



S.N. Nuclearelectrica S.A.

**Individual Financial Statements
as at and for the financial year ended
31 December 2023**

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

S.N. Nuclearelectrica S.A.

Individual Financial Statements as at and for the financial year ended 31 December 2023

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This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails

S.N. Nuclearelectrica S.A.

Individual Statement of Financial Position as at 31 December 2023

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

| | Note | 31 December 2023 (audited) | 31 December 2022 (audited) |
|---|------|-------------------------------|-------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Tangible assets | 5 | 6,538,385,782 | 5,737,295,053 |
| Assets representing rights to use underlying assets within a leasing contract | 6 | 18,601,084 | 15,565,831 |
| Intangible assets | 7 | 50,389,398 | 50,773,837 |
| Financial assets measured at amortized cost | 8 | 634,918,901 | 41,262,942 |
| Financial investments in subsidiaries | 9 | 239,438,503 | 199,438,505 |
| Investments in associated entities | 10 | 19,943,000 | 4,943,000 |
| Total non-current assets | | 7,501,676,668 | 6,049,279,168 |
| Current assets | | | |
| Inventories | 11 | 1,067,736,531 | 653,199,691 |
| Trade receivables | 12 | 624,305,513 | 438,539,974 |
| Other financial assets measured at amortized cost | 13 | 327,446,936 | 140,954,592 |
| Bank deposits | 14 | 112,257,027 | 1,829,796,500 |
| Cash and cash equivalents | 14 | 3,529,334,516 | 2,681,002,427 |
| Total current assets | | 5,661,080,523 | 5,743,493,184 |
| Total assets | | 13,162,757,191 | 11,792,772,352 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital, of which: | | 3,211,941,683 | 3,211,941,683 |
| <i>Share capital subscribed and paid up</i> | | 3,016,438,940 | 3,016,438,940 |
| <i>Inflation adjustments of the share capital</i> | | 195,502,743 | 195,502,743 |
| Share premium | | 31,474,149 | 31,474,149 |
| Reserve paid in advance | | 21,553,537 | 21,553,537 |
| Revaluation reserve | | 336,996,786 | 394,369,643 |
| Retained earnings | | 8,153,125,015 | 6,876,165,858 |
| Total equity | 15 | 11,755,091,170 | 10,535,504,870 |
| Liabilities | | | |
| Long-term liabilities | | | |
| Long-term loans | 17 | - | 64,810,940 |
| Provisions for risks and charges | 18 | 204,807,400 | 174,504,703 |
| Long-term deferred income | 19 | 35,684,350 | 63,611,498 |
| Deferred tax liability | 20 | 63,058,097 | 95,446,226 |
| Liabilities for employee benefits | 21 | 48,088,311 | 45,557,591 |
| Liabilities within long-term leasing agreements | 6 | 15,605,108 | 12,831,121 |
| Total long-term liabilities | | 367,243,266 | 456,762,079 |
| Current liabilities | | | |
| Trade and other payables | 22 | 818,115,509 | 445,315,659 |
| Current part of provisions for risks and charges | 18 | 119,867,937 | 77,040,585 |
| Current part of the long-term loans | 17 | 65,640,599 | 65,525,433 |
| Corporate income tax debt | 20 | 16,787,246 | 52,801,797 |
| Short-term deferred income | 19 | 15,844,172 | 157,087,526 |
| Liabilities within short-term leasing agreements | 6 | 4,167,292 | 2,734,403 |
| Total current liabilities | | 1,040,422,755 | 800,505,403 |
| Total liabilities | | 1,407,666,021 | 1,257,267,482 |
| Total equity and liabilities | | 13,162,757,191 | 11,792,772,352 |

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S.N. Nuclearelectrica S.A.

Individual Statement of Profit or Loss for the financial year ended 31 December 2023

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

| | Note | <u>2023</u> <u>(audited)</u> | <u>2022</u> <u>(audited)</u> |
|--|-----------|------------------------------------|------------------------------------|
| Income | | | |
| Income from the sale of electricity | | 7,424,043,981 | 6,343,639,700 |
| Income from the transport of electricity | | 37,404,747 | 22,902,955 |
| | 23 | <u>7,461,448,728</u> | <u>6,366,542,655</u> |
| Other income | 24 | 125,463,306 | 167,467,707 |
| Operating expenses | | | |
| Depreciation and impairment | | (631,370,031) | (605,405,084) |
| Payroll costs | 25 | (739,227,444) | (555,235,871) |
| Cost of electricity purchased | | (121,451,959) | (513,740,391) |
| Repairs and maintenance | | (92,776,164) | (86,468,972) |
| Expenses with the transmission of electricity | | (37,404,747) | (22,902,955) |
| Expenses with spare parts | | (22,541,706) | (25,907,604) |
| Costs of nuclear fuel | | (155,524,489) | (151,211,177) |
| Contribution to the Energy Transition Fund/ Tax on additional income | 26 | (2,623,619,387) | (1,085,014,040) |
| Other operating expenses | 27 | (681,791,567) | (502,116,398) |
| Operating expenses - Total | | <u>(5,105,707,494)</u> | <u>(3,548,002,492)</u> |
| Operating profit | | <u>2,481,204,540</u> | <u>2,986,007,870</u> |
| Financial expenses | | (34,774,186) | (31,687,334) |
| Financial income | | 413,702,228 | 238,176,375 |
| Net financial result | 28 | <u>378,928,042</u> | <u>206,489,041</u> |
| Profit before corporate tax | | <u>2,860,132,582</u> | <u>3,192,496,911</u> |
| Net corporate income tax expenses | 20 | (353,613,750) | (428,073,459) |
| Profit of the period | | <u><u>2,506,518,832</u></u> | <u><u>2,764,423,452</u></u> |

The Individual Financial Statements presented from page 1 to 86 were signed on 20 March 2024 by:

Cosmin Ghita
Chief Executive Officer

Dan Niculaie-Faranga
Chief Financial Officer

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S.N. Nuclearelectrica S.A.

Individual Statement of Comprehensive Income for the financial year ended 31 December 2023

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

| | Note | <u>2023</u> <u>(audited)</u> | <u>2022</u> <u>(audited)</u> |
|--|-----------|---------------------------------|---------------------------------|
| Profit of the period | | <u>2,506,518,832</u> | <u>2,764,423,452</u> |
| Other items of comprehensive result | | | |
| Items that cannot be reclassified to profit or loss | | | |
| Net gain on revaluation of buildings and land | | - | - |
| Deferred tax liability relating to the revaluation reserve | | - | - |
| Actuarial (losses) related to the defined benefit plans | | (3,716,876) | 1,745,457 |
| Retained earnings from other adjustments | | - | - |
| Other elements of comprehensive result | | <u>(3,716,876)</u> | <u>1,745,457</u> |
| Total comprehensive result related to the period | | <u>2,502,801,956</u> | <u>2,766,168,909</u> |
| Earnings per share | 16 | | |
| Earnings per share (RON/share) | | 8.31 | 9.16 |
| Diluted earnings per share (RON/share) | | 8.31 | 9.16 |

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S.N. Nuclearelectrica S.A.

Individual Statement of Changes in Equity for the financial year ended 31 December 2023

(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 |
|---|----------------------|--|-------------------|-------------------------|---------------------|----------------------|-----------------------|
| | 3,016,438,940 | 195,502,743 | 31,474,149 | 21,553,537 | 394,369,643 | 6,876,165,858 | 10,535,504,870 |
| Balance as at 1 January 2023 (audited) | | | | | | | |
| Comprehensive result | | | | | | | |
| <i>Profit of the financial year</i> | - | - | - | - | - | 2,506,518,832 | 2,506,518,832 |
| Other items of the comprehensive result | | | | | | | |
| Actuarial gains related to the benefit plans | - | - | - | - | - | (3,716,876) | (3,716,876) |
| Total other items of comprehensive result | - | - | - | - | - | (3,716,876) | (3,716,876) |
| Total comprehensive result related to the financial year | 15 | - | - | - | - | 2,502,801,956 | 2,502,801,956 |
| Transactions with shareholders, only recognized in equity | | | | | | | |
| Distributed dividends | | | | | | (1,283,215,656) | (1,283,215,656) |
| Total transactions with shareholders, only recognized in equity | 15 | - | - | - | - | (1,283,215,656) | (1,283,215,656) |
| Other changes in equity | | | | | | | |
| Transfer of revaluation reserves into retained earnings due to amortization | | | | | (57,372,857) | 57,372,857 | - |
| Other changes in equity - total | | | | | (57,372,857) | 57,372,857 | - |
| Balance as at 31 December 2023 (audited) | | | | | | | |
| | 3,016,438,940 | 195,502,743 | 31,474,149 | 21,553,537 | 336,996,786 | 8,153,125,015 | 11,755,091,170 |

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S.N. Nuclearelectrica S.A.

Individual Statement of Changes in Equity for the financial year ended 31 December 2022

(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 | 21,553,537 | 451,742,500 | 4,648,549,459 | 8,365,261,328 |
| Comprehensive result | | | | | | | | |
| <i>Profit of the financial year</i> | | - | - | - | - | - | 2,764,423,452 | 2,764,423,452 |
| <i>Other items of the comprehensive result</i> | | | | | | | | |
| Actuarial gains related to the benefit plans | | - | - | - | - | - | 1,745,457 | 1,745,457 |
| Total other items of comprehensive result | | - | - | - | - | - | 1,745,457 | 1,745,457 |
| Total comprehensive result related to the financial year | 15 | - | - | - | - | - | 2,766,168,909 | 2,766,168,909 |
| Transactions with shareholders, only recognized in equity | | | | | | | | |
| Distributed dividends | | - | - | - | - | - | (595,925,367) | (595,925,367) |
| Total transactions with shareholders, only recognized in equity | 15 | - | - | - | - | - | (595,925,367) | (595,925,367) |
| Other changes in equity | | | | | | | | |
| Transfer of revaluation reserves into retained earnings due to amortization | | - | - | - | - | (57,372,857) | 57,372,857 | - |
| Other changes in equity - total | | - | - | - | - | (57,372,857) | 57,372,857 | - |
| Balance as at 31 December 2022 (audited) | | 3,016,438,940 | 195,502,743 | 31,474,149 | 21,553,537 | 394,369,643 | 6,846,165,858 | 10,535,504,870 |

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S.N. Nuclearelectrica S.A.

Individual Statement of Cash Flows for the financial year ended 31 December 2023

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

| | 2023 | 2022 |
|---|------------------------|------------------------|
| | (audited) | (audited) |
| Cash flows from operating activities | | |
| Profit before tax | 2,860,132,582 | 3,192,496,911 |
| Adjustments for: | | |
| Depreciation and impairment | 631,370,031 | 605,405,084 |
| Value adjustments of trade receivables | 632,241 | (817,620) |
| Value adjustments of inventories | 1,232,673 | (1,734,893) |
| Provisions related to liabilities, risks and operating expenses | 71,648,249 | (62,870,601) |
| (Gains)/Losses from disposal of non-current assets | 15,075,369 | 1,052,623 |
| Net financial (income) | (372,005,245) | (207,334,379) |
| Changes in: | | |
| Decrease/(Increase) in trade receivables | (186,400,897) | (217,236,230) |
| Decrease/(Increase) in other financial assets measured at amortized cost | (202,792,620) | 31,924,942 |
| (Increase) in inventories | (415,708,421) | (89,967,319) |
| Change in deferred income | (169,008,459) | 59,014,287 |
| Increase of trade and other payables | 267,045,710 | 138,533,797 |
| Cash flows related to the operating activity | 2,501,221,213 | 3,448,466,602 |
| Corporate income tax paid | (422,016,430) | (430,885,512) |
| Interest received | 367,913,944 | 131,286,763 |
| Interest paid | (3,111,542) | (375,868) |
| Dividends received | 971,747 | 60,935 |
| Net cash related to operating activity | 2,444,978,932 | 3,148,552,920 |
| Cash flows related to investment activity | | |
| Purchases of intangible assets | (13,816,207) | (13,829,807) |
| Purchases of tangible assets | (1,425,175,220) | (464,405,047) |
| (Increase)/Decrease in bank deposits | 1,717,539,473 | (500,823,500) |
| Financial assets measured at amortized cost | (571,298,942) | (4,721,250) |
| Investments in subsidiaries | (39,999,998) | (26,999,997) |
| Investments in associated entities | (15,000,000) | (4,943,000) |
| Proceeds from sale of tangible assets | 1,038,350 | 107,551 |
| Net cash related to investment activity | (346,712,544) | (1,015,615,050) |
| Cash flow related to financing activity | | |
| Loans payments | (65,258,970) | (173,284,441) |
| Dividends payments | (1,181,057,802) | (595,713,645) |
| Payments related to liabilities from leasing agreements, including interest | (3,617,527) | (337,356) |
| Net cash related to the financing activity | (1,249,934,299) | (769,335,442) |
| Net (Decrease)/Increase of cash and cash equivalents | 848,332,089 | 1,363,602,428 |
| Cash and cash equivalents as at 1 January | 2,681,002,427 | 1,317,399,999 |
| Cash and cash equivalents as at 31 December | 3,529,334,516 | 2,681,002,427 |

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Notes to the Individual Financial Statements for the financial year ended as at 31 December 2023

1. Reporting entity

Societatea Nationala Nuclearelectrica S.A. (“Company” or “SNN”) is 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 City, 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 City, str. Câmpului, nr. 1, registered with the Trade Register under number J03/457/1998. The address of the registered office is Romania, Bucharest, Sector 1, Bd. Iancu de Hunedoara nr. 48, Crystal Tower building.

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

The main activity of the Company 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 Units 3 and 4 Project is planned to be completed by Energonuclear S.A. subsidiary (for more information see Note 9).

In the period 2020 - 2021, stages were completed in order to carry out this Project, with the sustained effort of the Company and the Romanian State. 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 Units 3 and 4 Project within Cernavodă NPP was established. 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. In November 2021, Energonuclear S.A. subsidiary signed the first agreement with Candu Energy, member of SNC-Lavalin Group and the Design Authority of Units 3 and 4 and OEM Candu (the original manufacturer of CANDU technology).

By Resolution no. 6/10.08.2022 of the Ordinary General Meeting of SNN Shareholders, a series of measures related to the continuation of the Project were adopted and approved: - the Preliminary Investment Decision and the transition to Stage II - Preliminary Works were adopted, - 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, and without exceeding the amount of EUR 185 million was approved, - the financing of Energonuclear by SNN through a share capital increase and/or through the granting of associated loans, with a total value of 185 million Euros, calibrated to the Project's development requirements and necessary for the implementation of Stage II of the Units 3 and 4 Project Cernavodă NPP was approved. On 31 March 2023, Law no. 74, approving the signing of the Support Agreement between the Romanian State and the Company for Cernavodă NPP’s Units 3 and 4 Project, was passed and on 9 June 2023 the Support Agreement was signed. The Company continues to carry out the activities necessary to complete the stages of the project. Moreover, the Company 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 (“BF FEC”).

In June 2020, CNCAN 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 BF FEC. 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 Company, within NFP Pitești Branch.

The Romanian energy sector is regulated by the Romanian Energy Regulatory Authority (“ANRE”), an independent public institution. Effective 1 January 2023, the Company is a seller under the Centralized Electricity Acquisition Mechanism (“MACEE”), set up under the Government Emergency Ordinance no. 153/2022, for the period 1 January 2023 – 31 March 2025. In the first 6 months of 2023, the Company participated both in the competitive segment and in the MACEE mechanism, and in 2022 it participated only in the competitive segment (for more information, see Note 23).

Fitch International Rating Agency revised on 7 November 2023 the rating of SNN to “BBB-” with a stable outlook. The rating reflects, according to the report published by Fitch Rating Agency, the strong business profile of SN Nuclearelectrica SA underpinned by its strong market position as the sole producer of nuclear energy, covering approximately 20% of Romania’s consumption needs and 35% of the clean, CO2 emission-free energy at national level; the solid level of profitability, with a similar perspective for the period 2023-2026; major investment plans with reference to the Refurbishment of Unit 1, the Tritium Removal Plant and Units 3 and 4 for the period 2023-2027; the level of indebtedness related to the implementation of the refurbishment of Unit 1 of the Cernavodă NPP; medium-term investment projects with reference to the Units 3 and 4 Project and the SMR Project; the solid relationship with the Romanian State, the shareholding ties and the strategic importance of this relationship in relation to the investment projects; the impact of the energy price cap through the MACEE market mechanism¹.

Starting with 1 June 2023, Nuclearelectrica was included in the MSCI Frontier Markets and MSCI Romania indices. Previously, on 19 August 2022, the Company was included in the large cap category of FTSE Russell, being one of the two Romanian companies initially included in the emerging market indices of FTSE Russell in 2020.

Fitch Ratings has confirmed Romania’s rating at “BBB -” with a stable outlook, which is the latest rating as stated in a release from the financial rating agency dated 1 March 2024. The ‘BBB -’ rating assigned to Romania is underpinned by its EU membership and associated capital inflows that support income convergence, external finances and macroeconomic stability. GDP per capita and human development indicators are above those of other ‘BBB’ countries. However, these are offset by higher budget and current account deficits than other countries in the same category, a modest track record of fiscal consolidation, increased fiscal rigidities and a high external debtor position².

On 31 December 2023, the Company owns 100% of the subsidiaries Energonuclear, Fabrica de Prelucrare a Concentratelor de Uraniu – Feldioara and Nuclearelectrica Serv. It also owns 50% of the company RoPower Nuclear S.A.

As at 31 December 2023, 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.

¹ <https://www.fitchratings.com/research/corporate-finance/fitch-affirms-nuclearelectrica-at-bbb-outlook-stable-07-11-2023>

² <https://www.fitchratings.com/research/sovereigns/fitch-affirms-romania-at-bbb-outlook-stable-01-03-2024>

2. Basis for preparation

2.1. Declaration of conformity

The Individual Financial Statements were prepared in accordance with the Order of the Minister of Public Finance no. 2.844/2016 approving of Accounting Regulations compliant with the International Financial Reporting Standards (“IFRS”), as amended (“OMPF 2.844/2016”). For the purposes of the Order of the Minister of Public Finance no. 2.844/2016, the International Financial Reporting Standards are adopted according to the procedure provided under the Regulation (EC) no. 1.606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (“IFRS adopted by the European Union”).

The company also prepares consolidated financial statements in accordance with the International Financial Reporting Standards (“IFRS”), as subsequently amended (“OMPF 2.844/2016”), which are available on the company website.

The Individual Financial Statements prepared for the financial year ended 31 December 2023 were audited by the financial auditor of the Company - PKF Finconta S.R.L.

These Individual Financial Statements were authorized for issue and were signed on 20 March 2024 by the Company’s management.

The financial year corresponds to the calendar year.

2.2. Going concern

These Financial Statements were drafted according to the going concern principle supposing that the Company will continue its activity, without any significant reduction, as well as in the foreseeable future. In making this judgement, management considers current performance and access to financial resources.

Having examined the implications of the conflict in Ukraine and of the war in Israel on the Company’s business, the management consider that its business continuity will not be affected (see Note 4).

2.3. Presentation of the financial statements

The Individual Financial Statements are presented in compliance with the requirements of IAS 1 – “Presentation of Financial Statements” and IAS 27 – „Separate Financial Statements”. The Company adopted a presentation based on liquidity within the statement of the financial position and a presentation of the income and expenses depending on their nature within the Individual Statement of Profit or Loss and of other comprehensive income, considering that such presentation models provide credible information being more relevant than those presented according to different methods permitted by IAS 1.

2.4. Basis of assessment

The Individual Financial Statements were prepared at historical cost, save for some categories of tangible assets that are measured at fair value, as presented in the accounting policies (see Note 3.3). Other financial assets and liabilities, such as non-financial assets and liabilities are presented at amortized cost, revalued value or historical cost.

2.5. Functional and presentation currency

The Individual Financial Statements are presented in Romanian LEI ("RON" or "LEU"), as this is also the functional currency of the Company, determined according to IAS 21. All financial information is presented in RON, unless otherwise indicated.

2.6. Use of estimates and judgments

Preparation of the Individual 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, income and expenditure, the estimated lifetimes of non-current assets (see Note 3.3), the assumptions used to determine the fair value (see Note 4), the assumptions used to determine the fair value of tangible assets (see Note 5), the recognition of spare parts that meet the required conditions of IAS 16 as tangible assets (see Note 5), the recoverability of trade receivables (see Note 12), the assumptions applied for the net recoverable value of inventories (see Note 11), 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 Individual Statement of Profit or Loss (see Note 3.20 and Note 24), and the estimates concerning the radioactive and non-radioactive waste management obligations (Note 27).

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. Changes in estimates are accounted prospectively. 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 30.

3. Significant accounting policies**3.1. 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 converted in RON at the exchange rate displayed by the National Bank of Romania as valid for the last banking day of the financial year. Gains and losses from exchange rate differences, either realized or unrealized, are included in the Individual Statement of Profit or Loss of that year. The exchange rates as at 31 December 2023 and 31 December 2022, for the key currencies used by the Company in transactions, are as follows:

| | Average rate | | Exchange rate as at | |
|---------|--------------|--------|---------------------|------------------|
| | 2023 | 2022 | 31 December 2023 | 31 December 2022 |
| RON/EUR | 4.9465 | 4.9315 | 4.9746 | 4.9474 |
| RON/USD | 4.5743 | 4.6885 | 4.4958 | 4.6346 |
| RON/CAD | 3.3897 | 3.6020 | 3.3913 | 3.4232 |
| RON/GBP | 5.6869 | 5.7867 | 5.7225 | 5.5878 |
| RON/CHF | 5.0917 | 4.9096 | 5.3666 | 5.0289 |

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 initial transaction date.

3.2. 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.

3.3. Tangible assets**(i) Recognition and measurement**

Tangible assets recognized as assets are initially measured at their acquisition or construction cost (including costs incurred with major inspections and overhauls. The cost of an item of tangible 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 assets are classified by the Company in the following classes of assets, of the same nature and with similar uses:

- Lands;
- Buildings;
- Equipment, technical plant and machinery;

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- Means of transport;
- Furniture and other tangible assets.

Tangible 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 shown 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 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 shown 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 mainly 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 Company operated a cost allocation for each Unit. This allocation is the cost base of the non-current assets included in tangible assets in progress.

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

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".

(ii) Subsequent expenditure

As a rule, subsequent expenditure expenses related to a tangible assets are expensed during the period in which these were incurred. Those subsequent expenditure or investments made on tangible 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 income, 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 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 2 in 2023, and for Unit 1 in 2022.

(iii) Repairs and maintenance expenditure

Repairs and current maintenance costs are classified as expenses of the respective financial period as they occur.

(iv) Depreciation of tangible assets

Depreciation of tangible 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 Company'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 assets owned by the Company.

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 assets is booked based on the straight-line method, over their estimated useful life, as follows:

| Asset | Number of years |
|---|----------------------------|
| Nuclear Power 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 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 2023, the cumulative capacity factor attained since commissioning of Unit 1 is 90.6%, and 93.73% 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. The Company 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 starting with the financial year ended 31 December 2019 under the item "Nuclear Power Plants".

When the items of a tangible assets 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 income obtained from the sale of the asset and its carrying amount, and are recognized as operating income or operating expenditure through profit and loss.

The cost of loans contracted specifically for the construction of a tangible 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.

(v) Sale/retirement of tangible assets

The items of tangible 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.

(vi) Impairment of tangible and intangible assets

In accordance with IAS 36, both intangible assets and tangible assets are reviewed at the reporting date for indications of impairment. If there is any indication, or when an annual impairment test is required for an asset, the Company estimates the recoverable amount of the asset to be the higher of fair value less costs of sale and value in use.

If the net book value of an asset exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognised to reduce the value of the asset to its recoverable amount. Impairment losses are recognised as income in the Individual Statement of Profit or Loss. If the reasons for the impairment are no longer applicable in a subsequent period, a reversal of impairment is recognised as an expense in the Individual Statement of Profit or Loss. The book value increased by the reversal of an impairment adjustment must not exceed the book value (net of depreciation) that would have been determined if no impairment adjustment had been recognised in prior years.

3.4. 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.

(i) 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 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.

(ii) 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 Individual Statement of Profit or Loss, and value of the non-current asset is adjusted accordingly.

(iii) 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.

(iv) 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".

(v) 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.

3.5. 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 Company recognized an asset related to the right of 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 Company found that the exclusion criteria were not met and, consequently, restated the leases as a lessee, according to IFRS 16. The Company 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.

(ii) Measurement

The Company, as lessee, initially measures the ROU assets at cost. The cost of the ROU asset consists of the value of the amount of the initial measurement of the liability arising from the lease, the lease payments made from 1 January 2019 (the effective date of IFRS 16), or at the start date or before this date, the initial direct costs borne by the lessee, an estimate of the costs to be borne by the lessee, minus any lease incentives received.

The Company, 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.

(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.

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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.

3.6. Intangible assets

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

(i) 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.

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 Company intends, and has sufficient resources, to complete the development and use or sell the asset. Capitalized expenses include the cost of materials, direct payroll 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.

Development costs are capitalized if they meet the recognition criteria in accordance with IAS 38 and are measured at cost less the accumulated depreciation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure with intangible assets is capitalized only when they increase the future economic benefits of the asset they refer to. All other costs are recognized in the Individual Statement of Profit or Loss as they are incurred.

(iii) Depreciation

Depreciation is entered in the Individual Statement of Profit or Loss based on the straight-line method, over their estimated useful life of the intangible assets. Intangible 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 Company holds intangible 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 Company does not hold any intangible assets purchased from governmental subsidies.

3.7. Financial assets and liabilities

(i) Classification

The Company classifies the financial assets and liabilities in accordance with IFRS 9 “Financial Instruments” setting forth the classification and measurement of financial assets that reflects the business model under which assets are managed and the characteristics of the cash-flow. Thus, three main classification categories for financial assets are included: measured at amortized costs, measured at fair value through other comprehensive income, and measured at fair value through profit or loss.

The Company 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 2023, respectively 31 December 2022, the Company holds financial assets measured at amortized cost.

- ***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 Company 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 2023, respectively 2023, the Company 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 Company 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 2023, respectively 31 December 2022, the Company does not hold any financial assets at fair value through profit or loss.

(ii) Recognition

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

(iii) 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.

Income 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 Company's trading activity.

(iv) 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.

• *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 Company has then access to.

The Company 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 Company 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 Company uses valuation techniques that maximize the use of observable data and minimize the use of unobservable data.

(v) Identification and measurement of write-downs for financial assets

Financial assets measured at amortized cost

The expected credit loss represents the difference between all the contractual cash flows that are owed to the Company and all the cash flows that the Company expects to receive, discounted at the initial effective interest rate.

A financial asset or a group of financial assets is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Company assesses whether the credit risk for a financial asset has increased significantly since initial recognition based on the information available, without undue costs or efforts, which is an indicator of significant increases in credit risk since initial recognition.

The Company recognizes in profit or loss the amount of the changes in expected credit losses over the entire lifetime of the financial assets, as a gain or loss from impairment.

The gain or loss from impairment is determined as the difference between the carrying amount of the financial asset and the discounted amount of the future cash flows, using the effective interest rate of the financial asset at the initial time.

The Company recognizes the favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

(vi) Derecognition

The Company derecognizes a financial asset when the rights to receive cash flows from that financial asset expire, or when the Company 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 Company derecognizes a financial liability when the contractual obligations came to an end, or there are annulled or expired.

(vii) 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.

When derecognizing the equity instruments designated in the category of financial assets measured at fair value through other comprehensive income, the gains or losses representing favourable or unfavourable measurement differences, as highlighted in the revaluation reserves, are recognized in other comprehensive income (retained earnings representing realized surplus - IFRS 9).

When financial assets are derecognized, the retained earnings from of the date of shifting to IFRS 9 is transferred into retain earnings representing the realized surplus.

The gain and loss from disposal of a financial asset that is measured at amortized cost is recognized in the current profit or loss when the asset is derecognized.

3.8. Other financial assets and liabilities

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

3.9. Investments in subsidiaries

Subsidiaries are entities under the control of the Company. Control exists when the Company has the power to direct, either directly or indirectly, the financial and operational policies of an entity in order to obtain benefits from its business. When assessing the control, consideration is given also to the potential or convertible voting rights that are then exercisable.

The Company measures its investments in subsidiaries at cost in accordance with the provisions of IAS 27 "Separate Financial Statements".

The subsidiaries controlled by the Company as owned 100% are presented in Note 9.

3.10. Impairment of non-financial assets

The carrying amount of the Company'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 Individual Statement of Profit or Loss.

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 rate 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.

3.11. Inventories

Inventories consist of consumables, spare parts that do not meet the criteria to be recognized as tangible assets, safety inventories, uranium and other stock needed for the Company'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 Company 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 Company used to apply the FIFO method.

The Company 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 Company'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 Company 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 Company prospectively applies the new policy effective 1 January 2016.

3.12. Trade 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 Company 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 Individual Statement of Profit or Loss under "Other operating expenditure".

3.13. Cash and cash equivalents

(i) Determination of 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 Company as usual bank deposits, the Company 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 Company, 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.

(ii) Restricted cash

According to IAS 1 par. 66 (d) an entity should classify an asset as current asset when the respective asset represents cash or cash equivalents (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Restricted cash thus refers to cash that is held for a specific purpose and is therefore not available for use by the company within the next twelve months.

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

3.14. Cash flows

The cash flow statement presents, in accordance with IAS 7, cash inflows and outflows from operating activities, investing activities and financing activities. Cash flow values are derived indirectly from gross profit.

Cash flows from operating activities are adjusted for non-monetary income and expenses (mainly depreciation and impairment of fixed assets) and take into account changes in working capital as well as actual financial expenses, financial income and taxes.

Investing activities mainly comprise acquisitions of fixed assets, including leased assets, acquisition/disposal of subsidiaries/related entities and changes in term deposits with a maturity of more than one year.

Financing activities comprise cash inflows and outflows from borrowings and repayment of financial debts, from repayment of lease liabilities and from dividends.

3.15. Share capital

The share capital represents all the shares subscribed and paid by the shareholders of the Company. 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 Individual Statement of Profit or Loss. The consideration received or paid in such transactions is recognized directly in equity.

3.16. Legal reserve

Legal reserves account for 5% of the gross profit at the end of the year, until the legal 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 Company's liquidation. The legal reserve is distributed on the balance-sheet date. The legal reserve can be found under the heading "Retained Earnings".

3.17. Reserve paid in advance

The reserve paid in advance represents the contributions brought up in cash by the Company'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 Company's obligation is only to issue a fixed number of shares.

3.18. Loans

Loans are initially recognised at fair value, net of transaction costs recorded. Subsequently, loans are carried at amortised cost; any difference between the amounts received (net of transaction costs) and the redemption value is recognised in profit or loss over the life of the loans using the effective interest method.

3.19. 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".

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

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”.

3.20. The income 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 Individual Statement of Profit or Loss during one or more years.

3.21. Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The Company'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 Company are taken into account. An economic benefit is available to the Company 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 Individual Statement of Profit or Loss.

The Company 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 Company 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.

(ii) Other long-term employee benefits

The Company'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 Company has a present, legal or implicit obligation to pay this amount for past services rendered by employees, and this can be reliably estimated.

3.22. Provisions for risks and charges

Provisions are recognized only when, further to a past event, the Company 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.

3.23. Contingent liabilities and assets

A contingent liability is:

(a) a possible obligation, arising as a result of certain past events, and the existence of which shall be confirmed only due to the occurrence or reoccurrence of one or several future uncertain events, which cannot be entirely under the Company's control; or

(b) a current obligation arising as a result of certain past events, however, which is not recognized as: i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or ii. the amount of the debt cannot be sufficiently reliably measured.

Contingent debts 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.

A contingent asset is a potential asset arising as a result of certain past events, and the existence of which shall be confirmed only due to the occurrence or reoccurrence of one or several future uncertain events, which cannot be entirely under the Company's control.

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

3.24. Income and expenditure recognition

Income 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 income:

(i) *Income from the sale of electricity*

In order to recognize the income from the sale of electricity, the Company applies the provisions of IFRS 15 "Income from Contracts with Customers".

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 income obtained must be recognized at a given time or over time.

IFRS 15 sets out a five-stage model that applies to income 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 Company's regular business (e.g.: sale of tangible and intangible assets). The Company assessed the impact of these changes on its financial position and performance, but did not identify any material element before the reporting date, 31 December 2022.

The Company looked into the main income streams, which are represented by the sales of electricity and heat and other income, 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 income stream, the Company concluded that IFRS 15 does

not have a material impact on the financial statements, compared to the income recognition according to IAS 18 and IAS 11.

The Company delivers goods (electricity and heat) for which it considers that income 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 Individual Statement of Profit or Loss 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.

Income from dividends is recognized in profit or loss on the date when the right to receive this income is determined. The Company obtains income from dividends from its subsidiary Energonuclear S.A.

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 Individual Statement of Profit or Loss using the effective interest method.

3.25. Expenditure recognition

Expenses are decreases in economic benefits recorded during the financial year in the form of outflows or decreases in the value of assets or increases in liabilities, which result in reductions in equity, other than those resulting from their distribution to shareholders.

They are recognised in the Individual Statement of Profit or Loss when a decrease in the future economic benefits associated with a decrease in the value of an asset or an increase in the value of a liability can be measured reliably. Expense recognition occurs simultaneously with the recognition of an increase in the value of liabilities or a reduction in the value of assets.

3.26. Taxes - other than corporate tax

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 Company has implemented the provisions of IFRIC 21 Levies by amending its accounting policies starting with the 2014 annual financial statements. In scope, the Company identified the tax on special constructions and local taxes and duties. The Company 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 Company 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 Company 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.

3.27. 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 income and incur expenses, including income 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 Company's management consider its operations as a whole as "one single segment".

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

- The Company generates and delivers only electricity and heat. The share of income delivery of heat is down at only 0.08%.
- 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 Company 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 Company in the electricity and heat generation by means of nuclear methods.
- IFRS 8.33. - Information about geographic segmentation:
 - a) Amount of income obtained from sale of electricity in the territory of Romania and abroad. 100% of the income from the sale of electricity were made to customers established in Romania.
 - b) Amount of non-current assets located in Romania and abroad. All non-current assets of the Company are located in the territory of Romania.
- IFRS 8.34. - Information about main customers. The transactions with main customers are presented in both Note 12 Trade receivables and Note 30 Management of significant risks. Credit risk, where the Company's exposure to the concentrated credit risk was tackled.

3.28. Net corporate income tax expenses

The net corporate tax expenses 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.

- i) **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. For the period ended 31 December 2023 and 31 December 2022, the corporate tax rate was 16%.

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- ii) **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.
- 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.

3.29. Dividends to be distributed

Dividends are recognized as liabilities and 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 in the period during which their distribution is approved.

3.30. Earnings per share

Earnings per share are calculated by dividing profit or loss attributable to the Company'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.

3.31. 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 Company'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.

3.32. Related parties

Parties are deemed to be related if one party has the ability to control the other party, to exercise significant influence over the other party in making financial or operating decisions, is under common control with another party, has a joint venture in which the entity is a partner or is a member of management as described in IAS 24 'Related Party Disclosures'. In assessing

each possible relationship with related parties, the focus is on the substance of the relationship and not necessarily its legal form. Related parties may enter into transactions that unrelated parties may not enter into and the same terms, conditions and values will not apply to transactions between related parties as to unrelated parties. 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 Company is subject to specific regulations, and has obligations to report on its transactions with related parties. The Company discloses its transactions with related parties in the financial statements in accordance with IAS 24 "Related Party Disclosures" (see Note 29).

3.33. Implications of the new International Financial Reporting Standards (IFRS)

During the year, the Company considered 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 2023, as approved by the European Union.

(i) New standards and amendments to the existing standards in force for the current reporting period

The following standards and 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:

- IFRS 17 "Insurance contracts" issued by the IASB on 18 May 2017. The new standard stipulates that insurance obligations must be valued at a current realizable value and provides a more uniform valuation and presentation approach for all insurance contracts. These requirements are intended to achieve consistent, principles-based accounting of insurance contracts. IFRS 17 prevails over IFRS 4 "Insurance contracts" and related interpretations when applied. The amendments to IFRS 17 Insurance Contracts issued by the IASB on 25 June 2020 postpone the date of initial application of IFRS 17 by two years for annual periods beginning on or after 1 January 2023. In addition, the amendments issued on 25 June 2020 introduce simplifications and clarifications to certain requirements in the standard and provide additional facilities to the initial application of IFRS 17.

- Amendments to IFRS 17 "Insurance contracts" - Initial application of IFRS 17 and IFRS 9 - Comparative information issued by the IASB on 9 December 2021. It is a narrow-scope amendment to the transitional requirements of IFRS 17 for entities applying for the first time IFRS 17 and IFRS 9 simultaneously.

- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" - Definition of accounting estimates issued by the IASB on 12 February 2021. The amendments focus on accounting estimates and provide guidance on the distinction between accounting policies and accounting estimates.

- Amendments to IAS 12 "Income tax" - Deferred tax related to receivables and payables arising from a single transaction issued by the IASB on 6 May 2021. According to the amendments, the exemption from initial recognition does not apply to transactions in which temporary differences arise both deductible as well as taxable on initial recognition, resulting in the recognition of equal deferred tax assets and liabilities.

- Amendments to IAS 12 "Income Tax" – International Tax Reform – Model Rules on Pillar 2 issued by the IASB on 23 May 2023. The amendments introduce a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing global taxation rules and disclosure requirements regarding corporate income tax exposure arising from the reform, particularly prior to the entry into force of legislation implementing the rules.

- Amendments to IAS 1 Presentation of financial statements - Presentation of accounting policies issued by the IASB on 12 February 2021. The amendments require entities to present their significant accounting policies rather than significant accounting policies and provide guidance and examples to assist preparers of financial statements to decide which accounting policies to present in the financial statements.

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

(ii) 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:

- Amendments to IFRS 16 "Leases" - Lease liabilities in a sale and leaseback transaction, issued by the IASB on 22 September 2022. The amendments to IFRS 16 require the seller-lessee to subsequently measure lease liabilities arising from a leaseback transaction so that it does not recognize any gain or loss related to the retained right of use. The new requirements do not prevent the seller-lessee from recognizing gains or losses on the partial or total termination of a lease in the income statement.

- Amendments to IAS 1 "Presentation of financial statements" - Classification of liabilities into short-term liabilities and long-term liabilities, issued by the IASB on January 23, 2020, and Amendments to IAS 1 "Presentation of financial statements" - Long-term liabilities with financial indicators issued by the IASB on October 31, 2022. The amendments issued in January 2020 provide a more general approach to the classification of liabilities provided by IAS 1 starting from the contractual agreements existing at the reporting date. The amendments issued in October 2022 clarify how conditions that an entity must meet within twelve months of the reporting period affect the classification of a liability and set the effective date for both amendments to annual periods beginning on or after 1 January 2024.

(iii) New standards and amendments to the existing standards issued by IASB and not adopted by the EU

New standards and amendments to the existing standards were issued by IASB upon approval of such financial statements, but they have not been adopted yet by the EU:

- Amendments to IAS 7 "Statements of cash flows" and IFRS 7 "Financial instruments: Disclosures" – Financing arrangements in the relationship with suppliers issued by the IASB on 25 May 2023. The amendments add requirements regarding the information to be provided, as well as "indicators" within the existing requirements regarding the information to be provided for the provision of qualitative and quantitative information regarding financing agreements in the relationship with suppliers.

- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Convertibility issued by the IASB on 15 August 2023. The amendments contain guidance for entities to state when a currency is convertible and how to determine the exchange rate when it is not.

- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" - Sale of or contribution of assets between an investor and its associates or joint ventures, issued by the IASB on September 11, 2014. The amendments resolve the contradiction between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, gains or losses are recognized when the assets sold or contributed represent an enterprise.

- IFRS 14 "Deferral accounts related to regulated activities" issued by the IASB on January 30, 2014. This standard aims to allow entities that adopt IFRS for the first time, and which currently recognize deferred accounts related to regulated activities according to generally accepted accounting policies previous, to continue to do so upon transition to IFRS.

The Company anticipates that the adoption of these new standards and amendments to existing standards will not have a significant impact on the Company's financial statements in the future.

3.34. Climate-related matters

Mitigation of climate change and energy supply security are two of the most important global challenges in 2023, 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 Company's financial statements reflect matters 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 Company'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 Company has in progress strategic investment projects, including: Refurbishment of Unit 1; the Project of Units 3 and 4; development of small modular reactors in partnership with NuScale ("SMR"); and implementation of support projects for current operation, such as the Tritium Removal Plant. The Company'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.

During the COP28 conference on climate change, called by the pro-nuclear states as "Nuclear COP", which ended in December 2023, more than 20 states signed a joint declaration to triple nuclear energy capacity by 2050. In this context, nuclear energy is making a strong comeback, and the major advantage lies with the states, such as Romania, which already have the infrastructure, operating experience and the will to expand nuclear capabilities.

Regarding 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 companies subject to non-financial reporting obligations, such as the Company, 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 Company, 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 and applicable as of 1 January 2023.

The results of the Task Force set up to determine these three indicators are presented in the Company's report on its non-financial activities, under Chapter 5 of the 2023 Sustainability Report.

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3.34.1. 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 the financial year ended 31 December 2023, and respectively 31 December 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 Note 3.10.

The impairment testing was performed as follows:

- The Company 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 Company'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 Company'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 Company 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 30).

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

4.1. 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 3.7.

Receivables are measured 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 3.7. 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 Company 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 derivatives)
- 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 Company 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 flows models, as applicable. As at 31 December 2023 and 31 December 2022, 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.

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 Company'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 2023 (audited) | | | |
| Financial assets | | | |
| Financial assets measured at amortized cost | 634,918,901 | 634,918,901 | 2 |
| Trade receivables | 624,305,513 | 624,305,513 | 2 |
| Other financial assets measured at amortized cost | 327,446,936 | 327,446,936 | 2 |
| Cash and cash equivalents | 3,529,334,516 | 3,529,334,516 | 2 |
| Bank deposits | 112,257,027 | 112,257,027 | 2 |
| | 5,228,262,893 | 5,228,262,893 | |
| | | | |
| | Carrying amount | Fair value | Level |
| 31 December 2023 (audited) | | | |
| Long-term financial liabilities | | | |
| Long-term loans | - | - | |
| Liabilities under long-term financial leasing agreements | 15,605,108 | 15,605,108 | 2 |
| Long-term deferred income | 35,684,350 | 35,684,350 | 2 |
| | 51,289,458 | 51,289,458 | |
| Short-term financial liabilities | | | |
| Trade and other payables | 818,115,509 | 818,115,509 | 2 |
| Liabilities under short-term financial leasing agreements | 4,167,292 | 4,167,292 | 2 |
| Current part of the long-term loans | 65,640,599 | 65,640,599 | 2 |
| Short-term deferred income | 15,844,172 | 15,844,172 | 2 |
| | 903,767,572 | 903,767,572 | |

| | <u>Carrying amount</u> | <u>Fair value</u> | <u>Level</u> |
|---|------------------------------------|------------------------------------|--------------|
| 31 December 2022 (audited) | | | |
| Financial assets | | | |
| Financial assets measured at amortized cost | 41,262,942 | 41,262,942 | 2 |
| Trade receivables | 438,539,974 | 438,539,974 | 2 |
| Other financial assets measured at amortized cost | 140,954,592 | 140,954,592 | 2 |
| Cash and cash equivalents | 2,681,002,427 | 2,681,002,427 | 2 |
| Bank deposits | 1,829,796,500 | 1,829,796,500 | 2 |
| | <u>5,131,556,435</u> | <u>5,131,556,435</u> | |
| | <u><u>5,131,556,435</u></u> | <u><u>5,131,556,435</u></u> | |
| | <u>Carrying amount</u> | <u>Fair value</u> | <u>Level</u> |
| 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 |
| | <u>141,253,559</u> | <u>141,253,559</u> | |
| | <u><u>141,253,559</u></u> | <u><u>141,253,559</u></u> | |
| Short-term financial liabilities | | | |
| Trade and other payables | 445,315,659 | 445,315,659 | 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 |
| | <u>670,663,021</u> | <u>670,663,021</u> | |
| | <u><u>670,663,021</u></u> | <u><u>670,663,021</u></u> | |

(iv) Classification of financial assets and liabilities

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

(v) Re-measurement of tangible assets

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

(vi) Fair value measurement

The last measurement of tangible assets was made as at 31 December 2021. Thus, the tangible 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 2021 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.

(vii) Fair value hierarchy

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

(viii) Impact and implications of the military conflicts

The geopolitical situation worldwide deteriorated after 24 February 2022, with the invasion of Ukraine by Russia, followed by the outbreak of the war in Israel on 7 October 2023.

Both the military conflict in Ukraine and the war in Israel did not have a significant impact, directly or indirectly, on the Company's activities. The operation, production and development of investment projects, and the current activities are carried out normally.

The conflict 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.

The outbreak of conflict in Israel in 2023 has triggered a realignment of political, military and economic alliances with potential economic impact:

- the prices of many goods will continue to remain high, with the conflicts in Ukraine and Israel leading to high volatility;
- inflation rates are expected to remain high in the near future, both in Romania and in the rest of the world, but declining and with a volatile outlook;
- monetary policy interest rates of central banks (e.g. NBR, Fed, ECB, BoE) are expected to remain high (end of the "cheap money" period);
- disturbance (to the point of disruption) of supply chains is likely to persist and increase as de-globalisation (regionalisation and protectionism) continues.

The geopolitical framework and the global economic situation, marked by increased uncertainty about economic growth, the potential intensification of the war between Russia and Ukraine or the escalation of the war in Israel, are challenging the financial system in Romania, with adverse implications for commodity markets and global supply chains, as international trade is already relatively fragmented following previous shocks.

Having reviewed the impact of those two conflicts on the Company, we conclude that this has no direct no direct exposure related to Russia, Ukraine or Israel, 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, Canada 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 Individual Financial Statements is harmonized with the overall and regional effects of the Ukraine conflict and Israel war. Electricity sale prices, national policies for mitigating the effects of such conflicts, and the evolution of the consumer price index are the most notable influences resulting from such conflictual situations.

4.2. Other general matters concerning the Company's activity in the context of military conflicts

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 as at 31 December 2023, no degradations of the implemented indices were identified compared to the values obtained on 31 December 2022. Also, the Company does not hold financial assets or liabilities affected by the international restrictions/sanctions related to the 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 states involved in military conflicts.

b. Impairment of non-financial assets

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

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 S.A. 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 S.A., which is owned 50%. Therefore, as at 31 December 2023, neither any circumstances liable to significantly limit or even lose the ability of the 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, income and expenditure

In addition to the information found in the previous paragraphs, the conflict in Ukraine and the war in Israel 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 2.6 of the Accounting Policies).

The direct or indirect impact of the military conflicts 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 military conflicts, 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 military conflicts had no impact upon the Company's going concern. The effects of the conflicts 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.

5. Tangible assets

| | Lands | Nuclear plants | Plant, machinery and other assets | Non-current assets in progress | TOTAL |
|---|-------------------|-----------------------|--|---|----------------------|
| Cost | | | | | |
| Balance as at 1 January 2022 (audited) | 36,975,047 | 4,645,307,994 | 1,196,053,357 | 1,123,153,126 | 7,001,489,524 |
| Additions | - | - | 23,542,835 | 471,336,664 | 494,879,499 |
| Transfers | - | 71,116,529 | 80,209,850 | (151,326,379) | - |
| Heavy water-related additions | - | 27,816,605 | - | - | 27,816,605 |
| Transfer of inventories | - | - | - | (40,632,444) | (40,632,444) |
| Transfer from reclassified spare parts | - | - | 27,324,482 | (15,598,170) | 11,726,312 |
| Derecognition of inspections | - | (132,769,584) | - | - | (132,769,584) |
| Derecognition of heavy water | - | (1,217,175) | - | - | (1,217,175) |
| Disposals | - | (487,267) | (18,111,407) | - | (18,598,674) |
| Balance as at 31 December 2022 (audited) | 36,975,047 | 4,609,767,102 | 1,309,019,117 | 1,386,932,797 | 7,342,694,063 |
| Balance as at 1 January 2023 (audited) | 36,975,047 | 4,609,767,102 | 1,309,019,117 | 1,386,932,797 | 7,342,694,063 |
| Additions | - | - | 96,427,136 | 1,359,346,028 | 1,455,773,165 |
| Transfers | - | 281,283,159 | 42,673,451 | (323,956,610) | - |
| Heavy water-related additions | - | 17,150,312 | - | - | 17,150,312 |
| Transfer of inventories | - | - | 2,043,294 | 1,881,461 | 3,924,754 |
| Transfer from reclassified spare parts | - | - | 16,219,611 | (16,19,611) | - |
| Derecognition of inspections | - | (73,865,661) | - | - | (73,865,661) |
| Derecognition of heavy water | - | (939,008) | - | - | (939,008) |
| Disposals | - | (138,481,651) | (2,371,096) | - | (141,212,747) |
| Balance as at 31 December 2023 (audited) | 36,975,047 | 4,694,554,252 | 1,464,011,513 | 2,407,984,065 | 8,603,524,877 |
| Depreciation and impairment adjustments | | | | | |
| Balance as at 1 January 2022 (audited) | 550,782 | 380,863,168 | 616,750,302 | 149,987,368 | 1,148,151,620 |
| Depreciation expense | - | 507,383,343 | 80,275,699 | - | 587,659,042 |
| Accumulated depreciation of inspections | - | (119,247,275) | - | - | (119,247,275) |
| Accumulated depreciation of outflows | - | (1,454,046) | (14,770,722) | - | (16,224,768) |
| Impairment adjustments | - | - | 8,912,944 | (3,852,553) | 5,060,391 |
| Balance as at 31 December 2022 (audited) | 550,782 | 767,545,190 | 691,168,223 | 146,134,815 | 1,605,399,010 |
| Balance as at 1 January 2023 (audited) | 550,782 | 767,545,190 | 691,168,223 | 146,134,815 | 1,605,399,010 |
| Depreciation expense | - | 510,865,489 | 93,678,640 | - | 604,544,129 |
| Accumulated depreciation of inspections | - | (73,865,661) | - | - | (73,865,661) |
| Accumulated depreciation of outflows | - | (78,011,905) | (2,313,761) | - | (80,325,666) |
| Impairment adjustments | - | - | 9,326,191 | 61,092 | 9,387,283 |
| Balance as at 31 December 2023 (audited) | 550,782 | 1,126,533,114 | 791,859,293 | 146,195,907 | 2,065,139,095 |
| Net book value | | | | | |
| Balance as at 01 January 2022 (audited) | 36,424,265 | 4,264,444,826 | 579,303,055 | 973,165,758 | 5,853,337,904 |
| Balance as at 31 December 2022 (audited) | 36,424,265 | 3,842,221,912 | 617,850,894 | 1,240,797,982 | 5,737,295,053 |
| Balance as at 31 December 2023 (audited) | 36,424,265 | 3,568,021,139 | 672,152,220 | 2,261,788,158 | 6,538,385,782 |

This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails

(i) Nuclear plants, machinery and other assets

During 2023, the Company purchased 6.5 tons of heavy water from the National Administration of the State Reserves and Special Problems (“ANRSPS”), needed for Units 1 and 2 amounting RON 17,150,312, and in 2022 it purchased 11.9 tons of heavy water amounting RON 27,816,605.

(ii) Non-current assets in progress

As at 31 December 2023 the net carrying amount of non-current assets in progress, of RON 2,261,788,158 (31 December 2022: RON 1,240,797,982), included the following items:

- Investment relating to Units 3 and 4 Project with a net carrying amount of RON 469,168,168 (31 December 2022: RON 469,495,874);
- Investments related to Units 1 and 2, in total amount of RON 1,792,619,991, of which the most representative are:
 - ✓ Advance payments for tangible assets: RON 931,891,618 (31 December 2022: RON 70,081,999)
 - ✓ Refurbishment of U1 in amount of RON 516,909,182 (31 December 2022: RON 270,871,718);
 - ✓ Tritium removal facility for D2O in amount of RON 104,563,465 (31 December 2022: RON 86,878,248);
 - ✓ Improving the nuclear security systems after Fukushima in amount of RON 55,638,950 (31 December 2022: RON 38,924,333);
 - ✓ Building storage and loading premises for the nuclear fuel used (DICA) in amount of RON 29,962,888 (31 December 2022: RON 32,853,382);
 - ✓ Equipment and materials for investments in amount of RON 26,845,309 (31 December 2022: RON 27,361,693).

The gross investment value relating to Units 3 and 4 Project amounts to RON 470,860,424, of which the book value of Units 3 and 4, amounts to RON 273,960,000 (31 December 2022: 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 2023 in amount of RON 159,253,825 (31 December 2022: RON 159,253,825), as well as equipment and other assets for Units 3 and 4 in amount of RON 37,646,599 (31 December 2022: RON 37,980,616). 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 2023, the gross carrying amount of Unit 5 amounted to RON 137 million (31 December 2022: 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 Company in 2023 from the projects in progress related to Units 1 and 2 were represented by: fitting of spare parts to the equipment in operation, of RON 212,140,078, performance of the annual inspections during the scheduled shutdown of Unit 2 and the unscheduled shutdown of Unit 1, amounting to RON 65,352,336 RON; increase in the carrying amount of DICA amounting to RON 25,265,165.

(iii) Adjustments for depreciation and impairment

As at 31 December 2023 the Company accounted for movements in the **adjustments for impairment** of fixed assets in the amount of RON 9,387,283, representing expenses increases (31 December 2022: RON 5,060,391).

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 Power 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 3.3 for the other relevant accounting policies for tangible assets.

(iv) Revaluation

Buildings and lands are recognized at their fair value, based on periodical assessments carried out by external independent valuers. The re-measurement 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 15). All other tangible 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 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.

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

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

(vi) 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)

Had land and buildings been measured at historical cost, the amounts would have been:

| | 31 December 2023 | 31 December 2022 |
|--------------------------|-------------------------|-------------------------|
| | (audited) | (audited) |
| Lands | | |
| Cost | 22,350,779 | 22,350,779 |
| Accumulated depreciation | - | |
| Net book value | 22,350,779 | 22,350,779 |
| | 31 December 2023 | 31 December 2022 |
| | (audited) | (audited) |
| Buildings | | |
| Cost | 7,204,751,539 | 7,056,923,302 |
| Accumulated depreciation | (4,410,510,357) | (4,523,041,183) |
| Net carrying amount | 2,794,241,183 | 2,533,882,118 |

(vii) 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 („ANDR”) 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 27). The cost of the Company’s contributions to ANDR in 2023 amounts to RON 101,845,002 (31 December 2022: RON 100,535,482).

(viii) Pledged assets

As at 31 December 2023, respectively 31 December 2022, the Company had no pledged or mortgaged assets.

(ix) Supplier credit

As at 31 December 2023 the Company owned fixed assets purchased with credit from suppliers (commercial credit) in amount of RON 52,649,291 (31 December 2022: RON 46,767,931).

6. Assets representing rights of use underlying assets within a leasing contract

The Company 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 Company 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 of use at a value equal to the debt discounted upon transaction, arising from such agreements, amounting to RON 22,171,298 (31 December 2022: RON 16,031,241).

(i) Amounts recognized in the Statement of financial position

| Assets representing rights to use underlying assets within a leasing contract | 31 December 2023 (audited) | 31 December 2022 (audited) |
|--|---|---|
| Lands | 1,526,919 | 1,422,211 |
| Office spaces | 20,645,379 | 14,609,030 |
| Depreciation of assets representing rights to use | (3,571,215) | (465,410) |
| Total net assets representing rights to use | 18,601,084 | 15,565,831 |
| | 31 December 2023 | 31 December 2022 |
| | (audited) | (audited) |
| Liabilities within leasing agreements | | |
| Short-term | 4,167,292 | 2,734,403 |
| Long-term | 15,605,108 | 12,831,121 |
| | 19,722,400 | 15,565,524 |

(ii) Amounts recognized in the Individual Statement of Profit or Loss

| | Note | 31 December 2023 (audited) | 31 December 2022 (audited) |
|---|-------------|---|---|
| Depreciation of assets representing rights of use | | 3,379,695 | 271,886 |
| Interest expense | 28 | 1,279,532 | 32,097 |

(iii) Amounts recognized in the Individual Statement of Cash Flows

| | 31 December 2023 (audited) | 31 December 2022 (audited) |
|---|---|---|
| Total cash outflows related to leasing agreements | 3,617,527 | 337,356 |

(iv) Recognition of leasing agreements

Information relating to the recognition of leasing agreements according to IFRS 16 are presented in Note 3.5.

7. Intangible assets

| | Licenses and software | Software for the nuclear power plant | Intangible assets in progress | TOTAL |
|---|------------------------------|---|--------------------------------------|--------------------|
| Cost | | | | |
| Balance as at 1 January 2022 (audited) | 242,122,644 | 54,259,543 | - | 296,382,187 |
| Additions | 11,401,870 | 3,626,905 | - | 15,028,775 |
| Disposals | (17,909) | (380,168) | - | (398,077) |
| Balance as at 31 December 2022 (audited) | 253,506,605 | 57,506,280 | - | 311,012,885 |
| Balance as at 1 January 2023 (audited) | 253,506,605 | 57,506,280 | - | 311,012,885 |
| Additions | 2,904,612 | 44,512 | 11,516,092 | 14,465,216 |
| Disposals | (1,406,075) | (199,150) | - | (1,605,225) |
| Transfers | 10,033,345 | - | (10,033,345) | - |
| Reclassifications | (30,826,629) | 25,109,373 | 5,717,255 | - |
| Balance as at 31 December 2023 (audited) | 232,211,860 | 82,461,014 | 7,200,002 | 323,872,876 |
| Accumulated depreciation | | | | |
| Balance as at 1 January 2022 (audited) | 205,261,643 | 42,728,570 | - | 247,990,212 |
| Depreciation expense | 6,830,721 | 5,816,192 | - | 12,646,913 |
| Disposals depreciation | (17,909) | (380,168) | - | (398,077) |
| Balance as at 31 December 2022 (audited) | 212,074,455 | 48,164,594 | - | 260,239,048 |
| Balance as at 1 January 2023 (audited) | 212,074,455 | 48,164,594 | - | 260,239,048 |
| Depreciation expense | 6,412,163 | 7,787,133 | - | 14,199,296 |
| Disposals depreciation | (755,717) | (199,150) | - | (954,867) |
| Reclassifications | (62,299) | 62,299 | - | - |
| Balance as at 31 December 2023 (audited) | 217,668,603 | 55,814,876 | - | 273,483,478 |
| Net book value | | | | |
| Balance as at 1 January 2022 | 36,861,001 | 11,530,973 | - | 48,391,975 |
| Balance as at 31 December 2022 (audited) | 41,432,150 | 9,341,686 | - | 50,773,837 |
| Balance as at 31 December 2023 (audited) | 16,543,257 | 26,646,139 | 7,200,002 | 50,389,398 |

As at 31 December 2023, the intangible assets held by the Company are licenses and software products purchased, and also internally generated. The Company does not book contractual commitments for development costs.

The accounting policies for intangible assets are presented in Note 3.6.

8. Financial assets measured at amortized cost

As at 31 December 2023 the Company accounted for in position “Financial assets valued at amortized cost” state government bonds, bonds and loans to subsidiaries and associated entities and its contributions as member of the European Liability Insurance for the Nuclear Industry (“ELINI”), of the Romanian Commodities Exchange (“RCE”), of the Romanian Atomic Forum - Romatom (“ROMATOM”) and of HENRO Association.

| | 31 December 2023 | 31 December 2022 |
|--|-------------------------|-------------------------|
| | (audited) | (audited) |
| Bonds (ii) | 552,203,754 | - |
| Government bonds (i) | 30,333,530 | 30,260,661 |
| Loans granted to subsidiaries | 25,116,701 | 5,695,250 |
| Loans granted to associated entities | 21,957,885 | - |
| ELINI contribution | 5,032,931 | 5,032,931 |
| HENRO contribution | 250,000 | 250,000 |
| Romanian Commodities Exchange contribution | 24,000 | 24,000 |
| ROMATOM contribution | 100 | 100 |
| Total | 634,918,901 | 41,262,942 |

(i) Government bonds

As at 31 December 2023, respectively 31 December 2022 the Company held government 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 2023 | 31 December 2022 |
|---|-------------------------|-------------------------|
| | (audited) | (audited) |
| Balance as at 1 January | 29,751,132 | 29,680,203 |
| Purchases | - | - |
| Maturity dates | - | - |
| Discount depreciation | 73,309 | 70,929 |
| Balance at the end of the reporting period | 29,824,441 | 29,751,132 |
| Accumulated interest | 509,089 | 509,529 |
| Government bonds - total | 30,333,530 | 30,260,661 |

According to the issue prospectus, in June 2023 the Company received the annual coupon in the amount of RON 975,000.

(ii) Bonds

As at 31 December 2023, the Company holds:

- 450 non-preferential unguaranteed senior bonds, issued by CEC Bank, with a maturity of five years (February 2028) and a fixed annual interest of 7.5% p.a.
- 428 non-preferential unguaranteed senior bonds, issued by CEC Bank, with a maturity of five years (February 2028) and an annually return of 7.75% p.a
- 17.500 non-preferential senior bonds, MREL eligible, issued by Banca Transilvania, with a maturity of five years (December 2028) and an annually return of 7.25% p.a.

Movement of financial assets representing bonds:

| | 31 December 2023 | 31 December 2022 |
|---|-------------------------|-------------------------|
| | (audited) | (audited) |
| Balance at the beginning of the reporting period | - | - |
| Purchases | 518,828,650 | - |
| Maturity dates | - | - |
| Discount depreciation | 60,081 | - |
| Revaluation | 3,422,600 | - |
| Balance at the end of the reporting period | 522,311,331 | - |
| Accumulated interest | 29,892,423 | - |
| Total bonds | 552,203,754 | - |

9. Financial investments in subsidiaries

As at 31 December 2023, the situation of investments in subsidiaries is as follows:

| | 31 December 2023 | 31 December 2022 |
|-----------------------|-------------------------|-------------------------|
| | (audited) | (audited) |
| Energonuclear S.A. | 222,438,103 | 199,438,105 |
| F.P.C.U Feldioara | 200 | 200 |
| Nuclearelectrica Serv | 17,000,200 | 200 |
| Total | 239,438,503 | 199,438,505 |

Energonuclear S.A.

Energonuclear S.A. subsidiary (“Energonuclear”) has its registered office located in Bucharest, sector 2, Bd. Lacul Tei, nr. 1 - 3, Lacul Tei Offices Building, 8th floor and is registered with the Trade register under number J40/3999/25.03.2009, with Unique Registration Code 25344972, tax attribute RO. The main activity of Energonuclear consists in “Engineering activities and related technical consultancy” - CAEN Code 7112.

As at 31 December 2023 and 31 December 2022, the Company holds 100% of the share capital of Energonuclear. The value of the shareholding as at 31 December 2023 is RON 222,438,103 (31 December 2022: RON 199,438,105).

By Resolution of the Extraordinary General Meeting of Shareholders no. 4/11.07.2017, the Company’s shareholders approved to grant a loan convertible into shares in amount of maximum RON 5,500,000 to Energonuclear S.A. subsidiary for the purpose of financing the activities of maintenance and preservation of the site of Units 3 and 4 of Cernavodă NPP. Until 31 December 2021, Energonuclear had accessed the entire approved amount, namely RON 5,500,000, for which it had an accumulated interest rate of RON 272,005. The loan was converted into shares according to the Resolution of the Extraordinary General Meeting of Shareholders no. 5/30.06.2021, registered with the Trade Register under application for amendments no. 485731/10.09.2021. As at 31 December 2023 the Company did not register any loans granted to Energonuclear S.A. subsidiary.

During 2021, the share capital of Energonuclear S.A. subsidiary was increased two times, as follows:

- according to the Resolution of the Extraordinary General Meeting of Shareholders no. 3/21.04.2021 by issue of new shares amounting to RON 25,000,001.36, and
- according to the Resolution of the Extraordinary General Meeting of Shareholders no. 5/30.06.2021 in amount of RON 5,772,005.22, representing the conversion of the shareholding loan into shares.

During 2022, the share capital of Energonuclear S.A. subsidiary was increased by the amount of RON 26,999,997.52, under Resolution of the Extraordinary General Meeting of Shareholders no. 7/05.05.2022 by issue of new shares.

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S.N. Nuclearelectrica S.A.

Notes to the Individual Financial Statements for the financial year ended 31 December 2023

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

In 2023, the share capital of Energonuclear S.A. subsidiary was increased by the amount of RON 22,999,997.30, under Resolution of the Extraordinary General Meeting of Shareholders no. 5/29.08.2023 by issue of new shares.

Fabrica de Prelucrare a Concentratelor de Uraniu - Feldioara S.R.L.

Fabrica de Prelucrare a Concentratelor de Uraniu - Feldioara S.R.L. subsidiary (“F.P.C.U Feldioara”) has its registered office located in Brasov County, Feldioara Locality, Str. Dumbravii nr. 1, the administrative building, ground floor and is registered with the Trade Register under number J8/2729/23.09.2021, with Unique Registration Code 44958790, tax attribute RO. The main activity of FPCU Feldioara consists in “Processing of nuclear fuel” – CAEN Code 2446.

As at 31 December 2023, respectively 31 December 2022, the Company held 100% of the share capital of F.P.C.U Feldioara. The value of the shareholding on 31 December 2023 is RON 200 (31 December 2022: RON 200).

In 2021, the Company’s shareholder approved the granting of a loan in amount of RON 2,300,000, for the purpose of financing the activities and expenses of the subsidiary upon its establishment, in compliance with the provisions of the activity programs and of the income and expenditure budget for the years 2021 and 2022.

In 2023, the Company’s shareholder approved the granting of loans in amount of RON 11,000,000 and RON 16,325,949.40 respectively, for the purpose of financing the activities, in compliance with the provisions of the activity programs and of the income and expenditure budget for 2023.

As at 31 December 2023, the Company had a principal of RON 24,780,949 (31 December 2022: RON 3,600,000) and an accrued interest of RON 277,889 (31 December 2022: RON 130,772).

Nuclearelectrica Serv S.R.L.

Nuclearelectrica Serv S.A. subsidiary has its registered office located in Constanta County, Cernavodă Locality, Str. Energiei nr. 21, Hotel nr. 2, Building B, 1st floor and is registered with the Trade Register under number J13/4108/17.12.2021, with Unique Registration Code 45374854, tax attribute RO. The main activity of Nuclearelectrica Serv consists in “Repair of machinery” - CAEN Code 3312.

As at 31 December 2023, respectively 31 December 2021, the Company held 100% of the share capital of Nuclearelectrica Serv. The value of the shareholding as at 31 December 2023 is RON 17,000,200 (31 December 2022: RON 200).

In 2023, the share capital of Nuclearelectrica Serv subsidiary was increased by the amount of RON 17,000,000, under Resolution of the Board of Directors no. 294/21.12.2023 by contribution in cash.

In 2022, the Company’s shareholders approved the granting of a loan in amount of RON 3,500,000, for the purpose of financing the activities and expenses of the subsidiary upon its establishment, in compliance with the provisions of the activity programs and of the income and expenditure budget for 2022.

In 2023, the amount of the loan was increased up to RON 18,600,000, for the purpose of financing the activities, in compliance with the provisions of the activity programs and of the income and expenditure budget for 2023. During 2023, the subsidiary accessed the amount of RON 11,006,800 and fully repaid that amount until 31 December 2023 (balance as at 31 December 2022: RON 1,920,000), for which it booked an accrued interest accumulated in the balance as at 31 December 2023 of RON 57,863 (31 December 2022: RON 46,637).

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Notes 1 to 32 are an integral part of these Individual Financial Statements.

10. Financial investments in associates

Ropower Nuclear S.A.

In September 2022, the special purpose vehicle Ropower Nuclear S.A. was established, owned in equal shares by the shareholders S.N. Nuclearelectrica S.A. and Nova Power&Gas S.R.L. Its registered office is located in Romania, Dambovita County, Doicesti 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” - CAEN Code 3511.

As at 31 December 2023, the Company held 50% of the share capital of Ropower Nuclear S.A., the shareholding value amounting to RON 19,943,000 (31 December 2022, RON 4,943,000).

During 2023, the share capital of the associated entity Ropower Nuclear S.A. was increased as follows:

- based on EGMS Resolution no. 7/27.06.2023 with the amount of RON 20,000,000 through the issue of 20,000 new shares, of which 10,000 new shares represent the cash contribution of SNN, and 10,000 shares the cash contribution of Nova Power & Gas SRL and
- based on EGMS Resolution no. 10/29.08.2023 with the amount of RON 10,000,000 through the issue of 10,000 new shares, of which 5,000 new shares represent the cash contribution of SNN, and 5,000 shares the cash contribution of Nova Power & Gas SRL.

During 2023, RoPower Nuclear SA concluded a loan agreement with SNN for the equivalent in EUR of the amount of USD 8,966,023, of which the amount of USD 4,556,949 was drawn until 31 December 2023. The loan was granted for the purpose of financing the technical assistance activities related to SMR Front End Engineering and Design (FEED) Phase 1. As at 31 December 2023, the outstanding loan principal amounts to EUR 4,257,240 (RON 21,178,068), and the accumulated interest amounted to RON 779,817.

Ropower Nuclear S.A. Company (the “Project 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 Doicesti, County of Dambovita, based on the NuScale technology, consisting of 6 NuScale modules of 77MWe each, totalling 462MWe.

11. Inventories

As at 31 December 2023 and 31 December 2022 inventories are as follows:

| | 31 December 2023 | 31 December 2022 |
|-----------------------------------|-------------------------|-------------------------|
| | (audited) | (audited) |
| Spare parts | 219,146,771 | 240,796,144 |
| Other raw materials and materials | 848,589,760 | 412,403,547 |
| Total | 1,067,736,531 | 653,199,691 |

(i) Valuation of inventories

Inventories are valued at weighted average cost (WAC) according to IAS 2. See Note 3.11 for the other accounting policies relevant for inventories.

(ii) Amounts recognized in the Individual Statement of Profit or Loss

The value of the inventories expensed in the financial year ended 31 December 2023 is shown under *Cost of Spare Parts* and *Cost of Nuclear Fuel*, in the Individual Statement of Profit or Loss, and is RON 178,066,195 (31 December 2022: RON 177,118,781).

The value of Inventories recognized as an expense during the financial year ending as at 31 December 2023 in accordance with IAS 2.34, representing inventories scrapped, impaired, written off, is of RON 1,165,364 (31 December 2022: RON 1,042,623). 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 income upon their writing off. The effect on the Individual Statement of Profit or Loss is insignificant.

The value of impairment adjustments for inventories as at 31 December 2023 amounted to RON 51,253,363 RON (31 December 2022: RON 50,081,781). During 2023, depreciation adjustments were set-up in the amount of RON 2,258,700 (31 December 2022: RON 218.305) and impairment adjustments were written back on income, in amount of RON 1,070,672 (31 December 2022: RON 1,953,198).

During 2023, there were no inventory outflows written back.

(iii) Pledged inventories

As at 31 December 2023 the Company has no pledged or mortgaged inventories.

12. Trade receivables

As at 31 December 2023 and 31 December 2022 trade receivables were presented as follows:

| | 31 December 2023 | 31 December 2022 |
|--|-------------------------|-------------------------|
| | (audited) | (audited) |
| Trade receivables | 635,560,727 | 450,541,410 |
| Impairment adjustments for trade receivables | (11,255,214) | (12,001,436) |
| Total | 624,305,513 | 438,539,974 |

(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 Company 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 3.12 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 net book value is considered to be the same as their fair value.

(iii) Impairment and risk exposure

Information about impairment of trade receivables and the Company's exposure to credit risk and currency risk can be found in Note 30.

(iv) Other information

As at 31 December 2023, the main trade receivables in the balance were toward: Operatorul Pietei de Energie Electrica si de Gaze Naturale OPCOM S.A. – RON 240,490,900 (31 December 2022: RON 1,049,663), Electrica Furnizare S.A. – RON 107,592,215 (31 December 2022: RON 40,721,750) PPC Energie Muntenia S.A. – RON 69,489,409 (31 December 2022: RON 43,660,872), Alro S.A. – RON 49,140,212 (31 December 2022: RON 10,645,053) and PPC Energie S.A.– RON 38,687,973 (31 December 2022: RON 47,068,010).

Sales made during 2023 to Operatorul Pietei de Energie Electrica si de Gaze Naturale „OPCOM” S.A. represented approximately 37.85% (2022: approximately 21%), toward Electrica Furnizare S.A. represented approximately 11.17% (2022: approximately 8%), toward PPC Energie Muntenia S.A. represented approximately 10.97% (2022: approximately 10%), toward ALRO S.A. represented approximately 6.94% (2022: approximately 1.14%), and toward PPC Energie S.A. represented approximately 6.11% (2022: approximately 11.49%) of the total sales of electricity of the Company.

The Company's exposure to market and credit risks, as well as the value adjustments related to trade receivables, are presented in Note 30.

As at 31 December 2023, the headings "Trade Receivables" and "Adjustments for Impairment of Trade Receivables" include a net amount of RON 354,605,776 related to receivables from related parties (31 December 2022: RON 165,075,227).

13. Other financial assets measured at amortized cost

| | 31 December 2023 | 31 December 2022 |
|--|-------------------------|-------------------------|
| | (audited) | (audited) |
| Other receivables | 99,618,683 | 120,242,180 |
| Impairment adjustments for other receivables | (583,180) | (583,180) |
| Taxes and duties | 212,799,398 | 300,947 |
| Advance payments | 15,612,035 | 20,994,645 |
| Total | 327,446,936 | 140,954,592 |

(i) Classification of financial assets measured at amortized cost

The Company 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 3.8 for the other accounting policies relevant for financial assets.

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

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

(iii) Impairment and risk exposure

Information about impairment of trade receivables and the Company's exposure to credit risk and currency risk can be found in Note 30.

(iv) Other information

As at 31 December 2023, the heading "Pre-Payments" includes the amount of RON 258,506 related to payments made in advance to related parties (31 December 2022: RON 429,334).

As at 31 December 2023, item "Taxes and duties" represented the recoverable VAT of RON 193,626,965 (31 December 2022: RON 300,947), and also the amount related to the Contribution to the Energy Transition Fund to be recovered, in amount of RON 19,171,499. For more details please see Note 31.

14. Cash and cash equivalents, bank deposits

As at 31 December 2023 and 31 December 2022 **cash and cash equivalents** were presented as follows:

| | 31 December 2023 | 31 December 2022 |
|--|-------------------------|-------------------------|
| | (audited) | (audited) |
| Bank deposits less than 3 months | 3,145,883,700 | 2,396,122,000 |
| Cash at bank in RON | 232,704,676 | 259,300,485 |
| Cash at bank in foreign currencies | 150,247,917 | 25,057,497 |
| Other cash equivalents | 435,296 | 440,509 |
| Cash in hand | 62,927 | 81,936 |
| Cash and cash equivalents - Total | 3,529,334,516 | 2,681,002,427 |

As at 31 December 2023 and 31 December 2022, the bank deposits having their original due date more than 3 months and less than one year were presented as follows:

| | 31 December 2023 | 31 December 2022 |
|---------------|-------------------------|-------------------------|
| | (audited) | (audited) |
| Bank deposits | 112,257,027 | 1,829,796,500 |

(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 2023 | 31 December 2022 |
|---|-------------------------|----------------------------|
| | (audited) | (audited, restated) |
| Bank deposits having their original due date less than 3 months | 3,145,883,700 | 2,396,122,000 |
| Cash at bank | 382,952,593 | 284,357,982 |
| Other cash equivalents | 435,296 | 440,509 |
| Cash in hand | 62,927 | 81,936 |
| | 3,529,334,516 | 2,681,002,427 |

(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 3.13 for the other accounting policies of the Company concerning the cash and cash equivalents.

(iii) Restricted cash

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

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

As at 31 December 2023 the Company held bank guarantee letters under certain credit facilities, without any collateral deposits, in amount of RON 140,782,892 RON (31 December 2022: RON 124,714,365).

15. Equity***Share capital***

The Company was established by spin-off from the former Autonomous Electricity Administration (“RENEL”). Share capital represents the State contribution to the Company’s establishment as at 30 June 1998 (restated with inflation until 31 December 2003), plus subsequent increases.

According to the articles of association, the authorized share capital of the Company amounts to RON 3,016,518,660. Subscribed and paid up share capital as at 31 December 2023 amounted to RON 3,016,438,940 RON, under the authorized capital.

As at 31 December 2023 and 31 December 2022, 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 structure of share capital is presented as follows:

| | 31 December 2023 | 31 December 2022 |
|--|-------------------------|-------------------------|
| | (audited) | (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 2023, 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 during 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 Resolution 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 2023 and 31 December 2022 shareholding structure was presented as follows:

| Shareholders | Number of shares | % of the | Number of shares | % of the |
|-------------------------------------|-------------------------|-----------------|-------------------------|-----------------|
| | 31 December 2023 | share | 31 December 2022 | share |
| | | capital | | 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% |

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Share premium

In November 2013, the Company 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 2023 and 31 December 2022 and represented sites of public utility from Cernavodă NPP (RON 5,439,321 as at 31 December 2023 and 31 December 2022) 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 2023 and 31 December 2022).

Legal Reserves

According to legal requirements, the Company sets up legal reserves of 5% of the gross statutory profit, up to 20% of the share capital. The value of legal reserve as at 31 December 2023 amounted to RON 557,764,327 (31 December 2022: RON 414,757,698).

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 2023, the revaluation reserve net of deferred tax amounted to RON 336,996,786 (31 December 2022: RON 394,369,643). 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"). Prior to such revaluation, lands and buildings were revalued as at 31 December 2018.

During 2023, the Company recognized a decrease in the revaluation reserve, net of deferred tax, of RON 57,372,857 following its transfer to retained earnings (2022: RON 57,372,857).

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. 2844/2016 for approval of Accounting Regulations compliant with the International Financial Reporting Standards.

In the financial year ended 31 December 2023, the Company distributed dividends of RON 1,283,215,656 from the net profit of the 2022 financial year, according to OGMS Resolution no. 3/26.04.2023 (2022: RON 595,925,367, distributed from the net profit of the 2021 financial year, according to OGMS Resolution no. 5/28.04.2022). Net dividends unpaid as at 31 December 2023 amounted to RON 1,030,734 (31 December 2022: RON 748,270).

Movements in result carried forward

| | 31 December 2023 (audited) | 31 December 2022 (audited) |
|---|---|---|
| Balance as at 1 January | 6,876,165,858 | 4,648,549,459 |
| Net profit of period | 2,506,518,832 | 2,764,423,452 |
| Actuarial Gains/(Losses) related to the defined benefit plans | (3,716,876) | 1,745,457 |
| Retained earnings from other adjustments | - | - |
| Transfer of revaluation reserves into retained earnings due to amortization | 57,372,857 | 57,372,857 |
| Dividends | (1,283,215,656) | (595,925,367) |
| Balance as at 31 December | 8,153,125,015 | 6,876,165,858 |

Dividends and profit distribution

In accordance with the statutory and legal provisions in force, the Ordinary General Meeting of Shareholders approves and fixes the dividends. The Board of Directors of the Company proposed to the shareholders the following distribution of the net profit.

| | |
|---|----------------------|
| Net profit to be allotted for the 2023 financial year | 2,506,518,832 |
| Legal Reserves | 143,006,629 |
| Other reserves representing fiscal facilities provided by the law | 152,453,305 |
| Dividends | 1,120,911,882 |
| Other reserves (own financing sources) | 1,090,147,016 |
| Profit yet to be distributed | - |

The net profit distribution proposal complies with the provisions of the Government Ordinance no. 64/2001 on the profit distribution at national enterprises, national companies and companies with full or majority State capital, as well as at self-governed administrations, as subsequently amended and supplemented.

The amounts proposed to be distributed as “employee participation in profit” are up to 10% of the net profit; however, not more than one average monthly base salary obtained in 2023, and considering the average headcount in 2023. The obligation to participate in the profit was established in income and expenditure budget for 2022, so that the provisions of Article 1(1)(e) of the Government Ordinance no. 64/2001 are observed. The amounts representing the employee participation in profit do not represent a direct distribution from the net profit; these are provisioned at the end of the financial year and distributed in the following financial year, after approval of the net profit distribution. Thus, the net profit of the financial year 2023 includes a provision for employee participation in profit (deducted from the accounting profit), of RON 30,764,865.

The amounts allocated to the legal reserve are determined based on the provisions of Article 183 of Law no. 31/1990 according to which "at least 5% will be set aside from the Company's profit every year for the formation of the reserve fund, until this reaches at least one fifth of the share capital". The amount allocated to the legal reserve was set aside at the end of the financial year, and represented the mandatory distribution of RON 143,006,697.

Other reserves representing tax facilities provided by the law (RON 152,453,305) are allocated based on Article 22(1) of Law no. 227/2015 on the Tax Code, as subsequently amended and supplemented; these refer to the exempted corporate tax related to the profit invested in engineering equipment, electronic computers and peripheral equipment, cash registers, control and invoicing equipment, as well as software, either produced and/or purchased, as provided in subgroup 2.1, respectively in class 2.2.9 of the "Catalogue for classification and normal operating times of plant, property and equipment", used to carry out the business activity. The amount allocated to reserves is the amount of profit invested in this equipment, net of the legal reserve (5%).

The proposed gross dividends (RON 1,120,911,882) represent a distribution of 50% of the profit remaining after deduction from the net profit of the financial year (RON 2,506,518,832) of the legal reserve (RON 143,006,629) and of the reserves representing tax facilities (RON 152,453,305).

16. Earnings per share

As at 31 December 2023 and 31 December 2022, earnings per share were:

Earnings based on share

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| | <u>(audited)</u> | <u>(audited)</u> |
| Net profit of the financial year | 2,506,518,832 | 2,764,423,452 |
| 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) | 8.31 | 9.16 |

Diluted earnings per share

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| | <u>(audited)</u> | <u>(audited)</u> |
| Net profit of the financial year | 2,506,518,832 | 2,764,423,452 |
| 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) | 8.31 | 9.16 |

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17. Loans

The loans taken out by the Company as at 31 December 2023 and 31 December 2022 were as follows:

| | 31 | < 1 year | > 1 year | 31 | < 1 year | > 1 year |
|--------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | December | | | December | | |
| | 2023 | | | 2022 | | |
| | (audited) | | | (audited) | | |
| Bank loans | 65,167,260 | 65,167,260 | - | 130,116,620 | 65,305,680 | 64,810,940 |
| Interest | 473,339 | 473,339 | - | 219,753 | 219,753 | - |
| Total | 65,640,599 | 65,640,599 | - | 130,336,373 | 65,525,433 | 64,810,940 |

Bank loans

Loans repayments during the financial year ended as at 31 December 2023 were:

| | Curren- cy | Interest rate | Value | Final maturity year |
|---|-----------------------|----------------------|--------------------|------------------------------------|
| Balance as at 1 January 2023 (audited) | | | 130,116,620 | |
| New drawdowns | | | | |
| EURATOM reimbursement | EUR | EURIBOR 6M + 0.08% | (65,258,970) | 2024 |
| Foreign exchange differences | | | 309,610 | |
| Balance as at 31 December 2023 (audited) | | | 65,167,260 | |

The loans refer to:

- *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 2023 is EUR 13.1 million (31 December 2022: EUR 26.3 million), related to the following instalments: (i) instalment I with a principal of EUR 0 (zero) million (31 December 2022: 0 (zero) EUR); (ii) instalment II with a principal of EUR 9 million (31 December 2022: EUR 18 million) and (iii) instalment III with a principal of EUR 4.1 million (31 December 2022: EUR 8.3 million). Instalment I was 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 2023 and 31 December 2022, the financial ratios requested by EURATOM are met. All loans were contracted to finance construction of Unit 2.

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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.

18. Provisions for risks and charges

As at 31 December 2023, respectively 31 December 2022 the Company 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 2023 | 31 December 2022 |
|--|-------------------------|-------------------------|
| | (audited) | (audited) |
| Liabilities relating to the Intermediate Dry Storage Spent Fuel Facility (DICA) | 101,136,780 | 70,294,835 |
| Liabilities relating to other low and medium level radioactive and non-radioactive waste | 69,517,636 | 64,737,442 |
| Provision for litigations related to salary bonus | 102,341,834 | 89,288,704 |
| Employee participation in profit | 30,764,865 | 27,000,000 |
| Provisions for disputes | 20,698,904 | - |
| Other provisions for risks and charges | 215,318 | 224,307 |
| Total | 324,675,337 | 251,545,288 |

As at 31 December 2023, provisions in a total amount of RON 324,675,337 represented long and short-terms liabilities, as follows:

| | Current part | Long-term part |
|--|----------------------|-----------------------|
| | (< 1 year) | (> 1 year) |
| Liabilities relating to the Intermediate Dry Storage Spent Fuel Facility (DICA) | 54,090,644 | 47,046,136 |
| Liabilities relating to other low and medium level radioactive and non-radioactive waste | 14,098,206 | 55,419,430 |
| Provision for litigations related to salary bonus (i) | - | 102,341,834 |
| Employee participation in profit | 30,764,865 | - |
| Provisions for disputes (ii) | 20,698,904 | - |
| Other provisions for risks and charges | 215,318 | - |
| Total | 119,867,937 | 204,807,400 |

- (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.
- (ii) The item "Provision for litigation" includes the amount of RON 19,171,498 which is related to the appeal of tax decisions no. 17862/17.10.2023 and no. 4125/23.11.2023 issued as a result of the tax audit carried out by the General Antifraud Fiscal Directorate on the calculation of the contribution to the Energy Transition Fund for the period 1 September-31 December 2022. For more details, see Note 31.

See Note 3.22 for the provision-relevant accounting policies.

19. Deferred income

As at 31 December 2023 and 31 December 2022, deferred income is as follows:

| | 31 December 2023 | 31 December 2022 |
|--|-------------------------|-------------------------|
| | (audited) | (audited) |
| Creditor customer | 1,186,167 | 154,743,583 |
| Grants of subsidy nature (i) | 43,033,984 | 57,818,929 |
| Governmental investment subsidies (ii) | 7,308,371 | 5,918,917 |
| Other deferred income | - | 2,217,595 |
| Total | 51,528,522 | 220,699,024 |

(i) Grants of subsidy nature

As at 31 December 2023, 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 Individual Statement of Profit or Loss 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 2023 amounts to RON 14,344,662 (2022: RON 14,344,662). The value of the subsidy as at 31 December 2023 is RON 43,033,984 (31 December 2022: RON 57,378,646).

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. Costs were incurred within the period 1 September 2021 – 30 August 2023. According to the agreement, the maximum amount granted is EUR 445,024 and accounts for 75% of the eligible costs of the action. By 31 December 2023, the full costs of the project have been recorded in the amount of RON 2,074,028 of which 25% financed from own sources. The balance of the subsidy to be received as at 31 December 2023 amounts to RON 238,430. Before the date of these financial statements, the Company received the pre-financing of EUR 267,014.

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 Doicesti, County of Dambovită. 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 3.19).

20. Income tax

Corporate tax recognized in the Individual Statement of Profit or Loss:

| | 2023 | 2022 |
|------------------------------------|----------------------|----------------------|
| | (audited) | (audited) |
| Expense with current corporate tax | (386,001,879) | (434,906,067) |
| Net income from deferred tax | 32,388,129 | 6,832,608 |
| Total | (353,613,750) | (428,073,459) |

Deferred tax assets and liabilities are measured on 31 December 2023 and 31 December 2022 at the standard tax rate of 16%, representing the currently adopted tax rate.

Reconciliation of the effective tax rate:

| | 2023 | 2022 |
|--|----------------------|----------------------|
| | (audited) | (audited) |
| Profit before corporate tax | 2,806,132,582 | 3,192,496,911 |
| Tax in accordance with the statutory tax rate of 16% | 457,621,213 | 510,799,506 |
| Effect on corporate tax of: | | |
| Legal reserve | (22,881,061) | (25,539,975) |
| Tax amortization | (1,490,793) | (668,487) |
| Non-taxable income | (18,405,374) | (23,230,520) |
| Non-deductible costs | 49,399,085 | 28,088,231 |
| Gain from revaluation reserves | 17,384,085 | 16,995,371 |
| Temporary differences | (32,388,129) | (6,832,608) |
| Sponsorship | (7,124,668) | (6,776,395) |
| Reinvested profit | (25,676,346) | (11,009,228) |
| Corporate tax reduction according to the Government Emergency Ordinance no. 153/2020 | (62,825,059) | (53,752,435) |
| Expense with corporate tax | 353,613,750 | 428,073,459 |

The deferred tax consists of:

| 31 December 2023 (audited) | Assets | Liabilities | Net |
|---------------------------------------|---------------------|--------------------|-------------------|
| Tangible assets | - | 119,888,090 | 119,888,090 |
| Intangible assets | - | 1,305,389 | 1,305,389 |
| Inventories | - | 3,698,424 | 3,698,424 |
| Trade receivables | (1,705,871) | - | (1,705,871) |
| Liabilities for employee benefits | (7,694,130) | - | (7,694,130) |
| Employee participation in profit | (4,922,378) | - | (4,922,378) |
| Provision for salary increases | (16,374,692) | - | (16,374,692) |
| Leaves not taken | (2,133,836) | - | (2,133,836) |
| Taxes and duties | (14,651,603) | - | (14,651,603) |
| Other provisions | (3,228,474) | - | (3,228,474) |
| Radioactive and non-radioactive waste | (11,122,822) | - | (11,122,822) |
| Net tax (asset)/liability | (61,833,806) | 124,891,903 | 63,058,097 |

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Notes 1 to 32 are an integral part of these Individual Financial Statements.

| 31 December 2022 (audited) | Assets | Liabilities | Net |
|---------------------------------------|---------------------|--------------------|-------------------|
| Tangible assets | - | 141,888,769 | 141,888,769 |
| Intangible 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 | (51,186,854) | 146,633,080 | 95,446,226 |

The table with the movements in the 2023 and 2022 deferred tax liabilities is as follows:

| | Balance on 01 January 2022 (audited) | Deferred tax recognized in profit and loss | Deferred tax recognized directly in other comprehensive income | Balance on 31 December 2022 (audited) | Deferred tax recognized in profit and loss | Balance on 31 December 2023 (audited) |
|---------------------------------------|---|---|---|--|---|--|
| Tangible assets | 162,161,766 | (20,272,996) | 10,928,240 | 141,888,769 | (22,000,679) | 119,888,090 |
| Intangible assets | 1,250,695 | (205,667) | - | 1,045,028 | 260,361 | 1,305,389 |
| Inventories | (651,876) | 4,351,159 | - | 3,699,283 | (858) | 3,698,424 |
| Trade receivables | (1,992,016) | 132,939 | - | (1,859,077) | 153,206 | (1,705,871) |
| Liabilities for employee benefits | (7,420,638) | 131,424 | - | (7,289,215) | (404,915) | (7,694,130) |
| Provision for salary increases | (17,512,945) | 3,226,754 | - | (14,286,191) | (2,088,501) | (16,374,692) |
| Employee participation in profit | (3,200,000) | (1,120,000) | - | (4,320,000) | (602,378) | (4,922,378) |
| Leaves not taken | (877,635) | (564,145) | - | (1,441,780) | (692,056) | (2,133,836) |
| Taxes and duties | (10,977,700) | (624,003) | - | (11,601,703) | (3,049,900) | (14,651,603) |
| Radioactive and non-radioactive waste | (18,461,358) | 8,103,368 | - | (10,357,991) | (764,831) | (11,122,822) |
| Other provisions | (39,458) | 8,560 | - | (30,897) | (3,197,576) | (3,228,474) |
| Net tax (asset)/liability | 102,278,835 | (6,832,607) | 10,928,240 | 95,446,226 | (32,388,129) | 63,058,097 |

21. Liabilities for employee benefits

| | 31 December 2023 | 31 December 2022 |
|------------------------------------|-------------------------|-------------------------|
| | (audited) | (audited) |
| Retirement benefits | 28,252,776 | 25,011,151 |
| Anniversary bonuses | 11,046,547 | 11,878,616 |
| Decease benefits | 923,021 | 894,429 |
| Retirement benefits in electricity | 7,865,968 | 7,773,395 |
| Total | 48,088,311 | 45,557,591 |

As at 31 December 2023, 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 Company-specific assumptions** were considered for application of IAS 19 "Employee Benefits" as at 31 December 2023 and 31 December 2022.

| Measurement date | 31 December 2023 | 31 December 2022 |
|----------------------|--|---|
| Number of employees | 2,352 | 2,344 |
| Salary increase rate | <p>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 2023-2027. The weighted average rate of salary increases is 3.3% p.a.</p> <p>The inflation rate was estimated based on the statistics issued by INSSE and the BNR forecast of November 2023, as follows: 4.8% in 2024, 3.5% in 2025, 3.0% in 2026 and 2.5% p.a. in years 2027-2031, and will follow a downward trend in the following years. The average weighted inflation rate is 3.1% p.a.</p> | <p>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.</p> <p>The inflation rate was estimated based on the statistics issued by INSSE and the BNR forecast of August 2022, as follows: 13.9% in 2022, 7.5% in 2023, 4.9% in 2024, 3.0% in 2025 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.</p> |

| Measurement date | 31 December 2023 | 31 December 2022 |
|-----------------------------------|---|--|
| Raise rate in kWh price | The kWh price as updated on 31 December 2023 was RON 1.3. For years 2024-2030, the estimates provided by the Company and a similar trend for the following years were used. | 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. |
| Weighted average discounting rate | 4.8% | 7.8% |
| 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 | 13,831 | 10,895 |

The above assumptions were taken into considering:

- bond yields on the active market at the end of December 2023. The residual times to maturity available were 1-12 years and 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 2022: 2.0%);
- estimated long-term real yield on governmental bonds of 1.45% p.a. (31 December 2022: 1.45%);
- liquidity premium for Romania of 0% (31 December 2022: 0%);
- weighted average discounting rate of 4.8% (31 December 2022: 7.8%).

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 decrease | Anniversary bonuses | Retirement benefits in electricity | Total liabilities with defined benefits |
|---|---------------------|----------------------------|---------------------|------------------------------------|---|
| PVDBO as at 31 December 2023 (RON) | 28,252,776 | 923,021 | 11,046,547 | 7,865,968 | 48,088,311 |
| Discounting rate +1% | 26,720,213 | 861,808 | 10,357,500 | 6,764,623 | 44,704,143 |
| Discounting rate -1% | 29,958,624 | 992,247 | 11,820,420 | 9,240,461 | 52,011,751 |
| Salary increase rate/kW price +1% | 30,020,444 | 996,779 | 11,869,511 | 9,236,198 | 52,122,932 |
| Salary increase rate/kW price -1% | 26,641,630 | 857,059 | 10,304,950 | 6,749,856 | 44,553,495 |
| Increase in longevity by 1 year | 28,388,900 | 838,541 | 11,085,308 | 8,093,726 | 48,406,475 |

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.

22. Trade and other payables

As at 31 December 2023 and 31 December 2022 trade and other payables were as follows:

| | 31 December 2023 | 31 December 2022 |
|---------------------------------|-------------------------|-------------------------|
| | (audited) | (audited) |
| Suppliers of non-current assets | 52,649,291 | 46,767,931 |
| Suppliers | 312,646,820 | 110,396,300 |
| Liabilities for employee debts | 77,585,072 | 37,461,202 |
| Liabilities to the state | 365,521,592 | 239,212,576 |
| Payable gross dividends | 1,080,364 | 763,805 |
| Other liabilities | 8,632,370 | 10,713,845 |
| Total | 818,115,509 | 445,315,659 |

As at 31 December 2023, the main suppliers in balance, from the heading “Suppliers of non-current assets” and “Suppliers”, were: NAC KAZATOMPROM JSC RON 144,971,567 (31 December 2022: RON 0), Candu Energy Inc. RON 54,020,936 (31 December 2022: RON 26,956,168), General Electric Global Services GMBH – RON 21,629,425 (31 December 2022: RON 23,264,335), Apele Romane Bucuresti – RON 18,156,632 (31 December 2022: RON 12,302,495), BOG ART SRL RON 11,362,785 (31 December 2022: RON 0).

As at 31 December 2023, “Trade Payables and other Liabilities” include the amount of RON 48,044,941 (31 December 2022: RON 38,176,357) related to liabilities to related parties, of which, under the headings "Suppliers" and "Suppliers of non-current assets", RON 47,996,999 (31 December 2022: RON 30,113,114).

As at 31 December 2023, the heading "Liabilities to the state" includes mainly the liability regarding the Payable balance of the to the Energy Transition Fund for December 2023 in the amount of RON 194,055,709 (31 December 2022: RON 73,261,115) which was paid in 2024, as well as the liability related to the local taxes and duties set by the State authorities in 2024, of RON 91,803,624 (31 December 2022: RON 72,723,700) which, according to *IFRIC 21 - Levies*, it is recognized on 31 December 2023. The due date of these taxes and duties is in the 2024 financial year.

23. Income from sale of electricity*(i) Income from sales of electricity*

| | 2023 | 2022 |
|---|----------------------|----------------------|
| | (audited) | (audited) |
| Sales of energy via MACEE | 2,222,509,995 | - |
| Sales of energy on the competitive market | 5,195,404,075 | 6,337,877,402 |
| Sales of thermal energy | 6,097,431 | 5,729,022 |
| Green certificates sales | 32,480 | 33,276 |
| Total | 7,424,043,981 | 6,343,639,700 |

*(ii) Quantity of sold electricity**

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | (audited) | (audited) |
| Quantity of electricity sold via MACEE (MWh) | 4,938,911 | - |
| Quantity of sold electricity on the competitive market (MWh) | 5,520,334 | 10,513,116 |
| | 10,459,245 | 10,513,116 |

**) The amount of electricity sold does not include the amount of electricity related to income from positive imbalances recovered on the Balancing Market, of 43,892 MWh for the financial year ended 31 December 2023 (40,798 MWh for the financial year ended 31 December 2022).*

Effective 1 January 2023, the Company is a seller under the Centralized Electricity Acquisition Mechanism (“MACEE”), set up under the Government Emergency Ordinance no. 153/2022, for the period 1 January 2023 – 31 March 2025. The Romanian Electricity and Gas Market Operator OPCOM S.A., as sole purchaser, according to Article 2 and Article 3(2) of the Government Emergency Ordinance no. 153/2022, buys electricity from producers at the price of 450 RON/MWh and sells it to buyers at the same price. During 2023, the Company sold via MACEE a quantity of 4,938,911 MWh at the price of 450 RON/MWh (with Tg included), and of 447.47 RON/MWh (without Tg), which accounts for 47.02% of the total electricity sold during the period.

On the competitive market, during 2023, the Company sold 52.56% of the energy sold (2022: 99.61%), respectively 5,520,334 MWh (2022: 10,513,116 MWh). The average sale price of electricity sold by the Company on this market during 2023 was 940.45 RON/MWh (2022: 600.15 RON/MWh), amount net of Tg.

The 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 2024 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, for which it has set up a guarantee in the amount of RON 4,450,000 valid until 18 December 2024.

The Company carries out the activity of generation of heat energy by operation of the energy facilities related to the electricity and heat energy production units in two heat exchangers with a total heat power of 40 Gcal/h and 46.51 MW. The Company delivers heat energy to the heat energy local 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 2023 amount to RON 6,097,431 (2022: RON 5,729,022).

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Notes 1 to 32 are an integral part of these Individual Financial Statements.

24. Other income

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | (audited) | (audited) |
| Income from investments subsidies | 14,349,555 | 14,354,675 |
| Income from operating subsidies | - | 872,785 |
| Income from compensation, fines and penalties | 4,396,781 | 3,592,024 |
| Net income from sale of assets held for sale | - | - |
| Income from reversal of provisions and value adjustments | - | 74,987,912 |
| Other income | 106,716,970 | 73,660,311 |
| Total | 125,463,306 | 167,467,707 |

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 Individual Statement of Profit or Loss as income for the period 2007 - 2026, over the period remaining to be depreciated for Unit 1.

The heading "Other income" mainly includes income from changes in inventories in the amount of RON 53,035,166 and income from the production of fixed assets in the amount of RON 32,830,351.

25. Personnel costs

| | 2023 | 2022 |
|---------------------------------------|--------------------|--------------------|
| | (audited) | (audited) |
| Salaries and wages | 670,076,446 | 509,613,797 |
| Costs of social insurance and similar | 69,150,998 | 45,622,074 |
| Total personnel costs | 739,227,444 | 555,235,871 |

The breakdown on categories of employees is as follows:

| | 2023 | 2021 |
|----------------------------------|------------------|------------------|
| | (audited) | (audited) |
| Management staff | 100 | 89 |
| Operational staff | 2,252 | 2,256 |
| Total effective headcount | 2,352 | 2,345 |

The average headcount of the Company in 2023 was 2,272 (2022: 2,221 employees). As at 31 December 2023, the effective headcount was 2,352 (2022: 2,345 employees).

26. Contribution to the Energy Transition Fund / Tax on additional income

| | 2023 | 2022 |
|--|----------------------|----------------------|
| | (audited) | (audited) |
| Contribution to the Energy Transition Fund / | 2,623,619,387 | |
| Tax on additional income | | 1,085,014,040 |
| Total | 2,623,619,387 | 1,085,014,040 |

During 2023, the Company booked Contribution to the Energy Transition Fund in the amount of RON 2,623,619,387 (2022: RON 1,085,014,040, under the heading additional income tax). As at 31 December 2023, the payable balance of the to the Energy Transition Fund amounts to RON 194,055,709 (31 December 2022: 73,261,115 RON), fully paid in January 2024.

In 2022, the Company registered additional income tax. The additional income was established and calculated based on art. II paragraph (1) of Law no. 259/2021 for the approval of Government Emergency Ordinance no. 118/2021, as it was in force until 01 September 2022, and resulted from the difference between the average monthly selling price of electricity and the price of 450 RON/MWh, to which a tax rate of 80% was applied, for the quantity of monthly energy physically delivered from own production. The calculation method was established by Government Emergency Ordinance no. 27/2022 (Appendix 6) and applied, according to art. 4 of the Government Emergency Ordinance no. 27/2022, for the period 1 November 2021 - 31 August 2022.

According to Government Emergency Ordinance no. 119/01.09.2022 for the amendment and supplementation of Government Emergency Ordinance 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, which replaced the additional income tax. The calculation method is provided for in Appendix 6 to Government Emergency Ordinance no. 27/2022 and is determined as a difference between the monthly sale price and the reference price (450 RON/MWh) multiplied by the monthly quantity physically delivered, therefore in a 100% share.

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 450 RON/MWh and the monthly quantity physically delivered from own production. During the application of Law no. 357/2022, only expenses with imbalances are deducted from the calculation base for determining the monthly sales price (until the entry into force of Law no. 357/2022, respectively in the previous reporting period, other types of expenses were also deducted from the calculation base expenses, for example expenses with purchased electricity).

27. Other operating expenses

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | (audited) | (audited) |
| Other expenses with services executed by third parties | 109,637,217 | 97,498,218 |
| ANDR costs | 101,845,002 | 100,535,482 |
| Expenses with energy and water | 123,767,644 | 91,268,972 |
| Expenses with fuel and other consumables | 64,737,900 | 62,274,284 |
| Expenses with insurance premiums | 14,906,354 | 13,555,971 |
| Expenses with the transport and telecommunications | 16,779,350 | 10,749,690 |
| Expenses with building tax | 90,949,460 | 71,957,968 |
| Net expenses related to provisions and value adjustments | 68,327,729 | - |
| Expenses related to ANRE contribution | 6,370,420 | 3,121,500 |
| Other operating expenses | 84,470,491 | 51,154,313 |
| Total | 681,791,567 | 502,116,398 |

ANDR costs

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

- Contribution for decommissioning each nuclear unit in amount of 0.6 EUR/MWh net electricity produced and delivered in the system;
- Contribution for the permanent storage of radioactive waste of 1.4 EUR/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, ANDR is held responsible for the management of the entire decommissioning process, at the end of the useful lifetime of nuclear plant and storage of the resulting waste.

Expenses related to ANRE contribution

ANRE contribution for the year 2023 is calculated according to the Order ANRE no. 140/2022, representing 0.1% of the turnover realized in 2022, from activities carried out under the licenses held. As at 31 December 2023 the contribution amounts to RON 6,370,420 (31 December 2022: RON 3,121,500). For 2022, the contribution was calculated according to the Order of ANRE no. 143/2021, representing 0.1% of the turnover realized in 2021, from activities carried out under the licenses held.

Other operating expenses

Position of "Other operating expenses" includes expenses related to operating license paid to CNCAN Bucharest, in amount of RON 9,900,000 (31 December 2022: RON 9,900,000).

28. Financial income and expenses

| | 2023 | 2022 |
|---|---------------------|---------------------|
| | (audited) | (audited) |
| Interest income | 352,588,227 | 217,870,423 |
| Income from exchange rate differences | 42,511,627 | 20,164,465 |
| Dividend income | 971,747 | 60,935 |
| Financial income regarding the amortization of bonds and government bonds differences | 133,390 | 70,929 |
| Other financial income | 17,497,237 | 9,623 |
| Financial income - Total | 413,702,228 | 238,176,375 |
| Expenses from exchange rate differences | (25,502,393) | (24,235,623) |
| Interest expense | (9,271,793) | (7,451,711) |
| Financial expenses - Total | (34,774,186) | (31,687,334) |
| Net financial costs | 378,928,042 | 206,489,041 |

Other financial income

Under position “Other financial income” bonds interests are included. estimated for the period until 31 December 2023, in the amount to RON 17,497,237 (31 December 2022: RON 0).

29. Transactions and balances with related parties**(i) Transactions with State-owned companies**

The Company 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 Company has made significant transactions with other State-owned or controlled companies, including:

- sales of electricity (OPCOM S.A., Electrica Furnizare SA, S.P.E.E.H. Hidroelectrica SA);
- sales of thermal energy (Utilitati Publice S.A. Cernavodă),
- rents invoices (FPCU Feldioara S.R.L., Nuclearelectrica Serv S.R.L., RoPower Nuclear S.A.),
- electricity purchases (OPCOM S.A.);
- purchase of electricity transmission and balancing services (C.N. Transelectrica S.A.);
- contribution for the management of the decommissioning process of the two units and for the final storage of nuclear waste at the end of the useful life of the two units, as well as for the permanent storage of the resulting residues (Nuclear and Radioactive Waste Agency - ANDR)
- water use purchase (Apele Romane Bucharest)
- purchase of processing services of natural technical uranium concentrate (F.P.C.U. Feldioara S.R.L.);
- purchase of waste processing services, equipment decontamination, scaffolding erection/dismantling, cleaning, repair and maintenance, preventive maintenance, fire prevention, etc. (Nuclearelectrica Serv S.R.L.)
- purchase of underground water use services (Dobrogea Seaside Water Basin Administration)
- purchase of treatment services for the radioactive water resulting from production activities (Technologies for Nuclear Energy State Owned Company – Institute for Nuclear Research Pitesti)

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

| | Sales | | Receivables as at | |
|---|----------------------|----------------------|-------------------------------|-------------------------------|
| | 2023 (audited) | 2022 (audited) | 31 December 2023 (audited) | 31 December 2022 (audited) |
| Operatorul Pietei de Energie Electrica si de Gaze Naturale din Romania (OPCOM S.A.) | 2,826,863,126 | 1,332,533,729 | 240,751,656 | 1,478,997 |
| Electrica Furnizare S.A. | 835,748,874 | 560,894,954 | 107,592,215 | 40,721,750 |
| S.P.E.E.H. Hidroelectrica S.A. | 412,844,430 | 114,318,000 | - | 39,042,000 |
| Utilitati Publice S.A. Cernavoda | 6,567,598 | 6,018,958 | 5,772,723 | 5,724,145 |
| F.P.C.U. Feldioara S.R.L. | 4,073,425 | 5,369 | 521,425 | - |
| Nuclearelectrica Serv S.R.L. | 405,626 | 2,034 | 92,014 | 2,034 |
| RoPower Nuclear S.A. | 178,587 | - | 76,411 | - |
| Energonuclear S.A. | 30,320 | 79,747 | 4,462 | 2,405 |
| C.N. Transelectrica S.A. | 198,996 | 150,862,549 | 27,305 | 26,367,201 |
| Distributie Energiei Electrica Romania S.A. | - | 299,140,052 | - | 52,166,030 |
| Total | 4,086,910,982 | 2,463,855,392 | 354,851,225 | 165,504,561 |

The balance of receivables as at 31 December 2023 and 31 December 2022, as presented above, does not include advance paid to suppliers or accrued expenses with related parties.

| | Purchases | | Liabilities as at | |
|---|--------------------|--------------------|-------------------------------|-------------------------------|
| | 2023 (audited) | 2022 (audited) | 31 December 2023 (audited) | 31 December 2022 (audited) |
| Agentia Nucleara si pentru Deseuri Radioactive | 101,845,002 | 100,535,482 | 9,677,430 | 8,063,243 |
| Apele Romane Bucharest | 87,491,766 | 64,591,306 | 18,156,632 | 12,302,495 |
| F.P.C.U. Feldioara S.R.L. | 74,578,148 | - | - | - |
| Operatorul Pietei de Energie Electrica si de Gaze Naturale din Romania (OPCOM S.A.) | 71,630,580 | 369,609,440 | 1,586,094 | 1,068,264 |
| C.N. Transelectrica S.A. | 37,422,071 | 22,960,763 | 8,320,714 | 5,610,805 |
| Nuclearelectrica Serv S.R.L. | 33,054,277 | - | 6,456,150 | - |
| Administratia Bazinala de Apa Dobrogea Litoral | 20,435,603 | 12,639,264 | 5,624,636 | 3,215,249 |
| Regia Autonoma Tehnologii pentru Energia Nucleara - ICN | 14,690,989 | 11,567,810 | 3,547,342 | 2,771,157 |
| Comisia Nationala pentru Controlul Activitatilor Nucleare | 10,188,287 | 9,308,220 | - | - |
| Autoritatea Nationala de Reglementare in Domeniul Energiei | 6,371,045 | 3,121,500 | 735,522 | 735,522 |
| Raja S.A. | 4,837,165 | 3,700,316 | 510,431 | 754,733 |
| Regia Autonoma Tehnologii pentru Energia Nucleara - CITON | 3,900,049 | 3,798,642 | 712,585 | 1,153,794 |
| S.P.E.E.H. Hidroelectrica S.A. | 2,180,347 | 200,300 | 895,560 | 78,762 |
| Electrica Furnizare S.A. | 1,395,143 | 3,097,781 | - | 433,811 |
| Compania Nationala Administratia Canalelor Navigabile S.A. | 796,136 | 1,239,265 | 74,131 | 203,195 |
| Compania Nationala a Uraniului S.A. | 541,352 | 103,328,704 | 316,577 | 1,417,293 |
| Total | 471,357,960 | 709,698,793 | 56,613,806 | 37,808,324 |

The balance of intercompany payables as at 31 December 2023 and 31 December 2022, as presented above, does not include advance payments received from related customers.

| | Interest income 2023 | Debt loan balance, including interest, as at 31 December 2023 | Interest income 2022 | Debt loan balance, including interest, as at 31 December 2022 |
|------------------------------|-------------------------|---|-------------------------|---|
| Energonuclear S.A. | - | - | - | - |
| FPCU Feldioara S.R.L. | 500,022 | 25,058,839 | 126,833 | 3,730,772 |
| Nuclearelectrica Serv S.R.L. | 459,484 | 57,863 | 44,478 | 1,964,478 |
| Ropower Nuclear S.A. | 779,399 | 21,957,885 | - | - |
| TOTAL | 1,738,906 | 47,074,586 | 171,311 | 5,695,250 |

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(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 17).

(iii) Waging of the Company's management

The Company's management include:

- The members of the Board of Directors, who have mandate contracts concluded with the Company;
- Executives with mandate contract in the Company;
- Other executives of the Company 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 Company, 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.

| | 2023 | 2022 |
|---|-------------------|-------------------|
| | (audited) | (audited) |
| Remuneration of the Company's management (gross amounts) | 24,211,849 | 18,119,030 |
| | 24,211,849 | 18,119,030 |

30. Management of significant risks

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

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

(i) Price risk

The Company has a moderate exposure regarding the risk related to variation in the price of electricity traded as starting from 1 January 2023, the Company is a seller under the Centralized Electricity Acquisition Mechanism ("MACEE"), set up under the Government Emergency Ordinance no. 153/2022, for the period 1 January 2023 – 31 March 2025. The Romanian Electricity and Gas Market Operator OPCOM S.A., as sole purchaser, according to Article 2 and Article 3(2) of the Government Emergency Ordinance no. 153/2022, buys electricity from producers at the fixed price of 450 RON/MWh and sells it to buyers at the same price. During 2023, the Company sold via MACEE a quantity of 4,938,911 MWh at the price of 450 RON/MWh (with Tg included), and of 447.47 RON/MWh (without Tg), which accounts for 47.02% of the total electricity sold during the period.

The difference of 52.56% (except the quantity of electricity related to imbalances) was traded on the competitive and spot (DAM + IDM) markets, as well as on the balancing market. To mitigate this risk, the Company trades electricity by concluding bilateral contracts, with fixed prices and well-defined price formulas.

The average sale price under bilateral contracts in 2023 was 1,059 RON/MWh, Tg included (31 December 2022: 531.36 RON/MWh, Tg included), and on the spot market (DAM + IDM) the average price was 516.48 RON/MWh, Tg included (31 December 2022: 1,207.36 RON/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 2023 by RON 745,531,882 (31 December 2022: RON 636,078,327), a negative variation of 10% having an equal net impact, but with the opposite sign.

(ii) Interest rate risk

The Company 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 2023 and 31

December 2022, most of the Company's assets and liabilities are interest-bearing. As a result, the Company 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 Company, 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 30 Liquidity Risk. The Company does not use derivative financial instruments to hedge against interest rate fluctuations. The impact on the Company's net profit of a $\pm 1.00\%$ change in the interest rate related to interest-bearing assets and liabilities is \pm RON 651,673 (31 December 2021: \pm RON 1,301,166).

| | Net book value (*) | |
|----------------------------------|---------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | (audited) | (audited) |
| Fixed-rate instruments | | |
| Financial assets | 3,840,678,001 | 4,256,179,161 |
| | 3,840,678,011 | 4,256,179,161 |
| Floating-rate instruments | | |
| Financial liabilities | 65,167,260 | 130,116,620 |
| | 65,167,260 | 130,116,620 |

(*) *Net book value, before deduction of the trading costs.*

Sensitivity analysis of cash flows for floating interest rate instruments

A change in interest rates by $\pm 1.00\%$ 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% | - 1.00% |
| | increase | decrease |
| 31 December 2023 | | |
| Floating-rate instruments | (651,673) | 651,673 |
| Cash flow sensitivity (net) | (651,673) | 651,673 |
| 31 December 2022 | | |
| Floating-rate instruments | (1,301,166) | 1,301,166 |
| Cash flow sensitivity (net) | (1,301,166) | 1,301,166 |

(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 Company 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 Company is exposed to currency risk fluctuations for cash and cash equivalents and its purchases and long-term loans in a currency other than the Company'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 Individual Statement of Profit or Loss, and do not affect the cash flow until the time when the debt is paid-off.

Financial assets and liabilities expressed in RON and in other currencies as at 31 December 2023 and 31 December 2022 are presented in the following tables.

| | Carrying amount(*) | RON | EUR | USD | CAD | GBP | CHF |
|---|-----------------------|----------------------|---------------------|----------------------|---------------------|------------------|----------------|
| 31 December 2023 | | | | | | | |
| Financial assets | | | | | | | |
| Cash, cash equivalents and deposits | 3,641,591,543 | 3,489,113,911 | 4,641,304 | 145,875,911 | 1,757,053 | 202,396 | 968 |
| Government bonds | 30,333,530 | 30,333,530 | - | - | - | - | - |
| Bonds | 552,203,754 | - | 552,203,754 | - | - | - | - |
| Trade receivables | 624,305,513 | 624,070,382 | 53,883 | 181,249 | - | - | - |
| Advance payments | 15,612,035 | 4,422,760 | 1,680,796 | 6,673,883 | 2,462,186 | 2,039 | 370,371 |
| Tangible assets (pre-payments) | 933,342,826 | 13,016,503 | 155,652,697 | 2,813,085 | 761,860,541 | - | - |
| Gross exposure | 5,797,389,202 | 4,160,957,087 | 714,232,434 | 155,544,128 | 766,079,780 | 204,434 | 371,340 |
| Financial liabilities | | | | | | | |
| Suppliers and suppliers of non-current assets | (365,296,111) | (145,127,924) | (9,684,683) | (7,860,944) | (61,095,070) | (519,281) | - |
| Loans | (65,640,599) | - | (65,640,599) | - | - | - | - |
| Gross exposure | (430,936,710) | (145,127,924) | (75,325,282) | (148,869,154) | (61,095,070) | (519,281) | - |
| Net exposure in the financial position statement (audited) | 5,366,452,492 | 4,015,829,163 | 638,907,151 | 6,674,974 | 704,984,710 | (314,846) | 371,340 |

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

| | Carrying amount(*) | RON | EUR | USD | CAD | GBP | CHF |
|---|-----------------------|----------------------|----------------------|--------------------|---------------------|-----------------|--------------|
| 31 December 2022 | | | | | | | |
| Financial assets | | | | | | | |
| Cash, cash equivalents and deposits | 4,510,798,927 | 4,485,707,463 | 14,612,409 | 1,140,286 | 9,291,722 | 44,023 | 3,024 |
| Government bonds | 30,260,661 | 30,260,661 | - | - | - | - | - |
| Trade receivables | 438,539,974 | 438,139,300 | 57,494 | 317,251 | 25,433 | 496 | - |
| Advance payments | 20,994,645 | 20,994,645 | - | - | - | - | - |
| Tangible assets (pre-payments) | 70,081,999 | 14,202,521 | 24,801,847 | 1,334,149 | 29,743,483 | - | - |
| Gross exposure | 5,070,676,207 | 4,989,304,590 | 39,471,750 | 2,791,685 | 39,060,638 | 44,520 | 3,024 |
| Financial liabilities | | | | | | | |
| Suppliers and suppliers of non-current assets | (157,164,231) | (107,284,108) | (5,100,212) | (7,860,944) | (36,296,638) | 622,329) | - |
| Loans | (130,116,620) | - | (130,116,620) | - | - | - | - |
| Gross exposure | (287,280,851) | (107,284,108) | (135,216,832) | (7,860,944) | (36,296,638) | 622,329) | - |
| Net exposure in the financial position statement (audited) | 4,783,395,356 | 4,882,020,482 | (95,745,082) | (5,069,259) | 2,764,001 | 577,810) | 3,024 |

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

The following rates of exchange were applied:

| | Average rate | | Exchange rate as at | |
|---------|--------------|--------|---------------------|------------------|
| | 2023 | 2022 | 31 December 2023 | 31 December 2022 |
| RON/EUR | 4.9465 | 4.9315 | 4.9746 | 4.9474 |
| RON/USD | 4.5743 | 4.6885 | 4.4958 | 4.6346 |
| RON/CAD | 3.3897 | 3.6020 | 3.3913 | 3.4232 |
| RON/GBP | 5.6869 | 5.7867 | 5.7225 | 5.5878 |
| RON/CHF | 5.0917 | 4.9096 | 5.3666 | 5.0289 |

Sensitivity analysis

A 10% appreciation of the national currency compared to the following foreign currencies on 31 December 2023 and on 31 December 2022 would have increased the gross profit by the amounts indicated below. This analysis assumes that all other variables remain constant.

| | 2023 profit (audited) | 2022 profit (audited) |
|--------------|--------------------------|--------------------------|
| EUR | (63,890,75) | 9,574,508 |
| USD | (667,497) | 506,926 |
| CAD | (70,498,471) | (276,400) |
| GBP | 31,485 | 57,781 |
| CHF | (37,134) | (302) |
| Total | (135,062,333) | 9,862,513 |

A 10% depreciation in the national currency against the following foreign currencies on 31 December 2023 and on 31 December 2022 would have had a similar, but opposite effect, on the above amounts, assuming that all other variables remained constant.

| | Loss 2023 (audited) | Loss 2022 (audited) |
|--------------|------------------------|------------------------|
| EUR | 63,890,75 | (9,574,508) |
| USD | 667,497 | (506,926) |
| CAD | 70,498,471 | 276,400 |
| GBP | (31,485) | (57,781) |
| CHF | 37,134 | 302 |
| Total | 135,062,333 | (9,862,513) |

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 Company 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

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 RCE 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 2023, the Company is exposed to a moderate credit risk, considering that approximately 65.7% of its gross trade receivables are against Societatea Operatorul Pietei de Energie Electrica si de Gaze Naturale OPCOM S.A., Electrica Furnizare S.A. and PPC Energie Muntenia S.A. (see Note 12). Counterparty risk is limited considering the guarantees obtained from clients in the form of letters of bank guarantee.

The Company'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 Company 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 Company 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.

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 2023 | 31 December 2022 |
|-------------------------------------|-------------------------|-------------------------|
| | (audited) | (audited) |
| EximBank S.A./Banca Romaneasca S.A. | 1,195,229,973 | 1,382,878,370 |
| Banca Comerciala Romana S.A. | 731,266,886 | 344,214,145 |
| Alpha Bank S.A. | 582,532,443 | 477,433,699 |
| Banca Transilvania S.A. | 392,942,257 | 280,057,693 |
| Vista Bank S.A. | 305,084,766 | 284,622,936 |
| BRD Societe Generale S.A. | 232,418,471 | 152,432,337 |
| Garanti Bank S.A. | 175,818,999 | 384,294,877 |
| CEC Bank S.A. | 22,829,270 | 769,741,239 |
| Unicredit Bank S.A. | 1,760,606 | 432,846,773 |
| Treasury of City of Bucharest | 1,485,008 | 1,436,612 |
| Citi Bank Romania | 157,027 | 7,102 |
| Raiffeisen Bank | - | 274,097 |
| Other | 65,839 | 559,048 |
| Total cash and bank deposits | 3,641,591,543 | 4,510,798,927 |

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Notes 1 to 32 are an integral part of these Individual Financial Statements.

The maximum credit risk exposure on the reporting date was:

| | Net amount | |
|--|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 |
| | (audited) | (audited) |
| Financial assets | | |
| Trade receivables | 624,305,513 | 438,539,974 |
| Bank deposits | 112,257,024 | 1,829,796,500 |
| Cash and cash equivalents | 3,529,334,516 | 2,681,002,427 |
| Other financial assets at amortized cost | 327,446,936 | 140,954,592 |
| Government bonds | 30,333,530 | 30,260,661 |
| Bonds | 552,203,754 | |
| | 5.175.88.276 | 5,120,554,154 |

Trade receivables

The Company 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 2023 and on 31 December 2022 were determined for trade receivables and other receivables, as follows:

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

| | Gross amount | Value | Gross amount | Value |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 31 December | adjustments | 31 December | adjustments |
| | 2023 | as at | 2022 | as at |
| | (audited) | 31 December | (audited) | 31 December |
| | | 2023 | | 2022 |
| | | (audited) | | (audited) |
| Not yet due | 571,093,207 | - | 435,105,134 | - |
| Overdue between 1-30 days | 49,456,539 | - | 34,571 | - |
| Overdue between 31-90 days | 161,033 | - | 161,834 | - |
| Overdue between 91-180 days | 806,457 | - | 203,537 | - |
| Overdue between 181-270 days | 2,788,278 | - | 2,273,571 | - |
| Overdue between 271-365 days | - | - | 761,327 | - |
| More than one year | 11,255,214 | (11,255,214) | 12,001,436 | (12,001,436) |
| Total | 635,560,727 | (11,255,214) | 450,541,411 | (12,001,436) |

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

| | Gross amount 31 December 2023 (audited) | Value adjustments as at 31 December 2023 (audited) | Gross amount 31 December 2022 (audited) | Value adjustments as at 31 December 2022 (audited) |
|------------------------------|--|---|--|---|
| Not yet due | 99,035,503 | - | 139,070,849 | - |
| Overdue between 1-30 days | - | - | - | - |
| Overdue between 31-90 days | - | - | - | - |
| Overdue between 91-180 days | - | - | - | - |
| Overdue between 181-270 days | - | - | - | - |
| Overdue between 271-365 days | - | - | - | - |
| More than one year | 583,180 | (583,180) | 3,050,103 | (3,050,103) |
| Total | 99,618,683 | (583,180) | 142,120,951 | (3,050,103) |

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

| | 31 December 2023 (audited) | 31 December 2022 (audited) |
|---|---------------------------------------|---------------------------------------|
| Balance at the beginning of the year | (12,001,436) | (12,822,025) |
| Recognized impairment adjustments, net | 746,223 | 820,589 |
| Balance at the end of the year | (11,255,214) | (12,001,436) |

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 Individual 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 Company.

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 Company strives to maintain financing flexibility by having access to various financing sources.

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 31 December 2023, and for the financial year ended 31 December 2022, as follows:

| | <u>Carrying amount 31 December 2023 (audited)</u> | <u>Contract amount</u> | <u>< 1 year</u> | <u>> 1 year</u> | <u>Carrying amount 31 December 2022 (audited)</u> |
|--|---|-----------------------------|-----------------------------|---------------------------|---|
| Financial assets | | | | | |
| Cash and current accounts | 3,529,334,516 | 3,529,334,516 | 3,529,334,516 | - | 2,681,002,427 |
| Deposits with banks | 112,257,027 | 112,257,027 | 112,257,027 | - | 1,829,796,500 |
| Trade receivables | 624,305,513 | 624,305,513 | 624,305,513 | | 438,539,974 |
| Financial assets measured at amortized cost | 634,918,901 | 634,918,901 | - | 634,918,901 | 41,262,942 |
| Other financial assets measured at amortized cost | 327,446,936 | 327,446,936 | 327,446,936 | - | 140,954,592 |
| Total financial assets | <u>5,228,262,893</u> | <u>5,228,262,893</u> | <u>4,593,343,992</u> | <u>634,918,901</u> | <u>5,131,556,435</u> |
| Financial liabilities | | | | | |
| Loans | 65,640,599 | 65,640,599 | 65,640,599 | - | 130,336,373 |
| Trade payables | 818,115,509 | 818,115,509 | 818,115,509 | - | 445,315,659 |
| Liabilities within leasing agreements | 19,772,400 | 19,772,400 | 15,605,108 | 4,167,292 | 15,565,524 |
| Other financial liabilities | 51,528,522 | 51,528,522 | 35,684,350 | 15,844,172 | 220,699,024 |
| Total financial liabilities | <u>955,057,030</u> | <u>955,057,030</u> | <u>935,045,566</u> | <u>20,011,464</u> | <u>811,916,580</u> |
| Excess liquidity | <u>4,273,205,863</u> | <u>4,273,205,863</u> | <u>3,658,298,426</u> | <u>614,907,437</u> | <u>4,319,639,855</u> |

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, and there is a risk that certain transactions are be interpreted by the tax authorities differently than the Company'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 Company is subject to tax inspections as new tax regulations are issued.

e) Operational risk

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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 Company's activities.

Operational risk relates to the Company'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 Company and attainment of its investment objectives.

Risk management

The Company'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 Company 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 Company 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 2023 (audited) | 31 December 2022 (audited) |
|------------------------|---|---|
| Net debt | (4,138,715,828) | (4,395,157,691) |
| Equity | 11,755,091,170 | 10,535,504,870 |
| Net debt/Equity | (0.4x) | (0.4x) |

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As at 31 December 2023, a negative net debt of RON 4.1 million was booked by the Company (31 December 2022: RON 4.4 million). The net leverage ratio being (0.4x).

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 months, that are easily convertible into cash and are managed according to a liquidity-focused policy. In this category, the Company recognized financial assets measured at amortized cost of the nature of governmental bonds.

| | 31 December 2023 | 31 December 2022 |
|---|-------------------------|-------------------------|
| | (audited) | (audited) |
| Cash and cash equivalents | (3,529,334,516) | (2,681,002,427) |
| Bank deposits | (112,257,027) | (1,829,796,500) |
| Financial assets measured at amortized cost in the form of bonds | (552,203,754) | - |
| Financial assets measured at amortized cost in the form of governmental bonds | (30,333,530) | (30,260,661) |
| Bank loans | 65,640,599 | 130,336,373 |
| Liabilities within leasing agreements | 19,772,400 | 15,565,524 |
| Net debt | (4,138,715,828) | (4,395,157,691) |

Loan agreements

In accordance with the terms of the loan facility granted by EURATOM, the Company 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 2023 and 31 December 2022, the financial ratios requested by EURATOM are met.

31. 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 Company's management considers that the tax liabilities included in 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

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 SNN 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.

During the period 9 May 2023 - 15 June 2023, ANAF - Directorate General Anti-Fiscal Fraud (hereinafter referred to as "ANAF- DGAF") carried out an inspection with the objective of verifying the calculation and the information on which the determination and declaration of the Contribution to the Energy Transition Fund for the period 1 September 2022 - 15 December 2022 were based. Following the control, by comparing the amounts calculated and declared by SNN and those calculated by the control team, a payment difference to the Contribution to the Energy Transition Fund of RON 18,041,598 was recorded in protocol no. 1186/15.06.2023, a protocol which does not represent a tax debt title. This difference was generated by the interpretation of the moment of application of the calculation methodology established by Law 357/2022.

SNN expressed its point of view to the Ministry of Finance, ANAF - DGAF by letter no. 7204/22.06.2023, which explains the fact that Law no. 357/2022 takes effect starting with the date of publication, i.e. 16 December 2022. In legislative matters, without other special provisions in the contents of Law no. 357/2022, this produces effects in the future and not before the publication date, as it was interpreted by the control bodies.

Later, on 2 October 2023, by letter no. 16855/02.10.2023, ANAF - DGAF presented the draft Assessment Decision regarding the payment of the amount of RON 18,041,598 and, at the same time, the invitation to a hearing during which SNN had an opportunity to express their opinion on the draft Assessment Decision. Regarding this project, SNN expressed its point of view in writing, by letter no. 11246/12.10.2023 in which it upheld the nonretroactivity of Law no. 357/2022.

ANAF's position was recorded in the ADAA tax assessment decision no. 17862/ 17.10.2023, with entry no. SNN 11449/ 18.10.2023, which established the main tax liabilities in the total amount of RON 18,041,598, with payment deadline until the 20th of the following month inclusive, i.e. 20 November 2023. By definition, the tax assessment decision is a tax administrative act, issued by the tax authority, which establishes and individualizes a tax debt, owed to the general consolidated budget. If the taxpayer fails to pay the main tax obligations by the due date, he will be charged interest and late payment penalties and will be subject to enforcement, which is why SNN has proceeded to the payment of the amount of RON 18,041,598, paid by payment order no. 2329/17.11.2023.

On 23 November 2023, by tax assessment decision no. 4125/23.11.2023, ANAF - Directorate General for the Administration of Large Taxpayers requested payment of the total amount of RON 1,164,503 representing interest and late payment penalties for two distinct situations, as follows:

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- 1) interest and accessory late payment penalties calculated for the amount of RON 18,041,598, representing the difference of the contribution paid by SNN to the Energy Transition Fund, pursuant to the ADAF Tax Decision no. 17862/18.10.2023 and challenged at ANAF, by Appeal no. 12891/20.11.2023, which is currently under resolution.
- 2) interest and accessory late payment penalties calculated on the amounts due in addition to the amounts initially declared in the Tax Return 100 and recorded in the D170 corrective declarations, drawn up and submitted to ANAF, General Directorate for the Administration of Large Taxpayers, according to art. 9 of Annex no. 6 of Government Emergency Ordinance 27/2022, respectively art. 36 of Law no. 357/13.12.2022. The amounts declared in the D710 corrective declarations represent differences from the settlement of imbalances, differences provided by OPCOM after the publication of the final prices.

Taking into account that the amount of RON 1,164,503 represents a tax obligation imposed by Decision no. 4125/23.11.2023 and a claim under Article 152, paragraph (2), in order to avoid the enforcement of SNN, it decided to pay this amount on 19 December 2023, the deadline being 20 December 2023 under Article 156, paragraph. (1), point b. of the Fiscal Procedure Code. This was paid with two payment orders as follows: OP 2569/19.12.2023 - RON 1,129,901 and OP 2570/19.12.2023 - RON 34,602.

In the context of the tax decisions regarding the additional contribution to the Energy Transition Fund (Law 357/2022) and the appeals submitted by SNN to ANAF - DGAF, respectively:

1. Appeal no. 12891/20.11.2023 for the annulment of Tax Decision no. 17862/17.10.2023 and the refund of the additional contribution to the Energy Transition Fund for the period 1 September 2022-15 December 2022, in the amount of RON 18,041,598;
2. Appeal no. 14489/28.12.2023 for the partial annulment of the Tax Decision no. 4125/23.11.2023 and the refund of the amount representing accessory tax obligations in the amount of RON 1,129,900, which is currently being resolved;
3. Appeal no. 14489/28.12.2023 for the partial annulment of the Tax Decision no. 4125/23.11.2023 and the refund of the amount representing accessory tax obligations in the amount of RON 34,602, which is currently being resolved.

In the event of an unfavourable response, SNN will appeal to the competent administrative court.

(iii) Insurance policies

As at 31 December 2023, the following operational insurance policies were valid:

- (i) 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 compensation limit is in amount of USD 1,560 million for the entire year for all damages.
- (ii) Civil liability policy to third parties for nuclear damages. The compensation limit amounts to DST 300 million (for Units 1 and 2 of Cernavodă NPP).
- (iii) The third-party/professional liability insurance policy for SNN's directors and executives. The compensation limit is EUR 27 million.

(iv) Environmental matters

The Company does not register any liabilities as at 31 December 2023 and 31 December 2022 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 of nuclear plants was taken over by ANDR (see Notes 5 and 27). Management considers that the plant fully complies with the Romanian and international environmental standards and it is

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estimated that any additional costs related to the observance of environmental laws as at 31 December 2023 are not significant. Moreover, the Company is insured against the risk of nuclear accidents, up to the amount of SDR 300 million, as described at paragraph (ii) above.

Nevertheless, the enforcement of the environmental regulations in Romania is progressing and their application by governmental authorities is continuously changing. The Company 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

During 2023, the Company 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 Company's management opinion, at present there are no legal proceedings or claims likely to have any significant impact on the financial result and financial position of the Company, which was not presented in such Individual Financial Statements.

(vi) Commitments

As at 31 December 2023, the total amount of the commercial commitments was fully reflected under "*Trade and other payables*", representing capital and operating expenditure.

In addition, the company is part of a commitment mentioned in the Ropower Nuclear S.A. investor agreement. This agreement states that Nova Power&Gas S.R.L. ("NPG") - the company that owns 50% of the shares of RoPower Nuclear S.A., has the right to sell part or all of the shares held in the associated entity to SNN. If NPG exercises its right to sell the shares by sending a written notification, SNN will have the obligation to purchase these shares.

Also, according to the provisions of this Agreement, at the date of acquisition of the shares, NPG will have the right to assign to SNN the shareholder loans. In the event that NPG exercises this right, SNN will have the obligation to take over and NPG will have the obligation to assign, by assignment of contract, the shareholder loans granted by NPG to RoPower Nuclear SA.

The price of the loans cession granted by NPG to RoPower Nuclear S.A. it will be calculated according to a formula that takes into account the period that has passed since the granting of these loans and the expected date for reaching the Ready to Build stage, as well as the inclusion in the budget agreed by the parties until the date of reaching the Ready to Build stage.

As at 31 December 2023, NPG had not granted any shareholder loan to RoPower Nuclear S.A.

Until the date of these individual financial statements, NPG has not notified SNN in writing in this regard.

(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 (CM-OTC – Centralized Market with double continuous negotiation of bilateral electricity agreements)

S.N. Nuclearelectrica S.A.

Notes to the Individual Financial Statements for the financial year ended 31 December 2023

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

or in favour of the clients CMBC-CN– Centralized Market of Bilateral Agreements with Continuous Negotiation, CMBC-Le-flex LE – Centralized Market of Bilateral Agreements by Extended Auction and the use of products ensuring flexibility of trading and CMUS).

As at 31 December 2023, the total amount of the letters of bank guarantee issued in favour of OPCOM, for participation in DAM and IDM, amounts to RON 130.1 million.

Moreover, as at 31 December 2023, 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. The Company also holds a letter of bank guarantee of RON 4.424 million in favour of Transelectrica, for provision of the transmission service.

As at 31 December 2023 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 ANAF (National Agency for Fiscal Administration) Decision – General Directorate for Fiscal Antifraud.

As at 31 December 2023, the total amount of the letters of bank guarantee issued by customers in favour of the Company for the contracts concluded on CMBC-CN, CMBC-LE and CM-OTC was RON 411.633 million. Such guarantees cover the risk for non-performance of the contractual obligations assumed by clients under the electricity sales agreements.

(viii) Fees

The total fees (excluding VAT) for the audit of the Individual and Consolidated Financial Statements as at 31 December 2023 was RON 650,000, for the review of the Individual and Consolidated Financial Statements as at 30 June 2023 was RON 112,000, and for other services (reviews under agreed procedures and assurance engagements) in 2023 is RON 71,440 (31 December 2022 : RON 175,950).

32. Subsequent events

The company has not identified events subsequent to 31 December 2023 that could have a significant impact and are of a nature of being presented in the Individual Financial Statements.

Date: 20 March 2024

Cosmin Ghita
Chief Executive Officer

Dan Niculaie-Faranga
Chief Financial Officer

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