hydrogen storage tanks, the rent for the portable multi-gas detectors, the rent for the overhead power line LEA #5606 and the rent for a new establishment intended as Executive Establishment. The increase of 1,787 thousand RON is caused by the increase of the fees for the rental of the technical gas cylinders and the renting of a new headquarters.

c) Expenses on insurance premiums (14,543 thousand RON) include the nuclear risk insurance of the Power Station, the liability insurance for the management and administration personnel, the insurance regarding traveling abroad, the insurance for occupational accidents and work-related diseases for the SNN personnel, and other insurance. The level budgeted in the year of 2022 represents the maximal level which can be achieved, under the conditions provided by these types of insurance, higher than the level achieved for the year of 2021, the period in which the company benefited from the reimbursement of an insurance premium from the total equivalent value of the nuclear risk insurance.

A3 - Expenses on other services provided by third parties, amounting to **184,459 thousand RON** (+74.1% vs. preliminarily achieved in 2021, +36.9% vs. budgeted for 2021) represent: expenses with commissions and fees, hospitality expenses, advertising and promotion expenses, sponsorship expenses, expenses with the transportation of goods and persons, expenses with traveling, secondments, transfers, expenses, expenses with banking services, postal expenses and telecommunications taxes, services of ensuring the security and protection of the units and personnel, services regarding the maintenance of the computing technology, personnel training services, services for managing radioactive waste, etc. Also, in case of this expense category, the significant weight is that of services generated by Cernavoda NPP, and it is necessary to budget covering resources for the scheduled activities. On a contractual level, the existence in progress of multiannual service contracts adds certainty to the quantity and value level of these service expenses.

A3 - Expenses with third party services		Row no.	Provisions for the previous year 2021		2022	%	%
			Approved				
			according to OGMS Resolution no. 11/28.10.2021	Preliminary / Achieved 2021			
0		1	2	3	4	5=4/2	6=4/3
a)	expenses with collaborators	46	-	-	-	0%	0%
b)	expenses with commissions and fees	47	770	9	12.736	1653%	136578%
c)	hospitality, promotion and advertising expenses	49	711	575	2.118	298%	368%
d)	Sponsorship exp.	56	10.000	7.902	13.037	130%	165%
e)	expenses with the transportation of goods and persons	61	6.608	5.901	6.723	102%	114%
f)	expenses with travels, secondments, transfers	62	2.337	951	3.066	131%	322%
g)	postal expenses and telecommunications taxes	66	642	526	565	88%	107%
h)	expenses with banking and assimilated services	67	419	317	546	130%	172%
i)	other expenses with services provided by third parties	68	21.686	17.755	26.319	121%	148%
j)	other expenses	77	91.596	71.995	119.349	130%	166%
Total			134.770	105.932	184.459	137%	174%

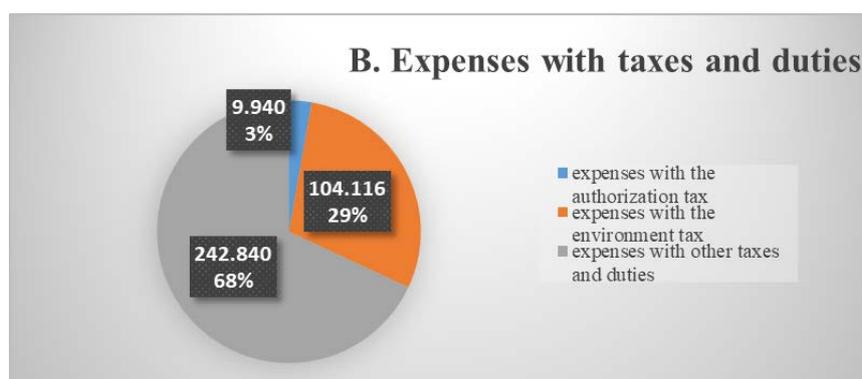
- **Expenses on commissions and fees (row 47) – 12,736 thousand RON**, mainly represent expenses with legal consultancy according to the estimates on the external necessary consultancy in 2022. The significant increase is determined by the need to budget some support/consulting services in relation to the major investment objectives, as well as the major strategic goals of the SNN Investment Strategy, related to the period July 1st, 2020 - July 1st, 2025, approved by shareholders. The procurement of legal consultancy services is justified by the fact that, both from the perspective of the estimated workload and from the perspective of the necessary specific legal expertise, such services cannot be provided by the legal personnel employed within SNN. The procurement of these services has been approved by the GMS Resolution no. 12/October 28th, 2021.
- **Hospitality, promotion and advertising expenses (row 49) are estimated to the amount of 2,118 thousand RON**, thus:
 - Hospitality expenses (340 thousand RON) were sized below the deductibility level provided for in the Fiscal Code and in compliance with the maximum limits provided in Annex 2 of Ordinance no. 80/2001 regarding the establishment of some expenditure norms for the public administration authorities and public institutions;
 - Advertising and promotion expenses (1,778 thousand RON) consider the increase of the degree of understanding and accepting nuclear energy internally and internationally, maintaining a positive image of SNN, counteracting actions with negative impact on the development of the national energy program, promoting the projects to be performed by SNN;

- **Sponsorship expenses (row 56) – 13,037 thousand RON**, are provided for at a higher level than in 2021, according to the deductibility level provided in the Fiscal Code. These expenses are granted in compliance with the provisions of Law no. 32/1994 on sponsorship, as further amended and supplemented, and with the express approval of the Board of Directors, with the actions for which the sponsorship is granted being presented for information in the GMS;
- **Expenses on the transportation of goods and people (row 61) - 6,723 thousand RON**, representing expenses on the transportation of people and commodities, slightly higher as compared to the level of the year of 2021, determined by the increase in the fees charged by some carriers;
- **Expenses on travels, secondments, transfers (row 62) – 3,066 thousand RON**, are higher than the value achieved in the year of 2021, as a result of the increase of the necessities regarding the travels of personnel in the country and abroad;
- **Postal expenses and telecommunications taxes (row 66) - 565 thousand RON**, comprising expenses estimated for telephony and internet services, higher than the level achieved in the year of 2021, according to the necessary activity level and according to the modifications of the fees for landline telephony, mobile telephony and data services;
- **Expenses on banking and assimilated services (row 67) estimated at 546 thousand RON**, include estimated expenses for bank commissions, at the same value as the level achieved in the year of 2021;
- **Other expenses on services provided by third parties (row 68) – 26,319 thousand RON**, out of which:
 - a) **Insurance and security expenses (2,891 thousand RON)** include insurance and security services for the units and the personnel, up by 247 thousand RON as compared to the level achieved in the year of 2021. The security services for the external units from the NPP platform and from outside it record an increase compared to 2021, justified by the need to cover a greater number of security stations, plus the hours for emergency interventions;
 - b) **Expenses on the maintenance and operation of computing technology (16,322 thousand RON)**, comprise the expenses on the maintenance of workstations, servers and HP equipment, the database management systems, and new IT equipment following the expansion and modernization of the computer network. The estimated increase is caused by the increase in the expenses on the technical support services for certain licenses and the hardware maintenance services (Asset Suite);
 - c) **Expenses on professional training amounting to 7,012 thousand RON**. The level of these expenses is determined by the necessity of training the personnel, including the management/coordination, operation, maintenance and technical personnel by experts from external specialized organizations, as well as training the newly hired operating personnel according to the mandatory training program. The increase is estimated as a result of the need to provide licensed instructors from outside organizations for the training of senior nuclear operators and shift manager dispatchers.
 - d) **Expenses on announcements for tender procedures and other announcements (84 thousand RON)** are estimated based on the annual values from the contracts concluded with the mass media;

- **Other expenses (row 77) – 119,731 thousand RON**, comprising other operation services, and services for managing radioactive waste, non-radioactive waste and decontamination waste, technical assistance, maintenance of the heating system, the hydrological circuit, cleaning the technological and administrative premises, maintenance of the storage premises, services provided by specialized nuclear organizations regarding the development of common programs.

These expenses are +66.3% higher than the level preliminarily achieved in the year of 2021, and +30.7% lower than the level budgeted for the previous year. The +66.3% increase in this chapter is mainly due to the additional requirements for operating services (district heating systems, water supply systems from drills, chlorination station and STA), radioactive and non-radioactive waste management and decontamination services; COG research & development programs and other services necessary in the year of 2022.

B. Expenses on taxes, duties and assimilated payments amounting to **356,896 thousand RON** (+95.1% vs. preliminarily achieved in 2021, +98.2% vs. budgeted for 2021) include expenses with the authorization tax, the environment tax and other taxes and duties (including the ANRE fee and the tax calculated under Law no. 259/2021), according to the details below and the representation in the following chart.

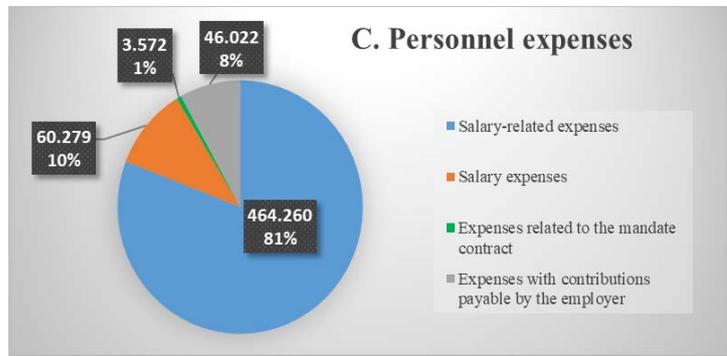


B - Expenses with taxes, duties and assimilated payments	Row no.	Provisions for the previous year 2021		2022	%	%
		Approved	Preliminary / Achieved 2021			
		according to OGMS Resolution no. 11/28.10.2021				
0	1	2	3	4	5=4/2	6=4/3
a) expenses with the tax for the activity of operating mineral resources	79	-	-	-	0%	0%
b) expenses with the royalty for the concession of public assets and mineral resources	80	-	-	-	0%	0%
c) expenses with the license tax	81	-	-	-	0%	0%
d) expenses with the authorization tax	82	9.940	9.930	9.940	100%	100%
e) expenses with the environment tax	83	103.290	102.267	104.116	101%	102%
f) expenses with other taxes and duties	84	66.826	70.722	242.840	363%	343%
Total		180.056	182.918	356.896	198%	195%

- The expenses on the authorization tax represent **CNCAN [Romanian National Commission for Nuclear Activities Control] taxes and fees** for nuclear security, amounting to **9,940 thousand RON**.
- Expenses on the environment tax - **104,116 thousand RON**, represent the tax for decommissioning the nuclear units and for the final storage of the radioactive waste representing the contribution of the company to the decommissioning plan by transferring to ANDR 2 EUR/MWh net product, according to the legislation in the field: permanent storage of radioactive waste - 1.4 EUR/MWh of net energy produced and delivered in the system and for the decommissioning of nuclear units - 0.6 EUR/MWh of net energy produced and delivered in the system. This tax is set in the EUR foreign currency, while its equivalent value is paid in RON, so the budgeted value for 2022 is considered prudentially, in order to cover any exchange rate differences.

- Expenses on other taxes and duties of **242,840 thousand RON**; the main taxes and duties are:
 - 80% **tax** established on the additional revenues obtained by the electricity producers, resulting from the difference between the average monthly selling price of electricity and the price of 450 RON/MWh (**windfall tax**), regulated by Law no. 259/2021 for the approval of GEO no. 118/2021 on the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022 [...], in the amount of **161,514 thousand RON**. The reference period for which this tax is calculated is January 1st, 2022 - March 31st, 2022, according to the legal provisions in force;
 - **Local taxes of 78,086 thousand RON**. According to the change, in 2017, of the manner of applying the Interpretation of the Financial Reporting Standards "IFRIC 21" *Taxes*, according to the explanatory notes included in the financial statements, the tax on buildings, lands and machinery payable for the year of 2022 is reflected in the performance of the year of 2021, in December, and respectively the one payable for the year of 2022, was budgeted in the month of December 2021. When estimating these expenses, the new increased rates approved by the Local Councils for the calculation of local taxes were considered. This tax has seen a significant increase of approximately 6% compared to the level achieved in 2021, as a result of the increase in local taxes for the assets held by Cernavoda NPP.
 - The **ANRE tax of 3,117 thousand RON** represents the contribution estimated to be paid in the year of 2022 by the Company to ANRE. According to ANRE Order No. 143/2021, the cash contribution for the year of 2022 is equal to 0.1% of the turnover achieved in the year of 2021;
 - **Other taxes** amounting of **97 thousand RON**, representing expenses related to non-deductible VAT, non-resident income tax and other road taxes.

C. Personnel expenses, amounting to **574,133 thousand RON** (+ 24.9% vs. preliminarily achieved in 2021, + 18.2% vs. budgeted for 2021) include: expenses on salaries, bonuses, other personnel expenses, expenses related to the contract of mandate and other management and control bodies, boards and committees, and expenses on social security and social protection, special funds and other legal obligations. These expenses are detailed below and represented in the following chart.



INDICATORS	Row no.	Provisions for the previous year 2021		2022	%	%
		Approved				
		according to OGMS Resolution no. 11/28.10.2021	Preliminary / Achieved 2021			
0	1	2	3	4	5=4/2	6=4/3
C Personnel expenses	85	485.637	459.638	574.133	118%	125%
C0 Salary-related expenses	86	439.256	421.308	524.539	119%	125%
C1 Salary expenses	87	385.075	371.670	464.260	121%	125%
C2 Bonuses	91	54.181	49.638	60.279	111%	121%
C3 Other personnel expenses	99	-	-	-	0%	0%
C4 Expenses related to the mandate contract and other management and inspection bodies, commissions and committees	103	3.481	3.108	3.572	103%	115%
C5 Expenses with contributions payable by the employer	112	42.899	35.223	46.022	107%	131%

The substantiation of the personnel expenses for the year of 2022 was made starting from the actual figures of the year of 2021, in accordance with the provisions of Ordinance 26/2013 on the consolidation of financial discipline at the level of certain economic operators in which the State or administrative-territorial units are the sole or majority shareholders or directly or indirectly hold a majority interest, in conjunction with art. 9 (1) letter b of the same legislative act, according to which: "When substantiating revenue and expenses budgets, economic operators shall take into account, but not be limited to, the following: [...]; b) compliance with the wage policy objectives established by the annual state budget law;" and with art. 9 (3) of the same legislative act, according to which "(3) The increase in average gross monthly earnings per employee shall be determined as a percentage of the labor productivity growth index calculated in value or physical units, as applicable. The maximum percentage limit of the increase in average gross earnings per employee is set by the annual state budget law."

According to art. 48 par. (1) of Law No. 317/2021 of the *state budget for 2022*, for the year of 2022, economic operators subject to the application of the provisions of art. 9 par. (1) let. (b) and par. (3) of Government Ordinance no. 26/2013 on the consolidation of financial discipline at the level of certain economic operators in which the state or the administrative-territorial units are single or majority shareholders or directly or indirectly hold a majority interest, as further amended and supplemented, **may provide for, in the revenue and expenditure budget, the increase of salary expenses as compared to the level planned in the last revenue and expenditure budget approved according to the legal provisions, as follows:**

a) with the amounts representing increases of the salary expenses related to the average price increase index forecast for the year of 2022;

b) with the amounts representing increases of the gross average earnings per employee due to the increase of the minimum gross base salary guaranteed for payment at national level, and other salary-related expenses, pursuant to the provisions of Government Decision no. 1.071/2021 establishing the minimum gross salary guaranteed for payment at national level;

c) with the amounts representing increases of salary expenses related to the reinstatement thereof, for the entire year of 2022, determined by the increase of the number of staff members in the year of 2021, as a result of the diversification /extension of the activity stipulated by legislative acts;

d) with the amounts representing increases in salary expenses determined by the granting, in the year of 2022, of salary increases and bonuses stipulated by legislative acts or court decisions and/or by the increase of the number of staff, in the year of 2022, as a result of the diversification/the extension of the activity stipulated by legislative acts or court decisions.

For the enforcement of the provisions of art. 48 (1) let. c) and let. d) of Law no. 317/2021 - Law on the state budget for the year of 2022, the staffing needs were considered to cover the staffing scheme, initiated starting with 2021, which will also continue in 2022, **as a result of diversification/extension of the activity stipulated by legislative acts**, namely:

- ✓ the provisions of Law no. 200/July 16th, 2021, for the ratification of the Agreement between the Government of Romania and the Government of the United States of America on cooperation related to the nuclear energy projects at Cernavodă and in the civil nuclear energy sector in Romania, signed in Bucharest on December 9th, 2020 and in Upper Marlboro on December 4th, 2020.
- ✓ the provisions of art. 25(1)(e) of Law 111/1996 on the safe conduct, regulation, licensing and control of nuclear activities, according to which SNN is bound to provide and maintain adequate human and financial resources to fulfil its obligations under this law, including compliance with the conditions and requirements of the licenses and standards in force issued under this law.
- ✓ the provisions of art. 10 of the Nuclear Installation Licensing Regulations (NSN-22), according to which annual operating costs must consider the need to invest in the maintenance and continuous improvement of nuclear safety, including modernization and upgrading activities, and the need to ensure sufficient qualified staff with the necessary skills and qualifications for all activities important to nuclear safety;
- ✓ the provisions of art. 12, 14, 15, 16 and 17 of the Basic Safety Standards for Nuclear Installations (NSN-21) which contain obligations relating to the provision of human and financial resources for the performance of activities important to nuclear safety, including the attraction, recruitment, selection, hiring, development and retention of staff for all functions important to nuclear safety, including competitive salaries set at least at the average level provided by similar organizations in the nuclear industry in the European Union for equivalent positions and duties;
- ✓ the provisions of art. 11(4) and (5) of the Nuclear Safety Standards for Supervision, Maintenance, Testing and In-Service Inspections for Nuclear Installations (NSN-16) with reference to the personnel to be provided within the establishment to establish technical standards and specifications in order to independently assess and verify work carried out by third parties;
- ✓ the provisions of art. 48 of the Standards for Deterministic Nuclear Safety Analysis for Nuclear Installations (NSN-24), regulating the capabilities required for conducting, reviewing and updating deterministic nuclear safety analyses, requiring sufficient competent personnel who understand the design basis and licensing

basis of the nuclear installation and who are qualified to prepare, perform, develop, review and update such analyses and to independently verify them, both for design basis analyses and for analysis of design basis extension conditions;

- ✓ the provisions of art. 14, 15, 16 and 17 of the Rules on Nuclear Safety Policy and Independent Nuclear Safety Assessment (NSN-20), regulating the personnel with responsibilities for independent nuclear safety assessment.

SNN is a critical infrastructure, a strategic objective of national interest, whose continuous and safe operation in terms of the National Energy System and nuclear safety is vital for the national economy, environment and population, being the only producer of electricity from nuclear sources, providing 20% of the national electricity needs, with the percentage increasing, during the emergency, up to 30%. The use of nuclear facilities for the production of electricity requires strict compliance with nuclear safety legislation, including the rules issued by the National Commission for the Control of Nuclear Activities, abbreviated CNCAN.

In the substantiation of the expenditure for the year of 2022, the increase in the number of staff in 2021 and in 2022 was not included as a result of the diversification/expansion of the activity stipulated by legislative acts, namely Law no. 200/July 16th, 2021 for the ratification of the Agreement between the Government of Romania and the Government of the United States of America on Cooperation for the Cernavoda Nuclear Power Projects and Civil Nuclear Power Sector in Romania, in conjunction with the law in the field of nuclear safety, presented herein above, a situation corresponding to the provisions of art.48 (1) letter c) and letter d) of Law no. 317/2021 of the state budget for the year of 2022.

Thus, in the year of 2021, SNN had to increase the number of posts foreseen in the organizational structure of the company from 2394 positions, approved in 2020, to 2509 positions, approved by CNCAN by letter no. 2805/June 9th, 2021, registered with SNN under no. 6995/June 10th, 2021, in accordance with the provisions of art.18 (3) of the Basic Nuclear Safety Standards for Nuclear Installations (NSN21) "The licensee must obtain CNCAN approval for organizational changes prior to the implementation thereof", and, starting with 2022, by the BoD Resolution no. 223/21.12.2021, an increase in the number of positions in the organizational structure of SNN has been foreseen by 172 positions, which will be gradually occupied during 2022, the total number of staff at the end of 2022 reaching 2681 people at the level of the entire company.

The additional staff is motivated by providing adequate human resources **to support significant extensions of activity, namely those related to major development projects of the company:**

- ✓ Refurbishment of Unit no. 1 at Cernavoda NPP and the development of the tritium removal facility;
- ✓ The construction of Units 3 and 4 of the Cernavoda NPP in accordance with the provisions of Law no. 200/July 16th, 2021, for the ratification of the Agreement between the Government of Romania and the Government of the United States of America on cooperation in connection with the nuclear energy projects at Cernavodă and in the civil nuclear energy sector in Romania
- ✓ Compliance with the CNCAN requests formulated by letter no. 3882/2021, registered with SNN under no. 9353/2021, requesting the supplementation of the personnel scheme of the Cernavoda NPP Branch, in accordance with the provisions of art. 25 of Law no. 111/1996, with the provisions of art.11, art.14, art.15 and art.16 in NSN 21, rev 1, with the provisions of art.15 in NSN 05, as well as with the provisions of art.29 and art.30 in NSN 07.

In addition, there is the need for compliance to ensure the activities provided for by the following legislative acts issued by CNCAN at the end of 2019 and in 2020, containing a number of additional provisions to align with international standards in the nuclear field (e.g. regulations NSN-24, NSN-26 - Regulations on the interfaces between nuclear safety, radiation safety, physical protection, protection against cyber threats and nuclear safeguards, published in the Official Gazette of Romania, Part I no.989/December 9th, 2021; NSN-07, NSN-16, NSN-21, NSN-27 – Regulations on the use of standards for the assessment and continuous improvement of nuclear safety for nuclear power plants, published in the Official Gazette of Romania, Part I no. 546/June 25th, 2020; GSN-10 – Nuclear Safety Guidance on analyses using time-related assumptions relevant to the ageing management of nuclear installations, published in the Official Gazette, Part I no. 223/March 19th, 2020).

Constraints in the labor market, as well as the migration phenomenon with a focus on the younger generation of specialists, and the rigorous and bureaucratic internal procedural framework have delayed the hiring of new employees in the planned period. Urgent actions have been taken to increase the operability of the recruitment and selection process both by updating the internal procedures involved, mass recruitment and by using specialized recruitment services, thus a part of the volume of recruitment expected to be carried out in 2021 extended in the year of 2022, which led to reaching, at the end of the year of 2021, the average number of staff of 2,002 people, as compared to the preliminary value (BVC 2021_rectified) at the end of the year of 2,103 people. For the year of 2022, an average number of staffs of 2.466 people is estimated, respectively a 23.2 % increase as compared to the average number of staffs accomplished in the year of 2021.

Thus, an increase of RON 85,283 thousand was foreseen for the indicator "Salary expenses" for the year of 2022, as compared to the amount foreseen in the REB approved for the year of 2021 (BVC 2021_rectified), corresponding mainly to an increase of the actual number of 476 new employees, respectively an average annual number of 464 new employees, in order to support the activities within the major projects of diversification and expansion of activity of the company, reflected in the organizational structure of SNN, approved in accordance with the provisions of the Articles of Association and art. 18 paragraph 3 of the Fundamental Nuclear Safety Standards for Nuclear Installations NSN21, approved by CNCAN Order no. 86 of March 30th, 2020, published in the Official Gazette, Part I, no. 597 of July 8th, 2020 and as compliance with the provisions of art. 48 (1) letter a) of the State Budget Law - Law no.317/2021 on the correlation of salary expenditure with the average price increase increase index forecast for 2022.

The salary expenses proposed for 2022 complies with the provisions of art. 48 paragraph (1) letter a) and letter d), as well as paragraph (3) of the State Budget Law - Law no. 317/2021:

- ✓ compliance with art. 48(1) letter a): by considering the average price increase index forecast for 2022, provided in the autumn 2021 Forecast issued by the National Commission for Strategy and Forecast, amounting to 6.5% of salary expenditures cautiously estimated at a level close to the preliminary achievement of 2021;
- ✓ compliance with art. 48(1) letter d): the legislative acts underlying the increase in the number of staff in the year of 2021 and in the year of 2022, as a result of the diversification/expansion of the activity is represented by Law no. 200 of July 16th, 2021 for the ratification of the Agreement between the Government of Romania and the Government of the United States of America on cooperation in connection with the nuclear energy projects at Cernavodă and in the civil nuclear energy sector in Romania, and by the law in the field of nuclear safety, presented herein above;
- ✓ compliance with art. 48 par. (3): the average gross monthly earnings growth index does not exceed the labour productivity growth index calculated in value units.
- ✓ In the year of 2022, SNN does not schedule loss and/or outstanding payments.

The growth rates of average gross monthly earnings per employee and labour productivity, calculated by comparing the scheduled level of the year of 2022 to the preliminarily achieved level of the year of 2021, according to the provisions of art. 48 par. (6) of Law no. 317/2021, are:

	Preliminary / Achieved 2021	BVC 2022	Var abs	Var %
No. of employees estimated at the end of the year	2.205	2.681	476	22%
Average number of employees	2.002	2.466	464	23%
Average monthly earnings per employee (RON/person) calculated based on salary expenses, recalculated according to OG	15.763	15.603	(160)	-1%
Labor productivity in value units per total average personnel, recalculated according to the annual state budget law	1.589	2.068	479	30%

The values calculated based on the provisions of art. 48 (1) letter a) – d) and registered in row.147 of Annex 2, were determined as follows:

- ✓ art. 48 (1) letter a): the amount of 27,385 thousand RON provided for this line is calculated by applying the average price increase index forecast for 2022, provided in the autumn 2021 Forecast issued by the National Commission for Strategy and Forecast, of 6.5% at the value of salary expenditures cautiously estimated at a level close to the preliminary achievement of 2021;
- ✓ art. 48 (1) letter d): the amount of 57,898 thousand RON provided for this line is calculated based on the necessary personnel approved by CNCAN by letter no. 2805/June 9th, 2021, registered with SNN under no. 6995/June 10th, 2021, in accordance with the provisions of art.18 (3) of the Basic Nuclear Safety Standards for Nuclear Installations (NSN21) "The licensee must obtain CNCAN approval for organizational changes prior to the implementation thereof", and, starting with 2022, by the BoD Resolution no. 223/21.12.2021, an increase in the number of positions in the organizational structure of SNN has been foreseen by 172 positions, which will be gradually occupied during 2022, the total number of staff at the end of 2022 reaching 2681 people at the level of the entire company.

In view of the above considerations, the following are preliminary for Chapter C. **“Personnel expenses”** in BVC 2022, the amount of **574,133 thousand RON**, with the following structure:

INDICATORS	Row no.	Provisions for the previous year 2021		2022	%	%	
		Approved					
		according to OGMS Resolution no. 11/28.10.2021	Preliminary / Achieved 2021				
0	1	2	3	4	5=4/2	6=4/3	
C	Personnel expenses	85	485.637	459.638	574.133	118%	125%
C0	Salary-related expenses	86	439.256	421.308	524.539	119%	125%
C1	Salary expenses	87	385.075	371.670	464.260	121%	125%
C2	Bonuses	91	54.181	49.638	60.279	111%	121%
C3	Other personnel expenses	99	-	-	-	0%	0%
C4	Expenses related to the mandate contract and other management and inspection bodies, commissions and committees	103	3.481	3.108	3.572	103%	115%
C5	Expenses with contributions payable by the employer	112	42.899	35.223	46.022	107%	131%

C0) Salary expenses amounting to **524,539 thousand RON** (+24.5% vs. preliminarily achieved in 2021, +19.4% vs. budgeted for 2020) are made up of salary expenses (C1 – 464,260 thousand RON) and bonuses (C2 – 60,279 thousand RON), detailed as follows:

INDICATORS	Row no.	Provisions for the previous year 2021		2022	%	%	
		Approved					
		according to OGMS Resolution no. 11/28.10.2021	Preliminary / Achieved 2021				
0	1	2	3	4	5=4/2	6=4/3	
C0	Salary-related expenses (Row 86 = Row 87 + Row 91)	86	439.256	421.308	524.539	119%	125%
C1	Salary expenses (Row 87 = Row 88 + Row 89 + Row 90), of which:	87	385.075	371.670	464.260	121%	125%
	a) base salaries	88	264.399	258.025	336.536	127%	130%
	b) bonuses, premiums and other extra payments related to the base salary (according to CCM)	89	109.046	105.684	115.699	106%	109%
	c) other extra payments (according to CCM)	90	11.630	7.960	12.025	103%	151%
C2	Bonuses Row 91 = Row 92 + Row 95 + Row 96 + Row 97 + Row 98), of which:	91	54.181	49.638	60.279	111%	121%
	a) social expenses provided under art. 25 of Law no. 227/2015 on the fiscal code*, as further amended and supplemented, out of which:	92	13.163	11.435	14.424	110%	126%
	- nursery coupons according to Law 193/2006, as further amended;	93	-	-	-	0%	0%
	- vouchers for social expenses according to Law 193/2006, as further amended;	94	-	-	-	0%	0%
	b) meal coupons;	95	838	708	1.039	124%	147%
	c) vacation vouchers;	96	5.188	4.454	5.978	115%	134%
	d) expenses with the employees' participation in the profit obtained in the previous year	97	21.326	21.173	21.000	98%	99%
	e) other expenses according to CCM.	98	13.666	11.867	17.838	131%	150%

C1) Salary expenses amounting to **464.260 thousand RON** (+24.9% vs. preliminarily achieved in 2021, +20.6% vs. budgeted for 2021)

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

- ✓ the level of salary expenses necessary for the staff existing at the beginning of the year, considering the staff remuneration according to the CCM SNN in force, necessary to respond primarily to the need to retain skilled and highly skilled staff;
- ✓ the level of salary expenses necessary for the additional personnel needed to be hired in the year of 2022, in order to maintain the high degree of expertise and qualification in particular within the nuclear power plant, and to provide the necessary expertise for the new developments and investments needed for the nuclear power plant, needs detailed in this note;
- ✓ the increase of expenses by seniority and loyalty bonuses, as a result of the passage to higher levels of service seniority and seniority, respectively, for the loyalty bonus, according to the provisions of the CCM, as well as the assurance of all the benefits insured under the current CCM;
- ✓ setting up an award fund and a fund for advances/promotions for the personnel, in order to increase staff motivation and loyalty.

This increase is reflected in the basic salary expenses (row 88), the expenses on bonuses, premiums and other bonifications related to the base salary (according to the CCM) (row 89) and within other bonifications (according to CCM) (row 90), in accordance with the provisions of the Collective Labour Agreement applicable within SNN.

Thus, the budgeted level requested for 2022 provides the necessary expenditure on salaries for existing staff, staff expected to be hired by the end of the year, in compliance with the provisions of the applicable Collective Labour Agreement.

We consider significant the aspect of personnel loss and implicitly of expertise, which reappeared in 2021, especially for the CNCAN licensed personnel operating the production units at Cernavoda NPP (5 employees

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

operating the control room and DST went to an electricity production nuclear unit in the United Arab Emirates for much more attractive wage packages), following the growing trend of nationwide migration, SNN promptly adopted mitigation measures, succeeding in adapting the wage suspension provided for in the Collective Labour Agreement applicable within SNN and by attracting and forming a reserve of licensed personnel (35 new positions), in order to avoid the situation of lack of essential personnel necessary for the safe operation of production capacities and consequently the loss of the license to operate the nuclear power plant.

By the very particularity of the nuclear industry and the uniqueness of the scope of business thereof, Cernavoda NPP does not have the capacity to regenerate the losses of critical personnel at the current pace, considering that, for example, the preparation of an authorized CNCAN specialist takes 5 years for the position of Main Nuclear Operator - Control Room (ONPCC) or even 7 years for the Chief Shift Dispatcher (DST) or a main engineer specializing in the sensitive fields of NPP operation.

It is necessary to counteract the ageing of the labor force with early employment programs and the training of specialized personnel, thus internship, dual school, apprenticeship and scholarship programs are underway at both university and vocational school level.

SNN is the only operator of nuclear power plants in Romania, which causes a high degree of difficulty in finding substitutes in key positions, given the existence of competition in other similar projects that developed in other countries. Even if the number of these key positions is not high, they are vital in terms of the necessary expertise and quality of work. Succession, mentoring and rotation programs are established to ensure specialist training and knowledge transfer.

The duration of training for the various specialists is high, and for the retention for a long period of time it is necessary to provide benefits and to develop a clear career path that should include advancements/promotions. Without these, the demotivation of the personnel is imminent.

C2) Bonuses amounting to **60,279 thousand RON** (+21.4% vs. preliminarily achieved in 2021, +11.3% vs. budgeted for 2021)

This subchapter provided the following expenses:

- **social expenses** (row 92) amounting to **14,424 thousand RON**, estimated at the limit of a 5% quota applied to the value of personnel salary expenses, within the limit of the deductibility of these expenses according to Law 227/2015 *on the Fiscal Code*.
- **luncheon vouchers** (row 95) - 1,039 thousand RON; according to the Collective Labour Agreement, SNN grants to the employee's luncheon vouchers at the maximum value stipulated by law. In virtue of the provisions of joint Order no. 1245/902/2021 of the Ministry of Finance and Ministry of Labour, the maximum value of a luncheon voucher is of RON 20.09;
- **holiday vouchers** (row 96), in the amount of **5,978 thousand RON**, in full observance of the legal provisions. The current CCM provides for the possibility of granting holiday vouchers, depending on the financial possibilities of the company;
- **expenses related to the participation of the employees in the profit** obtained by the Company in the previous year (row 97) - **21,000 thousand RON**, according to the level approved in BVC for the year of 2021, in compliance with the legal provisions;
- expenses on advantages in kind granted to employees (electricity and thermal power, rents for company-provided apartments) (row 98) - budgeted in the amount of **17,838 thousand RON**.

C3) Other personnel expenses - this subchapter provides for compensatory payments related to personnel redundancies, expenses on salary entitlements payable under court decisions and salary expenses related to restructuring, privatization, receivers, other boards and committees. In the year of 2021, no amounts are provided for this chapter.

C4) Expenses related to the contract of mandate and other management and inspection bodies, boards and committees amounting to **3,572 thousand RON**

INDICATORS	Row no.	Provisions for the previous year 2021		2022	%	%
		Approved	Preliminary / Achieved 2021			
		according to OGMS Resolution no. 11/28.10.2021				
0	1	2	3	4	5=4/2	6=4/3
C4 Expenses related to the mandate contract and other management and inspection bodies, commissions and committees (Row 103 = Row 104 + Row 107 + Row 110 + Row 111), of which:		3.481	3.108	3.572	103%	115%
	103					
a) for managers/management	104	1.986	1.985	1.987	100%	100%
-fixed component	105	1.319	1.400	1.320	100%	94%
-variable component	106	667	584	667	100%	114%
b) for the Board of Directors / Supervision Board, of which:		1.495	1.123	1.585	106%	141%
	107					
-fixed component	108	906	589	996	110%	169%
-variable component	109	589	535	589	100%	110%
c) for auditors	110	-	-	-	0%	0%
d) for other commissions and committees created according to the law	111	-	-	-	0%	0%

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

- The provisions of the contracts of mandate concluded by the company with the members of the Board of Directors and with the executive managers;
- The provisions of art. 37, 38 and 39 of GEO no. 109/2011 on the corporate governance of public enterprises and the provisions of GD no. 722/2016 for the approval of the Methodological Guidelines for the enforcement of certain provisions of GEO no. 109/2011.

A. Contracts of mandate with the managers (row 104) – 1,987 thousand RON

For the year of 2022, expenses were provided for related to the contracts of mandate concluded by the Company with the executive managers, of 1,987 thousand RON.

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

At the beginning of 2022, the executive management has the following structure:

Position	BD Appointment Resolution	Duration of provisional contract of mandate (4 months)	Duration of the long-term contract of mandate (4 years)
Chief Executive Officer	BD Resolution no. 2/February 4 th , 2019	-	February 11 th , 2019 - February 11 th , 2023
Deputy Chief Executive Officer	BD Resolution no. 3/February 4 th , 2019	-	February 11 th , 2019 - February 11 th , 2023

Chief Financial Officer	BD Resolution no. 70/March 27 th , 2020 for the provisional contract BD Resolution no. 158/July 23 rd , 2020 for the long-term contract BD Resolution no. 171/October 6 th , 2021_waiver of the mandates starting with February 11 th , 2022	April 1 st , 2020 - July 31 st , 2020	August 1 st , 2020 – July 31 st , 2024
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By Resolution no. 171/October 6th, 2021, the Board of Directors of SNN took note of the resignation request of Mr. Paul Ichim from his position of Chief Financial Officer of SNN, starting with February 11th, 2022. In order to provide the continuity of the activity in best conditions, the selection procedure of a new CFO will be started shortly, based on the provisions of GEO 109/2011.

Thus, for the year of 2022, fixed and variable allowances were provided for the managers with mandate contracts, as follows:

a) the fixed component of the managers with contract of mandate (row 105) – 1,320 thousand RON

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

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

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

Therefore, the gross fixed allowance shall be paid for a number of 3 managers, for all 12 months of 2022, at the level of 1,320 thousand RON.

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

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

The variable allowance provided by the managers’ mandate contracts is conditioned by the fulfillment of the performance indicators established by the mandate contracts and approved by the Resolution of the Board of Directors no 54/April 10th, 2019. For these indicators, annual targets were set for all 4 years of the mandate. These targets are correlated with the administration plan of the Board of Directors, which includes the

management component approved by the BD resolution no. 33/March 7th, 2019, according to the provisions of art. 30 par. (1) of GEO no. 109/2011 and the provisions of art. 36 par. (1) of GEO 109/2011.

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

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

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

adjusted within 15 calendar days of the date of the approval of the audited annual financial statements by the General Meeting of Shareholders, for the medium and long period, respectively, of the mandate.

- d. If the mandate ceases before the end of the term of the mandate, for reasons not related to the person of the manager, the variable component shall be granted accordingly, until the last full month of activity during the mandate term;
- e. If the mandate ceases before the end of the term of the mandate, for reasons related to the person of the manager, the company shall be entitled to claim and the manager undertakes to return the full amount granted during that year, representing the payment of the variable component of the year in which the termination of the mandate became effective;
- f. Key performance indicators, targets, and the achievement degree may be changed, as applicable, in the following situations:
 - a) Force majeure, as it is defined by law;
 - b) Other causes not imputable to the managers and not affecting the achievement of the goals and targets set for the entire mandate.

Targets may be changed in the event of an approved rectification of the Revenue and Expenditure Budget, within the terms of the law and of the Articles of Incorporation.

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

B. Contracts of mandate with the directors (row 107) – 1,585 thousand RON

For the year of 2022, expenses were provided for related to the management contracts concluded by the Company with the members of the Board of Directors amounting to 1,585 thousand RON.

Currently, the company has 5 directors having concluded contracts of mandate with the company until September 28th, 2022, of whom an executive director, also occupying the position of Chief Executive Officer. For the Executive Director, the only remuneration to be granted is that of executive director, in compliance with the provisions of art. 38 par. (1) of GEO 109/2011.

By Resolution no. 1/January 27th, 2021, of the Ordinary General Meeting of Shareholders of SNN, the following have been approved:

- approval of the initiation of the procedure for the selection of two members in the Board of Directors of SNN, according to the provisions of GEO no. 109/2011;
- approval of the empowerment of the Board of Directors of SNN for the implementation of the section procedure for two members of the Board of Directors.

The contractual period covers the entire year 2022 (12 months for the 5 directors with whom the company has concluded mandate contracts, and 12 months for the 2 vacancies for directors).

By Resolution no. 12/September 28th, 2018, the GMS of SNN established the fixed gross monthly indemnity of the directors, according to the provisions of art. 37 par. (1) and (2) of OUG 109/2011, equal to 2 times the average of the last 12 months of the monthly gross average wage for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment. By Resolution no. 3/April 10th, 2019 the GMS of SNN set the equivalent value corresponding to the annual variable component of non-executive directors amounting to 12 monthly fixed allowances.

Thus, for the year of 2022, fixed and variable allowances were provided for the directors with contracts of mandate, as follows:

a) fixed component of the contracts of mandate concluded with the directors (row 108) – 996 thousand RON, calculated as follows:

$RON\ 995,640 = RON\ 11,331 \times 3\ \text{non-executive directors} \times 12\ \text{months} + 16,960 \times 2\ \text{non-executive directors} \times 12\ \text{months} + 15,057 \times 1\ \text{non-executive director} \times 12\ \text{months} - \text{gross fixed allowance for 6 non-executive directors, for the entire year of 2022.}$

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

b) variable component of the contracts of mandate concluded with the directors (row 109) - 589 thousand RON, according to GMS Resolution no. 3/April 10th, 2019 and determined according to the provisions of art. 37 par. (2) of GEO no. 109/2011, which stipulates that the level of the variable component of non-executive members cannot exceed a maximum of 12 monthly fixed allowances, i.e. the gross fixed allowance calculated for the entire year of 2021.

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

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

The value of the variable component for the 2 (two) vacancies within the Board of Directors was recorded under Row 124 of Annex 2 “Provisions in relation to the contract of mandate”, since these two positions are not, on the BVC 2022 elaboration date, subject to GEO 109/2011. The value of the variable component for these two vacancies amounts to 407 thousand RON, and was determined as follows:

$407,040 = 16,960 \times 2 \times 12\ \text{months}$

The estimates for 2023 and 2024 of Annex 1, for the entire chapter C4 *Expenses related to the contract of mandate and other management and inspection bodies, boards and committees* are determined considering the fixed and variable allowances detailed above, in full for 12 months of every year, i.e., 3,977 thousand RON.

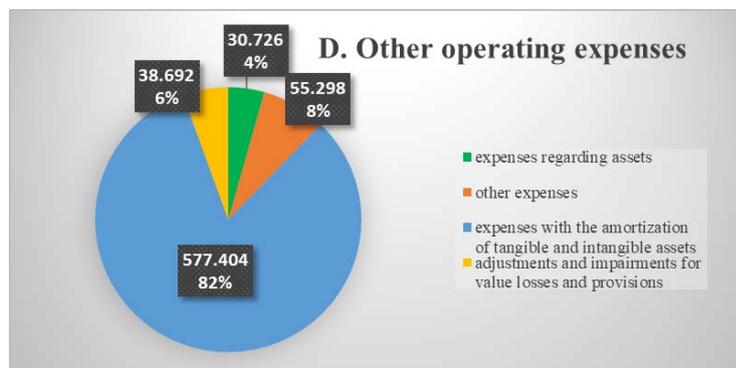
C5) Expenses on the contributions payable by the employer amounting to 46,022 thousand RON.

This subchapter provides expenses on:

- ✓ the mandatory work contribution;
- ✓ the social security contribution due by the employer for the employees working under special and difficult labour conditions;
- ✓ the contribution for the unemployed people with disabilities;
- ✓ the contribution of the unit to the voluntary pension funds;
- ✓ the monthly indemnity for telework days granted in accordance with the provisions of the Fiscal Code;
- ✓ the cost of the medical insurance policy or medical subscription, in accordance with the provisions of the Collective Labour Agreement, settled within the deductibility limit specified by the Fiscal Code of the equivalent of EUR 400 per year per employee, an expense that was not included in the substantiation underlying the approval of the REB for 2021

Thus, as a result of the application of the legal provisions, the expenses with the contributions due by the employer are set at the level of 46,022 thousand RON, i.e. 30.7% higher than the level preliminarily achieved in 2021.

D. Other operating expenses amounting to **702,125 thousand RON** (+ 2.2% vs. preliminary achieved in 2021, +6.5% vs. budgeted for 2021) include: expenses on fixed assets, amortization expense for tangible and intangible assets, adjustments and impairments for value losses and provisions (the provision for intermediate storage costs for burned fuel, the provision for radioactive and non-radioactive waste, the pension provision, the provision for the employees' participation in the profit) and other expenses (annual contributions to governmental and non-governmental organizations, the equivalent of electricity for the balanced market etc.).



D - Other operating expenses	Row no.	Provisions for the previous year 2021		2022	%	%
		Approved	Preliminary / Achieved 2021			
		according to OGMS Resolution no. 11/28.10.2021				
0	1	2	3	4	5=4/2	6=4/3
a) expenses with increases and penalties	114	7	195	6	0%	0%
b) expenses regarding assets	117	6.555	5.361	30.726	0%	0%
c) expenses related to transfers for personnel payments	118	-	-	-	0%	0%
d) other expenses	119	52.660	90.910	55.298	105%	61%
e) expenses with the amortization of tangible and intangible assets	120	563.446	553.842	577.404	102%	104%
f) adjustments and impairments for value losses and provisions	121	36.652	36.938	38.692	106%	105%
Total		659.320	687.246	702.125	106%	102%

The significant weight in this category of expenses is represented by **expenses regarding the amortization of tangible and intangible assets (rd. 120) - 577,404 thousand RON**, i.e. a share of 82%. This expense category shows an estimated increase of +4,3% given the estimated level of expenses with the amortization correlated with the investments made in previous years with commissioning during 2021, as well as estimates for 2022.

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

Expenses on fixed assets (row 117) amounting to 30,726 thousand RON, represent expenses on assigned assets resulting from the derecognition of replacements made within the investment program that will be completed in 2022. The significant values are represented by: the improvement of the reliability of the electric generator by replacing the stator winding, the refurbishment of the Unit 1 power outlet transformers and, respectively, spare parts of the nature of fixed assets.

Other operating expenses (row 119) in chapter D amounting to 55,048 thousand RON, represents mainly the equivalent value of daily imbalances prudently estimated for 2022 at the level of 46,800 thousand RON, taking into account the level achieved in the year of 2021; other expenses in this category are: the equivalent of the electricity settled for pensioners based on the normative acts, expenses with the decommissioning of current assets and taxes on the affiliation of the Company to specialized organizations, especially from the nuclear industry.

Adjustments and impairments for value losses and provisions (row 121), amounting to **38,692 thousand RON**, is determined by netting the expenses with adjustments, impairments and provisions of 77,150 thousand RON and the revenues from the resumption of adjustments, impairments and provisions of 38,458 thousand RON.

The **expenses** estimated at the level of **77,150 thousand RON** include:

- provision for the costs of managing low and medium radioactive and non-radioactive waste (10,850 thousand RON);
- provision for the costs of intermediate burnt fuel storage in DICA modules - DICA Modules 17 and 18 (9,323 thousand RON);
- impairment adjustments for the fixed assets representing the depreciation of DICA Modules 12 and 13, as the burned fuel was transferred - 11,960 thousand RON;
- estimation of the provision for pensions and other liabilities, according to the annual actuarial report (3,000 thousand RON);
- provision for litigations opened by trade unions on salary bonuses (12,800 thousand RON);
- provision for the participation of employees in the profit for the year 2022 (27,000 thousand RON), estimated with the compliance with the legal provisions;
- provisions in relation to the contract of mandate (407 thousand RON). For further details, see Chapter C4 above;
- adjustments for the impairment of current assets and loss from receivables (1,810 thousand RON).

The **revenues** from the cancellation or resumption of adjustments, impairments and provisions totaling **38,458 thousand RON** mainly comprise:

- the cancellation of the provision for low and medium radioactive and non-radioactive waste (280 thousand RON) insofar as they are managed;
- the cancellation of the provision for the costs of the intermediary storage of burnt fuel - DICA 12 and 13 modules (11,960 thousand RON), as they were filled with burnt fuel bundles in 2022;
- the cancellation of adjustments for impairment of fixed assets (5,218 thousand RON);
- the cancellation of the provision regarding the participation of the employees in the profit of 2021 (21,000 thousand RON).

The provision for the employees' participation in the profit for the year of 2022 is calculated at the maximum level stipulated by law, namely "no more than the level of a monthly basic average salary obtained on the level of the economic operator in the reference financial year".

Estimates of the provision for pensions and other obligations amounting to 3,000 thousand RON including the estimated provision for employees' retirement benefits in the form of a share of 1,200 kWh/year of electricity, in compliance with the provision of the SNN CCM valid for the period October 1st, 2021 – September 30th, 2023. The value of the update will be based on the actuarial report made by the actuary employed by SNN and the provision for other employee benefits under the SNN CCM/2021.

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

2. In the substantiation of the **financial expenses (Row 130)** amounting to **37,148 thousand RON** (+5.3% vs. preliminarily achieved in 2021, -8.0% vs. budgeted for 2021) the expenses on interest rates and commissions maturing in 2022, the exchange rate differences on external loans contracted for the implementation and commissioning of Unit 2 of Cernavoda NPP, as well as other financial expenses, were considered. The expenses on exchange rate fluctuations can only be estimated, but their level in the performance is influenced by the impact of the unfavorable exchange rate differences realized and unrealized, uncontrolled by the Company.

Within these expenses we included the amount of 3,287 thousand RON representing expenses for the non-reimbursement risk for the contracted credits for the implementation and commissioning of Unit 2 of Cernavoda NPP paid on the first drawing from the credits and which is amortized during the repayment period.

III. GROSS RESULT

For the year of 2022, based on the forecast revenues and expenditure, a **gross profit of 2,569,518 thousand RON** results, 174,3% higher than the one budgeted for the year of 2021.

The proposal of the revenue and expenditure budget for the year of 2022 provides for the distribution of 50% of the distributable accounting profit to the shareholders, in full observance of the provisions of GEO no. 64/2001, above the minimum level of 50% established by this ordinance.

The gross profit level is determined by the cumulative operating profit and the budgeted financial result. The **operating profit** is estimated at the level of **2,520,528 thousand RON** (+173.5% vs. budgeted for 2021), and the **financial result** is estimated at the level of **48,990 thousand RON** (+225.5% vs. budgeted for 2021), higher than the level achieved in the year of 2021, as a result of the expected level of interest rates and the monetary market conditions forecast for the year of 2022.

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

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

IV. CORPORATE TAX

The corporate tax expenses (416,784 thousand RON) were determined in compliance with the provisions of the Fiscal Code. The estimates of non-deductible tax expenses and the non-taxable revenues in the calculation of the corporate tax for the year of 2022 were made considering the preliminary achievements of the year of 2021.

Non-deductible expenses (88,189 thousand RON) mainly include the amount of spare part scrap, the amount of the provision for the intermediate storage of the burnt fuel, the amount of the provision for radioactive and non-radioactive waste, the value of the provision for the employee benefits, the value of the sponsorships, and the amount of the employees’ participation in the profit.

Non-taxable revenues (52,806 thousand RON) mainly include revenues from provisioning.

V. SOURCES FOR FINANCING INVESTMENTS for the year of 2022, amounting to 883,950 thousand RON, are represented by own sources, i.e. amortization and profit.

VI. INVESTMENT EXPENSES in the year of 2022, amounting to 875,282 thousand RON, plus the amount of 172,487 thousand RON, representing the reimbursement of the instalments related to the credits contracted for the implementation and commissioning of Unit 2, maturing in 2022, resulting in a **total investment program of 702,795 thousand RON**, were sized according to the investment objectives required in order to be achieved and foreseen in the strategic programs of the Company, structured as follows:

- the amount of 96,506 thousand RON representing the investment program of SNN Headquarters;
- the amount of 598,391 thousand RON representing the equivalent value of the investment program of CNE Cernavoda;
- the amount of 7,898 thousand RON representing the equivalent value of the investment program of FCN Pitesti branch.

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

Out of the 702,795 thousand RON investments foreseen in the BVC for 2022, among the main investments, we can mention:

Name of investment	Value (thousand RON)
Extension of the life cycle of Unit 1 by re-tubing the reactor and refurbishing the main systems (studies)	157,282
Improving the reliability of the 1-4121-G01 electric generator by replacing the stator coil	93,500
Tritium removal facility	87,956
Capitalization of Feldioara branch	44,015
Refurbishing services for the power discharge transformers in Units 1 and 2 of Cernavoda NPP	31,248
Capitalization of Energonuclear Branch	27,001
Intermediate Dry Storage Spent Fuel Facility (DICA)	17,452

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

The cars proposed to be purchased in 2022, according to Annex 4.1 “Facilities”, comply with the provisions of Romanian Government Decision no. 84 / 28.01.2020 for the approval of the number of cars necessary for the development of specific activities by SN Nuclearelectrica S.A. The existing fleet as of 31.12.2021 as well as the proposed increase (2 cars) according to BVC 2022 respects the provisions of GD Decision no.84 / 28.01.2020.

The investment program is detailed in Annex 4 of the Revenue and Expenditure Budget for the year of 2022, with the detailing of the endowments in Annex 4.1.

VII. Other substantiation data on the Revenue and Expenditure Budget for the year of 2022

For the year of 2022, by proposing the Revenue and Expenditure Budget, outstanding payments were not provided, and the level of outstanding receivables was increased as compared to the level achieved in 2021.

By the Resolution of the Board of Directors no. 187/ October 29th, 2018, the administration component of the Administration Plan was approved. By the Resolution of the Board of Directors no. 33/March 7th, 2019, the management component of the Management Plan and the Management Plan in its entirety were approved. The revenue and expenditure budget for 2022 is correlated with the Administration Plan, containing the management component.

The estimates of the indicators for the years of 2023 and 2024 are linear (except for Annex 4 - Program of investments and expenses on the contracts of mandate for the management of the company Chapter C4 Annex 1, detailed at the end of chapter C above), starting from the level of the indicators budgeted for 2022, indexed with the inflation level published by the National Statistics Institute in “Medium-term forecast for 2021-2025 - 2021 autumn forecast”, the indicators detailed for such years being subsequently detailed and substantiated by the annual budgets of the years of 2023 and 2024.

The substantiations of the Revenue and Expenditure Budget for 2022 were approved by the Financial Administration Inspection.

**Chief Executive Officer,
Cosmin Ghita**

**Chief Financial Officer,
Paul Ichim**

Annexes:

- Revenue and Expenditure Budget for 2022 and estimates for the years of 2023 and 2024 (Annex no. 1);
- Details of the economic-financial indicators provided in the revenue and expenditure budget and their distribution per quarters (Annex no. 2);
- Total revenue achievement degree (Annex no. 3);
- Investment Program (Annex no. 4);
- List of the “Fittings” position for the year of 2022 (Annex no. 4.1);
- Measures for improving the gross result and reducing outstanding payments (Annex no. 5).