CERTIFIED MANAGEMENT SYSTEM
ISO 37001

NUCLEARELECTRICA

S.N. Nuclearelectrica S.A.

Consolidated Financial Statements as at and for the financial year ended at 31 December 2022

Issued in accordance with
Order of the Minister of Public Finance no 2.844/2016 on the approval of the
Accounting Regulations compliant with the
International Financial Reporting Standards adopted by the
European Union

(All amounts are expressed in RON, unless otherwise expressly provided for.)

	Note	31 December 2022 (audited)	31 December 2021 (audited)
Assets			
Fixed assets			
Tangible non-current assets	**5**	5,914,458,703	6,002,190,191
Assets representing rights to use underlying assets within a leasing contract	**6**	15,565,831	1,180,392
Intangible non-current assets	**7**	50,851,123	48,406,709
Financial assets measured at amortized cost	**8**	35,567,692	35,496,297
Financial investments in related entities	**9**	4,745,610	-
Total fixed assets		**6,021,188,959**	**6,087,273,589**
Current assets			
Inventories	**10**	653,273,110	560,119,950
Trade receivables	**11**	438,540,316	220,486,125
Other financial assets measured at amortized cost	**12**	142,158,865	85,068,328
Bank deposits	**13**	1,829,796,500	1,328,973,000
Cash and cash equivalents	**13**	2,707,724,133	1,343,172,157
Total current assets		**5,771,492,924**	**3,537,819,560**
Total assets		**11,792,681,883**	**9,625,093,149**
Equity and liabilities			
Equity			
Share capital, of which:		3,211,941,683	3,211,941,683
Share capital subscribed and paid up		*3,016,438,940*	*3,016,438,940*
Inflation adjustments of the share capital		*195,502,743*	*195,502,743*
Share premium		31,474,149	31,474,149
Reserve paid in advance		21,553,548	21,553,548
Revaluation reserve		2,101,938,467	2,101,938,467
Retained earnings		5,165,634,673	2,997,775,072
Total capital	**14**	**10,532,542,520**	**8,364,682,919**
Liabilities			
Long-term liabilities			
Long-term loans	**16**	64,810,940	130,135,030
Liabilities under long-term leasing agreements	**6**	12,831,121	910,586
Provisions for risks and charges	**18**	174,504,703	245,823,013
Deferred income	**19**	63,611,498	72,037,242
Deferred tax liability	**20**	95,446,226	102,278,834
Liabilities for employee benefits	**21**	45,557,591	46,378,990
Total long-term liabilities		**456,762,079**	**597,563,695**
Current liabilities			
Trade and other payables	**17**	448,160,020	286,476,663
Current part of provisions for risks and charges	**18**	77,040,585	69,541,135
Corporate income tax due	**20**	52,829,317	48,790,678
Deferred income	**19**	157,087,526	89,647,495
Current part of the long-term loans	**16**	65,525,433	168,126,539
Liabilities under short-term leasing agreements	**6**	2,734,403	264,025
Total current liabilities		**803,377,284**	**662,846,535**
Total liabilities		**1,260,139,363**	**1,260,410,230**
Total equity and liabilities		**11,792,681,883**	**9,625,093,149**

(All amounts are expressed in RON, unless otherwise expressly provided for.)

	Note	2022 (audited)	2021 (audited)
Revenues			
Income from the sale of electricity	**22**	6,343,626,321	3,103,149,054
Income from the transport of electricity		22,902,955	13,489,781
Total revenues		**6,366,529,276**	**3,116,638,835**
Other income	**23**	167,599,852	87,254,468
Operating expenditure			
Depreciation and impairment		(605,436,828)	(562,856,178)
Personnel costs	**24**	(561,122,081)	(444,324,281)
Cost of electricity purchased		(513,740,391)	(249,251,484)
Repairs and maintenance		(86,468,972)	(87,343,797)
Expenses with the transmission of electricity		(22,902,955)	(13,489,781)
Expenses with spare parts		(25,907,604)	(17,483,880)
Costs of nuclear fuel		(151,232,259)	(154,445,202)
Additional tax expenses / Contribution to the Energy Transition Fund	**25**	(1,085,014,040)	-
Other operating expenditure	**26**	(499,254,465)	(495,451,473)
Operating expenditure - Total		**(3,551,079,595)**	**(2,024,646,076)**
Operating profit		**2,983,049,533**	**1,179,247,227**
Financial costs		(31,799,387)	(36,411,850)
Financial income		239,236,533	61,046,100
Net financial result	**27**	**207,437,146**	**24,634,250**
Profit before corporate tax		**3,190,486,679**	**1,203,881,477**
Part of the (loss) with related entities	**9**	**(197,390)**	**-**
Net corporate income tax expenses	**20**	(428,249,778)	(167,842,918)
Profit of the period		**2,762,039,511**	**1,036,038,559**

The Consolidated Financial Statements presented from page 1 to 85 were signed on 17 March 2023 by:

Cosmin Ghita
General Director

Dan Niculaie-Faranga
Finance Director

(All amounts are expressed in RON, unless otherwise expressly provided for.)

	Note	2022 (audited)	2021 (audited)
Profit of the period		**2,762,039,511**	**1,036,038,559**
Other elements of the overall result			
Items that cannot be reclassified to profit or loss			
Net gain on revaluation of buildings and land		-	335,236,386
Deferred tax liability relating to the revaluation reserve		-	(53,637,821)
Actuarial (losses) related to the defined benefit plans		1,745,457	471,723
Retained earnings from other adjustments		-	(638,261)
Other elements of the overall result		**1,745,457**	**281,432,027**
Total overall result related to the period		**2,763,784,968**	**1,317,470,586**
Earnings per share	**15**		
Earnings based on share (RON/share)		**9.16**	**3.43**
Diluted earnings per share (RON/share)		**9.16**	**3.43**

(All amounts are expressed in RON, unless otherwise expressly provided for.)

	Note	Share capital	Inflation adjustments of the share capital	Share premium	Reserve paid in advance	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 January 2022 (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**
Overall result								
Profit of the financial year							***2,762,039,511***	***2,762,039,511***
Other elements of the overall result								
Actuarial gains related to the benefit plans							1,745,457	**1,745,457**
Total other elements of the overall result							**1,745,457**	**1,745,457**
Total overall result related to the financial year	**14**	**-**	**-**	**-**	**-**	**-**	**2,763,784,968**	**2,763,784,968**
Transactions with shareholders, only recognized in equity								
Distributed dividends							(595,925,367)	**(595,925,367)**
Total transactions with shareholders, only recognized in equity	**14**	**-**	**-**	**-**	**-**	**-**	**(595,925,367)**	**(595,925,367)**
Balance as at 31 December 2022 (audited)		**3,016,438,940**	**195,502,743**	**31,474,149**	**21,553,548**	**2,101,938,467**	**5,165,634,673**	**10,532,542,520**

(All amounts are expressed in RON, unless otherwise expressly provided for.)

	Note	Share capital	Inflation adjustments of the share capital	Share premium	Reserve paid in advance	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 January 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**
Overall result								
Profit of the financial year							***1,036,038,559***	***1,036,038,559***
Other elements of the overall result								
Actuarial gains related to the benefit plans							471,723	**471,723**
Other elements of the overall result						281,598,565	-	***281,598,565***
Retained earnings from other adjustments							(638,261)	**(638,261)**
Total other elements of the overall result						**281,598,565**	**(166,538)**	**281,432,027**
Total overall result related to the financial year	**14**	**-**	**-**	**-**	**-**	**281,598,565**	**1,035,872,021**	**1,317,470,586**
Transactions with shareholders, only recognized in equity								
Distributed dividends							(472,117,575)	**(472,117,575)**
Total transactions with shareholders, only recognized in equity	**14**	**-**	**-**	**-**	**-**	**-**	**(472,117,575)**	**(472,117,575)**
Balance as at 31 December 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 expressed in RON, unless otherwise expressly provided for.)

	2022 (audited)	2021 (audited)
Cash flows from operating activities		
Profit before corporate tax	**3,190,486,679**	**1,203,881,477**
Adjustments for:		
Depreciation and impairment	605,436,828	562,856,178
Value adjustments of trade receivables	(817,620)	2,724,882
Value adjustments of inventories	(1,734,893)	(17,947)
Provisions related to liabilities, risks and operating expenditure	(62,870,601)	24,486,443
(Gains)/Losses from disposal of assets	1,052,623	3,071,960
(Gains) from the assignment of assets held for sale	-	(1,970,976)
Part of the loss with related entities	197,390	-
Net financial (income)	(208,282,484)	(23,037,754)
Changes in:		
Decrease/(Increase) in trade receivables	(217,237,877)	(65,286,314)
Decrease/(Increase) of other financial assets measured at amortized cost	28,676,091	(3,182,943)
(Increase) in inventories	(90,070,306)	(124,691,164)
Change in deferred income	59,014,287	59,388,314
Increase of trade and other payables	139,406,482	13,980,306
Cash flows from operating activity	**3,443,256,599**	**1,652,202,462**
Corporate income tax paid	(431,043,747)	(168,974,771)
Interest received	132,190,118	50,833,671
Interest paid	(375,868)	(1,261,126)
Net cash related to the operating activity	**3,144,027,102**	**1,532,800,236**
Cash flows from investment activity		
Purchases of intangible non-current assets	(13,904,916)	(5,583,714)
Purchases of tangible non-current assets	(491,549,819)	(299,251,677)
Investments in related entities (see Note 9)	(4,943,000)	-
Other investments in financial assets (see Note 8)	974,000	(30,104,380)
Proceeds from the sale of assets held for sale	-	4,202,609
Proceeds from sale of tangible non-current assets	107,551	57,887
(Increase)/Decrease in bank deposits and financial assets measured at amortized cost	(500,823,500)	292,411,000
Net cash related to the investment activity	**(1,010,139,684)**	**(38,268,274)**
Cash flow related to financing activity		
Loans payments	(173,284,441)	(226,092,994)
Dividends payments	(595,713,645)	(471,909,403)
Payments related to liabilities from leasing agreements, including interest	(337,356)	(224,795)
Net cash related to the financing activity	**(769,335,442)**	**(698,227,192)**
Net (Decrease)/Increase Net in cash and cash equivalents	**1,364,551,976**	**796,304,770**
Cash and cash equivalents as at 1 January (see Note 13)	**1,343,172,157**	**546,867,387**
Cash and cash equivalents as at 31 December (see Note 13)	**2,707,724,133**	**1,343,172,157**

(All amounts are expressed in RON, unless otherwise expressly provided for.)

1. REPORTING ENTITY

a) General information about the Group

These Consolidated Financial Statements prepared on the date of, and for, the financial year ended on 31 December 2022 include the Financial Statements of National Company Nuclearelectrica SA ("Company" or "SNN") and its subsidiaries, together hereinafter referred to as the "Group".

National Company Nuclearelectrica S.A. is a national joint-stock company, managed under single-tier system, having a head office and two branches without legal personality, Cernavodă NPP (Nuclear Power Plant) - headquartered in Constanța County, Cernavodă, str. Medgidiei, nr. 2, registered with the Trade Register under number J13/3442/2007, respectively NFP Pitești (Nuclear Fuel Plant) - headquartered in Argeș County, Mioveni, str. Campului, nr. 1, registered with the Trade Register under number J03/457/1998. The address of the registered office is Romania, Bucharest, sector 1, str. Polonă nr. 65.

As at 31 December 2022, the Company's shareholders were: The Romanian State by the Ministry of Energy, which held 248,850,476 shares, representing 82.4981% of the share capital and other natural persons shareholders and other natural persons and legal entities shareholders holding together 52,793,418 shares representing 17.5019% of the share capital.

Company's shares were traded on Bucharest Stock Exchange of 4 November 2013, having the issuing symbol SNN.

The main object of activity of the company is "Electricity generation" – NACE Code 3511 and is registered with the Trade Register under number J40/7403/1998, Unique Registration Code 10874881, tax attribute RO.

As at 31 December 2022 and respectively 31 December 2021, the Company's subsidiaries are:

Subsidiary	**Activity**	**Sole registration number**	**Registered Office**	**participating interest % as at 31 December 2022**	**participating interest % as at 31 December 2021**
Energonuclear S.A.	"Engineering activities and related technical consultancy" - CAEN code 7112	25344972	Bucharest, sector 2, Bd. Lacul Tei, nr. 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" - CAEN code 2446.	44958790	Brasov county, Feldioara locality, Str. Dumbravii nr. 1, Administrative building, ground floor	100%	100%
Nuclearelectrica Serv S.R.L.	"Other human resources provision" - CAEN code 7830	45374854	Constanța County, Cernavodă Locality, Str. Energiei nr. 21, Hotel nr. 2, Building B, 1st floor	100%	100%

1. REPORTING ENTITY (CONTINUATION)

a) General information about the Group (continuation)

As at 31 December 2022, the Company holds only one related entity that is subject to consolidation:

Ropower Nuclear S.A.

In September 2022 the project company Ropower Nuclear S.A. was established, owned in equal parts by the shareholders S.N. Nuclearelectrica S.A. and Nova Power&Gas S.R.L. Its registered office is located in Romania, Dâmbovița County, Doicești Locality, Strada Aleea Sinaia nr. 18, the Administrative Building, 1st floor, being registered with the Trade Register under number J15/1604/26.09.2022, Unique Registration Code 46901014, tax attribute RO. The main activity of the Company consists in the "Production of electricity" - NACE Code 3511.

As at 31 December 2022, the Company held 50% of the share capital of Ropower Nuclear S.A., the shareholding value amounting to **RON 4,943,000**.

Changes in Group's structure in 2021

In 2021, the subsidiaries Fabrica de Prelucrare a Concentratelor de Uraniu - Feldioara S.R.L and Nuclearelectrica Serv S.R.L. were established, both held 100% by the Group.

Changes in Group's structure in 2022

In 2022, the company Ropower Nuclear SA was established as an entity held 50% by the Group.

1. REPORTING ENTITY (CONTINUATION)

a) General information about the Group (continuation)

Core businesses of the Group

The main activity of the Group consists in the electricity and heat generation by means of nuclear methods. The main place of business is within Cernavodă NPP Branch, where the Company owns and operates two functional nuclear reactors (Unit 1 and Unit 2). Those two operational nuclear reactors are based on CANDU technology (Canada Deuterium Uranium, of PHWR type).

The Company owns another two nuclear reactors at Cernavodă, which are in the early stage of construction (Unit 3 and Unit 4). The project on the Production Capacity Increase is planned to be completed by Energonuclear S.A. subsidiary (for more information see Note 8). By Decision of the Extraordinary General Meeting of Shareholders („EGMS") no. 8/12.06.2020, the following were approved: (i) The repeal of the "Strategy for continuing the project of Units 3 and 4 within Cernavodă NPP by organizing an investors' selection procedure" (2014) as well as of the Revised Strategy for continuing the Project of Units 3 and 4 within Cernavodă NPP by organizing an investors' selection procedure" (2018) (item 2 of the agenda of the Extraordinary General Meeting of Shareholders held on 12 June 2020), (ii) Authorization of the Board of Directors of SNN to initiate the procedures/approaches/steps regarding the cessation of negotiations held with CGN, as well as the cessation of the legal effects (under the parties' agreement, rescission etc.) of the following documents: "Memorandum of Understanding regarding the development, construction, operation and decommissioning of Units 3 and 4 within Cernavodă NPP (MoU)" and, respectively, "Preliminary Investors' Agreement" (item 3 of the agenda of the Extraordinary General Meeting of Shareholders held on 12 June 2020) and (iii) Authorization of the Board of Directors of SNN to initiate steps for the examination and materialization of the strategic options relating to the construction of new electricity production capacities from nuclear sources (item 4 of the agenda of the Extraordinary General meeting of Shareholders held on 12 June 2020).

Under Decision of the Romania's Prime Minister no. 281/14.07.2020 published in the Official Gazette of Romania, Part I, no. 618/14.VII.2020, the Strategic Coordination Committee for the Implementation of the Project of Units 3 and 4 within Cernavodă NPP was established. Agreement of the Romanian Government and of the Government of the United States of America regarding cooperation in relation to the nuclear and energetic projects from Cernavodă and in the civil nuclear energy field from Romania was signed on 9 October 2020. The Agreement has been recently ratified by the Romanian Parliament, under Law no. 200/2021. Also, in October 2020, US Exim Bank expressed, through a Memorandum of Understanding concluded with the Ministry of Energy, its interest in financing large investment projects in Romania, including nuclear ones, with a total value of USD 7 billion.

By the Current Report issued on 25 November 2021, shareholders were informed in relation to the progress of the Project of Units 3 and 4, which was in its preparatory stage, and Energonuclear S.A. branch signed the first agreement with Candu Energy, Member of SNC-Lavalin Group and the Design Authority of Units 3&4 and OEM Candu (the original manufacturer of CANDU Technology).

By Decision of the Ordinary General Meeting of Shareholders of SNN no. 6/10.08.2022 was approved the continuation of the Project of Units 3 and 4 within Cernavodă NPP, respectively, the adoption of the Preliminary Investment Decision and entering Phase 2 – Preliminary Works, depending on the approval and conclusion of the Support Agreement between the Romanian State and SNN in relation to the Project of Units 3 and 4 within Cernavodă NPP. Moreover, they also approved the initiation of the steps for awarding and concluding the agreements necessary for the completion of the Project, within the limits of powers provided for in the articles of incorporation of SNN and Energonuclear S.R.L., and without exceeding the amount of EUR 185 million.

By Decision of the Extraordinary General Meeting of Shareholders of SNN no. 6/10.08.2022 the financing of EnergoNuclear S.A. (EN) by SNN was approved, by SNN increasing the share capital of EN in cash and/or granting related loans by SNN, with a total amount of EUR 185 million, adjusted to the Project development requirements and necessary for the implementation of Phase 2 of the Project of Units 3 and 4 within Cernavodă NPP, depending on the approval and conclusion of the Support Agreement between the Romanian State and SNN in relation to the Project of Units 3 and 4 within Cernavodă NPP.

In December 2022, the Government of Romania, at the proposal of the Ministry of Energy, approved the draft law concerning the signing of the support agreement between the Romanian State and the Company for the project concerning Units 3 and 4 of Cernavodă. The draft law was adopted by the Senate on 6 February 2023 and was registered with the Chamber of Deputies for debate (PL-x no. 46/2023).

1. REPORTING ENTITY (CONTINUATION)

a) General information about the Group (continuation)

Core businesses of the Group (continuation)

Moreover, the Group owns a reactor (Unit 5), for which the Company's shareholders had approved the change in the original destination since 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 International Atomic Energy Agency ("IAEA") performed a benchmark assessment of the design requirements for the investment objective On-Site Emergency Control Center ("OSECC") – Unit 5 and an assessment of the technical requirements relating to the rating of equipment for hazards/ external events (especially the seismic rating). Presentations submitted by the international experts of IAEA within the benchmarking brought to the forefront a new method/strategy of rating, namely the demonstration of the seismic margin by using the seismic experience as an alternative method for rating the critical systems in the Building of Facilities for Emergency Cases ("BFFEC"). In June 2020, NCNAC expressed its consent to use the seismic experience as an alternative method for demonstrating the seismic rating of the critical equipment, in which sense, in July 2020 the seismic rating guide was updated, as well as the list of systems/equipment rated from the seismic point of view for BFFEC. In the context of the above-mentioned data, a revised chart of the relaunching strategy was prepared. The revised chart for the implementation of the project comprises the completion of the construction and assembly works (purchase of seismically rated equipment and construction and assembly works) and the operationalization of the objective during 2024.

The manufacture of CANDU nuclear fuel bundles needed for the operation of the two functional nuclear reactors within Cernavodă NPP Branch, is carried out by the Group, within NFP Pitești Branch.

By establishing the subsidiary Fabrica de Prelucrare a Concentratelor de Uraniu - Feldioara S.R.L., the Company aims to ensure production stability, productivity and continuity, by controlling and managing the risks along the entire fuel chain, by acquiring uranium oxide and processing it locally. Thus, the main objective of the subsidiary is the processing of uranium concentrates to obtain the synthesizable uranium dioxide powder required for the manufacture of CANDU 6-type nuclear fuels. The obtained synthesized uranium dioxide powder is intended exclusively for the manufacturing flow of the nuclear fuels existing at NFP Pitești branch.

The subsidiary Nuclearelectrica Serv SRL will mainly take over collection, segregation and characterization of the radioactive waste, that use to be performed by external providers. Other services provided by this subsidiary are: fire prevention, handling services in the warehouses of Cernavodă NPP branch.

Ropower Nuclear S.A. Company is established to develop, raise financing, design, build and operate a facility for production of electricity from nuclear energy based on the small modular reactors in Doicești, County of Dâmbovița, based on the NuScale technology, consisting of 6 NuScale modules of 77 MWe each, totalling 462 MWe, as well as to operate a facility for production of electricity from solar energy, with a capacity of at least 80-100 MWe, in the commune of Șotânga, County of Dâmbovița.

b) Consolidation purpose

Accounting principles and methods

(i) Subsidiaries

Subsidiaries are entities under the control of the Group and are fully consolidated, applying the global integration method.

The Group controls an investee if and only if the investor has all the following:

a) Authority over the entity the investment was made in;
b) Exposure, or rights, to variable returns from its involvement with the investee;
c) The ability to use its power over the investee to affect the amount of the investor's returns.

When assessing the control, the Group also considers the potential or convertible voting rights that are then exercisable.

1. REPORTING ENTITY (CONTINUATION)

b) Consolidation purpose (continuation)

The financial statements of the subsidiaries are included in the consolidated financial statements as of the time when the control is exercised, and until the time when such control ceases. The accounting policies of the Group's subsidiaries were amended so as to align with those of the Group.

The subsidiaries falling under the consolidation scope are presented in Note 1 a).

(ii) Related entities

The related entities are companies over which the Group can exercise a significant influence, but cannot control their financial and operating policies.

The consolidated financial statements include the Group's share of the results of the related entities based on the equity method, from the date when the Group started to exercise its significant influence and until the date when this influence ceases.

The interests where the Group holds between 20% and 50% of the voting rights, but over which it does not exercise a significant influence, are qualified as financial assets available for sale.

The related entities are accounted for according to the equity method, and are initially recognized at cost. The Group's investment includes the goodwill identified at the time of purchase, less the accrued impairment losses. The consolidated financial statements include the Group's share of revenues and expenditure, and the movements in the capital of the related entities, after adjustments to align the accounting policies with those of the Group, over the time when such significant influence is effectively exerted. When the Group's share of the losses is greater than the interest in the entity accounted using the equity method, the carrying amount of such interest (including any long-term investments) is zeroed, and recognition of future losses is discontinued, unless the Group has a liability or made payments on behalf of the investee.

(iii) Transactions removed from consolidation

Intra-Group settlements and transactions, as well as the lost profits from intra-Group transactions are completely left out of the consolidated financial statements. Lost profits from transactions with related or jointly-controlled entities are removed up to the Group’s participating interest. Lost profits from transactions with a related entity are removed in return for the investment in the related investee. Unrealized losses are removed in the same way as lost profits, but only to the extent that there are no indications of impairment.

(iv) Business Combinations

In application of IFRS 3, business combinations are measured and recognized in accordance with the following principles:

- At the purchase date, the identifiable assets acquired and the liabilities assumed, measured at fair value, and any non-controlling interests in the acquired company (minority interests) are booked separately from goodwill;
- Non-controlling interests can be measured either at fair value (full goodwill method) or at their share in the fair value of the net assets of the acquired company (partial goodwill method). The decision is made on a case-by-case basis, for each transaction;
- Any purchase or sale of an investment in a subsidiary that does not affect the control is qualified as transaction between shareholders and must be booked directly in the equity;
- If additional interests are acquired in a joint venture, a joint operation or a related entity without resulting into a control acquisition, the value of the previously acquired assets and liabilities remains unchanged in the consolidated balance-sheet.
- Where the control acquisition is staged-out, the cost of the business combination includes the fair value, on the control acquisition date, of the buyer's previously held interest in the acquiree;
- The related costs that can be charged directly to an control-leading acquisition are expenses for the periods when these were incurred, save for the cost of debt instrument or equity instrument issue, which must be accounted in observance of IAS 32 and IFRS 9;
- IFRS 3 does not apply to business combinations under common control, which are examined on a case-by-case basis to determine the appropriate accounting treatment.

1. REPORTING ENTITY (CONTINUATION)

c) Regulations in the Energy Sector

The Romanian energy sector is regulated by the Romanian Energy Regulatory Authority ("ANRE"), an independent public institution. The Romanian electricity market has been liberalized since 2021, and the Company participated both in 2022, and in the year 2021 only in the competitive share (for more information see Note 22).

2. PREPARATION BASES

a) Declaration of conformity

The Consolidated Financial Statements have been prepared on the basis of the Order of the Minister of Public Finance no. 2.844/2016 on the approval of the Accounting Regulations compliant with the International Financial Reporting Standards ("IFRS") ("OMPF no. 2844/2016"). Within the meaning of OMPF no. 2.844/2016, the International Financial Reporting Standards are standards adopted in accordance with the procedure laid down in European Commission Regulation no. 1.606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The accounting records of the subsidiary are kept in RON, in accordance with the Romanian Accounting Regulations (RAR). These accounts have been restated to reflect the differences between the RAR accounts and the IFRS accounts. Correspondingly, the RAR accounts were adjusted when necessary to harmonize these financial statements, in all material respects, with the IFRS adopted by the European Union.

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

- grouping more elements into more comprehensive categories;
- adjustments of assets, liabilities and equity elements, in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" due to the fact that the Romanian economy used to be a hyperinflationary economy until 31 December 2003;
- adjustments for recognition of receivables and payables related to the deferred corporate tax, in accordance with IAS 12 "Income Taxes";
- the presentation requirements in accordance with IFRS.

The Consolidated Financial Statements prepared for the financial year ended on 31 December 2022 were audited by the financial auditor of the Group - S.C. Mazars Romania S.R.L.

These Consolidated Financial Statements were authorized for issue and were signed on 17 March 2023 by the Group's management.

b) Going concern

These Financial Statements were drafted according to the going concern principle supposing that the Group will continue its activity, without any significant reduction, as well as in the foreseeable future.

Having examined the implications of the conflict in Ukraine on the Group's business, the management consider that its business continuity 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 Financial Statements". The Group has adopted a presentation based on liquidity under the consolidated statement of the financial position and a presentation of the income and expenditure depending on their nature under the consolidate statement of profit or loss and of other comprehensive income, considering that such presentation approaches provide information that is more relevant than that presented according to different methods permitted under IAS 1.

2. THE BASES OF DRAFTING THE FINANCIAL STATEMENTS (CONTINUATION)

d) Bases of measurement

The Consolidated Financial Statements were prepared based on the fair value convention for financial assets held for sale and tangible non-current assets, such as land and buildings. Other financial assets and liabilities, such as non-financial assets and liabilities are presented at amortized cost or historical cost.

The accounting policies defined below have been consistently applied to all periods covered by these financial statements. These consolidated financial statements were prepared based on the going concern principle.

e) Functional and presentation currency

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

f) Use of estimates and judgments

Preparation of the Consolidated Financial Statements in accordance with the IFRS adopted by the European Union requires the management to make estimates, judgments and assumptions that affect application of the accounting policies, as well as the reported value of assets, liabilities, revenues and expenditure, the estimated lifetimes of non-current assets (see Note 3c), the assumptions used to determine the fair value (see Note 4), the assumptions used to determine the fair value of tangible non-current assets (see Note 5), the recognition of spare parts that meet the required conditions of IAS 16 as tangible non-current assets (see Note 5), the recoverability of trade receivables (see Note 11), the assumptions applied for the net recoverable value of inventories (see Note 10), the assumptions applied to calculate the liabilities related to employee benefits (see Note 21), the assumptions applied for the time for restatement of governmental subsidies in the profit and loss statement (see Note 3q and Note 19), and the estimates concerning the radioactive and non-radioactive waste management obligations (Note 18).

Judgments and assumptions related to such estimates are based on the historical experience as well as other factors considered to be reasonable in the context of such estimates. Results of such estimates form the basis of judgments relating to the carrying amounts of assets and liabilities which cannot be obtained from other information sources. Results obtained could be different from the estimates values.

Judgements and assumptions underpinning them are revised on a regular basis. Revisions of the accounting estimates are recognized during the period in which the estimate is revised, if such revision only affects that period, or during the period when the estimated is revised, and the future period, where revision affects both the current, and future periods.

The management's judgments in application of the IFRSs that have a significant impact on the financial statements, as well as the estimates that imply a significant risk of a material adjustment during the next year are shown in Note 4 and 29.

For application of IFRS 10 and IFRS 11, the Group uses judgment to assess the control exercised and determine the type of partnership represented by a jointly-controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies presented below have been consistently applied to all periods covered by these financial statements and by all Group's entities.

The Consolidated Financial Statements are prepared based on the assumption that the Group will continue its activity in a foreseeable future. For assessing the applicability of such assumption, the Group's management examines the forecast regarding the future cash inflows.

a) Transactions in foreign currency

Transactions in foreign currency are converted into RON at the exchange rates on the transaction date. Monetary assets and liabilities, expressed in foreign currency at the end of the year, are expressed in RON at the exchange rate displayed by the National Bank of Romania as valid for the last banking day of the year. Gains and losses from exchange rate differences, either realized or unrealized, are included in the profit and loss statement of that year. The exchange rates as at 31 December 2022 and 31 December 2021, for the key currencies used by the Company in transactions, are as follows:

	Average rate		Exchange rate as at	
	2022	2021	31 December 2022	31 December 2021
RON/EUR	4.9315	4.9204	4.9474	4.9481
RON/USD	4.6885	4.1604	4.6346	4.3707
RON/CAD	3.6020	3.3192	3.4232	3.4344
RON/GBP	5.7867	5.7233	5.5878	5.8994
RON/CHF	4.9096	4.5516	5.0289	4.7884

Non-monetary assets and liabilities expressed in a foreign currency, that are measured at fair value, are converted into the functional currency at the exchange rate valid on the fair value determination date. The non-monetary items measured at historical cost in a foreign currency are converted applying the exchange rate on the transaction date.

b) Adjustment of hyperinflation's effects

In accordance with IAS 29, the financial statements of an entity the functional currency of which is the currency of a hyperinflationary economy must be presented in the current measurement unit on the end date of the reporting period (non-monetary items are restated applying a general price index on the date of the acquisition or contribution).

According to IAS 29, an economy is deemed to be hyperinflationary when, among other factors, the cumulative inflation rate over a 3-year period is higher than 100%. The continuous fall in the inflation rate and other factors related to the characteristics of the Romanian economic environment point out that the economy the functional currency of which was adopted by the Company has ceased to be hyperinflationary, with effects on the financial periods starting with 1 January 2004. Therefore, the provisions of IAS 29 were adopted in preparation of the financial statements before 31 December 2003.

In order to draw up the consolidated financial statements as at 31 December 2022, the Group adjusted the following non-monetary items so as to be expressed in the current measurement unit as at 31 December 2003:

- ✓ Share capital (see Note 14);
- ✓ Tangible non-current assets acquired before 31 December 2003.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

c) Tangible non-current assets

Recognition and measurement

Tangible non-current assets recognized as assets are initially measured at cost. The cost of an item of tangible non-current assets is formed of the purchase price, including any non-recoverable charges, having first deducted any trade price discounts and other costs that can be directly charged to bringing that asset to site and conditions needed for its operation as envisaged by the management, such as: employee costs resulting directly from construction or acquisition of that asset, site arrangement costs, initial delivery and handling costs, installation and assembly costs, professional fees.

Tangible non-current assets are classified by the Group in the following classes of assets, of the same nature and with similar uses:
- Lands;
- Buildings;
- Equipment, technical plant and machinery;
- Means of transport;
- Furniture and other tangible non-current assets.

Tangible non-current assets, except for land and buildings, are shown at cost, less the accumulated depreciation and write-down adjustment. Land and structures are valued separately at fair value. Thus:

- Land, special structures, administrative buildings and other buildings, including nuclear power plants, are show at revalued amount. On the date of shifting to IFRS, these were measured using the deemed cost method. Thus, the revaluation surplus, booked by the Company according to the Order of the Minister of Public Finance no. 3055/2009 until 1 January 2012, was transferred to retained earnings, in a distinct analytical account. The revaluation reserves after the date of shifting to IFRS, further to remeasurements, are shown as such in the financial statements. The revaluation surplus, from before the shift to IFRS, and afterwards, is made as the tangible non-current assets are depreciated or at disposal.
- Machinery, equipment and other assets (save for special structures, administrative buildings and other buildings, including nuclear power plants) are show at historical cost, less any accumulated depreciation and any accumulated impairment losses.
- Non-current assets in progress are booked at historical acquisition or construction cost or at inflated cost (restated depending on the measurement unit existing on 31 December 2003 for the non-current assets purchased before 1 January 2004), less any accumulated impairment losses.

The structures and heavy water to be used in expansion of the production capacity are included in the non-current assets in progress; since heavy water is not used and does not chemically depreciate, it is initially and subsequently measured at cost.

Units 1, 2, 3, 4 and 5 were considered one single project, and before 1990, the costs incurred were booked separately for each unit. In 1991, the Group operated a cost allocation for each Unit. This allocation is the cost base of the non-current assets included in tangible non-current assets in progress.

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

The fair value was determined based on measurements made by independent external valuers, using the market value and net replacement cost methods, less the accumulated depreciation and the accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

c) Tangible non-current assets (continuation)

Recognition and measurement (continuation)

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

The last revaluation of lands and buildings was made on 31 December 2021 by the independent valuer (Primoval S.R.L., a member of the National Association of Authorized Romanian Valuers - ANEVAR). Prior to such revaluation, lands and buildings were revalued as at 31 December 2018.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to equity under the heading “Revaluation surplus”; however, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss; however, the decrease shall be debited directly to equity under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of “Revaluation Surplus”.

Subsequent expenditure

As a rule, subsequent expenditure expenses related to a tangible non-current asset are expensed during the period in which these were incurred. Those subsequent expenditure or investments made on tangible non-current assets to improve their initial technical parameters and leading to future economic benefits, additional above those initially estimated, are recognized and capitalized as an asset item. Benefits can be obtained either directly by increasing revenues, or indirectly by reducing the maintenance and operating expenditure.

In order to apply the provisions of the international accounting standard IAS 16 “Tangible Assets”, the regular major inspections carried out at Cernavodă NPP are capitalized under tangible non-current assets, and are subsequently straight-line depreciated over a period of 2 years. The regular major inspections concern mainly the same components of the Units, so the depreciation period considered is the 2-year period between two regular general inspections conducted mainly on the same components, i.e., they substitute one another. The latest overhauls carried out were: for Unit 1 in 2021, and for Unit 2 in 2022.

Repairs and current maintenance costs are expenses as they occur.

Depreciation

Depreciation of tangible non-current assets is calculated based on a depreciation plan, since their commissioning date and until full recovery of their input value, according to the useful lifetimes and their usage conditions.

The Group's management estimate that the lifetimes of the plant, property and equipment covered by the Government Decision no. 2139/2004 approving the Catalogue for classification and normal operation periods of plant, property and equipment match the useful operation periods and conditions of use applicable to the tangible non-current assets owned by the Group.

Depreciation of buildings takes place on the basis of equal annual rates in order to depreciate their revalued amount over their remaining lifetime. Depreciation of other tangible non-current assets is booked based on the straight-line method, over their estimated useful life, as follows:

(All amounts are expressed in RON, unless otherwise expressly provided for.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

c) Tangible non-current assets (continuation)

Depreciation (continuation)

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

Land is not subject to depreciation because is considered to have an undefined lifetime.

Tangible non-current assets in progress are not depreciated before they are put into use.

The estimated lifetimes of Units 1 and 2, i.e., 30 years, take into account a number of projected operation hours per Unit of 210,000 hours, equivalent to a capacity factor of 80% over a period of 30 years. Before 31 December 2022, the cumulative capacity factor attained since commissioning of Unit 1 is 81.42%, and 98.60% for Unit 2, which is higher than the designed capacity factor of 80%. Using these capacity factors extrapolated to the same value for the remaining lifetime, it would follow that the estimated effective lifetime of the units will be 26.4 years for Unit 1 and 25.4 years for Unit 2; however, this is a simplistic straight-line extrapolation, as it is expected that the average capacity factor achieved so far for both units gradually decreases until the end of the initial lifetime due to the fuel canal creeping, hence to the inherent wear of the units.

The operating experience of other CANDU-type nuclear power plants that have reached the number of designed operating hours indicates shows that it is possible to extend the number of initial operating hours beyond the number of designed hours of 210,000 hours. In February 2017, the Group contracted specialty technical assistance services in order to determine the possibility of extending the number of designed hours of operation for Unit 1. The survey carried out concluded with a work plan listing the analyses and assessment due to be performed to prove the functionality of Unit 1 of Cernavodă NPP up to 245,000 effective hours of operation. These analyses and assessment will substantiate the renewal of the operation permit for Unit 1.

The Company's management are confident that they can successfully extend the number of operation hours for Unit 1 above the designed 210,000 hours of operation, which could ensure operation of Unit 1 until 2026 and therefore maintain the remaining estimated lifetime span, given the estimated lifetime of the first operation cycle of 30 years.

By extrapolating this reasoning and taking into account the remaining lifetime of Unit 2, added to the capacity factor of Unit 2 in the upcoming period, related also to the lifecycle of Unit 2, the estimated life is maintained for Unit 2, too. The estimated residual values, for both units, are zero, considering the challenges attached to the refurbishment of the units after their initial lifetime, which allow extending it by another 25 years after refurbishment.

Depending on the actual results concerning the extension of the initial lifetime of Unit 1 beyond the number of design operation hours, the lifetime estimates for both units could be revised in the following financial years.

Buildings and other plants, machinery and equipment are presented in Note 5 under the heading “Machinery, Equipment and Other Assets". The general 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". Heavy water (loading for Units 1 and 2) was reclassified as of 31 December 2019 under the item “Nuclear Power Plants”.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

c) Tangible non-current assets (continuation)

Depreciation (continuation)

When the items of a tangible non-current asset have different lifetimes, they are booked as stand-alone items (major components) of an asset. The asset depreciation methods, useful lifetimes and residual value are revised and adjusted, as necessary, at each reporting date.

The carrying amount of the asset is adjusted to the recoverable amount when the carrying amount is higher than the estimated recoverable amount.

The profit and loss from sales are determined by the difference between the revenues obtained from the sale of the asset and its carrying amount, and are recognized as operating revenues or operating expenditure through profit and loss.

The cost of loans contracted specifically for the construction of a tangible non-current asset is capitalized under that asset's cost until the date when the activities needed for preparation of the asset for its envisaged use or for sale are carried out.

Sale/retirement of tangible non-current assets

The items of tangible non-current assets that are retired or sold are removed from the statement of the financial position, together with their respective accumulated depreciation. Any profit or loss resulting from such an operation is included in the current profit or loss.

d) Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amounts are to be recovered primarily through a sale transaction rather than through continued use. Thus, an asset can be classified as held for sale according to IFRS 5 only if the following criteria are met:

- The asset is readily available for sale in its current condition,
- The sale of this asset is very likely.

All criteria listed below must be met for the sale to be highly likely:

- A sale plan was assumed at the appropriate management level;
- An active programme was initiated to find a buyer and realize the plan;
- The asset is actively marketed at a reasonable price given its current fair value;
- No material changes or withdrawal of the plan are likely;
- It is expected that the sale will meet the derecognition criteria in order to be qualified as sale during one year.

Measurement before classification as held for sale

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

Measurement at initial classification as held for sale

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

- its carrying amount, and
- its fair value, less the costs to sell.

When the fair value less the costs to sell is higher than the asset's carrying amount, no adjustment is necessary. Otherwise, an impairment loss resulting from this initial measurement is booked directly in the profit and loss statement, and value of the non-current asset is adjusted accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

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

Subsequent measurement
At subsequent measurement, the non-current asset held for sale is measured at the lower of the value carried forward and the fair value less the costs to sell.

Non-current assets held for sale are not depreciated.

Recognition of impairment losses and reversals
Any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell is recognized as impairment loss.

The subsequent increase in fair value less costs to sell of an asset is recognized as gain, but not in excess of the cumulative impairment loss that has been recognized either in accordance with IFRS 5 or previously in accordance with IAS 36 “Impairment of Assets”.

Derecognition
If the classification criteria for an asset or disposal group held for sale are no longer met, that asset or disposal group will no longer be classified as held for sale.

A non-current asset which is no longer classified as held for sale is measured at the lower of:
- the amount carried forward before classification as held for sale, as adjusted for any impairment, depreciation/amortization or remeasurement needed if the asset or group intended for disposal would not have been classified as held for sale; and
- the recoverable amount on the date of the decision not to sell.

e) Leasing

(i) Recognition
As of 1 January 2019, under IFRS 16 “Leases”, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee under the lease agreement for the space used as headquarters, the Group recognized an asset related to the right to use the underlying asset and a lease liability arises under the same agreement.
As lessor, the financial statements are not unaffected by introduction of the new standard.

Exclusions from application of IFRS 16:
• leases with a lease period of 12 months or less, which do not provide for any purchase options, and
• leases, where the underlying asset is of a lower amount.

The Group found that the exclusion criteria were not met and, consequently, restated the leases as a lessee, according to IFRS 16. The Group concluded leases for assets and liabilities and concession contracts for land, for which it estimated the initial value of the asset related to the right to use at an amount equal to the debt discounted upon transaction, arising from such leases.

(ii) Measurement
The Group, as lessee, values also the liability arising from the lease at the present value of the lease payments that are not paid to that date. The discounting is done using the default interest under the lease agreement, provided that this rate can be readily determined. If that rate cannot be readily determined, the lessee’s incremental borrowing rate is used.

The carrying amount of the asset measured on the cost-based model represents the cost of the initial measurement, less any accumulated depreciation and any accumulated impairment losses, and adjusted for to any remeasurements of the liability arising from the leasing agreement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

e) Leasing (continuation)

(iii) Depreciation

The underlying asset is depreciated using the straight-line method. Where ownership is not transferred or there is no purchase option on the underlying asset until the end of its term, the asset is depreciated starting with the effective date of the lease, and until the first of the end of the useful life and the end of the term of the lease that also provides for renewal or termination options.

(iv) Lease liability

At initial recognition of the lease liability, the present value of the lease payments includes fixed payments less any lease incentives receivable, as well as variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. consumer price index).

The present value of the lease payments that are not paid on the recognition date is determined for the entire term of a leasing agreement, taking into account the periods covered by the agreement renewal options, if the Company has reasonable certainty that it will exercise that option, and the periods covered by agreement termination options, if the Company has reasonable certainty that it will not exercise that option.

The cost of utilities does not pose a liability component arising by the lease, and is recognized in profit or loss as invoices are issued.

The liability arising from the lease is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modification (such as, in the term of the contract, the lease payments, the asset purchase options, the interest rate, or the contract termination terms).

(v) Derecognition

The Right of Use (ROU) asset use is derecognized at expiry or termination of the contract and is reflected by reducing the carrying amount of the ROU asset and recognizing the gains/losses from lease modification in profit or loss.

Amendment to IFRS 16, "Leases" - Covid-19-Related Rent Concessions

Due to the COVID-19 pandemic, financial leases may sustain changes, i.e., lessors may grant concessions. Such concessions could take a variety of forms, including grace periods for rent payment, and deferring lease payments. As at 28 May 2020, IASB published an amendment to IFRS 16 to provide a practical optional tool for lessees to assess whether such Covid-19 rent-related concessions qualifies as lease modification. Lessee can choose to account such rent-related concessions in the same way as if no rent changes occurred. In many cases, this will lead to entering the concession as variable lease payments in accounts, during the period(s) when the event or condition triggering the reduced payment occurs. This amendment was extended for another year, until 30 June 2022.

Neither in 2021, nor in 2022, the Group did not obtain any concessions from lessors; therefore, no changes to leases and implicitly to the accounting treatments applied thereto in accordance with the provisions of IFRS 16 were booked.

f) Intangible non-current assets

Intangible non-current assets are mainly represented by software and licenses. These are shown at historical cost less accumulated amortization and write-down adjustment.

Research and development
The cost of research conducted to gain new scientific or technical knowledge or interpretations is recognized in profit or loss as it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

f) Intangible non-current assets (continuation)

Research and development (continuation)

Development activities involve a plan or project aimed at new or substantially improved products or processes. Development costs are capitalized only if they can be reliably measures, the product or process is technically and commercially feasible, the future economic benefits are likely, and the Group intends, and has sufficient resources, to complete the development and use or sell the asset. Capitalized expenses include the cost of materials, direct personnel costs and administrative costs that are directly attributable the preparation of the asset for its intended use, and the capitalized borrowing costs. Other development costs are recognized in profit or loss as they are incurred.

The capitalized development costs are measured at cost less the accumulated amortization and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure with intangible non-current assets is capitalized only when they increase the future economic benefits of the asset they refer to. All other costs are recognized in the stand-alone statement of profit or loss as they are incurred.

Depreciation

Depreciation is entered in the stand-alone statement of profit or loss based on the straight-line method, over their estimated useful life of the intangible non-current assets. Intangible non-current assets are amortized as of the date when the asset is ready for use, its useful life being then determined depending on the period during which the asset can be used.

The Group holds intangible non-current assets from acquisitions, and not generated internally. The useful lives are determined according to the period during which the asset can be used, for a defined time between 2 and 8 years. Windows licenses, MS Office and software programs have a useful life set between 2 and 3 years, and computer programs specific to operation of the nuclear power plant have a useful life between 5 and 8 years. The Group does not hold any intangible non-current assets purchased from governmental subsidies.

g) Financial assets and liabilities

Classification

The Group adopted IFRS 9 “Financial Instruments”.

This standard replaced IAS 39 “Financial Instruments: recognition and measurement" as to classification and measurement of financial assets and replaces the model applied to estimate the adjustments for impairment of financial assets within a model based on expected losses.

IFRS 9 contains a new approach to classification and measurement of financial assets that reflects the business model under which assets are managed and the characteristics of the cash-flow.

IFRS 9 lists three main classification categories for financial assets: measured at amortized costs, measured at fair value through other comprehensive income, and measured at fair value through profit or loss.

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

Financial assets measured at amortized cost

A financial asset shall be measured at amortized cost if it means both of the following conditions and is not designated at measured at fair value through profit or loss:

- is held within a business model whose objective is maintain assets for collection of contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at 31 December 2022 and 2021, the Group holds financial assets measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

g) Financial assets and liabilities (continuation)

Classification (continuation)

Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income only if both of the following conditions are met and is not designated at fair value through profit or loss:

- is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Moreover, at initial recognition of an investment in equity instruments that is not held for trading, the Group can make an irrevocable election to present in other comprehensive income changes in the fair value. These options apply to each instrument, as the case may be.

As at 31 December 2022 and 2021, the Group does not hold any financial assets at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

All financial assets which are not qualified as measured at amortized costs or at fair value by other comprehensive income will be measured at fair value through profit or loss. Moreover, at initial recognition, the Group may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income, to be measured at fair value through profit or loss, when this removes or significantly reduces an accounting inconsistency that would appear in any other approach.

As at 31 December 2022 and 2021, the Group does not hold any financial assets at fair value through profit or loss.

Recognition

Financial assets and financial liabilities are recognized on the date when the Group becomes a contractual party to the terms of that instrument. Financial assets and liabilities are measured when they are initially recognized at fair value.

Offsets

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

Revenues and expenditure are presented net only when this is permitted under the accounting standards, or for the profit and loss resulting from a group of similar transactions, such as those from the Group's trading activity.

Measurement

Measurement at amortized cost

The amortized cost of a financial asset or liability represents the measured amount of that financial asset or liability after initial recognition, less the principal payments, plus or minus the accumulated amortization up to that time, using the effective interest method, less any reductions related to impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

g) Financial assets and liabilities (continuation)

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the main market participants at the measurement date, or in absence of such a main market, on the more advantageous market the Group has then access to.

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

In the absence of a price quotation on an active market, the Group applies valuation techniques based on the discounted cash flow analysis and other valuation methods commonly used by market participants, making maximum use of the market information, and relying as little as possible on the company-specific information. The Group uses valuation techniques that maximize the use of observable data and minimize 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 where it transferred substantially all the risks and benefits of ownership.
The Group derecognizes a financial liability when the contractual obligations came to an end, or there are annulled or expired.

Gains and losses from disposal

The gain and loss from disposal of a financial asset or a financial liability measured at fair value through profit or loss is recognized in the current profit or loss.

h) Other financial assets and liabilities
Other financial assets and liabilities are measured at amortized cost using the effective interest method, minus any impairment losses.

i) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets, other than deferred tax assets, is revised at each reporting date for impairment indications. Where there are such indications, the recoverable amount of those assets is estimated.

An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount of the asset or its cash-generating unit. A cash-generating unit is the smallest identifiable group that generates cash independently of other assets and groups of assets. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

The recoverable amount of an asset or a cash-generating unit is the maximum of its value in use and its fair value, less the costs of sale of that asset or unit. To determine the value in use, the future cash flows are discounted applying a discounting rated before taxes that reflects the current market conditions and the asset-specific risks.

Impairment losses recognized in previous periods are measured at each reporting date to determine whether they have decreased or no longer exist. The impairment loss is restated if there has been a change in the estimates used to determine the recovery value. The impairment loss is restated only if the carrying amount of the asset does not exceed the carrying amount that would have been calculated, net of amortization and impairment, had the impairment loss not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

j) Inventories

Inventories consist of consumables, spare parts that do not meet the criteria to be recognized as tangible non-current assets, safety inventories, uranium and other stock needed for the Group's activity. They are booked as inventories at the time of purchase and are expensed as they are used.

Inventories are measured at the lowest of cost and net realizable amount. The net realizable value is the sale price estimated to be obtained during the normal pursuit of business, less the costs estimated for completion and the costs required for sale.

The inventories booked by the Group include:
- 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 management for nuclear fuel takes place depending on the component that make up this stock item (uranium, zircaloy, production costs) as the nuclear fuel bundles are loaded into the reactor. The discharge of management is done at weighted average cost (WAC).

Under IAS 2 "Inventories", the cost of inventory outflows must be determined using the first-in, first-out (FIFO) method or the weighted average cost (WAC) method. Before and on 31 December 2015, the Group used to apply the FIFO method.

The Group management review on inventories found that application of the WAC method would produce more reliable results for the users of the annual accounts. In this context, effective 1 January 2016, the accounting policy applied to determine the cost for inventory outflows was changed from FIFO into WAC.

In accordance with the requirements for amendment of accounting policies under IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, the Group’s management considers that the WAC method leads to financial statements that are more relevant and reliable for the business decision-making needs of their users, as it can be seen from the review of the two methods below:

- The FIFO method assumes that the outflows are measured at the acquisition or production cost of the first entry. For older inventories and when prices rise, this method does not produce the most reliable picture of the comprehensive income.
- The WAC method requires calculation of each item based on the weighted average of the costs of similar inventory items at the beginning of the period and of those purchased during the period.

The Group is unable to retroactively apply the amendment to this accounting policy, in accordance with the requirements of IAS 8, because the effects of such retroactive application cannot be determined as the cumulative impact on all previous periods cannot be calculated. Therefore, the Group prospectively applies the new policy effective 1 January 2016.

k) Trade receivables and other receivables

Trade receivables are initially book at their invoiced value and are later measured using the effective interest method, minus the amount of the impairment losses. An adjustment for impairment is operated when there is clear evidence that the Group will not be able to collect the receivables on the set due date. The debtor's significant financial difficulties, the likelihood that they enter bankruptcy or financial reorganization, the payment delays (by more than 360 days) are considered indications that these receivables might require value adjustments.

An impairment loss related to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the expected future cash flows, as discounted using the asset’s initial effective interest rate. The carrying amount is reduced by using a depreciation adjustment account, and the loss is booked in the profit and loss statement under "Other operating expenditure".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

l) Cash and cash equivalents

The heading "Cash and Cash Equivalents" includes cash at hand, current accounts and bank deposits without commitments, which are subject to an insignificant risk of changes in fair value. Bank deposits without commitments are understood by the Group as usual bank deposits, the Group has access to at any time, regardless of their initial maturity and whose liquidation before maturity, in case of occurrence making this necessary, does not cause losses.

The heading "Bank Deposits" in the statement of financial position refers to those bank deposits that have an initial maturity between 3 and 12 months, but that have an attached commitment, i.e., they represent collateral deposits related to letters of bank guarantee issued by banks on behalf of the Group, in favour of customers.

The heading "Financial Assets Measured at Amortized Cost" from the statement of financial position also includes collateral deposits related to the aforementioned letters of guarantee, but with a maturity greater than 12 months.

m) Share capital

The share capital represents all the shares subscribed and paid by the shareholders of the mother Group. Share capital is entered distinctly in accounts, based on the incorporation documents and supporting documents concerning capital payments.

The capital increase is carried out by subscription and issue of new shares, incorporation of reserves and other operations, according to the law. The capital decrease is mainly operated by reducing the number of shares or decreasing their nominal value due to withdrawal of shareholders, the coverage of accounting losses from previous years or other operations, according to the law.

Writing off an asset that had been brought up as contribution to the share capital does not change the share capital. In all cases of share capital modification, this is done under a decision of the General Meeting of Shareholders. Gains or losses related to issue or cancellation of shares are not recognized in the profit and loss statement. The consideration received or paid in such transactions is recognized directly in equity.

n) Legal reserve

Statutory reserves account for 5% of the gross profit at the end of the year, until the statutory reserves reach 20% of the nominal share capital subscribed and paid-up, in accordance with the legal provisions. These reserves are deductible in calculation of the corporate tax in the amount provided by the Tax Code and are only distributable at the Group’s liquidation. The statutory reserve is distributed on the balance-sheet date. The statutory reserve can be found under the heading "Retained Earnings".

o) Reserve paid in advance

The reserve paid in advance represents the contributions brought up in cash by the Group's shareholders for a future issue of shares by the Company. The contributed amounts are entered in the credit of the reserve paid in advance, when there is no possibility that such advance payments are returned, and the Group's obligation is only to issue a fixed number of shares.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

p) Government grants

The Company recognizes the governmental subsidies in accordance with the provisions of IAS 20 Accounting for government grants and disclosure of government assistance.

Government grants are "assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Subsidies exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal business transactions of the entity".

IAS 20 distinguishes between two types of grants/subsidies: those concerning assets, called investment subsidies, and those concerning revenues.

Grants related to assets are "government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held".

The revenues subsidies are "governmental subsidies different from those related to assets".

Accounting of governmental subsidies can be done according to one of the following two approaches: the capital-based approach, where a subsidy is recognized outside profit or loss, and the income-based approach, where the subsidy is entered in the profit and loss statement during one or more years.

q) Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The Group's net liabilities under the defined benefit plans are calculated separately for each plan, estimating the amount of the future benefits that employees have obtained in exchange for the services rendered in the current and periods; these benefits are discounted to present value. Both any unrecognized costs of past service and the fair value of the benefit plan's assets are deducted.

This calculation is done annually by a qualified actuary, using the projected unit credit method. When the calculation returns a benefit for the Company, the recognized asset is limited to the total of the unrecognized costs of previous services and the present value of the economic benefits available in the form of future reimbursements under the plan or reductions in future contributions. To calculate the present value of the economic benefits, all the minimum funding requirements applicable to any plan within the Group are taken into account. An economic benefit is available to the Group when this is realizable during the lifetime of the plan or at the settlement of the plan's liabilities.

When the benefits of a plan are supplemented, the share of the additional benefit related to the services previously provided by the employees is recognized in the profit or loss statement using the straight-line method, over the average period of time until the benefits take effect. When benefits take effect immediately, the expenditure is recognized immediately in the profit or loss statement.

The Group immediately recognizes all actuarial gains and losses from defined benefit plans as other comprehensive income and all expenditure related to the defined benefit plans in profit or loss.

The Group recognizes the gains or losses related to reduction or settlement of a defined benefit plan when the reduction or settlement concerned actually takes place.

The gains or losses arising from a reduction or settlement must include any resulting change in the present value of the defined benefit liability, any resulting change in the fair value of the plan's assets, any related actuarial gains or losses, and any related cost of past service that had not been previously recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

q) Employee benefits (continuation)

(ii) Other long-term employee benefits

The Group's net liability as to the long-term benefits granted to employees is the amount of the future benefits that the employees have earned in exchange for the services rendered in the current and previous periods. This benefit is discounted to determine its fair value, and the fair value of any related asset is deducted. These benefits are estimated using the projected unit credit method. Any actuarial gains or losses are recognized in the profit or loss during the period when they occur.

(iii) Short-term employee benefits

The liabilities for short-term benefits are measured without being discounted and are expensed as the services are rendered. A provision is recognized at the amount estimated to be paid for short-term benefits in the form of bonuses or employee profit sharing, only when the Group has a present, legal or implicit obligation to pay this amount for past services rendered by employees, and this can be reliably estimated.

r) Provisions for risks and charges

Provisions are recognized only when, further to a past event, the Group has a current legal or implicit liability that can be reliably estimated, and an outflow of benefits is likely to be needed in order to pay off that liability. Provisions are determined by updating the projected future cash-flows using a discounting rate before taxes, that would reflect the current market measurements of the value in time of money and the asset-specific risks. The discounting amortization is as financial cost.

The provision for intermediate storage of the used nuclear fuel is determined as the present value of the future cost of its storage. The provision for the management of low- and medium-level radioactive waste and the provision for the management of non-radioactive waste are determined as the present value of their future management cost. The management of the low- and medium-level radioactive waste and non-radioactive waste takes place in a period after that when it is generated by the operating activity.

s) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. These are shown in notes, save for when the possibility of an outflow of economic benefits is reduced.

Contingent assets are not recognized in the financial statements, but are shown when an inflow of benefits is likely.

t) Revenues and expenditure recognition

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

(i) Income from the sale of electricity

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

IFRS 15 clarifies how to identify the duty to perform under a contract, how to determine whether an entity acts in their own name or as an intermediary, and whether the revenue obtained must be recognized at a given time or over time.

IFRS 15 sets out a five-step model that applies to revenue under a contract with a customer (except for contracts that are subject to other standards, such as IFRS 16, IFRS 9, IFRS 4, etc.), regardless of the transaction time or the industry. Also, the requirements of the standard will apply to recognition and measurement of gains and losses from the sale of certain non-financial assets, which are not the result of the Group's regular business (e.g.: sale of tangible and intangible non-current assets). The group assessed the impact of these changes on its financial position and performance, but did not identify any material element before the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

t) Income and expenditure recognition (continuation)

The group looked into the main revenue streams, which are represented by the sales of electricity and heat and other revenues, by applying the "five steps" model set out under IFRS 15. Based on the results of the analysis of the contractual terms for the main types of contracts related to each significant revenue stream, the Group concluded that IFRS 15 does not have a material impact on the financial statements, compared to the revenue recognition according to IAS 18 and IAS 11.

The group delivers goods (electricity and heat) for which it considers that revenue recognition should take place at a given time, when the control over the asset is transferred to the customer, i.e., at delivery of the goods.

(ii) Financial income and expenditure

Financial income mainly include income from interest on banking deposits and cash, income from dividends, and income from exchange rate differences. Financial income is recognized in the profit and loss statement loss account based on accrual accounting, using the effective interest method. The effective interest rate is the rate that accurately discounts the expected future cash payments and receipts over the expected lifetime of that financial asset or liability (or, where appropriate, over a shorter period) to the carrying amount of that financial asset or liability.

The amount of the interest on the liabilities arising from the leasing agreement contract is determined using a discount rate that can be the interest rate under the contract or the marginal lending rate of the lessee, and is recognized in profit or loss.

Financial costs include mainly the cost of loan interest and exchange rate losses. All borrowing costs that are not directly attributable to the purchase, construction or production of an asset are recognized in the profit and loss statement using the effective interest method.

(iii) Levies

IFRIC 21 “Levies" clarifies how levy costs should be recognized in accounts. For an entity, the event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. The liability to pay a levy is gradually recognized if the generating event takes place over a period of time.

The Group has implemented the provisions of **IFRIC 21 Levies** by amending its accounting policies starting with the 2014 annual financial statements. In scope, the Group identified the tax on special constructions and local taxes and duties. The Group recognized the liability for these taxes and duties when the activity giving rise to payment occurred, as this is defined under the relevant legislation. A liability for taxes and duties is gradually estimated only when the activity that gives rise to payment occurs during a period.

IFRIC 21 applies retroactively to all taxes introduced by the governmental authorities according to legislation, other than cash outflows subject to other standards (e.g.: IAS 12 “Income Taxes”), fines and other penalties for infringements of the legislation.

IFRIC 21 points out that this interpretation does not address the method of booking the counterpart of this liability (i.e., asset or cost), but explains that an asset is recognized when a liability has been paid in advance and there is no current payment liability.

The Group considered that liability recognition time is determined by its existence in the assets forming the taxable basis and consequently, the liability for the tax on special structures and the local taxes and duties was recognized in full on 1 January, at the same time with the related cost.

The Group reconsidered the date when the generating event occurs for the taxes and duties that fall under the scope of IFRIC 21 and concluded that this date is 31 December of each year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

u) Operating segments

An operating segment is identified by IFRS 8 "Operating Segments" as a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity;
- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

The Group's management consider its operations as a whole as "one single segment".

Identification of a single reportable segment relies on the following elements:

- The Group generates and delivers only electricity and heat. The share of revenues delivery of heat is down at only 0.3%.
- The generation activity takes place only in the territory of Romania.
- The two functional nuclear units and the nuclear fuel plant are located in the territory of Romania.
- The electricity delivery is mainly done in the territory of Romania and to legal entities.
- The regulatory framework is consistent for the entire Company. The Group applies accounting regulations compliant with the International Financial Reporting Standards ("IFRS") as approved under OMFP no. 2.844/2016, and Romanian energy sector is regulated by the Romanian Energy Regulatory Authority ("ANRE").

In order to meet the financial statements presentation requirements, we point out the following:
- *IFRS 8.32. - Information about products and services.* As stated in *Note 1 Reporting Entity*, the core business of the Group in the electricity and heat generation by means of nuclear methods.
- *IFRS 8.33. - Information about geographic segmentation:*
a) Amount of revenue obtained from sale of electricity in the territory of Romania and abroad. The revenue obtained from the sale of electricity to customers established in the territory of Romania account for approximately 85.5%; the difference is represented by customers established in the Republic of Slovenia, Denmark, the United Kingdom of Great Britain and Northern Ireland and the Czech Republic.
b) Amount of non-current assets located in Romania and abroad. All non-current assets of the Group are located in the territory of Romania.
- *IFRS 8.34. - Information about main customers.* The transactions with main customers are presented in both *Note 11 Trade and other receivables* and *Note 29(b) Management of significant risks. Credit risk.* where the Group's exposure to the concentrated credit risk was tackled.

v) Corporate tax

The corporate tax of the year includes the current tax and the deferred tax.

The corporate tax is recognized in profit or loss and in other comprehensive income where the tax relates to capital items.

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

Deferred tax is determined for those temporary differences that occur between the taxable amount for assets and liabilities and their carrying amount 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 from transactions that are not business combinations and that do not affect either the accounting or the tax profit and differences from investments in subsidiaries, provided that these are not restated in the near future. Deferred tax is calculated based on the tax rates that are expected to be applicable to temporary differences at their restatement, based on the legislation in force on the reporting date or issued on the reporting date and that come into force at a later date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

v) Corporate tax (continuation)

Deferred tax assets and liabilities are only offset when there is a legal right to offset current tax assets and liabilities and these relate to the tax collected by the same tax authority for the same entity subject to taxation or for different tax authorities, but they want to settle the current tax assets and liabilities using a net basis or the related assets and liabilities will be realized simultaneously.

The deferred tax asset is recognized only to the extent that it is likely that future profits are made that can be used to cover for the loss for tax purposes. The asset is reviewed at the end of each financial year and is reduced to the extent that the related tax benefit is unlikely to be realized.

For the period ended on 31 December 2022 and 31 December 2021, the corporate tax rate was 16%.

w) Dividends to be distributed

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

x) Earnings per share

Earnings per share are calculated by dividing profit or loss attributable to the Group's ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor.

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 upon the satisfaction of specified conditions. The objective of diluted earnings per share is consistent with that of basic earnings per share, i.e., to provide a measure of the interest of each ordinary share in the performance of an entity.

y) Subsequent events

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

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

Events after the reporting period that do not require adjustments are highlighted in the notes, when they are considered material.

z) Related parties

Different entities or persons are considered to be in special relations with the Group also where one of the parties, either by ownership or based on contractual rights, family relationships or other similar situations, can directly or indirectly control the other party, or can exert a significant influence on its financial or operational decision-making. The related party transactions are a transfer of resources or obligations between related parties, regardless of whether a price is involved.

Considering the status of a company with majority State capital, the Group is subject to specific regulations, and has obligations to report on its transactions with related parties. The Group discloses its transactions with related parties in the financial statements in accordance with IAS 24 "Related Party Disclosures" (see Note 28).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

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

During the year, the Company applied all the new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant for its operations and are in force for the accounting periods starting on 1 January 2022, as approved by the European Union.

A. Initial application of the new amendments to the 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 effect for the current reporting period:

(i) **Amendments to IAS 16 "Tangible Non-current Assets" -** Receipts before the expected use adopted by the EU on 28 June 2021 (applicable for annual periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of a tangible non-current asset any receipt before the asset is prepared for its intended use. It further clarifies that an entity tests whether an asset is working properly when it assesses its technical and physical performance. The physical performance of the asset is not covered by the amendment. Entities must present separately the amounts of receipts and costs related to the items produced that do not qualify as regular business of the company.

(ii) **Amendments to IFRS 3 "Business Combinations"** - Definition of the conceptual framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (applicable for annual periods beginning on or after 1 January 2022). Minor changes were made to IFRS 3 as regards definition of the conceptual framework for Financial Reporting and to add an exception from recognition of liabilities and contingent liabilities under the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IFRIC 21 “Levies”. These amendments confirm that contingent assets should not be recognized at their acquisition date.

(iii) **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract, adopted by the EU on 28 June 2021 (applicable for annual periods starting on or after 1 January 2022). The amendment clarifies that the structure of direct costs concerning completion of a contract includes both the incremental costs and an allocated part of other direct costs attributable to completion of the contract. Also, before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that occurred on the assets used to fulfil the contract.

(iv) **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 main purpose of addressing inconsistencies and clarifying certain wording - adopted by the EU on 28 June 2021 (amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods starting on or after 1 January 2022. The amendment to IFRS 16 refers only to an illustrative example, so no effective date is mentioned).

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

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

B. Standards and amendments to the existing standards issued by IASB and adopted by the EU, but which have not yet taken effect

On the approval date of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU, but have not yet taken effect:

(i) Amendments to IAS 1 "Presentation of Financial Statements" - Classification of liabilities in current and long-term categories, thus offering a more general approach based on the contractual commitments in force on the reporting date. The amendments were initially effective for annual reporting periods beginning on or after 1 January 2022; however, the effective date was postponed to 1 January 2023.

(ii) Presentation of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2); effective date: annual reporting periods beginning on or after 1 January 2023. The amendments require an entity to present significant accounting policies, instead of its significant accounting policies. Subsequent amendments explain how an entity can identify a significant accounting policy. Examples of cases where an accounting policy is likely to be material are added. To support the amendment, the Board has also prepared guidance and examples to explain and demonstrate application of the "four-step significance process" described in the IFRS Practice Statement 2.

(iii) Definition of accounting estimates (amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors"); effective date: annual reporting periods beginning on or after 1 January 2023. The amendments clarify how entities must distinguish between changes in accounting policies and changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, while changes in accounting policies are generally applied retroactively to past transactions and other past items, as well as to the current period.

(iv) Deferred tax related to assets and liabilities arising from one single transaction (amendments to IAS12); effective date: annual reporting periods beginning on or after 1 January 2023. The amendments clarify that the initial recognition exemption does not apply to transactions where equal amounts of deductible and taxable temporary differences occur at initial recognition. The amendment should be applied only to transactions that take place at or after the beginning of the comparative period presented. In addition, entities should recognize deferred tax assets and deferred tax liabilities at the beginning of the comparative period for all deductible and taxable temporary differences associated with: assets representing rights to use underlying assets under financial leases, and liabilities related to lease, decommissioning and restoration contracts and similar liabilities. The cumulative effect of recognizing of these adjustments booked as retained earnings, or other corresponding capital items. IAS 12 did not previously address the accounting of the effects for tax purposes of financial leases, so different approaches are considered acceptable.

(v) Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Asset sale or contribution between an investor and its related entities or joint ventures and subsequent amendments (the effective date was postponed for an indefinite time period, until the research project on the equity method is completed).

(vi) IFRS 17 "Insurance Contracts" which replaces IFRS 4; effective date: annual reporting periods commencing on or after 1 January 2023. The subsequent amendments operated in December 2021 added a transition period that allows an entity to apply an optional classification in comparative periods to the initial application of IFRS 17. The classification option applies to all financial assets, including those not covered by the standard. Thus, it allows classification of those assets in the comparative period(s) according to the provisions of IFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

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

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

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

(i) **Amendments to IAS 1 “Presentation of Financial Statements” -** Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023). The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments to IAS 1 issued by IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.

(ii) **Amendments to IAS 1 “Presentation of Financial Statements” -** Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024). Amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

(iii) **Amendments to IFRS 16 “Leases” -** Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024). Amendments to IFRS 16 require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

(iv) **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

(v) **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures**” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

bb) Climate-related matters

Mitigation of climate change and energy supply security are two of the most important global challenges in 2022, which require a reconsideration of the world's energy systems. Implementation of nuclear energy in the energy, industry, construction and transport sectors can help reduce dependence on fossil fuels and provide flexibility services to render the renewable energy systems even more reliable.

Nuclear power plants do not release any greenhouse gas emissions while operating and during their life cycle, they produce approximately the same amount of carbon CO2 equivalent emissions per unit of electricity as wind turbines and a third of the emissions per unit of electricity of the solar energy facilities.

The Group's financial statements reflect aspects related to climate change and sustainable development under the elements below: implementation of the investment strategy and of a sustainable financing strategy; the costs specifically incurred to respond to the environmental issues, based on the applicable laws and regulations; and the measurement methods applied for the Company's assets and liabilities.

The Group's investment projects contribute both to energy security and to the decarbonization process, and are source of clean energy, in accordance with the "Fit for 55” measures of the European Commission and the new Complementary Delegated Act that included nuclear energy under the scope of the EU Taxonomy on Sustainable Financing. Completion of the Company’s investment projects will lead, after 2031, to ensuring about 33% of the consumption needs and an estimated 66% of the energy free of CO2 emissions at the national level, as well as to avoiding the release into the atmosphere of approximately 20 million tons of CO2 annually.

The Group has strategic investment projects of an estimated amount of EUR 12 billion in progress, including: Refurbishment of Unit 1; the Project of Units 3 and 4; development of small modular reactors in partnership with NuScale; and implementation of support projects for current operation, such as the Tritium Removal Plant. The Group's investment projects will bring clean CO2-free energy to Romania's energy stability, social and economic development, development of the nuclear industry and training of a new generation of specialists.

As to the legislative regulations, on 10 December 2021, the European Union adopted the Delegated Act supplementing Article 8 of the Regulation (EU) 2020/852 of 18 June 2020 *on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088,* which aims to classify economic activities depending on their contribution to attainment of the environmental targets. This “Taxonomy Regulation" is part of the European strategy advancing a sustainable financing that helps attain carbon neutrality by 2050, in particular by encouraging capital inflows in sustainable investments. The Regulation applies as of 31 December 2021 and requires groups subject to non-financial reporting obligations, such as the SNN Group, to publish three indicators: turnover, capital expenditure and operating expenditure related to the eligible European taxonomy, and then aligned with the business activities taxonomy. The regulations applicable on 31 December 2021 did not specifically cover either the nuclear energy activities, the core business of the Group, or activities related to gas.

As at 2 February 2022, the European Commission approved a complementary delegated act on climate, which includes, under strict conditions, activities specific to nuclear and gas energy in the list of economic activities covered by the EU taxonomy. The draft was formally adopted on 9 March 2022, when the versions were made available in all official EU languages. The Complementary Delegated Act (EU) 2022/1214 was published in the Official Journal on 15 July 2022. It is due to apply as of 1 January 2023.

The results of the Task Force set up to determine these three indicators are presented in the Group's report on its non-financial activities, i.e., under the heading "Climate Change - Role of SNN in the industry" of the 2022 Sustainability Report.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)

bb) Climate-related matters

Measurement of assets and liabilities

(i) Provisions for contingent liabilities and losses embedding environmental matters

The provisions for bad debts and unforeseen losses that embed aspects related to the environment are: provisions for management of radioactive and non-radioactive waste, and for the management of spent fuel (DICA provisions). For details, see Note 18.

In years 2021-2022, no contingent liabilities related to environmental disputes were booked.

(ii) Assessment measurement

The climate aspects are considered in the measurement of long-term assets through impairment testing. At the end of each reporting period, in order to comply with the provisions of IAS 36, the Company assesses whether there is any indication that an asset is significantly impaired. The impairment testing and recognition of the impairment adjustments are carried out in accordance with the provisions of paragraph j) of Note 3.

The impairment testing was performed as follows:

- The Group measures any impairment of long-term assets by comparing its net carrying amount against its recoverable amount;
- The recoverable amount is determined as the maximum of the net sale price of an asset and its value in use. The value in use is defined as the present value of the future financial flows that the asset will generate during its useful life, without however disregarding the financial flow brought by the sale of the asset at the end of this life;
- The value in use is calculated based on projected cash-flows over a period of 10 years, according to the financial models approved by the Group's management;
- The forward prices used in impairment testing are the market prices observed at the end of the period; as at 2024, forecasts produced by an independent supplier (ICIS base case) will be used. For 2023, the projected price is based on a price mix in accordance with the contracts already signed and with the best estimates of the remaining uncontracted electricity;
- The long-term scenarios used for the electricity sale prices are in line with the European path related to the set decarbonization targets, in particular those under the Paris Agreement on climate change, adopted on 12 December 2015 and entered into force on 4 November 2016;
- The macroeconomic assumptions used are based on publicly-available external sources. The inflation rate and exchange rates taken into account are based on the forecasts issued by the National Strategy and Prognosis Committee.

These calculations can be influenced by a number of variables, such as: changes in the electricity market prices; changes in the effective regulations; changes in demand and Group’s market shares; the depreciation rate of the customer portfolio; the useful life of the facilities, etc.

The sensitivity analyses on different dimensions and assumptions did not return any impairment risk.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS

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

The management discussed about development, selection, presentation and application of the critical accounting policies and estimates. These disclosures supplement the comments on financial risk management (see Note 29).

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

Key sources of estimate uncertainty

(i) Adjustments for impairment of assets measured at amortized cost
Assets booked at amortized cost are measured for impairment according to the accounting policy described in *Note 3 (g) Identification and measurement of write-downs.*

Receivables are measures for impairment individually and this measurement relies on the best management of the present value of the cash flows expected to be received. In order to estimate these flows, the management makes certain estimates regarding as to the counterparty's financial standing. Each asset is analysed individually. The accuracy of the adjustments depends on the future cash flow estimate for specific counterparties.

(ii) Fair value determination for financial instruments
The fair value of financial instruments that are not traded on an active market is determined using the measurement techniques described in the accounting policy of *Note 3(g) Measurement*. For rarely traded financial instruments that do not enjoy price transparency, the fair value is less objective and is determined using different levels of estimates of the liquidity, concentration, uncertainty of market factors, price assumptions and other risks that affects the said financial instrument.

(iii) Fair value hierarchy
Assets and liabilities are measured and presented at fair value in the financial statements, according to the fair value hierarchy under IFRS 13, which requires classification of the measurement methods in the following measurement levels:

The Group uses the following hierarchy of methods to determine the fair value:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g., prices, quoted prices in markets that are not active), or indirectly (e.g. price derivates)
Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This category includes all instruments for which the measurement technique includes elements that are not based on observable data and for which unobservable input parameters can have a significant effect on the instrument’s measurement. This category includes instruments that are measured based on quoted prices for similar instruments, but for which adjustments based largely on unobservable data or estimates are required to reflect the difference between the two instruments.

The Group determines the fair value using mainly active market quotations.

Fair value is the amount for which the financial instrument could be exchanged in regular arm’s length transactions between interested and knowledgeable, other than those determined by liquidation or forced sale. Fair values are obtained from quoted market prices or cash flow models, as applicable. As at 31 December 2022 and 31 December 2021, the management consider that the fair values of cash and cash equivalents, trade and other receivables, trade payables, as well as other short-term liabilities approximate their carrying amount.

(All amounts are expressed in RON, unless otherwise expressly provided for.)

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUATION)

(iii) Fair value hierarchy (continuation)

Considering the company's sector, added to the specific nature of the investments that are subject to financing and the structure of the collaterals, that include a government guarantee, as well as due to the floating nature of the interest rate, the Group's management estimate that the fair value of loans is approximately equal to their carrying amount. The carrying amount of loans is the amortized cost. Based on these considerations, the loans were classified at Level 2.

The table below looks into the financial instruments booked at fair value, depending on the measurement method applied:

	Carrying amount	Fair value	Level
31 December 2022 (audited)			
Financial assets			
Financial assets measured at amortized cost	35,567,692	35,567,692	2
Trade receivables	438,540,316	438,540,316	2
Other financial assets measured at amortized cost	142,158,865	142,158,865	2
Cash and cash equivalents	2,707,724,133	2,707,724,133	2
Bank deposits	1,829,796,500	1,829,796,500	2
	5,153,787,506	**5,153,787,506**	

	Carrying amount	Fair value	Level
31 December 2022 (audited)			
Long-term financial liabilities			
Long-term loans	64,810,940	64,810,940	2
Liabilities under long-term financial leasing agreements	12,831,121	12,831,121	2
Deferred income	63,611,498	63,611,498	2
	141,253,559	**141,253,559**	
Short-term financial liabilities			
Trade and other payables	448,160,020	448,160,020	2
Liabilities under short-term financial leasing agreements	2,734,403	2,734,403	2
Current part of the long-term loans	65,525,433	65,525,433	2
Deferred income	157,087,526	157,087,526	2
	673,507,382	**673,507,382**	

(All amounts are expressed in RON, unless otherwise expressly provided for.)

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUATION)

	Carrying amount	Fair value	Level
31 December 2021 (audited)			
Financial assets			
Financial assets measured at amortized cost	35,496,297	35,496,297	2
Trade receivables	220,486,125	220,486,125	2
Other financial assets measured 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
31 December 2021 (audited)			
Long-term financial liabilities			
Long-term loans	130,135,030	130,135,030	2
Liabilities under long-term financial leasing agreements	910,586	910,586	2
Deferred income	72,037,242	72,037,242	2
	203,082,858	**203,082,858**	
Short-term financial liabilities			
Trade and other payables	286,476,663	286,476,663	2
Liabilities under short-term financial leasing agreements	264,025	264,025	2
Current part of the long-term loans	168,126,539	168,126,539	2
Deferred income	89,647,495	89,647,495	2
	544,514,722	**544,514,722**	

(iv) Classification of financial assets and liabilities

The accounting policies of the Group provide the basis for the initial classification of assets and liabilities in different accounting categories.

Re-measurement of tangible non-current assets

Tangible non-current assets, consisting of land and buildings, are subject to revaluation, and the in fair value are recognized in other comprehensive income.

(v) Fair value measurement

As at 31 December 2022, the tangible non-current assets of the Company were valued by an external independent valued, authorized by the National Association of Romanian Authorized Valuers ("ANEVAR"). The revaluations of land and buildings on 31 December 2022 were carried out based on the following methods, in compliance with the principles and valuation techniques included in the ANEVAR Property Valuation Standards:

- The benchmarking method for land owned exclusively;
- The residual method for land owned under undivided share;
- Income method for the two administrative buildings;
- Replacement cost method for special structures and other assets.

(vi) Fair value hierarchy

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

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUATION)

(vii) Impact and implications of the Ukraine conflict

The geopolitical situation in the Eastern Europe deteriorated after 24 February 2022, with the invasion of Ukraine by Russia, but the war in Ukraine did not have a significant direct or indirect impact on the pursuit of the Company's business. The operation, production and development of investment projects, and the current activities are carried out normally.

The war in Ukraine, beyond the human drama, proved the importance of a balanced energy mix in the EU and a resilient energy system when faced with extreme events. It is also a major alarm signal in terms of energy policy at the EU level, fair inclusion of energy sources with a role in decarbonization to ensure the long-term stability and accessibility of energy, without risking the energy security of the EU and the Member States. The cooperation between States to identify viable and specific solutions is an extremely important next step.

In this context, nuclear energy becomes even more important in the European energy mix and in reducing energy dependence. Nuclear energy responds to the 3 current challenges: energy security, attainment of the decarbonization targets, and maintaining an affordable cost for consumers.

The Company plays an important part at the national level, in terms of both the energy stability of the country and reaching the decarbonization targets.

Having reviewed the impact on the Company, we conclude that this has no direct no direct exposure related to Russia or Ukraine, does not hold any direct or indirect investments in companies of these countries, as this year's supply chains for raw materials were established with companies of Kazakhstan and Romania. Furthermore, the Company has no exposure to business, companies or banks which are currently affected by the international sanctions.

The indirect impact on the financial statements is harmonized with the overall and regional effects of the Ukraine conflict; electricity sale prices, national policies for mitigating the effects of the Ukraine war and the evolution of the consumer price index are the most notable influences resulting from such conflictual situation.

Other general matters concerning the Company's activity in the war context

a) Impairment of financial instruments and other financial risks

The Company constantly monitors the developments in the credit risk and makes adjustments for impairment on the financial assets based on the history of depreciation of this risk, in accordance with the provisions of IFRS 9. According to the risk analyses carried out in the Company, no degradations of the implemented indices were identified compared to the values obtained on 31 December 2021. Also, the Company does not hold financial assets or liabilities affected by the international restrictions/sanctions related to the two states involved in the conflict. No exposures of the Company to liquidity risk or market risk (in particular currency exchange risk) were identified as generated by the transactions with companies from the two states.

b) Impairment of non-financial assets

Considering that the Company does not own or operate any assets located in the territory of Ukraine or Russia, no risks of physical damage, restricted access or impairment indices of the recoverable amount have been identified.

4. ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGMENTS (CONTINUATION)

(vii) Impact and implications of the Ukraine conflict (continuation)

c) Loss of control or joint control or of the ability to exercise a significant influence

The companies falling under the consolidation scope of S.N. Nuclearelectrica SA are Romanian companies which carry out their activity only in the territory of Romania and are owned 100%, except for the related entity Ropower Nuclear SA, which is owned 50%. Therefore, as at 31 December 2022, neither any circumstances liable to significantly limit or even lose the ability of the mother Company to exercise its rights, nor any provisions concerning the governance of these subsidiaries and/or the related entities have been identified.

d) Other assets, liabilities, revenue and expenditure

In addition to the information found in the previous paragraphs, the conflict in Ukraine did not require any other specific exercise of judgments, estimates or assumptions to determine the value of the assets or liabilities, income and expenditure of the period (compared to those disclosed in Note 2f) of the Accounting Policies).

The direct or indirect impact of the war in Ukraine on the Company's business cannot be quantified value-wise, given that the current developments in inflation and the forecasted developments thereof for the upcoming periods are the result of factors that are difficult to predict. From the point of view of qualitative analysis, the Company monitors the macroeconomic developments and continuously assesses the factors of uncertainty and the potential financial impact of the conflict in Ukraine, in order to identify the measures required to be implemented, and advise the investors accordingly.

The Company has in place and applies specific and efficient cyber risk management policies. The Ukraine war had no impact upon the Company's going concern. The conflict's Effects on the financial standing, financial performance and cash flows of the Company appear not significant. Similarly to the results of the previous year, the Company obtained very good financial results, complying with and achieving its investment, production programs and performance ratios.

(All amounts are expressed in RON, unless otherwise expressly provided for)

5. TANGIBLE NON-CURRENT ASSETS

	Lands	Nuclear plants	Plant, machinery and other assets	Non-current assets in progress	Total
Cost					
Balance as at 1 January 2021 (audited)	**32,124,981**	**5,388,449,243**	**1,445,669,648**	**1,218,862,614**	**8,085,106,486**
Inflows	-	-	14,263,669	263,482,135	277,745,804
Heavy water-related inflows	-	10,924,629	-	-	10,924,629
Transfers	-	119,682,584	56,015,488	(175,698,072)	-
Transfers into inventories	-	-	(471,772)	-	(471,772)
Transfer of inventories	-	-		(6,064,409)	(6,064,409)
Transfer from reclassified spare parts	-	-	16,804,893	(16,804,893)	-
Transfer from intangible non-current assets	-	-		(3,142,607)	(3,142,607)
Transfer from intangible non-current assets	-	-	4,769,053	-	4,769,053
Increases from revaluation through reserves	4,320,651	278,682,405	52,233,330	-	335,236,386
Increases from revaluation through profit and loss	529,415	-	3,652,921	-	4,182,336
Re-enactments	-	-	458,288	-	458,288
Derecognition of inspections	-	(72,856,959)	-	-	(72,856,959)
Derecognition of heavy water	-	(1,181,401)	-	-	(1,181,401)
Annulment of accumulated depreciation	-	(1,078,392,507)	(55,538,572)	-	(1,133,931,079)
Outflows	-	-	(6,169,702)	(199)	(6,169,901)
Balance as at 31 December 2021 (audited)	**36,975,047**	**4,645,307,994**	**1,531,687,244**	**1,280,634,569**	**7,494,604,854**
Balance as at 1 January 2022 (audited)	**36,975,047**	**4,645,307,994**	**1,531,687,244**	**1,280,634,569**	**7,494,604,854**
Inflows	-		23,988,136	499,337,616	523,325,752
Heavy water-related inflows	-	27,816,605	-	-	27,816,605
Transfers	-	71,116,529	80,209,850	(151,326,379)	-
Transfers into inventories	-	-	-	(40,632,444)	(40,632,444)
Transfer of inventories	-	-	-	-	-
Transfer from reclassified spare parts	-	-	27,324,482	(15,598,170)	11,726,312
Transfer from intangible non-current assets	-	-	-	-	-
Transfer from intangible non-current assets	-	-	-	-	-
Re-enactments	-	-	-	-	-
Derecognition of inspections	-	(132,769,584)	-	-	(132,769,584)
Derecognition of heavy water	-	(1,217,175)	-	-	(1,217,175)
Annulment of accumulated depreciation	-	-	-	-	-
Outflows	-	(487,267)	(18,191,613)	(77,363)	(18,756,243)
Balance as at 31 December 2022 (audited)	**36,975,047**	**4,609,767,102**	**1,645,018,099**	**1,572,337,829**	**7,864,098,077**
Depreciation and impairment adjustments					
Balance as at 1 January 2021 (audited)	**550,782**	**1,057,248,682**	**931,568,583**	**155,243,437**	**2,144,611,484**
Depreciation expense	-	474,198,668	71,568,525	-	545,767,193
Accumulated depreciation of derecognized inspections	-	(71,010,274)	-	-	(71,010,274)
Accumulated depreciation of outflows	-	(1,181,401)	(5,023,907)	-	(6,205,308)
Annulment of accumulated depreciation	-	(1,078,392,507)	(55,538,572)	-	(1,133,931,079)
Impairment adjustments	-	-	9,782,221	3,400,425	13,182,646
Balance as at 31 December 2021 (audited)	**550,782**	**380,863,168**	**952,356,851**	**158,643,862**	**1,492,414,663**
Balance as at 1 January 2022 (audited)	**550,782**	**380,863,168**	**952,356,851**	**158,643,862**	**1,492,414,663**
Depreciation expense	-	507,383,343	80,333,226	-	587,716,569
Accumulated depreciation of derecognized inspections	-	(119,247,275)	-	-	(119,247,275)
Accumulated depreciation of outflows	-	(1,454,046)	(14,850,928)	-	(16,304,974)
Impairment adjustments	-		8,912,944	(3,852,553)	5,060,391
Balance as at 31 December 2022 (audited)	**550,782**	**767,545,190**	**1,026,752,093**	**154,791,309**	**1,949,639,374**
Carrying amount					
Balance as at 1 January 2021 (audited)	**31,574,199**	**4,331,200,561**	**514,101,064**	**1,063,619,177**	**5,940,495,002**
Balance as at 31 December 2021 (audited)	**36,424,265**	**4,264,444,826**	**579,330,393**	**1,121,990,707**	**6,002,190,191**
Balance as at 31 December 2022 (audited)	**36,424,265**	**3,842,221,912**	**618,266,006**	**1,417,546,520**	**5,914,458,703**

5. TANGIBLE NON-CURRENT ASSETS (CONTINUATION)

(i) Nuclear plants, machinery and other assets

In 2022, the mother Company purchased 11.9 tons of heavy water from the National Administration of the State Reserves and Special Problems ("ANRSPS"), needed for Units 1 and 2 amounting to RON 27,816,605, and in 2021 it purchased 5 tons of heavy water amounting to RON 10,924,629.

(ii) Non-current assets in progress

As at 31 December 2022 the net carrying amount of assets in progress, in amount of RON 1,417,546,520, included the following items:

- Investment relating to the increase in the production capacity with a net carrying amount of RON 644,585,615 (31 December 2021: RON 655,502,487;
- Investments related to units 1 and 2, in total amount of RON 772,960,905 (31 December 2021: RON 466,488,220), the most outstanding being:
  - ✓ Refurbishment of U1 in amount of RON 270,871,718 (31 December 2021: RON 135,689,797);
  - ✓ Detrition Facility for D2O in amount of RON 86,878,248 (31 December 2021: RON 75,821,481);
  - ✓ Improving the reliability of the electric generator in amount of RON 98,614,087 (31 December 2021: RON 0);
  - ✓ Building storage and loading premises for the nuclear fuel used (DICA) in amount of RON 32,853,382 (31 December 2021: RON 31,210,232);
  - ✓ Improving the nuclear security systems after Fukushima in amount of RON 38,924,333 (31 December 2021: RON 37,456,941;
  - ✓ Equipment and materials for investments in amount of RON 27,361,693 (31 December 2021: RON 48,092,603).

The gross investment value relating to the **increase in the production capacity** amounts to RON 646,277,871, of which the carrying amount of Units 3 and 4, amounts to RON 273,960,000 (31 December 2021: RON 273,960,000), the remaining amount representing the heavy water especially purchased for Units 3 and 4, respectively approximately 75 tons, with a carrying amount as at 31 December 2022 in amount of RON 159,253,825 (31 December 2021: 159,238,387), as well as equipment and other assets for Units 3 and 4 in amount of RON 213,064,046 (31 December 2021: RON 223,996,355). Prior to the year 1991, Units 1, 2, 3, 4 and 5 were considered as a single project and, consequently, the construction costs incurred were not allocated at the level of each unit. Subsequently, the Company performed the allocation of the construction costs for Units 3 and 4 of the nuclear plant, as well as for Unit 5.

As at 31 December 2022, the gross carrying amount of **Unit 5** amounted to RON 137 million (31 December 2021: RON 137 million). As at 31 December 2013 the Company recognized an impairment adjustment of 100% of the amount of Unit 5 since there were no plans to resume its construction as a nuclear unit. In March 2014, the Company's shareholders approved the change in the destination and use of Unit 5 for other activities of the Company, which was a project in progress following which an asset would result with a different use compared to the initial use of Unit 5.

The main **investments commissioned** by the Group in 2022 from the projects in progress related to Units 1 and 2 were represented by: performance of the annual inspections during the scheduled shutdown of Unit 1 and the unscheduled shutdown of Unit 2, amounting to 63,688,488 RON; replacement of spare parts on equipment in operation, amounting to RON of 133,516,891; and increase in the carrying amount of DICA 12, 13 and 14 amounting to RON 21,361,160.

(ii) Impairment adjustments

As at 31 December 2022, the Group books adjustments for impairment of assets of RON 5,060,391 RON (31 December 2021: RON 13,182,646).

(All amounts are expressed in RON, unless otherwise expressly provided for)

5. TANGIBLE NON-CURRENT ASSETS (CONTINUATION)

(iii) Revaluation, depreciation method and lifetime

Buildings and lands are recognized at their fair value, based on periodical assessments carried out by external independent valuers. The revaluation surplus included in the revaluation reserve is capitalized by the transfer into the result carried forward, upon deregistration of the asset or to the extent of its use (see Note 14). All other tangible non-current assets are recognized at historical cost less amortization.

The last **revaluation** of lands and buildings was made on 31 December 2021 by the independent valuer (Primoval S.R.L., a member of the National Association of Authorized Romanian Valuers - ANEVAR). Prior to such revaluation, lands and buildings were revalued as at 31 December 2018.

The valuation report, related to the year 2021 for tangible non-current assets of **lands** and **buildings** classes, prepared by the independent valuer Primoval S.R.L. is based on the Asset Valuation Standards, edition of 2022, valid as at 31 December 2021, drafted by the National Association of Authorized Romanian Valuers (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 – Types of value;
- Asset standards: SEV 300 – Machinery, equipment and plants (IVS 300) ; GEV 630 – Valuation of immovable assets;
- Specific use standards: SEV 430 – Valuations for financial reporting.

The estimate of fair value was made in compliance with the IFRS provisions and of the above-mentioned valuation standards. For the valuation of the administrative buildings the income method was used, with a capitalization rate between 7% - 9%, depending on the specific nature of the building. For the valuation of units 1 and 2 the depreciated replacement cost method was applied. For the valuation of lands, they opted for using the market approach, the direct comparison method.

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

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

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

(iv) Significance of estimates – valuation of lands and buildings

Information relating to the valuation of lands and buildings is presented in Note 4 (v).

(All amounts are expressed in RON, unless otherwise expressly provided for)

5. TANGIBLE NON-CURRENT ASSETS (CONTINUATION)

(v) The carrying amount that would have been recognized had land and buildings been measured at cost, according to the provisions of IAS 16.77 (e)

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

	31 December 2022 (audited)	31 December 2021 (audited)
Lands		
Cost	22,350,779	22,350,779
Accumulated depreciation	-	-
Net carrying amount	**22,350,779**	**22,350,779**

	31 December 2022 (audited)	31 December 2021 (audited)
Buildings		
Cost	7,056,923,302	7,069,432,468
Accumulated depreciation	(4,523,041,183)	(4,036,137,494)
Net carrying amount	**2,533,882,118**	**3,033,294,975**

(vi) Decommissioning of nuclear units

Unit 1 is designed to operate until 2026, and Unit 2 until 2037. Company did not account for any provision for decommissioning of those two units since it was not responsible for the decommissioning works. According to the Government Decision no. 1080/ 2007, Nuclear and Radioactive Waste Agency („NRWA") is responsible for collecting the contributions paid by the Company during the remaining useful lifetime of units and accept any liability for the management of the decommissioning process at the end of the lifetime of those two units, as well as for the final storage of the nuclear waste at the end of the useful lifetime of those two units and for the permanent storage of the resulting residue (see Note 21). The expense with the Company's contributions to NRWA in 2022 amounts to RON 100,535,482 (31 December 2021: RON 102,229,602).

(vii) Pledged assets

As at 31 December 2022, respectively 31 December 2021, the Company had no pledged or mortgaged assets.

(viii) Supplier credit

As at 31 December 2022 the Company owned fixed assets purchased with credit from suppliers (commercial credit) in amount of RON 46,893,963 (31 December 2021: RON 31,038,770).

(All amounts are expressed in RON, unless otherwise expressly provided for)

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

The Group adopted IFRS 16, and for this reason it recognized in the statement of financial position also assets and liabilities related to the restatement of lease agreements concluded in its capacity as lessee.

The Group concluded lease agreements for assets and liabilities and concession contracts for lands, for which it was estimated the initial value of the asset related to the right to use at a value equal to the debt discounted upon transaction, arising from such agreements, amounting to RON 16,031,241 (31 December 2021: RON 1,406,574).

(i) Amounts recognized in the Statement of financial position

Assets representing rights to use underlying assets within a leasing contract	**31 December 2022 (audited)**	**31 December 2021 (audited)**
Lands	1,422,211	1,406,574
Office spaces	14,609,030	-
Depreciation of assets representing rights to use	(465,410)	(226,181)
Total net assets representing rights to use	**15,565,831**	**1,180,392**

Liabilities under leasing agreements	**31 December 2022 (audited)**	**31 December 2021 (audited)**
Short-term	2,734,403	264,025
Long-term	12,831,121	910,586
	15,565,524	**1,174,611**

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

	Note	**31 December 2022 (audited)**	**31 December 2021 (audited)**
Depreciation of assets representing rights to use		271,886	163,480
Interest expense	**27**	32,097	25,848

(iii) Amounts recognized in the Statement of cash flows

	31 December 2022 (audited)	**31 December 2021 (audited)**
Total cash outflows related to leasing agreements	337,356	224,795

(iv) Recognition of leasing agreements

Information relating to the recognition of leasing agreements according to IFRS 16 are presented in Note 3 (e).

(All amounts are expressed in RON, unless otherwise expressly provided for)

7. INTANGIBLE NON-CURRENT ASSETS

	Formation costs	Licenses and software	Software for the nuclear power plant and other intangible non-current assets	Total
Cost				
Balance as at 1 January 2021 (audited)	**-**	**238,295,077**	**55,286,357**	**293,581,434**
Inflows	257	6,518,096	-	6,518,353
Transfer into tangible non-current assets	-	(4,769,053)	-	(4,769,053)
Transfer from tangible non-current assets	-	3,142,607	-	3,142,607
Outflows	-	(741,573)	(1,029,938)	(1,771,511)
Balance as at 31 December 2021 (audited)	**257**	**242,445,153**	**54,256,420**	**296,701,830**
Balance as at 1 January 2022 (audited)	**257**	**242,445,153**	**54,256,420**	**296,701,830**
Inflows		11,439,871	3,626,905	15,066,776
Transfer into tangible non-current assets				
Transfer from tangible non-current assets				
Outflows		(126,663)	(380,168)	(506,831)
Balance as at 31 December 2022 (audited)	**257**	**253,758,361**	**57,503,157**	**311,261,775**
Accumulated depreciation				
Balance as at 1 January 2021 (audited)	**-**	**199,386,367**	**40,723,865**	**240,110,232**
Depreciation expense	10	6,755,224	3,201,166	9,956,400
Outflow depreciation	-	(741,573)	(1,029,938)	(1,771,511)
Balance as at 31 December 2021 (audited)	**10**	**205,400,019**	**42,895,093**	**248,295,121**
Balance as at 1 January 2022 (audited)	**10**	**205,400,019**	**42,895,093**	**248,295,121**
Depreciation expense	229	6,843,048	5,816,192	12,659,469
Outflow depreciation		(126,663)	(380,168)	(506,831)
Balance as at 31 December 2022 (audited)	**239**	**212,116,404**	**48,331,117**	**260,447,759**
Carrying amount				
Balance as at 31 December 2020 (audited)	**-**	**38,908,710**	**14,562,492**	**53,471,202**
Balance as at 31 December 2021 (audited)	**247**	**37,045,135**	**11,361,327**	**48,406,709**
Balance as at 31 December 2022 (audited)	**18**	**41,641,958**	**9,172,040**	**50,814,016**

As at 31 December 2022, the intangible non-current assets held by the Group are licenses and software products purchased, and not internally generated. The Group does not book contractual commitments for development costs.

The formation costs related to the subsidiaries established in 2022.

The accounting policies for intangible non-current assets are presented in Note 3 (f).

(All amounts are expressed in RON, unless otherwise expressly provided for)

8. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

As at 31 December 2022, the Group accounted for in position “Financial assets measured at amortized cost” its contributions as member of the European Mutual Association for Nuclear Insurance (“ELINI”), of the Romanian Commodities Exchange (“BRM”), of the Romanian Atomic Forum - Romatom (“ROMATOM”) and of HENRO Association, and governmental bonds.

	31 December 2022 (audited)	**31 December 2021 (audited)**
ELINI contribution	5,032,931	5,032,931
Romanian Commodities Exchange contribution	24,000	23,000
Romatom contribution	100	100
HENRO contribution	250,000	250,000
Government bonds (i)	30,260,661	30,190,266
Total	**35,567,692**	**35,496,297**

(i) Government bonds

As at 31 December 2022, respectively 31 December 2021 the Company held governmental bonds issued by the Ministry of Public Finance, with their due date on 24 June 2026, a fixed annual interest rate of 3.25% p.a. and a tendering return of 3.51% p.a.

Movement of financial assets representing governmental bonds:

	31 December 2022 (audited)	**31 December 2021 (audited)**
Balance as at 1 January	**29,680,203**	**-**
Purchases	-	29,656,680
Maturity dates	-	-
Discount depreciation	70,929	23,523
Balance at the end of the reporting period	**29,751,132**	**29,680,203**
Accumulated interest	**509,529**	**510,063**
Government bonds - total	**30,260,661**	**30,190,266**

According to the issue prospectus, on 24 June 2022 the Company received the annual coupon in the amount of RON 975,000.

(All amounts are expressed in RON, unless otherwise expressly provided for)

9. FINANCIAL INVESTMENTS IN RELATED ENTITIES

The list of investments in related entities as at 31 December 2022, as consolidated according to the equity method, is presented below. This entity has social capital formed exclusively of ordinary shares, which are held directly by the Group, and the participating interest is the same as the number of the voting rights held. Its country of registration and operation is Romania.

Investments in related entities	**Place of business**	**31 December 2022**		
		Participating interest %	**Share of net assets**	**Share of profit/(loss) of the year Profit/ (Loss)**
Ropower Nuclear S.A.	Romania	50	4,745,610	(197,390)
Total investments booked by the equity method			**4,745,610**	**(197,390)**

In September 2022 the project company Ropower Nuclear S.A. was established, owned in equal parts by the shareholders S.N. Nuclearelectrica S.A. and Nova Power&Gas S.R.L. Its registered office is located in Romania, Dâmbovița County, Doicești Locality, Strada Aleea Sinaia nr. 18, the Administrative Building, 1st floor, being registered with the Trade Register under number J15/1604/26.09.2022, Unique Registration Code 46901014, tax attribute RO. The main activity of the Company consists in the "Production of electricity" - NACE Code 3511.

As at 31 December 2022, the Group held 50% of the share capital of Ropower Nuclear S.A., the shareholding value amounting to **RON 4,943,000.**

Ropower Nuclear S.A. Company is established to develop, raise financing, design, build and operate a facility for production of electricity from nuclear energy based on the small modular reactors in Doicești, County of Dâmbovița, based on the NuScale technology, consisting of 6 NuScale modules of 77MWe each, totalling 462MWwe, as well as to operate a facility for production of electricity from solar energy, with a capacity of at least 80-100MWe, in the commune of Șotânga, County of Dâmbovița.

Material Judgments

According to the Investors' Agreement on the establishment of a special purpose vehicle for development of electricity generation facilities, the Group has representatives sitting in the Board of Directors of Ropower Nuclear SA, and one of the appointed persons acts as Chairman of the Board of Directors. Thus, the Group takes part in all significant financial and operational decisions of the entity. The Group determined that these aspects, combined with the 50% participating interest, exert a significant influence on the entity.

(All amounts are expressed in RON, unless otherwise expressly provided for)

10. INVENTORIES

As at 31 December 2022 and 31 December 2021 inventories are as follows:

	31 December 2022 (audited)	31 December 2021 (audited)
Spare parts	240.887.349	201,210,391
Other raw materials and materials	412.385.761	358,909,559
Total	**653.273.110**	**560,119,950**

(i) Valuation of inventories

Costs are valued at weighted average cost (WAC) according to IAS 2. See Note 3 (k) of the significant Accounting policies related to these Individual Financial Statements of the Company prepared as at and for the financial year ended on 31 December 2021 for the other relevant accounting policies for inventories.

(ii) Amounts recognized in the Income Statement

The value of the inventories expensed in the financial year ended on 31 December 2022 is shown under Cost of Spare Parts and Cost of Nuclear Fuel, in the Income Statement and other comprehensive income, and is RON 177,139,863 (31 December 2021: RON 171,929,082).

The value of Inventories recognized as an expense during the financial year ending as at 31 December 2022 in accordance with IAS 2.34, representing inventories scrapped, impaired, written off, is of RON 1,042,623 (31 December 2021: RON 334.530). The Company examines the evolution of inventories on a periodical basis, providing in time impairment adjustments for inventories deemed to be impaired. Therefore, for inventories scrapped the Company provided impairment adjustments, which it wrote back on revenue upon their writing off. The effect on the statement of profit or loss is insignificant.

The value of impairment adjustments for inventories as at 31 December 2022 amounted to RON 50,081,781 RON (31 December 2021: RON 51,816,674). In the year 2022, depreciation adjustments were set-up in the amount of RON 218,305 (31 December 2021: RON 1,248,616) and impairment adjustments were written back on revenue, in amount of RON 1,953,198 (31 December 2021: RON 1,266,562).

In the year 2022, there were no inventory outflows written back.

(iii) Pledged inventories

As at 31 December 2022 the Company has no pledged or mortgaged inventories.

(All amounts are expressed in RON, unless otherwise expressly provided for)

11. TRADE RECEIVABLES

As at 31 December 2022 and 31 December 2021 trade receivables were presented as follows:

	31 December 2022 (audited)	**31 December 2021 (audited)**
Trade receivables	450,541,752	233,308,150
Impairment adjustments for trade receivables	(12,001,436)	(12,822,025)
Total	**438,540,316**	**220,486,125**

(i) Classification of trade receivables

Trade receivables are amounts owed by customers for goods sold or services provided in the normal pursuit of business. Generally, these are due for settlement within 30 days and, therefore, all classified as current. Trade receivables are initially recognized at the amount of the consideration, which is unconditional, save for when they have significant financing components, when they are recognized at fair value. The Group holds trade receivables with the aim of collecting the contractual cash flows and, therefore, subsequently measures them at amortized cost applying the effective interest method.

See Note 3 (k) for the other accounting policies relevant for trade receivables.

(ii) Fair value of trade receivables

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.

(iii) Impairment and risk exposure

Information about impairment of trade receivables and the Group's exposure to credit risk and currency risk can be found in Note 29.

(iv) Other information

As at 31 December 2022, the main trade receivables in the balance were toward: Distributie Energie Electrica Romania S.A. – RON 52,166,030 (31 December 2021: RON 2,377,268), Enel Energie S.A. – RON 47,068,010 (31 December 2021: RON 19,137,596) Enel Energie Muntenia S.A. – RON 43,660,872 (31 December 2021: RON 14,846,219), Electrica Furnizare S.A. – RON 40,721,750 (31 December 2021: RON 40,923,394), S.P.E.E.H. Hidroelectrica S.A. – RON 39,042,000 (31 December 2021: RON 0)

Sales made during 2022 to Operatorul Pietei de Energie Electrica si de Gaze Naturale „OPCOM” S.A. represented approximately 21% (2021: 22%), Enel Energie S.A. represented approximately 11% (2021: 5%), Enel Energie Muntenia S.A. represented approximately 10% (2021: 5%), Electrica Furnizare S.A. represented approximately 8% (2021: 16%), and E.ON Energie Romania S.A. represented approximately 5% (2021: 7%).

As at 31 December 2022, the headings “Trade Receivables" and "Adjustments for Impairment of Trade Receivables" include a net amount of RON 165,070,788 related to receivables from related parties (31 December 2021: RON 9,031,438).

(All amounts are expressed in RON, unless otherwise expressly provided for)

12. OTHER FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	31 December 2022 (audited)	**31 December 2021 (audited)**
Other receivables	120,489,154	33,660,668
Impairment adjustments for other receivables	(583,180)	(596,559)
Taxes and duties	1,257,980	31,478,586
Advance payments	20,994,911	20,525,633
Total	**142,158,865**	**85,068,328**

(v) Classification of financial assets measured at amortized cost

The Group classifies its financial assets at amortized cost only if both the criteria below are met:
- the asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual clauses give rise to cash flows that are only payments of principal and interest.

See Note 3 (g) for the other accounting policies relevant for financial assets.

(vi) Fair value of other assets measured at amortized cost

Due to the short-term nature of other receivables, their carrying amount is considered to be the same as their fair value.

(vii) Impairment and risk exposure

Information about impairment of trade receivables and the Group's exposure to credit risk and currency risk can be found in Note 28.

(viii) Other information

As at 31 December 2022, the heading "Other Receivables" and "Impairment Adjustments for Other Receivables" do not include any amount pertaining to related parties (31 December 2021: RON 0).

As at 31 December 2021, the heading “Pre-Payments" includes the amount of RON 429,334 related to payments made in advance to related parties (31 December 2021: RON 8,289,405).

As at 31 December 2022 the position of “Taxes and duties” represented recoverable VAT in amount of RON 1,257,980 RON (31 December 2021: RON 29,382,624).

(All amounts are expressed in RON, unless otherwise expressly provided for)

13. CASH AND CASH EQUIVALENTS, BANK DEPOSITS

As at 31 December 2022 and 31 December 2021 **cash and cash equivalents** were presented as follows:

	31 December 2022 (audited)	**31 December 2021 (audited)**
Cash in hand	86,040	79,356
Cash at bank in RON	286,009,526	220,420,871
Cash at bank in foreign currencies	25,109,873	2,526,265
Bank deposits less than 3 months	2,396,122,000	1,119,866,202
Other cash equivalents	396,694	279,463
Cash and cash equivalents - Total	**2,707,724,133**	**1,343,172,157**

As at 31 December 2022 and 31 December 2021 **bank deposits** having their original due date more than 3 months and less than one year were presented as follows:

	31 December 2022 (audited)	**31 December 2021 (audited)**
Bank deposits	**1,829,796,500**	**1,328,973,000**

(i) Reconciliation with the Statement of cash flows

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

	31 December 2022 (audited)	**31 December 2021 (audited)**
Cash in hand	86,040	79,356
Cash at bank	311,119,399	222,947,136
Bank deposits having their original due date less than 3 months	2,396,122,000	1,119,866,202
Other cash equivalents	396,694	279,463
	2,707,724,133	**1,343,172,157**

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if their due date is of 3 months or less from their set up. See Note 3 (m) for the other accounting policies of the Group concerning the cash and cash equivalents.

(iii) Restricted cash

Current accounts opened with banks are permanently at the disposal of the Group and are not restricted or encumbered.

Bank deposits are permanently at the disposal of the Group and are not restricted or encumbered.

As at 31 December 2022, the Group held bank guarantee letters under certain credit facilities, without any collateral deposits, in amount of RON 124,714,365 RON (31 December 2021: RON 91,453,350).

(All amounts are expressed in RON, unless otherwise expressly provided for)

14. EQUITY

Share capital

The mother Company was established further to a spin-off from the former self-governed administration Regie Autonoma de Electricitate ("RENE"). The share capital is the contribution of the Romanian State to the establishment of the mother Company on 30 June 1998 (restated with inflation until 31 December 2003), plus any subsequent increases thereof.

According to the Articles of Incorporation, the authorized share capital of the mother Company is RON 3,016,518,660. Subscribed and paid up share capital as at 31 December 2022 amounted to RON 3,016,438,940 RON, under the authorized capital.

As at 31 December 2022 and 31 December 2021, share capital included the effects of restatements registered also in the previous years according to the application of IAS 29 "Financial reporting in hyperinflationary economies".

The share capital reconciliation is as follows:

	31 December 2022 (audited)	**31 December 2021 (audited)**
Share capital subscribed and paid up (nominal value)	3,016,438,940	3,016,438,940
Restatement differences according to IAS 29	195,502,743	195,502,743
Share capital (restated value)	**3,211,941,683**	**3,211,941,683**

As at 31 December 2022, the statutory share capital value subscribed and paid up in full amounted to RON 3,016,438,940 RON, made up of 301,643,894 ordinary shares, each with a nominal value of RON 10.

The last increase in the share capital was made in the year 2020 by subscription of a number of 130,043 new shares, in amount of RON 1,300,430, representing the contribution in kind of the Romanian State, represented by the Ministry of Economy, Energy and Business Environment, and in cash representing the contribution of the Company's shareholders. The increase in the share capital was made based on the Proportioned offer Prospectus related to the increase of the share capital, approved by Decision of AFS no. 976/13.08.2020 and by Decisions of the Extraordinary General Meeting of Shareholders no. 2/04.01.2019 and no. 12/19.12.2019, registered with the National Trade Register Office according to the Certificate of Amendments no. 484154/30.09.2020.

Holders of ordinary shares are entitled to receive dividends, as they are declared at certain timeframes, and the right to vote for one share within the General Meetings of Shareholders of the Company.

As at 31 December 2022 and 31 December 2021 shareholding structure was presented as follows:

Shareholders	**Number of shares 31 December 2022**	**% of the share capital**	**Number of shares 31 December 2021**	**% of the share capital**
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 premium

In November 2013, the Group issued 28,100,395 ordinary shares to Bucharest Stock Exchange, by an initial public offer and by the shareholder Fondul Proprietatea S.A. exercising the right of preference. The amount received of RON 312,478,099 was made up of the increase of the share capital in amount of RON 281,003,950 and an issue premium in amount of RON 31,474,149.

Reserves paid in advance

Reserve paid in advance amounted to RON 21,553,537 as at 31 December 2022 and 31 December 2021 and represented sites of public utility from Cernavodă NPP (RON 5,439,321 as at 31 December 2022 and 31 December 2021) and budget allowances related to the period 2007 - 2011 for building the Training and Recreation Center for Young People and Children in Cernavodă (RON 16,114,216) as at 31 December 2022 and 31 December 2021).

(All amounts are expressed in RON, unless otherwise expressly provided for)

14. EQUITY (CONTINUATION)

Statutory Reserves

According to legal requirements, the Group sets up legal reserves in amount of 5% of the gross profit statutorily registered up to the level of 20% of the share capital. The value of legal reserve as at 31 December 2022 amounted to RON 414,757,698 (31 December 2021: RON 255,132,853).

Legal reserves cannot be distributed to shareholders. The value of legal reserves was included in the financial position statement, under line "Result carried forward".

Revaluation reserves, net of deferred tax

As at 31 December 2022, the revaluation reserve amounts to RON 2,101,938,467 RON (31 December 2021: RON 2,101,938,467), net of deferred tax related to the revaluation reserve. The last revaluation of lands, buildings and constructions was made on 31 December 2021 by the independent valuer Primoval S.R.L., a member of the National Association of Authorized Romanian Valuers ("ANEVAR").

Retained earnings

Retained earnings represent the accumulated result of the Company. Retained earnings are distributed based on the annual financial statements prepared in compliance with the Order of the Minister of Public Finance no. 2.844/2016 for approval of Accounting Regulations compliant with the International Financial Reporting Standards.

In the financial year ended on 31 December 2022, the mother Company distributed dividends of RON 595,925,367 from the net profit of the 2021 financial year, according to OGMS Decision no. 5/28.04.2022 (2021: RON 472,117,575, distributed from the net profit of the 2020 financial year, according to OGMS Decision no. 5/26.04.2021). Net dividends unpaid as at 31 December 2022 amounted to RON 748,270 (31 December 2021: RON 848.118).

Movements in result carried forward

	Note	**31 December 2022 (audited)**	**31 December 2021 (audited)**
Balance as at 1 January		**2,997,775,072**	**2,434,020,626**
Net profit of period		***2,762,039,511***	***1,036,038,559***
Actuarial Gains/(Losses) related to the defined benefit plans		1,745,457	471,723
Retained earnings from other adjustments		-	(638,261)
Dividends		(595,925,367)	(472,117,575)
Balance as at 31 December		**5,165,634,673**	**2,997,775,072**

Dividends

In the financial year ended on 31 December 2022, the mother Company declared dividends of RON 595,925,367 (31 December 2021: RON 472,117,575), the subsidiary Energonuclear S.A. declared dividends of RON 60,935 (31 December 2021: RON 0 (zero)).

(All amounts are expressed in RON, unless otherwise expressly provided for)

15. EARNINGS PER SHARE

As at 31 December 2022 and 31 December 2021, earnings per share were:

(i) Earnings based on share

	2022 (audited)	2021 (audited)
Net profit of the financial year	**2,762,039,511**	**1,036,038,559**
Number of ordinary shares at the beginning of the financial year	301,643,894	301,643,894
Number of ordinary shares issued during the financial year	-	-
Weighted average number of ordinary shares as at 31 December	**301,643,894**	**301,643,894**
Earnings per share (RON/share)	**9.16**	**3.43**

(ii) Diluted earnings per share

	2022 (audited)	2021 (audited)
Net profit of the financial year	**2,762,039,511**	**1,036,038,559**
Number of ordinary shares at the beginning of the financial year	301,643,894	301,643,894
Number of shares issued during the period	-	-
Weighted average number of ordinary shares at the end of the financial year	301,643,894	301,643,894
Weighted average number of ordinary shares (diluted) as at 31 December	**301,643,894**	**301,643,894**
Diluted earnings per share (RON/share)	**9.16**	**3.43**

(All amounts are expressed in RON, unless otherwise expressly provided for)

16. LOANS

The statement of loans taken out by the Group as at 31 December 2022, respectively 31 December 2021 was the following:

	31 December 2022 (audited)	< 1 year	> 1 year	**31 December 2021 (audited)**	< 1 year	> 1 year
Bank loans	**130,116,620**	65,305,680	64,810,940	**298,191,838**	168,056,808	130,135,030
Interest	**219,753**	219,753	-	**69,731**	69,731	-
Total	**130,336,373**	65,525,433	64,810,940	**298,261,569**	168,126,539	130,135,030

Bank loans

Loans repayments during the financial year ended as at 31 December 2022 were:

	Currency	**Interest rate**	**Value**	**Final maturity year**
Balance as at 1 January 2022 (audited)			**298,191,838**	
New drawdowns				
Repayments, of which			**(173,284,441)**	
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.7%	(19,002,453)	2022
Societe Generale – AECL BC	CAD	CDOR 6M + 0.375%	(39,683,048)	2022
EURATOM	EUR	EURIBOR 6M + 0.08%	(114,598,940)	2024
Foreign exchange differences			**1,921,904**	
Commitment fees			**3,287,319**	
Balance as at 31 December 2022 (audited)			**130,116,620**	

(i) Long-term loans

As at 31 December 2022 and 31 December 2021 **long-term** loans from the credit institutions were presented as follows:

	31 December 2022 (audited)	**31 December 2021 (audited)**
Societe Generale - ANSALDO BC	-	19,022,060
Societe Generale - AECL BC	-	37,526,147
EURATOM	130,116,620	244,930,950
Total loans	**130,116,620**	**301,479,156**
Less: current part of the long-term loans	(65,305,680)	(171,344,126)
Total long-term loans net of the short-term portion	**64,810,940**	**130,135,030**

16. LOANS (CONTINUATION)

Long-term loans are detailed as follows:

a) *Loan granted by Societe Generale – ANSALDO*

The loan was granted by Societe Generale to the Company in 2002. The initial amount of the loan obtained was EUR 115.3 million. The amount due as at 31 December 2022 is EUR 0 (zero) million (31 December 2021: EUR 3.8 million). Repayment is staged-out over a period of 16 years, in 30 instalments payable between December 2007 and June 2022. The loan carries a floating interest rate of EURIBOR 6M + 0.45% for the first 15 years and EURIBOR 6M + 0.7% for the remaining period. The loan is secured by the Romanian State through the Ministry of Finance.

b) Loan granted by Societe Generale – AECL

The loan was granted by Societe Generale to the Company in 2002. The initial amount of the loan obtained was CAD 327.8 million. The amount due as at 31 December 2022 is CAD 0 (zero) million (31 December 2021: CAD 10.92 million). Repayment is staged-out over a period of 16 years, in 30 instalments payable between December 2007 and June 2022. The loan carries a variable interest CDOR 6M + 0.375%. The loan is secured by the Romanian State through the Ministry of Finance.

c) Loan granted by EURATOM

The loan was granted by EURATOM to the Company in 2004. The initial amount of the loan obtained was EUR 223.5 million. The amount due as at 31 December 2022 is EUR 26.3 million (31 December 2021: EUR 49.5 million), related to the following instalments: (i) instalment I with a principal of EUR 0 (zero) million (31 December 2021: EUR 10 million); (ii) instalment II with a principal of EUR 18 million (31 December 2021: EUR 27 million) and (iii) instalment III with a principal of EUR 8.3 million (31 December 2021: EUR 12.5 million). Instalment I will be repaid in 20 instalments payable in years 2013-2022; instalment II will be repaid in 20 instalments payable in years 2015-2024, and instalment III will be repaid in 16 instalments payable in years 2017-2024. The loan carries a floating interest rate of EURIBOR 6M + 0.080% for the first two instalments and EURIBOR 6M + 0.079% for the 3rd instalment. The loan is secured by the Romanian State through the Ministry of Finance.

The loan agreement sets out certain financial clauses: (i) the debt service coverage ration must be at least 1.5; (ii) the indebtedness must not exceed 2; (iii) the income booked by the Company must be sufficient to cover the operating and maintenance costs of Units 1 and 2, as well as for the interest payments in relation to Units 1 and 2.

The financial ratios need to be calculated based on the financial statements prepared in compliance with the International Financial Reporting Standards.

As at 31 December 2022 and 31 December 2021, the financial ratios requested by EURATOM are met. All loans were contracted to finance construction of Unit 2.

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

Collaterals

The loans from foreign banks contracted with Societe Generale (“SG”) and EURATOM are secured by the Romanian State through the Ministry of Public Finance. In addition, loans from SG are secured by external insurers (COFACE) and promissory notes are issued by the Company in favour of this creditor.

(All amounts are expressed in RON, unless otherwise expressly provided for)

16. LOANS (CONTINUATION)

(ii) Short-term loans

As at 31 December 2022 and 31 December 2021 **short-term** loans were presented as follows:

	31 December 2022 (audited)	31 December 2021 (audited)
Current part of the long-term loans	65,305,680	171,344,126
Long-term loans interest	219,753	69,731
Commitment fees and short-term insurance	-	(3,287,319)
Short-term loans - Total	**65,525,433**	**168,126,539**

(All amounts are expressed in RON, unless otherwise expressly provided for)

17. TRADE AND OTHER PAYABLES

As at 31 December 2022 and 31 December 2021 suppliers and other liabilities are as follows:

	31 December 2022 (audited)	**31 December 2021 (audited)**
Suppliers of non-current assets	46,893,963	31,038,770
Suppliers	110,823,353	92,480,910
Liabilities for employee debts	38,361,843	27,849,006
Liabilities to the state	240,143,523	107,091,244
Payable dividends	763,805	863,842
Other liabilities	11,173,533	27,152,891
Total	**448,160,020**	**286,476,663**

As at 31 December 2022, the main suppliers in the balance, from positions of "Suppliers of non-current assets" and "Suppliers", were: Candu Energy Inc. – RON 26,956,168 (31 December 2021: RON 11,842,682), General Electric Global Services GMBH – RON 23,264,335 (31 December 2021: RON 2,255,783), Apele Romane Bucuresti – RON 12,302,495 (31 December 2021: RON 12744720), the National Company for the Transmission of Electricity "Transelectrica" S.A. - RON 5,610,805 (31 December 2021: RON 1,470,551).

As at 31 December 2022, "Trade Payables and other Liabilities" include the amount of RON 38,176,357 (31 December 2021: RON 33,664,656) related to liabilities to related parties, of which, under the headings "Suppliers" and "Suppliers of non-current assets", RON 30,113,114 (31 December 2021: RON 25,110,349) and under the heading "Liabilities to the State", the amount of RON 8,063,243 (31 December 2021: 8,554,307 RON), representing the contribution to NRWA for decommissioning of the nuclear units and permanent storage of radioactive waste.

As at 31 December 2022, the heading "Liabilities to the State" includes mainly the liability related to the local taxes and duties set by the State authorities in 2023, of RON 73,261,115 (31 December 2021: RON 68,730,542) which, according to IFRIC 21 - Levies, it is recognized on 31 December. The taxes and duties fall due in the 2023 financial year.

(All amounts are expressed in RON, unless otherwise expressly provided for)

18. PROVISIONS FOR RISKS AND CHARGES

As at 31 December 2022, respectively 31 December 2021, the Group recognized the following provisions, included under position of "Provisions for risks and charges" and under position of "Current part of provisions for risks and charges":

	31 December 2022 (audited)	**31 December 2021 (audited)**
Liabilities relating to the Intermediate Dry Storage Spent Fuel Facility (DICA)	70,294,835	70,278,140
Liabilities relating to other low and medium level radioactive and non-radioactive waste	64,737,442	115,383,486
Provision for litigations related to salary bonus	89,288,704	109,608,912
Employee participation in profit	27,000,000	20,000,000
Other provisions for risks and charges	224,307	93,610
Total	**251,545,288**	**315,364,148**

As at 31 December 2022, provisions in a total amount of RON 286,533,115 represented long and short-terms liabilities, as follows:

	Current part (< 1 year)	**Long-term part (> 1 year)**
Liabilities relating to the Intermediate Dry Storage Spent Fuel Facility (DICA)	36,687,192	33,607,643
Liabilities relating to other low and medium level radioactive and non-radioactive waste	13,129,086	51,608,356
Provision for litigations related to salary bonus (i)	-	89,288,704
Employee participation in profit	27,000,000	-
Other provisions for risks and charges	224,307	-
Total	**77,040,585**	**209,492,531**

(i) The item "Provision for disputes related to salary increases" represents the preliminary effect of the disputes initiated by trade unions against the Company, Cernavodă NPP Trade Union and Energetica Nucleara '90 Free Trade Union, regarding the allowance for nuclear risk, representing a pay supplement. According to Civil Decision no. 63/27.02.2023 pronounced by the Constanta Court of Appeal in file no. 7036/118/2017, having as its object unpaid salary rights, representing the value of the increase in professional risk, the appeal filed by the plaintiffs was rejected as unfounded. The solution is definitive. Thus, the Group registered the value of the provision established for this file as income, in the amount of 34,987,828 RON.

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

(All amounts are expressed in RON, unless otherwise expressly provided for)

19. DEFERRED INCOME

As at 31 December 2022 and 31 December 2021, deferred income is as follows:

	31 December 2022 (audited)	31 December 2021 (audited)
Creditor customer	154,743,583	86,247,146
Grants of subsidy nature (i)	57,818,929	73,036,375
Governmental investment subsidies (ii)	5,918,917	-
Other deferred income	2,217,595	2,401,216
Total	**220,699,024**	**161,684,737**

(i) Grants of subsidy nature

As at 31 December 2022, the Company has grants coming from:

a) Subsidy amortized during the lifetime of Unit 1

The subsidies were granted in 2007 and consisted of writing off penalties and debts under loan agreements. The subsidies are recognized in the profit and loss statement as income for the period 2007 - 2026, over the period remaining to be depreciated for Unit 1. The value of the income from subsidies recognized in the Income Statement under "Other income" in 2022 amounts to RON 14,354,675 (2021: RON 14,354,155). The value of the subsidy at 31 December 2022 is in amount of RON 57,692,580 (31 December 2021: RON 72,037,242).

b) Grant agreement under the "Connecting Europe Facility" (CEF) - telecommunications sector, for the action "Cynergy - first ISAC for the Energy Sector in Romania", carried out through the European Health and Digital Executive Agency (HaDEA), in accordance with the rights delegated by the European Commission.

The action (Cynergy) aims to create a national information sharing and analysis center (ISAC) in the energy sector (electricity sub-sector) in Romania, which will serve the most prominent companies in this industry of the country, but taking into account a potential expansion to the South-Eastern Europe. The action will develop a robust and trusted sharing community that can easily provide useful knowledge and support to ISAC members when faced with cyber security threats.

The agreement is performed in the period 1 September 2021 – 30 August 2023. The maximum amount granted is EUR 445,024 and accounts for 75% of the eligible costs of the action. Before the date of these financial statements, the Company received the pre-financing of EUR 267,014. In 2022, project-related income or expenditure were booked in the amount of RON 872,785 (2021: RON 0 (zero)). The value of the subsidy at 31 December 2022 is in amount of RON 126,349 (31 December 2021: RON 99,133).

At the date of these financial statements, the Company does not report either any defaults of the conditions imposed for granting the subsidy, or any contingencies.

(ii) Governmental investment subsidies

The Company received from the US Trade and Development Agency (USTDA) a grant of USD 1.2 million in order to finance identification and assessment of a number of sites in Romania, including sites with existing coal-fired thermal plants that could be replaced by small modelling reactors. The study identified a number of potentially suitable sites, and eventually the site chosen for development of the first small modular reactor in Romania was that of Doicești, County of Dâmbovița.

The grants and governmental subsidies are recognized according to the provisions of IAS 20 "Accounting for government grants and disclosure of government assistance" (see Note 3(p)).

(All amounts are expressed in RON, unless otherwise expressly provided for)

20. CORPORATE INCOME TAX

Corporate tax recognized in profit and loss statement:

	2022 (audited)	2021 (audited)
Expense with current corporate tax	435,082,386	185,716,052
Net (income) from deferred tax	(6,832,608)	(17,873,134)
Total	**428,249,778**	**167,842,918**

Deferred tax assets and liabilities are measured on 31 December 2022 and 31 December 2021 at the standard tax rate of 16%, representing the currently adopted tax rate.

Reconciliation of the effective tax rate:

	2022 (audited)	2021 (audited)
Profit before corporate tax	**3,190,486,679**	**1,203,881,477**
Tax in accordance with the statutory tax rate of 16% (2021: 16%)	**510,477,869**	**192,621,036**
Effect on corporate tax of:		
Legal reserve	(25,550,521)	(9,633,414)
Tax amortization	(668,487)	(783,992)
Non-taxable income	(23,230,519)	(9,220,097)
Non-deductible costs	28,088,230	28,470,634
Gain from revaluation reserves	16,995,371	10,808,054
Temporary differences	(6,832,608)	(17,873,134)
Tax loss of subsidiaries carried forward	532,545	(44)
Other effects for tax purposes	-	47,235
Sponsorship	(6,776,395)	(7,221,810)
Reinvested profit	(11,009,228)	(3,221,916)
Corporate tax reduction according to the Government Emergency Ordinance no. 153/2020	(53,776,478)	(16,149,634)
Expense with corporate tax	**428,249,778**	**167,842,918**

The deferred tax consists of:

31 December 2022 (audited)	Assets	Liabilities	Net
Tangible non-current assets		141,888,769	141,888,769
Intangible non-current assets		1,045,028	1,045,028
Inventories	3,699,283		3,699,283
Trade receivables	(1,859,077)		(1,859,077)
Liabilities for employee benefits	(7,289,215)		(7,289,215)
Employee participation in profit	(4,320,000)		(4,320,000)
Provision for salary increases	(14,286,191)		(14,286,191)
Leaves not taken	(1,441,780)		(1,441,780)
Taxes and duties	(11,601,703)		(11,601,703)
Other provisions	(30,897)		(30,897)
Radioactive and non-radioactive waste	(10,357,991)		(10,357,991)
Net tax (asset)/liability	**(47,487,571)**	**142,933,797**	**95,446,226**

(All amounts are expressed in RON, unless otherwise expressly provided for)

20. CORPORATE INCOME TAX (CONTINUATION)

31 December 2021 (audited)	Assets	Liabilities	Net
Tangible non-current assets		162,161,766	162,161,766
Intangible non-current assets		1,250,695	1,250,695
Inventories	(651,876)		(651,876)
Trade receivables	(1,992,016)		(1,992,016)
Liabilities for employee benefits	(7,420,638)		(7,420,638)
Employee participation in profit	(3,200,000)		(3,200,000)
Provision for salary increases	(17,512,945)		(17,512,945)
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**

The table with the movements in the 2022 and 2021 deferred tax liabilities is as follows:

	Balance as at 31 December 2020 (audited)	Deferred tax recognized in profit and loss	Deferred tax recognized directly in other comprehensive income	Balance as at 31 December 2021 (audited)	Deferred tax recognized in profit and loss	Deferred tax recognized directly in other comprehensive income	Balance as at 31 December 2022 (audited)
Tangible non-current assets	120,113,342	(11,576,632)	53,637,822	162,161,766	(20,272,996)	10,928,240	141,888,769
Intangible non-current assets	1,362,970	(112,276)		1,250,695	(205,667)		1,045,028
Inventories	(881,818)	229,942		(651,876)	14,351,159		3,699,283
Trade receivables	(1,687,382)	(304,634)		(1,992,016)	132,939		(1,859,077)
Liabilities for employee benefits	(5,850,125)	(1,570,513)		(7,420,638)	131,424		(7,289,215)
Provision for salary increases	(15,553,480)	(1,959,465)		(17,512,945)	3,226,754		(14,286,191)
Employee participation in profit	(3,412,232)	212,232		(3,200,000)	(1,120,000)		(4,320,000)
Leaves not taken	(724,373)	(153,261)		(877,635)	(564,145)		(1,441,780)
Taxes and duties	(10,218,498)	(759,202)		(10,977,700)	(624,003)		(11,601,703)
Radioactive and non-radioactive waste	(16,621,492)	(1,839,866)		(18,461,358)	8,103,368		(10,357,991)
Other provisions	-	(39,458)		(39,458)	8,560		(30,897)
Net tax (asset)/liability	**66,526,912**	**(17,873,132)**	**53,637,822**	**102,278,835**	**(6,832,607)**	**10,928,240**	**95,446,226**

(All amounts are expressed in RON, unless otherwise expressly provided for)

21. LIABILITIES FOR EMPLOYEE BENEFITS

	31 December 2022 (audited)	31 December 2021 (audited)
Retirement benefits	25,011,151	21,173,561
Anniversary bonuses	11,878,616	12,491,451
Decease benefits	894,429	885,922
Retirement benefits in electricity	7,773,395	11,828,056
Total	**45,557,591**	**46,378,990**

As at 31 December 2022, the Company has the following obligations:

- to pay the retiring employees the retirement pension which varies between 2 and 3 base pays, depending on the number of years of service in the field of electricity, heat and nuclear energy;
- to pay the employees anniversary bonuses depending on the number of years of service in the field of electricity, heat and nuclear energy;
- to pay an aid to the employee's family, in case of their decease;
- to pay the retiring employees an energy benefit, representing the equivalent of the electricity quota of 1,200 KWh/year. The criterion for granting this benefit is 15 years of service in the energy field, of which at least the last 10 years with the Company. This benefit is granted starting from 1 April 2017.

The following **macroeconomic and Group-specific assumptions** were considered for application of IAS 19 "Employee Benefits" as at 31 December 2022 and 31 December 2021.

Measurement date	**31 December 2022**	**31 December 2021**
Number of employees	2,344	2,205
Salary increase rate	The management of the Company estimated an increase in line with the annual increase rate of consumer prices communicated by the National Prognosis Committee for 2022-2026. The weighted average rate of salary increases is 5.7% p.a. The inflation rate was estimated based on the statistics issued by INSSE and the BRD forecast of August 2022, as follows: 13.9% in 2022, 7.5% in 2023, 4.9% in 2024, 3.0% in 2015 and 2.5% p.a. in years 2026-2031, and will follow a downward trend in the following years. The average weighted inflation rate is 3.7% p.a.	The management of the Company estimated an increase in line with the annual increase rate of consumer prices communicated by the National Prognosis Committee for 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 Strategy and Prognosis Committee, as follows: 4.7% in 2022, 3.4% in 2023, 2.7% in 2024 and 2.5% p.a. in years 2025-2031, and will follow a downward trend in the following years.
Raise rate in kWh price	The kWh price as updated on 31 December 2022 was RON 1.2961. For years 2023-2030, the estimates provided by the Company and a similar trend for the following years were used. The weighted average rate of the kW price rise is 0.8% p.a.	The kWh price as updated on 31 December 2021 was RON 0.7567. For years 2022-2030, the estimates provided by the Company and a similar trend for the following years were used.
Weighted average discounting rate	7.8%	4.9%
Mortality tables	2018 Mortality Table of the Romanian population issued by the National Institute of Statistics.	2018 Mortality Table of the Romanian population issued by the National Institute of Statistics.
Gross average salary	10,895	9,337

(All amounts are expressed in RON, unless otherwise expressly provided for)

21. LIABILITIES FOR EMPLOYEE BENEFITS (CONTINUATION)

The above assumptions were taken into considering:

- bond yields on the active market at the end of December 2022. The residual times to maturity available were 1-10 years and 13-14 years. For the other time periods, the discount rate was estimated using the Smith-Wilson extrapolation method;
- estimated long-term inflation rate of 2.0% p.a. (31 December 2021: 2.0%);
- estimated long-term real yield on governmental bonds of 1.45% p.a. (31 December 2021: 1.6%);
- liquidity premium for Romania of 0% (31 December 2021: 0%);
- weighted average discounting rate of 7.8% (31 December 2021: 4.9%).

Sensitivity analysis

The significant actuarial assumptions considered for calculation of the employee benefit liability are: discounting rate, salary increase and retirement age.

Assumptions	**Retirement benefits**	**Aids for employee decease**	**Anniversary bonuses**	**Retirement benefits in electricity**	**Total liabilities with defined benefits**
PVDBO as at 31 December 2022 (RON)	**25,011,151**	**894,429**	**11,878,616**	**7,773,395**	**45,557,591**
Discounting rate +1%	23,771,840	840,859	11,204,837	6,825,570	42,643,105
Discounting rate -1%	26,379,315	954,298	12,627,262	8,926,409	48,887,284
Salary increase rate/kW price +1%	26,501,421	963,695	12,739,570	9,016,634	49,221,320
Salary increase rate/kW price -1%	23,648,485	832,279	11,100,479	6,747,378	42,328,622
Increase in longevity by 1 year	25,117,367	812,688	11,917,866	7,960,759	45,808,679

In the sensitivity analysis above, the updated amount of the benefit liability was calculated using the projected unit credit method, according to the provisions of IAS 19, at the end of the reporting period, which is the same as that applied for calculation of the benefit liabilities recognized in the statement of the financial position.

(All amounts are expressed in RON, unless otherwise expressly provided for)

22. INCOME FROM THE SALE OF ELECTRICITY

(i) Income from sales of electricity

	2022 (audited)	**2021 (audited)**
Sales of energy on the regulated market		65,878
Sales of energy on the free market	6,337,865,873	3,096,113,550
Sales of thermal energy	5,729,022	6,940,688
Income from the sale of green certificates	31,426	28,938
Total	**6,343,626,321**	**3,103,149,054**

(ii) Quantity of sold electricity*)

	2022 (audited)	**2021 (audited)**
Quantity of sold electricity on the regulated market (MWh)	-	361
Quantity of sold electricity on the free market (MWh)	10,513,090	10,890,654
Total	**10,513,090**	**10,891,015**

**) The amount of electricity sold does not include the amount of electricity related to income from positive imbalances recovered on the Balancing Market, of 40,798 MWh for the financial year ended on 31 December 2022 (33,702 MWh for the financial year ended on 31 December 2021).*

Starting from the year 2021, ANRE has not established any delivery obligations for producers on the regulated market. Agreements concluded on the regulated market for the 2nd semester of 2020 have delivery term expressed in CET hours; the last delivery hour in the year 2020 was the first hour of January 2021 (361 MWh, regulated price amounting to RON 182.63/MWh (amount net of T_g)).

On the free market, the Group sold 99.61% of the total energy sold in 2022 (2021: 99.69%), at an average sale price of RON 600.15/MWh (2021: 284.29 RON/MWh), amount net of Tg.

The mother Company is a participant in the Balancing Market according to the balancing market participation agreement concluded with C.N. Transelectrica S.A. and set up a Guarantee in amount of RON 50,000, valid until 11 June 2023 and is a member of PRE Ciga Energy SA, according to the agreement concluded with Ciga Energy S.A. for the provision of the representation service as a party responsible for balancing.

The mother company carries out the activity of generation of heat by operating the power facilities related to the electricity and heat generation units, in two heat exchangers with a total heat power of 40 Gcal/h and 46.51 MW. The mother Company delivers heat to the local heat distribution company, S.C. Utilitati Publice S.A. Cernavodă , as well as to certain end consumers in Cernavodă Locality– economic operators, social and cultural institutions. The sales of heat in 2022 amount to RON 5,729,022 (2021: RON 6,940,688).

(All amounts are expressed in RON, unless otherwise expressly provided for)

23. OTHER INCOME

	2022 (audited)	**2021 (audited)**
Income from investments subsidies	14,354,675	14,354,155
Income from operating subsidies	872,785	-
Income from compensation, fines and penalties	3,730,399	6,223,431
Net income from sale of assets held for sale	-	1,970,976
Income from restatement of provisions and value adjustments	74,987,912	-
Other income	73,654,081	64,705,906
Total	**167,599,852**	**87,254,468**

The subsidies for investments (long-term deferred income) were granted in 2007 and consisted of writing off penalties and debts under loan agreements. The subsidies are recognized in the profit and loss statement as income for the period 2007 - 2026, over the period remaining to be depreciated for Unit 1.

24. PERSONNEL COSTS

	2022 (audited)	**2021 (audited)**
Salaries and wages	512,324,635	408,796,463
Costs of social insurance and similar	48,797,446	35,527,818
Total personnel costs	**561,122,081**	**444,324,281**

The breakdown on categories of employees is as follows:

	2022 (audited)	**2021 (audited)**
Management staff	112	237
Operational staff	2,384	2,009
Total effective headcount	**2,496**	**2,246**

The average headcount of the Group in 2022 was 2,296 (2021: 2,021 employees).

(All amounts are expressed in RON, unless otherwise expressly provided for)

25. ADDITIONAL INCOME TAX EXPENSES / CONTRIBUTION TO THE ENERGY TRANSITION FUND

	2022 (audited)	2021 (audited)
Additional income tax expenses / Contribution to the Energy Transition Fund	1,085,014,040	-
Total	**1,085,014,040**	**-**

During 2022, the Group has booked additional income tax, i.e., contribution to the Energy Transition Fund, in the amount of RON 1,085,014,040 (31 December 2021: RON 0). On December 31, 2022, the balance of the debt regarding the contribution to the Energy Transition Fund is worth RON 73,259,726 (31 December 2021 RON: 0).

The additional income was established and calculated on the basis of art. II (1) of Law no. 259/2021 for the approval of GEO no. 118/2021, as subsequently amended and supplemented, and results from the difference between the average monthly selling price of electricity and the price of 450 RON/MWh. The tax rate applied to additional income realized is 80%. The calculation method is established by GEO no. 27/2022 (Annex 6) and applies, according to art. 4 of the GEO no. 27/2022 for the period 1 November 2021 - 31 August 2022.

According to GEO no. 119/01.09.2022 for amendment and supplement of GEO no. 27/2022, starting with 1 September 2022, for the period 1 September 2022 - 31 August 2023, electricity producers must pay a contribution to the Energy Transition Fund. The calculation method is provided for in Annex 6 of this ordinance and is determined as a difference between the monthly sale price and the reference price (RON 450/MWh) multiplied by the monthly quantity physically delivered.

Effective 16 December 2022, Law no. 357/2022 approving the Government Emergency Ordinance no. 119/01.09.2022, which set forth a number of amendments to the provisions of the Government Emergency Ordinance no. 119/2022 on the contribution to the Energy Transition Fund, came into effect. The application period has been extended until 31 March 2025, and the calculation methodology was amended so that the amount of the contribution would be further determined as the product between the difference between the monthly sale price and the amount of RON 450/MWh and the monthly quantity physically delivered from own production. During the time period when Law no. 357/2022 applies, the monthly expenditure included also the cost of unbalances.

(All amounts are expressed in RON, unless otherwise expressly provided for)

26. OTHER OPERATING EXPENDITURE

	2022 (audited)	**2021 (audited)**
Other expenses with services executed by third parties	94,340,155	90,869,487
NRWA costs	100,535,482	102,229,602
Expenses with energy and water	91,268,972	83,919,600
Expenses with fuel and other consumables	62,488,846	55,022,469
Expenditure related to ANRE contribution	3,121,500	3,120,333
Expenses with insurance premiums	13,559,207	12,263,163
Expenses with the transport and telecommunications	10,772,830	7,831,862
Expenses with building tax	71,957,968	67,980,477
Net expenses related to provisions and value adjustments	-	25,051,292
Other operating expenditure	51,209,505	47,163,188
Total	**499,254,465**	**495,451,473**

NRWA costs

Starting with 2007, following the Government Decision no. 1080/5 September 2007 regarding the safe management of radioactive waste and decommissioning of the nuclear plants, the Company is required to pay two types of contributions to NRWA:

- contribution for decommissioning each nuclear unit in amount of EUR 0.6/MWh net electricity produced 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 during the designed lifetime of nuclear units, and the direct annual contribution for the final storage is paid during the operating period of nuclear units, and, therefore, NRWA is held responsible for the management of the entire decommissioning process, at the end of the useful lifetime of nuclear plants and storage of the resulting waste.

Expenditure related to ANRE contribution

ANRE contribution for the year 2022 is calculated according to the Order ANRE no. 143/2021, representing 0.1% of the turnover realized in 2021, from activities carried out under the licenses held. As at 31 December 2022 the contribution amounts to RON 3,121,500 (31 December 2021: RON 3,120,333). For the year 2021, the contribution was calculated according to the Order of ANRE no. 223/09.12.2020, representing 0.1% of the turnover realized in 2020, from activities carried out under the licenses held.

Other operating expenditure

Position of "Other operating expenditure" includes expenses related to operating license paid to NCNAC Bucharest, in amount of RON 9,900,000 (31 December 2021: RON 9,900,000).

(All amounts are expressed in RON, unless otherwise expressly provided for)

27. FINANCIAL INCOME AND EXPENDITURE

	2022 (audited)	2021 (audited)
Interest income	218,931,212	52,267,012
Income from exchange rate differences	20,224,768	8,750,829
Dividend income	-	1,840
Financial income regarding the amortization of governmental bonds differences	70,929	23,523
Other financial income	9,623	2,896
Financial income - Total	**239,236,532**	**61,046,100**
Expenses from exchange rate differences	(24,347,675)	(25,821,391)
Interest expense	(7,451,711)	(10,590,459)
Financial expenses - Total	**(31,799,386)**	**(36,411,850)**
Financial income/(expenditure), net	**207,437,146**	**24,634,250**

(All amounts are expressed in RON, unless otherwise expressly provided for)

28. RELATED PARTY TRANSACTIONS

i) Transactions with State-owned companies

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

The Group has made significant transactions with other State-owned or controlled companies, including: sales of electricity (OPCOM SA, Societatea de Distributie a Energiei Electrice Muntenia Nord SA); purchases of electricity (S.P.E.E.H. Hidroelectrica SA); purchase of electricity transmission and balancing services (C.N. Transelectrica SA); purchase of natural uranium as UO2 sinterable powder (Compania Nationala a Uraniului S.A.); purchase of processing services for noncompliant materials containing natural uranium from the NFP Pitești Branch for recovery of uranium as UO2 sinterable powder (Compania Nationala a Uraniului S.A.); purchase of treatment services for the radioactive water resulting from production activities (Regia Autonoma Tehnologii pentru Energia Nucleara – Institutul de Cercetari Nucleare Pitești); and payment of contribution for the management of the decommissioning process of the two units and for the final disposal of nuclear waste at the end of the useful lifetime of the two units, as well as for the permanent disposal of the resulting residues (Nuclear and Radioactive Waste Agency - NRWA).

In the pursuit of its business, the Group identified the following transactions and balances with its main related parties:

	Sales		**Receivables as at**	
	2022 (audited)	**2021 (audited)**	**31 December 2022 (audited)**	**31 December 2021 (audited)**
the Romanian Electricity and Gas Market Operator (OPCOM S.A.)	1,332,533,729	689,505,394	1,478,997	1,038,664
Electrica Furnizare S.A.	560,894,954	489,370,866	40,721,750	40,923,394
Distributie Energiei Electrica Romania S.A.	299,140,052	23,550,323	52,166,030	2,377,268
C.N. Transelectrica S.A.	150,862,549	23,353,543	26,367,201	2,360,979
Utilitati Publice S.A. NPP Branch	6,018,958	7,173,715	5,724,145	4,293,192
Compania Nationala a Uraniului S.A.	-	-	6,564,582	6,984,740
Regia Autonoma Tehnologii pentru Energia Nucleara - CITON	75,535	-	-	-
Regia Autonoma Tehnologii pentru Energia Nucleara - ICN	2,395	-	-	-
National Commission for Nuclear Activities Control	**-**	**-**	-	**9,258**
Total	**2,349,528,173**	**1,232,953,841**	**133,022,704**	**57,987,494**

The balance of receivables as at 31 December 2022 and 31 December 2021, as presented above, does not include advance paid to suppliers or accrued expenses with related parties.

(All amounts are expressed in RON, unless otherwise expressly provided for)

28. RELATED PARTY TRANSACTIONS (CONTINUATION)

(i) Transactions with State-owned companies (continuation)

	Purchases		Liabilities as at	
	2022 (audited)	**2021 (audited)**	**31 December 2022 (audited)**	**31 December 2021 (audited)**
the Romanian Electricity and Gas Market Operator (OPCOM S.A.)	369,609,440	163,660,060	1,068,264	1,270,024
Compania Nationala a Uraniului S.A.	103,328,704	13,607,654	1,417,293	733,670
Nuclear and Radioactive Waste Agency	100,535,482	102,229,602	8,063,243	8,554,307
Apele Romane Bucharest	64,591,306	62,645,588	12,302,495	12,744,720
National Commission for Nuclear Activities Control	9,314,440	9,072,357	-	-
C.N. Transelectrica S.A.	22,960,763	13,516,752	5,610,805	1,470,551
Dobrogea Seaside Water Basin Administration	12,639,264	11,784,811	3,215,249	3,045,001
Regia Autonoma Tehnologii pentru Energia Nucleara - ICN	11,593,860	7,320,166	2,771,157	2,974,967
Raja S.A.	3,700,316	2,864,304	754,733	562,972
Regia Autonoma Tehnologii pentru Energia Nucleara - CITON	3,798,642	2,800,634	1,153,794	1,588,295
Romanian Energy Regulatory Authority	3,121,500	2,451,830	735,522	-
Compania Nationala Administratia Canalelor Navigabile S.A.	1,239,265	2,725,782	203,195	202,559
Total	**706,432,982**	**394,679,540**	**37,295,751**	**33,147,066**

The balance of intercompany payables as at 31 December 2022 and 31 December 2021, as presented above, does not include advance payments received from related customers.

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

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

28. RELATED PARTY TRANSACTIONS (CONTINUATION)

iii) Waging of the Group's management

The Group's management include:

- The members of the Board of Directors of the Company and the subsidiaries, who have mandate contracts concluded with the Company;
- Executives with mandate contract in the Group;
- Other executives of the Group who signed individual employment agreements, under the terms laid down in the collective bargaining agreements, as applicable.

Members of the Board of Directors, who have directorship (mandate) contracts concluded with the Group, and the remuneration of whom is approved by the General Meeting of Shareholders. Executives with mandate contracts are remunerated based on the contractual provisions, within the general limits approved by the GMS. Detailed information on the remuneration of the Company's directors and executives is included in the Annual Report of the Nomination and Remuneration Committee, set up under the Company's Board of Directors. The amounts shown are gross remunerations.

	2022 (audited)	**2021 (audited)**
Remuneration of the Group's management (gross amounts)	20,493,054	17,404,973
	20,493,054	**17,404,973**

29. MANAGEMENT OF SIGNIFICANT RISKS

The main risks 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 seeks to maximize the Group's profit against the level of risk it is exposed to, and to minimize any potential adverse variations on the Group's financial performance.

The Group has no formal agreements to hedge financial risks. Despite the fact that there are no formal hedge agreements, financial risks are strictly monitored by the management considering the financial needs of the Group in order to effectively manage risks and opportunities. The financial department regularly prepares forecasts of cash-flows in order to help the management make decisions.

a) Market risk

Market risk is defined as the risk of incurring a loss or not obtaining the expected profit, due to fluctuations of prices, interest rates and currency exchange rates.

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

(i) Price risk

The Group is exposed to the risk related to variation in the price of electricity traded on the competitive and spot (DAM+IDM) markets, as well as on the balancing market. To mitigate this risk, the Group trades most of the electricity generated on the competitive market, by concluding long-term bilateral contracts, with fixed prices and well-defined price formulas.

In 2022, the amount of electricity sold on the competitive market accounted for 89.15% (2021: 86.83%) of the total volume of electricity sold, and on the spot market (DAM+ IDM), an amount of electricity representing 10.46% was sold (2021: 12.9%); the difference was represented by positive imbalances of 0.39% (2021: 0.31%), and for the year 2021, an insignificant amount was sold on the regulated market 0.003%. The average sale price under bilateral contracts in 2022 was RON 531.36/MWh, Tg included (31 December 2021: RON 253.67/MWh, Tg included), and on the spot market (DAM+ IDM) the average price was RON 1,207.36/MWh, Tg included (31 December 2021: RON 490.67/MWh, Tg included). The regulated price of electricity sold on the regulated market in 2021 was RON 183.93/MWh, Tg included.

A positive variation of 10% in the price of electricity sold would lead to an increase in profit after taxes on 31 December 2022 by RON 636,078,327 (31 December 2021: RON 310,966,939), a negative variation of 10% having an equal net impact, but with the opposite sign.

(ii) Interest rate risk

The Group faces interest rate risk due to its exposure to unfavourable interest rate fluctuations. The change in the market interest rate has a direct influence on the income and expenditure related to the financial assets and liabilities bearing floating interest rates, as well as on the market value of those bearing fixed interest rates. As at 31 December 2022 and 31 December 2021, most of the Group's assets and liabilities 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 a maximum period of one year. However, the decrease in market yields could affect the measured amount of the assets held by the Company.

From the total financial liabilities of the Group, the only liabilities bearing floating interest are represented by long-term bank loans. For more information about the contractual maturity of the Company's interest-bearing financial assets and liabilities, see Note 29 (c) Liquidity Risk. The Group does not use derivative financial instruments to hedge against interest rate fluctuations. The impact on the Company's net profit of a ± 1.00% change in the interest rate related to interest-bearing assets and liabilities is ± RON 1,301,166 (31 December 2021: ± RON 2,981,918).

(All amounts are expressed in RON, unless otherwise expressly provided for)

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

a) Market risk (continuation)

(ii) Interest rate risk (continuation)

	Carrying amount (*)	
	31 December 2022 (audited)	**31 December 2021 (audited)**
Fixed-rate instruments		
Financial assets	4,256,179,161	2,455,446,266
	4,256,179,161	**2,455,446,266**
Floating-rate instruments		
Financial liabilities	130,116,620	298,191,838
	130,116,620	**298,191,838**

(*) Gross carrying amount, before deduction of the trading costs.

Sensitivity analysis of cash flows for floating interest rate instruments

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

	Profit or loss	
	+ 1.00% increase	**- 1.00% decrease**
31 December 2022		
Floating-rate instruments	(1,301,166)	1,301,166
Cash-flow sensitivity (net)	**(1,301,166)**	**1,301,166**
31 December 2021		
Floating-rate instruments	(2,981,918)	2,981,918
Cash-flow sensitivity (net)	**(2,981,918)**	**2,981,918**

(iii) Currency risk

The currency risk is the risk of incurring losses or not making the estimated profit due to unfavourable exchange rate fluctuations. The Group is exposed to exchange rate fluctuations, but it does not have a formal foreign exchange risk hedging policy. Most of the financial assets and liabilities of the Company are expressed in the national currency; the other currencies in which transactions are performed are EUR, CAD, USD and GBP.

The Group is exposed to currency risk fluctuations for cash and cash equivalents and its purchases and long-term loans in a currency other than the Group's functional currency. Long-term loans are denominated in foreign currency and are converted into RON, at the exchange rate on the balance-sheet date, as communicated by the National Bank of Romania. The resulting differences are included in the profit and loss statement, and do not affect the cash-flow until the time when the debt is paid-off.

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

a) Market risk (continuation)

(iii) Currency risk (continuation)

Financial assets and liabilities expressed in RON and in other currencies as at 31 December 2022 and 31 December 2021 are presented in the following tables.

	Carrying amount(*)	**RON**	**EUR**	**USD**	**CAD**	**GBP**	**CHF**
31 December 2022							
Financial assets							
Cash, cash equivalents and deposits	4,537,520,633	4,512,373,391	14,659,681	1,144,012	9,295,595	44,931	3,024
Government bonds	30,260,661	30,260,661	-	-	-	-	-
Trade receivables	438,540,316	438,139,642	57,494	317,251	25,433	496	-
Advance payments	20,994,911	20,994,911	-	-	-	-	-
Tangible non-current assets (pre-payments)	72,037,118	16,157,639	24,801,847	1,334,149	29,743,483	-	-
Gross exposure	**5,099,353,639**	**5,017,926,244**	**39,519,022**	**2,795,412**	**39,064,511**	**45,427**	**3,024**
Financial liabilities							
Suppliers and suppliers of non-current assets	(157,717,317)	(107,837,194)	(5,100,212)	(7,860,944)	(36,296,638)	622,329)	-
Loans	(130,116,620)		(130,116,620)		-		
Gross exposure	**(287,833,937)**	**(107,837,194)**	**(135,216,832)**	**(7,860,944)**	**(36,296,638)**	**622,329)**	**-**
Net exposure in the financial position statement (audited)	**4,811,519,702**	**4,910,089,050**	**(95,697,810)**	**(5,065,532)**	**2,767,873**	**576,902)**	**3,024**

(*) Gross carrying amount, before deduction of the trading costs.

	Carrying amount (*)	**RON**	**EUR**	**USD**	**CAD**	**GBP**	**CHF**
31 December 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
Government bonds	30,190,266	30,190,266	-	-	-	-	-
Trade receivables	220,486,125	220,283,284	10,936	43,022	142,903	5,980	-
Advance payments	20,525,633	20,525,633	-	-	-	-	-
Tangible non-current assets (pre-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							
Suppliers and suppliers 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 financial position statement (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, before deduction of the trading costs.

The following rates of exchange were applied:

	Average rate		**Exchange rate as at**	
	2022	**2021**	**31 December 2022**	**31 December 2021**
RON/EUR	4.9315	4.9204	4.9474	4.9481
RON/USD	4.6885	4.1604	4.6346	4.3707
RON/CAD	3.6020	3.3192	3.4232	3.4344
RON/GBP	5.7867	5.7233	5.5878	5.8994
RON/CHF	4.9096	4.5516	5.0289	4.7884

(All amounts are expressed in RON, unless otherwise expressly provided for)

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

a) **Market risk (continuation)**

(iii) Currency risk (continuation)

Sensitivity analysis

A 10% appreciation of the national currency compared to the following foreign currencies on 31 December 2022 and on 31 December 2021 would have increased the gross profit by the amounts indicated below. This analysis assumes that all other variables remain constant.

	2022 profit (audited)	**2021 profit (audited)**
EUR	9,569,781	24,054,709
USD	506,553	(1,118,546)
CAD	(276,787)	4,970,293
GBP	57,690	(6,334)
CHF	(302)	(107)
Total	**9,856,935**	**27,900,015**

A 10% depreciation in the national currency against the following foreign currencies on 31 December 2022 and on 31 December 2021 would have had a similar, but opposite effect, on the above amounts, assuming that all other variables remained constant.

	Loss 2022 (audited)	**Loss 2021 (audited)**
EUR	(9,569,781)	(24,054,709)
USD	(506,553)	1,118,546
CAD	276,787	(4,970,293)
GBP	(57,690)	6,334
CHF	302	107
Total	**(9,856,935)**	**27,900,015**

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

b) Credit risk

Credit risk is the risk of incurring losses or not realizing the estimated profits due to the counterparty not fulfilling their financial obligations. The Group is exposed to credit risk as a result of the investments measured at amortized cost, cash and cash equivalents and trade receivables.

(i) Risk Management

Credit risk is managed at Group level.

In order to manage the counterparty risk, investment of the available funds is only done with banking institutions with a minimum rating of BB-, Fitch equivalent. Exposure limits for banks that do not have a public rating are set at a maximum of 3% per bank of total assets, but no more than 7% of total assets accumulated for all banks that do not have a public rating. The medium-term objective is to ensure an adequate spread so that the net exposure to a financial institution does not exceed 8% (percentage calculated by reference to the net investments in a financial institution, out of total assets).

Electricity sale/purchase contracts are concluded in compliance with the electricity and gas law no. 123/2012, the agreements for participation in the centralized electricity markets managed by OPCOM and BRM and ratified by SNN, as well as the procedures associated thereto. The amount of receivables, net of adjustments for impairment, represents the maximum amount exposed to credit risk.

As at 31 December 2022, the Group is exposed to a moderate credit risk, considering that approximately 22% of its trade receivables are against Distributie Energie Electrica Romania SA and Enel Energie SA (see Note 11). Counterparty risk is limited considering the guarantees obtained from clients in the form of letters of bank guarantee.

The Group's investments in debt instruments are considered to be low-risk investments. Credit ratings of investments are monitored for credit deterioration.

(ii) Collaterals

For commercial receivables from the sale of electricity, the Group obtains guarantees in the form of letters of bank guarantee, which can be executed if the partner is default of the contractual term.

(iii) Adjustments for impairment

The Group holds the following financial assets that are subject to the "expected credit losses" model:

- Trade receivables coming from the sale of electricity; and
- Financial assets measured at amortized cost

Although cash and cash equivalents are subject to impairment testing according to IFRS 9, the expected credit losses for these assets are insignificant.

(All amounts are expressed in RON, unless otherwise expressly provided for)

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

b) Credit risk (continuation)

Cash and cash equivalents

Cash and deposits are placed with different financial institutions (banks), with the aim of reducing the counterparty risk, by limiting the exposure to a single financial institution. The main financial institutions where these financial assets are placed are the following:

	31 December 2022 (audited)	31 December 2021 (audited)
Banca Romaneasca S.A.	769,977,778	210,000,184
CEC Bank S.A.	769,741,439	541,378,778
EximBank S.A.	612,900,592	532,423,743
Alpha Bank S.A.	477,433,699	405,721,034
Unicredit Bank S.A.	432,846,773	280,007,483
Garanti Bank S.A.	384,294,877	246,324,137
Banca Comerciala Romana S.A.	345,120,788	128,819,523
Vista Bank S.A.	284,622,936	210,001,170
Banca Transilvania S.A.	280,057,693	645
BRD Societe Generale S.A.	178,286,910	115,666,064
Treasury of City of Bucharest	1,436,612	1,436,611
Citi Bank Romania	7,102	7,372
Other	793,434	358,411
Total cash, bank deposits and financial non-current assets	**4,537,520,633**	**2,672,145,157**

The maximum credit risk exposure on the reporting date was:

	Net amount	
	31 December 2022 (audited)	**31 December 2021 (audited)**
Financial assets		
Trade receivables	438,540,316	220,486,125
Bank deposits	1,829,796,500	1,328,973,000
Cash and cash equivalents	2,707,724,133	1,343,172,157
Other financial assets measured at amortized cost	142,158,865	85,068,328
Government bonds	30,260,661	30,190,266
	5,148,480,475	**3,007,889,876**

(All amounts are expressed in RON, unless otherwise expressly provided for)

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

b) Credit risk (continuation)

Trade receivables

The Group applies the simplified method of measuring expected credit losses, as provided under IFRS 9, for the measurement of trade receivables. IFRS 9 allows entities to apply a "simplified approach" to trade receivables, contractual assets and lease receivables. The simplified approach allows entities to recognize expected losses over the lifetime of all these assets without having to identify significant increases in credit risk.

In order to measure the expected credit losses, trade receivables were grouped based on the common characteristics of the credit risk and the days of delay. Expected loss rates are based on customer payment profiles over a 1-year period, analysed at 30-day intervals and historical losses. Historical loss rates are adjusted to reflect the current and prospective information on the macroeconomic factors that affect the customers' ability to pay.

Based on these ratios, the expected credit losses on 31 December 2022 and on 31 December 2021 were determined for trade receivables and other receivables, as follows:

The age of **trade receivables** on the reporting date was as follows:

	Gross amount 31 December 2022 (audited)	**Value adjustments as at 31 December 2022 (audited)**	**Gross amount 31 December 2021 (audited)**	**Value adjustments as at 31 December 2021 (audited)**
Not yet due	435,105,477	-	217,460,806	-
Overdue between 1-30 days	34,571	-	1,071,652	-
Overdue between 31-90 days	161,834	-	564,447	-
Overdue between 91-180 days	203,537	-	288,433	-
Overdue between 181-270 days	2,273,571	-	1,100,787	-
Overdue between 271-365 days	761,327	-	-	-
More than one year	12,001,436	(12,001,436)	12,822,025	(12,822,025)
Total	**450,541,753**	**(12,001,436)**	**233,308,150**	**(12,822,025)**

The age of **other receivables**, including the recoverable VAT, on the reporting date was as follows:

	Gross amount 31 December 2022 (audited)	**Value adjustments as at 31 December 2022 (audited)**	**Gross amount 31 December 2021 (audited)**	**Value adjustments as at 31 December 2021 (audited)**
Not yet due	139,295,947	-	85,004,949	-
Overdue between 1-30 days	1,714	-	184	-
Overdue between 31-90 days	937,575	-	63,195	-
Overdue between 91-180 days	26,113	-	-	-
Overdue between 181-270 days	-	-	-	-
Overdue between 271-365 days	13,773	-	-	-
More than one year	3,050,103	(3,050,103)	596,559	(596,559)
Total	**143,325,224**	**(3,050,103)**	**85,664,888**	**(596,559)**

(All amounts are expressed in RON, unless otherwise expressly provided for)

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

b) Credit risk (continuation)

The developments in **adjustment for impairment of trade receivables** are as follows:

	31 December 2022 (audited)	31 December 2021 (audited)
Balance at the beginning of the year	**(12,822,025)**	**(10,101,875)**
Recognized impairment adjustments, net of restatements, recognized in the consolidated statement of profit or loss	820,589	2,720,150
Balance at the end of the year	**(12,001,436)**	**(12,822,025)**

Trade receivables are derecognized when there is no longer a reasonable expectation of recovery. The ratios according to which there is no reasonable expectation of recovery include, among others, a debtor's inability to commit to a repayment plan and the inability to make payments for longer than 270 days. Impairment losses of trade receivables and contractual assets are presented as net impairment losses under the operating profit. Subsequent recoveries of previously cancelled amounts are credited to the same heading as the Statement of Profit or Loss.

c) Liquidity risk

Liquidity risk represents the risk of incurring losses or not realizing the estimated profits, which results from the impossibility of making short-term payment obligations at any time, without this involving excessive costs or losses that cannot be borne by the Group.

A prudent liquidity risk management policy implies maintaining a sufficient level of cash and cash equivalents and the availability of financing through appropriate contracted credit facilities. Considering the dynamic nature of its business, the Group strives to maintain financing flexibility by having access to various financing sources.

(All amounts are expressed in RON, unless otherwise expressly provided for)

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

c) Liquidity risk (continuation)

The structure of the assets and liabilities was analysed based on the remaining period from the date of the financial position until the contractual maturity date, both for the period ended on 31 December 2022, and for the financial year ended on 31 December 2021, as follows:

	Carrying amount 31 December 2022 (audited)	Contract amount	< 1 year	> 1 year	Carrying amount 31 December 2021 (audited)
Financial assets					
Cash and current accounts	2,707,724,133	2,707,724,133	2,707,724,133	-	1,343,172,157
Deposits with banks	1,829,796,500	1,829,796,500	1,829,796,500	-	1,328,973,000
Trade receivables	438,540,316	438,540,316	438,540,316	-	220,486,125
Financial assets measured at amortized cost	35,567,692	35,567,692	-	35,567,692	35,496,297
Other financial assets measured at amortized cost	142,158,865	142,158,865	142,158,865	-	85,068,328
Total financial assets	**5,153,787,506**	**5,153,787,506**	**5,118,219,814**	**35,567,692**	**3,013,195,907**
Financial liabilities					
Loans	130,336,373	130,336,373	65,525,433	64,810,940	298,261,569
Trade payables	448,160,020	448,160,020	448,160,020		286,476,663
Liabilities under leasing agreements	15,565,524	15,565,524	2,734,403	12,831,121	1,174,611
Other financial liabilities	220,699,024	220,699,024	157,087,526	63,611,498	161,684,737
Total financial liabilities	**814,760,941**	**814,760,941**	**673,507,382**	**141,253,559**	**747,597,580**
Excess liquidity	**4,339,026,565**	**4,339,026,565**	**4,444,712,432**	**(105,685,867)**	**2,265,598,327**

*) The Group's liquidity is not affected either in the long run due to the fact that it holds liquid assets significantly higher than its long-term liabilities, classified according to the liquidity terms in the short-term category (cash and current accounts).

d) Taxation risk

The Romanian tax legislation provides detailed and complex rules that underwent repeated in recent years. The interpretation of the text and the practical procedures implementing the tax legislation could vary, a d there is a risk that certain transactions are be interpreted by the tax authorities differently than the Group's treatment.

From the point of view of the corporate tax, there is a risk that tax authorities give a different interpretation to the applied tax rules determined under the Accounting Regulations compliant with IFRS.

The Government of Romania has a number of agencies authorized to audit (inspect) the companies operating in the territory of Romania. These inspections are similar to the tax audits undertaken in other countries, and may cover more than just tax issues, meaning legal and regulatory matters of interest for these agencies. It is possible that the Group is subject to tax inspections as new tax regulations are issued.

(All amounts are expressed in RON, unless otherwise expressly provided for)

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

e) Operational risk

Operational risk is defined as the risk of incurring losses or not realizing the estimated profits due to internal factors, such as improper performance of internal activities, inadequate personnel or systems, or to external factors, such as economic conditions, changes on the capital market, technological progress. Operational risk is inherent in all the Group's activities.

Operational risk relates to the Group's ability to secure the amounts of electricity assumed under contracts on the regulated and competitive market, taking into account both the scheduled and unscheduled shutdowns of Units 1 and 2. The means of managing these risks imply assessment, maintenance and continuous upgrading of the Company's systems, as well as a good planning and performance of preventive and corrective maintenance activities to control the nuclear risks, as well as to reduce the number of unscheduled downtime hours.

The policies defined for operational risk management took into account each type of event that can generate significant risks and how these manifest, in order to remove or reduce losses of a financial or reputational nature.

f) Regulatory risk

Regulatory risk is the risk of financial losses, including fines and penalties, resulting from non-compliance with the laws and regulations due to potential amendments of the legislative framework. These may refer to the local and central authorities or the energy regulatory authority (ANRE) imposing new contractual provisions or tax changes. This risk is limited by the continuous monitoring and assessment of the impact of the legislative framework amendments on the Company.

g) Capital adequacy

The management's policy on capital adequacy focuses on maintaining a solid capital base, in order to support the continuous development of the Group and attainment of its investment objectives.

Risk Management

The Group's capital management objectives are:
- to protect its ability to continue to pursue its business, so that it can continue to provide shareholders with profit and the other stakeholders with benefits, and
- to maintain an optimal capital structure so as to reduce the cost of capital.

To maintain or adjust the capital structure, the Group can adjust the amount of the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce liabilities.

In line with other industries, the Group monitors the capital based on the following ratio:
Net leverage = net liabilities/equity (as presented in the Statement of the Financial Position, including the non-controlling interests)

	31 December 2022 (audited)	31 December 2021 (audited)
Net debt	(4,421,879,397)	(2,402,899,243)
Equity	10,532,542,520	8,364,682,919
Net debt/Equity	**(0.4x)**	**(0.3x)**

As at 31 December 2022, a negative net debt of RON 4.42 million was booked by the Group (31 December 2021: RON 2.4 million). The net leverage ratio being (0.4x).

(All amounts are expressed in RON, unless otherwise expressly provided for)

29. MANAGEMENT OF SIGNIFICANT RISKS (CONTINUATION)

g) Capital adequacy (continuation)

Net debt

The net debt includes the total of credits and financial liabilities, less cash and cash equivalents and liquid assets. Liquid assets are financial assets with an initial maturity of more than three years, that are easily convertible into cash and are managed according to a liquidity-focused policy. In this category, the Group recognized financial assets measured at amortized cost of the nature of governmental bonds.

	31 December 2022 (audited)	**31 December 2021 (audited)**
Cash and cash equivalents	(2,707,724,133)	(1,343,172,157)
Bank deposits	(1,829,796,500)	(1,328,973,000)
Financial assets measured at amortized cost in the form of governmental bonds	(30,260,661)	(30,190,266)
Bank loans	130,336,373	298,261,569
Liabilities under leasing agreements	15,565,524	1,174,611
Net debt	**(4,421,879,397)**	**(2,402,899,243)**

Loan agreements

In accordance with the terms of the loan facility granted by EURATOM, the Group must comply with the following financial clauses:

- the debt service coverage index must be at least 1.5;
- the leverage must not exceed 2;
- the income booked by the Company must be sufficient to cover the operating and maintenance costs of Units 1 and 2, as well as for the interest payments in relation to Units 1 and 2.

As at 31 December 2022 and 31 December 2021, the financial ratios requested by EURATOM are met.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

(i) Taxation

The taxation system in Romania is undergoing a stage of consolidation and harmonization with the European laws. Nevertheless, there are no different interpretations of the tax laws. In certain cases, tax authorities may deal with certain issues differently, proceeding to the calculation of some taxes and additional duties and of the related default interest and delay penalties. In Romania, the financial year remains open for tax verification for a 5-year period. The Group's management considers that the tax liabilities include din such financial statements are adequate and it is not aware of certain circumstances likely to determine possible significant liabilities in this respect.

(ii) Other controls

By letter no. 10136/30.08.2021, the Romanian Court of Accounts informed that during the period 6 September 2021- 17 December 2021 would perform the Verification of the statement, evolution and manner of administration of the State public and private assets, as well as the lawfulness of obtaining revenues and making expenses.

As at 17 December 2021, it was executed the Verification Report regarding the "Verification of the statement, evolution and manner of administration of the State public and private assets, as well as the lawfulness of obtaining revenues and making expenses", registered with the company under no. 14343/17.12.2021. Under the Verification Report, CCR issued Decision no. 1/20.01.2022 by which 5 actions were established, the achievement deadline of which was 31 August 2022. Company filed Appeal no. 1683/10.02.2022 against such Decision, respectively against action no. 1. By this Appeal, the Company requests the annulment of the infringement and of action no. 1 regarding "Non-compliance with the legal provisions regarding the recovery of damages established by the courts of law, for which payments had been made in amount of RON 142,699". The Appeal is under examination by CCR. Regarding the other actions, an internal analysis has been ordered, which is in progress.

During the period 13.07 - 19.07. 2022, the follow-up engagement of the Romanian Court of Accounts was performed for the purpose of checking implementation of the measures recommended under the Decision no. 1/20.01.2022. Based on the joint effort of the teams involved in the settlement of actions ordered by the Court of Accounts, the Company managed to successfully complete the process of closure of most of the actions ordered by CCR, even if their implementation deadline was 31 August 2022, respectively 2 actions which remained uncompleted beyond the control of SNN and which would be settled.

In accordance with the Half-Yearly Activity Plan for the period January – June 2022, Antifraud, Integrity and Inspection Directorate within the Ministry of Energy, performed an inspection within the Company in the first week of June, for the purpose of checking the manner of employment / promotion of staff, conclusion and performance of consultancy agreements, the manner in which the purchase activity was carried on; the comparative analysis of the economic and financial results, any other relevant issues for such inspection. The official result of the inspection has not been communicated yet to the Company's representatives. Nevertheless, there were no doubts about breach of laws or important findings of the inspection team.

As at 21 November 2022, an ANAF - DGAF team appeared to "Check calculation of the contribution to the Energy Transition Fund". The inspection concluded with the Report dated 21 November 2022 which documented that "Along with the amendments and supplements to the Government Emergency Ordinance no. 119/2022, it is noted that changes were also made to the expenditure considered in calculation of the net monthly revenue, as follows: the monthly expenditure include *cost of acquiring electricity for transactions with physical delivery, including on the balancing market, and the cost of the CO2 allowances. The actual production costs for obtaining one MWh of electricity are not included.* Taking into account the above, the Company should proceed to rectifying the Declaration 100 for September 2022, by declaring and paying to the State budget the difference of RON 2,392,280." We point out that the Company implemented this recommendation.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUATION)

(iii) Insurance policies

As at 31 September 2022, the following operational insurance policies were valid:

- The property insurance policy for material damages, all risks, including mechanical and electrical destruction (for Units 1 and 2 Cernavodă NPP and NFP Pitești). The insurance premium is USD 1,817,937 for the entire year for all damages. The insured sum is USD 1,560 million in aggregate, of which (i) USD 360 million - property related to Unit 1 of Cernavodă NPP and NFP Pitești, (ii) USD 300 million - property related to Unit 2 of Cernavodă NPP, (iii) two additional excess layers of USD 200 million each for [i] and [ii] above, and (iv) USD 500 million – an joint excess layer. Deductible: USD 10 million.
- Civil liability policy to third parties for nuclear damages. The insurance premium is USD 1,038,132 (for Units 1 and 2 of Cernavodă NPP). The insured amount is SDR 300 million.
- The third-party/professional liability insurance policy for SNN's directors and executives. The insurance premium is EUR 169,900. The liability limit is EUR 24 million.

(iv) Environmental matters

The Group did not register any liabilities as at 31 December 2022 and 31 December 2021 for any anticipated costs regarding the environmental issues, including legal and consultancy fees, land surveys, design and application of the rehabilitation plans. The liability for the decommissioning and cleaning of nuclear plants was taken over by NRWA (see Notes 5 and 26). Management considers that the plant fully complies with the Romanian and international environmental standards and it is estimated that any additional costs related to the observance of environmental laws as at 31 December 2022 are not significant. Moreover, the Group is insured against the risk of nuclear accidents, up to the amount of SDR 300 million, as described at paragraph (iii) above.

Nevertheless, the enforcement of the environmental regulations in Romania is progressing and their application by governmental authorities is continuously changing. The Group assesses the obligations incumbent on it pursuant to the environmental regulations on a periodical basis. Obligations determined are immediately recognized. Potential liabilities, likely to arise as a result of the amendments of the existing regulations, civil or legislation litigations, cannot be estimated, however, they could be significant. In the context of the applicable laws, the management considers that there are no significant liabilities for damages caused to environment.

(v) Litigations in progress

In 2022, the Group is involved in a number of legal proceedings pertaining to its normal course of business. The management examines the situation of litigations in progress on a regular basis, and following consultation with its legal advisors or lawyers, decides the need for setting up certain provisions for the amounts involved or their presentation in the financial statements.

In the Group's management opinion, there are no current court proceedings or claims likely to have any significant impact on the financial result and financial position of the Group, which have not been disclosed in these financial statements.

(vi) Commitments

As at 31 September 2022, the total amount of commitments was fully reflected under "*Trade and other payables*", representing capital and operating expenditure.

(All amounts are expressed in RON, unless otherwise expressly provided for)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUATION)

(vii) Collaterals

Trade of electricity produced on the platforms managed by OPCOM, supposes that for certain transactions, the Company should provide bank guarantee letters for participation in certain markets such as DAM (Day-Ahead Market) and IDM (Intra-Day Market), bids (PCSU – Centralized Market for Universal Service, PC-OTC – Centralized Market with double continuous negotiation of bilateral electricity agreements) or in favour of the clients (PCCB-NC – Centralized Market of Bilateral Agreements with Continuous Negotiation, PCCB-LE – Centralized Market of Bilateral Agreements by Wide Bid, PCCB-Le-flex LE – Centralized Market of Bilateral Agreements by Wide Bid and the use of products ensuring flexibility of trading and PCSU – Centralized Market for Universal Service).

As at 31 December 2022, the total value of the bank guarantee letters issued in favour of clients for the agreements concluded on PCCB-NC, PCCB-LE and PC-OTC amounted to RON 5.9 million, and in favour of OPCOM, for the participation in DAM and IDM, in amount of RON 115.1 million.

Moreover, as at 31 December 2022, the Company issued up letters of bank guarantee in favour of Transelectrica S.A. (of RON 50,000), for the purpose of ensuring the liquidity on the Balancing Market, by each Party Responsible for Balancing setting up a financial guarantee in favour of Transelectrica S.A., on account of the Agreement of Party Responsible for Balancing concluded between the Company as a license holder, and Transelectrica S.A. For all such bank guarantee letters, the Company set up collateral deposits with banks issuing guarantee letters.

As at 31 December 2022 the Company had set up with the Treasury, a deposit in amount of RON 1,436,176, representing the establishment of precautionary measures according to NAFA (National Agency for Fiscal Administration) Decision – General Directorate for Fiscal Antifraud.

As at 31 December 2022, the total amount of the letters of bank guarantee issued by customers in favour of the Company for the contracts concluded on PCCB-NC, PCCB-LE and PC-OTC was RON 1.206 million. Such guarantees cover the risk for non-performance of the contractual obligations assumed by clients under the electricity sales agreements.

31. FEES

As at 16 June 2020, the Group concluded a financial audit, limited review and services for carrying out agreed procedures agreement with Mazars Romania SRL, for a term of 36 months. The total fees (without the VAT) for the 2022 financial year, charged for the total of services of limited review of the financial statements as at 30 June 2022, auditing of the financial statements as at 31 December 2022 and other services for carrying out agreed procedures (review for agreed procedures) in 2022, is RON 175,950 (31 December 2021: RON 169,960).

32. BALANCE-SHEET SUBSEQUENT EVENTS

Changes in the management of the Company - CFO

Under the Current Report published on 13 February 2023, the Company informed its shareholders and investors on the decision of the Board of Directors dated 13 February 2023 to appoint Mr. Dan Niculaie-Faranga as provisional Chief Financial Officer, for a 4-month term of office effective 14 February 2023, with the possibility of renewal, for good reasons, up to a maximum of 6 months.

Date: 17 March 2023

Cosmin Ghita	**Dan Niculaie-Faranga**
CEO	**CFO**