CERTIFIED MANAGEMENT SYSTEM
ISO 37001

NUCLEARELECTRICA

S.N. Nuclearelectrica S.A.

Consolidated Financial Statements
as at and for the year ended on
December 31, 2021

Prepared in accordance with
Order of the Ministry of Public Finance No. 2.844/2016 on the approval
of Accounting Regulations compliant with the
International Financial Reporting Standards adopted by the
European Union

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

	Note	December 31 2021 (audited)	December 31 2020 (audited)
Assets			
Non-current assets			
Tangible assets	**5**	6,002,190,191	5,940,495,002
Assets representing rights to use underlying assets under a leasing contract	**6**	1,180,392	621,233
Intangible assets	**7**	48,406,709	53,471,202
Financial assets valued at amortized cost	**8**	35,496,297	5,056,031
Total non-current assets		**6,087,273,589**	**5,999,643,468**
Current assets			
Inventories	**9**	560,119,950	435,410,839
Non-current assets held for sale	**10**	-	2,231,633
Trade receivables	**11**	220,486,125	157,943,506
Other assets valued at amortized cost	**12**	85,068,328	80,764,407
Bank deposits	**13**	1,328,973,000	1,621,384,000
Cash and cash equivalents	**13**	1,343,172,157	546,867,387
Total current assets		**3,537,819,560**	**2,844,601,772**
Total assets		**9,625,093,149**	**8,844,245,240**
Equity and liabilities			
Equity			
Share capital, of which:		3,211,941,683	3,211,941,683
Subscribed and paid in share capital		*3,016,438,940*	*3,016,438,940*
Inflation adjustments to the share capital		*195,502,743*	*195,502,743*
Share premiums		31,474,149	31,474,149
Reserve paid in advance		21,553,548	21,553,548
Revaluation reserve		2,101,938,467	1,820,339,902
Retained earnings		2,997,775,072	2,434,020,626
Total equity	**14**	**8,364,682,919**	**7,519,329,908**
Liabilities			
Long-term liabilities			
Long-term loans	**16**	130,135,030	290,478,567
Debts from long-term leasing contracts	**6**	910,586	515,074
Provisions for risks and expenses	**18**	245,823,013	235,409,546
Deferred revenues	**19**	72,037,242	86,067,969
Deferred tax liability	**20**	102,278,834	66,526,911
Obligations concerning employee benefits	**21**	46,378,990	43,102,434
Total long-term liabilities		**597,563,695**	**722,100,501**
Current liabilities			
Trade payables and other liabilities	**17**	286,476,663	285,151,303
The current share of provisions for risks and expenses	**18**	69,541,135	57,272,874
Corporate tax due	**20**	48,790,678	32,049,397
Deferred revenues	**19**	89,647,495	16,228,454
Current share of long-term loans	**16**	168,126,539	211,995,082
Debts from short-term leasing contracts	**6**	264,025	117,721
Total current liabilities		**662,846,535**	**602,814,831**
Total liabilities		**1,260,410,230**	**1,324,915,332**
Total equities and liabilities		**9,625,093,149**	**8,844,245,240**

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

	Note	2021 (audited)	2020 (audited)
Revenues			
Income from electricity sales	**22**	3,103,149,054	2,432,278,539
Electricity transmission income		13,489,781	13,724,548
Total income		**3,116,638,835**	**2,446,003,087**
Other revenues	**23**	87,254,468	54,162,991
Operating expenses			
Depreciation and amortization		(562,856,178)	(544,752,111)
Personnel expenses	**24**	(444,324,281)	(440,280,607)
Cost of purchased electricity		(249,251,484)	(56,596,319)
Repairs and maintenance		(87,343,797)	(66,177,703)
Electricity transmission expenses		(13,489,781)	(13,724,548)
Cost of spare parts		(17,483,880)	(15,356,809)
Cost of nuclear fuel		(154,445,202)	(132,766,256)
Other operating expenses	**25**	(495,451,473)	(459,125,681)
Total operating expenses		**(2,024,646,076)**	**(1,728,780,034)**
Operating profit		**1,179,247,227**	**771,386,044**
Financial expenses		(36,411,850)	(40,514,791)
Financial revenues		61,046,100	84,426,488
Net financial result	**26**	**24,634,250**	**43,911,697**
Profit before income tax		**1,203,881,477**	**815,297,741**
Corporate tax expenses, net	**20**	(167,842,918)	(116,086,386)
Profit for the period		**1,036,038,559**	**699,211,355**

The Consolidated Financial Statements presented from page 1 to 78 have been signed on March 28rd, 2022 by:

Cosmin Ghita
Chief Executive Officer

Dan Niculaie-Faranga
Chief Financial Officer

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

	Note	2021 (audited)	2020 (audited)
Profit for the period		**1,036,038,559**	**699,211,355**
Other items of the comprehensive income			
Items that cannot be reclassified in profit or loss			
Revenue from revaluation of buildings and land, net		335,236,386	-
Deferred tax related to the revaluation reserve		(53,637,821)	-
Actuarial (loss) on defined benefits plan		471,723	(5,539,153)
Result carried forward from other adjustments		(638,261)	(11,910,921)
Other items of the comprehensive income		**281,432,027**	**(17,450,074)**
Total aggregate comprehensive earnings for the period		**1,317,470,586**	**681,761,281**
Earnings per share	**15**		
Basic earnings per share (RON/share)		**3,43**	**2.32**
Diluted earnings per share (RON/share)		**3,43**	**2.32**

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

	Note	Share capital	Inflation adjustments to the share capital	Share premiums	Reserve paid in advance	Revaluation reserve	Retained earnings	Total equity
Balance as at January 1, 2021 (audited)		**3,016,438,940**	**195,502,743**	**31,474,149**	**21,553,548**	**1,820,339,902**	**2,434,020,626**	**7,519,329,908**
Comprehensive income								
Profit of the financial year							***1,035,777,763***	***1,035,777,763***
Other items of the comprehensive income								
Actuarial earnings-related benefit plans							471,723	**471,723**
Other items of the comprehensive income						***281,598,565***	-	***281,598,565***
Result carried forward from other adjustments							(638,261)	**(638,261)**
Total other items of the comprehensive income						***281,598,565***	(166,538)	**281,432,027**
Total comprehensive earnings for the financial year	**14**	**-**	**-**	**-**	**-**	**281,598,565**	**1,035,872,021**	**1,317,470,586**
Transactions with the shareholders, recognized only in equity								
Distributed dividends							(472,117,575)	**(472,117,575)**
Total transactions with the shareholders, recognized only in equity	**14**	**-**	**-**	**-**	**-**	**-**	**(472,117,575)**	**(472,117,575)**
Balance as at December 31, 2021 (audited)		**3,016,438,940**	**195,502,743**	**31,474,149**	**21,553,548**	**2,101,938,467**	**2,997,775,072**	**8,364,682,919**

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

	Note	Share capital	Inflation adjustments to the share capital	Share premiums	Reserve paid in advance	Revaluation reserve	Retained earnings	Total equity
Balance as at January 1, 2020 (audited)		**3,015,138,510**	**195,502,743**	**31,474,149**	**21,553,548**	**1,820,339,902**	**2,250,680,741**	**7,334,689,593**
Comprehensive income								
Profit of the financial year							***699,211,355***	***699,211,355***
Other items of the comprehensive income								
Actuarial loss on defined benefits plan							(5,539,153)	**(5,539,153)**
Result carried forward from other adjustments							(11,910,921)	**(11,910,921)**
Total other items of the comprehensive income							**(17,450,074)**	**(17,450,074)**
Total comprehensive earnings for the financial year	**14**	**-**	**-**	**-**	**-**	**-**	**681,761,281**	**681,761,281**
Transactions with the shareholders, recognized only in equity								
Share capital increase		1,300,430						**1,300,430**
Distributed dividends							(498,421,396)	**(498,421,396)**
Total transactions with the shareholders, recognized only in equity	**14**	**1,300,430**	**-**	**-**	**-**	**-**	**(498,421,396)**	**(498,421,396)**
Balance as at December 31, 2020 (audited)		**3,016,438,940**	**195,502,743**	**31,474,149**	**21,553,548**	**1,820,339,902**	**2,434,020,626**	**7,519,329,908**

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

	2021 (audited)	2020 (audited)
Cash flows from operating activities		
Profit before income tax	**1,203,881,477**	**815,297,741**
Adjustments for:		
Impairment and depreciation	562,856,178	544,752,111
Impairment on trade receivables	2,724,882	(7,634)
Value adjustments on inventory	(17,947)	(1,242,734)
Provisions corresponding to operating liabilities, risks and expenses	24,486,443	7,043,921
(Earnings)/Loss from asset assignment	3,071,960	(1,186,948)
(Earnings) from the assignment of assets held for sale	(1,970,976)	-
Net financial (revenues)	(23,037,754)	(44,287,618)
Changes in:		
Decrease/(Increase) in trade receivables	(65,286,314)	12,057,772
Decrease/(Increase) in other assets valuated at the amortized cost	(3,182,943)	8,141,709
(Increase) in inventories	(124,691,164)	(36,050,114)
Variation of deferred income	59,388,314	(25,979,808)
Increase of trade liabilities and other liabilities	13,980,306	27,020,748
Cash flows generated from operating activities	**1,652,202,462**	**1,305,559,145**
Corporate tax paid	(168,974,771)	(111,766,825)
Interest collected	50,833,671	47,109,697
Interest paid	(1,261,126)	(3,578,795)
Net cash flow from operating activities	**1,532,800,236**	**1,237,323,222**
Cash flows from investing activities		
Purchase of intangible assets	(5,583,714)	(4,803,264)
Purchases of tangible assets	(299,251,677)	(238,991,683)
Other investments in financial assets	(30,104,380)	-
Earnings from the sale of assets held for sale	4,202,609	-
Proceeds from sale of tangible assets	57,887	1,186,948
(Increase)/Decrease in bank deposits and financial assets valued at amortized cost	292,411,000	(1,524,724,506)
Net cash flow corresponding to investment activities	**(38,268,274)**	**(1,767,332,505)**
Cash flow corresponding to financing activities		
Loan repayments	(226,092,994)	(218,307,866)
Dividend payments	(471,909,403)	(498,276,179)
Payments related to leasing contract debt, including interest	(224,795)	(202,762)
Share capital increase	-	161,860
Net cash flow corresponding to financing activities	**(698,227,192)**	**(716,624,947)**
Net (reduction)/increase in cash and cash equivalents	**796,304,770**	**(1,246,634,229)**
Cash and cash equivalents as at January 1st (see Note 13)	**546,867,387**	**1,793,501,617**
Cash and cash equivalents as at December 31st (see Note 13)	**1,343,172,157**	**546,867,387**

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

1. REPORTING ENTITY

a) General information about the group

These Consolidated Financial Statements prepared on and for the financial year ended on December 31st, 2021 comprise the Financial Statements of Societatea Nationala Nuclearelectrica S.A. ("Company" or "SNN") and its branches, hereinafter collectively referred to as "Group".

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

As at December 31, 2021 the shareholders of the Company are: The Romanian State, by the Ministry of Energy, holding 248,850,476 shares, representing 82.4981% of the share capital, and other shareholders, individuals and legal entities, holding together 52,793,418 shares, representing 17.5019% of the share capital.

Since November 4, 2013, the shares of the Company have been traded at the Bucharest Stock Exchange, under the issuer symbol SNN.

The Company has as main scope of business "Electricity production" - NACE code 3511 and it is registered with the Trade Register under number J40/7403/1998, sole registration code 10874881, fiscal attribute RO.

As of December 31, 2021 and December 31, 2020, the branches of the Company are as follows:

Branch	Activity	Sole Registration Number	Sediul social	% interest as of December 31, 2021	% interest as of December 31, 2020
Energonuclear S.A.	"Engineering activities and related technical consultancy" - NACE code 7112	25344972	Bucharest, District 2, Bd. Lacul Tei, no. 1 - 3, Lacul Tei Offices building, 8th floor	100%	100%
Fabrica de Prelucrare a Concentratelor de Uraniu - Feldioara S.R.L.	"Processing of nuclear fuel" - NACE Code 2446.	44958790	County Brasov County, Feldioara, Str. Dumbravii no. 1, Administrative building, ground floor	100%	-
Nuclearelectrica Serv S.R.L.	"Other human resources provision" - NACE Code 7830	45374854	County Constanta County, Cernavoda, Str. Energiei no. 21, Hotel no. 2, Unit B, 1st floor	100%	-

Changes in the group structure in 2021

In 2021, branches Fabrica de Prelucrare a Concentratelor de Uraniu - Feldioara S.R.L. and Nuclearelectrica Serv S.R.L. were incorporated, both 100% owned by the Company.

1. REPORTING ENTITY (CONTINUED)

a) General information about the group (continued)

Main activities of the group

The main activity of the Group consists in electricity and thermal energy production by nuclear processes. The main place of business is within the Branch Cernavoda NPP, where the Company owns and operates two operational nuclear reactors (Unit 1 and Unit 2). The two nuclear operational reactors are based on CANDU technology (Canada Deuterium Uranium type PHWR).

In Cernavoda, the Company owns two other nuclear reactors in the early stages of construction (Unit 3 and Unit 4). The project for the Increase of the Production Capacity is planned to be completed by the subsidiary Energonuclear SA (for further details, see Note 9). Resolution No. 8/June 12, 2020 of the Extraordinary General Meeting of Shareholders ("EGMS") approved the following: (i) Repealing of the "Strategy for the continuation of the project for Units 3 and 4 of Cernavoda NPP by the organization of an investor selection procedure" (2014) as well as the "Revised Strategy for the continuation of the project for Units 3 and 4 of Cernavoda NPP by the organization of an investor selection procedure" (2018) (section 2 of the EGMS agenda of June 12, 2020), (ii) Empowering the Board of Directors of SNN to initiate procedures/steps/actions concerning the termination of negotiations with CGN, as well as the cessation of legal effects (by the agreement of the parties, termination etc.) of the following documents: "Memorandum of Understanding on the development, construction, operation and decommissioning of Units 3 and 4 of Cernavoda NPP (MoU)" and "Investor Agreement in preliminary form", respectively (point 3 of the EGMS agenda of June 12, 2020) and (iii) Empowering the SNN Board of Directors to initiate the steps for the analysis and crystallization of the strategic options for the construction of new nuclear power generation capacities (point 4 of the EGMS agenda of June 12, 2020).

By Resolution of the Prime Minister of Romania No. 281/July 14th, 2020, published in the Official Gazette of Romania, Part I, No. 618/July 14th, 2020, the Strategic Coordination Committee for the Implementation of the Project for Cernavoda NPP Units 3 and 4 was set up. On October 9, 2020 the Agreement between the Government of Romania and the Government of the United States of America was signed on the cooperation related to the nuclear-energy projects in Cernavoda and in the civil nuclear energy sector in Romania. The agreement was recently ratified by the Parliament of Romania, by Law no. 200/2021. Also, in October 2020, US Exim Bank expressed, by a Memorandum of Understanding concluded with the Ministry of Energy, its interest in financing large investment projects in Romania, including nuclear ones, in total value of USD 7 billion.

By the Current Report issued on November 25, 2021, the shareholders are informed in relation to the advancement of the Project of Units 3 and 4, a project which is in its preparatory stage, and the Energonuclear S.A. branch signed the first contract with Candu Energy, a member of the SNC-Lavalin group and the Design Authority for Units 3 and 4 and OEM Candu (the original manufacturer of the CANDU technology).

The Group owns a reactor (Unit 5) for which the Group shareholders approved the change of the initial destination in March 2014, namely, the use of Unit 5 for carrying out the activities related to the operation of Units 1 and 2. At the beginning of 2020, the Atomic Energy International Agency (AIEA) conducted a benchmark assessment of the design requirements for the investment objective Location Emergency Control Center (CCUA) - Unit 5 and an assessment of the technical requirements on the qualification of equipment to hazards (especially seismic qualification). The presentations held by international AIEA experts within the benchmarking highlighted a new qualification method/strategy, i.e., proving the seismic margin by using seismic experience as an alternative method for the qualification of critical systems in the Emergency Situations Facilities Building (CFSU). In June 2020, CNCAN expressed its agreement for using the seismic experience as an alternative method for demonstrating the seismic qualification of critical equipment, and in July 2020 the seismic qualification guide and the list of seismically qualified systems/equipment for the CFSU were updated. In the context of the aforementioned considerations, a revised timetable for the relaunch strategy was drawn up, indicating the accomplishment of this goal in June 2022.

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

1. REPORTING ENTITY (CONTINUED)

a) General information about the group (continued)

Main activities of the group (continued)

By incorporating branch Fabrica de Prelucrare a Concentratelor de Uraniu - Feldioara S.R.L., the Company aims to ensure the stability, predictability and continuity of production, by controlling and managing risks within the fuel chain, by purchasing uranium oxide and processing it locally. Thus, the main objective of the subsidiary is to process uranium concentrates in order to obtain the synthesizable uranium dioxide powder necessary for the manufacture of CANDU type 6 nuclear fuels. The obtained synthesized uranium dioxide powder is exclusively intended for the technological flow of manufacturing the existing nuclear fuels at the FCN Pitesti branch.

Nuclearelectrica Serv S.R.L. branch will mainly take over the activity of collecting, segregating and characterizing radioactive waste, previously performed by external providers. Other services provided by this branch are: fire prevention, handling services in the warehouses of the Cernavoda NPP branch.

b) Regulations in the energy sector

The electricity sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution. Starting with 2021 the Romanian electricity market has been liberalized, with the Company participating in 2021 only in the competitive segment. In 2020, the Company participated both in the competitive segment, and in the regulated market segment, where ANRE has set, by means of yearly/half-yearly decision, the quantities of electricity that need to be sold by the Company on the regulated market and the regulated price to be charged, respectively (for further information, see Note 25).

2. BASIS OF PREPARATION

a) Declaration of conformity

The Consolidated Financial Statements of the Group have been prepared according to the Public Finance Minister's Order no. 2.844/2016 on the approval of the accounting regulations compliant with the International Financial Reporting Standards ("IFRS") ("OMPF 2844/2016"). As per the OMPF 2.844/2016, the International Financial Reporting Standards represent the standards adopted in accordance with the procedure stipulated by the European Commission Regulation no. 1.606/2002 of the European Parliament and of the Council dated July 19th, 2002 on the application of the international accounting standards.

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

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

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

The Consolidated Financial Statements prepared as at and for the financial year ended on December 31st, 2021 were audited by an financial auditor of the Group – S.C. Mazars Romania S.R.L.

These Consolidated Financial Statements were authorized for issue and signed on March 28rd, 2022 by the management of the Group.

2. BASIS OF PREPARATION (CONTINUED)

b) Business Continuity

These financial statements were drafted based on the going concern principle, implying the fact that the Group will continue doing business, without a significant reduction thereof, in the foreseeable future as well.

From the analyses made on the implications of the Covid-19 pandemic on the activity of the Group, the management considers that the ongoing business thereof will not be affected (see Note 4).

c) Presentation of the financial statements

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

d) Basis of assessment

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

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

e) Functional and presentation currency

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

f) Use of estimates and judgments

The preparation of the Consolidated Financial Statements in compliance with IFRS adopted by the European Union implies the use by the management of estimates, judgment and assumptions that affect the application of the accounting policies, as well as the carried forward amounts of assets, liabilities, income and expenses, useful life of non-current assets (see Note 3c), assumptions used in determining the fair value (see Note 4), assumptions made in determining the fair value of tangible assets (property, plant and equipment) (see Note 5), the transfer to tangible assets (property, plant and equipment) of those spare parts which meet the recognition criteria required by IAS 16 (see Note 5), the recoverability of trade receivables (refer to Note 11), assumptions on the net recoverable value of inventories (see Note 9), assumptions on the calculation of employee benefits (see Note 21), the period on which the governmental grants are transferred to the profit and loss account (see Note 3q, Note 19 and Note 23), estimates on the radioactive and non-radioactive waste management obligations (Note 18).

The judgments and assumptions associated with these estimates are based on historical experience, as well as other factors deemed reasonable in the context of these estimates. The results of these estimates form the basis of the judgments on the book values of assets and liabilities that cannot be obtained from other sources of information. The obtained results may be different from the value of the estimates.

2. BASIS OF PREPARATION (CONTINUED)

f) Use of estimates and judgments (continued)

Judgments and their underlying assumptions are periodically reviewed. Revisions to accounting estimates are acknowledged in the period in which the estimate is revised, if the revision only affects that period or in the period in which the estimate is revised and in future periods if the estimates affect both the current period and future periods.

The judgments made by the management in applying IFRS having a significant effect on the financial statements as well as the estimates implying a significant risk of a material adjustment over the next year are presented in Notes 4 and 28.

g) Branches

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

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

The branches that are within the consolidation perimeter are presented in Note 1 a).

h) Related entities

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

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

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

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

As at December 31st, 2021 and December 31st, 2020, investments in related entities were not identified.

i) Transactions removed upon consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Transactions in foreign currency

Trades in foreign currencies are translated into RON at exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currency at the year-end are expressed in RON at the exchange rate displayed by the National Bank of Romania valid for the last banking day of the year. Gains and losses from exchange rate differences, realized or unrealized, are included in the profit and loss of the year. The exchange rates on December 31st, 2021 and December 31st, 2020 for the major currencies the Company trades in are as follows:

	Average exchange rate		Exchange rate on	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
RON/EUR	4,9204	4,8371	4,9481	4,8694
RON/USD	4,1604	4,2440	4,3707	3,9660
RON/CAD	3,3192	3,1647	3,4344	3,1127
RON/GBP	5,7233	5,4423	5,8994	5,4201
RON/CHF	4,5516	4,5201	4,7884	4,4997

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

b) Adjustment of hyperinflation effects

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

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

In order to prepare the consolidated financial statements on December 31st, 2021, the Group adjusted the following non-monetary items, in order to be expressed in the unit of measure on December 31st, 2003:

- ✓ Share capital (see Note 14);
- ✓ Tangible assets purchased by December 31st, 2003.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets

Recognition and assessment

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

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

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

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

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

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

Units 1, 2, 3, 4 and 5 were considered a single project, and therefore the costs incurred before 1990 were not accounted separately for each unit. In 1991, the Group performed a cost allocation for each Unit. This reallocation represents the basis for the fixed assets included in the tangible assets under construction.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets (continued)

Recognition and valuation (continued)

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

The last revaluation of lands and constructions took place as at December 31st, 2021 by the independent valuer (Primoval SRL, member of the National Association of Certified Assessors in Romania - ANEVAR). Prior to this revaluation, the lands and buildings were revaluated on December 31, 2018.

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

If the carrying amount of an asset is impaired as a result of a revaluation, this decrease is recognized in the profit and loss account; the decrease is, however, recorded in other comprehensive income items, to the extent to which there is credit balance in the revaluation surplus for that asset. The decrease recognized in other comprehensive income items reduces the amount accumulated in equity under the "revaluation reserves" position.

Subsequent expenses

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

In order to apply the provisions of the International Accounting Standard IAS 16 "Tangible Assets", the general periodic inspections carried out at CNE Cernavoda are capitalized under the category of tangible assets, being subsequently amortized on a linear basis, over a 2-year period. General periodic inspections mostly target the same components of the Units, so the amortization period considered is the 2-year period between two general periodic inspections carried out mostly on the same components, thus substituting each other. The last general inspections were: for Unit 1 in 2021 and for Unit 2 in 2020.

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

Amortization

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets (continued)

Amortization (continued)

Asset	**Number of years**
Nuclear Power Plant – Units 1 and 2	30
Heavy water (Loads for Units 1 and 2)	30
Buildings	45 – 50
Inspections and overhauls	2
Other facilities, equipment and machinery	3 - 20

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

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

The estimated useful life of Units 1 and 2, respectively 30 years, consider a number of 210,000 operating hours designed per Unit, equivalent to 80% capacity factor over a 30-year period. By December 31st, 2021, the cumulated capacity factor achieved since the commissioning of Unit 1 is 96.19% and 87.02% for Unit 2, being higher than the 80% designed capacity factor. Using these capacity factors extrapolated to the same value for the rest of useful life, it results that the estimated useful life of the units will be 26.4 years for Unit 1 and 25.4 years for Unit 2; nevertheless, this is an simplistic linear extrapolation since it is expected that the average capacity factor achieved so far in both units will decrease gradually by the end of the initial useful life due to creep of the fuel channels, therefore due to the inherent physical impairment of the units.

The operating experience achieved by other CANDU nuclear power plants that have reached the operating hours designed, indicates that it is possible to extend the initial number of operation hours beyond the designed number of 210,000 hours. In February 2017, the Group contracted specialized services for technical assistance to determine the possibility of extending the number of operating hours designed for Unit 1. Following the study, a work plan was drawn up which sets out the analyses and assessments to be carried out to prove the functionality of Unit 1 at Cernavoda NPP up to 245,000 actual operating hours. These analyses and assessments will underlie the extension of the operating permit for Unit 1.

The management of the Company truly believes it is possible to successfully extend the number of running hours for Unit 1, by adding a number of hours over the designed operation hours (210,000 hours), which would provide the operation of Unit 1 until 2026 and, therefore, would allow to maintain the remaining duration of the estimated useful life, the estimated useful life for the first cycle of operation being of 30 years. The extension of the number of hours of initial operation depends on the results of the analyses and assessments having been contracted in December 2019 and to be completed in July 2022, predominantly influenced by the technical condition of Unit 1, as well as by the decision of the regulator (CNCAN) at the time of the request.

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

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

Heavy water (loads for Units 1 and 2), buildings and other facilities, equipment and vehicles are presented in Note 5 under the name of "Machinery, equipment and other assets". Inspections and overhauls, capitalized in accordance with IAS 16, are presented in Note 5 and are reflected in the carrying amount of "Nuclear Power Plants".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Tangible assets (continued)

Amortization (continued)

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

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

Sales gain or loss is determined by the difference between the proceeds from the sale of the asset and the carrying amount thereof, being recognized as operational revenues or operational expenses in the profit and loss account.

The costs of the borrowings contracted especially for the construction of an element of non-current asset is capitalized in the cost of the asset by the date on which the activities for the preparation of the asset are performed, in view of the preset use or sale thereof.

Sale/discarding of tangible assets

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

d) Non-current assets held for sale

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

- The asset is available for immediate sale in the current state,
- The sale of the asset is highly probable.

In order for the sale to be very probable, all the following criteria must be met:

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

Valuation before the classification as held for sale

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

Valuation upon the initial classification as held for sale

Upon the initial classification as held for sale, the individual asset identified as held for sale is measured at the lower of:

- the carrying amount and
- the fair value thereof less the sale costs.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Subsequent valuation

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

Non-current assets held for sale are not amortized.

Acknowledgment of the loss from depreciation and resumptions

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

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

Derecognition

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

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

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

e) Leasing

(i) Acknowledgment

As at January 1st, 2019, in compliance with IFRS 16 “Leases”, a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time, in exchange for a consideration.

As a lessee, in virtue of the lease for the premises intended for the registered office, the Group recognized an asset related to the right to use the underlying asset and a leasing debt derived from this contract.
As a lessor, the financial statements remain unaffected by the introduction of the new standard.

Exceptions to the application of IFRS 16 may be:
• leases with a lease term of 12 months or less and which do not contain purchase options, and
• leasing contracts where the underlying asset has a small value.

The Group ascertained that the criteria on the application of the exceptions were not met, as a result of which it restated the leases as lessee, according to IFRS 16. The Group has concluded asset lease and land concession contracts, for which the initial value of the asset has been estimated related to the right of use at an amount equal to the debt updated at the time of the transaction derived from these contracts.

(ii) Valuation

The group, as lessee, also assesses the debt derived from the lease at the updated value of the lease payments that are not paid at that date. The update is made using the default interest rate in the lease, if that rate can be immediately determined. If this rate cannot be immediately determined, the lessee's marginal loan rate is used.

The carrying amount of the asset valued on the cost-based model is the cost of the initial valuation less any accumulated amortization and any accumulated impairment loss and adjusted in reference to any revaluations of the debt derived from the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Leasing (continued)

(iii) Depreciation

The underlying asset is depreciated using the straight-line method. If the ownership is not transferred or there is no purchase option on the underlying asset until the end of the term thereof, the asset is depreciated from the contract starting date until the first date between the end of the useful life and the end of the contractual term also including the contract extension or termination options.

(iv) Leasing debt

On the date of initial recognition of the lease liability, the updated value of the lease payments comprises fixed payments less any receivable lease incentives and variable lease payments depending on an index or rate, initially measured based on the index or rate at the beginning of the contract (e.g. the consumer price index).

The updated value of leasing payments that are not paid on the recognition date is determined for the duration of a lease taking into account the periods covered by the contract extension options, if the Company has reasonable certainty that it will exercise that option and the periods covered by contract termination options if the Company has reasonable assurance that it will not exercise that option.

Utility costs do not represent a component of the debt derived from the leasing contract, being recognized in profit or loss as invoices are issued.

The debt derived from the leasing contract is subsequently assessed by increasing the carrying amount to reflect the interest related to the debt, reducing the carrying amount to reflect the lease payments made and revaluing the carrying amount as a result of amendments to the contract (example of amendments: term of the contract, amendments to the leasing payments, asset purchase options, interest rate, termination of the contract).

(v) Derecognition

The asset related to the right of use is derecognized on the occasion of rescission or termination of the contract and is reflected by the decrease of the carrying amount of the asset related to the right of use and recognition in profit or loss of gains/loss related with the amendment of the leasing contract.

Amendment to IFRS 16, "Leases" - rent payment concessions determined by Covid-19

As a result of the COVID-19 pandemic, financial leasing contracts may be amended, in the sense of concessions being granted by the lessors. Such concessions could take a variety of forms, including granting grace periods from rent payments and postponing lease payments. On May 28th, 2020, the IASB issued an amendment to IFRS 16, providing an optional practical tool for tenants to assess whether such lease concession related to COVID-19 is an amendment to the lease. Tenants may opt to account for such rent concessions in the same way as if there were no rent amendments. In many cases, this will result in the concession being accounted for as variable lease payments over the period(s) of occurrence of the event or circumstance triggering the reduced payment. This amendment was extended for another year, until June 30, 2022.

In 2021, the Group did not obtain concessions from lessors, so that no amendments to the contracts were recorded and implicitly amendments to the accounting treatments applied in compliance with the provisions of IFRS 16.

f) Intangible assets

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

Research and development

The expense on research activities conducted in order to gain knowledge or new scientific or technical interpretations are recognized in the profit and loss account when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Intangible assets (continued)

Research and development (continued)

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

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

Subsequent expenses

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

Amortization

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

The Group owns intangible assets derived from purchases and not internally generated. The useful lives are established depending on the period over which the asset can be used, for a definite period between 2 and 8 years. Windows, MS Office and software program licenses have a useful life between 2 and 3 years, and software specific to the operation of the nuclear power plant have a useful life between 5 and 8 years. The Group does not own intangible assets purchased through government grants.

g) Financial assets and liabilities

Classification

The Group adopted IFRS 9 "Financial Instruments".

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

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

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

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

Financial assets valued at amortized cost

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

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

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

As of December 31, 2021 and 2020 the Group has financial assets valuated at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and liabilities (continued)

Classification (continued)

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

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

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

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

The Group does not have as of December 31, 2021 and 2020, respectively, financial assets at fair value via other items of the comprehensive income.

Financial assets at fair value through profit or loss

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

The Group does not have as of December 31, 2021 and 2020, respectively, financial assets at fair value by profit or loss.

Acknowledgment

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

Set-offs

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

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

Valuation

Valuation at the amortized cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and liabilities (continued)

Valuation at fair value

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

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

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

Derecognition

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

Earnings and loss from asset assignment

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

h) Other financial assets and liabilities

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

i) Depreciation of assets other than the financial ones

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

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

The recoverable amount of an asset or cash-generating unit is the greater of the value in use and the fair value thereof, less the costs for the sale of such asset or unit. In order to determine the value of use, future cash flows are updated using a pre-tax update rate reflecting the current market conditions and risks specific to such asset.

Impairment losses recognized in prior periods are valued on each reporting date, in order to determine whether they have decreased or no longer exist. Impairment loss is resumed, if there has been a change in the estimates used to determine the recovery value. Impairment loss is resumed only if the carrying amount of the asset does not exceed the accounting value that would have been calculated, net of amortization and depreciation, if the impairment loss had not been acknowledged.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Inventories

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

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

The inventories recorded by the Group comprise:
- nuclear fuel raw material, regardless of the form in which they are found in the production cycle of nuclear fuel bundles;
- other raw materials and materials.

The cost of raw materials for nuclear fuel and production in progress includes direct costs such as raw materials, directly attributable salary costs and various production-specific services. The discharge of nuclear fuel is done according to the components making up this inventory item (uranium, zirconia, production costs) as the nuclear fuel bundles are loaded in the reactor. Discharge is made at WAC.

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

Following the analysis of the inventories made by the management of the Group, it resulted that the use of WAC method would produce more credible results in the annual financial statements, for the users thereof. In this context, starting with the January 1st, 2016, the accounting policy used in order to determine the cost in the case of inventory outflows was changed from FIFO to the WAC method.

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

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

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

k) Trade receivables and other receivables

Trade receivables are initially recorded at the invoiced value and subsequently valued using the effective interest method less the impairment loss value. A provision for impairment is established when there is clear evidence that the Group will not be able to collect receivables at the set term. Significant financial difficulties of the debtor, the probability for them to enter bankruptcy or financial reorganization, late payments (over 360 days) are considered indicators that these receivables may require value adjustments.

An impairment loss related to a financial asset valued at amortized cost is calculated as the difference between the carrying amount thereof and the current value of the forecast, updated future cash flows, using the initial actual interest rate of the asset. The carrying value is reduced using an account for depreciation adjustments and the loss is recorded in the profit and loss account under the "Other operating expenses" position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Cash and cash equivalents

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

The "Bank deposits" position in the statement of financial position refer to those bank deposits having an initial maturity of between 3 and 12 months, but having a related commitment, i.e. they are collateral deposits related to letters of bank guarantee, issued by banks on behalf of the Group, in favour of some clients.

The "Financial assets valued at amortized cost" position in the financial position statement also contains the collateral deposits related to the aforementioned letters of guarantee, but with a maturity of over 12 months.

m) Share capital

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

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

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

n) Legal reserve

Legal reserves are established as follows: 5% comes from the gross profit at the end of the year until the total legal reserves reach 20% of the share capital subscribed and paid-up, in compliance with the legal provisions. These reserves are deductible upon the calculation of corporate tax at the rate stipulated by the Tax Code and are only distributable upon the liquidation of the Group. The legal reserve is distributed on the balance sheet date. The legal reserve is found within the "retained earnings" position.

o) Reserve paid in advance

The prepaid reserve represents the cash contributions made by the Company’s shareholders in respect of the future issuance of shares by the Company. These contributions are recorded on credit in the prepaid reserve, when there is no possibility for the advance payments to be returned, and the obligation of the Group is only is to issue a fixed number of shares.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Government grants

The company acknowledges government subsidies according to the provisions of IAS 20 Accounting of government subsidies and the submittal of information related to government aid.

Government subsidies represent "aid granted by the government as transfers of resources to an entity in exchange of complying, in the past or future, with certain conditions regarding the operation activity of the entity. Subsidies exclude the forms of government aid to which a certain value cannot be reasonably attributed, and transactions with the government which cannot be differentiated from the normal commercial operations of the entity."

IAS 20 differentiates two types of subsidies: those regarding assets, called investment subsidies, and those regarding revenues.

Subsidies regarding assets represent "government subsidies for the granting of which the main condition is for a beneficiary entity to buy, build or acquire non-current assets in another way. Also, there can be secondary conditions that restrict the type or location of the assets or the periods in which they are to be acquired or held".

Subsidies regarding revenues are "government subsidies which are different from those regarding assets."

The accounting of government subsidies can be made according to one of the two following approaches: the capital-based approach, under the incidence of which a subsidy is acknowledged outside profit or loss, and the revenue-based approach, whereby the subsidy is acknowledged in the profit and loss account, in one or several financial years.

q) Employee Benefits

(i) Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net liabilities of the Group in reference to the defined benefits plans are calculated separately for each single plan, estimating the amount of future benefits that employees have obtained in exchange for the services provided over the current and previous periods; these benefits are updated to the present value. Any unrecognized costs of previous services, as well as the fair value of the assets of the benefit plan are deducted.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Employee Benefits (continued)

(ii) Other long-term benefits granted to employees

The net liability of the Group in terms of long-term benefits granted to employees is the amount of future benefits that employees have earned in return for the services provided over the current period and the previous one. This benefit is updated in order to determine the fair value thereof, and the fair value of any related asset is deducted. These benefits are estimated using the projected credit factor method. Any actuarial gain or loss is recognized in the profit or loss account in the period in which they arise.

(iii) Short-term benefits granted to employees

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

r) Provisions for Risks and Expenses

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

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

s) Contingent liabilities and assets

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

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

t) Acknowledgement of revenues and expenses

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

(i) Income from electricity sales

In order to recognize revenues from the sale of electricity, the Group applies the provisions of IFRS 15 “Revenue Recognition”.

IFRS 15 clarifies the manner in which the performance obligation in a contract is identified, the manner in which it is determined whether an entity acts in its own name or as an intermediary and whether the revenues obtained must be recognized at a specific moment or time.

IFRS 15 establishes a five-step model which is applied to revenues derived from a contract with a client (excluding contracts contemplated by other standards such as IFRS 16, IFRS 9, IFRS 4, etc.), regardless of the time of the transaction or the industry. The requirements of the standard will also be applied for the recognition and measurement of gains and loss from the sale of certain assets, other than financial, which are not the result of the regular activity of the Group (e.g. sale of tangible and intangible assets). The Group assessed the impact of these changes on the financial position and performance thereof but did not identify any significant items until the reporting date, December 31st, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Acknowledgement of revenues and expenses (continued)

The Group analyzed the main revenue flows being represented by the sales of electricity and heat and other revenues, by applying the “five-step” model provided for by IFRS 15. Based on the results of the analysis of contractual terms for the main types of contracts related to each significant revenue flow, the Group concluded that IFRS 15 does not have a significant impact on the financial statements, as compared to the recognition of revenues in accordance with IAS 18 and IAS 11.

The group delivers goods (electricity and heat) for which it considers that the recognition of revenues should take place at some point in time, at the time when the control over the asset is transferred to the client, namely upon the delivery of the goods.

(ii) Financial revenues and expenses

Financial revenues mainly include the interest income on bank deposits and cash, revenues from dividends, as well as the foreign currency difference gain. Financial revenues are recognized in the profit and loss account on an accrual basis, using the effective interest method. The effective interest rate represents the rate accurately updating payments and cash collections expected in the future, over the expected life span of the financial asset or liability (or, where applicable, for a shorter period) at the carrying amount of the financial asset or liability.

The value of the interest related to the debt derived from the leasing contract is determined using a discount rate which can be the interest rate in the contract or the marginal loan rate of the lessee and is recognized in profit or loss.

Financial expenses mainly comprise the interest expense on loans and foreign currency difference loss. All costs related to loans that are not directly attributable to the acquisition, construction or production of an asset are recognized in profit and loss using the effective interest method.

(iii) Charges

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

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

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

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

The Group considered that the debt acknowledgment moment is determined by the existence of assets in the patrimony thereof, representing the tax base and, consequently, the debt for the special building tax and local duties and taxes was fully acknowledged on January 1st in compensation for the related expense.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Operating segments

A scope of business is identified by IFRS 8 « Operating segments » as being a component of an entity:

- engaging in activities from which it may earn revenues and incur expenses, including revenues and expenses related to transactions with other components of the same entity;
- the operating results whereof are periodically reviewed by the main operational decisionmaker, in order to make decisions about the allocation of the resources per segment and assessment of the performances thereof; and
- For which distinct financial information is available.

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

The identification of a single reportable segment is based on the following elements:
- The group produces and delivers only electricity and heat. The share of revenues obtained from the delivery of thermal power is only 0.3%.
- The production activity takes place only on the Romanian territory.
- The two functional nuclear units and the nuclear fuel plant are located in Romania.
- The energy delivery is preponderantly made on the Romanian territory, to legal entities.
- The regulatory framework is unitary for the entire Company. The Group applies the accounting regulations compliant with the International Financial Reporting Standards ("IFRS") approved by OMFP no. 2.844 / 2016, and the energy sector in Romania is regulated by the National Energy Regulatory Authority ("ANRE").

In order to meet the presentation needs in the financial statements, we mention the following:
- *IFRS 8.32. - Information on products and services.* As indicated in *Note 1 Reporting entity*, the main activity of the Group consists in the production of electricity and thermal power through nuclear processes.
- *IFRS 8.33. - Information on the geographical segmentation:*

a) Value of the revenues obtained from the sale of electricity on the Romanian territory and outside it. The revenues obtained from the sale of electricity to customers established in Romania represent approximately 85.5%, the difference being represented by customers established in the Republic of Slovenia, Denmark, the United Kingdom of Great Britain and Northern Ireland and the Czech Republic.
b) Value of the fixed assets located in Romania and outside Romania. All fixed assets of the Group are located on the Romanian territory.
- *IFRS 8.34. - Information on the main clients.* The transactions registered with the main clients are presented both in *Note 11 Trade receivables and other receivables*, as well as in *Note 27 let. b) Management of significant risks. Credit risk*. where the exposure of the Group to concentrated credit risk was addressed.

v) Corporate tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) w). Corporate tax (continued)

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

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

For the period ended on December 31st, 2021 and December 31st, 2020, the corporate tax rate was of 16%.

w) Distributable dividends

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

x) Earnings per share

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

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued following the meeting of some specified conditions. The goal of diluted earnings per share is correlated with the basic earnings per share, namely, to provide the interest of each ordinary share in the performance of the entity.

y) Subsequent Events

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

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

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

z) Related parties

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

Considering the status of majority state-owned company, the Group is subject to specific regulations, having reporting obligations regarding the transactions with affiliated parties. The Group presents in the Financial Statements the transactions with the affiliated parties in compliance with IAS 24 "Related Party Disclosures" (See Note 27).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Implications of new International Financial Reporting Standards (IFRS)

During the current year, the Company has applied all new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant to its operations and are effective for the accounting periods beginning on January 1st, 2021, approved by the European Union.

A. Initial application of new amendments to existing standards in force for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are in force for the current reporting period:

(i) **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Acknowledgment and Assessment" and IFRS 7 "Financial Instruments", IFRS 4 "Insurance contracts" and IFRS 16 "Leasing contracts:** Disclosures" - Reform of the Interest Rate Reference Index - adopted by the EU on January 13, 2021 (applicable for the annual periods starting on or after January 1, 2021);

(ii) **Amendments to IFRS 16 "Leasing contracts" –** Rent concessions because of Covid-19 after June 30, 2021, adopted by EU on August 30, 2021 (applicable as of April 1, 2021 for the financial years starting with January 1, 2021, at the latest, or after this date);

(iii) **Amendments to IFRS 4 "Insurance Contracts"** - Extension of the temporary exemption from the application of IFRS 9 adopted by EU on December 16, 2020 (the expiry date of the temporary exemption from the application of IFRS 9 was extended on January 1, 2021 for the annual periods starting on or after January 1, 2023).

The adoption of these amendments to the existing standards did not lead to significant changes in the financial statements of the Company.

B. Standards and amendments to the existing standards issued by the IASB and adopted by the EU, but not yet in force

On the date of approval of these financial statements, the following amendments to the existing standards have been issued by the IASB and adopted by the EU, but are not yet in force:

(i) **Amendments to IAS 16 "Tangible assets"** – Collections before the estimated use adopted by EU on June 28, 2021 (applicable for annual periods starting with or after January 1, 2022),

(ii) **Amendments to IAS 37 "Provisions, contingent debts and contingent assets"** - Onerous contracts - Costs with the implementation of the contract adopted by EU on June 28, 2021 (applicable for the annual periods starting with or after January 1, 2022),

(iii) **Amendments to IFRS 3 "Business Combinations"** - Definition of the conceptual framework with amendments to IFRS 3 adopted by EU on June 28, 2021 (applicable for the annual periods starting on or after January 1, 2022),

(iv) **IFRS 17 "Insurance contracts"** including amendments to IFRS 17 issued by IASB on June 25, 2020 - adopted by EU on November 19, 2021 (applicable for the annual periods starting with or after January 1, 2023),

(v) **Amendments to various standards due to "IFRS Improvements (2018-2020 Cycle)"** resulting from the annual IFRS Improvement Project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the primary purpose of removing the inconsistencies and clarifying certain forms - adopted by EU on June 28, 2021 (amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for the annual periods starting on or after January 1, 2022. The amendment to IFRS 16 refers only to an illustrative example, so that no enforcement date is mentioned).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
aa) Implications of new International Financial Reporting Standards (IFRS) (continued)

C. New standards and amendments to the existing standards issued by the IASB and adopted by the EU, but which have not yet been adopted by EU

Currently, IFRS as adopted by EU, do not significantly differ from the regulations adopted by the International Accounting Standard Board (IASB), except for the following new standards, amendments to existing standards and new interpretations, which have not been approved for use in EU as of 31.12.2021 (the effectiveness dates indicated below are for standards issued by IASB):

(i) Classification of current or non-current debts (amendments to IAS 1 "Submittal of financial statements"); effectiveness date: annual periods starting on January 1, 2023

Modifications aim to promote consistency in applying requirements, helping companies establish whether, in the financial position situation, the debt and other debts with an uncertain settlement date should be classified as current (due or which can be potentially settled within one year) or non-current.

The company does not consider that these amendments will have a significant effect on the financial statements.

(ii) Submittal of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2); effectiveness date: annual reporting periods starting on or after January 1, 2023

Modifications impose for an entity to submit its significant accounting policies, instead of its significant accounting policies. Subsequent modifications explain the way in which an entity can identify a significant accounting policy. Examples of cases where an accounting policy may be significant are added. In order to support the modification, the Board also drafted guidelines and examples, in order to explain and prove the application of the "significance process in four steps" described in Practice Statement 2 IFRS.

The company does not consider that these amendments will have a significant effect on the financial statements.

(iii) Definition of accounting estimates (amendments to IAS 8 "Accounting policies, modifications of accounting estimates and errors"); effectiveness date: annual reporting periods starting with or after January 1, 2023

The amendments replace the definition of a modification of the accounting estimates with a definition of accounting estimates. According to the new definition, accounting estimates are "monetary amounts from the financial statements which are subject to measurement uncertainty". Entities develop accounting estimates if the accounting policies impose the elements from the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify the fact that a modification of the accounting estimate which results from new information or new evolutions does not represent the correction of an error.

The company does not consider that these amendments will have a significant effect on the financial statements.

(iv) Deferred tax related to assets and liabilities that derive from a single transaction (amendments to IAS12); effectiveness date: annual reporting periods starting with or after January 1, 2023

The modifications clarify the fact that the initial acknowledgment exemption is not applicable to transactions in which equal amounts of deductible and taxable temporary differences occur at the initial acknowledgment.

The company does not consider that these amendments will have a significant effect on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Implications of new International Financial Reporting Standards (IFRS) (continued)

C. New standards and amendments to the existing standards issued by the IASB and adopted by the EU, but which have not yet been adopted by EU (continued)

(v) Initial application of IFRS 17 and IFRS 9 - Comparative information (modification to IFRS 17); effectiveness date: annual reporting periods starting with or after January 1, 2023

The modification allows entities that apply IFRS 17 and IFRS 9 for the first time, at the same time, to submit comparative information about a financial asset as if the classification and assessment requirements from IFRS 9 were applied to the respective financial asset.

The company does not consider that these amendments will have a significant effect on the financial statements.

(vi) Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associated entities and joint ventures" - Sale or contribution with assets between an investor and its associated entities or joint ventures and subsequent amendments (the effectiveness date was postponed for an indeterminate period, until the completion of the research project regarding the equivalence method).

The company does not consider that these amendments will have a significant effect on the financial statements.

(vii) IFRS 14 "Deferred accounts related to regulated activities" (applicable for the annual periods starting on or after January 1st, 2016) - The European Commission has decided not to issue the approval process for this interim standard and to wait for the final standard

The company does not consider that these amendments will have a significant effect on the financial statements.

(viii) IFRS 17 "Insurance contracts" replacing IFRS 4; effectiveness date: annual reporting periods starting with or after January 1, 2023

Amendments to IFRS 17 consist of the main modifications:

- postponing the application from 01.01.2021 to 01.01.2023;
- excluding the additional scope for credit card contracts and similar contracts which provide insurance coverage, for loan contracts that transfer a significant insurance contract;
- clarifying the application of the service contractual margin (CSM) assignable to the investment profitability service and the services related to investments and modifications of the adequate submittal requirements;
- amendments on the acknowledgment by the entity that initially acknowledges the losses from the issued onerous insurance contracts and earnings from the concluded reinsurance contracts;
- simplified submittal of insurance in the financial position statement, for the entities to submit the assets and liabilities from the insurance contracts determined by using insurance contract portfolios other than insurance contract groups;
- additional transition exemption for entity combinations and additional transition exemption for the date of applying the risk reduction option and using the transition approach at fair value.

The company does not consider that these amendments will have a significant effect on the financial statements.

The Company anticipates that the adoption of these new standards and amendments to the existing standards will not have a significant impact on the financial statements during the initial application period.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

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

The management discussed the development, selection, presentation and application of critical accounting policies and estimates. These presentations supplement the comments on financial risk management (see Note 28).

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

Key sources of the uncertainty of estimates

(i) Impairment adjustments for the assets measured at the amortized cost
Assets recorded at amortized cost are valued for impairment in accordance with the accounting policy described in *Note 3 (g) Identification and assessment of value impairment.*

The valuation of receivables for impairment is performed individually and is based on the best estimate of the management of the present value of the cash flows expected to be received. In order to estimate these flows, the management makes certain estimates on the financial situation of the counterparty. Each asset is individually analyzed. The accuracy of the adjustments depends on the estimation of future cash flows for the specific counterparties.

(ii) Determining the fair value of financial instruments
The fair value of financial instruments that are not traded on an active market is determined using the valuation techniques described in the accounting policy in *Note 3 (g) Valuation.* For rarely traded financial instruments for which there is no price transparency, fair value is less objective and is determined using various levels of estimates of liquidity, concentration, uncertainty of the market factors, price assumptions and other risks affecting such financial instrument.

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

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

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

Fair value is the amount for which the financial instrument may be exchanged in usual transactions conducted under objective conditions between willing parties knowingly, other than those determined by the liquidation or forced sale. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. As at December 31st, 2021 and December 31st, 2020, the management considers that the fair values of cash and cash equivalents, trade receivables and other receivables, trade payables as well as other short-term liabilities approximates the carrying amount thereof.

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

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

(iii) Hierarchy of fair values (continued)

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

The table below analyzes the financial instruments recorded at fair value according to the valuation method:

	Carrying amount	Fair value	Level
December 31, 2021 (audited)			
Financial assets			
Financial assets valued at amortized cost	35,496,297	35,496,297	2
Trade receivables	220,486,125	220,486,125	2
Other assets valued at amortized cost	85,068,328	85,068,328	2
Cash and cash equivalents	1,343,172,157	1,343,172,157	2
Bank deposits	1,328,973,000	1,328,973,000	2
	3,013,195,907	**3,013,195,907**	

	Carrying amount	Fair value	Level
December 31, 2021 (audited)			
Long-term financial liabilities			
Long-term loans	130,135,030	130,135,030	2
Debts from long-term leasing contracts	910,586	910,586	2
Deferred revenues	72,037,242	72,037,242	2
	203,082,858	**203,082,858**	
Short-term financial liabilities			
Trade payables and other liabilities	286,476,663	286,476,663	2
Debts from short-term leasing contracts	264,025	264,025	2
Current share of long-term loans	168,126,539	168,126,539	2
Deferred revenues	89,647,495	89,647,495	2
	544,514,722	**544,514,722**	

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

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

	Carrying amount	Fair value	Level
December 31st, 2020 (audited, restated)			
Financial assets			
Financial assets valued at amortized cost	5,056,031	5,056,031	2
Trade receivables	157,943,506	157,943,506	2
Other assets valued at amortized cost	80,764,407	80,764,407	2
Cash and cash equivalents	546,867,387	546,867,387	2
Bank deposits	1,621,384,000	1,621,384,000	2
	2,412,015,331	**2,412,015,331**	

	Carrying amount	Fair value	Level
December 31st, 2020 (audited, restated)			
Long-term financial liabilities			
Long-term loans	290,478,567	290,478,567	2
Debts from long-term leasing contracts	515,074	515,074	2
Deferred revenues	86,067,969	86,067,969	2
	377,061,610	**377,061,610**	
Short-term financial liabilities			
Trade payables and other liabilities	285,151,303	285,151,303	2
Debts from short-term leasing contracts	117,721	117,721	2
Current share of long-term loans	211,995,082	211,995,082	2
Deferred revenues	16,228,454	16,228,454	2
	513,492,560	**513,492,560**	

(iv) Classification of financial assets and liabilities

The accounting policies of the Group provide the basis for assets and liabilities to be included, at the initial moment, in various accounting categories.

Revaluation of tangible assets

Tangible assets consisting of lands and buildings are subject to revaluation, and changes in fair value are recognized in other items of comprehensive income.

(v) Fair value measurement

On December 31st, 2021, the tangible assets of the Company were valued by an external, independent appraiser, authorized by the National Association of Authorized Appraisers in Romania ("ANEVAR"). The revaluations of lands and constructions on December 31st, 2021 were made based on the following methods, in compliance with the valuation principles and techniques contained in the ANEVAR Standards for the valuation of assets:

- Direct comparison method for the lands owned in exclusive quota;
- Residual method for lands owned in undivided share;
- Revenue method, in the case of the two administrative buildings;
- Replacement cost method for special constructions and other assets.

(vi) Fair value hierarchy

Based on the input data used in the valuation technique, the fair value of tangible assets was classified at level 3 of the fair value hierarchy.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

(vii) Implications of the Covid-19 pandemic

Implications of the Covid-19 pandemic
The economic turmoil caused by the Covid-19 pandemic in 2020 has brought a whole series of constraints to the global economic activities and has had an impact on some of the activities of the Group.

During the drafting of the consolidated financial statements as of December 31, 2020 and the consolidated half-yearly reports as of June 30, 2021, in-depth analyses were conducted on the Group's activity, in order to determine the impact of the pandemic on its financial position and performance, based on specific reporting and valuation principles explained in the consolidated financial statements as at December 31, 2020 (see note 4 (vii)) and the consolidated half-yearly reports as at June 30, 2021 (see note 2 (f)).

Although the Covid-19 pandemic continues to have effects in 2021, the impact on the Group's financial performance is insignificant, diffuse and not very easy to follow.

Other general aspects regarding the activities of the Group in the pandemic context

(i) Operational profit
In financial year 2021 the company obtained very good financial results, complied with and fulfilled the investment programs thereof, the program for the manufacture and delivery of nuclear bundles, the program for the production of electricity and thermal power and obtained an operating profit (EBITDA) higher by approximately 32.5% as compared to the same period of the previous year (2020: 11,1%),

(ii) Liquidity risk
As resulting both from the Cash Flow Statement and from Note 14, the Group has a solid liquidity, represented by cash and cash equivalents, deposits and other liquid financial assets, in the amount of RON 2.9 billion, increasing as compared to the financial year of 2020, when it recorded RON 2.4 billion (see Notes 11, 12 and 13). The Group has a solid policy of managing financial resources, aiming at maintaining a high liquidity of cash and investing in low risk financial instruments, respectively, placing cash in short-term bank deposits, with a maturity of up to 12 months and state bonds.

(iii) Adjustments for impairment of trade receivables
The Group has calculated impairment adjustments for trade receivables based on the credit risk impairment history, in accordance with IFRS 9. According to the risk analyses conducted within the Company on trade receivables remained in the balance as of December 31, 2020, impairment adjustments recorded, in 2021, an increase of approximately RON 2.7 million, acknowledged in position “Other operation expenses” from the individual statement of the profit and loss account”. This amount was calculated according to the principles presented in note 3 let. l). The risk analyses were updated on December 31, 2021, by taking into consideration the recovery levels observed during the year, which led to the acknowledgment in revenues from impairment adjustments of an insignificant amount of RON 5 thousand.

(iv) Tangible assets - Investments
The Covid-19 pandemic had a moderate overall impact on gross investments. Through early and coherent planning, the parent Company carried out major investment projects according to the established work schedules and implicitly a part of the current investments, the degree of realization of investments in 2021 being 89.60% (absolute value RON 319.7 million), as compared to 72.35% in 2020 (absolute value RON 223.9 million). The target of 60% of the degree of achievement for the year of 2021 being fulfilled.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUED)

(vii) Implications of the Covid-19 pandemic (continued)

Other general aspects regarding the activities of the Company in the pandemic context

(v) IFRS 16 – Leasing contracts - rent concessions related to COVID-19

The amendment to IFRS 16 on rent concessions related to Covid-19 has been extended for another 1 year (for payments made no later than June 30, 2022). The amendment defines the accounting treatment applicable by the lessee to the exemptions granted by the lessor, based on a leasing contract, by granting grace periods on the payment of the rent and postponing leasing payments, as a result of Covid-19, and the impact is acknowledged in the profit and loss account.

In 2021, the Company did not obtain concessions from lessors, so that no amendments to the contracts were recorded and implicitly amendments to the accounting treatments applied in compliance with the provisions of IFRS 16.

(vi) Inventories

Both in 2020 and 2021, the Company registered administration removals as an effect of the reduction of the net achievable value related to cost. The value of the adjustments for the depreciation of inventories as at 31.12.2021 amounts to RON 51,816,674 (December 31, 2020: RON 51,834,621). See Note 9.

(vii) Provisions, contingent liabilities and assets

The management of the Group periodically analyzes the ongoing litigations and, after consulting with the legal advisers or lawyers thereof, decides on the necessity to create provisions for the amounts involved or to present them in the financial statements.

In the opinion of the management of the Company, there are no current legal actions or claims having a significant impact on the financial earnings and the financial position of the Company not having been presented in these financial statements.

(viii) Government support measures

The Romanian Government issued, in 2020-2021, several emergency ordinances on some fiscal measures in the context created by the Covid-19 pandemic, establishing procedural-fiscal measures to support the taxpayers paying corporate tax.

Thus, under GEO no. 33/2020 and GEO 99/2020, the Group benefited from a bonus calculated on the corporate tax due, amounting to RON 8 million (see Note 20). In 2021 the Group benefitted from a reduction of the profit tax applicable in virtue of GEO 135/2020.

The Group did not benefit from other government support measures.

(ix) Other assets, liabilities, income and expenses

In addition to the information mentioned in the previous paragraphs, the Covid-19 pandemic did not involve any other specific use of judgments, estimates or assumptions to determine the value of assets or liabilities, income and expenses over the period (as compared to those mentioned in Note 2 f).

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

5. TANGIBLE ASSETS

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	Total
Cost					
Balance as of January 1, 2020 (audited)	**32,181,659**	**5,338,285,801**	**1,407,930,078**	**1,098,911,600**	**7,877,309,139**
Additions	-	13,446,230	14,476,884	244,796,058	272,719,171
Transfers	-	98,783,914	13,877,261	(112,661,174)	-
Inventory transfer	-	-		(1,397,605)	(1,397,605)
Transfer from spare parts reclassified	-	-	10,720,889	(10,720,889)	-
Transfer to intangible assets	-	-	-	(59,130)	(59,130)
Derecognition of U1 inspections	-	(60,300,259)	-	-	(60,300,259)
Derecognition of the drainage investments	-	-	-	-	
Heavy water derecognition	-	(1,766,443)	-	-	(1,766,443)
Disposals	(56,678)	-	(1,335,463)	(6,245)	(1,398,386)
Balance as of December 31, 2020 (audited)	**32,124,981**	**5,388,449,243**	**1,445,669,648**	**1,218,862,614**	**8,085,106,486**
Balance as of January 1, 2021 (audited)	**32,124,981**	**5,388,449,243**	**1,445,669,648**	**1,218,862,614**	**8,085,106,486**
Additions	-	-	14,263,669	263,482,135	277,745,804
Heavy water inputs	-	10,924,629	-	-	10,924,629
Transfers	-	119,682,584	56,015,488	(175,698,072)	-
Transfers in inventories	-	-	(471,772)	-	(471,772)
Inventory transfer	-	-		(6,064,409)	(6,064,409)
Transfer from spare parts reclassified	-	-	16,804,893	(16,804,893)	-
Transfer to intangible assets	-	-		(3,142,607)	(3,142,607)
Transfer from intangible assets	-	-	4,769,053	-	4,769,053
Reassessment increases by reserves	4,320,651	278,682,405	52,233,330	-	335,236,386
Reassessment increases by profit and loss	529,415	-	3,652,921	-	4,182,336
Reconsituiri	-	-	458,288	-	458,288
Derecognition of inspections	-	(72,856,959)	-	-	(72,856,959)
Heavy water derecognition	-	(1,181,401)	-	-	(1,181,401)
Accumulated depreciation cancellation	-	(1,078,392,507)	(55,538,572)	-	(1,133,931,079)
Disposals	-	-	(6,169,702)	(199)	(6,169,901)
Balance as of December 31, 2021 (audited)	**36,975,047**	**4,645,307,994**	**1,531,687,244**	**1,280,634,569**	**7,494,604,854**
Depreciation and impairment adjustments					
Balance as of January 1, 2020 (audited)	**550,782**	**671,877,780**	**835,035,747**	**168,352,659**	**1,675,816,967**
Depreciation charges	-	447,437,604	75,293,961	-	522,731,565
Cumulative depreciation of U1 inspections derecognized	-	(60,300,259)	-	-	(60,300,259)
Offset of accumulated disposals	-	(1,766,443)	(1,741,499)	-	(3,507,941)
Impairment adjustments	-	-	22,980,374	(13,109,222)	9,871,152
Balance as of December 31, 2020 (audited)	**550,782**	**1,057,248,682**	**931,568,583**	**155,243,437**	**2,144,611,484**
Balance as of January 1, 2021 (audited)	**550,782**	**1,057,248,682**	**931,568,583**	**155,243,437**	**2,144,611,484**
Depreciation charges	-	474,198,668	71,568,525	-	545,767,193
Cumulative depreciation of U1 and U2 inspections derecognized	-	(71,010,274)	-	-	(71,010,274)
Offset of accumulated disposals	-	(1,181,401)	(5,023,907)	-	(6,205,308)
Accumulated depreciation cancellation	-	(1,078,392,507)	(55,538,572)	-	(1,133,931,079)
Impairment adjustments	-	-	9,782,221	3,400,425	13,182,646
Balance as of December 31, 2021 (audited)	**550,782**	**380,863,168**	**952,356,851**	**158,643,862**	**1,492,414,663**
Carrying amount	-				
Balance as of January 1, 2020 (audited)	**31,630,877**	**4,666,408,022**	**572,894,331**	**930,558,941**	**6,201,492,171**
Balance as of December 31, 2020 (audited)	**31,574,199**	**4,331,200,561**	**514,101,064**	**1,063,619,177**	**5,940,495,002**
Balance as of December 31, 2021 (audited)	**36,424,265**	**4,264,444,826**	**579,330,393**	**1,121,990,707**	**6,002,190,191**

5. TANGIBLE ASSETS (CONTINUED)

(i) Nuclear Plants, Machinery, Equipment and Other Assets

In 2021, the parent Company purchased 5 tons of heavy water from the National Administration of State Reserves and Special Issues (”ANRSPS”) required for Units 1 and 2, amounting to RON 10,924,629, and in 2020 it purchased 6.5 tons of heavy water, amounting to RON 13,446,230.

(ii) Non-current assets in progress

On December 31st, 2021, the net carrying amount of the assets in progress, amounting to RON 1,121,990,707, includes the following items:

- Investment for increasing the production capacity with a net book value of RON 655,502,487 (December 31, 2020: 652,640,442 RON);
- Investments related to Units 1 and 2, amounting to a total of RON 466,488,220, the most representative being:
  - ✓ Refurbishment of U1 amounting to 135,689,797 RON (December 31, 2020: 48,306,873 RON) ;
  - ✓ D2O tritium removal facility amounting to RON 75,821,481 (December 31, 2020: 63,445,743RON) ;
  - ✓ Construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to RON 31,210,232 (December 31, 2020: RON 24,453,897);
  - ✓ Improvement of nuclear security systems following the Fukushima event, amounting to RON 37,456,941 (December 31, 2020: RON 34,959,367);
  - ✓ Equipment and materials for investments amounting to RON 48,092,603 (December 31, 2020: 45,205,001 RON),

The gross value of the investment for the increase of the production capacity amounts to RON 655,502,487, of which the book value of Units 3 and 4 is RON 273,960,000 (December 31, 2020: RON 273,960,000), while the rest represents heavy water especially purchased for Units 3 and 4, i.e., approx. 75 tons, with the value book, as of December 31, 2021 of RON 159,238,387 (December 31, 2020: RON 159,238,387), as well as equipment and other assets for Units 3 and 4, amounting to RON 223,996,355 (December 31, 2020: 221,137,743 RON), Before 1991, Units 1, 2, 3, 4 and 5 were considered as a single project and, therefore, the construction costs incurred were not allocated at the level of each individual unit. Subsequently, the Company allocated the costs for the construction of Units 3 and 4 of the nuclear power plant, as well as for Unit 5.

As at December 31st, 2021, the gross carrying amount for **Unit 5** is RON 137 million (December 31st, 2020: RON 137 million). As of December 31, 2013, the Company recognized a depreciation adjustment of 100% of the value of Unit 5, as there were no plans to resume the construction thereof as a nuclear unit. In March 2014, the shareholders of the Company approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation, following which an asset with a different use than the initial projected use of Unit 5 will result.

The main **investments commissioned** by the Company in 2021, from the projects in progress, related to Units 1 and 2 are represented by: carrying out the annual inspections performed during the scheduled shutdown of Unit 1 and the unscheduled shutdown of Unit 2 in value of RON 106,769,564, and the installation of spare parts on the equipment in operation, amounting to RON 30,164,110, increasing the accounting value of DICA 11 and 12 by RON 15,514,190.

(ii) Impairment adjustments

On December 31, 2021 the Group registers adjustments for depreciation of assets in the amount of 13,182,646 RON (December 31, 2020: 9,871,152 RON),

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

5. TANGIBLE ASSETS (CONTINUED)

(iii) Revaluation, depreciation method and life span

Buildings and lands are recognized at fair value, based on periodic valuations made by independent external appraisers. The revaluation surplus included in the revaluation reserve is capitalized by transfer to retained earnings when the asset is derecognised or as it is used (see Note 14). All the other tangible assets are recognized at the historical cost less the depreciation.

The last **revaluation** of lands and buildings was done, as of December 31, 2021 by the independent valuer (Primoval SRL, member of the National Association of Romanian Authorized Valuers - ANEVAR). Prior to this revaluation, the lands and buildings were revaluated on December 31, 2018.

The valuation report for 2021 for tangible assets, classes **lands** and **buildings** drafted by independent valuator Primoval S.R.L. is based on the asset valuation standards, edition 2022, valid as of 31.12.2021, drafted by the National Association of Authorized Valuators of Romania (ANEVAR):

- General standards: SEV 100 – General framework (IVS General framework) ; SEV 101 – Valuation reference terms (IVS 101); SEV 102 – Implementation (IVS 102); SEV 103 – Reporting (IVS 103); SEV 104 – Value types;
- Asset standards: SEV 300 – Machinery, equipment and installations (IVS 300) ; GEV 630 – Valuation of movable assets;
- Standards for specific uses: SEV 430 – Valuations for financial reporting.

The fair value was estimated by complying with the provisions of IFRS and of the aforementioned valuation standards. In order to valuate administrative buildings, the revenue method was used, with a capitalization rate between 7% and 9%, depending on the specificity of the building. In order to valuate units 1 and 2, the impaired replacement cost method was used. In order to valuate lands, we used the market approach, direct comparison method.

Depreciation is calculated using the straight-line method for allocation of the revalued cost or value of the assets, net of their residual values, over their estimated useful lifetime, as follows:

Asset	**Number of years**
Nuclear Power Plant – Units 1 and 2	30
Heavy water (Loads for Units 1 and 2)	30
Buildings	45 – 50
Inspections and overhauls	2
Other facilities, equipment and machinery	3 - 20

See Note 3 (c) for the other accounting policies relevant for tangible assets.

(iv) Significant estimates - valuation of lands and buildings

Information on land and building valuation is presented in Note 4 (v).

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

5. TANGIBLE ASSETS (CONTINUED)

(v) The carrying amount that would have been recognized if land and buildings had been valued at cost in accordance with IAS 16.77 (e)

If lands and buildings had been valued at the historical cost, the values would have been:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Land		
Cost	22,350,779	22,350,779
Accumulated depreciation	-	
Net book value	**22,350,779**	**22,350,779**

	December 31, 2021 (audited)	December 31, 2020 (audited)
Buildings		
Cost	7,069,432,468	6,986,959,118
Accumulated depreciation	(4,036,137,494)	(3,729,518,636)
Net book value	**3,033,294,975**	**3,257,440,482**

(vi) Decommissioning of nuclear units

Unit 1 is designed to operate until 2026, and Unit 2 until 2037. The Company has not recorded a provision for the decommissioning of the two units, as it is not responsible for the decommissioning works. According to HG *[Government Decision]* No. 1080/ 2007, the Nuclear and Radioactive Waste Agency ("ANDR") is responsible for collecting the contributions paid by the Company for the remaining useful lifetime of these units, and undertakes the responsibility for the management of the decommissioning process at the end of the useful lifetime of the two units, as well as for the permanent storage of the nuclear waste at the end of the useful lifetime of the two units and for the permanent storage of resulting residues (see Note 25). The expense on the contributions of the Company to ANDR over the year of 2021 amounts to RON 102,229,602 (December 31st, 2020: RON 102,246,544).

(vii) Assets pledged as security

As at December 31st, 2021, respectively December 31st, 2020, the Group has no pledged or mortgaged assets.

(viii) Supplier Credit

As at December 31st, 2021, the Group has fixed assets purchased under credit from providers (commercial credit) amounting to RON 31,038,770 (December 31st, 2020: 47,823,021 RON).

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

6. ASSETS REPRESENTING RIGHTS TO USE UNDERLYING ASSETS UNDER A LEASING CONTRACT

The Group adopted IFRS 16, which is why it recognized in the financial position statement assets and liabilities related to the restatement of the leases concluded as a lessee.

The Group has concluded asset lease and land concession contracts, for which the initial value of the asset has been estimated related to the right of use at an amount equal to the debt updated at the time of the transaction derived from these contracts, of RON 1,406,574 (December 31, 2020: 801,003 RON).

(i) Amounts recognized in the financial position Statement

Assets representing rights to use underlying assets under a leasing contract	**December 31, 2021 (audited)**	**December 31, 2020 (audited)**
Land	1,406,574	801,003
Depreciation of assets representing rights of use	(226,181)	(179,771)
Total net assets representing rights of use	**1,180,392**	**621,233**

Debts from leasing contracts	**December 31, 2021 (audited)**	**December 31, 2020 (audited)**
Short-term	264,025	117,721
Long-Term	910,586	515,074
	1,174,611	**632,795**

(ii) Amounts Recognized in the Profit or Loss Statement

	Note	**December 31, 2021 (audited)**	**December 31, 2020 (audited)**
Depreciation of assets representing rights of use		163,480	179,770
Interest expenses	**26**	25,848	21,737

(iii) Amounts acknowledged in the Cash Flow Statement

	December 31, 2021 (audited)	**December 31, 2020 (audited)**
Total cash outputs related to leasing contracts	224,795	202,762

(iv) Recognition of leasing contracts

Information on the recognition of leasing contracts pursuant to IFRS 16 are presented in Note 3 (e).

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

7. INTANGIBLE ASSETS

	Incorporation expenses	Licenses and software	Power plant software and other intangible assets	Total
Cost				
Balance as of January 1, 2020 (audited)	**-**	**233,521,105**	**55,492,341**	**289,013,446**
Additions	-	4,803,263	-	4,803,263
Transfer form tangible assets	-	59,130	-	59,130
Disposals	-	(88,420)	(205,985)	(294,405)
Balance as of December 31, 2020 (audited)	**-**	**238,295,077**	**55,286,357**	**293,581,434**
Balance as of January 1, 2021 (audited)	**-**	**238,295,077**	**55,286,357**	**293,581,434**
Additions	257	6,518,096	-	6,518,353
Transfers to tangible assets	-	(4,769,053)	-	(4,769,053)
Transfer form tangible assets	-	3,142,607	-	3,142,607
Disposals	-	(741,573)	(1,029,938)	(1,771,511)
Balance as of December 31, 2021 (audited)	**257**	**242,445,153**	**54,256,420**	**296,701,830**
Accumulated depreciation				
Balance as of January 1, 2020 (audited)	**-**	**193,094,356**	**35,157,905**	**228,252,261**
Depreciation charges	-	6,380,431	5,771,945	12,152,376
Amortization related to disposals	-	(88,420)	(205,985)	(294,405)
Balance as of December 31, 2020 (audited)	**-**	**199,386,367**	**40,723,865**	**240,110,232**
Balance as of January 1, 2021 (audited)	**-**	**199,386,367**	**40,723,865**	**240,110,232**
Depreciation charges	10	6,755,224	3,201,166	9,956,400
Amortization related to disposals	-	(741,573)	(1,029,938)	(1,771,511)
Balance as of December 31, 2021 (audited)	**10**	**205,400,019**	**42,895,093**	**248,295,121**
Carrying amount				
Balance as of January 1, 2020 (audited)	**-**	**40,426,749**	**20,334,436**	**60,761,185**
Balance as of December 31, 2020 (audited)	**-**	**38,908,710**	**14,562,492**	**53,471,202**
Balance as of December 31, 2021 (audited)	**247**	**37,045,135**	**11,361,327**	**48,406,709**

As at December 31st, 2021, the intangible assets owned by the Group represent purchased licenses and software products, and not internally generated. The group does not register contractual commitments for development costs.

Incorporation expenses are related to the branches incorporated in 2021.

The accounting policies on intangible assets are presented in Note 3 (f).

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

8. FINANCIAL ASSETS VALUATED AT THE AMORTIZED COST

As of December 31, 2021, the Group records under the position "Financial assets valued at amortized cost" its contributions as a member of the European Mutual Association of European Liability Insurance for Nuclear Industry ("ELINI"), the Romanian Commodities Exchange ("BRM") and the Romanian Atomic Forum - Romatom ("ROMATOM"), and state bonds.

	December 31, 2021 (audited)	**December 31, 2020 (audited)**
ELINI contribution	5,032,931	5,032,931
Romanian Commodities Exchange Contribution	23,000	23,000
Romatom Contribution	100	100
HENRO Contribution	250,000	-
State bonds (i)	30,190,266	-
Total	**35,496,297**	**5,056,031**

(i) State bonds

As of December 31, 2021, the Group has state bonds issued by the Ministry of Finance, due on 24.06.2026, a fixed annual interest of 3.25% per annum and an adjudication yield of 3.51% per annum.

Transfer of financial assets representing state bonds:

	December 31, 2021 (audited)
Balance as at January 1	-
Purchases	29,656,680
Maturities	-
Discount amortization	23,523
Accumulated interest	510,063
Balance at the end of the reporting period	**30,190,266**

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

9. INVENTORIES

As at December 31st, 2021 and December 31st, 2020, the inventories are as follows:

	December 31, 2021 (audited)	**December 31, 2020 (audited)**
Spare parts	201,210,391	185,856,408
Consumables and other materials	66,917,843	56,565,105
Nuclear fuel	212,411,753	193,639,358
Uranium	43,805,580	39,292,794
Other inventories	87,591,057	11,891,795
Adjustments for impairment of inventories	(51,816,674)	(51,834,621)
Total	**560,119,950**	**435,410,839**

(i) Inventory Valuation

Costs are valued at the weighted average cost (WAC) in accordance with IAS 2. See Note 3 (c) for the other accounting policies relevant for inventories.

(ii) Amounts recognized in the profit or loss account Statement

The value of inventory recognized as expenditure over the financial year can be found in the positions of "Expenses on spare parts" and "Cost of nuclear fuel" in the profit and loss account and other items of the comprehensive income, amounting to RON 171,929,082 (December 31st, 2020: RON 148,123,065).

The value of inventories recognized as expenses during the financial year in accordance with the provisions of IAS 2.34, representing scrapped, damaged, derecognized inventories, as at December 31st, 2021, is in the amount of RON 334,530 (December 31st, 2020: RON 984,963). SNN periodically analyzes the evolution of inventories, constituting in time depreciation adjustments for inventories considered to be depreciated. Consequently, for decommissioned inventories, the Company has set up impairment adjustments, which it restated as revenues when it decommissioned them. The effect on the profit or loss statement being insignificant.

The value of the adjustments for the depreciation of inventories as at 31.12.2021 amounts to RON 51,816,674 (December 31, 2020: RON 51,834,621). During 2021, depreciation adjustments were established in the amount of RON 1,248,616 (December 31st, 2020: RON 815,027) and have been restated as impairment adjustments amounting to RON 1,266,562 (December 31, 2020: RON 2,057,762).

In 2021, no write-offs of decommissioned inventories were recorded.

(iii) Pledged Inventories

As at December 31st, 2021, the Group does not record pledged or mortgaged inventories.

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

10. NON-CURRENT ASSETS HELD FOR SALE

	December 31, 2021 (audited)	**December 31, 2020 (audited)**
Land	-	120,740
Buildings	-	1,823,567
Fittings and plants	-	287,326
Total	**-**	**2,231,633**

In 2019, GMS Resolution No. 5/23.04.2019 approved the sale of the asset "Single's accommodation unit" owned by the Company, located in 14 Salciei Street, Cernavoda Town, Constanta County, consisting of: construction, related land, connection installation to the district heating network, parking arrangements, sports field, green areas.

As of December 31, 2021, the Group registered the derecognition of the asset following its sale. The net revenues from the sale of the assets held for sale amount to RON 1,970,976 (Note 23), and the cash inputs related to the assets held for sale in the period that ended on December 31, 2021, amounted to RON 4,202,609.

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

11. TRADE RECEIVABLES

As at December 31st, 2021 and December 31st, 2020, trade receivables appear as follows:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Trade receivables	233,308,150	168,045,381
Adjustments for impairment of trade receivables	(12,822,025)	(10,101,875)
Total	**220,486,125**	**157,943,506**

As at December 31st, 2021, the main trade receivables in the balance are towards: Electrica Furnizare S.A. – RON 40,923,394 (December 31, 2020: RON 52,907,721), Engie Romania S.A. – RON 38,158,733 (December 31, 2020: RON 8,927,058), GEN-I d.o.o. – RON 22,135,216 (December 31, 2020: 8,373,622 RON),

The sales made during 2021 to: Romanian Electricity and Gas Market Operator “OPCOM” S.A. represented approximately 22% (2020: 19%), Electrica Furnizare S.A. represented approximately 16% (2020: 16%), Engie Romania S.A. represented approximately 11% (2020: 3%), GEN-I d.o.o. represented approximately 8% (2020: 4%) and E.ON Energie Romania S.A. represented approximately 7% (2020: 7%),

The exposure of the Group to the credit and market risks as well as the value adjustments related to trade receivables are presented in Note 28.

As at December 31st, 2021, the "Trade receivables" and "Adjustments for the impairment of trade receivables" include a net amount of RON 9,031,438 related to receivables from affiliates (December 31st, 2020: 11,863,836 RON).

12. OTHER FINANCIAL ASSETS VALUED AT AMORTIZED COST

	December 31, 2021 (audited)	December 31, 2020 (audited)
Other receivables	33,660,668	33,253,870
Impairment adjustments for other receivables	(596,559)	(596,559)
Taxes and duties	31,478,586	37,783,929
Payments made in advance	20,525,633	10,323,167
Total	**85,068,328**	**80,764,407**

As at December 31st, 2021, the positions "Other receivables" and "Adjustments for impairment of other receivables" do not include an amount corresponding to affiliates (December 31st, 2020: RON 0).

As of December 31, 2021, position “Payments made in advance” includes amount 8,289,405 RON related to payments made in advance to affiliated parties (December 31, 2020: 1,115,946 RON),

As at December 31st, 2021 the "Duties and Taxes" position represents the VAT to be recovered amounting to RON 29,382,624 (December 31st, 2020: 33,580,707 RON).

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

13. CASH AND CASH EQUIVALENTS, BANK DEPOSITS

On December 31, 2021 and December 31, 2020, **the cash and cash equivalents** appear as follows:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Cash on hand	79,356	97,259
Current accounts in banks, in RON	220,420,871	118,970,396
Current accounts in banks, in foreign currency	2,526,265	1,759,289
Bank deposits shorter than 3 months	1,119,866,202	425,556,000
Other cash equivalents	279,463	484,443
Total cash and cash equivalents	**1,343,172,157**	**546,867,387**

On December 31, 2021 and December 31, 2020, the **bank deposits** with original maturities longer than 3 months and shorter than a year are as follows:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Bank deposits	**1,328,973,000**	**1,621,384,000**

(i) Reconciliation with the Cash Flow Statement

The above items are reconciled with the value of cash presented in the Cash Flow Statement at the end of the financial year, as follows:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Cash on hand	79,356	97,259
Current accounts in banks	222,947,136	120,729,685
Bank deposits with initial maturity shorter than 3 months	1,119,866,202	425,556,000
Other cash equivalents	279,463	484,443
	1,343,172,157	**546,867,387**

(ii) Classification as Cash Equivalents

Term deposits are presented as cash equivalents if they have a maturity of 3 months or less from the date of incorporation. See Note 3 (m) for the other accounting policies of the Group on cash and cash equivalents.

(iii) Restricted cash

Current accounts opened in banks are permanently available to the Group and are not restricted or encumbered.

Bank deposits are permanently available to the Group and are not restricted or encumbered.

As of December 31, 2021, the Group holds letters of bank guarantee based on credit facilities, without collateral deposits, amounting to RON 91,453,350 (December 31, 2020: RON 117,028,702).

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

14. EQUITY

Share capital

The parent-Company was established by separation from the former Autonomous Electricity Administration ("RENEL"). The share capital represents the contribution of the Romanian State to the incorporation of the Company on June 30th, 1998 (restated for inflation up to December 31st, 2003) plus subsequent additions.

According to the Articles of Incorporation, the authorized capital of the Company is of RON 3,016,518,660. The subscribed and paid-up share capital as at December 31st, 2021 is of RON 3,016,438,940, under the authorized capital.

As at December 31, 2021 and December 31, 2020, the share capital includes the effect of restatements registered over the previous years, according to the application of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The reconciliation of the share capital is as follows:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Subscribed and paid-in share capital (nominal value)	3,016,438,940	3,016,438,940
Differences related to the restatement according to IAS 29	195,502,743	195,502,743
Share capital (restated value)	**3,211,941,683**	**3,211,941,683**

As of December 31st, 2021, the value of the subscribed and paid-up statutory share capital is of RON 3,016,438,940, consisting of 301,643,894 ordinary shares, each with a nominal value of RON 10.

The last share capital increase took place in 2020 by subscribing a number of 130,043 new shares, in the amount of RON 1,300,430, representing the in-kind contribution of the Romanian State, represented by the Ministry of Economy, Energy and Business Environment and in cash of the shareholders of the Company. The share capital increase was made based on the Proportional Offer Prospectus related to the share capital increase, approved by the ASF Decision no. 976/August 13th, 2020 and of the Resolutions of the Extraordinary General Meeting no. 2/January 4th, 2019 and no. 12/December 19th, 2019, registered with the National Trade Register Office according to the amended Certificate no. 484154/ September 30th, 2020.

Holders of ordinary shares are entitled to receive dividends, as such are declared at certain periods of time, and are entitled to vote on one share during the General Meetings of the Shareholders of the Company.

The shareholding structure as at December 31, 2021 and December 31, 2020 is as follows:

Shareholders	Number of shares December 31, 2021	% of the share capital	Number of shares December 31, 2020	% of the share capital
The Romanian State - Ministry of Energy	248,850,476	82.4981%	248,850,476	82.4981%
Other shareholders	52,793,418	17.5019%	52,793,418	17.5019%
Total	**301,643,894**	**100%**	**301,643,894**	**100%**

Share premiums

In November 2013, the Group issued 28,100,395 ordinary shares at Bucharest Stock Exchange, through an initial public offer and through the exercise of the preemptive right by the shareholder Fondul Proprietatea S.A. The collected amount of RON 312,478,099 was formed by the increase of the share capital of RON 281,003,950 and a share premium of RON 31,474,149.

Prepaid reserve

The prepaid reserves amount to RON 21,553,537 as at December 31st, 2021 and December 31st, 2020 and represent objectives of public utility at Cernavoda NPP (RON 5,439,321 as at December 31st, 2021 and December 31st, 2020), budgetary allocations for the period 2007-2011 for the construction of the Training and Recreation Center for Youth and Children in Cernavoda (RON 16,114,216 as at December 31st, 2021 and December 31st, 2020).

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

14. EQUITY (CONTINUED)

Legal reserves

According to the legal requirements, the Group sets up legal reserves in the amount of 5% of the gross registered profit up to the level of 20% of the share capital. The value of the legal reserve as of December 31st, 2021 is of RON 255,427,163 (December 31st, 2020: 195,218,328 lei).

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

Deferred tax net revaluation reserves

As at December 31st, 2021, the revaluation reserve amounts to RON 2,101,938,467 (December 31st, 2020: RON 1,820,339,902), net of deferred tax related to the revaluation reserve. The last revaluation of lands, buildings and constructions took place on December 31, 2021 by an independent valuer, Primoval SRL, member of the National Association of Certified Assessors in Romania ("ANEVAR").

Retained earnings

The retained earnings are the cumulated earnings of the Company. The retained earnings are distributed based on the annual financial statements prepared in accordance with the Public Finance Minister's Order no. 2.844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards.

During the financial year ended on December 31st, 2021, the parent company distributed dividends amounting to RON 472,117,575 from the net profit of the financial year of 2020, according to the OGMS Resolution no. 5/April 26th, 2021 (2020: 498,421,396 RON distributed from the net profit of the financial year of 2019, according to the OGMS Resolution no. 5/April 27rd, 2020). Unpaid net dividends as at December 31, 2021 amounted to RON 800,583 (December 31, 2020: 848,118 RON),

Movements of the retained earnings

	Note	December 31, 2021 (audited)	December 31, 2020 (audited)
Balance as at January 1st		**2,434,020,626**	**2,250,680,741**
Net profit of the period		***1,036,038,559***	***699,211,355***
Actuarial earning / (loss) on defined benefits plan		471,723	(5,539,153)
Result carried forward from other adjustments		(638,261)	(11,910,921)
Dividends		(472,117,575)	(498,421,396)
Balance as at December 31st		**2,997,775,072**	**2,434,020,626**

The group recorded in 2020 in the position "Retained earnings from other adjustments" amounts representing costs of the previous periods, derived from: regularization of the ANRE fee for the year of 2019 in the amount of RON 4.96 million, CMP corrections for uranium inventory for 2019 in the amount of RON 5.09 million, taxes additionally established according to ANAF Decision no. F-MC_111/February 18, 2020, for the period 2012 - 2017, in the amount of RON 0.90 million and other transactions related to the previous years in the amount of RON 0.95 million. As of December 31, 2021, the value of RON 638,261 represents other transactions related to the previous years.

Dividends

During the financial year ended on December 31st, 2021, the parent-Company declared dividends amounting to RON 472,117,575 (December 31st, 2020: RON 498,421,396), and Energonuclear S.A. branch declared dividends amounting to RON 0 (December 31st, 2020: 1,995 RON).

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

15. EARNINGS PER SHARE

As at December 31st, 2021 and December 31st, 2020, the earnings per share are:

(i) Basic earnings per share

	2021 (audited)	2020 (audited)
Net profit for the year	**1,036,038,559**	**699,211,355**
Number of ordinary shares at the beginning of the period	301,643,894	301,513,851
Number of ordinary shares issued during the period	-	130,043
Weighted-average number of ordinary shares as at December 31st	**301,643,894**	**301,541,641**
Basic earnings per share (RON/share)	**3,43**	**2.32**

(ii) Diluted earnings per share

	2021 (audited)	2020 (audited)
Net profit for the year	**1,036,038,559**	**699,211,355**
Number of ordinary shares at the beginning of the period	301,643,894	301,513,851
Number of shares issued during the period	-	130,043
Weighted-average number of ordinary shares at the end of the period	301,643,894	301,541,641
Weighted-average number of ordinary shares (diluted) on December 31st	**301,643,894**	**301,541,641**
Diluted earnings per share (RON/share)	**3,43**	**2.32**

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

16. BORROWINGS

The situation of the loans held by the Group on December 31st, 2020, respectively December 31st, 2021, is as follows:

	December 31, 2021 (audited)	< 1 year	> 1 year	**December 31, 2020 (audited)**	< 1 year	> 1 year
Bank loans	**298,191,838**	168,056,808	130,135,030	**502,335,190**	211,856,623	290,478,567
Interest	**69,731**	69,731		**138,459**	138,459	-
Total	**298,261,569**	168,126,539	130,135,030	**502,473,649**	211,995,082	290,478,567

Bank loans

Reimbursements of borrowings during the financial year ended on December 31st, 2021 were:

	Currency	**Interest rate**	**Value**	**Year of final maturity**
Balance as of January 1, 2021 (audited)			**502,335,190**	
New draws				
Repayments, of which			**(226,092,994)**	
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.7%	(37,938,788)	2022
Societe Generale – AECL BC	CAD	CDOR 6M + 0.375%	(74,174,895)	2022
EURATOM	EUR	EURIBOR 6M + 0.08%	(113,979,310)	2024
Exchange rate differences			**15,375,001**	
Commitment fees			**6,574,640**	
Balance as of December 31, 2021 (audited)			**298,191,838**	

(i) Long-term loans

As at December 31st, 2021 and December 31st, 2020, the **long-term** loans from credit institutions appear as follows:

	December 31, 2021 (audited)	**December 31, 2020 (audited)**
Societe Generale - ANSALDO BC	19,022,060	56,158,539
Societe Generale - AECL BC	37,526,147	102,033,230
EURATOM	244,930,950	354,005,380
Total loans	**301,479,156**	**512,197,149**
Less: current part of long-term loans	(171,344,126)	(218,431,261)
Less: balance of commitment and insurance fees (long-term)	-	(3,287,320)
Total long-term loans, net of the short-term part	**130,135,030**	**290,478,567**

16. LOANS (CONTINUED)

The long-term borrowings are detailed as follows:

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

The loan was granted by Societe Generale to the parent- Company in 2002. The initial value of the obtained loan was EUR 115.3 million. The amount due as at December 31st, 2021 is EUR 3.8 million (December 31st, 2020: EUR 11.5 million). The reimbursement is divided into 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan carries a floating interest rate EURIBOR at six months plus a margin of 0.45% for the first 15 years and EURIBOR at six months plus a margin of 0.7% for the remaining period. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

b) The loan granted by Societe Generale – AECL

The loan was granted by Societe Generale to the parent- Company in 2002. The initial value of the obtained loan was of CAD 327.8 million. The amount due on December 31st, 2021 is of CAD 10.92 million (December 31st, 2020: CAD 32.78 million). The reimbursement is divided into 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan carries a floating CDOR interest rate at six months plus a margin of 0.375%. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

c) The loan granted by EURATOM

The loan was granted by EURATOM to the Company in 2004. The initial value of the loan was EUR 223.5 million. The amount due as at December 31st, 2021 is EUR 49.5 million (December 31st, 2020: EUR 72.7 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 10 million (December 31st, 2020: EUR 20 million); (ii) Second instalment with a balance of EUR 27 million (December 31st, 2020: EUR 36 million) and (iii) Third instalment with a balance of EUR 12.5 million (December 31st, 2020: EUR 16.7 million). The repayment of the first instalment will be made in 20 instalments payable during 2013-2022, the repayment of the second instalment will be made in 20 instalments payable during 2015-2024 and the repayment of the third instalment will be made in 16 instalments payable during 2017-2024. The loan carries a floating interest rate EURIBOR at six months plus a margin of 0.080% for the first two installments and EURIBOR at six months plus a margin of 0.079% for the third installment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

The loan agreement comprises certain financial clauses: (i) the debt service coverage ratio must be at least 1.5; (ii) the degree of indebtedness must not exceed the value 2; (iii) the revenues recorded by the Company must be sufficient to cover the operating and maintenance costs of Units 1 and 2, as well as interest payments in relation to Units 1 and 2.

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

As at December 31st, 2021 and December 31st, 2020, the financial indicators required by EURATOM are met. All loans have been contracted to finance the construction of Unit 2.

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

Guarantees

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

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

16. LOANS (CONTINUED)

(ii) Short-term loans

As at December 31st, 2021 and December 31st, 2020, the **short-term** borrowings appear as follows:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Current share of long-term loans	171,344,126	218,431,262
Interests related to the long-term loans	69,731	138,459
Short-term commitment and insurance fees	(3,287,319)	(6,574,639)
Total short-term loans	**168,126,539**	**211,995,082**

17. TRADE PAYABLES AND OTHER LIABILITIES

As at December 31st, 2021 and December 31st, 2020, the providers and other liabilities are as follows:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Providers of non-current assets	31,038,770	47,823,021
Suppliers	92,480,910	81,934,103
Obligations related to employees' liabilities	27,849,006	23,476,989
Payables to the State	107,091,244	106,952,143
Payable dividends	863,842	826,280
Other liabilities	27,152,891	24,138,767
Total	**286,476,663**	**285,151,303**

As at December 31st, 2021, the main providers in the balance, from the "Non-current asset providers" and "Suppliers" positions, are: Romanian Waters Bucharest – RON 12,744,720 (December 31, 2020: 12,404,839 RON), Candu Energy Inc. – 11,842,682 RON (December 31, 2020: 11,062,778 RON), Ciga Energy S.R.L. – 11,602,154 RON (December 31, 2020: 1,125,223 RON), Datanet System S.R.L. – 7,022,190 RON (December 31, 2020: 0 RON), CANDU Owners Group Inc. (COG) – 6,100,953 RON (December 31, 2020: 4,485,080 RON) and Phoenix IT S.R.L. – 5,720,568 RON (December 31, 2020: RON 0).

As at December 31st, 2021, "Accounts payable and other liabilities" include the amount of RON 33,664,656 (December 31st, 2020: RON 35,472,326) related to liabilities to affiliates, out of which, under the "Suppliers" and "Non-current assets suppliers" positions, the amount of RON 25,110,349 (December 31st, 2020: RON 22,698,744) and under the "Payables to the State" position, the amount of RON 8,554,307 (December 31st, 2020: RON 12,773,582), representing the contribution to ANDR, for the decommissioning of nuclear facilities and the permanent storage of radioactive waste.

As at December 31st, 2021, the "Payables to the State" position mainly includes the debt related to local taxes and duties set by state authorities in 2022, amounting to RON 68,730,542 (December 31st, 2020: RON 63,925,514), which, according to IFRIC 21 - Taxes, is recognized on December 31st. The maturity of these taxes and duties is during the financial year of 2022.

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

18. PROVISIONS FOR RISKS AND EXPENSES

As at December 31st, 2021 and December 31st, 2020, respectively, the Group has recognized the following provisions, included under the "Provisions for risks and expenses" position and the "Current part of provisions for risks and expenses" position:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Obligations regarding the Intermediary Spent Fuel Storage Facility (DICA)	70,278,140	70,262,388
Obligations regarding the low and medium radioactive and non-radioactive waste	115,383,486	103,884,325
Provision for disputes related to salary bonuses	109,608,912	97,209,259
Employees' participation in the profit	20,000,000	21,326,448
Other provisions for risks and expenses	93,610	-
Total	**315,364,148**	**292,682,420**

As at December 31, 2021, the provisions in total amount of RON 315,364,148 represent long-term and short-term liabilities, as follows:

	Current part (< 1 year)	Long-term portion (> 1 year)
Obligations regarding the Intermediary Spent Fuel Storage Facility (DICA)	33,929,550	36,348,590
Obligations regarding the low and medium radioactive and non-radioactive waste	15,517,975	99,865,511
Provision for disputes related to salary bonuses	-	109,608,912
Employees' participation in the profit	20,000,000	-
Other provisions for risks and expenses	93,610	-
Total	**69,541,135**	**245,823,013**

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

See Note 3 (r) for the relevant accounting policies for provisions.

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

19. REVENUES IN ADVANCE

As at December 31st, 2021 and December 31st, 2020, revenues in advance are as follows:

	December 31, 2021 (audited)	December 31, 2020 (audited)
Creditor clients	86,247,146	10,811,734
Non-reimbursable loans as subsidies (i)	73,036,375	86,067,969
Other revenues in advance	2,401,216	5,416,720
Total	**161,684,737**	**102,296,423**

(i) Non-reimbursable loans as subsidies

As of December 31, 2021, the company records non-reimbursable loans as subsidies derived from:

a) Grant contract within “Conecting Europe Facility” (CEF) – telecommunications sector, for action “Cynergy - first ISAC for the energy sector of Romania “, implemented via European Health and Digital Executive Agency (HaDEA), according to the rights delegated by the European Commission.

The action (Cynergy) intends to create a center for sharing and analyzing information on a national level (ISAC) in the energy sector (electricity subsector) of Romania, serving the most prominent companies in this field from the country, and also considering a potential extension in South-East Europe. The action will develop a solid and trustworthy sharing community, which can easily provide useful knowledge and support to ISAC members when facing cyber security threats.

The contract is implemented in period 01.09.2021 – 30.08.2023. The maximum granted amount is EUR 445,024 and represents 75% of the eligible costs of the action. Until the drafting of these financial statements, the Company has collected the pre-financing of EUR 267,014. No revenues or expenses related to the project were recorded in 2021.

As of the date of these financial statements, the Company has not recorded non-compliances with the imposed conditions on granting the subsidy or contingent conditions.

b) Amortized subsidy during the lifecycle of Unit 1

Subsidies were granted in 2007 and consisted of cancellation of penalties and liabilities related to the loan agreements. Subsidies are recorded in the profit and loss account as revenues over the period 2007-2026, for the remaining useful life of Unit 1. The value of the subsidy revenues acknowledged in the statement of the profit or loss account, in position “Other revenues” in 2021 is 14,354,155 RON (2020: 14,344,816 RON),

Non-reimbursable loans as subsidies are acknowledged according to the provisions of IAS 20 “Accounting of government subsidies and submittal of information related to government aid” (see Note 3 let. p)).

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

20. CORPORATE TAX

The corporate tax recognized in the profit and loss account:

	2021 (audited)	2020 (audited)
Current corporate tax expense	185,716,052	130,125,891
Net (income) from the deferred tax	(17,873,134)	(14,039,505)
Total	**167,842,918**	**116,086,386**

Receivables and liabilities related to the deferred taxes are valued as at December 31st, 2021 and December 31st, 2020 at the 16% standard tax rate, representing the tax rate currently implemented.

Reconciliation of effective tax rate:

	2021 (audited)	2020 (audited)
Profit before income tax	**1,203,881,477**	**815,297,741**
Tax in compliance with the statutory 16% tax rate (2020: 16%)	**192,621,036**	**130,447,639**
Effect on the corporate tax of the:		
Legal reserve	(9,633,414)	(6,523,269)
Tax amortization	(783,992)	(1,177,057)
Non-taxable revenues	(9,220,097)	(10,653,565)
Non-deductible expenses	28,470,634	25,964,520
Revaluation reserve gains	10,808,054	10,465,489
Temporary differences	(17,873,134)	(14,039,505)
Fiscal losses carried forward of branches	(44)	-
Other fiscal assets	47,235	17,740
Sponsoring	(7,221,810)	(9,499,748)
Reinvested profit	(3,221,916)	(913,611)
Discounts pursuant to G.O. 33/2020 and G.O. 99/2020	-	(8,002,247)
Reductions of the profit tax according to GEO 153/2020	(16,149,634)	-
Corporate tax expense	**167,842,918**	**116,086,386**

The deferred tax consists of:

December 31, 2021 (audited)	**Assets**	**Liabilities**	**Net**
Tangible assets		162,161,766	162,161,766
Intangible assets		1,250,695	1,250,695
Inventories	(651,876)		(651,876)
Trade receivables	(1,992,016)		(1,992,016)
Obligations concerning employee benefits	(7,420,638)		(7,420,638)
Employees' participation in the profit	(3,200,000)		(3,200,000)
Salary increase provision	(17,512,945)		(17,512,945)
Annual leaves not taken	(877,635)		(877,635)
Taxes and duties	(10,977,700)		(10,977,700)
Other provisions	(39,458)		(39,458)
Radioactive and non-radioactive waste	(18,461,358)		(18,461,358)
Net tax (asset)/liability	**(61,133,626)**	**163,412,461**	**102,278,835**

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

20. PROFIT TAX (CONTINUED)

December 31, 2020 (audited)	Assets	Liabilities	Net
Tangible assets		120,113,342	120,113,342
Intangible assets		1,362,970	1,362,970
Inventories	(881,818)		(881,818)
Trade receivables	(1,687,382)		(1,687,382)
Obligations concerning employee benefits	(5,850,125)		(5,850,125)
Employees' participation in the profit	(3,412,232)		(3,412,232)
Salary increase provision	(15,553,480)		(15,553,480)
Annual leaves not taken	(724,373)		(724,373)
Taxes and duties	(10,218,498)		(10,218,498)
Radioactive and non-radioactive waste	(16,621,492)		(16,621,492)
Net tax (asset)/liability	**(54,949,400)**	**121,476,312**	**66,526,912**

The movement table on the deferred tax debt in 2021 and 2020 is as follows:

	Balance as of December 31st, 2019 (audited)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other items of comprehensive earnings	Balance as of December 31, 2020 (audited)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other items of comprehensive earnings	Balance as of December 31, 2021 (audited)
Tangible assets	131,943,299	(11,653,365)	5,485,517	120,113,342	(11,576,632)	53,637,822	162,161,766
Intangible assets	867,229	495,741	-	1,362,970	(112,276)		1,250,695
Inventories	(1,227,867)	346,048	-	(881,818)	229,942		(651,876)
Trade receivables	(2,146,609)	459,228	-	(1,687,382)	(304,634)		(1,992,016)
Obligations concerning employee benefits	(5,513,746)	(336,379)	-	(5,850,125)	(1,570,513)		(7,420,638)
Salary increase provision	(14,048,212)	(1,505,268)	-	(15,553,480)	(1,959,465)		(17,512,945)
Employees' participation in the profit	(2,992,000)	(420,232)	-	(3,412,232)	212,232		(3,200,000)
Annual leaves not taken	(621,990)	(102,384)	-	(724,373)	(153,261)		(877,635)
Taxes and duties	(9,028,953)	(1,189,545)	-	(10,218,498)	(759,202)		(10,977,700)
Radioactive and non-radioactive waste	(15,528,143)	(1,093,349)	-	(16,621,492)	(1,839,866)		(18,461,358)
Other provisions	(960,000)	960,000	-	-	(39,458)		(39,458)
Net tax (asset)/liability	**80,743,008**	**(14,039,505)**	**5,485,517**	**66,526,912**	**(17,873,132)**	**53,637,822**	**102,278,835**

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

21. EMPLOYEE BENEFITS

	December 31, 2021 (audited)	December 31, 2020 (audited)
Retirement benefits	21,173,561	25,716,845
Anniversary bonuses	12,491,451	5,780,360
Benefits in case of death	885,922	862,058
Retirement benefits in the energy field	11,828,056	10,743,171
Total	**46,378,990**	**43,102,434**

On December 31st, 2021, the Company has the following obligations:

- to pay to retiring employees retirement bonuses, varying between 2 and 3 basic salaries, depending on the number of years of seniority in the field of electricity, thermal energy and nuclear power;
- to pay to employees anniversary bonuses, depending on the number of years of uninterrupted seniority in the field of electricity, thermal energy and nuclear power;
- to pay an allowance to the employee's family, in case of their death;
- to pay to retiring employees an energy benefit, representing the equivalent value of the electricity quota of 1,200 KWh/year. The criterion for granting this benefit is 15 years of seniority in the energy field, of which at least the last 10 years within the Company. This benefit is granted starting with April 1, 2017.

The following assumptions were considered for the application of IAS 19 "Employee Benefits" as at December 31st, 2021 and December 31st, 2020.

Assessment date	**December 31, 2021**	**December 31, 2020**
Number of employees	2.205	2,011
Wage increase rate	The management of the Company estimated an increase with the annual rate of increase of consumer prices communicated by the National Commission for Prognosis for 2022 and the following years. The weighted average rate of salary increases is 2.8% p.a. The inflation rate was estimated based on the 2021-2025 Autumn Forecast, issued by the National Commission for Strategy and Prognosis, as follows: 4.7% in 2022, 3.4% in 2023, 2.7% in 2024 and 2.5% per year in the period 2025-2031 and following a decreasing trend in the following years.	The management of the Company estimated an increase of 0% in 2021 and with the annual rate of increase of consumer prices communicated by the National Commission for Prognosis for 2022 and the following years. The inflation rate was estimated based on the 2021 Winter Forecast, issued by the National Commission for Strategy and Prognosis, as follows: 2.5% in 2021, 2.4% in 2022, 2.3% in 2023 and 2.2% per year in the period 2024-2036 and following a decreasing trend in the following years.
Rate of increase in the price of kWh	The kWh price updated as of December 31, 2021 was RON 0.7567. For the period 2022-2030, the estimates provided by the Company and an evolution in the same trend for the following years were used.	The kWh price updated as of December 31, 2020 was RON 0.7179. For the period 2021-2030, the estimates provided by the Company and an evolution in the same trend for the following years were used.
Weighted average discount rate	4.90%	3.00%
Mortality tables	Romanian Population Mortality Table for 2018 issued by the National Institute of Statistics.	Romanian Population Mortality Table for 2018 issued by the National Institute of Statistics.
Gross average wage	9,337	8,336

21. OBLIGATIONS REGARDING EMPLOYEE BENEFITS (CONTINUED)

The assumptions herein above have been considering:

- bond yields on the active market at the end of December 2021. The available residual terms up to maturity were 1-10 years and 13-14 years. For the other terms, the discount rate was estimated using the Smith-Wilson extrapolation method;
- the estimated long-term inflation rate 2.0% p.a. (December 31, 2020: 2.0%);
- the actual estimate long-term yield on government bonds 1.6% p.a. (December 31, 2020: 1.6%);
- liquidity premium for Romania 0% (December 31, 2020: 0%);
- weighted average discount rate of 4.90% (December 31, 2020: 3.00%),

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

22. REVENUES FROM ELECTRICITY SALES

(i) Revenues from electricity sales

	2021 (audited)	2020 (audited)
Sales of electricity on the regulated market	65,878	404,796,955
Sales of electricity on the free market	3,096,113,550	2,021,681,915
Sales of thermal energy	6,940,688	5,773,558
Revenues from the sale of green certificates	28,938	26,111
Total	**3,103,149,054**	**2,432,278,539**

(ii) Quantity of energy sold*)

	2021 (audited)	2020 (audited)
Quantity of energy sold on the regulated market (MWh)	361	2,181,607
Quantity of energy sold on the free market (MWh)	10,890,654	8,589,764
Total	**10,891,015**	**10,771,371**

*) *The presented quantity of sold energy does not include the quantity of energy corresponding to the income from positive unbalances valued on the Balancing Market, amounting to 33,702 MWh for the financial year ended on December 31, 2021 (33,757 MWh for the financial year ended on December 31, 2020).*

Starting with 2021, ANRE no longer established delivery obligations for manufacturers on the regulated market. The contracts concluded on the regulated market for the second half of 2020 have delivery in CET hours; the last delivery hour in 2020 being the first in January 2021 (361 MWh, regulated price amounting to RON 183.93/MWh (including T_g)).

For 2020, following the Government Emergency Ordinance no. 114/December 28th, 2018, amending and supplementing the Electricity and Natural Gas Law no. 123/2012, ANRE issued Order no. 216/December 11th, 2019 approving the Methodology for setting prices for the electricity sold by producers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by producers with last-instance providers. According to ANRE Resolution no. 2213/December 23rd, 2019, the quantity assigned to SNN for half-year 1 of 2020 for regulated contracts was 1,087 GWh, out of which 701.4 GWh for Q1 2020 and 385.6 GWh for Q2 2020. For the first half-year of 2020, ANRE established a regulated price for SNN of RON 188.47 /MWh (without T_g). For the 2nd half-year of 2020, ANRE issued Order 88/June 12th, 2020 approving the Methodology for setting regulated fees and prices applied by last-instance providers to end customers for the period July 1st - December 31st, 2020 [...]. According to ANRE Resolution no. 1077/June 29th, 2020, the quantity assigned to SNN for the second half-year of 2020 for regulated contracts was 1,095 GWh, out of which 394.9 GWh for Q3 2020 and 700.1 GWh for Q4 2020. For the first half-year of 2020, ANRE established a regulated price for SNN of RON 182.63/MWh (without T_g). Thus, the Company sold 20.2% energy on the regulated market.

On the competitive market, in 2021, the parent Company delivered 99.7% of the energy sold (2020: 79.5%), The average sale price of electricity sold by the Company on this market in 2021 was 284.29 RON/MWh (2020: RON 235.36/MWh), without Tg.

The parent-Company is a participant in the balancing market, according to the convention of participation in the balancing market concluded with C.N. Transelectrica S.A. and set up a security in the amount of RON 50,000, valid until June 11nd, 2022 and is a member of PRE Ciga Energy SA, in virtue of the contract concluded with Ciga Energy S.A. of supply of the representation service as party in charge of balancing (PRE), in reference to which it set up securities amounting to RON 3,400,000, valid until December 26th, 2022.

The parent-Company performs the activity of generating thermal energy by the operation of the power capacities related to the units of electrical and heating power generation consisting of two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The parent-Company delivers thermal energy to the local thermal energy distribution company SC Utilitati Publice SA Cernavoda, as well as to other final consumers in the locality Cernavoda – business entities, social-cultural institutions. The sales of thermal power in 2021 amount to RON 6,940,688 (2020: 5,773,558 RON),

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

23. OTHER REVENUES

	2021 (audited)	2020 (audited)
Income from investment subsidies	14,354,155	14,344,816
Income from compensations, fines and penalties	6,223,431	387,337
Net revenues from the sale of assets held for sale	1,970,976	-
Other revenues	64,705,906	39,430,838
Total	**87,254,468**	**54,162,991**

Subsidies for investment (long-term deferred income) were granted in 2007 and consisted of cancellation of penalties and liabilities related to the loan agreements. Subsidies are recorded in the profit and loss account as revenues over the period 2007-2026, for the remaining useful life of Unit 1.

24. PERSONNEL EXPENSES

	2021 (audited)	2020 (audited)
Wages and salaries	408,796,463	405,649,447
Expenses with social security and assimilated costs	35,527,818	34,631,160
Total personnel expenses	**444,324,281**	**440,280,607**

The breakdown of employees per categories appears as follows:

	2021 (audited)	2020 (audited)
Executive personnel	237	144
Operating personnel	2,009	1,872
Total actual number of employees	**2,246**	**2016**

The average number of employees of the Group during 2021 was of 2,021 (2020: 2,033 employees).

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

25. OTHER OPERATIONAL COSTS

	2021 (audited)	**2020 (audited)**
Expenses on services provided by third parties	90,869,487	87,501,426
Expenses with ANDR	102,229,602	102,246,544
Energy and water expenses	83,919,600	80,009,660
Expenses with fuel and other consumables	55,022,469	50,103,743
Expenses on the ANRE contribution	3,120,333	4,227,661
Expenses with insurance premiums	12,263,163	12,530,425
Transport and telecommunication expenses	7,831,862	7,271,177
Building tax expenses	67,980,477	63,230,788
Expenses related to provisions and value adjustments, net	25,051,292	5,236,830
Other operating expenses	47,163,188	46,767,427
Total	**495,451,473**	**459,125,681**

Expenses with ANDR

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

- Contribution for the decommissioning of each nuclear unit amounting to 0.6 EUR/MWh of electricity generated and delivered in the system;
- Contribution for the permanent storage of radioactive waste of EUR 1.4/MWh of net electricity produced and delivered in the system.

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

Expenses with the ANRE contribution

The contribution paid to ANRE based on ANRE Order No. 223/December 9, 2020, of 0.1% of the turnover achieved from the activities carried out under the licenses held, as of December 31, 2021 amounts to RON 3,120,333 (December 31, 2020: 4,227,661 RON), For 2020, the contribution was paid in virtue of ANRE Order no.1/2020, which set 0.1% of the turnover obtained from the activities carried out based on the held licenses (period 15.01.2020 – 31.12.2020) and ANRE Order no. 251/2019 on extending the application of ANRE Order no. 224/2018, namely 2% from the turnover of the previous year, for interval 1 -14.01.2020.

Expenses related to provisions and impairments

The position "Expenses related to provisions and impairments, net" includes the costs related to the provisions and impairments of the year, as well as income from the reversal of provisions during the year. In 2021, the Company established provisions amounting to RON 41,185,061 (2020: RON 37,515,487) and reversed provisions amounting to RON 16,133,769 (2020: 32,278,657 RON), From among the provisions established in 2021, RON 14,485,598 represents the preliminary provision representing the salary increase (December 31st, 2020: RON 16,746,459), RON 10,084,244 represents the update of the provision for the intermediary burnt fuel tank (“DICA”) (2020: RON 10,142,359) and RON 12,394,008 represents the update of the provision for low and medium radioactive waste (2020: 9,811,642 RON),

Other operating expenses

The "Other operating expenses" position includes the expenses related to the operating permits, paid to CNCAN Bucharest, amounting to RON 9,900,000 (December 31st, 2020: RON 9,900,000), as well as other taxes and contributions paid to governmental and non-governmental organizations amounting to RON 4,183,028 (December 31st, 2020: 3,944,856 RON),

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

26. FINANCIAL REVENUES AND EXPENSES

	2021 (audited)	2020 (audited)
Income from interests	52,267,012	58,404,301
Income from exchange rate differences	8,750,829	26,020,064
Dividends income	1,840	1,769
Financial revenues from the amortization of differences related to state bonds	23,523	-
Other financial revenues	2,896	354
Total financial revenues	**61,046,100**	**84,426,488**
Expenses from exchange rate differences	(25,821,391)	(27,271,998)
Interest-related expenses	(10,590,459)	(13,242,793)
Total financial expenses	**(36,411,850)**	**(40,514,791)**
Net financial income/(expense)	**24,634,250**	**43,911,697**

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

27. TRANSACTIONS WITH RELATED-PARTIES

i) Transactions with state-owned companies

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

The Group has made significant transactions with other state-owned or -controlled companies, including: electricity sales (OPCOM S.A., Muntenia Nord S.A. Electricity Distribution Company); electricity acquisitions (S.P.E.E.H. Hidroelectrica S.A.); acquisition of electricity transmission and balancing services (C.N. Transelectrica S.A.); acquisition of natural uranium in the form of sinterable UO2 powder (National Uranium Company S.A.); acquisition of processing services for non-compliant materials containing natural uranium from the FCN Pitesti Branch, in order to recover uranium in the form of sinterable UO2 powder (Compania Nationala a Uraniului S.A.); acquisition of radioactive water treatment services resulting from production activities (Autonomous Directorate of Nuclear Energy Technologies - Pitesti Nuclear Research Institute) and payment of contribution for the management of the decommissioning process of the two units and for the final storage of nuclear waste at the end of the useful life of the two units, as well as for the permanent storage of the resulting waste (Nuclear and Radioactive Waste Agency - ANDR).

During the performance of the activity thereof, the Group identified the following transactions and balances with the main related-parties:

	Sales		**Receivables as at**	
	2021 (audited)	**2020 (audited)**	**December 31, 2021 (audited)**	**December 31, 2020 (audited)**
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	689,505,394	455,539,765	1,038,664	1,113,446
Distributie Energiei Electrica Romania S.A.	23,550,323	82,196,522	2,377,268	8,892,202
C.N. Transelectrica S.A.	23,353,543	141,364	2,360,979	17,370
Utilitati Publice S.A. Cernavoda	7,173,715	5,831,586	4,293,192	2,929,630
Total	**743,582,975**	**543,709,237**	**10,070,102**	**12,952,648**

The aforementioned balance of receivables as of December 31, 2021 and December 31, 2020 does not include advance payments granted to suppliers or expenses recorded in advance in relation to affiliated parties.

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

27. TRANSACTIONS WITH RELATED-PARTIES (CONTINUED)
(i). Transactions with state-owned companies (continued)

	Purchases		Payables as at	
	2021 (audited)	2020 (audited)	December 31, 2021 (audited)	December 31, 2020 (audited)
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	163,660,060	37,373,814	1,270,024	145,698
Nuclear and Radioactive Waste Agency	102,229,602	102,246,544	8,554,307	12,773,592
Romanian Waters Bucharest	62,645,588	59,599,292	12,744,720	12,404,839
Compania Nationala a Uraniului S.A.	13,607,654	60,002,814	733,670	395,198
C.N. Transelectrica S.A.	13,516,752	13,903,800	1,470,551	1,501,313
Administratia Bazinala de Apa Dobrogea Litoral	11,784,811	11,531,933	3,045,001	2,979,375
National Commission for Nuclear Activities Control	9,072,357	9,502,850	-	-
Autonomous Administration of Technologies for Nuclear Energy - ICN	7,320,166	6,220,184	2,974,967	1,791,690
Raja S.A.	2,864,304	3,183,919	562,972	503,590
Autonomous Administration of Technologies for Nuclear Energy - CITON	2,800,634	1,392,343	1,588,295	581,291
Compania Nationala Administratia Canalelor Navigabile S.A.	2,725,782	5,202,540	202,559	1,028,044
National Energy Regulatory Authority	2,451,830	4,232,661	-	120,446
Utilitati Publice S.A. Cernavoda	79,464	83,863	16,349	25,496
Complexul Energetic Oltenia	-	2,777,818	-	935,580
S.P.E.E.H. Hidroelectrica S.A.	-	6,095,220	-	-
Total	**394,759,005**	**323,349,595**	**33,163,415**	**35,186,142**

The balance of debts to affiliates as at December 31st, 2021 and December 31st, 2020 presented above does not include advances payments received from customers, affiliates.

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

All loans are guaranteed by the Romanian State through the Ministry of Public Finance (see Note 16).

27. TRANSACTIONS WITH RELATED-PARTIES (CONTINUED)

iii) Compensation to the management of the Group

The management of the Group is made up of:

- The members of the Board of Directors of the company and of the branches, having concluded mandate contracts with the Company;
- The managers with mandate contracts within the Group;
- Other managers within the Group having concluded the individual employment contracts, within the terms stipulated in the collective labour agreements, as applicable.

The members of the Board of Directors have concluded management (mandate) contracts with the Group, the remuneration thereof being approved by the General Meeting of the Shareholders. The managers with mandate contracts are remunerated based on the contractual provisions within the general limits approved by GMS. Detailed information on the remuneration of the directors and managers are included in the Annual Report of the Nomination and Remuneration Committee, established at the level of the Board of Directors of the Company. The amounts presented are gross remuneration.

	2021 (audited)	**2020 (audited)**
Remuneration of the management of the Group (gross amounts)	17,404,973	11,229,473
	17,404,973	**11,229,473**

28. MANAGEMENT OF SIGNIFICANT RISKS

The main risks that the Group is exposed to are:

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

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

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

a) Market risk

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

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

(i) Price risk

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

In 2021, the electricity quantity sold on the competition market was 86.8% (2020: 54.7%) of the total volume of the sold electricity, and on the spot market (PZU+PI) an electricity quantity was sold representing 12.9% (2020: 24.8%), and the difference was sold on the regulated market 0.003% (2020: 20.2%), The average sale price on bilateral contracts in 2021 was RON 253.67/MWh, with Tg included (December 31st, 2020: RON 266.05/MWh, with Tg included), and, on the spot market (PZU + PI), the average price was RON 490.67/MWh, with Tg included (December 31st, 2020: RON 169.88 /MWh with Tg included). The regulated price of the electricity sold on the regulated market in 2021 was 183.93 RON/MWh, Tg included (2020: RON 186.84 /MWh with Tg included).

A positive 10% variation of the price of the sold electricity would lead to an increase in profit after taxation on December 31st, 2021 by RON 310,966,939 (December 31st, 2020: RON 244,020,342), a negative 10% variation having a net impact equal and of opposite sign.

(ii) Interest rate risk

The Group faces the interest rate risk due to the exposure to unfavorable interest rate fluctuations. The change of the interest rates on the market directly influences the revenues and expenditure related to the financial assets and liabilities bearing variable interest rates and the market value of those bearing fixed interests. As of December 31st, 2021 and December 31st, 2020, most assets and liabilities of the Group are interest bearing. As a result, the Group is directly affected by the risk of interest rate fluctuations. Cash and cash equivalents are generally invested at interest rates for up to one year. Nevertheless, the decrease in market returns may affect the valuation value of the assets held by the Company.

Out of the total financial liabilities of the Group, the only liabilities bearing variable interest are long-term bank loans. For more information on the contractual maturity of the interest-bearing financial assets and liabilities of the Company, see Note 28 (c) Liquidity risk. The Group does not use derivative financial instruments to protect itself against interest rate fluctuations. The impact on the net profit of the Company of a ± 1.00% change of the interest rate related to the interest-bearing assets and liabilities is of ± RON 2,981,918 (December 31st, 2020: ± RON 5,023,352).

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

28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(ii). Interest rate risk (continued)

	Carrying amount (*)	
	December 31, 2021 (audited)	**December 31, 2020 (audited)**
Fixed rate instruments		
Financial assets	2,455,446,266	2,046,940,000
	2,455,446,266	2,406,940,000
Variable rate instruments		
Financial liabilities	298,191,838	(502,335,190)
	298,191,838	**(502,335,190)**

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

Sensitivity analysis of cash flows for variable interest rate instruments

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

	Profit or loss	
	+ 1.00% Increase	**- 1.00% Decrease**
December 31, 2021		
Variable rate instruments	(2,981,918)	2,981,918
Cash flow sensitivity (net)	**(2,981,918)**	**2,981,918**
December 31, 2020		
Variable rate instruments	(5,023,352)	5,023,352
Cash flow sensitivity (net)	**(5,023,352)**	**5,023,352**

(iii) Currency risk

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

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

28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(iii). Currency risk (continued)

The financial assets and liabilities expressed in RON and other currencies as at December 31st, 2021 and December 31st, 2020 are presented in the following tables.

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
December 31, 2021							
Financial assets							
Cash, cash equivalents and deposits	2,672,145,157	2,669,336,256	1,204,829	761,407	776,843	64,752	1,069
State bonds	30,190,266	30,190,266	-	-	-	-	-
Trade receivables	220,486,125	220,283,284	10,936	43,022	142,903	5,980	-
Payments made in advance	20,525,633	20,525,633	-	-	-	-	-
Tangible assets (down payments)	73,626,526	23,627,517	33,846,920	16,152,089	-	-	-
Gross exposure	**3,016,973,707**	**2,963,962,955**	**35,062,686**	**16,956,518**	**919,746**	**70,733**	**1,069**
Financial liabilities							
Trade payables and providers of non-current assets	(123,519,680)	(92,987,935)	(11,656,765)	(5,771,060)	(13,096,529)	(7,391)	-
Loans	(301,479,156)	-	(263,953,010)	-	(37,526,147)	-	-
Gross exposure	**(424,998,837)**	**(92,987,935)**	**(275,609,775)**	**(5,771,060)**	**(50,622,676)**	**(7,391)**	**-**
Net exposure in the statement of financial position (audited)	**2,591,974,870**	**2,870,975,020**	**(240,547,089)**	**11,185,458**	**(49,702,930)**	**63,342**	**1,069**

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

	Value amount (*)	RON	EUR	USD	CAD	GBP	CHF
December 31, 2020							
Financial assets							
Cash, cash equivalents and deposits	2,168,251,387	2,166,471,812	525,832	716,981	205,364	330,538	860
Trade receivables	157,943,506	157,807,873	-	4,785	40,483	90,365	-
Payments made in advance	10,323,167	10,323,167	-	-	-	-	-
Tangible assets (down payments)	82,083,795	39,538,638	24,410,824	15,256,576	2,877,757	-	-
Gross exposure	**2,418,601,855**	**2,374,141,490**	**24,936,656**	**15,978,342**	**3,123,604**	**420,904**	**860**
Financial liabilities							
Trade payables and providers of non-current assets	(129,757,123)	(82,131,200)	(26,113,835)	(2,364,253)	(19.144.045)	(3,790)	-
Loans	(512,197,149)	-	(410,163,919)	-	(102,033,230)	-	-
Gross exposure	**(641,954,272)**	**(82,131,200)**	**(436,277,754)**	**(2,364,253)**	**(121,177,275)**	**(3,790)**	**-**
Net exposure in the statement of financial position (audited)	**1,776,647,583**	**2,292,010,290**	**(411,341,098)**	**13,614,089**	**(118,053,671)**	**417,113**	**860**

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

The following exchange rates have been used:

	Average exchange rate		Exchange rate on	
	2021	**2020**	**December 31, 2021**	**December 31, 2020**
RON/EUR	4,9204	4,8371	4,9481	4,8694
RON/USD	4,1604	4,2440	4,3707	3,9660
RON/CAD	3,3192	3,1647	3,4344	3,1127
RON/GBP	5,7233	5,4423	5,8994	5,4201
RON/CHF	4,5516	4,5201	4,7884	4,4997

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

28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

a) Market risk (continued)

(iii). Currency risk (continued)

Sensitivity analysis

A 10% strengthening of the national currency against these foreign currencies on December 31st, 2021 and December 31st, 2020 would have increased the gross profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit 2021 (audited)	**Profit 2020 (audited)**
EUR	24,054,709	41,134,110
USD	(1,118,546)	(1,361,409)
CAD	4,970,293	11,805,367
GBP	(6,334)	(41,711)
CHF	(107)	(86)
Total	**27,900,015**	**51,536,271**

A 10% depreciation of the national currency against the following foreign currencies as at December 31st, 2021 and December 31st, 2020 would have had a similar, but opposite sign effect on the amounts shown above, assuming that all other variables remained constant.

	Pierdere 2021 (audited)	**Loss 2020 (audited)**
EUR	(24,054,709)	(41,134,110)
USD	1,118,546	1,361,409
CAD	(4,970,293)	(11,805,367)
GBP	6,334	41,711
CHF	107	86
Total	**27,900,015**	**(51,536,271)**

b) Credit risk

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

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

As at December 31st, 2021, the Group is exposed to a concentrated credit risk, considering the fact that approximately 34% of the trade receivables are towards Electrica Furnizare S.A. and towards Energie Romania S.A. (see Note 11). The counterparty risk is limited considering the guarantees obtained from clients as bank guarantee letters.

Cash and deposits are placed in different financial institutions (banks), seeking to reduce the counterparty risk, by limiting the exposure towards a single financial institution. The main financial institutions where the financial assets are placed are shown below:

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

28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

b) Credit risk (continued)

	December 31, 2021 (audited)	December 31, 2020 (audited)
CEC Bank S.A.	541,378,778	551,837,328
EximBank S.A.	532,423,743	583,003,131
Alpha Bank S.A.	405,721,034	285,603,341
Unicredit Bank S.A.	280,007,483	234,439,863
Garanti Bank S.A.	246,324,137	237,357,678
Banca Comerciala Romana S.A.	128,819,523	209,130,038
Vista Bak S.A.	210,001,170	-
Banca Romaneasca S.A.	210,000,184	-
BRD Societe Generale S.A.	115,666,064	64,492,145
Treasury of Bucharest Municipality	1,436,611	1,436,579
Citi Bank Romania	7,372	76,818
OTP Bank S.A.	-	2,875
Banca Transilvania S.A.	645	1,728
Credit Agricole Bank S.A.	-	180
Libra Internet Bank S.A.	-	-
Other	358,411	869,683
Total cash, bank deposits and financial assets	**2,672,145,157**	**2,168,251,387**

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

	Net value	
	December 31, 2021 (audited)	**December 31, 2020 (audited)**
Financial assets		
Trade receivables	220,486,125	157,943,506
Bank deposits	1,328,973,000	1,621,384,000
Cash and cash equivalents	1,343,172,157	546,867,387
Other assets valued at amortized cost	85,068,328	80,764,407
State bonds	30,190,266	-
	3,007,889,876	**2,406,959,300**

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

	Gross value December 31, 2021 (audited)	Value adjustments as at December 31, 2021 (audited)	Gross value December 31, 2020 (audited)	Value adjustments as at December 31, 2020 (audited)
Not past due	217,460,806	-	156,121,900	-
Past due 1-30 days	1,071,652	-	969,654	-
Past due 31-90 days	564,447	-	183,835	-
Past due 91-180 days	288,433	-	321,381	-
Past due 181-270 days	1,100,787	-	346,736	-
Past due 271-365 days	-	-	-	-
Past due more than one year	12,822,025	(12,822,025)	10,101,875	(10,101,875)
Total	**233,308,150**	**(12,822,025)**	**168,045,381**	**(10,101,875)**

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

28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

b) Credit risk (continued)

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

	Gross value December 31, 2021 (audited)	Value adjustments as at December 31, 2021 (audited)	Gross value December 31, 2020 (audited)	Value adjustments as at December 31, 2020 (audited)
Not past due	85,004,949	-	80,735,426	-
Past due 1-30 days	184	-	17,888	-
Past due 31-90 days	63,195	-	10,156	-
Past due 91-180 days	-	-	-	-
Past due 181-270 days	-	-	-	-
Past due 271-365 days	-	-	-	-
Past due more than one year	596,559	(596,559)	597,497	(596,559)
Total	**85,664,888**	**(596,559)**	**81,360,967**	**(596,559)**

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

	December 31, 2021 (audited)	December 31, 2020 (audited)
Balance at the beginning of the year	**(10,101,875)**	**(10,496,161)**
Recognized impairment adjustments, net of resumptions	2,720,150	394,286
Balance at the end of the year	**(12,822,025)**	**(10,101,875)**

c) Liquidity risk

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

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

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

28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

c) Liquidity risk (continued)

The structure of assets and liabilities was analyzed based on the period remaining from the date of the financial status statement to the contractual date of maturity, both for the period ended on December 31st, 2021, and for the financial year ended on December 31st, 2020, thus:

	Carrying amount December 31, 2021 (audited)	Contract value	> 1 year	> 1 year	Carrying amount December 31, 2020 (audited)
Financial assets					
Cash and current accounts	1,343,172,157	1,343,172,157	1,343,172,157	-	546,867,387
Deposits in banks	1,328,973,000	1,328,973,000	1,328,973,000	-	1,621,384,000
Trade receivables	220,486,125	220,486,125	220,486,125	-	157,943,506
Financial assets valued at amortized cost	35,496,297	35,496,297	-	35,496,297	5,056,031
Other assets valued at amortized cost	85,068,328	85,068,328	85,068,328	-	80,764,407
Total financial assets	**3,013,195,907**	**3,013,195,907**	**2,977,699,610**	**35,496,297**	**2,412,015,331**
Financial liabilities					
Loans	298,261,569	298,261,569	168,126,539	130,135,030	502,473,649
Trade payables	286,476,663	286,476,663	284,642,231	-	285,151,303
Debts from leasing contracts	1,174,611	1,174,611	264,025	910,586	632,795
Other financial liabilities	161,684,737	161,684,737	89,647,495	72,037,242	102,296,423
Total financial liabilities	**747,597,580**	**747,597,580**	**544,514,722**	**203,082,858**	**890,554,170**
Liquidity surplus	**2,265,598,327**	**2,265,598,327**	**2,433,184,888**	**(167,586,561)**	**1,521,461,161**

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

d) Taxation Risk

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

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

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

28. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUED)

e) Operational risk

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

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

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

f) Compliance risk

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

g) Capital adequacy

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

29. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

(i) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still different interpretations of tax law. In certain situations, the tax authorities may treat certain aspects differently, proceeding to the calculation of additional taxes and duties and of the related interests and default penalties. In Romania, the fiscal year remains open for fiscal verification for 5 years. The management of the Group considers that the tax liabilities included in these financial statements are adequate and is not aware of certain circumstances that would lead to potential significant liabilities in this respect.

(ii) Other check-ups

Based on the Tax Inspection Notice FMC 163/July 23rd, 2018, starting with August 23rd, 2018 at the headquarters of the Company, a control team appeared for the verification of the corporate tax for the period 2012 - 2017, income tax for the revenues obtained in Romania by non-residents, dividend revenues obtained from Romania by non-residents and revenues from royalties obtained from Romania by non-residents for the period 2015 - 2017, VAT for the period 2013 - 2017, tax on interest revenues obtained from Romania by non-residents for the period 2015 - 2017. The tax inspection ended by RIF no. FMC 27/ February 18th, 2020, registered with SNN under no. 2621/February 21st, 2020, and by the Notice of Assessment on the main fiscal liabilities related to the tax base differences established within the tax inspection no. FMC 111/February 18th, 2020, debts amounting to RON 2,453,799 were established. For the accessories related to these debits, SNN submitted to ANAF a Request for the cancellation of the accessories, registered with SNN under no. 3164/March 3rd, 2020 and with ANAF under no. 11264/March 3rd, 2020, whereby it requested the cancellation thereof according to art. 27 in the Government Ordinance no. 6/2019 on the establishment of tax facilities. Consequently, ANAF issued a decision for the annulment of the accessory payment liabilities no. 559/March 6th, 2020.

By letter no. IV/40,786/October 6th, 2020, registered with SNN under no. 11,644/October 6th, 2020, the Court of Auditors of Romania communicated that, starting with October 26th, 2020, it will carry out the documentation action on the manner of implementation of the measures ordered by Decisions no. 5/2018, no. 16/2015 and no. 14/2012. As a result of this action, the Follow-up Report no. 13552/ November 25th, 2020 was prepared on the manner of implementation of the measures ordered by Decision no. 5/2018.

By memorandum no. 10136/30.08.2021, the Court of Accounts announced that in period 06.09.2021- 17.12.2021 it will inspect the statement, evolution and manner of managing the public and private patrimony of the state, and the legality of the revenues and expenses.

On 17.12.2021, the inspection report “Inspection of the statement, evolution and management of the public and private patrimony of the state, and the legality of the revenues and expenses” was concluded, registered by the company under no. 14343/17.12.2021. Based on the inspection report, CCR issued Resolution no. 1/20.01.2022 whereby it established 5 measures with implementation deadline August 31, 2022. Against this Resolution and measure no. 1, the company submitted Appeal no. 1683/10.02.2022. By the Appeal, the company requests the cancellation of the breach and measure no. 1 regarding the “Non-compliance with the legal provisions regarding the recovery of the compensations established by the court of law for which payments were made of 142,699 lei ». The appeal is being analyzed by CCR. Regarding the other measures, an internal analysis was ordered, which is in progress.

(iii) Insurance policies

As at December 31st, 2021, the following operational insurance policies are in force:

- Property insurance policy for material damages, all risks, including mechanical and electrical destruction (for Units 1 and 2 at Cernavoda NPP and FCN Pitesti). The indemnity limit is USD 1,560 million per total year for all damages.
- Third party liability insurance policy for nuclear damage. The indemnity limit is DST 300 million (for Units 1 and 2 at Cernavoda NPP)
- Civil/professional liability insurance policy for SNN directors and managers ("D&O"), in order to limit the liability (insured amount of 33 million EUR).

29. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(iv) Environmental issues

The Group recorded no liability as at December 31st, 2021 and December 31st, 2020 for any anticipated costs relating to environmental issues, including legal and consulting fees, site studies, the design and implementation of remediation plans. The responsibility for decommissioning and cleaning-up of nuclear installations was taken over by ANDR (see Note 25). The management considers that the nuclear plant fully complies with the Romanian and international environmental standards and estimates that additional costs associated with environmental compliance on December 31st, 2021 are not significant. Furthermore, the Group is insured against the risk of nuclear accidents, up to the amount of DST 300 million, as described in section (ii) above.

Nevertheless, the enforcement of environmental regulations in Romania is evolving and the application thereof by the government authorities is continuously being reconsidered. The Group periodically assesses the obligations incumbent thereupon under the environmental regulations. The established obligations are immediately acknowledged. Potential liabilities, which might arise as a result of the amendment in the existing regulations, civil litigations or the law, cannot be estimated, but could be significant. In the current enforcement climate under existing legislation, the Group's management believes that there are no significant liabilities for environmental damage.

(v) Ongoing litigations

During 2021, the Group was involved in a number of legal proceedings arising during the normal course of business thereof. The management periodically analyzes the ongoing litigations and, after consulting with the legal advisers or lawyers thereof, decides on the necessity to create provisions for the amounts involved or to present them in the financial statements.

In the opinion of the management of the Group, there are no current legal actions or claims having a significant impact on the financial earnings and the financial position of the Group, not having been presented in these financial statements.

(vi) Commitments

As at December 31st, 2021, the total amount of commitments is fully reflected under the position *"Trading and other liabilities"*, representing capital and operating expenses.

(vii) Guarantees

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

As at December 31st, 2021, the total value of letters of bank guarantee issued in favor of customers for contracts concluded on PCCB-NC, PCCB-LE and PCSU amounts to RON 26.8 million, and in favor of OPCOM for the participation to DAM and IM amounted to RON 59.9 million.

Moreover, on December 31st, 2021, the Group has established letters of guarantee issued in favor of Transelectrica S.A. and Ciga Energy S.A. amounting to RON 4.79 million, with the role of ensuring the liquidity on the Balancing Market, through the establishment by each of Party Responsible for Balancing of a financial guarantee in favor of Transelectrica S.A. and Ciga Energy S.A., respectively, on the account of the Convention of the Party Responsible for the Balancing concluded between the Company as license holder and Transelectrica S.A. and Ciga Energy S.A., respectively. For all these letters of bank guarantee, the Company set up collateral deposits at the banks that issued the letters of bank guarantee.

On December 31, 2021 the Group has established a Treasury deposit in the amount of RON 1,436,176, standing for the liens according to the decision made by ANAF - General Directorate against tax fraud.

As at December 31st, 2021, the value of the bank guarantee letters issued by clients in favor of the Group for the contracts concluded on PCCB-NC, PCCB-LE and PCSU is in amount of RON 875,7 million. These guarantees cover the risk of unfulfilling the contractual obligations assumed by the clients through the energy sale contracts.

30. FEES

The Group concluded on June 16th, 2020, a contract for financial auditing services and auditing services with Mazars Romania S.R.L. with a duration of 36 months. The total fees (excluding VAT) for the year 2021 charged for all the services of limited review of the financial statements as at June 30th, 2021, auditing of the financial statements as at December 31st, 2021 and other audit services (analysis, verification and agreed procedures) in 2021 amount to RON 141,160 (December 31, 2020: 138,640 RON),

The Group also benefited from tax consultancy services under the monthly subscription and transfer pricing services. The services were provided by BDO Tax S.R.L, and the total value of the fees (VAT exclusive) charged during the financial year ended on December 31st, 2021 is in the amount of RON 86,394 (December 31, 2020: 102,673 RON),

31. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Changes in the management of the Company - Deputy Chief Executive Officer

By the Current Report published on 01.02.2022, the Company informed the shareholders and investors that as of 01.02.2022, the mandate contract of Mr. Dan Laurentiu Tudor, as Deputy Chief Executive Officer, is terminated with the agreement of the parties.

According to the organizational structure of the Company, approved by a Resolution of the Board of Directors, the position of Deputy Chief Executive Officer with a Mandate Contract shall be reorganized in the position of Corporate Service Deputy Chief Executive Officer, with an individual employment contract, and shall be transferred from the direct coordination of the Board of Directors to the direct coordination of the Chief Executive Officer of the Company. The position of Commercial and Development Deputy Chief Executive Officer and the position of Operations Deputy Chief Executive Officer were also created, both with individual employment contract, in the direct coordination of the Chief Executive Officer of the Company.

As of 01.02.2022, the three positions are occupied according to the legal provisions and the provisions of the Collective Employment Contract within the Company, by SNN personnel. The position of Corporate Service Deputy Chief Executive Officer shall be occupied by Mrs. Laura Constantin, previously the Manager of the SNN Legal Division, and involves the coordination of the procurement, legal, human resources, communication and compliance processes. The position of Commercial and Development Deputy Chief Executive Officer shall be occupied by Mrs. Melania Amuza, previously the Manager of the SNN Investment Division, and shall involve the coordination of the investment processes, electricity transactions and mining licenses, and the position of Operations Deputy Chief Executive Officer shall be occupied by Mr. Romeo Urjan, previously the manager of the Operations Division, and shall involve the coordination of the activities of operation, production, nuclear safety independent evaluation, fuel, security, management systems and process analysis.

Changes in the management of the Company - Chief Financial Officer

By the Current Report published on February 11, 2022, the Company informed the shareholders and investors about the resolution of the Board of Directors dated February 10, 2022, on appointing Mr. Dan Niculaie-Faranga as interim Chief Financial Officer, with a term of office of 4 months, from 11.02.2022 to 10.06.2022, with the possibility of extending it, for solid reasons, up to maximum 6 months, in virtue of Art. 64^2 of GEO 109/2011, as further amended and supplemented.

Reelecting Mr. Cosmin Ghita, the Chief Executive Officer of SNN, in the position of Governor in the Governing Board within the World Association of Nuclear Operators "WANO"

By the Current Report published on 25.01.2022, S.N. Nuclearelectrica S.A. informs its shareholders and investors on the reelection of Mr. Cosmin Ghita, the Chief Executive Officer of SN Nuclearelectrica SA, in the position of Governor in the Governing Board of World Association of Nuclear Operators (WANO-Asociatia Mondiala a Operatorilor Nucleari) for another 2-year mandate, until December 31, 2023. Mr. Cosmin Ghita was initially elected for the position of Governor in the Governing Board of WANO, globally, as of January 1, 2020, the first Romanian who holds this position on an international level, in the nuclear industry.

31. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (CONTINUED)

Adoption, by the European Commission of the Complementary Delegated Act whereby nuclear energy and natural gas are included in the EU Taxonomy

On February 2, 2022, the European Commission notified the adoption of the Complementary Delegated Act, thus including nuclear energy and natural gas in the scope of the EU Taxonomy regarding Sustainable Financing. Thus, the document confirms the significant role of these two energy sources in ensuring the energy security of the states and in reaching the decarbonization targets.

Thus, by the Delegated Act, the major investment projects in the nuclear field, such as the refurbishment of nuclear units, building new capabilities and developing innovating technologies, are deemed as sustainable in order to contribute to the energy transition of the member states.

It also acknowledges the right of each EU state to choose its own national energy mix, in relation to the existing resources, expertise and capabilities. The EU Taxonomy aims to guide private investment to the sources that are needed to accelerate the energy transition and achieve climate neutrality.

Approval of the investment decision in the project for the Refurbishment of Unit 1 of Cernavoda NPP

Resolution no. 4/23.02.2022 of the Extraordinary General Meeting of Shareholders of SNN approved the investment decision in the project for refurbishing Unit 1 of Cernavoda NPP. The version approved by the SNN shareholders included project amendments which provide, in addition to Scenario 1, an increase in the nuclear safety margins of the plant and consider the new trends in increasing the robustness in terms of nuclear safety. The current cost for the implementation of Scenario 2 Enhanced Safety is of about 1.85 billion Euros, without considering the financing costs and the inflation rate update on the date when the refurbishment contract of Unit 1 of Cernavoda NPP is going to be signed.

With the approval of the investment decision, SNN goes into the second phase of the project, namely ensuring the financial resources for the implementation of the Project for the Refurbishment of U1, preparing the performance of the activities that have been identified and defined for the refurbishment in Phase 1 and obtaining all the necessary approvals and authorizations for the implementation of this project.

Armed conflict between Russia and Ukraine

After the end of the financial year, in February 2022, an armed conflict broke out between Russia and Ukraine, which affected the economies of the two countries and resulted, among others, in a significant flow of refugees from Ukraine to neighboring countries (including Romania), and several sanctions imposed by the international community on Russia and some Russian-origin companies. The medium-term and long-term of this conflict and of the sanctions imposed on Russia cannot be currently anticipated with sufficient accuracy. Considering that the Company does not have activities which do not significantly depend on the area under conflict or affected by the sanctions (especially Russia, Ukraine, Belarus), or regarding procurements or sales, we believe that the ability of the Company to continue its activities in the foreseeable future will not be significantly affected, consequently these financial statements are not affected by this event subsequent to the balance sheet date.

Date : March 28, 2022

Cosmin Ghita	**Dan Niculaie-Faranga**
Chief Executive Officer	**Chief Financial Officer**