



**APPROVED,  
Board of Directors**

**Chairman  
Teodor Minodor Chirica**

**Notification regarding the implementation of the requests formulated in the meeting of the General Assembly of Shareholders of April 28, 2022**

Within General Assembly Meeting of Shareholders which took place on April 28, 2022, for items 2 and 3 on the agenda, regarding the approval of the individual financial statements audited and the approval of the consolidated financial statements audited, the representative of the majority shareholder, the Ministry of Energy, asked the Board of Directors of S.N. Nuclearelectrica S.A. to take necessary measures for clarifying/resolving the issues indicated by the independent auditor in the report on the individual and consolidated financial statements for 2021.

For this purpose, we present the following information:

1. SNN prepares financial statements in accordance with the International Financial Reporting Standards adopted by the European Union (“IFRS - EU”) starting 2013;
2. The bases for the qualified opinion expressed by the financial auditor in the audit reports related to the financial year 2021 are found in all the audit opinions related to the IFRS financial statements prior to 2021 (prior to 2013, SNN prepared financial statements according to IFRS as follows: individual financial statements starting 1998, and consolidated financial statements starting 2011);
3. In the audit reports, there is a single basis for the qualified opinion, and this is due to the following historical premises:
  - a. SNN has registered in “Assets in progress” the carrying amount related to Units 3 and 4 of Cernavoda NPP at a cost of approximately 274 million RON, consisting of capitalized expense items related to Units 3 and 4 of Cernavoda NPP.
  - b. Before the year 1991, Units 1, 2, 3, 4, and 5 were considered a single investment project and that is why the construction costs incurred until that date were not allocated at the level of each nuclear unit, but cumulatively, by taking into consideration a single Project (Units 1-5).
  - c. Subsequently, SNN performed an allocation of the construction costs for Units 3 and 4, in order to determine their cost, but without the possibility of implementing a full allocation, given the manner of accounting the expenses from the beginning of the Project, namely before 1991.
  - d. The auditor was not able to obtain sufficient and appropriate audit evidence regarding the accuracy of allocation of the costs related to Units 3 and 4, which impacts the valuation of these assets.
4. The accounting policies of SNN provide those assets in progress must be reflected in the cost-based model, according to the IAS 16 paragraph 30.

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Subscribed and paid-up share capital: RON 3,016,438,940  
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Under the circumstances, the auditor was not able to identify whether adjustments were necessary for tangible assets, the debt on the deferred tax and the result reported as of 31.12.2021, following the carrying amount related to Units 3 and 4 reflected in the financial position, therefore expressing a qualified opinion regarding this aspect reflected in the individual and consolidated financial statements.

A solution to eliminating this qualified opinion, identified within consultation with the financial auditors, would be to modify the accounting policies of SNN on reflecting the assets for Units 3 and 4 (assets in progress) in a distinct group of assets, and to apply the model of revaluation of reflection in the financial statements according to standard IAS 16 paragraph 31. In such a situation, an independent revaluation performed with sufficient regularity would constitute a reasonable basis for reflecting such assets in the financial statements, in relation to an allocated cost, and would eliminate the inherent limitations within the auditing process, leading to the elimination of this basis for issuing a qualified opinion.

We did not deem as useful to modify the accounting policies regarding the assets intended for Units 3 and 4, at least for the following reasons:

1. These assets are not operational, as they are non-current assets in progress; the normal policies for reflecting non-current assets in progress are at cost, because until the time of completion (considering that they are in progress), these assets do not result in economic benefits, being only expected to do so after the commissioning;

2. An independent valuation of these assets made by an independent valuator would have as a goal to set the fair value defined by IFRS 13 (Fair-value valuation), which contains the following definition: "Fair value is the price that would be collected for selling an asset or paid for transferring a debt in a transaction regulated between market participants, on the valuation date."

The valuation standard issued by ANEVAR (National Association of Romanian Authorized Valuators) – "SEV 300 Financial Reporting Valuations", which is used by the valutors, provides in paragraph G2: "The comment from IFRS 13, and especially the references to market participants, in a normal transaction, a transaction that takes place on the main market or on the most advantageous market, and for the best use of an asset, clearly shows the fact that fair value, according to IFRS, complies, in general, with the arm's length principle, as defined and commented in SEV 100 General Framework". Moreover, the International Valuation Standard Board ("IVSB") generally considers the definition of fair value from IFRS as consistent with the definition of fair value in the valuation standards.

In our case, for Units 3 and 4, we cannot identify the existence of a trading market for such assets in progress and, under such circumstances, the application of the "revaluation" treatment from the provisions of IAS 16, paragraph 31, becomes inoperable.

SNN applies the cost method according to the provisions of IAS 16 paragraph 30, as a method for valuating the tangible non-current assets in progress, which is reflected in the accounting policies adopted by the company.

3. During 2019-2020, negotiations were carried out between the Government of Romania and the Government of the United States of America with regard to the cooperation in relation to the nuclear energy projects in Cernavoda and in the civil nuclear energy sector in Romania, which were completed by signing the Agreement on October 9, 2020, in Washington DC. The Agreement targets several areas of cooperation, among which: the project for Units 3 and 4 in Cernavoda, the refurbishment of Unit 1, cooperation in fields such as regulations, research and development, exchanges between research laboratories and universities, personnel training. Through Law No. 200/16.07.2021, the Agreement between the Government of Romania and the Government of the United States of America on

cooperation in relation to the nuclear energy projects in Cernavoda and in the civil nuclear energy sector in Romania, was ratified.

The Agreement contributes to the relaunch of the new guidelines for the development of the nuclear energy capacity in Romania, as the Project for Units 3 and 4 of Cernavoda CNE (NPP) represents one of the optimal solutions for covering the deficit in the electricity production capacity due to the necessity of replacing the fossil fuel-based energy capacities with low-carbon emission capacities.

As shown above, the inherent limitations regarding the allocation of historical costs for Units 3 and 4 originated before 1991, and such inherent limitations were the basis for the qualified opinion for all the audit opinions expressed by various financial auditors of SNN, for the IFRS financial statements starting 1998.

We consider that these limitations will cease to exist after the completion of the negotiations related to the completion of Units 3 and 4 and that the right time for eliminating the qualified opinion issued by the independent financial auditor is the moment of completion of negotiations and issuance of the investment decision.

**Cosmin Ghita**  
**Chief Executive Officer**

**Dan Niculaie-Faranga**  
**Chief Financial Officer**