SN Nuclearelectrica SA

Individual Financial Statements
as at and for the year ended
31 December 2013

Prepared in accordance with
Ministry of Finance Order no. 1286/2012 for the approval of accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market and related amendments

		31 December 2013	31 December 2012	01 January 2012
ASSETS				
Non-current assets				
Property plant and equipment (PP&E)	5	8,057,978,024	9,290,176,350	9,373,002,605
Intangible assets	6	97,856,793	89,123,549	98,486,368
Financial instruments	7	123,718,616	123,718,616	86,348,179
Total non-current assets		**8,279,553,433**	**9,503,018,515**	**9,557,837,152**
Current assets				
Inventories	8	386,303,320	368,789,618	390,671,565
Current tax assets		-	-	8,943,199
Trade and other receivables	9	197,044,598	162,523,641	226,991,006
Prepayments		10,865,840	10,299,631	8,888,093
Bank deposits		704,525,705	234,504,213	96,000,000
Cash and cash equivalents	10	739,280,253	694,876,667	599,854,222
Subtotal, current assets		**2,038,019,716**	**1,470,993,770**	**1,331,348,085**
Assets to be transferred	5	1,382,640,479	-	-
Total current assets		**3,420,660,195**	**1,470,993,770**	**1,331,348,085**
Total assets		**11,700,213,628**	**10,974,012,285**	**10,889,185,237**
EQUITY				
Capital and reserves				
Share capital out of which:		3,013,330,303	2,732,326,353	2,732,326,353
Subscribed and paid in share capital		*2,817,827,560*	*2,536,823,610*	*2,536,823,610*
Inflation adjustment to share capital		*195,502,743*	*195,502,743*	*195,502,743*
Share premium		31,474,149	-	-
Prepaid share reserve		215,930,237	1,617,236,040	1,617,271,940
Revaluation reserve		337,713,566	11,220,584	-
Retained earnings		4,099,989,096	3,686,241,529	3,666,192,996
Total shareholder's equity	11	**7,698,437,351**	**8,047,024,506**	**8,015,791,289**
LIABILITIES				
Non-current liabilities				
Long term borrowings	12	1,675,427,622	1,922,081,892	2,066,554,017
Deferred income long term		186,480,601	200,825,262	208,858,272
Deferred income tax liability	14	208,285,414	154,647,776	157,817,927
Provisions	15	26,207,527	21,189,517	21,002,818
Total non-current liabilities		**2,096,401,164**	**2,298,744,447**	**2,454,233,034**
Current liabilities				
Accounts payable and other liabilities	13	242,958,936	286,140,207	180,893,058
Current tax liability		34,982,603	31,509,840	-
Deferred income		32,007,582	82,349,330	52,281,706
Current portion of long term borrowings	12	212,785,513	228,243,955	185,986,150
Subtotal current liabilities		**522,734,634**	**628,243,332**	**419,160,914**
Liability related to assets to be transferred	5	1,382,640,479	-	-
Total current liabilities		**1,905,375,113**	**628,243,332**	**419,160,914**
Total liabilities		**4,001,776,277**	**2,926,987,779**	**2,873,393,948**
Total equity and liabilities		**11,700,213,628**	**10,974,012,285**	**10,889,185,237**

The accompanying notes 1-25 are an integral part of these financial statements
The above translation of the individual IFRS financial statements of SN Nuclearelectrica SA is provided as a free translation from Romanian which is the official and binding version

	Note	2013	2012
Revenues			
Sales of electricity	16	1,829,187,376	1,564,783,792
Electricity transmission revenues		103,315,662	87,665,753
Total revenues		**1,932,503,038**	**1,652,449,545**
Other income	19	126,519,371	32,000,196
Operation expenses			
Depreciation and amortisation		(433,001,182)	(395,424,538)
Personnel expenses		(297,954,270)	(284,805,165)
Cost of traded electricity		(77,327,618)	(73,629,611)
Repairs and maintenance		(142,249,661)	(125,295,726)
Electricity transportation expenses		(103,315,661)	(87,665,753)
Costs with spare parts		(28,528,015)	(30,355,073)
Cost of uranium fuel		(113,396,395)	(123,289,105)
Other operating expenses	17	(402,153,592)	(408,003,622)
Total operating expenses		**(1,597,926,394)**	**(1,528,468,593)**
Operating result		**461,096,015**	**155,981,148**
Finance costs	18	(172,420,214)	(316,859,590)
Finance income	18	229,014,401	226,189,716
Net finance cost		**56,594,186**	**(90,669,874)**
Profit before income tax		**517,690,201**	**65,311,274**
Income tax expense	14	(94,298,721)	(46,466,525)
Net profit		**423,391,480**	**18,844,749**

Daniela Lulache
General Manager

Mihai Darie
Financial Director

		2013	2012
Profit for the year		**423,391,480**	**18,844,749**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of PPE	5	389,155,737	12,884,223
Deferred tax related to revaluation reserve	14	(62,662,755)	(1,663,639)
Actuarial gains on defined benefit plans		181,360	1,203,785
Other comprehensive income		**326,674,342**	**12,424,369**
Comprehensive income		**750,065,822**	**31,269,118**
Earnings per share			
Basic earnings per share (lei/share)	21	**1.64**	**0.07**
Diluted earnings per share (lei/share)	21	**1.52**	**0.05**

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	Note	Share Capital	Share capital premium	Prepaid share reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 January 2012		**2,732,326,353**	**-**	**1,617,271,940**	**-**	**3,666,192,996**	**8,015,791,289**
Comprehensive income for the year							
Profit for the year		-	-	-	-	18,844,749	**18,844,749**
Other comprehensive income	***5***	-	-	-	11,220,584	1,203,785	**12,424,369**
Total comprehensive income for the year		**-**	**-**	**-**	11,220,584	20,048,534	**31,269,118**
Transfer of prepaid share reserve		-	-	(35,900)	-	**-**	**(35,900)**
Balance as at 31 December 2012		**2,732,326,353**	**-**	**1,617,236,040**	**11,220,584**	**3,686,241,529**	**8,047,024,506**

	Note	Share Capital	Share capital premium	Prepaid share reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 January 2013		**2,732,326,353**	**-**	**1,617,236,040**	**11,220,584**	**3,686,241,529**	**8,047,024,506**
Comprehensive income for the year							
Profit for the year		-	-	-	-	423,391,480	**423,391,480**
Other comprehensive income		-	-	-	326,492,982	181,360	**326,674,342**
Total comprehensive income for the year		**-**	**-**	-	**326,492,982**	**423,572,840**	**750,065,822**
Issue of ordinary shares	***10***	281,003,950	31,474,149		-	-	**312,478,099**
Reclassification of prepaid share capital		-	-	(18,665,324)	-	**18,665,324**	**-**
Transfer of prepaid share reserve		-	-	(1,382,640,479)	-	-	**(1,382,640,479)**
Dividends distribution		-	-		-	**(28,490,598)**	**(28,490,598)**
Balance as at 31 December 2013		**3,013,330,303**	**31,474,149**	**215,930,237**	**337,713,566**	**4,099,989,096**	**7,698,437,351**

	2013	2012
Cash flows from operating activities		
Profit before income tax	517,690,201	65,311,274
Adjustments for:		
Depreciation and amortization	433,001,182	395,424,538
Impairment loss on trade and other receivables	7,206,171	1,463,821
Impairment loss on inventories	315,391	-
Provisions	(1,128,327)	-
Loss/(Gain) from the non curret assets sold	7,445,611	-
Net finance costs/(gains)	(52,769,141)	90,669,874
Chages in:		
(Increase)/Decrease in trade and other receivables	(42,293,337)	72,696,364
(Increase)/Decrease in inventories	(33,050,510)	21,881,947
Deferred income	(64,686,409)	22,034,614
Increase/(Decrease) in accounts payable and other liabilities	(12,546,112)	55,443,013
Cash generated from operating activities	**759,184,721**	**724,925,444**
Income tax paid	(99,851,075)	(10,847,276)
Interest received	41,642,134	37,806,458
Interest paid	(30,796,849)	(43,734,733)
Net cash from operating activities	**670,178,929**	**708,149,893**
Cash flows used in investing activities		
Purchase of intangible assets	(27,256,657)	(5,769,703)
Purchase of property, plant, equipment	(194,835,622)	(248,725,708)
Proceeds from the sale of property, plant and equipment	2,539,784	1,112,195
Increase in bank deposits	(470,021,492)	(138,504,213)
Investment in EnergoNuclear	-	(37,370,437)
Net cash used in investing activities	**(689,573,987)**	**(429,257,866)**
Cash flows from financing activities		
Proceeds from issue of shares	312,478,099	-
Repayments of borrowings	(220,188,857)	(183,833,682)
Reimbursement of state’s contribution	-	(35,900)
Dividends paid	(28,490,598)	-
Net cash from financing activities	**63,798,644**	**(183,869,582)**
Net increase in cash and cash equivalents	**44,403,586**	**95,022,445**
Cash and cash equivalents as at 1 January (see Note 10)	**694,876,667**	**599,854,222**
Cash and cash equivalents at the end of the year (see Note 10)	**739,280,253**	**694,876,667**

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 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. In March 2014 the shareholders approved the use of Unit 5 to activities related to the operation of Units 1 and 2.

The main activity of the Company is to generate electricity using nuclear power plants units 1 and 2.

In accordance with the Electricity Law 123/2012, 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 2013, the Company sold approximately 48.3% of the electricity on the regulated market. Average selling price of electricity on the regulated market in 2013 was 142 RON / MWh compared to the average selling price in 2012 respectively 121.62 RON / MWh, net of tariff for transmission service for electricity paid to Transelectrica for using electricity transmission network.

Starting with 4 November 2013, the Company's shares are traded on the Bucharest Stock Excahnge, under symbol SNN.

As described in Note 11, as at 31 December 2013 the shareholders of the Company are: the Romanian State through the Ministry of Economy which holds 229,006,139 shares, representing 81.2705% of the share capital, Fondul Proprietatea which holds 27,408,381 shares, representing 9.7270% of the share capital and other shareholders which holds together 25,368,236 shares, representing 9.025%.

These individual financial statements were authorized for issue by the management of the Company on 26 March 2013.

2. BASIS OF PREPARATION

a) Statement of compliance

The individual financial statements have been prepared in accordance with the Ministry of Public Finance Order no. 1286/2012 for the approval of accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market and related amendments ("OMPF 1286/2012"). According to OMPF 1286/2012, International Financial Reporting Standards are the standards adopted according to the procedure stipulated by the European Commission Regulation no. 1.606/2002 of the European Parliament and of the Council from 19 July 2002 regarding the application of international accounting standards. These financial statements are the first set of individual financial statements prepared in accordance with OMPF 1286/2012, and IFRS 1 "First-time Adoption of Financial Reporting Standards" ("IFRS 1") has been applied. According to the Ministry of Public Finance Order no. 881/2012 starting with year ended 31 December 2013, the Company is required to apply International Financial Reporting Standards for annual individual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 24.

The date of transition to International Financial Reporting Standards was 1 January 2012, therefore the Company presented full comparative information for 1 January 2012 and 31 December 2012.

Starting with year ended 31 December 2012, companies whose securities are traded on a regulated market are required to apply IFRS in their individual annual financial statements.

The individual annual financial statements under IFRS for 2013 have been prepared by restating the figures presented under Accounting regulations conforming to the Fourth Directive of the European Economic Community, approved by the Ministry of Public Finance Order no. 3055/2009, with subsequent amendments ("OMPF 3055/2009").

b) Basis of measurement

The individual financial statements have been prepared under the historical cost basis except for some classes of property, plant and equipment which is measured at fair value as disclosed in the accounting policies (see Note 3c).

The accounting policies set out below have been applied consistently for all periods presented in these financial statements, respectively for statement of financial position as of 1 January 2012 for transition to IFRS. These financial statements have been prepared on a going concern basis.

c) Functional and presentation currency

The individual financial statements are presented in Romanian Lei (“RON”), which is the Company’s functional currency. All financial information are presented in RON, unless stated otherwise.

d) Use of estimates and judgments

The preparation of the individual financial statements according to IFRS 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 for determination of useful lifes of property, plant and equipment (see Note 3.c), assumptions regarding determination of fair value (see note 4 and note 22e), assumptions regarding determination of fair value for property, plant and equipment (see note 5), transfer to property, plant and equipment of some spare parts which meets the conditions for recognition required by IAS 16 (see note 5), transfer of heavy water from property plant and equipment to assets to be transferred (see note 5), recoverability of trade payables (see note 9) and on calculation of employee benefits obligations (see Note 15). 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 7 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 individual financial statements, and have been applied consistently by the Company.

The individual financial statements are prepared on the assumption that the Company will continue in the foreseeable future. To assess the applicability of this assumption, management analyzes projections of future cash inflows.

a) 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 rate used is the one published by the National Bank of Romania). Exchange gains and losses, realised or unrealised, are included in profit or loss for that year. The exchange rates at 31 December 2013 and 31 December 2012 and 31 December 2011, for the main currencies in which the Company has transactions are as follows:

	Average rate		Exchage rate as at		
	2013	**2012**	**31 December 2013**	**31 December 2012**	**31 December 2011**
EUR/RON	4.4190	4.4560	4.4847	4.4287	4.3197
USD/RON	3.3279	3.4682	3.2551	3.3575	3.3393
CAD/RON	3.2312	3.4701	3.0575	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.

b) 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 Company 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.

c) Property, plant and equipment (PP&E)

Recognition and measurement
Property, plant and equipment are initially measured at cost less accumulated amortization 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.

According to IFRS 1, if an entity uses fair value as deemed cost for an item of property and equipment for the opening of financial position, the entity's first financial statements prepared in accordance with International Financial Reporting Standards must disclose for each element in the opening statement of financial position:
- The aggregate of those fair values, and
- The aggregate adjustment to the carrying amounts reported under previous accounting principles.

Property, plant and equipment are carried at cost or fair value, differentiated by categories as follows:

- Land, industrial buildings (eg, Power plants) and administrative buildings are stated at revalued amount At the date of transition to IFRS they are measured using the deemed cost which is the fair value as at 1 January 2012 and is considered by the Company as the unamortised revalued amount as at 31 December 2011 under OMPF 3055/2009 (revalued amount less any accumulated depreciation and any accumulated impairment losses until 31 December 2011). Accordingly, the revaluation surplus recorded by the Company under OMPF 3055/2009 at that date was transferred to retained earnings in a distinct account. Revaluation reserves arising after the date of transition to IFRS as a result of revaluations are recorded as such in the financial statements. The revaluation surplus, both the one which is coming from the date of transition to IFRS as well as the subsequent revaluation is realized as the property, plant and equipment are depreciated or when are derecognized.

- Machinery, equipments and other assets, except for administrative buildings and industrial buildings, are stated at historical cost less any accumulated depreciation and any accumulated impairment losses.

- Assets in course of construction are stated at historical acquisition cost or construction cost or inflated cost (restated according to the measuring unit as at 31 December 2003 for property, plant and equipments acquired before 1 January 2004).

In the assets in course of construction were included the constructions and heavy water to be transferred to EnergoNuclear.

Constructions (nuclear units 3 and 4 and related construction materials) are owned in order to be transferred to the subsidiary (EnergoNuclear) at a subsequent undetermined date, which depends on the evolution of future investments and for which the criteria for classification as held for sale under IFRS 5 "Non-current Assets held for Sale and Discontinued Operations" were not met. These assets are measured at cost.

The heavy water was aquired in order to be transferred at a subsequent undetermined date to the subsidiary, which depends on the evolution of future investments, and for which the criteria for classification as held for sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued" have not been met, it is classified as" assets under construction". Because heavy water is not used and does not chemically depreciate is measured initially and subsequently at cost.

Units 1, 2, 3, 4 and 5 were considered as a single project, and costs incurred before 1990 were not accounted for separately for each unit. In 1991, the Company made an allocation of costs for each unit. This allocation is the cost of the assets included in assets in course of construction.

Items of spare parts, service equipments and maintenance equipments are recognized as property, plant and equipment under IAS 16 if they meet the definition of property, plant and equipment. All other parts are recognized as inventories.

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

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

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to equity under the item "revaluation reserve". However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus for that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the item "revaluation reserves".

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. 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 are 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.

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

	Number of years
Nuclear power plants – Units 1 si 2	30
Heavy water (load for Units 1 si 2)	30
Buildings	45 – 50
Machinery and equipment	3 - 20

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.

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 al activities necessary to prepare the asset for its intended use or sale are complete.

d) Intangible assets

The intangible assets 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.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

e) Impairment of non-financial assets

The carrying amounts of the Company'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. 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.

f) Inventories

Inventories consist of consumables, spare parts that do not meet the recognition criteria as property, plant and equipment, 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. 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.

g) Recognition and derecognition of the non-derivative financial instruments

Non-derivative financial assets
The Company 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 Company becomes a party to the contractual provisions of the instrument.

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

Non-derivative financial liabilities
The Company 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.

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

The Company 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.

h) 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 Company 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.

i) 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.

j) 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.

k) Legal reserve

Legal reserves represents a rate of 5% from gross profits at the year end until the total legal reserves reach 20% of the nominal share capital paid in accordance with the law. These reserves are deductible for income tax in the amount stipulated in the Fiscal Code and are distributable only at the liquidation of the Company. The legal reserve is distributed at balance sheet date.

l) 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.

m) Dividends

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

n) Trade and other payables

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

o) 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.

p) 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 Company 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.

q) 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.

(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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 Company takes into account the impact of uncertain tax positions and weather 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.

r) Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net 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 calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, 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 Company. An economic benefit is available to the Company 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 Company 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 profit or loss.

The Company 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 Company'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.

(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 Company 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.

s) Provisions

A provision is recognised if, as a result of a past event, the Company 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. The provision related to the intermediary storage of plant nuclear fuel is determined as the discounted value of future expenses with the storage of nuclear fuel.

t) 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 Company's activities. Revenue is shown net of value-added tax.

The Company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company'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.

u) 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.

v) 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 Company considers all activities together, as "a single segment".

w) Earnings per share

Earnings per share are calculated by dividing the Company's share of net profit 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.

Dilution is a reduction in earnings per share or increase of loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions. The objective of diluted earnings per share is correlated with basic earnings per share and provide specific interests of each ordinary share in the entity's performance.

x) Implication of new International Financial Reporting Standards (IFRSs)

The Company has adopted the following new standards and amendments to standards, including subsequent amendments related to other standards, with initial date of implementation 1 January 2013.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 19 (2011) Employee Benefits (IAS 19R)

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.

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

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair values as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Company has included additional disclosures in this regard.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

IAS 16 Property, plant and equipment

Annual Improvements to IFRSs 2009-2011 Cycle amend IAS 16 to clarify that spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment when they meet the definition; this includes the requirement for such items to be used over more than one period. Otherwise, they are classified as inventory.

y) New IFRS pronouncements effective after 1 January 2014

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 January 2014 and have not been applied in preparing these financial statements. None of the new standards are expected to have a material effect on the Company's individual financial statements.

4. DETERMINATION OF FAIR VALUE

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. In determining the fair values of assets and liabilities, the Company uses at the extent possible the observable market values. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Nivelul 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e derived from prices)
- Nivelul 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For classification in the fair value hierarchy see Note 22(e).

Property, plant and equipment

The fair value of industrial buildings is primarily based on cost method considering their particularities.

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Nuclear power plants	Machinery, equipment and other assets	Assets in course of construction	TOTAL
Cost					
Balance as at 1 January 2012	**26,841,645**	**6,026,728,489**	**1,035,596,562**	**2,422,508,165**	**9,511,674,861**
Additions			17,034,204	264,305,832	**281,340,036**
Revaluation of admin buildings	-	-	12,884,223	-	**12,884,223**
Offset of accumulated depreciation on revaluation	-	-	(38,019,550)	-	**(38,019,550)**
Transfers		2,590,853	86,052,413	(88,643,266)	**-**
Disposals	-	-	(13,973,541)	-	**(13,973,541)**
Balance as at 31 December 2012	**26,841,645**	**6,029,319,342**	**1,099,574,311**	**2,598,170,731**	**9,753,906,029**
Balance as at 1 January 2013	**26,841,645**	**6,029,319,342**	**1,099,574,311**	**2,598,170,731**	**9,753,906,029**
Additions	105,649	-	8,369,632	162,052,882	**170,528,163**
Transfers	-	57,424,016	164,616,308	(222,040,324)	**-**
Disposals	(148,906)	-	(15,729,420)	-	**(15,878,326)**
Transfer of spare parts	-	-	-	15,221,418	**15,221,418**
Revaluation of industrial buildings	-	385,300,708	3,855,029	-	**389,155,737**
Transfer of heavy water to the state's reserve	-	-	-	(1,382,640,479)	**(1,382,640,479)**
Offset of accumulated depreciation on revaluation	-	(594,548,888)	(6,893,485)	-	**(601,442,373)**
Balance as at 31 December 2013	**26,798,388**	**5,877,495,178**	**1,253,792,375**	**1,170,764,228**	**8,328,850,169**
Depreciation and impairment losses					
Balance as at 1 January 2012	**-**	**-**	**-**	**138,672,256**	**138,672,256**
Depreciation charge	77,758	296,688,723	79,243,455	-	**376,009,936**
Accumulated depreciation of disposals	-	-	(12,932,963)	-	**(12,932,963)**
Offset of accumulated depreciation on revaluation	-	-	(38,019,550)	**-**	**(38,019,550)**
Balance as at 31 December 2012	**77,758**	**296,688,723**	**28,290,942**	**138,672,256**	**463,729,679**
Balance as at 1 January 2013	**77,758**	**296,688,723**	**28,290,942**	**138,672,256**	**463,729,679**
Depreciation charge	77,757	297,860,165	89,487,082	-	**387,425,004**
Accumulated depreciation of disposals	-	-	(5,893,112)	-	**(5,893,112)**
Impairment loss for assets in course of construction	-	-	1,201,101	25,851,846	**27,052,947**
Offset of accumulated depreciation on revaluation	-	(594,548,888)	(6,893,485)	-	(601,442,373)
Balance as at 31 December 2013	**155,515**	**-**	**106,192,528**	**164,524,102**	**270,872,145**
Carrying amounts					
At 1 January 2012	**26,841,645**	**6,026,728,489**	**1,035,596,562**	**2,283,835,909**	**9,373,002,605**
At 31 December 2012	**26,763,887**	**5,732,630,619**	**1,071,283,369**	**2,459,498,475**	**9,290,176,350**
At 31 December 2013	**26,642,873**	**5,877,495,178**	**1,147,599,847**	**1,006,240,126**	**8,057,978,024**

Machinery, equipment and other assets includes the first load of heavy water used for units 1 and 2, with a carrying amount as at 31 December 2013 of RON 444,297,817 (RON 464,352,426: 31 December 2012) and administrative buildings with a net book value as at 31 December 2013 of RON 340,006,161 (RON 351,129,750: 31 December 2012, RON 300,913,959: 1 January 2012)

The Company revalued its industrial buidings as at 31 December 2013. The industrial buildings are presented under the caption “Machinery, equipment and other assets” and under the caption “Nuclear power plant”. The industrial buildings have been revalued by an independent valuer, Romanian Expert Consulting, member of Romanian National Association of Authorised Valuers (ANEVAR). The industrial buildings were appraised using net replacement cost approach. As at 31 December 2013 the revaluation surplus recognized is RON 389,155,737. Also, the Company revalued the administrative 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 valuer, Tehnoconcept Expert SRL, member of Romanian National Association of Authorized Valuers (ANEVAR). The buildings were appraised using cost approach and the revenue approach. As at 31 December 2012 the revaluation surplus recognized is RON 12,884,223.

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 and other industrial buildings are carried at revalued amounts; the latest valuation was carried out by independent valuers at 31 December 2013. The nuclear power plants were previously valued by independent valuers at 31 December 2009.
- Administrative buildings are carried at revalued amount, based on valuations performed by independent valuer (latest at 31 December 2012).The administrative buildings were previously valued by independent valuer at 31 December 2009.

As at 31 December 2013, the carrying amount of Units 3 and 4 is in amount of RON 273,960,000. Prior to 1991, nuclear units 1, 2, 3, 4 and 5 were considered as a single project and therefore construction costs incurred were not allocated to every unit. Subsequently, the Company made the allocation of costs for the construction of units 3 and 4 of the nuclear power plant.

The carrying amount of heavy water related to units 3 and 4 is RON 158,470,146 (RON 1,541,110,626 at 31 December 2012 and 1 January 2012). 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 tones. Until 1 January 2012, the Company has purchased 862 tons 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.

On 7 June 2013, the Romanian Government issued the Emergency Ordinance no. 56 which stipulates the transfer free of charge of the heavy water related to units 3 and 4, which was financed through budgetary allocations, to the State reserve by empowering the Ministry of Economy to mandate the State’s representatives to vote for this transfer at the General Shareholders Meeting of the Company. During 2006 – 2011 the Company acquired 786,716 kilos of heavy water for commissioning Units 3 and 4 from Cernavoda that was financed through budgetary allocations granted for this purpose in a total amount of RON 1,382,640,479. In accordance with Governance Emergency Ordinance 365/1998, these non-refundable amounts should have been used in the future to increase the Company’s share capital. Following the decision to transfer heavy water related to Units 3 and 4, financed through budgetary allocations, the Company has no obligation to issue a total number of 138,264,047 shares corresponding to the contribution in cash from the state budget for the purchase of the heavy water related to Units 3 and 4 (see Note 11).

The Board of Directors approved the transfer through decision no. 34/20 September 2013, while General Shareholders Meeting through decision no. 24/24 September 2013. The transfer will take place when the Company and National Administration of State Reserve will sign the transfer minute. Until the date of these financial statements the transfer was not yet made. The heavy water of RON 1,382,640,479 that is going to be transferred to the State's reserve is part of the total heavy water related to units 3 and 4 of RON 1,541,110,626. The Company's management estimates that the transfer will take place in 2014. Considering these facts, as at 31 December 2013 the heavy water that is going to be transferred to the State's reserve was presented on the face of the individual statement of financial position as assets to be transferred within current assets, while the related cash budgetary allocations were classified as a liability related to assets to be transferred within current liabilities as at 31 December 2013 instead as being presented as prepaid share reserve. At 31 December 2013 the heavy water related to units 3 and 4, financed through own funds is in the amount of RON 158,470,147, representing about 75 tones.

At 31 December 2013 the Company recognized an impairment adjustment of 100% for unit 5 because there were no plans to continue its construction. On 31 December 2013 the gross book value for unit 5 was RON 136,980,000 (RON 136,980,000 at 31 December 2012 and 1 January 2012). In March 2014, the shareholders approved the change of destination and use of unit 5 for other Company's activities.

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 7). According to the current legislation, the sale of 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.

In 2012, EnergoNuclear concluded a contract with an independent valuer, 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 1,704 – RON 2,417 million considering an exchange rate of 4.4847 RON/EUR as at 31 December 2013) for units 3 and 4.

Following the amendments to IAS 16, the Company identified and transferred certain spare parts that meet the definition of property, plant and equipment from inventories to property, plant and equipment. The value of the transferred spare parts in 2013 was RON 15,221,418.

The main capital expenditure made by the Company during 2013 refers to Units 1 and 2 and related assets and includes:

- Enhancement of the nuclear security functions in amount of RON 82,889,239; (31 December 2012: RON 99,895,127)
- Construction of loading storage facilities for the spent nuclear fuel resulting from unit 2 in amount of RON 46,671,608 (31 December 2012: RON 24,637,457);
- Modernization and expansion of physical protection at CNE Cernavoda, in order to align to the new legal requirements in force in amount of RON 21,161,133; (31 December 2012: RON 52,331,767);

The main investments put into function in 2013 refer to the modernization and expansion of physical protection at CNE Cernavoda in amount of RON 72,051,023.

At 31 December 2013 the carrying amount of assets in course of construction is of RON 1,006,240,126 (RON 2,459,498,475: 31 December 2012, RON 2,283,835,909: 1 January 2012). At 31 December 2013 the assets in course of construction are represented by the following investments:

- Heavy water related to units 3 and 4 in the amount of RON 158,470,147 (RON 1,541,110,626 as at 31 December 2012 and 1 January 2012) ;
- Units 3 and 4 valued at RON 273,960,000 (RON 292.254.000 at 31 December 2012 and 1 January 2012);
- Enhancement of the nuclear security function in amount of RON 184,248,672 (RON 131,308,289: 31 December 2012, 31,452,525 RON: 1 January 2012) ;
- D2O plant valued at RON 43,609,883 (RON 35,118,544: 31 December 2012, RON 31,126,688: 1 January 2012) ;
- Advances to suppliers for fixed assets amounting to RON 11,567,493 (RON 55,461,445: 31 December 2012, and RON 25,972,093: 1 January 2012).

As at 31 December 2013, the Company acquired fixed assets on suppliers' credit in amount of RON 66,309,815 (RON 87,339,502: 31 December 2012, 41,582,449 RON: 1 January 2012). As at 31 December 2013, the gross carrying amount of fully depreciated property, plant and equipment which is still in use was RON 95,685,002 (RON 81,811,323: 31 December 2012, 62,966,533 RON: 1 January 2012).

Decommissioning of nuclear power plants

The nuclear power Unit 1 is scheduled to operate until 2026 and Unit 2 until 2037. 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 Government decision 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 17). The value of the contributions paid by the Company in 2013 to ANDR is RON 94,795,297 (2012: RON 101,031,897, 2011: 91,747,514 RON).

Assets pledged as security

As at 31 December 2013, 31 December 2012 and 1 January 2012, the Company has not pledged or mortgaged assets.

6. INTANGIBLE ASSETS

	Licence and acquired software	Power plant software	Intangible assets in progress	TOTAL
Cost				
Balance as at 1 January 2012	**46,313,637**	**85,708,931**	**45,527,055**	**177,549,623**
Additions	2,680,795	-	7,375,429	**10,056,224**
Disposals	(2,758,950)	(2,312,737)	-	**(5,071,687)**
Balance as at 31 December 2012	**46,235,482**	**83,396,194**	**52,902,484**	**182,534,160**
Balance as at 1 January 2013	**46,235,482**	**83,396,194**	**52,902,484**	**182,534,160**
Additions	9,685,490	1,951,455	15,619,712	**27,256,657**
Transfers	-	434,504	(434,504)	**-**
Disposals	(55,096)	(15,821)	-	**(70,917)**
Balance as at 31 December 2013	**55,865,876**	**85,766,332**	**68,087,692**	**209,719,900**
Accumulated amortisation				
Balance as at 1 January 2012	**38,155,033**	**40,908,222**	**-**	**79,063,255**
Amortisation for the year	6,902,691	12,511,911	-	**19,414,602**
Accumulated amortisation of disposals	(2,754,509)	(2,312,737)	-	**(5,067,246)**
Balance as at 31 December 2012	**42,303,215**	**51,107,396**	**-**	**93,410,611**
Balance as at 1 January 2013	**42,303,215**	**51,107,396**	**-**	**93,410,611**
Amortisation for the year	6,081,947	12,441,285	-	**18,523,232**
Accumulated amortisation of disposals	(54,915)	(15,821)	-	(70,736)
Balance as at 31 December 2013	**48,330,247**	**63,532,860**	**-**	**111,863,107**
Carrying amounts				
At 1 January 2012	**8,158,604**	**44,800,709**	**45,527,055**	**98,486,368**
At 31 December 2012	**3,932,267**	**32,288,798**	**52,902,484**	**89,123,549**
At 31 December 2013	**7,535,629**	**22,233,472**	**68,087,692**	**97,856,793**

Intangible assets in progress include software for integrated management in amount of RON 65,357,772 as at 31 December 2013 (RON 52,786,720: 31 December 2012).

7. FINANCIAL INVESTMENTS

The financial investments are mainly represented by investment in EnergoNuclear S.A. ("EnergoNuclear") as mentioned below.

Entity	**Country of origin**	**31 December 2013 % of total shares**	**31 December 2012 % of total shares**	**01 January 2012 % of total shares**
Energonuclear	Romania	84.65	84.65	84.65
Entitatea	**Country of origin**	**31 December 2013 value of shares**	**31 December 2012 value of shares**	**01 January 2012 value of shares**
Energonuclear	Romania	123,718,516	123,718,516	86,348,079

As at 31 December 2013 and 2012 other shareholders in EnergoNuclear SA are:
- Arcelor Mittal Galati S.A. – 6.20%;
- Enel Investment Holding BV – 9.15%;

The increase in participation as at 31 December 2012 is due to the increase in contribution of the Company to the share capital of EnegoNuclear in the amount of RON 37,370,437 during 2012.

In 2013 EnergoNuclear SA's activity was carried out in accordance with the provisions of the Revised Investment Agreement ("RIA") from January 2011 concluded by the EnergoNuclear SA's shareholders and 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.

By this Memorandum, the Government approved the extension of the validity of the Investment Agreement after 1 January 2013, which provides EnergoNuclear 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. Nuclearelectrica is required to buy back the shares held by the existing shareholders (at an amount less or equal to the nominal value of the shares) should the other current shareholders decide not to continue with the investment after 31 December 2013. In this event, as per the Memorandum, EnergoNuclear SA will continue its operations and be 100% owned by Nuclearelectrica.

In December 2013, the minority shareholders of EnergoNuclear - Enel Investment Holding B.V. and ArcelorMittal Galati S.A. holding together 15.35% of the share capital – decided to exercise their put option. Within 30 days from receipt of such notifications, Nuclearelectrica shall buy back the shares of the two minority shareholders at an amount equal with 80% of the nominal value of the shares as it was agreed through the sixth addendum to the Investment Agreement dated 30 August 2013. Nuclearelectrica bought these shares in January 2014 for a total amount of RON 17,947,585.

i) Continuance of EnergoNuclear SA

The Company included in the proposed budget for 2014 an amount of RON 40,019,000 to be used to increase the share capital of EnergoNuclear SA, from which RON 17,947,585 were used in January 2014 to acquire the shares held by the non-controlling interests referred to in the previous paragraph.

As at 31 December 2013 there are uncertainties regarding the ability of EnergoNuclear S.A. to continue as a going concern. On 25 November 2013 the Company signed a letter of intention with China General Nuclear Power Group (CGN), as CGN has expressed its interest to become the majority shareholder of EnergoNuclear S.A. provided that it is satisfied with the investment conditions. The letter of intent is valid for 180 days. EnergoNuclear S.A.'s future operations in conjunction with nuclear units 3 and 4 is dependent upon obtaining adequate sources of financing. The overall objective of Nuclearelectrica and of the Romanian Government is to attract a strategic investor to become the main shareholder in EnergoNuclear and that can provide funding and assist in the completion of the project developed by EnergoNuclear.

The support of the Romanian Government for the project developed by EnergoNuclear is reinforced by the two memorandums approved on 20 November 2013, namely the Memorandum of Understanding between the Romanian Ministry of Economy (Department of Energy) and the National Energy Administration from the People's Republic of China regarding cooperation in the nuclear power projects, as well as the memorandum on the topic: Measures for the cooperation with the People's Republic of China regarding the peacefull use of nuclear energy especially for the realization of units 3 and 4 in CNE Cernavoda.

Considering the above, the Company's management is confident that the project developed by EnergoNuclear will continue in the future, EnergoNuclear will raise the necessary funding, the project will be successful completed and there will be a future demand for the energy that is going to be produced by EnergoNuclear in the future.

ii) The Company's contribution in EnergoNuclear SA

According to the Governance Decision 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. 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.

8. INVENTORIES

As at 31 December 2013, 31 December 2012 and 1 January 2012 inventories are as follows:

	31-Dec-13	**31-Dec-12**	**01-Ian-2012**
Spare parts	212,237,925	211,148,887	213,466,621
Material and supplies	63,839,877	60,324,280	60,526,455
Nuclear fuel	84,973,799	65,525,279	78,363,472
Uranium	18,487,562	28,654,860	35,221,854
Other inventories	6,764,157	3,136,312	3,093,163
Total	**386,303,320**	**368,789,618**	**390,671,565**

9. TRADE AND OTHER RECEIVABLES

As at 31 December 2013, 31 December 2012 and 1 January 2012 trade and other receivables are as follows:

	31-Dec-13	31-Dec-12	01-Jan-2012
Trade receivables	100,114,123	150,626,110	216,842,830
Trade receivables allowance	(14,203,561)	(7,312,781)	(6,055,256)
Other receivables	63,992,335	21,710,959	19,281,097
Other receivables allowance	(2,500,647)	(2,500,647)	(3,077,665)
VAT recoverable	49,642,348	-	-
Total	**197,044,598**	**162,523,641**	**226,991,006**

As at 31 December 2013, significant trade receivables are: Enel Energie S.A. – RON 21,902,808 (RON 11.010.673: 31 December 2012, RON 32,287,061: 1 January 2012), CEZ Vanzare SA – RON 19,166,438 (RON 15.923.151: 31 December 2012, RON 27,075,428: 1 January 2012), Electrica Furnizare S.A – RON 18,607,512 (RON 26.274.851: 31 December 2012, RON 29,770,756 RON: 1 January 2012), Hidroelectrica SA – RON 11,249,674 (RON 28.773.061: 31 December 2012, RON 34,773,062: 1 January 2012). The sales made during 2013 to Electrica Furnizare SA represented around 27% (25%: 2012) of the Company's total revenues and sales made to CEZ Vanzare SA represented around 11% of the Company's total revenues.

Hidroelectrica SA was in insolvency since June 2012. On 10 June 2013 the Bucharest Court of Appeal obliged Hidroelectria SA to record in its preliminary statement of affairs the Company's receivable in a total amount of RON 70,093,550 (RON 28.773.061 as receivables and RON 41.320.478 as penalties). On 17 June 2013 the Company and Hidroelectrica SA signed a reschedule agreement for the amount of RON 70,093,550 to be paid by Hidroelectrica SA in 24 instalments, the monthly instalments being of around RON 2,920,564. The exit of Hidroelectrica SA from the insolvency procedure took place on 27 June 2013 according to the decision no. 6482/26 June 2013 issued by Bucharest Court. Until the date of these financial statements, Hidroelectrica SA paid 9 instalments according to the reschedule agreement in a total amount of RON 26,285,081. The amount due as at 31 December 2013 is RON 52,570,163 (RON 11,249,674 as trade receivables and RON 41,320,489 as other receivables), while the amount due at the date of these financial statements is RON 43.808.469. As at 31 December 2013 the fair value of the receivable from Hidroelectrica SA is of RON 51,134,927 representing the present value of discounted future cash flows. The difference of RON 1,435,236 up to the gross amount of RON 52,570,163 is recorded as trade receivable allowance.

In February 2014, the Bucharest Court of Appeal cancelled the decision 6482/26 June 2013 issued by the Bucharest Court and sent to the Bucharest Court the contestations made by some creditors of Hidroelectrica SA that were not included in the reorganization plan from June 2013. Currently, Hidroelectrica SA is in insolvency.

The Company's management estimates that this receivable will be collected as Hidroelectrica paid until the date of these financial statements the amount of RON 26,285,081, the Romanian Government intends to list Hidroelectrica SA after it exist from the insolvency having the interest to ensure to Hidroelectrica SA the necessary conditions to exist insolvency, Hidroelectrica SA is one of the biggest Romanian energy producer having an installed capacity of 6,400 MWh and it has the advantage of having lower production costs by generating electricity from hydro sources, also it has a potential revenue growth considering the full liberalization of the energy market by the end of 2017.

The Company's exposure to credit and market risks, and impairment losses related to trade receivables are disclosed in Note 22.

10. CASH AND CASH EQUIVALENTS

As at 31 December 2013, 31 December 2012 and 1 January 2012 cash and cash receivables are as follows:

	31-Dec-13	31-Dec-12	01-Ian-2012
Cash at bank in RON	738,196,975	693,974,852	596,318,330
Cash at bank in foreign currency	1,083,278	901,815	3,535,892
Total cash and cash equipments	**739,280,253**	**694,876,667**	**599,854,222**

11. 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 2013, the share capital in amount of RON 3,013,330,303 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.b). The reconciliation of share capital is as follows:

	31 December 2013	31 December 2012	01 December 2012
Statutory share capital (nominal value)	2,817,827,560	2,536,823,610	2,536,823,610
Restatement difference in accordance with IAS 29	195,502,743	195,502,743	195,502,743
Restated share capital balance	**3,013,330,303**	**2,732,326,353**	**2,732,326,353**

In November 2013, the Company issued 28,100,395 shares on the Bucharest Stock Exchange through an initial public offering and through the right of preference exercised by the shareholder Fondul Proprietatea S.A. The amount collected of RON 312,478,099 is made of share capital increase of RON 281,003,950 and a share premium of RON 31,474,149.

The share capital is RON 2,817,827,560 as at 31 December 2013, fully paid (RON 2,536,823,610: 31 December 2012, RON 2,536,823,610: 1 January 2012) which consists of 281,782,756 (31 December 2012: 253,682,361, 1 January 2012: 253,682,361) ordinary shares each having a nominal value of RON 10. 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 the General Shareholder Meeting.

The shareholders' structure as at 31 December 2013, 31 December 2012 and 1 January 2012 was as follows:

	31 December 2013		**31 December 2012**		**1 January 2012**	
Actionari	**No, of shares**	**% of shareholding**	**No, of shares**	**% of shareh olding**	**No, of shares**	**% of sharehol ding**
The Romanian State through the Ministry of Economy	229,006,139	81.27%	229,006,139	90.28%	229,006,139	90.28%
Fondul Proprietatea	27,408,381	9.73%	24,676,222	9.72%	24,676,222	9.72%
Other investors	25,368,236	9.00%	-	-	-	-
	281,782,756	**100%**	**253,682,361**	**100%**	**253,682,361**	**100%**

Prepaid share reserve

Prepaid share reserve of RON 215,930,237 as at 31 December 2013 (RON 1,617,236,040: 31 December 2012, RON 1,617,236,940: 1 January 2012) represents mainly cash contributions from State Budget towards the Company for construction of nuclear unit 2 (RON 193,180,018 as at 31 December 2013 and 2012) and for acquisition of heavy water from RAAN related to units 3 and 4 (nil as at 31 December 2013, RON 1,382,640,479 as at 31 December 2012, RON 1,382,640,479 as at 1 January 2012). In accordance with GD 365/1998, these non-refundable amounts will be used in the future to increase the Company's share capital.

As a result of the decision to transfer heavy water related to Unit 3 and Unit 4 in amount of RON 1,382,640,479 to the State Reserve (see Note 5), heavy water which was funded from cash contributions from the state budget, the Company has no longer the obligation to issue a total of 138,264,047 shares that were related to these cash contributions. Thus, the amount of RON 1,382,640,479 has been transferred in the individual statement of financial position from prepaid share reserve to liabilities related to the transfer of assets as at 31 December 2013.

The number of new shares to be issued for the prepaid share rezerve is 19,437,670.

Revaluation reserves

The revaluation reserve is in amount of RON 337,713,566 as at 31 December 2013 (RON 11,220,584: 31 December 2012, RON 0: 1 January 2012), net of deferred tax liability. The Company recorded during 2012 a deferred tax liability for revaluation reserve (see Note 14) due to the fact that not the entire amount is deductible. The Company recognized an increase of the revaluation reserve of RON 389,155,737 following the revaluation of its special buildings as at 31 December 2013 (see Note 5) from which it was deducted the deferred tax liability in the amount of RON 62,662,755. Since the Company has chosen to apply the deemed cost exception under IFRS 1, at the date of transition to IFRS, the revaluation reserve as per OMPF 3055/2009 recorded up to that date in the amount of RON 2,781,251,897 was transferred to retained earnings in a distinct analytical account.

Retained earnings

Retained earnings represent the accumulated results of the Group. The retained earnings are distributable based on the financial statements prepared in accordance with the Order of the Minister of Public Finance no. 1286/2012 and related amendments, applicable to companies of whose securities are traded on a regulated market. During 2013, the Company has distributed dividends in amount of RON 28,490,598.

12. BORROWINGS

(i) Imprumuturi pe termen lung

As at 31 December 2013, 31 December 2012 and 1 January 2012 long term borrowings, net of transaction costs are as follows:

	31-Dec-13	31-Dec-12	01-Jan-2012
Loans from foreign banks	1,834,144,313	2,042,784,546	2,089,313,182
Loans from domestic banks	51,927,673	103,855,346	155,783,019
	1,886,071,986	**2,146,639,892**	**2,245,096,201**
Less current portion of long term borrowings	(210,644,364)	(224,558,000)	(178,542,184)
Total long term borrowings	**1,675,427,622**	**1,922,081,892**	**2,066,554,017**

As at 31 December 2013, 31 December 2012 and 1 January 2012 long term loans from credit institutions are as follows:

Description	31-Dec-13	31-Dec-12	01-Jan-2012
Societe Generale - ALSTOM BC (a)	16,733,437	21,245,771	25,327,947
Societe Generale - ANSALDO BC (b)	293,090,286	323,481,144	348,732,151
Societe Generale - AECL BC (c)	567,934,833	700,374,472	750,876,993
Societe Generale - NEXANS BC (d)	21,020,252	26,688,567	31,816,526
Societe Generale - GENERAL ELECTRIC (e)	38,456,981	49,583,466	59,177,627
EURATOM - (f)	957,483,450	989,814,450	965,452,950
BCR (g)	51,927,675	103,855,346	155,783,020
Total long term loans from credit institutions	**1,946,646,914**	**2,215,043,216**	**2,337,167,214**
Less: Current amount of the long term loans	**(210,644,364)**	**(224,558,000)**	**(178,542,184)**
Less: Transaction cost for obtaining the loan	**(60,574,928)**	**(68,403,324)**	**(92,071,013)**
Total long term loans, net of current amounts	**1,675,427,622**	**1,922,081,892**	**2,066,554,017**

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 2013 the outstanding amount is of EUR 3.73 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 2013 the outstanding amount is RON 16,733,437.

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 2013 the total amount outstanding is EUR 65.35 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 2013 the outstanding amount is RON 293,090,286.

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 2013 the outstanding amount is of CAD 185.8 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 2013 the outstanding amount is RON 567,934,833.

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 2013 the outstanding amount is EUR 4.68 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 2013 the outstanding amount is RON 21,020,252.

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 2013 the outstanding amount is USD 11.8 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 2013 the outstanding amount is RON 38,456,981.

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 2013 the outstanding amount is EUR 213.5 million, having three parts: (i) first part with an outstanding amount of EUR 90 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 in 20 instalments during 2013 – 2022, the second one is to be reimbursed in 20 instalments between 2015- 2024 and the third one is to be reimbursed in 16 instalments 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 2013 the outstanding amount is RON 957,483,450.

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 2013

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 2013 the outstanding amount is RON 51,927,674 and it is to be completely reimbursed during 2014. 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 arrangement against risks regarding obligations in foreign currency or interest rate exposure. The fair value of long-term loans, which was estimated by discounting the future contractual cash flows using current market interest rate available for similar financial instruments do not differ significantly from the values mentioned above.

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 2013, 31 December 2012 and 1 January 2012 the short term borrowings are as follows:

	31-Dec-13	**31-Dec-12**	**01-Jan-2012**
Current portion of the long term borrowings	210,644,364	224,558,000	178,542,184
Accrued interest related to long term borrowings	2,141,149	3,685,955	7,443,966
Total short term borrowings	**212,785,513**	**228,243,955**	**185,986,150**

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

As at 31 December 2013, 31 December 2012 and 01 January 2012 trade and other liabilities are as follows:

	31-Dec-13	31-Dec-12	01-jan-2012
Property, pland and equipment suppliers	66,309,815	87,339,502	41,582,449
Trade payables	130,365,966	140,230,526	86,329,302
Payables to employees	12,666,155	11,536,081	8,439,354
Payables to State	22,213,373	41,384,993	42,274,848
Other payables	11,403,627	5,649,105	2,267,105
Total	**242,958,936**	**286,140,207**	**180,893,058**

As at 31 December 2013, the main outstanding suppliers were: Candu Energy INC – RON 38,860,218 (RON 53,038,816: 31 December 2011, RON 5,467,833:1 January 2012), CN Transelectrica SA – RON 33,977,666 (RON 39,892,341: 31 December 2012, 19,258,336:1 January 2012) and Ager Business Tech SA, – RON 17,513,555 (RON 177,550: 31 December 2012, RON 178,672:1 January 2012).

14. INCOME TAXES

Tax recognized in profit or loss

	2013	2012
Current tax expense	103,323,838	51,300,315
Deferred tax release	(9,025,117)	(4,833,790)
Total	**94,298,721**	**46,466,525**

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 2013 the Company recognized a deferred tax liability for the revaluation reserve of industrial buildings.

Tax recognized directly in other comprehensive income (OCI):

	2013			2012		
	Before tax	**Tax expense**	**After tax**	**Before tax**	**Tax expense**	**After tax**
PPE	389,155,737	(62,662,755)	326,492,982	12,884,223	(1,663,639)	11,220,584
Total	**389,155,737**	**(62,662,755)**	**326,492,982**	**12,884,223**	**(1,663,639)**	**11,220,584**

Deferred tax assets and liabilities are measured at the effective tax rate of 16% as at 31 December 2013 (16% as at 31 December 2012), which is the currently enacted tax rate.

Reconciliation of the effective tax rate:

	2013	2012
Profit before income tax	**517,690,201**	**65,311,274**
Income tax at statutory rate of 16%	82,830,432	10,449,804
Effect of non-deductible expenses	9,702,035	5,895,873
Taxed revaluation reserve	4,379,893	31,736,328
Effect of tax exempt income	6,891,645	(713,461)
Deferred tax release	(9,025,117)	(5,061,273)
Effect of other differences	(480,167)	4,159,254
Income tax expense	**94,298,721**	**46,466,525**

As at 31 December 2012, the Company recorded an income tax expense of RON 31,736,328 with the reserve representing the realized surplus from the revaluation reserve that was used in the statutory financial statements in accordance with OMPF 3055/2009 to offset accounting losses and that was not taxed until 31 December 2012. The statutory accounting loss covered is RON 302 million, of which RON 198 million represents the realised surplus from the revaluation reserve, which was not taxed until 31 December 2012, and the difference from the realized surplus from the revaluation reserve that was taxed.

Deferred tax consists of the following:

1 January 2012	Assets	Liabilities	Net
PPE&E	-	148,495,365	148,495,365
Inventories	-	12,683,013	12,683,013
Employee benefits	(3,360,451)	-	(3,360,451)
Net tax (assets)/liabilities	**(3,360,451)**	**161,178,378**	**157,817,927**

31 December 2012	Assets	Liabilities	Net
PPE&E	-	146,008,686	146,008,686
Inventories	-	12,029,413	12,029,413
Employee benefits	(3,390,323)	-	(3,390,323)
Net tax (assets)/liabilities	**(3,390,323)**	**158,038,099**	**154,647,776**

31 December 2013	Assets	Liabilities	Net
PPE&E	-	200,581,398	200,581,398
Inventories	-	11,897,221	11,897,221
Employee benefits	(4,193,205)	-	(4,193,205)
Net tax (assets)/liabilities	**(4,193,205)**	**212,478,619**	**208,285,414**

Movement in deferred tax balances during 2012 and 2013 are as follows:

	Balance 1 January 2012	**Recognised in profit or loss**	**Tax recognised directly in OCI**	**Balance 31 Dec 2012**	**Recognised in profit or loss**	**Tax recognised directly in OCI**	**Balance 31 Dec 2013**
PPE&E	148,495,365	(4,150,318)	1,663,639	146,008,686	(8,090,043)	62,662,755	200,581,398
Inventories	12,683,013	(653,600)	-	12,029,413	(132,192)	-	11,897,221
Employee benefits	(3,360,451)	(29,872)	-	(3,390,323)	(802,882)	-	(4,193,205)
Net tax (assets)/liabilities	**157,817,927**	**(4,833,790)**	**1,663,639**	**154,647,776**	**(9,025,117)**	**62,662,755**	**208,285,414**

15. EMPLOYEE BENEFITS

	31-Dec-13	**31-Dec-12**	**01-Jan-2012**
Retirement bonuses	16,706,610	15,940,190	11,980,108
Jubilee bonuses	9,500,917	5,249,327	5,040,749
Death benefits	-	-	3,981,961
Total	**26,207,527**	**21,189,517**	**21,002,818**

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 assumptions had been taken into account for the application of IAS 19 “Employee benefits” as at 31 December 2013 and 31 December 2012:

Valuation date	31 December 2013	31 December 2012
Number of employees	2,106	2,168
Salary increase rate	0% for 2014 and for 2015 and after that the increase with inflation rate of 3% per year	3% for 2013 and for 2014 and after that the increase with inflation rate of 3% per year
Average real yield	2.78%	3.46%
Mortality table	Mortality rates from Romania 2009-2010	Mortality rates from Romania 2009-2010
Average gross salary	5.388	5.310

The following assumptions were taken into account:

- The average real yield is calculated based on the expected inflation rate and on the nominal yield of government bonds on the active market as at December 2013 for durations of 1-10 years and 14 years (for other durations linear interpolation has been used); this yield is relevant due to the fact that the increase of salaries is expected to be equal to the inflation rate.
- The mortality table is as per the National Statistics Institute

16. SALES OF ELECTRICITY

(i) Revenues from electricity sales

	2013	2012
Sales of electricity on regulated market	753,765,846	921,699,074
Sales of electricity on free market	1,071,948,302	630,929,727
Revenues from cogeneration contribution	2,026,490	5,621,982
Revenues from green certificates	1,446,738	6,533,009
Total	**1,829,187,376**	**1,564,783,792**

(ii) Quantity sold

	2013	2012
Quantity of energy sold on regulated market (MWh)	5,308,173	7,497,937
Quantity of energy sold on free market (MWh)	5,679,598	3,289,153
	10,987,771	**10,787,090**

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.

17. OTHER OPERATING EXPENSES

	2013	2012
Third party services	114,416,455	122,159,687
Expenses with ANDR	94,795,297	101,031,897
Energy and water	78,885,161	74,570,228
Fuels, lubricants and other consumables	33,514,250	36,282,871
Insurance	12,641,785	11,615,374
Transportation and telecommunication	7,833,669	8,114,935
Other operating expenses	60,066,975	54,228,630
Total	**402,153,592**	**408,003,622**

Decommissioning provision

Starting with 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 Company 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 net electricity produced and injected in the system,
- Contribution for the permanent storage of radioactive waste of 1.4 EUR/MWh of net electricity produced and injected in the system.

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.

Other operating expenses includes mainly expenses with taxes and provisions.

18. FINANCE INCOME AND FINANCE COSTS

	2013	2012
Interest income	41,073,150	39,967,617
Foreign exchange gains	187,941,250	186,222,099
Finance income	**229,014,400**	**226,189,716**
Foreign exchange losses	(142,897,611)	(244,636,256)
Interest expense	(29,522,603)	(72,223,334)
Finance costs	**(172,420,214)**	**(316,859,590)**
Net finance costs	**56,594,186**	**(90,669,874)**

19. OTHER INCOME

	2013	2012
Income from investment subsidies	14,386,437	8,072,300
Income from compensationes, fines and penalties	104,591,378	9,842,288
Other income	7,541,556	14,085,608
Total	**126,519,371**	**32,000,196**

In 2013, other income is represented mainly by penalties charged to customers who have requested the cessation of electricity sale contracts in amount of RON 45,153,615 and penalties approved by the Bucharest Court of Appeal in the amount of RON 41,163,421 in the case of insolvency of Hidroelectrica SA and also considering the reschedule agreement signed with Hidroelectrica in June 2013 (see Note 9).

20. TRANSACTIONS WITH RELATED PARTIES

i) Related party transactions

The Company 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 Company 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).

The significant transactions and balances with related parties during 2013 and 2012 consist of the following:

	Sales		Receivables as at		
	2013	**2012**	**31 December 2013**	**31 December 2012**	**01 January 2012**
Electrica Furnizare	517,766,456	412,860,736	18,607,512	26,274,851	29,770,756
OPCOM	103,803,598	101,659,515	267,803	2,217,123	1,633,678
FDEE Electrica Distributie Muntenia Nord	49,480,172	34,292,601	-	4,817,844	1,629,403
FDEE Electrica Distributie Transilvania Nord	-	22,415,926	-	2,960,297	548,924
FDEE Electrica Distributie Transilvania Sud	-	26,132,426	-	3,586,762	-
RAAN	-	3,845,215	7,825,064	7,825,064	19,312,604
Complexul Energetic Oltenia	17,087,881	-	-	- -	-
Transelectrica	21,025,100	-	153,890	-	-
Hidroelectrica	41,163,421	-	52,570,163	28,773,062	34,773,062
Total	**750,326,628**	**601,206,419**	**79,424,432**	**76,455,003**	**87,668,427**

	Purchases		Payables as at		
	2013	**2012**	**31 December 2013**	**31 December 2012**	**01 January 2012**
CN Transelectrica SA	155,425,021	130,599,542	33,977,666	39,892,341	19,258,336
Compania Nationala a Uraniului	98,173,839	88,050,340	172,321	11,709,936	-
Apele Romane Bucuresti	59,173,792	56,215,056	6,270,494	6,004,455	5,584,235
Apele Romane Constanta	10,840,207	11,138,493	1,199,438	1,156,361	1,275,672
Electrica Furnizare	808,767	4,317,750	-	31,161,264	10,067,808
RAAN	-	21,460,000	-	-	-
OPCOM	25,062,766	9,431,852	-	-	-
CNCAN	9,832,410	9,900,000	-	-	-
ANRAD	94,795,297	101,031,897			
Total	**454,112,099**	**432.144.930**	**41,619,919**	**89,924,357**	**36,186,051**

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

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 Company'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. The executive and non-executive administrators are paid baesd on the provisions of the mandate contracts and within the limits approved by the General Shareholders Meeting.

	2013	2012
Short term benefits	4,491,563	3,658,548
	4,491,563	**3,658,548**

21. EARNINGS PER SHARE

As at 31 December 2013 and 31 December 2012 the earnings per share were as follows:

i) Basic earnings per share

	2013	2012
Net profit for the year	423,391,480	18,844,749
Number of ordinary shares at the beginning of the year	253,682,361	253,682,361
Number of ordinary shares issued in November 2013	28,100,395	-
Weighted-average number of ordinary shares at 31 December	**258,365,760**	**253,682,361**
Basic earnings per share (RON/share)	**1.64**	**0.07**

(i) Diluted earnings per share

	2013	2012
Net profit for the year	423,391,480	18,844,749
Number of ordinary shares at the beginning of the year	253,682,361	253,682,361
Number of ordinary shares issued in November 2013	28,100,395	-
Weighted-average number of ordinary shares at 31 December (a)	258,365,760	253,682,361
No of shares corresponding to the prepaid share reserve (b) (see Note 10)	19,437,670	157,701,718
Weighted-average number of ordinary shares (diluted) at 31 December (a) + (b)	**277,803,430**	**411,384,079**
Diluted earnings per share (RON/share)	**1.52**	**0.05**

22. FINANCIAL RISK MANAGEMENT

a. Financial risk factors

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

The Company 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 Company 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 Company's income or the value of its holdings of financial instruments.

(a) Currency risk

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

The Company's functional currency is RON. The Company is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the functional currency of the Company. 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 Company's exposure to foreign currency risk expressed in RON, was as follows:

	Carrying amount	**RON**	**EUR**	**USD**	**CAD**
31 December 2013					
Trade Payables & Suppliers of PP&E	**(196,675,781)**	(133,559,163)	(2,394,779)	(18,304,865)	(42,416,974)
Borrowings (*)	**(1,946,646,913)**	(51,927,673)	(1,288,327,426)	(38,456,981)	(567,934,833)
Gross exposure in the statement of financial position	**(2,143,322,694)**	**(185,486,836)**	**(1,290,722,205)**	**(56,761,846)**	**(610,351,807)**

	Carrying amount	**RON**	**EUR**	**USD**	**CAD**
31 December 2012					
Trade Payables & Suppliers of PP&E	**(227,570,027)**	(155,272,820)	-	(8,757,176)	(63,540,031)
Borrowings (*)	**(2,215,043,216)**	(103,855,346)	(1,361,229,932)	(49,583,466)	(700,374,472)
Gross exposure in the statement of financial position	**(2,442,613,243)**	**(259,128,166)**	**(1,361,229,932)**	**(58,340,642)**	**(763,914,503)**

	Carrying amount	**RON**	**EUR**	**USD**	**CAD**
1 January 2012					
Trade Payables & Suppliers of PP&E	**(127,911,752)**	(88,873,630)	(5,842,469)	-	(33,195,653)
Borrowings (*)	**(2,337,167,213)**	(155,783,019)	(1,371,329,574)	(59,177,627)	(750,876,993)
Gross exposure in the statement of financial position	**(2,465,078,965)**	**(244,656,649)**	**(1,377,172,043)**	**(59,177,627)**	**(784,072,646)**

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

The following significant exchange rates were used:

	Average rate		Reporting date spot rate		
Curs	**2013**	**2012**	**31 December 2013**	**31 December 2012**	**31 December 2011**
EUR/RON	4.4190	4.4560	4.4847	4.4287	4.3197
USD/RON	3.3279	3.4682	3.2551	3.3575	3.3393
CAD/RON	3.2312	3.4701	3.0575	3.3736	3.2724

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.

	Profit 2013	**Profit 2012**	**Profit 2011**
EUR	129,072,221	136,325,089	137,717,205
USD	5,397,422	5,834,064	5,917,763
CAD	61,193,568	75,990,985	78,407,268
Total	**195,663,211**	**218,150,138**	**222,042,236**

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.

	Loss 2013	**Loss 2012**	**Loss 2011**
EUR	(129,072,221)	(136,325,089)	(137,717,205)
USD	(5,397,422)	(5,834,064)	(5,917,763)
CAD	(61,193,568)	(75,990,985)	(78,407,268)
Total	**(195,663,211)**	**(218,150,138)**	**(222,042,236)**

(b) Interest rate risk

The Company's operating cash flows are impacted mainly by the changes in interest rates, due to the foreign long term borrowings the Company contracted. The Company has significant long term borrowings with variable interest rates, that expose the Company 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 Company's interest-bearing financial instruments was as follows:

	Carrying amount (*)		
	31-Dec-13	**31-Dec-12**	**1-Jan-12**
Fixed rate instruments			
Financial assets	1,193,866,649	680,504,213	573,904,422
	1,193,866,649	**680,504,213**	**573,904,422**
Variable rate instruments			
Financial liabilities	(1,946,646,913)	(2,215,043,216)	(2,337,167,213)
	(1,946,646,913)	**(2,215,043,216)**	**(2,337,167,213)**

(*) 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	
	100pb increase	**100pb decrease**
31 December 2013		
Variable rate instruments	(19,466,469)	19,466,469
Cash flow sensitivity (net)	**(19,466,469)**	**19,466,469**
31 December 2012		
Variable rate instruments	(22,150,432)	22,150,432
Cash flow sensitivity (net)	**(22,150,432)**	**22,150,432**
01 January2012		
Variable rate instruments	(23,371,674)	23,371,674
Cash flow sensitivity (net))	**(23,371,674)**	**23,371,674**

(c) Credit risk

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

Financial assets, which potentially subject this Company to credit risk, consist principally of trade receivables, cash and cash equivalents and bank deposits. The Company 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.

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-Dec-13	**31-Dec-12**	**1-Jan-12**
Financial assets			
Trade receivables	85,910,562	143,313,329	210,787,574
Bank deposits	704,525,705	234,504,213	96,000,000
Cash and cash equivalents	739,280,253	694,876,667	599,854,222
Other receivables	111,134,036	19,210,312	16,203,432
	1,640,850,556	**1,091,904,521**	**922,845,228**

The ageing of trade receivables at the reporting date is:

	Gross 31 December 2013	Impairment 31 December 2013	Gross 31 December 2012	Impairment 31 December 2012	Gross 01 January 2012	Impairment 01 January 2012
Neither past due nor impaired	82,578,115	-	101,296,329	-	154,861,387	-
Past due 1 – 30 days	267,052	-	2,280,070	-	673,572	-
Past due 31 – 90 days	132,427	-	5,154,362	-	18,333,001	-
Past due 91 – 180 days	72,733	-	3,349,417	-	28,251,285	-
Past due 181 – 270 days	781,707	-	12,394	-	224,895	-
Past due 271 – 365 days	38,116	-	33,062	-	8,110,298	-
Past due more than one year	16,243,973	(14,203,561)	38,500,475	(7,312,781)	6,388,392	(6,055,256)
Total	**100,114,123**	**(14,203,561)**	**150,626,110**	**(7,312,781)**	**216,842,830**	**(6,055,256)**

The ageing of other receivables, including recoverable VAT at reporting date is:

	Gross 31 December 2013	Impairment 31 December 2013	Gross 31 December 2012	Impairment 31 December 2012	Gross 01 January 2012	Impairment 01 January 2012
Neither past due nor impaired	111,124,926	-	19,180,639	-	16,199,566	-
Past due more than one year	2,509,757	(2,500,647)	2,530,320	(2,500,647)	3,081,531	(3,077,665)
Total	**113,634,683**	**(2,500,647)**	**21,710,959**	**(2,500,647)**	**19,281,097**	**(3,077,665)**

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

	31-Dec-13	31-Dec-12	01-Jan-12
Balance at 1 January	(7,312,781)	(6,055,257)	(1,483,404)
Impairment loss recognized	(6,890,780)	(1,257,524)	(4,571,852)
Balance at year end	**(14,203,561)**	**(7,312,781)**	**(6,055,256)**

(d) Liquidity risk

Liquidity risk is the risk that the Company 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 Company aims to maintain flexibility in funding by obtaining financing from private banks and the majority shareholder's support.

The table below analyses the Company'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.

	Carrying amount	Contractual amount	12 months or less	Between 1-2 years	Between 2-5 years	Over 5 years
31 December 2013						
Financial liabilities						
Borrowings (*)	1,946,646,913	2,027,043,274	234,070,898	222,158,541	665,632,959	905,180,876
Trade Payables & Suppliers of PP&E	196,675,781	196,675,781	196,675,781	-	-	-
Other payables	46,283,155	46,283,155	46,283,155	-	-	-
	2,189,605,849	**2,270,002,210**	**477,029,834**	**222,158,541**	**665,632,959**	**905,180,876**

	Carrying amount	Contractual amount	12 months or less	Between 1-2 years	Between 2-5 years	Over 5 years
31 December 2012						
Financial liabilities						
Borrowings (*)	2,215,043,216	2,393,727,236	258,749,785	253,614,598	717,858,212	1,163,504,641
Trade Payables & Suppliers of PP&E	227,570,028	227,570,028	227,570,028			
Other payables	58,570,179	58,570,179	58,570,179			
	2,501,183,423	**2,679,867,443**	**544,889,992**	**253,614,598**	**717,858,212**	**1,163,504,641**

	Carrying amount	Contractual amount	12 months or less	Between 1-2 years	Between 2-5 years	Over 5 years
01 January 2012						
Financial liabilities						
Borrowings (*)	2,337,167,213	2,584,418,752	220,619,234	258,481,447	721,287,662	1,384,030,410
Trade Payables & Suppliers of PP&E	127,911,751	127,911,751	127,911,751			
Other payables	52,981,307	52,981,307	52,981,307			
	2,518,060,271	**2,765,311,810**	**401,512,292**	**258,481,447**	**721,287,662**	**1,384,030,410**

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

b. Capital management

The Company'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.

(e) Fair value of financial instruments

Fair value is the amount for which the financial instrument may change in usual transactions conducted in objective conditions between willing parties knowingly, other than those caused by the liquidation or forced sale. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. As at 31 December 2013, management considers that the fair values of cash and cash equivalents, trade receivables and other receivables, trade payables, loans and other short term liabilities approximates their carrying value. The carrying amount of the loan is the amortized cost.

	Carrying amount	Fair value	Level
31 December 2013			
Financial assets			
Net trade receivables	85,910,562	85,910,562	-
Cash and cash equivalents	739,280,253	739,280,253	-
Bank deposits	704,525,705	704,525,705	-
Net other receivables	111,134,036	111,134,036	-
	1,640,850,556	**1,640,850,556**	

	Carrying amount	Fair value	Level
31 December 2013			
Long term financial liabilities			
Long term borrowings	1,675,427,622	1,675,427,622	**2**
	1,675,427,622	**1,675,427,622**	
Short term financial liabilities			
Suppliers, including suppliers of PP&E	196,675,781	196,675,781	-
Borrowings	212,785,513	212,785,513	**2**
Payables to employees and other payables	46,283,155	46,283,155	-
	455,744,449	**455,744,449**	

23. 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 Company’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.

(ii) Insurance policies

As at 31 December 2013, the following operational insurances are in force:

• Property insurance policy for accidental loss, destruction and damage including loss by nuclear perils or breakdown of machinery and plant to insured property (Cernavoda NPP Units 1 and 2 and Nuclear Fuel Plant). Compensation limit is subject to a maximum of USD 1.500 million in the annual aggregate for all losses.

• Third party liability insurance policy for nuclear damages. Compensation limit is SDR 300 million (for Cernavoda NPP Units 1 and 2).

(iii) Environmental matters

The Company has not recorded any liability as at 31 December 2013 and 31 December 2012 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 clean-up 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 2013 are not significant. Furthermore, the Company 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 Company 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 2013, the Company was involved in a number of litigations arising in its normal course of activity. The management of the Company regularly analyses the ongoing litigations and, after consulting with the legal representatives of the Company and external lawyers, decides whether or not to create a provision or to disclose any litigation in the financial statements.

In management’s opinion, there are no litigations or disputes which may have a significant impact on Company’s financial statements and which have not been disclosed in these individual financial statements.

(v) Commitments

As at 31 December 2013 the Company is committed to incur capital and operational expenditure of RON 688 million. These commitments are expected to be settled during the following years.

24. JUSTIFICATION OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

BASIS OF PREPARATION

These individual financial statements are prepared in accordance with OMPF 1286/2012 as it is mentioned at section 2.a) “Statement of compliance”

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2013, the comparative information presented in these financial statements for the year ended December 31, 2012 and the preparation of the opening statement of financial position in accordance with IFRS 1 January 2012 (date of transition to IFRS for the Company).

For preparing the opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with OMPF 3055/2009. An explanation of how the transition to IFRS has affected the Company's financial position and financial performance is presented in the following tables and the accompanying notes

(i) Reconciliation of Company's financial position

in RON	Note	OMPF 3055/2009	Impact of transition to IFRS	IFRS	OMPF 3055/2009	Impact of transition to IFRS	IFRS
		1 January 2012			31 December 2012		
ASSETS							
Property, plant and equipment (PP&E)	**b**	7,511,009,838	1,861,992,767	9,373,002,605	7,370,348,126	1,919,828,224	9,290,176,350
Intangible assets	**b**	52,976,592	45,509,776	98,486,368	89,123,549	-	89,123,549
Financial investments	**b**	1,627,458,805	(1,541,110,626)	86,348,179	1,664,829,242	(1,541,110,626)	123,718,616
Total non-current assets		**9,191,445,235**	**366,391,917**	**9,557,837,152**	**9,124,300,917**	**378,717,598**	**9,503,018,515**
Inventories	**b, c**	376,190,804	14,480,761	390,671,565	370,719,537	(1,929,919)	368,789,618
Current tax assets		8,943,199	-	8,943,199	-	-	-
Trade and other receivables		226,991,006	-	226,991,006	162,523,641	-	162,523,641
Prepayments		8,888,093	-	8,888,093	10,299,631	-	10,299,631
Bank deposits	**j**	573,924,422	(477,924,422)	96,000,000	680,524,213	(446,020,000)	234,504,213
Cash and cash equivalents	**j**	121,929,800	477,924,422	599,854,222	248,856,667	446,020,000	694,876,667
Total current assets		**1,316,867,324**	**14,480,761**	**1,331,348,085**	**1,472,923,689**	**(1,929,919)**	**1,470,993,770**
TOTAL ASSETS		**10,508,312,559**	**380,872,678**	**10,889,185,237**	**10,597,224,605**	**376,787,680**	**10,974,012,285**

(i) Reconciliation of Company's financial position (continued)

in RON	Note	OMPF 3055/2009	Impact of transition to IFRS	IFRS	OMPF 3055/2009	Impact of transition to IFRS	IFRS
		1 January 2012			31 December 2012		
EQUITY							
Share capital		2,536,823,610	195,502,743	2,732,326,353	2,536,823,610	195,502,743	2,732,326,353
Paid-in share capital		2,536,823,610	-	2,536,823,610	2,536,823,610	-	2,536,823,610
Inflation adjustment of share capital	**a**	-	195,502,743	195,502,743	-	195,502,743	195,502,743
Prepaid share reserve	**d**	1,711,945,169	(94,673,229)	1,617,271,940	1,711,909,269	(94,673,229)	1,617,236,040
Revaluation reserve	**e**	2,781,251,897	(2,781,251,897)	-	2,648,615,755	(2,637,395,171)	11,220,584
Retained earnings	**a-p**	879,503,121	2,786,689,875	3,666,192,996	1,061,306,292	2,624,935,237	3,686,241,529
Total shareholder's equity		**7,909,523,797**	**106,267,492**	**8,015,791,289**	**7,958,654,926**	**88,369,580**	**8,047,024,506**
LIABILITIES							
Long term borrowings	**f**	2,160,262,017	(93,708,000)	2,066,554,017	1,990,485,500	(68,403,607)	1,922,081,892
Deferred income long term	**g**	-	208,858,272	208,858,272	758,649	200,066,613	200,825,262
Deferred income tax liability	**h**	-	157,817,927	157,817,927	-	154,647,776	154,647,776
Employee benefits	**i**	21,002,818	-	21,002,818	23,223,131	(2,033,614)	21,189,517
Total datorii pe termen lung		**2,181,264,835**	**272,968,199**	**2,454,233,034**	**2,014,467,280**	**284,277,167**	**2,298,744,447**
Accounts payable and other liabilities	**g**	180,893,058	-	180,893,058	281,999,557	4,140,648	286,140,205
Current tax liability		-	-	-	31,509,840	-	31,509,840
Deferred income		52,281,706	-	52,281,706	82,349,332	-	82,349,332
Current portion of long term borrowings	**f**	184,349,163	1,636,987	185,986,150	228,243,671	284	228,243,955
Total current liabilities		**417,523,927**	**1,636,987**	**419,160,914**	**624,102,400**	**4,140,932**	**628,243,332**
TOTAL LIABILITIES		**2,598,788,762**	**274,605,186**	**2,873,393,948**	**2,638,569,679**	**288,418,100**	**2,926,987,779**
TOTAL EQUITY AND LIABILITIES		**10,508,312,559**	**380,872,678**	**10,889,185,237**	**10,597,224,605**	**376,787,680**	**10,974,012,285**

(ii) Reconciliation of profit or loss and other comprehensive income

in RON	Note	OMPF 3055/2009	Impact of transition to IFRS	IFRS
		31 Decembrie 2012		
Sales of electricity		1,564,783,792	-	1,564,783,792
Electricity transmission revenues		87,665,753	-	87,665,753
Other income	***k***	30,241,892	1,758,304	32,000,196
Depreciation and amortisation		(395,424,538)	-	(395,424,538)
Personnel expenses	***i,l***	(283,494,935)	(1,310,230)	(284,805,165)
Cost of traded electricity	*m*	(38,003,832)	(35,625,778)	(73,629,611)
Repairs and maintenance		(125,295,726)	-	(125,295,726)
Electricity transportation expenses	*n*	55,706	(87,721,459)	(87,665,753)
Costs with spare parts	**c**	(27,133,073)	(3,222,000)	(30,355,073)
Cost of uranium fuel	***g, o***	(130,842,092)	7,552,986	(123,289,105)
Other operating expenses	***c,m,n,o,p***	(522,896,717)	114,893,095	(408,003,622)
Operating result		**159,656,231**	**(3,675,082)**	**155,981,148**
Finance costs	***f***	(293,191,901)	(23,667,689)	(316,859,590)
Finance income	***k***	219,304,985	6,884,730	226,189,716
Profit before income tax		**85,769,315**	**(20,458,041)**	**65,311,274**
Income tax expense	***h***	(51,300,315)	4,833,790	(46,466,525)
Net profit		**34,469,000**	**(15,624,251)**	**18,844,749**
Other comprehensive income				
Revaluation of PPE		-	12,884,223	12,884,223
Deferred tax related to revaluation reserve		-	(1,663,639)	(1,663,639)
Actuarial gains on defined benefit plans		-	1,203,785	1,203,785
Other comprehensive income			**12,424,369**	**12,424,369**
Total comprehensive income for the year		**34,469,000**	**(3,199,882)**	**31,269,118**

a) Share capital inflation

The Romanian economy was considered an hyperinflationary economy until 31 December 2003. In accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies”, the equity components, except for retained earnings and of revaluation surplus, are restated with the application of a general price index from the dates that the components were contributed. Thus, the share capital of the Company was adjusted with the inflation impact for the period prior to 31 December 2003.

	1 January 2012	31 December 2012
Statement of financial position		
Inflation adjustment to share capital	(195,502,743)	(195,502,743)
Retained earnings due to the first time adoption of IAS 29	195,502,743	195,502,743

b) Property plant and equipment, intangible assets and other investments

	Nota	1 January 2012	31 December 2012
Statement of financial position			
Assets in course of construction		438,583,848	439,780,773
Retained earnings due to the first time adoption of IAS 29	**b1**	(438,583,848)	(439,780,773)
Assets in course of construction	**b2**	64,788,069	75,916,826
Raw materials		(64,788,069)	(75,916,826)
Assets in course of construction	**b3**	1,541,110,626	1,541,110,626
Other long term receivables		(1,541,110,626)	(1,541,110,626)
Retained earnings due to the first time adoption of IAS 29	**b4**	136,980,000	136,980,000
Impairment of assets in course of construction		(136,980,000)	(136,980,000)
Intangible assets in progress	**b5**	45,509,776	-
Assets in course of construction		(45,509,776)	-

b1. Hyperinflation adjustment for assets in course of construction

The Company recorded the hyperinflation adjustment according to IAS 29 “Financial Reporting in Hyperinflationary Economies” for investment in progress of Units 3, 4 and 5 and hyperinflation adjustment for construction materials related to Units 3 and 4.

b2. Transfer of heavy water from inventories to property, plant and equipment

The Company recorded the reclassification of heavy water related to Units 1 and 2 from inventories to property, plant and equipment because these meet the recognition criteria as PPE according to IAS 16 “Property, Plant and Equipment”.

b3. Investment in subsidiary Energonuclear

The Company transferred to property, plant and equipment the amount of heavy water related to Units 3 and 4. Heavy water has been purchased for the purpose to be transferred to the subsidiary EnergoNuclear at a subsequent undetermined date which depends on the future investments made by the other shareholders of EnergoNuclear, and for which the classification criteria as assets held for sale has not been met, this is the reason for presenting the heavy water as PPE. . In statutory financial statements according to OMPF 3055/2009, heavy water has been classified as finacial investment related to EnergoNuclear.

b4. Adjustment to investment in progress for Unit 5

The Company recorded a depreciation adjustment according to IAS 36 “Impiarment of Assets” for Unit 5 because there are no plans to continue the construction.

b5. Transfer of assets in course of construction

The Company has transferred the investment “Software for integrated management“ from “property, plant and equipment“ as “asses in course of construction“ to caption “intangible assets“ as “Intangible assets in progress“ in order to reflect more appropriate the classification of this asset.

c) Inventories

	1 January 2012	31 December 2012
Statement of financial position		
Spare parts	62,676,128	57,394,205
Consumables	16,592,702	16,592,702
Retained earnings from the first time adoption of IAS 29	(79,268,830)	(73,986,907)
Retained earnings	-	4,085,000

Statement of comprehensive income	**2012**
Costs with spare parts	3,222,000
Cost with with consumables	863,000

The Company recorded the hyperinflation adjustment according to IAS 29 "Financial Reporting in Hyperinflationary Economies" for spare parts and consumables relating to Units 1 and 2 and recorded on expenses the inflation related to inventories consumed.

d) Prepaid share reserve

	1 January 2012	31 December 2012
Statement of financial position		
Other reserve	94,673,229	94,673,229
Retained earnings from transition to IFRS, except IAS 29	(94,673,229)	(94,673,229)

The Company recorded a reclassification for the purpose of presenting some reserve in retained earnings, as these reserves were different from the ones classified within prepaid share reserve.

e) Revaluation reserve

	1 January 2012	31 December 2012
Statement of financial position		
Reserves from revaluation of PP&E	2,781,251,897	2,635,731,532
Deferred tax recorded in other comprehensive	-	1,663,639
Retained earnings from use of fair value as deemed cost at transition date	(2,671,188,348)	(2,671,188,348)
Deferred tax	(110,063,549)	(111,727,188)
Retained earnings representing realized surplus from revaluation reserve	-	145,520,365

The Company applies the revaluation model for administrative and industrial buildings and land. The Company chose, at the transition date to IFRS, to apply the exception of deemed cost, according to IFRS 1 "First-time Adoption of International Financial Reporting Standards", thus the difference from revaluation accounted until 1 January 2012 becomes nil, being transferred to retained earnings. After the transition date, the revalution reserves as a result of revalution are accounted in financial statements. The Company recorded deferred tax for revalution reserves accounted untill and after the date of transition as described in Note 14.

f) Borrowings

	1 January 2012	31 December 2012
Statement of financial position		
Commissions and insurance default risk of credits (long term portion)	92,071,013	68,403,324
Retained earnings from transition to IFRS, except IAS 29	(115,738,702)	(92,071,013)
Retained earnings	23,667,689	23,667,689

Statement of comprehensive income	**2012**
Other financial expenses	23,667,689

The Company recorded the amortization of the commisions and the fees for the insurance default risk related to the long term borrowings from Societe Generale over the reimbursement period of the borrowings according to IAS 39 "Financial Instruments: Recognition and Measurement".

g) Long term deferred income and trade payables

	1 January 2012	31 December 2012
Statement of financial position		
Retained earnings	-	3,382,000
Provisions for nuclear fuel	-	(3,382,000)
Deferred income	-	758,649
Other deferred income	-	(758,649)
Investment subisidies	(208,858,272)	(200,825,262)
Retained earnings	(8,033,010)	(8,033,010)
Retained earnings from transition to IFRS, except IAS 29	216,891,282	208,858,272

Statement of comprehensive income	**2012**
Raw materials expenses	3,382,000
Income from investment subsidies	(8,033,010)

The Company recorded a provision for the intermediary storage of spent fuel according to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

The Company recorded the cancellation of some repayments made by the Romanian State on behalf of the Company for some investment borrowings. These were transferred to investments subsidies, being released against other income as the investments are depreciated.

h) Deferred tax liability

	1 January 2012	31 December 2012
Statement of financial position		
Deferred tax	693,746	5,527,536
Retained earnings from transition to IFRS, except IAS 29	3,419,847	(693,746)
Retained earnings	(4,113,593)	(4,833,790)
Deferred tax	(110,063,549)	(111,727,188)
PP&E revaluation reserve	110,063,549	110,063,549
Current income tax and deferred tax recorded in other comprehensive	-	1,663,639
Retained earnings representing undistributed profit or uncovered loss	48,448,124	48,448,124
Deferred tax	(48,448,124)	(48,448,124)

Statement of comprehensive income	**2012**
Reversal of deferred tax	(4,833,790)

Deferred tax concept is not adopted under OMPF 3055/2009. As a result of applying IAS 12, the Company recorded deferred tax for the taxable and deductible temporary differences arrising from its assets and liabilities during the translation period to IFRS.

i) Employee benefits

	1 January 2012	31 December 2012
Statement of financial position		
Provision for employee benefits	-	2,033,614
Retained earnings	-	(2,033,614)

Statement of comprehensive income	**2012**
Employee benefits for death	(2,033,614)

The Company has recorded the derecognition of provision of aid in the event of death of the employee under the provisions of IAS 19.

j) Bank deposits and cash and cash equivalents

	1 January 2012	31 December 2012
Statement of financial position		
Bank deposits	96,000,000	234,504,213
Cash and cash equivalents	(96,000,000)	(234,504,213)
Cash and cash equivalents	573,924,422	680,524,213
Bank deposits	(573,924,422)	(680,524,213)

The company recorded the reclassification of bank deposits with maturity greater than three months according to requirements for presentation of cash and cash equivalents specified in IFRS.

k) Other income and financial income

	1 January 2012	31 December 2012
Statement of financial position		
Non refundable borrowings	-	8,033,010
Retained earnings	-	(8,643,034)
Retained earnings from corrections of accounting errors	-	610,024

Statement of comprehensive income	**2012**
Other financial income	(1,148,280)
Income from compensationes, fines and penalties	(610,024)
Exchange rate differences	(6,884,730)

See note 24(g).

l) Personnel expenses

Statement of financial position	**2012**
Provision for employee participation to profit	3,343,844
Operating expenses with provisions	(3,343,844)

The Company recorded the reclassification of employees's participation to profits from expense with provisions to reflect the nature of the expense.

m) Cost of traded electricity

Statement of comprehensive income	**2012**
Cost of traded electricity	35,625,778
Cost of goods sold	(35,625,778)

The Company recorded the reclassification of cost of goods sold to disclose separately the cost of energy purchased.

n) Electricity transmission expenses

Statement of comprehensive income	**2012**
Electricity transmission expenses	87,721,459
Cost of goods sold	(87,721,459)

The Company recorded the reclassification of cost of goods sold to disclose separately the electricity transmission.

o) Cost of nuclear fuel

Statement of comprehensive income	**2012**
Raw material expenses	(10,934,986)
Expenses with PP&E disposal	10,934,986

The Company recorded the reclassification of heavy water consumption to fixed assets costs following the accounting policy for the recognition of heavy water as PP&E

p) Operating expenses

	1 January 2012	31 December 2012
Statement of financial position		
Retained earnings	-	(1,203,785)
Retained earnings from the first time adoption of IAS 29	-	1,203,785
Statement of comprehensive income		**2012**
Other operating expenses		(1,203,785)
Other comprehensive income, actuarial gain		1,203,785

The Company recorded actuarial gains for defined benefit plans in other comprehensive income in accordance with IAS 19.

25. SUBSEQUENT EVENTS

In the General Shareholders Meeting from 11 March 2014 have been approved the followings:

a) Company's participation to the share capital increase of Hidro Tarnita SA by subscribing a number of 90,000 new shares with a nominal value of RON 100 issued by Hidro Tarnita SA. Hidro Tarnita SA is the project company that intends to build Tarnita-Lapusteti pump storage hydropower plant.

b) Company'participation in the formation of the project company HVDCC Romania – Turcia SA by subscribing and payment of the equivalent in RON of 2.000.000 shares with a nominal value of EUR 1. HVDCC Romania – Turcia SA is the project company that intends to build a 400Kv submarine cable between Romania and Turkey.

c) Changed the destination and use of Unit 5 for other activities of the Company.

Hidroelectrica S.A.

In February 2014 the Bucharest Court of Appeal cancelled the decision no. 6482 / 26 June 2013 issued by the Bucharest Court through which Hidroelectrica exit from insolvency and sent to the Bucharest Court the appeals made by some creditors of Hidroelectrica SA, which were not included in the reorganization plan from June 2013 (see Note 8). At the time of these financial statements, Hidroelectrica is in insolvency.

EnergoNuclear S.A.

In January 2014, the company bought the shares held by Enel Investment Holding BV and ArcelorMittal Galati S. A. in EnergoNuclear for a total of RON 17,947,585 as they exercised their put option in December 2013 (see Note 7).

Daniela Lulache	Mihai Darie
General Manager	Financial Director