

**SN Nuclearelectrica SA**

Consolidated Financial Statements  
as at and for the year ended  
**31 December 2012**

Prepared in accordance with  
**International Financial Reporting Standards**

*(free translation)*

**SN Nuclearelectrica SA**  
**Consolidated Statement of Financial Position as at 31 December 2012**  
*(All amounts are in million RON, unless stated otherwise)*

	Note	31 December 2012	31 December 2011
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment (PP&E)	5	9,454	9,500
Intangible assets	6	89	99
<b>Total non-current assets</b>		<b>9,543</b>	<b>9,599</b>
<b>Current assets</b>			
Inventories	7	369	391
Current tax assets		-	8
Trade and other receivables	8	163	227
Prepayments		10	8
Bank deposits		235	96
Cash and cash equivalents	9	708	611
<b>Total current assets</b>		<b>1,485</b>	<b>1,341</b>
<b>Total assets</b>		<b>11,028</b>	<b>10,940</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		2,732	2,732
Prepaid share reserve		1,617	1,617
Revaluation reserve		1,477	1,469
Retained earnings		2,252	2,230
<b>Total shareholders' equity</b>	10	<b>8,078</b>	<b>8,048</b>
<b>Non-controlling interest</b>	18	<b>23</b>	<b>16</b>
<b>Total equity</b>		<b>8,101</b>	<b>8,064</b>
<b>Non-current liabilities</b>			
Long term borrowings	11 (i)	1,922	2,067
Deferred income		202	209
Deferred tax liability	13	159	162
Employee benefits	14	21	21
<b>Total non-current liabilities</b>		<b>2,304</b>	<b>2,459</b>
<b>Current liabilities</b>			
Accounts payable and other liabilities	12	282	181
Current tax liability		31	-
Deferred income		82	52
Current portion of long term borrowings	11 (ii)	228	184
<b>Total current liabilities</b>		<b>623</b>	<b>417</b>
<b>Total liabilities</b>		<b>2,927</b>	<b>2,876</b>
<b>Total equity and liabilities</b>		<b>11,028</b>	<b>10,940</b>

The consolidated financial statements on pages 1 to 40 were authorized for issue by the management on 3 April 2013 and were signed on its behalf by:

Dina Dumitru  
Interim General Manager

Elena Negulici  
Economic Director

The accompanying notes 1-22 are an integral part of these consolidated financial statements.

The above translation of the consolidated IFRS financial statements of SN Nuclearelectrica SA is provided as a free translation from Romanian which is the official and binding version.



**SN Nuclearelectrica SA**  
**Consolidated Income Statement for the year ended 31 December 2012**  
*(All amounts are in million RON, unless stated otherwise)*

	<u>Note</u>	<u>2012</u>	<u>2011</u>
<b>Revenues</b>			
Sales of electricity	15	1,564	1,503
Electricity transmission revenues		88	90
<b>Total revenues</b>		<b>1,652</b>	<b>1,593</b>
Other income		38	30
<b>Operating expenses</b>			
Depreciation and amortisation		(396)	(387)
Personnel expenses		(289)	(276)
Cost of traded electricity		(74)	(46)
Repairs and maintenance		(125)	(105)
Electricity transmission expenses		(88)	(90)
Spare parts used		(30)	(28)
Cost of uranium fuel		(123)	(111)
Other operating expenses	16	(407)	(411)
<b>Total operating expenses</b>		<b>(1,532)</b>	<b>(1,454)</b>
<b>Operating profit</b>		<b>158</b>	<b>169</b>
Finance costs		(321)	(341)
Finance income		230	275
<b>Net finance costs</b>	17	<b>(91)</b>	<b>(66)</b>
<b>Profit before income tax</b>		<b>67</b>	<b>103</b>
Income tax expense	13	(46)	(20)
<b>Profit for the year</b>		<b>21</b>	<b>83</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		20.95	82.85
Non-controlling interests		0.05	0.15
<b>Profit for the year</b>		<b>21</b>	<b>83</b>

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**SN Nuclearelectrica SA**  
**Consolidated Statement of Comprehensive Income for the year ended 31 December 2012**  
*(All amounts are in million RON, unless stated otherwise)*

	Note	2012	2011
<b>Profit for the year</b>		<b>21</b>	<b>83</b>
Revaluation reserve		10	-
Deferred tax liability on revaluation reserve		(2)	-
Actuarial gains		1	-
<b>Other comprehensive income</b>		<b>9</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>30</b>	<b>83</b>
<b>Attributable to:</b>		29.95	82.85
Owners of the Company		0.05	0.15
Non-controlling interests			
<b>Total comprehensive income for the year</b>	<b>13</b>	<b>30</b>	<b>83</b>
<b>Earnings per share</b>			
Basic earnings per share (Ron/share)	<b>20</b>	<b>0.08</b>	<b>0.33</b>
Diluted earnings per share (Ron/share)	<b>20</b>	<b>0.05</b>	<b>0.20</b>

Dina Dumitru  
Interim General Manager

Elena Negulici  
Economic Director

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**SN Nuclearelectrica SA**  
**Consolidated Statement of Changes in Equity for the year ended 31 December 2012**  
*(All amounts are in million RON, unless stated otherwise)*

	Note	Share Capital	Prepaid share reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
<b>Balance as at 1 January 2011</b>		<u>2,732</u>	<u>1,364</u>	<u>1,474</u>	<u>2,142</u>	<u>7,712</u>	-	<u>7,712</u>
<b>Comprehensive income for the year</b>								
Profit for the year		-	-	-	82.85	82.85	0.15	83
<b>Total comprehensive income for the year</b>		-	-	-	82.85	82.85	0.15	83
<b>Acquisition of subsidiary with non-controlling interests</b>	18	-	-	-	-	-	16	16
<b>Transactions with owners of the Company, recognized directly in equity</b>								
Pre paid capital contributions by the state	10	-	253	-	-	253	-	253
<b>Total transactions with owners of the Company</b>		-	253	-	-	253	-	253
Depreciation transfer upon disposal of PP&E		-	-	(5)	5	-	-	-
<b>Balance as at 31 December 2011</b>		<u>2,732</u>	<u>1,617</u>	<u>1,469</u>	<u>2,230</u>	<u>8,048</u>	<u>16</u>	<u>8,064</u>
<b>Balance as at 1 January 2012</b>		2,732	1,617	1,469	2,230	8,048	16	8,064
<b>Comprehensive income for the year</b>								
Profit for the year		-	-	-	20.95	20.95	0.05	21
Other comprehensive income		-	-	9	-	9	-	9
<b>Total comprehensive income for the year</b>		-	-	9	20.95	29.95	0.05	30
<b>Issuance of shares by subsidiary</b>	18	-	-	-	-	-	7	7
Depreciation transfer upon disposal of PP&E		-	-	(1)	1	-	-	-
<b>Balance as at 31 December 2012</b>		<u>2,732</u>	<u>1,617</u>	<u>1,477</u>	<u>2,252</u>	<u>8,078</u>	<u>23</u>	<u>8,101</u>

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**SN Nuclearelectrica SA**

Consolidated Statement of Cash Flows for the year ended 31 December 2012

(All amounts are in million RON, unless stated otherwise)

	Note	2012	2011
<b>Cash flows from operating activities</b>			
Profit before income tax		67	103
<b>Adjustments for</b>			
Depreciation and amortization		396	387
Impairment loss on trade and other receivables		1	2
Net finance costs		91	66
		<u>555</u>	<u>558</u>
<b>Changes in:</b>			
Decrease in trade and other receivables		73	124
Decrease in inventories		22	9
Employee benefits		-	(5)
Deferred income		23	-
Increase in accounts payable and other liabilities		51	28
<b>Cash generated from operating activities</b>		<u>724</u>	<u>714</u>
Income tax paid		(11)	-
Interest received		38	31
Interest paid		(43)	(47)
<b>Net cash from operating activities</b>		<u>708</u>	<u>698</u>
<b>Cash flows used in investing activities</b>			
Purchase of intangible assets		(6)	(25)
Purchase of property, plant, equipment		(283)	(512)
Acquisition of subsidiary, net of cash acquired	18	-	(16)
Proceeds from the sale of property, plant and equipment		1	6
Increase in bank deposits		(139)	(96)
<b>Net cash used in investing activities</b>		<u>(427)</u>	<u>(643)</u>
<b>Cash flows from financing activities</b>			
Pre paid capital contribution by the state		-	253
Repayments of borrowings		(184)	(171)
<b>Net cash from financing activities</b>		<u>(184)</u>	<u>82</u>
<b>Net increase in cash and cash equivalents</b>		<u>97</u>	<u>137</u>
<b>Cash and cash equivalents as at 1 January (see Note 9)</b>		<u>611</u>	<u>474</u>
<b>Cash and cash equivalents at the end of the year (see Note 9)</b>		<u>708</u>	<u>611</u>

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## **1. REPORTING ENTITY**

Societatea Nationala Nuclearelectrica SA ("the Company") is a company established in Romania. The Company's head office is located in Bucharest, 65 Polona Street. The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiary, EnergoNuclear SA, (named together, "the Group"). As at 31 December 2012 the Company owns 84.65% (84.65% as at 31 December 2011) of EnergoNuclear SA. The main operating location is in Cernavoda in the eastern part of Romania, where the Company has two operating nuclear reactors (Nuclear Power Plant Units 1 and 2) and three nuclear reactors at inception stage (Nuclear Power Plant Units 3-5). The construction of Units 3 and 4 is planned to be finalized by EnergoNuclear. The Company's reactors are based on CANDU technology (Canada Deuterium Uranium reactor of PHWR type). Unit 5 is impaired 100% as there are no plans to continue the construction.

The main activity of the Company is to generate electricity using nuclear power plants units 1 and 2. EnergoNuclear S.A. was established in March 2009, for the purpose of constructing and operating the two 720 MW CANDU 6 (Units 3 and 4) reactors at Cernavoda.

In accordance with the Electricity Law 13/2007, the electricity sector is regulated by the Romanian Energy Regulatory Authority (ANRE), an autonomous public institution. In accordance with Order no. 58/2008 and related amendments, ANRE establishes the tariffs to be used by the Company for selling electricity on regulated market. During 2012, the Company sold approximately 70% of the electricity on regulated market.

As described in Note 10, as at 31 December 2012 the shareholders of the Company are: the Romanian State through the Ministry of Economy which holds 229,006,139 shares, representing 90.28% of the share capital and Fondul Proprietatea which holds 24,676,222 shares, representing 9.72% of the share capital.

These consolidated financial statements were authorized for issue by the management of the Group on 3 April 2013.

## **2. BASIS OF PREPARATION**

### **a) Statement of compliance**

The Company's financial statements as at and for the year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### **b) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost basis except for property, plant and equipment which is measured at fair value as disclosed in the accounting policies (see Note 3d). The property, plant and equipment are accounted using the revaluation model, except for assets in course of construction that are accounted under cost model.

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**c) Functional and presentation currency**

The consolidated financial statements are presented in Romanian Lei ("RON"), which is the Group's functional currency. All financial information presented in RON has been rounded to the nearest million, unless stated otherwise.

**d) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses (assumptions on determination of fair value of property, plant and equipment (see Note 4) and on calculation of employee benefits obligations (see Note 14). Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions that have a significant risk of resulting in a material adjustment within the next financial years is included in Note 18 i) (key assumptions relating to the continuance of the project developed by EnergoNuclear SA).

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

**a) Basis of consolidation**

*(i) Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**(ii) Acquisitions of non-controlling interests**

The Group measures non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

**(iii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**(iv) Loss of control**

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**(v) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**b) Foreign currency transactions**

Transactions in foreign currencies are translated to RON by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the period are translated to RON at the exchange rates prevailing on that date. Exchange gains and losses, realised or unrealised, are included in profit or loss for that year. The exchange rates at 31 December 2012 and 31 December 2011 are as follows:

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**SN Nuclearelectrica SA**

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

*(All amounts are in million RON, unless stated otherwise)*

Currency	31 December 2012	31 December 2011
1 EUR	4.4287	4.3197
1 USD	3.3575	3.3393
1 CAD	3.3736	3.2724

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

**c) Accounting for the effects of hyperinflation**

Romania has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date. As the characteristics of the economic environment of Romania indicate that hyperinflation has ceased, effective from 1 January 2004 the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these financial statements.

**d) Property, plant and equipment (PP&E)***PP&E at fair value*

Property, plant and equipment, except for assets in course of construction, nuclear units 3 and 4 and the related heavy water, are carried at fair value, based on valuations performed by independent valuers by using the market values and depreciated replacement cost basis, less accumulated depreciation and impairment loss if applicable.

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

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase shall be recognised in profit and loss to the extent that it reverses a revaluation decrease of the same amount previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

The revaluation surplus included in other comprehensive income in respect of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

*PP&E at historical cost*

Assets in course of construction are recorded at purchase or construction cost (restated to the equivalent purchasing power of the RON at 31 December 2003 for assets acquired before 1 January 2004).

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## SN Nuclearelectrica SA

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

(All amounts are in million RON, unless stated otherwise)

Historically, the Nuclear Power Plant Units 1, 2, 3, 4 and 5 were considered as a single project and prior to 1990 the costs incurred were not accounted for separately. In 1991, the Company performed an allocation of these costs to each unit. This allocation represents the cost basis for the assets included within assets in course of construction.

### Recognition

Items of property, plant and equipment are measured initially at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- capitalised borrowing costs.

### Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Component accounting for inspection or overhaul costs is used only for major expenditure that occurs at regular intervals over the life of an asset. Ongoing repairs and maintenance is expensed as incurred.

### Depreciation

Land is not subject to depreciation as it is deemed to have an indefinite life. Assets in course of construction are not subject to depreciation. They are transferred to fixed assets on the date of commissioning and are depreciated over the useful economic lives.

Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts, from the date the asset is complete and available for use, over their estimated useful lives.

	<u>Number of years</u>
Nuclear power plants	30
Heavy water (load for Units 1 and 2)	30
Buildings	45 – 50
Machinery and equipment	3 - 10

Heavy water (load for Units 1 and 2), nuclear fuel, buildings, machinery and equipment are grouped together in Note 5 under the same heading "Machinery, equipment and other assets".

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The assets' depreciation methods and useful lives are reviewed at each reporting date, and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income or other operating expenses, in profit or loss. Borrowing costs incurred specifically for the purpose of acquiring or constructing items of property, plant or equipment are capitalised as part of the asset's cost up to the date all activities necessary to prepare the asset for its intended use or sale are complete.

**e) Non-current assets held for future investment in an associate**

Constructions that initially had been classified as PP&E (Nuclear Power Plants Units 3 and 4 ) and subsequently are held for the purpose of transferring them to an associate at an undetermined future date, which is dependent upon future investment by other shareholders of the associate, and for which the criteria for classification as held-for-sale under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* have not been met, are classified as PP&E held for future investment in associate as at 31 December 2010. These assets are measured at cost.

Heavy water that had been acquired for the purpose of transferring it to an associate at an undetermined future date, which is dependent upon future investment by other shareholders of the associate, and for which the criteria for classification as held-for-sale under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* have not been met, is classified as a non-current asset held for future investment in an associate as at 31 December 2010.

Since the heavy water is not used and it does not depreciate chemically in such case, it is initially and subsequently measured at its cost.

Starting with February 2011, these non-current assets (Nuclear Power Plants Units 3 and 4 and the related heavy water), are included within "Assets in course of construction" in note 5, included in the Property, Plant and Equipment caption of the consolidated financial statements, as the Company gained control over EnergoNuclear (see Note 18).

**f) Intangible assets**

The intangible assets of the Group are measured at cost less any accumulated amortization and accumulated impairment losses. The amortization is recognized in profit or loss based on a straight-line basis over the estimated useful life of the intangible asset. Intangible assets consist mainly of customized software, which is amortized on a straight-line basis mainly over 5 years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

**g) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **h) Inventories**

Inventories consist of consumables, spare parts, buffer stock, uranium and other inventories necessary for the activity of the Company. These materials are recorded as inventories when purchased and then expensed when consumed.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out method. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition and subsequently fuel storage. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion, if any, and selling expenses.

#### **i) Recognition and derecognition of the non-derivative financial instruments**

##### *Non-derivative financial assets*

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets are mainly represented by receivables, cash and cash equivalents and bank deposits.

##### *Non-derivative financial liabilities*

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise borrowings and trade and other payables.

**j) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for doubtful debts. An allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 360 days overdue) are considered indications that the trade receivable might be impaired.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within other operating expenses.

**k) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, in current accounts and bank deposits with original maturities of 3 months or less that are subject to an insignificant risk of changes in their fair value. The bank deposits caption in the statement of financial position comprises bank deposits with original maturities higher than 3 months.

**l) Share capital**

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any tax effects.

**m) Prepaid share reserve**

The prepaid shares represent cash contributed by the Company's shareholders in respect of a future share issuance by the Company. When there is no possibility of the prepayment being refunded, so that the Company's obligation is to deliver only a fixed number of shares, then the amount contributed is credited to the Prepaid share reserve.

**n) Dividends**

Dividends are recognized as a liability in the period in which their distribution is approved.



**o) Trade and other payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**p) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**q) Government grants**

Government grants related to purchase of assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Government grants that relates to the acquisition of an asset are recognised as deferred income and are amortised as the related asset is depreciated.

**r) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

**(i) Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payables also include any tax liability arising from declaration of dividends.

**(ii) Deferred tax**

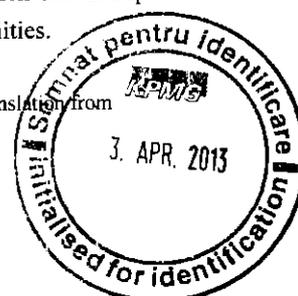
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequence that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(iii) Tax exposure**

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**s) Employee benefits**

**(i) Defined benefit plans**

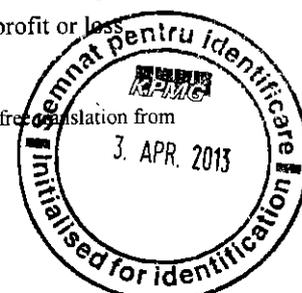
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the forward rate based on the Smith – Wilson extrapolation method applied to the yield curve of the bonds denominated in RON issued by the Romanian Government during 2005 – 2012.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

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

The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not previously been recognised.

**(ii) Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise. The discount rate is the forward rate based on the Smith – Wilson extrapolation method applied to the yield curve of the bonds denominated in RON issued by the Romanian Government during 2005 – 2012.

**(iii) Short-term employee benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**t) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, including for storage costs. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**u) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenues from sale of electricity (either generated by the Company or acquired) are recognised upon delivery of energy to the transmission grid.



**v) Finance income and finance costs**

Finance income comprises mainly interest income on bank deposits and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise mainly interest expense on borrowings and foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

**w) Operating Segments**

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

- That engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses related to transactions with other components of the same entity;
- Whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker ("CODM") to allocate resources and assess its performance; and
- For which discrete financial information is available.

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

**x) Earnings per share**

Earnings per share are calculated by dividing the Group's share of net income by the weighted average number of shares outstanding over the period. This weighted average number of shares outstanding is the number of ordinary shares at the start of the year, adjusted by the number of shares redeemed or issued during the year. This number, and the earnings per share, is adjusted whenever necessary to reflect the impact of translation or exercise of dilutive potential shares.

**y) Implication of new International Financial Reporting Standards (IFRSs)**

*New standards, amendments and interpretations*

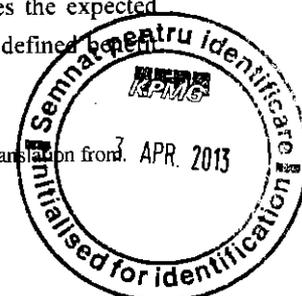
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

*New IFRS pronouncements not yet effective as at 31 December 2012*

- IAS 19 (2011) Employee Benefits (Effective for annual periods beginning on or after 1 January 2013)

The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation.

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The amendment is not relevant to the Group's financial statements, since the Group's current policy is to recognise immediately the actuarial gains and losses in other comprehensive income and the Group does not have a plan asset.

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (Effective for annual periods beginning on or after 1 January 2013)

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

#### **4. DETERMINATION OF FAIR VALUE**

A number of Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

a) **Property plant and equipment**

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of property, plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate except for assets in course of construction which are accounted under cost model. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

b) **Trade and other receivables;**

The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.



**SN Nuclearelectrica SA**  
Notes to the Consolidated Financial Statements for the year ended 31 December 2012  
(All amounts are in million RON, unless stated otherwise)

**5. PROPERTY, PLANT AND EQUIPMENT**

	Land	Nuclear power plants	Machinery, equipment and other assets	Assets in course of construction	PP&E held for future investment in associate	TOTAL
<b>Cost</b>						
<b>Balance as at 1 January 2011</b>	25	7,427	1,345	482	1,540	10,819
Additions	2	-	6	473	-	481
PP&E acquired as part of a business combination	-	-	-	55	-	55
Additions in Units 3&4	-	-	1	41	-	42
Transfer of PP&E held for future investment in associate	-	-	-	1,540	(1,540)	-
Transfers	-	2	122	(124)	-	-
Disposals	-	-	(24)	-	-	(24)
<b>Balance as at 31 December 2011</b>	27	7,429	1,450	2,467	-	11,373
<b>Balance as at 1 January 2012</b>	27	7,429	1,450	2,467	-	11,373
Additions	-	-	20	265	-	285
Additions in Units 3&4	-	-	-	37	-	37
Transfers	-	3	86	(89)	-	-
Disposals	-	-	(14)	-	-	(14)
Revaluation of buildings	-	-	9	-	-	9
Offset of accumulated depreciation on revaluation	-	-	(38)	-	-	(38)
<b>Balance as at 31 December 2012</b>	27	7,432	1,513	2,680	-	11,652
<b>Depreciation and impairment losses</b>						
<b>Balance as at 1 January 2011</b>	-	1,072	308	137	-	1,517
Depreciation charge	-	297	69	-	-	366
Accumulated depreciation of disposals	-	-	(10)	-	-	(10)
<b>Balance as at 31 December 2011</b>	-	1,369	367	137	-	1,873
<b>Balance as at 1 January 2012</b>	-	1,369	367	137	-	1,873
Depreciation charge	-	297	79	-	-	376
Accumulated depreciation of disposals	-	-	(13)	-	-	(13)
Offset of accumulated depreciation on revaluation	-	-	(38)	-	-	(38)
<b>Balance as at 31 December 2012</b>	-	1,666	395	137	-	2,198
<b>Carrying amounts</b>						
<b>At 1 January 2011</b>	25	6,355	1,037	345	1,540	9,302
<b>At 31 December 2011</b>	27	6,060	1,083	2,330	-	9,500
<b>At 31 December 2012</b>	27	5,766	1,118	2,543	-	9,454



## SN Nuclearelectrica SA

Consolidated Statement of Financial Position as at 31 December 2012

(All amounts are in million RON, unless stated otherwise)

Machinery, equipment and other assets includes the first load of heavy water used for units 1 and 2, with a net book value as at 31 December 2012 of RON 464 million (Ron 481 million: 31 December 2011) and buildings with a net book value as at 31 December 2012 of RON 351 million (Ron 327 million: 31 December 2011)

The Company revalued its buildings as at 31 December 2012. The buildings are presented under the caption "Machinery, equipment and other assets". The buildings have been revalued by an independent value, Tehnoconcept Expert SRL, member of Romanian National Union of Authorised Valuers (ANEVAR). The buildings were appraised using the cost approach and income approach. Under the cost approach the gross replacement cost was established using both the direct method and the indirect method. As at 31 December 2012, the revaluation surplus recognized is RON 10 million.

As at 31 December 2012, the carrying amount of Units 3 and 4 is in amount of RON 292 million (RON 292 million as at 31 December 2011), while of the heavy water acquired to be used for Units 3 and 4 is in amount of RON 1,541 million (RON 1,541 million as at 31 December 2011). These items are presented under the caption "Assets in course of construction". The total quantity of heavy water to be needed for Units 3 and 4 is 1,100 tonnes. Until 31 December 2011, the Company has purchased 862 tonnes of heavy water from Romanian Authority for Nuclear Activities (RAAN), while the remaining quantity of heavy water necessary for operating units 3 and 4 is acquired directly by the State in accordance with GEO 118/2011. The quantity that it is acquired by the State is transferred to the State's reserve.

Unit 5 remains fully impaired because at present there are no plans to resume construction of this unit. As at 31 December 2012 the gross carrying amount is Ron 137 million (Ron 137 million: 31 December 2011).

According to the investors' agreement referring to EnergoNuclear, approved by the Government Decision no. 1565/November 2008, the Company intends to sell certain assets (e.g. Units 3 and 4 and the related heavy water acquired for these two units) to EnergoNuclear in exchange of shares in this company (see Note 18). According to the current legislation and to the provisions of the Investment's Agreement, the sale these assets will be subject to an independent valuation. The heavy water was acquired by the Company only for the purpose of transferring it to EnergoNuclear as a future investment in respect of additional shares in this company. The sale will take place during the construction period of Units 3 and 4. The other shareholders in EnergoNuclear will transfer cash to this company in value that reflects pro-rata the same amount of investment per-share as the Company and receive shares in EnergoNuclear so that after the transfer all shareholders will hold the same percentage as before.

In 2012, EnergoNuclear concluded a contract with an independent evaluator, Ernst & Young, to provide an approximate value of Units 3 and 4. Ernst & Young issued a valuation report, in accordance with the International Valuation Standards, that provided an estimated market value range of EUR 380 – 539 million (RON 1,680 – RON 2,387 million considering an exchange rate of 4.4287 RON/EUR as at 31 December 2012) for Units 3 and 4.

Revalued amount for property, plant and equipment categories is determined as described below:

- Land is carried at revalued amount determined at 31 December 2009.
- The nuclear power plants 1 and 2 are carried at revalued amounts; the latest valuation was carried out by independent valuers at 31 December 2009.
- Buildings are carried at revalued amount, based on valuations performed by independent valuers (latest at 31 December 2012). Buildings were previously valued by independent valuers at 31 December 2009.
- Machinery, equipment and other assets except buildings are carried at revalued amounts, based on valuations performed by independent valuers (latest at 31 December 2002).

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## SN Nuclearelectrica SA

Consolidated Statement of Financial Position as at 31 December 2012

(All amounts are in million RON, unless stated otherwise)

The main capital expenditure made by the Group during 2012 refers to Unit 1 and 2 and related assets and includes:

- Enhancement of the nuclear security functions in amount of RON 100 million; (Ron 32 million: 31 December 2011)
- Modernization and expansion of physical protection at CNE Cernavoda, in order to align to the new legal requirements in force in amount of RON 53 million; (25 million RON: 31 December 2011);
- Advance payments made to suppliers of fixed assets in amount of RON 30 million;
- Construction of an intermediary storage spaces, for the spent nuclear fuel resulting from Units 1 & 2 in amount of RON 25 million;
- Flux detectors rehabilitation in amount of RON 14 million;

The capital expenditure made by EnergoNuclear refers to Units 3 and 4. Units 3 and 4 are at inception stage and the construction of these units is dependent upon future investment by the shareholders of EnergoNuclear (see Note 18). As at 31 December 2012, the carrying amount of the assets in course of construction referring to Units 3 and 4 is RON 1,965 million (RON 1,928 million: 31 December 2011). The remaining difference up to Ron 2,543 million represents assets in course of construction referring to Units 1 and 2 (eg. enhancement of the nuclear security functions in amount of RON 131 million, modernization and expansion of physical protection at CNE Cernavoda in amount of RON 68 million, D20 detritiation installation in amount of RON 35 million and advance payments made to suppliers of fixed assets in amount of RON 55 million).

As at 31 December 2012 the Group has acquired PPE items on suppliers' credit in amount of RON 71 million (RON 37 million: 31 December 2011). As at 31 December 2012, the gross carrying amount of fully depreciated property, plant and equipment that is still in use is RON 125 million (RON 95 million: 31 December 2011).

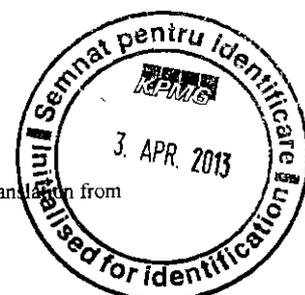
### Change in classification

During the current year, the Group modified the classification of heavy water from "Inventories" to "Property, plant and equipment" as "Assets in course of construction" to reflect more appropriately the way in which economic benefits are derived from the use of heavy water. Comparative amounts in the consolidated statement of financial position were reclassified for consistency, which resulted in Ron 65million and Ron 73 million being reclassified as at 31 December 2011 and 31 December 2010. Also, accordingly the Company modified the consolidated statement of comprehensive income classification of the heavy water expense from "Cost of uranium fuel" to "Other operating expenses" in amount of Ron 8 million for 2011.

Since the amounts are reclassifications within operating activities in the consolidated statement of comprehensive income, this reclassification did not have any effect on the consolidated statements of financial position.

During the current year, the Group modified the consolidated statement of financial position classification of investment "Software for integrated management" from "Property, plant and equipment" as "Assets in course of construction" to "Intangible assets" as "Intangibles assets in progress" to reflect more appropriate the classification of assets. Comparative amounts in the consolidated statement of financial position were reclassified for consistency, which resulted in Ron 46 million and Ron 31 million being reclassified as at 31 December 2011 and 31 December 2010.

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**Decommissioning of nuclear power plants**

The nuclear power Unit 1 is scheduled to operate until 2027 and Unit 2 until 2038. The Company did not record provisions for decommissioning of these two units, due to the fact it is not responsible for the decommissioning. According to GD no. 1080/5 September 2007, the Nuclear Agency and Radioactive Waste (ANDR) is responsible for collecting the contributions paid by the Company for the remaining useful life of these units and assume the responsibility for the management of the entire decommissioning process at the end of useful lives of the units, and also for the permanent storage of the resulting waste (see Note 16). The value of the contributions paid by the Company in 2012 to ANDR is RON 96 million (2011: Ron 91 million).

*Assets pledged as security*

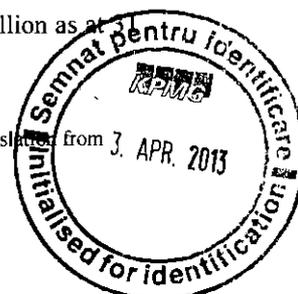
As at 31 December 2012 the Company has not pledged or mortgaged assets.

**6. INTANGIBLE ASSETS**

	<b>Licences and acquired software</b>	<b>Power plant software</b>	<b>Intangible assets in progress</b>	<b>TOTAL</b>
<b>Cost</b>				
<b>Balance as at 1 January 2011</b>	<b>51</b>	<b>78</b>	<b>31</b>	<b>160</b>
Additions	1	1	23	25
Transfers	-	8	(8)	-
Disposals	(6)	(1)	-	(7)
<b>Balance as at 31 December 2011</b>	<b>46</b>	<b>86</b>	<b>46</b>	<b>178</b>
<b>Balance as at 1 January 2012</b>	<b>46</b>	<b>86</b>	<b>46</b>	<b>178</b>
Additions	3	-	7	10
Disposals	(3)	(2)	-	(5)
<b>Balance as at 31 December 2012</b>	<b>46</b>	<b>84</b>	<b>53</b>	<b>183</b>
<b>Accumulated amortisation</b>				
<b>Balance as at 1 January 2011</b>	<b>35</b>	<b>29</b>	<b>-</b>	<b>64</b>
Amortisation for the year	9	13	-	22
Accumulated amortisation of disposals	(6)	(1)	-	(7)
<b>Balance as at 31 December 2011</b>	<b>38</b>	<b>41</b>	<b>-</b>	<b>79</b>
<b>Balance as at 1 January 2012</b>	<b>38</b>	<b>41</b>	<b>-</b>	<b>79</b>
Amortisation for the year	7	13	-	20
Accumulated amortisation of disposals	(3)	(2)	-	(5)
<b>Balance as at 31 December 2012</b>	<b>42</b>	<b>52</b>	<b>-</b>	<b>94</b>
<b>Carrying amounts</b>				
<b>At 1 January 2011</b>	<b>16</b>	<b>49</b>	<b>31</b>	<b>96</b>
<b>At 31 December 2011</b>	<b>8</b>	<b>45</b>	<b>46</b>	<b>99</b>
<b>At 31 December 2012</b>	<b>4</b>	<b>32</b>	<b>53</b>	<b>89</b>

Intangible assets in progress include software for integrated management in amount of RON 53 million as at 31 December 2012 (RON 46 million: 31 December 2011).

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**SN Nuclearelectrica SA**

Consolidated Statement of Financial Position as at 31 December 2012

*(All amounts are in million RON, unless stated otherwise)***7. INVENTORIES**

As at 31 December 2012 and 31 December 2011 inventories are as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Spare parts	228	230
Materials and supplies	43	44
Nuclear fuel	66	78
Uranium	29	35
Other inventories	3	4
<b>TOTAL</b>	<b><u>369</u></b>	<b><u>391</u></b>

**8. TRADE AND OTHER RECEIVABLES**

As at 31 December 2012 and 31 December 2011 trade and other receivables are as follows:

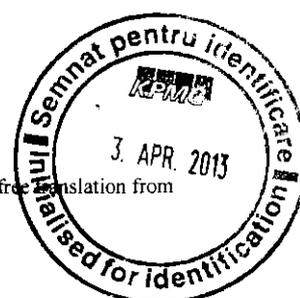
	<u>31 December 2012</u>	<u>31 December 2011</u>
Trade receivables	151	217
Trade receivables allowance	(7)	(6)
Other receivables	22	19
Other receivables allowance	(3)	(3)
<b>Total</b>	<b><u>163</u></b>	<b><u>227</u></b>

As at 31 December 2012, significant trade receivables are: Hidroelectrica SA – RON 29 million, S.C Electrica Furnizare S.A – RON 25 million, CEZ Vanzare SA – RON 16 million. The sales made during 2012 to Electrica Furnizare SA represented around 25% of the Company's total revenues.

Hidroelectrica SA is in insolvency since June 2012. The Company's receivable was recognised and recorded in the statement of affaires of Hidroelectrica SA. The Company's management estimates that this receivable will be collected within one year considering that Hidroelectrica continues the activity at a normal level and that reorganization measures were implemented following the insolvency procedure. The fair value of the receivable from Hidroelectrica SA is RON 27.3 million representing the present value of future cash flows discounted at the market interest rate at 31 December 2012. The discount rate used to discount the receivables is the interest rate communicated by National Bank of Romania for RON deposits 5.25%.

The Group's exposure to credit and market risks, and impairment losses related to trade receivables are disclosed in Note 21.

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## 9. CASH AND CASH EQUIVALENTS

As at 31 December 2012 and 31 December 2011 cash and cash equivalents are as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Cash at bank in RON	705	593
Cash at bank in foreign currencies	3	18
<b>Total cash and cash equivalents</b>	<b><u>708</u></b>	<b><u>611</u></b>

## 10. EQUITY

### Share capital

The Company was formed by separation from the former RENEL. The share capital represents the State contribution at the formation of the Company on 30 June 1998 (restated for inflation to 31 December 2003 as described in Note 3.c) plus subsequent contributions.

As at 31 December 2012, the share capital in amount of RON 2,732 million includes the effect of restatements for hyperinflation relating to prior periods, required by the application IAS 29 "Financial Reporting in Hyperinflationary Economies", as described in Note 3.c). The reconciliation of share capital is as follows:

Statutory share capital (nominal value)	2,537
Restatement difference in accordance with IAS 29	<u>195</u>
<b>Restated share capital balance</b>	<b><u>2,732</u></b>

The share capital is Ron 2,537 million as at 31 December 2012, fully paid ( Ron 2,537 million: 31 December 2011) which consists of 253,682,361 (31 December 2011: 253,682,361) fully paid-in ordinary shares each having a nominal value of 10 Ron. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

The shareholders' structure as at 31 December 2012 and 31 December 2011 was as follows:

	<u>No. of shares</u>	<u>% of shareholding</u>
The Romanian State through the Ministry of Economy	229,006,139	90.28
Fondul Proprietatea SA	<u>24,676,222</u>	<u>9.72</u>
<b>TOTAL</b>	<b><u>253,682,361</u></b>	<b><u>100</u></b>

According to GD. 39/18 January 2012, the Romanian Government approved the privatization of the Company by an increase of the share capital by 11.077%. Fondul Proprietatea SA has preferential subscription rights for 1.077%. The remaining difference of 10% will be issued as an initial public offering. The consortium made up of SSIF SWISS Capital and BT Securities manage the Company's initial public offering. The Company will list its shares on the Bucharest Stock Exchange.

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*Prepaid share reserve*

Prepaid share reserve of Ron 1,617 million as at 31 December 2012 (Ron 1,617 million: 31 December 2011) represents mainly cash contributions from State Budget towards the Company for construction of nuclear Unit 2 (Ron 193 million as at 31 December 2012 and 2011) and for acquisition of heavy water from RAAN related to Units 3 and 4 (Ron 1,383 million as at 31 December 2012 and 2011). In accordance with GD 365/1998, these non refundable amounts will be used in the future to increase the Company's share capital. The number of the corresponding new shares to be issued for the prepaid share reserve is 157,701,718.

Starting with December 2011 the heavy water for units 3 and 4 is acquired directly by the State in accordance with GEO 118/2011 and is transferred to the State reserve (see Note 5).

*Revaluation reserves*

The revaluation reserve is in amount of Ron 1,477 million as at 31 December 2012 and (Ron 1,469 million: 31 December 2011). The Company recorded during 2009 a deferred tax liability for revaluation reserve as not whole is deductible (see Note 13). The Company recognized an increase of the revaluation reserve of Ron 10 million following the revaluation of its buildings as at 31 December 2012 (see Note 5).

*Retained earnings*

Retained earnings represent the accumulated results of the Group. The retained earnings are distributable based on the statutory non-consolidated financial statements. The retained earnings based on the statutory non-consolidated financial statements are Ron 34 million, represented by the 2012 net profit. As at 31 December 2012, the Company off set accumulated losses of Ron 302 million recognized in the statutory non-consolidated financial statements against reserve representing the revaluation reserve surplus.

**11. BORROWINGS**

(i) *Long term borrowings*

As at 31 December 2012 and 31 December 2011 long term borrowings, net of transaction costs are as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
Loans from foreign banks	2,043	2,088
Loans from domestic banks	104	156
	<u>2,147</u>	<u>2,244</u>
Less current portion of long term borrowings	(225)	(177)
<b>Total long term borrowings</b>	<u><b>1,922</b></u>	<u><b>2,067</b></u>

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As at 31 December 2012 and 31 December 2011 long term loans from credit institutions are as follows:

	<b>31 December 2012</b>	<b>31 December 2011</b>
Societe Generale - ALSTOM BC (a)	21	25
Societe Generale - ANSALDO BC (b)	323	349
Societe Generale - AECL BC (c)	700	751
Societe Generale - NEXANS BC (d)	27	32
Societe Generale - GENERAL ELECTRIC (e)	50	59
EURATOM – (f)	990	964
BCR – (g)	104	156
<b>Total long term loans from credit institutions</b>	<b>2,215</b>	<b>2,336</b>
<b>Less: Current amount of the long term loans</b>	<b>(225)</b>	<b>(177)</b>
<b>Less: Transaction cost for obtaining the loan</b>	<b>(68)</b>	<b>(92)</b>
<b>Total long term loans, net of current amounts</b>	<b>1,922</b>	<b>2,067</b>

Long term loans are detailed as follows:

a) *Loan from Societe Generale – ALSTOM*

The loan was granted by Societe Generale to the Company in 2002. The face value of the loan is EUR 10.7 million. As at 31 December 2012 the outstanding amount is of EUR 4.8 million. Repayment is scheduled over 11 years in 20 instalments from December 2007 until June 2017. The loan bears a variable interest rate of six months EURIBOR plus 0.45% margin. The loan is guaranteed by the Romanian Government through the Ministry of Public Finance. As at 31 December 2012 the outstanding amount is Ron 21 million.

b) *Loan from Societe Generale – ANSALDO*

The loan was granted by Societe Generale to the Company in 2002. The face value of the loan is EUR 115.3 million. As at 31 December 2012 the total amount outstanding is EUR 73.04 million. Repayment is scheduled over 16 years, in 30 instalments from December 2007 until June 2022. The loan bears a variable interest rate of six months EURIBOR plus 0.45% margin for the first 15 years, and six months EURIBOR plus 0.7% for the remaining period. The loan is guaranteed by the Romanian Government through the Ministry of Public Finance. As at 31 December 2012 the outstanding amount is Ron 323 million.

c) *Loan from Societe Generale – AECL*

The loan was granted by Societe Generale to the Company in 2002. The face value of the loan is CAD 327.8 million. As at 31 December 2012 the outstanding amount is of CAD 207.6 million. Repayment is scheduled over 16 years, in 30 instalments from December 2007 until June 2022. The loan bears a variable interest rate of six months CDOR plus 0.375% margin. The loan is guaranteed by the Romanian Government through the Ministry of Public Finance. As at 31 December 2012 the outstanding amount is Ron 700 million.

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*d) Loan from Societe Generale – NEXANS*

The loan was granted by Societe Generale to the Company in 2002. The face value of the loan is EUR 13.4 million. As at 31 December 2012 the outstanding amount is EUR 6.03 million. Repayment is scheduled over 11 years, in 20 instalments from December 2007 until June 2017. The loan bears a variable interest rate of six months EURIBOR plus 0.45% margin. The loan is guaranteed by the Romanian Government through the Ministry of Public Finance. As at 31 December 2012 the outstanding amount is Ron 27 million.

*e) Loan from Societe Generale – GENERAL ELECTRIC*

The loan was granted by Societe Generale to the Company in 2003. The face value of the loan is USD 29.5 million. As at 31 December 2012 the outstanding amount is USD 14.8 million. Repayment is scheduled over 10 years, in 20 instalments from January 2008 until July 2017. The loan bears a variable interest rate of six months LIBOR plus 0.07% margin. The loan is guaranteed by the Romanian Government through the Ministry of Public Finance. As at 31 December 2012 the outstanding amount is Ron 50 million.

*f) Loan from EURATOM*

The loan was granted by Euratom to the Company in 2004. The face value of the loan is EUR 223.5 million. As at 31 December 2012 the outstanding amount is EUR 223.5 million, having three parts: (i) first part with an outstanding amount of EUR 100 million; (ii) the second part with an outstanding amount of EUR 90 million and (iii) the third part with an outstanding amount of EUR 33.5 million. The first part is to be reimbursed during 2013 – 2022, the second one between 2015- 2024 and the third one between 2017 and 2024. The loan bears a variable interest rate of six months EURIBOR plus 0.08% margin for the first two parts and six months EURIBOR plus 0.079% for the third part. The loan is guaranteed by the Romanian Government through the Ministry of Public Finance. As at 31 December 2012 the outstanding amount is Ron 990 million.

The loan agreement includes certain financial covenants: (i) the debt service ratio should be no less than 1.5; (ii) the gearing ratio should be no greater than 2; (iii) the income received by the borrower should be sufficient to cover all costs of operation and maintenance of Units 1 and 2 and the debt service in connection with Units 1 and 2.

These financial indicators should be determined based on the financial statements prepared in accordance with IFRS.

The financial covenants applicable to the EURATOM loan are met by the Company as at 31 December 2012.

*g) Loan from BCR*

The loan contracted from the Ministry of Public Finance in 2007 was made available to the Company through the Romanian Commercial Bank (BCR). The face value of the loan is Ron 285.6 million. As at 31 December 2012 the outstanding amount is Ron 104 million. The repayment is scheduled over 6 years, in 11 instalments from July 2009 until July 2014. The loan bears a variable interest rate of six months BUBOR less a margin of 1.1%.

All the loans contracted by the Company were used for investments in Unit 2.

The Company has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposure.



The fair value of long term borrowings, which is estimated by discounting the future contractual cash flows at the current market interest rate available for similar financial instruments, does not materially differ from the above carrying values.

**Guarantees**

The loans with foreign banks from Société Générale („SG”) and EURATOM are guaranteed by the Romanian Government through the Ministry of Public Finance. In addition, the loans from SG are guaranteed by external insurers (COFACE, SACE, EDC and Eximbank-New York) and promissory notes issued by the Company in the lender’s favour.

**(ii) Short term borrowings**

As at 31 December 2012 and 31 December 2011 the short term borrowings are as follows:

	<b>31 December 2012</b>	<b>31 December 2011</b>
Current portion of the long term borrowings	225	177
Accrued interest on long term borrowings	3	7
<b>Total short term borrowings</b>	<b>228</b>	<b>184</b>

**12. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

As at 31 December 2012 and 31 December 2011 trade and other liabilities are as follows:

	<b>31 December 2012</b>	<b>31 December 2011</b>
Fixed assets suppliers	88	46
Trade payables	140	87
Payables to employees	12	8
Payables to State	37	38
Other payables	5	2
<b>Total</b>	<b>282</b>	<b>181</b>

As at 31 December 2012, the main outstanding suppliers were: Candu Energy INC – Ron 53 million (Ron 8 million: 31 December 2011), CN Transelectrica SA – Ron 40 million (Ron 19 million: 31 December 2011) and SNC Lavalin Nuclear Inc. – Ron 22 million (Ron 28 million: 31 December 2011).

**13. INCOME TAXES**

**Tax recognized in profit or loss**

	<b>2012</b>	<b>2011</b>
Current tax expense	51	25
Deferred tax release	(5)	(5)
<b>Total</b>	<b>46</b>	<b>20</b>

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**SN Nuclearelectrica SA**

Consolidated Statement of Financial Position as at 31 December 2012

*(All amounts are in million RON, unless stated otherwise)*

Starting with 1 May 2009, according to the changes in the fiscal treatment of revaluation reserves, in compliance with Government Emergency Ordinance no. 34/2009, amending the Fiscal Code, revaluations recorded by the Company after 1 January 2004 and booked in the statutory financial statements, will be taxed simultaneously with the deduction of the fiscal depreciation, respectively when the assets are disposed, as appropriate. As at 31 December 2012 the Company recognized a deferred tax liability for the revaluation reserve of its buildings.

**Tax recognized directly in other comprehensive income (OCI)**

	31 December 2012			31 December 2011		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
<b>PPE</b>	10	(2)	8	-	-	-
<b>Total</b>	<b>10</b>	<b>(2)</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>

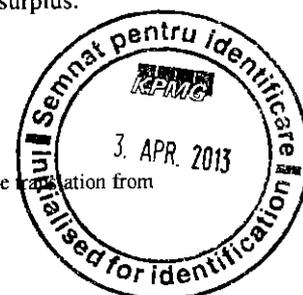
Deferred tax assets and liabilities are measured at the effective tax rate of 16% as at 31 December 2012 (16% as at 31 December 2011), which is the currently enacted tax rate.

**Reconciliation of the effective tax rate:**

	2012	2011
<b>Profit before income tax</b>	<b>67</b>	<b>103</b>
Income tax at statutory rate of 16%	11	16
Effect of non-deductible expenses	6	8
Taxed revaluation reserve	32	-
Effect of tax exempt income	(1)	(2)
Deferred tax release	(5)	(5)
Effect of other differences	3	3
<b>Income tax expense</b>	<b>46</b>	<b>20</b>

As at 31 December 2012, the Group recorded an income tax expense of Ron 32 million for the reserve representing the revaluation reserve surplus that was used in the local statutory financial statement to offset its accounting losses and which was not taxed until 31 December 2012. The value of the statutory accounting losses covered is Ron 302 million, from which 198 against reserve representing the revaluation reserve surplus that was not taxed until 31 December 2012 and remaining difference against taxed reserve representing the revaluation reserve surplus.

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Deferred tax consists of the following:

	Assets		Liabilities		Net	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
PP&E	-	-	151	153	151	153
Inventories	-	-	12	13	12	13
Employee benefits	(4)	(4)	-	-	(4)	(4)
<b>Net tax (assets)/liabilities</b>	<b>(4)</b>	<b>(4)</b>	<b>163</b>	<b>166</b>	<b>159</b>	<b>162</b>

Movement in deferred tax balances during 2011 and 2012 are as follows:

Elements	Balance 1 January 2011	Recognised in profit or loss	Balance 31 December 2011	Recognised in profit or loss	Tax recognised directly in OCI	Balance 31 Dec 2012
PP&E	157	(4)	153	(4)	2	151
Inventories	14	(1)	13	(1)	-	12
Employee benefits	(4)	-	(4)	-	-	(4)
<b>Net tax (assets)/liabilities</b>	<b>167</b>	<b>(5)</b>	<b>162</b>	<b>(5)</b>	<b>2</b>	<b>159</b>

#### 14. EMPLOYEE BENEFITS

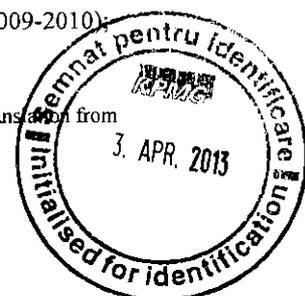
	31 December 2012	31 December 2011
Retirement bonuses	16	12
Jubilee bonuses	5	5
Death benefits	-	4
<b>Total</b>	<b>21</b>	<b>21</b>

As at 31 December 2012 the Company has the obligation to pay retirement bonuses, 2 or 3 gross salaries, based on the length of service within the energy sector at the retirement date (defined benefit plan) and jubilee bonuses based on the length of service within the energy sector (other long term employee benefits).

The following are the principal actuarial assumptions at the yearend:

- the discount rate is the forward rate based on the Smith – Wilson extrapolation method applied to the yield curve of the bonds issued by the Romanian Government denominated in RON during 2005 – 2012. The discount rate used for 2012 is 9.21% (8.74%: 2011). The actual discount rate is the compound real yield, determined as difference between the discount rate and the estimated salary increases.
- an average annual staff turnover of 1% was assumed based on statistical information for all employees, except the employees who have less than five years until retirement, in their case the assumed leaving rate is 0%;
- the future salary increases were assumed to be at inflation rate. The inflation rate was estimated to be 4.95% in 2012, 3.5% p.a. for 2013, 3% p.a. for 2014-2027, 2.9 – 2.1% p.a. for 2028-2040 and 2% for the following years;
- the mortality rates used were the one issued by the National Institute of Statistics (mortality table 2009-2010);

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**15. SALES OF ELECTRICITY**

<i>(i)</i> <u>Revenues from electricity sales</u>	<u>2012</u>	<u>2011</u>
Sales of electricity on regulated market	922	829
Sales of electricity on free market	630	670
Revenues from cogeneration contribution	5	2
Revenues from green certificates	7	2
	<u><b>1,564</b></u>	<u><b>1,503</b></u>

<i>(ii)</i> <u>Quantity sold</u>	<u>2012</u>	<u>2011</u>
Quantity of energy sold on regulated market (MWh)	7,497,937	6,849,037
Quantity of energy sold on free market (MWh)	3,289,153	4,123,955
	<u><b>10,787,090</b></u>	<u><b>10,972,991</b></u>

In accordance with the Electricity Law 123/2012, the electricity sector is regulated by the National Agency for Electricity Sector Regulation ("ANRE"), an autonomous public institution. ANRE establishes the tariffs to be used by the Company for selling electricity on the regulated market and also the related quantities.

**16. OTHER OPERATING EXPENSES**

	<u>2012</u>	<u>2011</u>
Third party services	122	126
Expenses with ANDR	101	94
Energy and water	75	77
Fuels, lubricants and other consumables	36	35
Insurance	12	11
Transportation and telecommunication	8	9
Other operating expenses	53	59
<b>Total</b>	<u><b>407</b></u>	<u><b>411</b></u>

***Decommissioning provision***

Starting in 2007, following the Government Decision no. 1080/5 September 2007 regarding the safe management of the radioactive waste and the decommissioning of the nuclear installations, the Group is required to make two types of contributions to the ANDR:

- Contribution for the decommissioning of each nuclear unit amounting to 0.6 EUR/MWh of electricity produced.
- Contribution for the permanent storage of radioactive waste of 1.4 EUR/MWh of electricity produced.

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

#### 17. FINANCE INCOME AND FINANCE COSTS

	2012	2011
Interest income	40	33
Foreign exchange gains	190	242
<b>Finance income</b>	<b>230</b>	<b>275</b>
Foreign exchange losses	(249)	(267)
Interest expense	(72)	(74)
<b>Finance costs</b>	<b>(321)</b>	<b>(341)</b>
<b>Net finance costs</b>	<b>(91)</b>	<b>(66)</b>

#### 18. GROUP ENTITIES

The Group companies and the percentage of ownership exercised by the Company are as follows:

Entity	Country of origin	31 December 2012 % of total shares	31 December 2011 % of total shares	31 December 2012 value of shares	31 December 2011 value of shares
EnergONuclear SA	Romania	84.65	84.65	123,718,516	86,348,079

As at 31 December 2012 and 2011 other shareholders in EnergONuclear SA are:

- Arcelor Mittal Galati S.A. – 6.20%;
- Enel Investment Holding BV – 9.15%;

In February 2012, the EnergONuclear's share capital increased by Ron 21 million up to Ron 123 million. The EnergONuclear's shareholders transferred cash in exchange of shares in the same proportion with their holdings as at 31 December 2011. The Company transferred Ron 18 million.

In August 2012, the EnergONuclear's share capital increased by Ron 22 million up to Ron 146 million. The EnergONuclear's shareholders transferred cash in exchange of shares in the same proportion with their holdings as at 31 December 2011. The Company transferred Ron 19 million.

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(i) *Status of the Project*

EnergONuclear SA's activity in 2012 was carried out in accordance under Addendum no. 3 of the Investments Agreement ("IA") ("Addendum 3") from January 2011 concluded by the EnergONuclear SA's shareholders. Investment Decision I means that the project has reached a level of development that allows it to advance to the Preliminary Works Phase and that the key steps have been fulfilled (e.g. the following terms have been agreed: the operation and maintenance contract, the off take arrangements in relation to the electricity generated by the Company, heavy water and fuel supply contract).

Given that shareholders had not confirmed the Investment Decision I initially scheduled for 31 July 2012, the Investment Decision I was automatically extended until 31 December 2012. In December 2012, the shareholders concluded Addendum no. 4 to the Investment Agreement ("Addendum 4"), which extends the period for the shareholders to make the Investment Decision I to 30 June 2013.

As at 31 December 2012, there are uncertainties regarding the ability of EnergONuclear SA to continue as a going concern determined by the potential exit until 30 June 2013 of some current shareholders. However, the memorandum "Actions necessary to continue the implementation of the Cernavoda NPP Units 3 & 4 Project" ("the Memorandum") approved by the Romanian Government in November 2012 sets the basis for EnergONuclear SA to continue its activity and be 100% owned by SN Nuclearelectrica SA after 30 June 2013, in case the other current shareholders exist EnergONuclear SA.

By this Memorandum, the Government approved the extension of the validity of the Investment Agreement after 1 January 2013, which provides EnergONuclear SA the opportunity to attract new investors and, consequently, to continue the Project through cooperation of the three existing shareholders in EnergONuclear for a period up to, at the latest, 31 December 2013. SN Nuclearelectrica SA is to buy back the shares held by the existing shareholders (at an amount less or equal than the nominal value of the shares) should the other current shareholders decide not to continue with the investment after 30 June 2013. In this event, as per the Memorandum, following 30 June 2013, EnergONuclear SA will continue its operations and be 100% owned by SN Nuclearelectrica SA.

(ii) *Continuance of EnergONuclear SA*

Taking into consideration the above mentioned Memorandum, the Company's management believes that the project will continue in the future as it is confident that EnergONuclear SA will have the support of Romanian Government and its main shareholder, SN Nuclearelectrica SA, will attract other shareholders, will raise the necessary funding and there will be a future demand for the energy that is going to be produced by EnergONuclear SA in the future.

As such, the Company's management believes that the investment in EnergONuclear SA will be recovered.



## SN Nuclearelectrica SA

Consolidated Statement of Financial Position as at 31 December 2012

(All amounts are in million RON, unless stated otherwise)

### (iii) *The Company's contribution in EnergoNuclear SA*

According to the GD no. 1565/November 2008, the Company contribution to EnergoNuclear will consist of the followings: Units 3 and 4, the related heavy water acquired for these two units, own sources, state guaranteed loans to be concluded by the Company and funds to be raised by the Company following the initial public offering, that it is currently in progress as of the date of these financial statements. The total estimated construction costs for Units 3 and 4 is around EUR 6.5 billion according to an updated feasibility study prepared by Ernst & Young in 2012.

### (iv) *Acquisition of EnergoNuclear SA*

On 28 February 2011 the Company obtained control of EnergoNuclear SA by acquiring the shares of RWE Power Romania, Iberdrola Generation S.A.U. and GDF Suez S.A.. The Company paid Ron19 million in exchange of these shares, shares that were acquired at the nominal value of RON 3.9389 per share.

The Company acquired from these three companies shares representing 24.50% of EnergoNuclear SA. As a result, at that time the Company's equity interest in EnergoNuclear SA increased from 60.15% to 84.65%. EnergoNuclear SA is considered a subsidiary considering the fact that the Company holds control of EnergoNuclear SA since 28 February 2011.

The financial position of EnergoNuclear SA was composed mainly by assets in course of construction and share capital. Construction in progress represents mainly consultancy services for units 3 and 4 provided mainly Atomic Energy of Canada Limited and Tractebel Engineering. No goodwill was recognized as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in EnergoNuclear SA was equal with the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

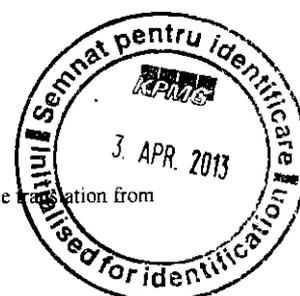
## 19. RELATED PARTY TRANSACTIONS

### i) *Transactions with state – owned companies*

The Group operates in an economic environment dominated by entities directly controlled by the Government of Romania through its government authorities and agencies, collectively referred to as state-owned companies.

The Group had significant transactions with other state-owned companies: sales of electricity (Electrica Furnizare, FDEE Electrica Distributie Muntenia Nord, FDEE Electrica Distributie Transilvania Nord, FDEE Electrica Distributie Transilvania Sud and OPCOM), purchase of energy transmission services and balancing services (CN Transelectrica SA) and purchase of heavy water (Regia Autonoma pentru Activitati Nucleare - RAAN) and purchases of uranium (Compania Nationala a Uraniului).

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The transactions and balances with Group related parties during 2012 and 2011 consist of the following:

	Sales		Receivables as at	
	2012	2011	31 December 2012	31 December 2011
Electrica Furnizare	413	163	25	30
OPCOM	102	134	2	1
FDEE Electrica Distributie Muntenia Nord	34	14	5	2
FDEE Electrica Distributie Transilvania Nord	22	16	3	1
FDEE Electrica Distributie Transilvania Sud	26	13	4	-
RAAN	4	120	8	19
Electrica SA	-	131	-	-
Hidroelectrica	-	107	29	35
<b>Total</b>	<b>601</b>	<b>698</b>	<b>76</b>	<b>88</b>

	Purchases		Payables as at	
	2012	2011	31 December 2012	31 December 2011
CN Transelectrica SA	131	111	40	19
Compania Nationala a Uraniului	88	89	12	-
Apele Romane Bucuresti	56	59	6	6
Apele Romane Constanta	11	11	1	1
Electrica Furnizare	4	-	31	10
RAAN	21	289	-	-
<b>Total</b>	<b>311</b>	<b>559</b>	<b>90</b>	<b>36</b>

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

All loans are guaranteed by the Romanian Government through the Ministry of Public Finance (see Note 11).

**iii) Compensation to key management personnel**

Compensation to key management personnel for their services is made up of a contractual salary and a performance bonus depending on operating results. Additional fees, compensation and allowances may be paid to management for their services in that capacity, and also for attending board meetings. Upon resignation at the Group's request, the key management personnel is entitled to termination benefits of up to 12 salaries, depending on the number of years completed within the energy sector.

	2012	2011
Short-term employee benefits	3.66	3.86
	<b>3.66</b>	<b>3.86</b>

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**20. EARNINGS PER SHARE**

As at 31 December 2012 and 31 December 2011, the earnings per share were as follows:

*i) Basic earnings per share*

	2012	2011
<b>Consolidated net profit for the year attributable to the owners of the Company</b>	<b>20.95</b>	<b>82.85</b>
Number of ordinary shares at the beginning and at the end of the year	253,682,361	253,682,361
<b>Basic earnings per share (RON/share)</b>	<b>0.08</b>	<b>0.33</b>

*ii) Diluted earnings per share*

	2012	2011
<b>Consolidated net profit for the year attributable to the owners of the Company</b>	<b>20.95</b>	<b>82.85</b>
Number of ordinary shares at the beginning and at the end of the year (a)	253,682,361	253,682,361
No of shares corresponding to the prepaid share reserve (b) (see Note 10)	157,701,718	157,701,718
<b>Total no of shares (a) + (b)</b>	<b>411,384,079</b>	<b>411,384,079</b>
<b>Diluted earnings per share (RON/share)</b>	<b>0.05</b>	<b>0.20</b>

**21. FINANCIAL RISK MANAGEMENT**

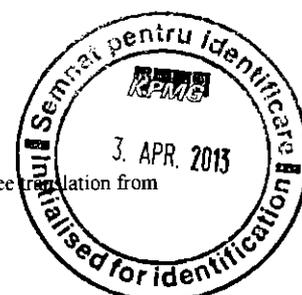
**a. Financial risk factors**

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate risk and currency risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group does not have formal arrangements to mitigate financial risks. Despite the fact that no formal arrangements are in place, the financial risks are monitored by top level management considering the financial needs of the Group in order to make sure that the opportunities and threats are matched efficiently. The financial department prepares daily cash flow forecasts which help the management in the process of taking decision.

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments.

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**SN Nuclearelectrica SA**

Consolidated Statement of Financial Position as at 31 December 2012

(All amounts are in million RON, unless stated otherwise)

(a) *Currency risk*

The Group is exposed to the changes in the foreign exchange rates mainly due to its long term borrowings and payables denominated in foreign currencies.

The Group's functional currency is RON. The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily EUR, USD and CAD. The long-term borrowings are denominated in foreign currencies, which are retranslated at the prevailing exchange rate at each reporting date, as communicated by Romanian National Bank. The resulting differences are charged or credited to profit or loss, but do not affect cash flows until the settlement of the amount.

The Group's exposure to foreign currency risk expressed in RON, was as follows:

	Carrying amount (*)	RON	EUR	USD	CAD
<b>31 December 2012</b>					
<b>Monetary assets</b>	-	-	-	-	-
<b>Monetary liabilities</b>					
Trade Payables & Suppliers of fixed assets	(228)	(155)	-	(9)	(64)
Borrowings	(2,215)	(104)	(1,361)	(50)	(700)
<b>Gross exposure in the consolidated statement of financial position</b>	<b>(2,443)</b>	<b>(259)</b>	<b>(1,361)</b>	<b>(59)</b>	<b>(764)</b>
	Carrying amount (*)	RON	EUR	USD	CAD
<b>31 December 2011</b>					
<b>Monetary assets</b>	-	-	-	-	-
<b>Monetary liabilities</b>					
Trade Payables & Suppliers of fixed assets	(133)	(94)	(6)	-	(33)
Borrowings	(2,336)	(156)	(1,370)	(59)	(751)
<b>Gross exposure in the consolidated statement of financial position</b>	<b>(2,469)</b>	<b>(250)</b>	<b>(1,376)</b>	<b>(59)</b>	<b>(784)</b>

(\*) Gross carrying amount, before deduction of transaction costs.

The following significant exchange rates were used:

	Average rate		Reporting date spot rate	
	2012	2011	31 December 2012	31 December 2011
RON/ EUR	4.4560	4.2379	4.4287	4.3197
RON/ USD	3.4682	3.0486	3.3575	3.3393
RON/ CAD	3.4701	3.0810	3.3736	3.2724

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**Sensitivity analysis**

A 10 percent strengthening of the RON against the following currencies at 31 December 2012 and 31 December 2011 would have increased profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	<b>2012 Profit</b>	<b>2011 Profit</b>
EUR	136	137
USD	6	6
CAD	76	78
<b>Total</b>	<b>218</b>	<b>221</b>

A 10 percent weakening of the RON against the following currencies at 31 December 2012 and 31 December 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

	<b>2012 Loss</b>	<b>2011 Loss</b>
EUR	(136)	(137)
USD	(6)	(6)
CAD	(76)	(78)
<b>Total</b>	<b>(218)</b>	<b>(221)</b>

*(b) Interest rate risk*

The Group's operating cash flows are impacted mainly by the changes in interest rates, due to the foreign long term borrowings the Group contracted. The Group has significant long term borrowings with variable interest rates, that expose the Group to significant cash flow risk and all bank deposits irrespective of maturity bear fixed interest rates.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	<b>Carrying amount (*)</b>	
	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>Fixed rate instruments</b>		
Financial assets	681	574
	<b>681</b>	<b>574</b>
<b>Variable rate instruments</b>		
Financial liabilities	(2,215)	(2,336)
	<b>(2,215)</b>	<b>(2,336)</b>

(\*) Gross carrying amount, before deduction of transaction costs.



*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp Increase	100 bp Decrease
<b>31 December 2012</b>		
Variable rate instruments	(22)	22
<b>Cash flow sensitivity (net)</b>	<b>(22)</b>	<b>22</b>
<b>31 December 2011</b>		
Variable rate instruments	(25)	25
<b>Cash flow sensitivity (net)</b>	<b>(25)</b>	<b>25</b>

(c) *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Group's receivables from customers and investment securities.

Financial assets, which potentially subject this Group to credit risk, consist principally of trade receivables, cash and cash equivalents and bank deposits. The Group has policies in place to ensure that sales of electricity are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of impairment adjustment, represents the maximum amount exposed to credit risk.

As at 31 December 2012 the Group has significant concentrations of credit risk: about 36% of the Group's receivables are due from Hidroelectrica and SC Electrica Furnizare SA (see Note 8).

Cash is placed in financial institutions, which are considered to have minimal risk of default. The deposits are held mainly at Romanian Commercial Bank and BRD - Groupe Societe Generale.

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

	Carrying amount	
	31 December 2012	31 December 2011
<b>Financial assets</b>		
Trade receivables	144	211
Bank deposits	235	96
Cash and cash equivalents	708	611
Other receivables	19	16
	<b>1,106</b>	<b>934</b>

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The ageing of trade receivables at the reporting date is:

	<b>Gross 31 December 2012</b>	<b>Impairment 31 December 2012</b>	<b>Gross 31 December 2012</b>	<b>Impairment 31 December 2012</b>
Neither past due nor impaired	102	-	155	-
Past due 1 – 30 days	2	-	1	-
Past due 31 – 90 days	5	-	18	-
Past due 91 – 180 days	3	-	28	-
Past due 181 – 270 days	-	-	1	-
Past due 271 – 365 days	-	-	8	-
Past due more than one year	39	(7)	6	(6)
<b>Total</b>	<b>151</b>	<b>(7)</b>	<b>217</b>	<b>(6)</b>

The Group's receivables due more than one year include the receivable to be collected from Hidroelectrica in amount of Ron 29 million. The Company's management estimates that this receivable will be collected within one year considering that Hidroelectrica continues the activity at a normal level and that reorganization measures were implemented following the insolvency procedure. The fair value of the receivable from Hidroelectrica SA is Ron 27.3 million representing the present value of future cash flows discounted at the market interest rate at 31 December 2012. The discount rate used to discount the receivables is 5.25%, being the interest rate communicated by National Bank of Romania for RON deposits.

The ageing of other receivables at reporting date is:

	<b>Gross 31 December 2012</b>	<b>Impairment 31 December 2012</b>	<b>Gross 31 December 2011</b>	<b>Impairment 31 December 2011</b>
Neither past due nor impaired	19	-	16	-
Past due more than one year	3	(3)	3	(3)
<b>Total</b>	<b>22</b>	<b>(3)</b>	<b>19</b>	<b>(3)</b>

The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

	<b>31 December 2012</b>	<b>31 December 2011</b>
<b>Balance at 1 January</b>	(6)	(1)
Impairment loss recognized	(1)	(5)
<b>Balance at year end</b>	<b>(7)</b>	<b>(6)</b>

*(d) Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by obtaining financing from private banks and the majority shareholder's support.

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The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Carrying amount (*)</b>	<b>Contractual amount</b>	<b>12 months or less</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>
<b>31 December 2012</b>						
<b>Financial liabilities</b>						
Borrowings	2,215	2,395	259	254	718	1,164
Trade Payables & Suppliers of fixed assets	228	228	228	-	-	-
Other payables	54	54	54	-	-	-
	<b>2,497</b>	<b>2,677</b>	<b>541</b>	<b>254</b>	<b>718</b>	<b>1,164</b>
	<b>Carrying amount (*)</b>	<b>Contractual amount</b>	<b>12 months or less</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>
<b>31 December 2011</b>						
<b>Financial liabilities</b>						
Borrowings	2,336	2,584	221	258	721	1,384
Trade Payables & Suppliers of fixed assets	133	133	133	-	-	-
Other payables	48	48	48	-	-	-
	<b>2,517</b>	<b>2,765</b>	<b>402</b>	<b>258</b>	<b>721</b>	<b>1,384</b>

(\*) Gross carrying amount, before deduction of transaction costs.

**b. Capital management**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

**22. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS**

**(i) Taxation**

The Romanian taxation system has just undergone a process of consolidation and harmonisation with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. In Romania, tax periods remain open for 5 years. The Group's management considers that the tax liabilities included in these financial statements are fairly stated, and they are not aware of any circumstances which may give rise to a potential material liability in this respect.

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**(ii) Insurance policies**

As at 31 December 2012, the Group has signed the following operational insurances:

- insurance policy for property damage, all risks, including mechanical and electrical damage. Compensation limit is subject to a maximum of USD 1.000 any one loss and USD 1.500 million in the annual aggregate (for Cernavodă NPP Units 1 and 2 and FCN Pitesti)
- Liability insurance policy for nuclear damage to third parties. Compensation limit is SDR 300 million (for Cernavoda NPP Units 1 and 2).

**(iii) Environmental matters**

The Group has not recorded any liability as at 31 December 2012 and 31 December 2011 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters.

The liability for decommissioning and cleanup of nuclear installations has been taken over by ANDR (Note 5). Management considers the plant is fully compliant with Romanian and international environmental standards and estimates that additional costs associated with environmental compliance at 31 December 2012 are not significant. Furthermore, the Group is insured against the risk of nuclear accidents, up to an amount of SDR 300 million, as described in section (ii) above.

However, the enforcement of environmental regulation in Romania is evolving and the enforcement posture of government authorities is continuously being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**(iv) Legal proceedings**

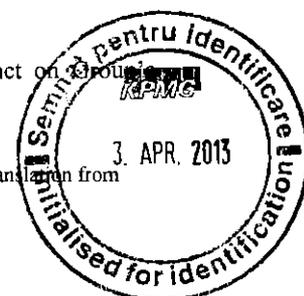
During 2012, the Group was involved in a number of litigations arising in its normal course of activity. The management of the Group regularly analyzes the ongoing litigations and, after consulting with the legal representatives of the Group and external lawyers, decides whether or not to create a provision or to disclose any litigation in the financial statements.

The Group won in June 2012 the litigation with Proconex Universal SRL in which the Group was sued to pay some penalties to Proconex Universal SRL. Proconex Universal SRL was declared bankrupted in June 2012.

In December 2012 the Group won the litigation with RAAN. RAAN can appeal against this decision. The Group sued RAAN to recover penalties in amount of RON 7.8 million. The Company's management estimates that this amount will be collected.

In management's opinion, there are no litigations or disputes which may have a significant impact on the Group's financial statements and which have not been disclosed in these consolidated financial statements.

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*(All amounts are in million RON, unless stated otherwise)*

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**(v) Capital expenditure**

As at 31 December 2012 the Group is committed to incur capital expenditure of Ron 1,123 million. These commitments are expected to be settled during the following years.

Dina Dumitru  
Interim General Manager

Elena Negulici  
Economic Director



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