



SN Nuclearelectrica SA

Preliminary Unaudited Individual Financial Statements

as at and for the year ended

31 December 2015

prepared in accordance with

The International Financial Reporting Standards as adopted
by the European Union (IFRS-UE)

15 February 2016

SN Nuclearelectrica SA

Statement of Individual Financial Position as at 31 December 2015

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

	Note	31 December 2015 (unaudited)	31 December 2014 (restated)
Assets			
Non-current assets			
Property, plant and equipment	4	7.457.539.603	7.789.583.632
Intangible assets		79.982.771	94.558.653
Financial investments		141.689.201	141.686.201
Total non-current assets		7.679.211.575	8.025.828.486
Current assets			
Inventories	5	389.840.011	377.183.568
Income tax receivable		1.263.912	-
Trade and other receivables		162.992.634	240.118.861
Prepayments		12.181.389	18.546.205
Bank deposits		1.103.841.528	31.442.715
Cash and cash equivalents		257.376.819	1.152.298.625
Total current assets		1.927.496.293	1.819.589.974
Total assets		9.606.707.868	9.845.418.460
Equity and liability			
Equity			
Share capital, out of which	6	3.210.641.253	3.013.330.303
<i>Subscribed and paid in share capital</i>		<i>3.015.138.510</i>	<i>2.817.827.560</i>
<i>Inflation adjustment to share capital</i>		<i>195.502.743</i>	<i>195.502.743</i>
Share premium		31.474.149	31.474.149
Prepaid share reserve	6	21.553.537	217.820.977
Revaluation reserve	6	293.326.547	313.405.061
Retained earnings	5	3.979.161.254	3.895.019.823
Total equity		7.536.156.740	7.471.050.313
Liabilities			
Non-current liabilities			
Long term borrowings		1.279.606.054	1.496.191.642
Deferred income		157.791.277	172.135.939
Deferred tax liability	5	181.735.534	194.321.858
Employee benefits		31.796.021	33.267.120
Total non-current liabilities		1.650.928.886	1.895.916.559
Current liabilities			
Accounts payable and other liabilities		195.902.063	244.366.147
Current tax liability		-	4.495.676
Deferred income		21.671.875	24.909.505
Current portion of long term borrowings		202.048.304	204.680.260
Total current liabilities		419.622.242	478.451.588
Total liabilities		2.070.551.128	2.374.368.147
Total equity and liabilities		9.606.707.868	9.845.418.460

The accompanying notes from 1 to 10 are part of these preliminary unaudited individual financial statements

SN Nuclearelectrica SA

Individual Profit and Loss Account for the financial year ended 31 December 2015

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

	Note	2015 (unaudited)	2014 (audited)
Revenues			
Sales of electricity	<u>7</u>	1.673.421.607	1.685.350.384
Electricity transmission revenues		75.247.078	109.272.960
Total revenues		1.748.668.685	1.794.623.344
Other income		34.300.574	19.629.242
Operating expenses			
Depreciation and amortisation	<u>4</u>	(493.329.017)	(425.873.117)
Personnel expenses		(301.270.055)	(298.622.905)
Cost of traded electricity		(26.828.908)	(29.499.135)
Repairs and maintenance		(130.108.982)	(130.414.701)
Electricity transmission expenses		(75.247.078)	(109.272.960)
Costs with spare parts		(18.721.768)	(24.748.712)
Cost of uranium fuel		(139.198.799)	(134.241.709)
Other operating expenses	<u>8</u>	(437.831.068)	(486.370.170)
Total operating expenses		(1.622.535.675)	(1.639.043.409)
Operating profit		160.433.584	175.209.177
Finance costs		(150.235.313)	(117.836.207)
Finance income		169.027.569	96.953.834
Net finance income/(cost)	<u>9</u>	18.792.256	(20.882.373)
Profit before income tax		179.225.840	154.326.804
Income tax expense, net		(29.385.064)	(21.262.149)
Net profit for the year		149.840.776	133.064.655

Daniela Lulache
Chief Executive OfficerMihai Darie
Chief Financial Officer*The accompanying notes from 1 to 10 are part of these preliminary unaudited individual financial statements*

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Individual Statement of the Comprehensive Income for the financial year ended 31 December 2015

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

	2015	2014
	(unaudited)	(audited)
Profit for the year	149.840.776	133.064.655
Other comprehensive income		
Revaluation of PPE	3.766.964	-
Deferred tax related to revaluation reserve	(602.714)	-
Actuarial gains/ (losses) on defined benefit plants	1.447.515	(4.180.478)
Other comprehensive income	4.611.765	(4.180.478)
Total comprehensive income	154.452.541	128.884.177
Basic earnings per share (lei/share)	0,51	0,47
Diluted earnings per share (lei/share)	0,51	0,44

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SN Nuclearelectrica SA

Individual Statement of Changes in Equity for the year ended 31 December 2015

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

Note	Share Capital	Share Capital Premium	Prepaid share reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 January 2014 (audited)	3.013.330.303	31.474.149	215.930.237	337.713.566	4.099.989.096	7.698.437.351
Accounting error correction					(17.204.820)	(17.204.820)
Balance as at 1 January 2014 (restated)	3.013.330.303	31.474.149	215.930.237	337.713.566	4.082.784.276	7.681.232.531
Comprehensive income for the period						
<i>Profit for the period</i>	-	-	-	-	133.064.655	133.064.655
<i>Other comprehensive income</i>	-	-	-	-	(4.180.478)	(4.180.478)
Total comprehensive income for the period	-	-	-	-	128.884.177	128.884.177
Transfer of revaluation reserve	-	-	-	(24.308.505)	24.308.505	-
Prepaid reserve increase	-	-	1.890.740	-	-	1.890.740
Dividends declared	-	-	-	-	(340.957.135)	(340.957.135)
Balance as at 31 December 2014 (restated)	3.013.330.303	31.474.149	217.820.977	313.405.061	3.895.019.823	7.471.050.313

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Individual Statement of Changes in Equity for the year ended 31 December 2015

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

	Note	Share Capital	Share Capital Premium	Prepaid share reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 1 January 2015 (restated)		3.013.330.303	31.474.149	217.820.977	313.405.061	3.895.019.823	7.471.050.313
Comprehensive income for the period							
<i>Profit for the period</i>		-	-	-	-	149.840.776	149.840.776
<i>Other comprehensive income</i>		-	-	-	3.164.250	1.447.515	4.611.765
Total comprehensive income for the period		-	-	-	3.164.250	151.288.291	154.452.541
Shares issue	6	197.310.952	-	(197.304.802)	-	-	6.150
Transfer to reserves		(2)	-	2	-	-	-
Transfer of revaluation reserve		-	-	-	(23.242.764)	23.242.764	-
Prepaid reserve increase		-	-	1.037.360	-	-	1.037.360
Dividends declared		-	-	-	-	(90.366.312)	(90.366.312)
Other elements		-	-	-	-	(23.312)	(23.312)
Balance as at 31 December 2015 (unaudited)		3.210.641.253	31.474.149	21.553.537	293.326.547	3.979.161.254	7.536.156.740

The accompanying notes from 1 to 10 are part of these preliminary unaudited individual financial statements

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, where the Company has two operating nuclear reactors (Nuclear Power Plant Units 1 and 2) and the main activity of the Company is to generate electricity. The Company is listed on the Bucharest Stock Exchange.

2. BASIS OF PREPARATION

a) Statement of compliance

The individual unaudited preliminary financial statements were prepared on the basis of Ministry of Public Finance Order no. 1286/2012 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards (“IFRS-UE”), applicable to companies whose securities are traded on a regulated market and related amendments (“OMFP 1286/2012”). As per the OMFP 1286/2012, the International Financial Reporting Standards represent the standards adopted in accordance with the procedure provided by the European Commission Regulation no. 1.606/2002 of the European Parliament and European Council dated on July 19th 2002 regarding the application of the international accounting standards.

These preliminary unaudited individual financial statements are presented in advance of finalizing all the internal analysis and revision procedures as well as the independent audit and as a consequence may be amended; at the same time, these financial statements do not represent a complete set of financial statements in accordance with IFRS-EU.

These preliminary unaudited individual financial statements include only the Statement of Individual Financial Position, the Individual Profit and Loss Account, the Individual Statement of the Comprehensive Income and Selected accompanying Notes to the individual financial statements prepared for the financial year ended 31 December 2015.

These preliminary unaudited individual financial statements were authorized for issue and signed by the management of the Company on 15th of February 2016.

b) Use of estimates and judgements

The preparation of these preliminary unaudited individual financial statements 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. 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.

The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the individual financial statements as at and for the year ended 31 December 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these individual unaudited preliminary financial statements are the same as those applied in the Individual financial statements as at and for the year ended 31 December 2014.

New standards and interpretation in force for the financial periods started after 1st of January 2015

For the preparation of these individual unaudited preliminary financial statements, the company applied IFRIC 21 *Levies*, in force for the financial periods started on or after 17 June 2014 – according to IFRS-EU, applicable also for interim reporting.

IFRIC 21 is applicable retrospectively to all levies imposed by government authorities in accordance with the legislation, other than those covered by other standards (eg IAS 12 Income Tax), fines and other penalties for law infringements. The nature and effects of this implementation for the Company are described below:

Trade payables and other liabilities

Following the implementation of IFRIC 21, the Company amended the accounting policies regarding the time of recognition of the the tax on special construction, as well as for the local taxes and fees.

In accordance with IFRIC 21, the Company recognizes the liability for these levies at the moment when the activity which triggers the payment occurs, as defined by law. In addition, a liability for these levies is accrued if the activity which triggers the payment occurs over a period of time.

IFRIC 21 specifies that this interpretation does not address the registration method of the counterparty of the liability (respectively assets or expenses), but specifies the fact that an asset is recognized in case a debt was paid in advance and there is no current payment obligation.

The company considers that the moment of the recognition of the liability is determined by the existence in its patrimony of the assets that represent the taxation basis and, consequently, the liability regarding the tax on special constructions and the local fees and taxes are fully recognized on 1st of January against the related expense. The amounts paid before the term specified by the legislation are recognized as prepayments and restated later at due date.

4. PROPERTY, PLANT AND EQUIPMENT

In accordance with the accounting policies of the company, the land, buildings and constructions are recorded at fair value. These assets were revalued as at 31 December 2015 by an independent valuer, East Bridge SRL, member of National Association of Authorized Valuers from Romania (Asociatia Nationala a Evaluatorilor Autorizati din Romania - ANEVAR).

The results of the revaluation were recorded using net method and reflect a decrease of the net book value of the assets (lands, buildings, constructions) amounting RON 11.518.821.

Revaluations are performed with sufficient regularity in order to ensure that the book value is not significantly different from the value that could be determined using the fair value at the end of the reporting period; the special constructions were previously revalued as at 31 December 2013, the administrative buildings as at 31 December 2002 and land as at 31 December 2009.

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As at 31 December 2015, Depreciation and amortization includes RON 15.285.785 representing expenses resulting from the decrease of the net book value of the revalued assets and RON 7.708.920 provision for impairment of fixed assets proposed to be scrapped following the annual stocktake.

5. INVENTORIES

The company is currently conducting detailed procedures with the aim to establish the potential value loss related to inventories, especially in the case of slow moving and inflated inventories based on applying IAS 29 (inflated inventories until December 31, 2003). The preliminary results indicate loss in value of 21.290.870 RON, out of which 20.481.929 RON is related to periods prior to the previous financial year, which were recorded as accounting errors. The completion of the procedures may result in the indication of higher value loss, out of which some may be considered accounting errors and booked accordingly, while others may relate to the current financial year.

Thus, the comparative information of the previous financial year ended on December 31, 2014 was restated accordingly in the preliminary financial statements as follows:

- a decrease of the inventories position of 20.481.929 RON;
- a decrease of the reported result, net of the deferred tax of 17.204.820 RON;
- a decrease of the deferred tax of 3.277.109 RON.

6. EQUITY

Share capital

The Company was established through separation from the former RENEL. The share capital represents the State's contribution to the establishment of the Company on June 30th, 1998 (restated for inflation to 31 December 2003), plus the subsequent increases.

At 31 December 2015 and 31 December 2014, the share capital includes the effects of the restatements recorded in the previous years in compliance with the application of IAS 29 "Financial reporting in hyperinflationary economies". The reconciliation of the share capital is presented below:

	31 December 2015 (unaudited)	31 December 2014 (audited)
Statutory share capital (nominal value)	3.015.138.510	2.817.827.560
Restatement differences in accordance with IAS 29	195.502.743	195.502.743
Restated share capital balance	3.210.641.253	3.013.330.303

The Resolution of the Extraordinary General Meeting of Shareholders no. 8/06.10.2014 approved the share capital increase of the Company through cash contributions by issuance of new, denominated, dematerialized shares, at a price of 10 RON/share, equal with their nominal value (without a share premium). The sale of the shares took place between 05.01.2015 – 04.02.2015, in accordance with the Prospectus approved by the Board of Directors through Decision no. 174/02.12.2014 and by the Financial Supervisory Authority (Autoritatea de Supraveghere Financiara - ASF) through Decision no. 2246/23.12.2014.

On 6th February 2015, the company's Board of Directors acknowledged and approved the following: a number of 19.438.285 shares with the nominal value of 194.382.850 RON were subscribed, out of which 19.437.670 shares with the nominal value of 194.376.700 RON were subscribed by the majority shareholder – the Ministry of Energy and 615 shares

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with the nominal value of 6.150 RON were subscribed by other shareholders of the company who owned shares at the Registration Date (22 October 2014), using their preemption right, in order to maintain their participation quota within the share capital. The value of the share capital following this operation is of RON 3.012.210.410.

The Resolution of the Extraordinary General Meeting of Shareholders no. 2/29.04.2015 and the Board of Directors Decision no. 102/11.08.2015 approved the increase of the share capital through contribution in kind and cash contribution, in total maximum amount of RON 3.550.110, by issuance of maximum 355.011 new, denominated, dematerialized shares, at a price of 10 RON/share, equal with their nominal value (without a share premium), out of which:

- 292.810 new shares, having a value of RON 2.928.100, representing the contribution in kind of the Romanian State, as a result of obtaining from the Ministry of Economy the certificate for ownership confirmation over the land from Blv. Gheorghe Magheru, no. 33, Bucharest, having an area of 239,05 sqm, and the certificate for ownership confirmation from the Ministry of Economy for the land “Guard house and access road”, located in Saligny, Constanta county;
- maximum 62.201 new shares, in amount of RON 622.001, offered for the use of preemption rights of the others shareholders, respectively to individuals that have the quality of a shareholder at the Registration date (28.08.2015), in order to maintain their share held within the company at the Registration date.

Following the approval of the Prospectus by the Board of Directors through Decision no. 117/14.09.2015 and by the Financial Supervisory Authority (ASF) through Decision no. 2662/15.10.2015, the offer regarding the increase in share capital was held during 19.10.2015 – 18.11.2015. Taking into consideration the before mentioned and also that no shares were subscribed using the preemption right, during the meeting held on 23.11.2015, the Board of Directors approved the increase in capital with the contribution of the Romanian State, respectively with the amount of RON 2.928.100, representing 292.810 shares.

As at 31 December 2015, the value of the share capital subscribed and fully paid is of RON 3.015.138.510, made up from 301.513.851 ordinary shares, each with a nominal value of RON 10.

The holders of ordinary shares have the right to receive dividends, as they are declared at certain periods, and also one voting right per share within the General Meeting of Shareholders.

The structure of the shareholders as at 31 December 2015 and 31 December 2014 is as follows:

Shareholders	31 December 2015		31 December 2014	
	No of shares	% out of share capital	No of shares	% out of share capital
Romanian State	248.736.619	82,4959%	229.006.139	81,2705%
Fondul Proprietatea SA	27.408.381	9,0903%	27.408.381	9,7270%
Other shareholders	25.368.851	8,4138%	25.368.236	9,0025%
TOTAL	301.513.851	100%	281.782.756	100%

Prepaid share reserves

Prepaid share reserves are in amount of RON 21.553.537 at 31 December 2015 (31 December 2014: RON 217.820.977) and represent public utility objectives from Cernavoda NPP (RON 5.439.321 RON at 31 December 2015 and 31 December 2014), budgetary allowances related to the period 2007 – 2011 for the construction of the Training and recreational centre for youth and children from Cernavoda (RON 16.114.216 at 31 December 2015 and 31 December 2014).

At 31 December 2015, the contribution of the Romanian state in the amount of RON 194.376.700, representing budgetary allowances related to the period 2006 – 2009 for the construction of Unit 2 and the completion of works on Cernavoda NPP Units 3-5 and the amount of RON 2.928.100 representing the value of the land situated in Magheru Blvd. and of the

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land „Guard house and access road” situated in Saligny, Constanta, was transferred to the share capital from the Prepaid share reserves.

At 31 December 2015, the number of new shares that can be issued for the Prepaid share reserves is 0 (31 December 2014: RON 19.626.744).

Reevaluation reserves

At 31 December 2015, the reevaluation reserve is in amount of RON 293.326.547 (31 December 2014: RON 313.405.061), net of deferred tax liability related to the reevaluation reserve.

The Company recorded an increase of the reevaluation reserve in amount of RON 3.766.964 following the reevaluation at 31 December 2015 (see Note 4) from which the deferred tax liability in amount of RON 602.714 was deducted.

7. SALES OF ELECTRICITY*(i) Sales of electricity revenues*

	2015	2014
	(unaudited)	(audited)
Electricity sales on the regulated market	357.308.080	561.837.115
Electricity sales on the competitive market	1.314.010.868	1.121.194.651
Thermal energy sales	2.096.159	2.048.812
Revenues from green certificates sales	6.500	269.806
Total	1.673.421.607	1.685.350.384

(ii) Sold electricity quantity

	2015	2014
	(unaudited)	(audited)
Quantity of energy sold on the regulated market (MWh)	2.252.443	3.742.440
Quantity of energy sold on the competitive market (MWh)	8.528.174	7.101.342
Total	10.780.617	10.843.782

The Company participates on the balancing market and is also a Responsible Party for the balancing as per the conventions concluded with the transport and system operator, Transelectrica SA. The quantity of energy presented above does not include the quantity of energy related to the revenues from positive imbalances capitalized on the Balancing Market, in the amount of 43.532 MWh for the financial year ended at 31 December 2015 (32.022 MWh in the financial year ended at 31 December 2014).

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

8. OTHER OPERATING EXPENSES

	2015 (unaudited)	2014 (audited)
Third party services	100.344.714	95.492.504
Expenses with ANDR	95.169.393	95.560.384
Expenses with energy and water	77.735.433	76.068.338
Fuels, lubricants and other consumables	37.217.067	38.865.028
Insurances	11.577.839	11.716.328
Transportation and telecommunications	6.455.189	7.480.607
Special construction tax	61.567.609	89.398.570
Other operating expenses	47.763.824	71.788.411
Total	437.831.068	486.370.170

„Other operating expenses” mainly include expenses with different taxes and provisions.

Starting with 2014, the companies are obliged to declare and pay the tax on special constructions. The value of this tax is of 1% (1, 5% in 2014) of the value of special constructions in balance at 31 December of the previous year. Nuclear power plants are included in the special constructions category. The tax on special constructions owed by the Company for the financial year ended 31 December 2015 is of 61.567.609 RON (31 December 2014: 89.398.570 RON). As per IFRIC 21 (see Note 3), the Company fully acknowledged this debt and related expense in the first quarter of the year 2015 and respectively, 2014.

9. FINANCE INCOME AND COSTS

	2015 (unaudited)	2014 (audited)
Interest income	20.261.165	29.477.239
Foreign exchange gains	148.035.120	67.072.602
Dividend income	731.284	403.993
Total finance income	169.027.569	96.953.834
Foreign exchange losses	(130.289.774)	(92.909.492)
Interest expenses	(19.945.539)	(24.926.715)
Total finance costs	(150.235.313)	(117.836.207)
Net finance (costs)/income	18.792.256	(20.882.373)

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10. SUBSEQUENT EVENTS

Changes to the Tax Code regarding the tax on buildings

Starting 2016, according to the new Tax Code (Law 227/2015) the nuclear power plants are no longer exempted from the definition of a building. Thus, in 2014 and 2015 respectively, based on the Tax Code applicable at the time (Law 571/2003 with subsequent amendments) the Company owed special construction tax for the two nuclear units.

Starting 2016, as the exception to the definition of a building is no longer applicable to a nuclear power plant, the Company is obliged to pay the tax on non-residential buildings belonging to legal persons for the two nuclear reactors to the Cernavoda Local Council. At the same time, as building tax is due, special construction tax on the two nuclear units will not be owed in 2016

Unlike the tax on constructions scheduled to be eliminated starting 2017, the building tax will also be due by the Company in the future, unless the exception of nuclear power plants from the definition of a building, along with hydroelectric and thermoelectric plants stipulated in the old Tax Code art. 250, para. (1) is reinserted in a further amendment to the Tax Code.

The tax on non-residential buildings belonging to legal persons is established as a quota between 0.2% - 1.3% of the taxable value of the buildings, percentage which may be increased in certain circumstances by up to 50% by local authorities.

For 2016, the Cernavoda City Council set the tax rate on non-residential buildings owned by legal entities at 0.5% of the taxable value of buildings.

The taxable amount is currently under determination by an authorised valuator employed by the Company (East Bridge SRL) and the valuation is made based on ANEVAR, GEV-500 evaluation guide. According to ANEVAR evaluation guide, the taxable value is not a fair value.

The Project for Units 3 and 4 Cernavoda NPP

The Memorandum of Understanding regarding the development, building, operation and decommissioning of Units 3 and 4 Cernavoda NPP was approved by the Extraordinary General Shareholder Meeting from 22 October 2015.

On November 9th 2015, the MoU was signed by the management of the parties involved: SN Nuclearelectrica SA and China General Nuclear Power Corporation.

The Romanian Government issued on January 19, 2016 Letter of Support for Project Units 3 and 4 of Cernavoda NPP. Currently, negotiation were started on Investment Documents respectively Investors Agreement and Articles of Incorporation.

Daniela Lulache
Chief Executive Officer

Mihai Darie
Chief Financial Officer