



SN Nuclearelectrica SA

Individual Financial Statements
as at and for the year ended on
December 31, 2016

Prepared in accordance with
**the International Financial Reporting Standards adopted by the
European Union (IFRS-UE)**

SN Nuclearelectrica SA

Statement of Individual financial position at December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

		December 31, 2016	December 31, 2015
		(audited)	(audited)
Assets	Note		
Non-current assets			
Property, plant and equipment	<u>5</u>	7.108.486.979	7.474.555.551
Intangible assets	<u>6</u>	80.636.405	79.982.771
Financial investment	<u>7</u>	141.689.201	141.689.201
Total non-current assets		7.330.812.585	7.696.227.523
Current assets			
Inventories	<u>8</u>	331.057.122	323.222.947
Income tax receivable		-	1.173.730
Trade receivables and other receivables	<u>9</u>	162.063.302	163.499.181
Prepayments		12.699.411	12.072.918
Bank deposits	<u>10</u>	1.245.073.268	1.103.841.528
Cash and cash equivalents	<u>10</u>	263.714.387	257.376.819
Total current assets		2.014.607.490	1.861.187.123
Total assets		9.345.420.075	9.557.414.646
Equity and liabilities			
Equity			
Share capital, out of which:	<u>11</u>	3.210.641.253	3.210.641.253
<i>Subscribed and paid in share capital</i>		<i>3.015.138.510</i>	<i>3.015.138.510</i>
<i>Inflation adjustment to share capital</i>		<i>195.502.743</i>	<i>195.502.743</i>
Share-premium	<u>11</u>	31.474.149	31.474.149
Prepaid share reserve	<u>11</u>	21.553.537	21.553.537
Revaluation reserve	<u>11</u>	265.842.461	293.329.577
Reported result	<u>11</u>	3.977.101.856	3.936.724.775
Total equity		7.506.613.256	7.493.723.291
Liabilities			
Non-current liabilities			
Long term loans	<u>12</u>	1.087.961.815	1.279.606.054
Long-term deferred income	<u>14</u>	143.446.616	157.791.277
Deferred tax liability		163.087.603	173.496.018
Employee benefits	<u>15</u>	31.907.053	31.796.021
Total non-current liabilities		1.426.403.087	1.642.689.370
Current liabilities			
Accounts payable and other liabilities	<u>13</u>	178.860.825	197.281.806
Current tax liability		6.431.972	-
Short term advance income		6.181.408	21.671.875
Current portion of long term loans	<u>12</u>	220.929.527	202.048.304
Total current liabilities		412.403.732	421.001.985
Total liabilities		1.838.806.819	2.063.691.355
Total equity and liabilities		9.345.420.075	9.557.414.646

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Individual profit and loss account for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

		2016	2015
		(audited)	(audited)
	Note		
Income			
Income from the sale of electricity	16	1.620.769.517	1.673.421.590
Income from the transport of electricity		26.861.292	75.247.078
Total income		1.647.630.809	1.748.668.668
Other income	20	32.589.302	34.329.171
Operating costs			
Depreciation and amortization		(474.779.554)	(493.762.157)
Personnel costs	17	(297.732.932)	(301.369.015)
Cost of acquired electricity		(22.665.212)	(26.828.898)
Repairs and maintenance		(126.128.089)	(129.820.114)
Cost of transport for electricity		(26.861.292)	(75.247.078)
Cost of spare parts		(21.243.702)	(18.721.768)
Cost of nuclear fuel		(140.397.129)	(139.198.799)
Other operating costs	18	(411.043.680)	(437.910.555)
Total operating costs		(1.520.851.590)	(1.622.858.384)
Operating result		159.368.521	160.139.455
Financial costs	19	(118.994.718)	(150.843.084)
Financial income	19	89.990.559	169.027.593
Financial net (cost)/income		(29.004.159)	18.184.509
Profit before profit tax		130.364.362	178.323.964
Net cost with profit tax	14	(17.914.911)	(29.180.235)
Profit for the year		112.449.451	149.143.729

The individual financial statements on pages 1-52 were approved for publication by the senior management on March 22, 2017 and signed on its behalf by:

Daniela Lulache
CEO

Mihai Darie
CFO

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Individual financial statement of the comprehensive income for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

	Note	2016 (audited)	2015 (audited)
Profit for the year		112.449.451	149.143.729
Other elements of the comprehensive income			
Items that will never be included in the profit and loss account			
Property, plant and equipment revaluation	<u>5</u>	-	3.772.653
Deferred tax liability related to the revaluation reserve	<u>14</u>	-	(603.624)
Actuarial losses/(Gains) on defined benefit plans		(59.915)	1.447.515
Other comprehensive income		(59.915)	4.616.544
Total comprehensive income		112.389.536	153.760.273
Earnings per share			
Basic earnings per share (RON/share)	<u>22</u>	0,37	0,50
Diluted earnings per share (RON/share)	<u>22</u>	0,37	0,50

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Individual financial statement of changes in equity for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

	Note	Share capital	Share premium	Prepaid share reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at January 1, 2016 (audited)		3.210.641.253	31.474.149	21.553.537	293.329.577	3.936.724.775	7.493.723.291
Comprehensive income for the period							
<i>Profit for the year</i>		-	-	-	-	112.449.451	112.449.451
<i>Other items of the comprehensive income (AERG)</i>		-	-	-	-	(59.915)	(59.915)
Total comprehensive income for the period		-	-	-	-	112.389.536	112.389.536
Transfer of the revaluation reserve to the retained earnings	11	-	-	-	(27.487.116)	27.487.116	-
Dividends distributed	11	-	-	-	-	(99.499.571)	(99.499.571)
Balance as at December 31, 2016 (audited)		3.210.641.253	31.474.149	21.553.537	265.842.461	3.977.101.856	7.506.613.256

*Notes on pages 1-28 are an integral part of these individual financial statements.**This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Individual financial statement of changes in equity for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

Note	Share capital	Share premium	Prepaid share reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at January 1, 2015 (audited, restated)	3.013.330.303	31.474.149	217.820.977	313.405.061	3.853.283.081	7.429.313.571
Comprehensive income for the period						
<i>Profit for the fiscal year</i>	-	-	-	-	149.143.729	149.143.729
<i>Other items of the comprehensive income (AERG)</i>	-	-	-	3.169.029	1.447.515	4.616.544
Total comprehensive income for the period	-	-	-	3.169.029	150.591.244	153.760.273
Share issue	197.310.952	-	(197.304.802)	-	-	6.150
Transfer to reserves	(2)	-	-	-	2	-
Transfer of reserves from revaluation to retained earnings	-	-	-	(23.244.513)	23.244.513	-
Increase of prepaid reserve	-	-	1.037.362	-	(27.753)	1.009.609
Dividends distributed	-	-	-	-	(90.366.312)	(90.366.312)
Balance as at December 31, 2015 (audited)	3.210.641.253	31.474.149	21.553.537	293.329.577	3.936.724.775	7.493.723.291

*Notes on pages 1-28 are an integral part of these individual financial statements.**This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Individual financial statement of cash flow for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

	2016 (audited)	2015 (audited)
Cash flows from operating activities		
Profit before income tax	130.364.362	178.323.964
Adjustments for:		
Depreciation and amortization	474.779.554	493.762.157
Impairment loss on trade and other receivables	(193.717)	(877.223)
Impairment loss on inventories	5.808.166	(1.662.547)
Provisions	7.670.139	8.588.083
Loss from assets disposal impact and impairment of non-current assets	5.776.726	102.904
Net financial expense/(income)	28.697.399	(17.873.418)
Changes in:		
Decrease in trade receivables and other receivables	677.438	85.575.763
Increase in inventories	(13.931.758)	(7.667.439)
Variation of deferred income	(29.835.128)	(17.582.292)
Variation of deferred costs	(626.493)	-
Decrease in trade liabilities and other liabilities	(15.751.450)	(27.114.737)
Cash flows related to operating activities	593.435.238	693.575.215
Income tax paid	(20.717.625)	(48.329.250)
Interest received	15.434.443	18.665.900
Interest paid	(10.468.684)	(13.629.233)
Net cash relating to operating activities	577.683.372	650.282.632
Cash flows relating to investment activities		
Purchase of intangible assets	(8.379.259)	(8.262.645)
Purchase of tangible assets (property, plant and equipment)	(110.608.309)	(165.795.802)
Proceeds from sale of property, plant and equipment	89.041	171.404
Increase in bank deposits	(141.231.740)	(1.072.398.813)
Net cash flow from investment activities	(260.130.267)	(1.246.285.856)
Cash flow used in financing activities		
Repayments of loans	(211.824.851)	(210.715.164)
Payments of dividends	(99.390.686)	(88.209.568)
Shares issue	-	6.150
Net cash flow used in financing activities	(311.215.537)	(298.918.582)
Net increase/(decrease) in cash and cash equivalents	6.337.568	(894.921.806)
Cash and cash equivalents at January 1, (Refer to Note 10)	257.376.819	1.152.298.625
Cash and cash equivalents at the end of the fiscal year (Refer to Note 10)	263.714.387	257.376.819

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

1. REPORTING ENTITY

Societatea Nationala Nuclearelectrica S.A. (the "Company" or "SNN") is a national joint-stock company, one-tier management system, having a head office and two branches without legal personality, CNE Cernavoda (Nuclear Power Plant) – office in Constanta, Cernavoda, Medgidiei Street, 2, Trade Register no. J13/3442/2007 and FCN Pitesti (Nuclear Fuel Factory) –office in Arges, Mioveni, Campului Street, 1, Trade Register no. J03/457/1998. The registered office of SNN is located in Bucuresti, District 1, Polona Street, 65. The company's main activity is "Electricity generation" - CAEN code 3511 recorded in the Trade Register under number J40/7403/1998, tax number 10874881, fiscal attribute RO.

The Company's main activity consists in electricity and thermal energy generation by nuclear processes. The main place of business is within the Branch CNE Cernavoda, where the Company owns and operates two operational nuclear reactors (Unit 1 and Unit 2). The two nuclear operational reactors are based on CANDU technology (Canada Deuterium Uranium type PHWR). Besides, at Cernavoda the Company owns other two nuclear reactors in the early stages of construction (Unit 3 and Unit 4). The construction of Units 3 and 4 was planned to be completed by the subsidiary Energonuclear S.A.; currently, there is a new strategy to continue the project Units 3 and 4, approved by the Extraordinary General Meeting of Shareholders on August 22, 2014 (for more information please see Note 5).

The Company also owns a reactor (Unit 5) for which the Company shareholders approved in March 2014 the change of the initial destination, namely, the use of Unit 5 for carrying out the activities related to the operation of Units 1 and 2. The project intended to change the initial destination of Unit 5 is currently being implemented and it is expected to be finalized during 2018. Unit 5 is fully depreciated, since there was no plan to continue its construction as a nuclear unit.

Manufacturing of nuclear fuel bundles CANDU type required for operating the two nuclear operational reactors located in the Branch CNE Cernavoda is performed by the Company in the Branch FCN Pitesti.

In Romania, the electricity sector is regulated by the National Energy Regulatory Authority ("ANRE"), an autonomous public institution. The electricity market in Romania is in a process of gradual liberalization by the end of 2017. The Company participates in the electricity market both in the competitive segment, and on the regulated market segment. On a yearly basis, ANRE sets by annual decisions the quantities of electricity to be sold by the Company on the regulated market and the regulated prices to be charged in the current year; the regulated prices are set based on economically justified costs respectively cost plus profit margin, using a methodology approved by ANRE.

Since November 4, 2013, the shares of the Company have been traded on the Bucharest Stock Exchange, under the issuing symbol SNN.

As described in Note 11, as at December 31, 2016 the shareholders of the Company are: The Romanian State through the Ministry of Energy which holds 248.736.619 shares representing 82,4959% of the share capital, Fondul Proprietatea SA which holds 27,408,381 shares representing 9,0903% of the share capital and other natural persons and legal entities shareholders holding together 25.368.851 shares, representing 8,4138% of the share capital.

These individual financial statements were approved for publication by the senior management of the Company on March 22, 2017.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

2. BASIS OF PREPARATION

a) Statement of compliance

The individual financial statements have been prepared in accordance with the Order of the Ministry of Public Finance no. 2844/19.12.2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards – “IFRS – UE” (OMPF 2844/2016”). As per OMPF 2844/2016, 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 Council dated July 19, 2002 regarding the application of the international accounting standards.

The OMPF 2844/2016 repealed on 19th of December 2016 the Order of the Minister of Public Finance no. 1286/2012 (“OMPF 1286/2012”) with subsequent amendments regarding the approval of the Accounting Regulations in accordance with IFRS applicable to companies whose securities are admitted to trading on a regulated market, applicable until that date.

b) Basis of assessment

The individual financial statements have been prepared under the historical cost, except for some categories of property, plant and equipment which are measured at fair value, as shown in the accounting policies (refer to Note 3c).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. These individual financial statements have been prepared by applying the going concern principle .

c) Functional and presentation currency

The financial statements are presented in Romanian LEI (“RON” or “LEU”), which is the functional currency of the Company. All financial information is presented in RON, unless otherwise indicated.

d) Use of estimates and professional judgments

The preparation of the individual financial statements in conformity with IFRSs requires the management to use professional judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses, useful life of non-current assets (refer to Note 3c), assumptions used in determining the fair value (refer to Note 4 and Note 23e), assumptions made in determining the fair value of tangible assets (property, plant and equipment) (refer to Note 5), the transfer to tangible assets (property, plant and equipment) of those spare parts which meet the recognition criteria required by IAS 16 (refer to Note 5), the recoverability of trade receivables (refer to Note 9), assumptions regarding the net recoverable value of inventories (refer to Note 8), assumptions regarding the calculation of employee benefits (refer to Note 15), the period on which the governmental grants are transferred to the profit and loss account (refer to Note 3p and Note 20). Actual results may differ from the estimates ones.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

Information about assumptions that have a significant risk of resulting in a material adjustment within the next financial years is included in Note 7 (key assumptions relating to the continuance of the Project Units 3 and 4).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies below have been applied consistently for all periods presented in these individual financial statements prepared by the Company.

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

a) Transactions in foreign currencies

Trades in foreign currencies are translated into RON at exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currencies at fiscal year end are expressed in RON at the exchange rate at that time (the exchange rate is the one published by the National Bank of Romania). Gains and losses from exchange rate differences, realized or unrealized, are included in the profit and loss account of the year. The exchange rates on December 31, 2016 and December 31, 2015 for the main currencies used by the Company in its transactions are as follows:

	Average exchange rate		Exchange rate as at	
	2016	2015	December 31, 2016	December 31, 2015
RON/ EUR	4,4900	4,4450	4,5411	4,5245
RON/ USD	4,0569	4,0057	4,3033	4,1477
RON/ CAD	3,0627	3,1363	3,1921	2,9858
RON/ GBP	5,4964	6,1255	5,2961	6,1466

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

b) Adjustment of hyperinflation effects

Romania had in the past a very high level of inflation and was considered a hyperinflationary economy, as defined in the International Accounting Standard (IAS) 29 "Financial reporting in hyperinflationary economies". IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy should be expressed in relation to the measuring unit current at the end of the reporting period. Because the features of the Romanian economic environment indicated that hyperinflation had ceased on January 1, 2004, the Company no longer applied IAS 29 starting on January 1, 2004. Consequently, the amounts expressed in the measuring unit currency on December 31, 2003 are treated as the basis for the carrying amounts of these financial statements.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

c) Property, plant and equipment

Acknowledgement and assessment

Tangible assets (property, plant and equipment) are initially assessed at cost minus accumulated depreciation and accumulated impairment losses.

The cost includes the expenses directly attributable to the acquisition of the assets. The cost of assets built by the Company include as follows:

- cost of materials and direct personnel costs;
- other costs directly attributable to bringing the assets to the location and condition necessary for the requested stage of desired use; and
- capitalized loan costs.

Tangible assets (property, plant and equipment) are accounted at cost or fair value, differentiated by categories as follows:

- The land, special constructions, administrative buildings and other buildings including the nuclear power plants are recorded at the revalued amount. On the date of transition to IFRS, they were assessed using the assumed cost method. Thus, the revaluation surplus of the Company according to OMFP 3055/2009 until January 1, 2012, was transferred to the retained earnings in a distinct analytical account. Revaluation reserves arising after the date of transition to IFRSs as a result of revaluations are recorded as such in the financial statements. The revaluation surplus, the one existing on the date of transition to IFRS and the subsequent one, is realized during the depreciation of tangible assets (property, plant and equipment) or at their disposal.
- Machines, equipment and other assets, less buildings and special constructions and other buildings, including nuclear power plant, are recorded at the historical cost minus any accumulated depreciation and any accumulated impairment losses.
- Non-current assets in progress are recorded at the historical cost of acquisition or construction or inflated cost (restated in relation to the measuring unit current on December 31, 2003 for the non-current assets acquired before January 1, 2004) minus any cumulated depreciation losses.

Within non-current assets in progress the buildings and heavy water to be used in the Project U3 and U4 were also included since the heavy water is not used and is not chemically impaired; it is evaluated initially and subsequently at cost.

Units 1, 2, 3, 4 and 5 were considered a single project, and therefore the costs incurred before 1990 were not accounted separately for each unit. In 1991, the Company conducted a cost allocation for each unit. This allocation is based on cost of the non-current assets included in the non-current assets in progress (Units 3, 4 and 5).

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

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

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

If the carrying amount of an asset is increased as a result of a revaluation, this increase should be recorded directly in equity, in the heading "Revaluation reserves". However, the increase shall be recognized in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit and loss account. However, the decrease shall be recognized in other comprehensive income, to the extent that there is a credit balance in the revaluation surplus for that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity in the heading "Revaluation reserves".

Subsequent costs

Subsequent costs are capitalized only when it is probable that future economic benefits associated with these costs will be generated for the Company. The accounting per component for the costs of inspection and overhaul is used only for major expenses that occur at regular intervals over the useful life of an asset. Current repairs and maintenance expenses are classified as expenses when they occur.

Depreciation

Land is not subject to depreciation as it is deemed to have an indefinite useful life. Assets in progress are not subject to depreciation.

Depreciation of other tangible assets is calculated by using the straight-line method from the time the asset is complete and ready for use, along the estimated useful lives. The estimated useful lives are as follows:

Asset	Useful life in years
Nuclear power plant – Units 1 and 2	30
Heavy water (loads for Units 1 and 2)	30
Buildings	45 – 50
Other installations, equipment and machinery	3 - 20

The estimated useful life of Units 1 and 2 respectively, 30 years considers a number of 210,000 designed hours per Unit, equivalent to 80% capacity factor over a 30-year period. By December 31, 2016, the cumulative capacity factor achieved since the commissioning of Unit 1 is 90.37% and 94.79% for Unit 2, being higher than the 80% designed capacity factor. Using these capacity factors extrapolated to the same value for the rest of useful life, results that the estimated useful life of the units will be 26.5 years for Unit 1 and 25.3 years for Unit 2; however, this is a simplistic linear extrapolation because it is expected that the average capacity factor achieved so far in both units will decrease gradually until the end of the initial useful life due to creep of the fuel channels, namely due to the inherent physical impairment of the units.

The operating experience achieved by other CANDU nuclear power plants that have reached the operating hours designed, indicates that it is possible to extend the initial number of operation hours beyond the designed number of hours (210,000 hours). In February 2017, the Company contracted specialized services for technical assistance to determine the possibility of extending the number of operating hours designed for Unit 1.

The Company's Management truly believes it is possible to successfully increase the number of running hours for Unit 1, by adding a number of hours over the operation hours designed (210,000 hours) which would ensure the operation of Unit 1 until 2026 and therefore would allow to maintain the remaining duration of the estimated useful life, the estimated useful life for the first cycle of operation being 30 years. Increasing of the operating hours depends on the initial results of the study contracted before mentioned influenced mainly by the technical state of Unit 1 and the decision of the regulator authority (CNCAN) at the time of application.

By extrapolating the reasoning and considering the remaining useful life of Unit 2, in conjunction with the capacity factor of Unit 2 in the next period in connection with the life cycle of Unit 2, the life expectancy is maintained in the case of Unit 2. The estimated residual values for both units are void, given the challenges associated with the

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

refurbishment projects of the units after the initial lifetime, which may be extended by another 25 years after refurbishment.

Depending on the actual results related to the extending of the useful life of Unit 1 beyond the initial projected number of hours of operation, the estimates on the lifetime of both units could be reviewed in the subsequent financial years.

The heavy water (loads for Units 1 and 2), buildings and other facilities, equipment and vehicles are presented in Note 5 as "Machinery, equipment and other assets".

When the elements of a non-current asset have different useful lives, they are recorded as individual items (major components) of an asset. The depreciation methods for assets, useful life duration and residual value are reviewed, and adjusted, if needed, at each reporting date.

The accounting value of the asset is adjusted to the recoverable value if the accounting value is greater than the estimated recoverable value.

Sales gain or loss is determined by the difference between the proceeds from the sale of the asset and its accounting value, being recognized as operational revenues or operationa expense in the profit and loss account.

The cost of the borrowings contracted for the construction of an element of non-current assets is capitalized in the asset's cost at the current date of the preparation of the asset for its predetermined use or sale.

d) Intangible assets

Intangible assets are recognized at cost, less the accumulated amortisation and accumulated impairment loss, if any. Amortisation is recognized in profit and loss account by using the straight-line method over the estimated useful life of the intangible asset. Intangible assets consist primarily in software, which normally is amortized over a period of 5 years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted accordingly, if needed.

Research and development

The costs of the research activities conducted in order to gain knowledge or new scientific or technical interpretations, are recognized in profit and loss entry when incurred.

Development activities involve a plan or project concerning new or substantially improved products or processes. Development costs are capitalized only if they can be measured reliably, the product or process is technically and commercially feasible, the future economic benefits are probable and the Company intends and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct personnel costs and administrative costs that are directly attributable to prepare the asset for its intended use and the capitalized loan costs. Other development costs are recognized in profit and loss when incurred.

Capitalized development costs are valued at the cost less the accumulated amortization and accumulated impairment losses.

Subsequent costs

Subsequent costs are capitalized only when they increase the value of future economic benefits embodied in the asset to which they are intended. All other expenditure, including the expenditure for the goodwill and brands internally generated are recognized in profit and loss when incurred.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

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 are indications of the existence of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the maximum of value in use and fair value less the costs of sales. In determining the value in use, future cash flows expected are discounted to determine the present value by using a discount rate before tax that reflects the current market assessments of the time value of money and the risks specific to the asset or CGUs. For the impairment testing, assets that can not be tested individually are grouped at the level of the smallest group of assets that generate cash inflows from the continuing use and that are largely independent of the cash inflows from other assets and other cash-generating units.

The impairment losses are recognized in profit and loss. The impairment losses recognized in connection with cash-generating units reduce the carrying amount of the assets of the cash-generating unit (group of cash-generating units).

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, if no impairment had been recognized.

f) Inventories

Inventories consist of consumables, spare parts that do not qualify for recognition as non-current assets, safety stock, uranium and other stocks necessary for the activity of the Company. These are recorded as inventories at the time of purchase and are expensed at the time of consumption.

Inventories are valued at the lower between cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary in order to sell.

According to the IAS 2 standard on "Inventories" the cost of discharged inventories shall be determined by applying the first-in, first-out method (FIFO) or the weighted average cost method (WAC). Up to December 31, including 2015, the company used the FIFO method.

Following the analysis made by the management of the company it was concluded that the use of WAC method would produce credible results in the annual financial statements for their users. In this context, starting from the 1st of January 2016 the accounting policy used in order to determine the cost of discharged inventories was changed from FIFO to WAC.

In accordance with the requirements for changing the accounting policies stipulated by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the management believes that the WAC method results in financial statements which are more relevant and more reliable for users' needs by making economic decisions, as shown in the analysis of the two methods below:

- The FIFO method involves that the outgoing inventories are to be valued at their cost of acquisition or production of the first entry. If the inventories are older and the prices are rising, this method does not produce the most reliable results to be reflected in the statement of the comprehensive income;

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

- The WAC method involves the cost calculation for every item according to the weighted average cost for similar items included in the inventories at the beginning of the period and for those purchased during the period.

The Company is unable to retroactively apply this change in its accounting policy in accordance with the requirements of IAS 8, because the effects of retroactive application are not determinable since the cumulative impacts on all prior periods cannot be calculated. Therefore, the Company applies the new policy prospectively from January 1, 2016.

g) Recognition and derecognition of non derivative financial instruments

Non derivative financial instruments

The Company initially recognizes the loans and receivables on the date on which they were initiated. All other financial assets are initially recognized on the trade date, when the Company becomes party to the contractual terms of the instrument.

The Company derecognizes a financial asset when the contractual rights on the cash flows generated by the asset expires or when the rights to collect the contractual cash flows of the financial asset are transferred through a transaction in which the risks and benefits of ownership of the asset are transferred significantly. Any interest in the transferred financial assets that is created or retained by the Company is recognized separately as an asset or a liability.

The financial assets and liabilities are offset and their net value is disclosed in the statement of financial position only when the Company has the legal right to offset the amounts and intends either to settle them on a net basis, either to achieve the asset and settle the obligation simultaneously.

The non derivative financial assets of the Company are mainly receivables, cash and cash equivalents and bank deposits.

Non derivative financial liabilities

The Company initially recognizes the debt instruments issued and subordinated liabilities on the date they are initiated. All other liabilities (including liabilities valued at fair value through profit and loss) are initially recognized on the trade date when the Company becomes party to the contractual terms of the instrument.

The Company derecognizes a financial liability when its contractual obligations are settled, canceled or expires.

The Company classifies the non derivative financial liabilities in the category of other financial liabilities. These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to the initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other non-derivative financial liabilities include loans, trade payables and other liabilities.

h) Trade receivables and other receivables

Trade receivables are initially recorded at the invoiced value and subsequently measured by using the effective interest method less the impairment value. An impairment provision for is established when there is objective evidence that the Company will not be able to collect receivables on time. Significant financial difficulties of the debtor, probability that

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

it enters bankruptcy or financial reorganization, late payments (over 360 days) are considered indicators that these claims may require value adjustments.

An impairment loss related to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the current value of expected discounted future cash flows by using the original effective interest rate of the asset. The carrying value is reduced by using an account for impairment provisions and the loss is entered in profit and loss section under "other operating expenses".

i) Cash and cash equivalents

Cash and cash equivalents includes cash, current accounts and bank deposits with an original maturity of up to three months, which are subject to an insignificant risk in change of fair value. Bank deposits in the statement of financial position refer to those bank deposits having an initial maturity of over 3 months.

j) Share capital

The ordinary shares are classified as part of equity. Incremental costs directly attributable to the issue of new shares are recognized as a reduction of equity, net of tax effect.

k) Legal reserve

Legal reserves are established as follows: 5% comes from the gross profit from the year end, until the total legal reserves reach 20% of the share capital paid in accordance with the law. These reserves are deductible on profit calculation tax at the rate specified in the Tax Code and are only distributable in the event of liquidation of the Company. The legal reserve is distributed at balance sheet date. The legal reserve is included in "retained earnings".

l) Prepaid reserve

The prepaid reserve represents the cash contributions made by the shareholders of the Company for future issuance of shares by the Company. These contributions are recorded on credit in prepaid reserve, when there is no possibility that advance payments to be returned, and the Company is only obliged to issue a fixed number of shares.

m) Dividends

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

n) Trade payables and other liabilities

Trade payables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method. Debts to suppliers are classified as current liabilities when they originated no more than one year ago, in other cases being presented as non-current liabilities.

According to *IFRIC 21 "Taxes"*, the Company recognises its debt related to the government taxes and duties such as the tax on special constructions (applicable until December 31, 2016) and the local taxes and duties at the time when the activity determining the payment occurs, as defined by the relevant law. Besides, a tax-related liability is progressively estimated only if the activity that determines the payment occurs over a period.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

IFRIC 21 is applicable retrospectively to all taxes imposed by the governmental authorities under the legislation, other than cash outflows subject to other standards (eg: IAS 12 Income Taxes), fines and other penalties for violating the law.

IFRIC 21 mentions that this interpretation does not address the means of recording the counter-party for this debt (respectively asset or cost) but it mentions that an asset is acknowledged in case a debt was paid in advance and there is no present payment obligation.

The Company considers that the acknowledging moment for the debt is determined by the existence of assets in its patrimony representing the base of taxes and as a consequence, the debt for the special building tax (applicable until December 31, 2016) and local taxes and fees is fully acknowledged on the 1st of January in trade-off with the corresponding expense. The amounts paid before the term mention in the current law are recognized as advanced payments and subsequently reversed on expenses to fulfill the payment terms provided by the corresponding law.

o) Loans

Loans are recognized initially at fair value, net of transaction costs. Subsequent to initial recognition, loans are recorded at amortized cost, any difference between the amounts received (net of transaction costs) and the amount repayable is recognized in the income statement over the period of the loan using the effective interest method.

p) Government grants

Government grants related to the purchase of assets are recorded as deferred revenue at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions related to the grant.

Government grants for the purchase or construction of an asset are recognized in profit and loss account systematically as the related asset is depreciated.

q) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss account, unless they are related to business combinations or to items recognized directly in equity or in other comprehensive income.

(i) Current income tax

The current tax is the tax that is expected to be paid or received for taxable income or deductible losses realized in the current year, using tax rates enacted or substantively enacted at the reporting date, as well as any adjustment regarding the payment obligations of the income tax related to the previous years.

(ii) Deferred tax

The deferred tax is recognized for the temporary differences arising between the carrying amount of assets and liabilities that are used for financial reporting and tax bases used to calculate the tax.

Deferred tax is not recognized for:

- temporary differences arising from the initial recognition of assets and liabilities arising from transactions that are not business combination and that does not affect the profit or the accounting or fiscal loss;

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

- temporary differences resulting from investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not be reversed in the foreseeable future; and
- temporary differences arising from the initial recognition of goodwill.

Deferred tax assessment reflects the fiscal consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of assets and liabilities.

Deferred tax is calculated using tax rates that are expected to be applicable to the resumption of temporary differences, based on the legislation enacted or substantively enacted at the reporting date.

Deferred tax asset and liabilities are offset only if there is a legally enforceable right to offset debts and receivables related to the current tax and whether they are related to taxes levied by the same fiscal authority for the same entity subject to taxation or for different fiscal entities, which intend to settle claims and current tax liabilities on a net basis or whose deferred tax asset and liabilities will be simultaneously realized.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences only if future taxable profits that can be used to cover the tax loss are likely to be obtained. Deferred tax assets are reviewed on each reporting date and are reduced if the related tax benefit is unlikely to be obtained.

(iii) Exposure related to income tax

In determining the current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interests may be due. This assessment is based on estimates and assumptions and may involve a number of professional judgments about future events. New information that may become available may cause the Company to modify its professional judgments regarding the adequacy of the existing tax liabilities; such changes related to the tax liabilities shall have an impact on the income tax expense in the period in which such a determination occurs.

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 liabilities in relation to the defined benefits plans are calculated separately for each single plan, by estimating the amount of future benefit that employees have earned in return for the services rendered in the current and prior periods; these benefits are discounted to the present value. Any costs unrecognized for prior services and the fair value of the benefit plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected credit factor method. When the calculation results in a benefit for the Company, the recognized asset is limited to the total of the unrecognized cost of past service and the present value of any economic benefits available in the form of future reimbursements in the plan or some reductions applied to the future contributions to the plan. To calculate the present value of the economic benefits, all minimum financing requirements applicable to any plan of the Company are considered. An economic benefit is available for the Company if it is attainable over the life of the plan or when debts in the plan are settled.

When benefits of a plan are increased, the share of additional benefit for the services provided previously by employees is recognized in profit and loss using the straight-line method over the average period of time until the benefits become

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

effective. To the extent that the benefits become effective immediately, the expense is recognized immediately in profit and loss.

The Company immediately recognizes all actuarial gains and losses arising from the defined benefit plans in other comprehensive income entries and all expenses related to defined benefit plans are determined in profit and loss.

The Company recognizes gains or losses related to the decrease or settlement of a defined benefit plan such decrease or settlement occurs.

Gain or loss arising from decrease or settlement shall comprise any resulting change in the present value of the defined benefit liability, any resulting change in the fair value of the assets of the plan, any actuarial gains or losses related to any past service cost associated that had not been previously recognized.

(ii) Other long-term benefits granted to employees

The Company's net liability in respect of long-term benefits granted to employees is the amount of future benefits that employees have earned in return for services rendered in the current period and in the previous one. These benefits are updated in order to determine their fair value, and the fair value of any related asset is deducted. These benefits are estimated using the projected credit factor method. Any gains or losses are recognized in profit and loss in the period in which they arise.

(iii) Short-term benefits granted to employees

Short-term benefit liabilities are valued without being discounted and are recognized as expenses as the services are rendered. A provision is recognized at the estimated amount to be paid for short-term benefits in the form of bonuses or employees participation in profits, only if the Company has a present, legal or constructive obligation to pay this amount for past services rendered by employees and this obligation can be estimated reliably.

s) Provisions

A provision is recognized 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 likely that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount is recognized as financial expense. The provision for interim storage of spent nuclear fuel is determined as the present value of future expenditure with its storage.

t) Revenues recognition

Revenues include the fair value of the received or receivable counterperformance for the sale of goods during the current activity. Revenue is presented net of value added tax.

The Company recognizes revenues when their value can be measured reliably, benefits are probable and other further criteria have been met. The amount of incomes can not be measured reliably until all obligations related to the sale have been settled.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

Revenues from sale of electricity (generated or acquired by the Company) are recognized when the Company has delivered energy in the electricity transmission network.

u) Financial income and expenses

Financial income mainly includes the interest income on bank deposits and cash, as well as the gains from currency exchange rate differences. Financial income is recognized in the profit and loss on an accrual basis using the effective interest method. The financial expenses mainly comprise the interest expense on loans and losses from currency exchange rate differences. All cost related to loans that are not directly attributable to the acquisition, construction or production of an asset are recognized in profit and loss using the effective interest method.

v) Operating segments

Fields of activity are identified by IFRS 8 "Operating segments" as components of an entity:

- which engages itself in activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity;
- whose operating results are regularly reviewed by the chief operating decision maker to make decisions about allocating resources and assessing the performances of its field; and
- for which separate financial information is available.

The Company's senior management considers its operations in their entirety as "one segment".

w) Earnings per share

Earnings per share is calculated by dividing the profit and loss attributable to (a) the Company's shareholders at the weighted average of ordinary shares outstanding during the period. Weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of shares repurchased or issued during the period multiplied by a time-weighting factor.

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

x) Related parties

When one party, either through ownership, contractual rights, family relationship or otherwise has the power to directly or indirectly control or significantly influence the other party, the parties are considered affiliated parties.

y) Unforeseen Expenses

Unforeseen expenses are not recognized in these financial statements. They are identified, unless the possibility of an outflow of resources embodying economic benefits is reduced.

z) Comparative figures

Where necessary, comparative figures have been amended so as to comply with the changes occurred in the current year presentation.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version,
the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

aa) The implications of new International Financial Reporting Standards (IFRS)

During the current year the Company has applied all new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant to its operations and are effective for the accounting periods beginning on 1 January 2016, approved by the European Union.

Upon the date of approval of these financial statements, a number of standards and interpretations issued by the International Accounting Standards Board (IASB) apply, but only some of them were adopted by the European Union. The Company's management expects that the implementation of these accounting standards in future periods will have no material effect on the financial statements of the Company.

4. DETERMINATION OF FAIR VALUES

Some Company's accounting policies and presentation of information require determination of fair value for both financial and non-financial assets and liabilities. In determining fair values of assets and liabilities, for company uses as much as possible observable market values.

Fair values are classified in a multilevel hierarchy of fair values based on inputs used in valuation techniques as follows:

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

For classification in the fair value hierarchy refer to Note 23e.

Tangible assets (property, plant and equipment)

The fair value of special constructions are primarily based on the cost method considering their peculiarities.

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Nuclear power plants	Machineries, equipment and other assets	Non-current assets in progress	TOTAL
Cost					
Balance as at January 1, 2015	28.662.087	6.072.194.991	1.409.870.162	995.561.840	8.506.289.079
Additions	1.006.071	-	14.087.194	138.093.391	153.186.656
Revaluation of special buildings/land/constructions	4.357.831	4.417.451	(5.002.628)	-	3.772.654
Offset of accumulated amortization upon revaluation	-	(673.807.684)	(64.438.939)	-	(738.246.623)
Transfers	-	12.772.406	140.213.936	(152.986.343)	-
Inventories transfers	-	-	-	14.189.594	14.189.594
Spare parts transfer	-	-	879.654	(879.654)	-
Disposals	-	-	(2.050.146)	(61.643)	(2.111.789)
Balance as at December 31, 2015 (audited)	34.025.989	5.415.577.164	1.493.559.233	979.523.186	7.922.685.571
Balance as at January 1, 2016 (audited)	34.025.989	5.415.577.164	1.493.559.233	979.523.186	7.922.685.571
Additions	-	-	13.256.072	93.305.636	106.561.708
Transfers	-	164.223.252	29.262.697	(193.485.949)	-
Spare parts transfers	-	-	-	289.417	289.417
Transfers in intangible assets	-	-	-	(13.717.629)	(13.717.629)
Disposals	-	-	(1.477.663)	(5.851.327)	(7.328.990)
Balance as at December 31, 2016 (audited)	34.025.989	5.579.800.416	1.534.600.339	860.063.334	8.008.490.077
Amortization and adjustment for depreciation					
Balance as at January 1, 2015 (audited)	233.272	334.518.634	243.154.606	139.384.519	717.291.031
Depreciation charges	77.757	339.289.050	108.129.274	-	447.496.081
Revaluation of special buildings/land/constructions	2.490.088	29.408.719	(16.607.332)	-	15.291.475
Offset of accumulated disposals	-	-	(1.838.455)	-	(1.838.455)
Adjustments for intangible assets depreciation	-	-	(13.106)	8.149.618	8.136.511
Offset of accumulated depreciation of disposals	-	(673.807.684)	(64.438.939)	-	(738.246.623)
Balance as at December 31, 2015 (audited)	2.801.117	29.408.719	268.386.048	147.534.136	448.130.020
Balance as at January 1, 2016 (audited)	2.801.117	29.408.719	268.386.048	147.534.136	448.130.020
Depreciation charges	51.838	346.011.604	113.783.192	-	459.846.634
Accumulated depreciation of disposals	-	-	(1.463.222)	-	(1.463.222)
Adjustments for intangible assets depreciation	187.914	-	-	(6.698.248)	(6.510.334)
Balance as at December 31, 2016 (audited)	3.040.869	375.420.323	380.706.018	140.835.888	900.003.098
Carrying amount					
Balance as at January 1, 2015 (audited)	28.428.815	5.737.676.357	1.166.715.555	856.177.322	7.788.998.048
Balance as at December 31, 2015 (audited)	31.224.872	5.386.168.445	1.225.173.185	831.989.050	7.474.555.551
Balance as at December 31, 2016 (audited)	30.985.120	5.204.380.093	1.153.894.321	719.227.446	7.108.486.979

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

Machinery, equipment and other assets mainly include the first load of heavy water used for Units 1 and 2, with a net carrying amount on December 31, 2016 amounting to 383.525.007 RON (December 31, 2015: 404.188.599 RON) and administrative buildings with a net carrying amount on December 31, 2016 amounting to 315.465.551 RON (December 31, 2015: 332.439.518 RON).

In accordance with the accounting policies in force applied by the Company, the land, buildings and constructions are stated at fair value. These assets were revalued on December 31, 2015 by an independent assessor, East Bridge SRL, member of the National Association of Certified Assessors in Romania (ANEVAR).

Revaluation results were accounted by using the net method and reflect a reduction in net carrying amount of assets (land, buildings and constructions) amounting to 11.518.821 RON as at December 31, 2015.

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

On 31.12.2015 "Depreciation and amortization" include 15.291.475 RON representing the expenses resulting from the reduction in net carrying amount of revalued assets and 8.136.511 RON provision for adjustments of depreciation of assets proposed for disposal after the annual inventory.

On 31.12.2016, the carrying value of Units 3 and 4 recognized in the the group "Non-current assets in progress" amounts to 273.960.000 RON (December 31, 2015: 273.960.000 RON). Before 1991 the nuclear Units 1, 2, 3, 4 and 5 were considered as a single project and therefore the construction costs incurred had not been allocated per unit. Subsequently, the Company allocated the costs for the construction of Units 3 and 4 of the nuclear power plant and for Unit 5.

On December 31, 2016 and December 31, 2015 heavy water related to Units 3 and 4, financed from own sources, amounts to 158.470.146 representing approximately 75 tonnes. This asset is shown in the group "Non-current assets in progress". The total amount of heavy water required for Units 3 and 4 is about 1.100 tons.

On December 31, 2013 the Company recognized a depreciation adjustment of 100% of the Unit 5 since there were no plans to resume its construction. On December 31, 2016 the gross carrying amount for Unit 5 is 136.980.000 RON (December 31, 2015: 136.980.000 RON). In March 2014, the Company shareholders approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation the result of which will be an asset with a different use than the initial use of Unit 5.

In 2012 Energonuclear SA has contracted an independent assessor, Ernst & Young, to carry out an indicative assessment of Units 3 and 4. Ernst & Young conducted the assessment of assets in accordance with the International Assessment Standards indicating a value of Units 3 and 4 in the range 380 - 539 million EURO (ie range 1.726 – 2.448 million RON considering the exchange rate RON/EUR 4,5411 on December 31, 2016).

The main investments made by the Company during 2016 for projects in progress related to Units 1 and 2 include:

- improvement of thermal performance of steam generators Unit 1-Magnetite amounting to 39.084.621 RON (2015: 6.890.479 RON);
- replacement of excitation system Generrex Unit 1 amounting to 20.747.092 RON (2015: 65.317.657 RON);
- filter system upstream of U1, U2 water chambers amounting to 3.930.922 RON (2015: 435.555);
- improvement of live steam system amounting to 3.486.372 RON (2015: 0 RON);
- mounting of the access gates into the water inlet chamber amounting to 4.296.668 RON (2015: 1.369.250 RON);
- construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to 8.116.594 RON (2015: 6.508.356 RON);

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

The main investments made in the fiscal year 2016 relates mainly to: installation of Generrex U1 excitation system amounting to 93.156.736 RON, mounting of the access gates into the water inlet chamber amounting to 5.665.917 RON, improvement of thermal performance of steam generators Unit 1-Magnetite amounting to 45.975.100 RON and refurbishment of the exhaust power transformers amounting to 9.549.891 RON.

In December 2016, the Company purchased 5.071 kilograms of heavy water from the National Administration of State Reserves and Special Issues („ANRSPS”) required for Units 1 and 2 amounting to 9.621.247 RON (2015: only 6.000 kg were purchase in amount of 11.095.440 RON).

On December 31, 2016, the carrying amount of the assets under construction related to Unit 3 and Unit 4 amounts to 507.024.049 RON (December 31, 2015: 512.234.889 RON). On December 31, 2016, the remaining difference up to 719.227.446 RON (December 31, 2015: 831.989.050 RON) represents the non-current assets under construction related to Unit 1 and Unit 2, such as: D2O detritiation installation amounting to 63.230.074 RON, improvement of nuclear safety systems after Fukushima amounting to 11.872.931 RON, construction of facilities for storage and loading of the nuclear fuel used (DICA) amounting to 23.745.391 RON, extension of Unit 1 lifetime by 25 years over the life designed amounting to 7.119.054 RON.

On December 31, 2016, the Company purchased non-current assets on credit from suppliers amounting to 9.115.482 RON (December 31, 2015: 14.618.981 RON).

Decommissioning of nuclear units

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/ 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 (refer to Note 18). The contribution paid by the Company to ANDR in 2016 amounts to 93.058.314 RON (2015: 95.467.009 RON).

Assets pledged as security

As at December 31, 2016, and December 31, 2015 the Company has no pledged or mortgaged assets.

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

*(All amounts are presented in RON, unless otherwise indicated.)***6. INTANGIBLE ASSETS**

	Licences and acquired software	Power plant software	TOTAL
Cost			
Balance as at 1 January 2015 (audited)	57.564.304	163.655.760	221.220.063
Additions	2.317.592	5.945.053	8.262.645
Transfers	50.000	(50.000)	-
Disposals	(30.874)	(31.505)	(62.380)
Balance as at 31 December 2015 (audited)	59.901.022	169.519.308	229.420.330
Balance as at 1 January 2016 (audited)	59.901.022	169.519.308	229.420.330
Additions	1.894.136	6.485.123	8.379.259
Transfer form property, plant and equipment	-	13.717.629	13.717.629
Disposals	(35.737)	(1.738.827)	(1.774.565)
Balance as at December 31, 2016 (audited)	61.759.421	187.983.232	249.742.653
Accumulated amortization			
Balance as at 1 January 2015 (audited)	54.670.346	71.991.065	126.661.411
Amortization charges	4.756.730	18.081.359	22.838.089
Amortization of disposals	(30.874)	(31.067)	(61.941)
Balance as at 31 December 2015 (audited)	59.396.202	90.041.357	149.437.559
Balance as at 1 January 2016 (audited)	59.396.202	90.041.357	149.437.559
Amortization charges	2.076.055	19.367.199	21.443.254
Amortization related to disposals	(35.737)	(1.738.827)	(1.774.565)
Balance as at December 31, 2016 (audited)	61.436.519	107.669.729	169.106.247
Carrying amount			
Balance as at 1 January 2015	2.893.958	91.664.695	94.558.653
Balance as at 31 December 2015	504.820	79.477.951	79.982.771
Balance as at 31 December 2016	322.903	80.313.504	80.636.405

The intangible assets representing mainly the software for integrated management systems amounting to 26.435.773 RON on December 31, 2016 (December 31, 2015: 26.262.901 RON) were included in the category Software for the nuclear power plant.

7. FINANCIAL INVESTMENTS

The financial investments are mainly represented by the investment in EnergoNuclear S.A. (“Energonuclear”). The company has the main office in Bucharest, district 2, Vasile Lascar , 5 - 7, Street , 3rd floor and is enrolled in the Trade Register with number J40/3999/25.03.2009, having tax number 25344972 and fiscal attribute RO. The main business of Energonuclear consists in “Engineering activities and technical consultancy related to it“ – NACE Code 7112.

As at December 31, 2016 and December 31, 2015, the Company owns 100% of the share capital of EnergoNuclear S.A. The value of the equity stake on December 31, 2016 and December 31, 2015 amounts to 141.666.101 RON.

On December 31, 2016 there are uncertainties regarding the capacity of EnergoNuclear SA to continue its activity. The future operations of EnergoNuclear in relation to units 3 and 4 depend on successfully finishing the selection process of an investor

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

according to the Strategy for the continuation of Cernavodă NPP Units 3 and 4 Project approved on July 31, 2014 by the Romanian Government and on August 22, 2014 by the Extraordinary general Meeting of Company's Shareholders.

The strategy provides the creation of a mixed company, according to Article 50 of Law 137/2002, constituted by SNN, on the one hand, and a private selected investor, namely a Project Company ("Joint Venture" or "JV"), on the other hand, to which the value invested by SNN in the subsidiary EnergoNuclear to be transferred. JV represents the precursory company to the IPP type company (independent energy producer - IPP), founded with a 2-year duration which can be modified by mutual consent of the parties, in order to reverify under the present conditions the project feasibility, assess the assets and make the final investment decision for passing to the implementation phase of the Project, namely the IPP stage.

Besides, the strategy approved in order to continue the Project considers the valuing of the existent assets, with a considerable value, within the public patrimony – hard water and uranium octoxide - and respectively in the patrimony of the Company – land, buildings, equipment etc – and that of Energonuclear, according to the law. The hard water inventory and the first nuclear fuel load will be provided from Romania by the Romanian state and SNN, according to Strategy.

Following the procedure for selecting the investors, on September 9, 2014, the Company China General Nuclear Power Corporation ("CGN") was appointed as Selected Investor for the development of the Project for Units 3 and 4 Cernavodă NPP. On October 17, 2014, the Joint Letter regarding the Intention to develop the Project was signed. Negotiations are carried out by a Negotiation Committee under the direction of an Interministerial Commission. The Negotiating Commission members are appointed by the Minister of Energy and the Interministerial Commission members are appointed by the Prime Minister. The company is represented by members appointed in both committees.

The Memorandum of Understanding ("MoU") regarding the development, construction, operation and decommissioning of units 3 and 4 of Cernavoda NPP was approved by the Extraordinary General Meeting of Shareholders dated October 22, 2015. On November 9, 2015 the MoU was signed by the senior management of the parties involved in the project: SN Nuclearelectrica SA and China General Nuclear Power Corporation.

After signing the MoU, the parties were in the process of negotiating the Investment Agreement and Articles of Association ("Documents of Investment") of the new company project, a process that represents the last phase of the selection procedure for investors, according to the Government Strategy for carrying on the Project Units 3 and 4 of Cernavoda NPP.

The Romanian Government issued on January 19, 2016 a Letter of Support for the Project Units 3 and 4 of Cernavoda NPP.

On May 8, 2016, in accordance with Article 11 paragraph (3) of the MOU, the initial deadline for an agreement on the Documents Investment was reached. CGN notified the Romanian, on May 5, 2016 of the intention to continue the negotiations on the investment documents over an additional period of four (4) months.

On the 16th of May 2016 the Interministerial Commission for the project Cernavoda Units 3 and 4 approved the continuation of negotiations on the Investment Documents for a period of 4 months, starting on May 9, 2016 all provisions of the MoU being complied with. Continuation of negotiations with CGN was approved by the Romanian Government on June 2, 2016. On July 18, 2016 the Extraordinary General Meeting of Shareholders approved the continuation of negotiations on the Investment Documents under the same conditions of the MoU for a period of 4 months, starting May 9, 2016 all other provisions of the MoU being complied with, including the possibility of either Party to terminate the MoU without any compensation through a simple written notice to the other Party unless an agreement on the Documents Investment is concluded and the delay is caused by that Party.

By the SNN EGM Resolution No. 8/17.10.2016 the continuation of negotiations on Investment Documents under the same conditions as those specified in the MoU until December 20, 2016 was approved.

On October 20, 2016 CGN was sent a new revised proposal of the Investors Agreement, and between October 24, 2016 - November 8, 2016 intensive negotiating sessions were held. On November 10, 2016 the list of the main issues in conflict and

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

the recording of issues to be escalated by each side were completed.

Between 6 and 20 December 2016 negotiating meetings between the Commission and CGN occurred. Consultants from both Parties attended the meeting in order to clarify the wording of some clauses agreed during the negotiations. Following these meeting, on December 20, 2016 since no agreement on the Documents of Investment was reached, CGN expressed its readiness to continue negotiations beyond December 20, 2016.

On the 31st of January 2017, the Negotiation Commission approved a proposal to continue negotiations on the Documents of Investment under the same conditions of the MoU, until 30 June 2017, being initiated formalities for obtaining a mandate from the Inter-ministerial Commission, the Romanian Government and that General Meeting of Shareholders on further negotiations.

On the 6th of March 2017 the Inter-ministerial Commission endorsed the Commission's proposal on further negotiations and submission for approval by the Romanian Government of a memorandum in this regard. Further negotiations can take place after approval in the General Meeting of Shareholders.

In the context of the new European policy on energy and environment for the time horizon of 2030, nuclear energy is a viable solution for achieving ambitious targets in order to reduce emissions of greenhouse gases, while ensuring energy security and a bearable price for the end-users, and increasing the independence of the country in terms of energy. In this context, the completion of the Project Units 3 and 4 at Cernavodă NPP is a priority of the energy sector development, provided by the Romanian Energy Strategy 2007-2020 approved by Government Decision no. 1069/2007.

The Project Units 3 and 4 is mentioned as a priority project within the energy strategy project for the period 2016-2030 as it was made public by the Ministry of Energy. Also, the Project Units 3 and 4 was declared a project of strategic importance during 2016 by CSAT (Supreme Council of National Defence).

The Romanian Government support for the project Units 3 and 4 is corroborated with measures at different stages of analysis designed to stimulate the interest in investment for projects in energy capacity based on technologies with low-carbon emissions:

- Promoting of the appropriate legal framework for securing electricity sales and increasing of predictability of return on investment in large projects for production of low-carbon capacities, in accordance with the European legislation.
- the possibility of the State guarantee as a necessary tool to secure financing for large energy infrastructure investments.

Thus, in the next period some decisions are expected from the competent authorities (Ministry of Energy, Government of Romania) and from the General Meeting of Shareholders that will render official the continuing of the negotiating process which had the last term December 20, 2016.

In this context, the expectations related to further support given by the Romanian Government and the Ministry of Energy in this project, the Company's management is confident that the project developed by Energonuclear that would be continued by the new project company will continue in the future and that there will be a future demand for electricity to be produced by units 3 and 4, as well as that the investment in Energonuclear and the value of other assets related to units 3 and 4 (buildings, equipment, etc.) will be recovered, according to the strategy.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

*(All amounts are presented in RON, unless otherwise indicated.)***8. INVENTORIES**

As at December 31, 2016 and December 31, 2015 the inventories of the Company are as follows:

	December 31, 2016 (audited)	December 31, 2015 (audited)
Spare parts	130.820.218	140.662.839
Consumables and other materials	45.107.372	46.920.353
Nuclear fuels	102.355.393	98.500.893
Uranium	49.372.687	28.328.866
Other inventories	3.401.452	8.809.996
Total	331.057.122	323.222.947

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

As at December 31, 2016 and December 31, 2015 the trade receivables and other receivables of the Company are as follows:

	December 31, 2016 (audited)	December 31, 2015 (audited)
Trade receivables	137.740.298	139.116.404
Trade receivables allowance	(12.846.744)	(12.848.554)
Other receivables	13.079.870	16.032.462
Other receivables allowance	(3.468.965)	(3.660.872)
Taxes and duties	27.558.843	24.859.741
Total	162.063.302	163.499.181

On December 31, 2016, the main trade receivables in balance are from: Electrica Furnizare S.A. – 30.893.082 RON (31 December 2015: 7.710.109 RON), GEN-I d.o.o. – 15.251.159 RON (31 December 2015: 20.933.593 RON), Enel Energie Muntenia S.A. – 10.677.949 RON (31 December 2015: 14.796.226 RON), Enel Energie S.A. – 8.820.614 RON (31 December 2015: 9.198.295 RON).

The sales made during 2016 to Electrica Furnizare SA represented approximately 19% (2015: 20%) of total revenues of the Company, while the sales to GEN-I d.o.o represented approximately 12% (2015: 22%) and to Enel Energie Muntenia S.A. 9% (2015: 10%).

The Company's exposure to credit and market risks as well as the value adjustments related to trade receivables are presented in Note 23.

On December 31, 2016 the entry "Trade receivables" includes an amount of 32.566.868 RON related to the receivables from affiliated parties (December 31, 2015: 28.820.686 RON). On December 31, 2016 "Other receivables" includes an amount of 19.554 RON related to the receivables from related parties (December 31, 2015: 205.900 RON).

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

*(All amounts are presented in RON, unless otherwise indicated.)***10. CASH, CASH EQUIVALENTS AND BANK DEPOSITS**

As at December 31, 2016 and December 31, 2015 the cash and cash equivalents are as follows:

	<u>December 31, 2016</u> <u>(audited)</u>	<u>December 31, 2015</u> <u>(audited)</u>
Cash at bank in RON	262.257.016	255.426.980
Cash at bank in foreign currency	1.457.371	1.949.839
Total cash and cash equivalents	<u>263.714.387</u>	<u>257.376.819</u>

The position "Current bank accounts" include bank deposits with original maturity less than 3 months.

On December 31, 2016, the Company issued some letters of guarantee totaling RON 49.124.158, which were constituted in the form of cash guarantee as collateral deposits. The position "Current bank accounts in RON" includes a sum of RON 3.726.168 (31 December 2015: 15.574.758 RON), representing a cash guarantee as collateral deposit, with maturity up to 3 months.

On December 31, 2016 the position "Bank deposits" includes an amount of 45.397.989 RON (31 December 2015: RON 20.092.045) related to the letters of guarantee issued by different banks in favor of the Company for which a cash guarantee was formed, of which 37.447.413 RON with maturity up to one year (31 December 2015: RON 20.092.045), and the remaining RON 7.950.576 with maturity over one year.

11. EQUITY*Share capital*

The Company was formed by separation from the former RENEL. The share capital represents the State's contribution to the Company's constitution on June 30, 1998 (restated for inflation up to December 31, 2003) plus subsequent contributions. According to the articles of incorporation, the authorized capital of the Company is 3.016.200.000 RON. The issued share capital as at December 31, 2016 is 3.015.138.510 RON, under the authorized capital.

As at 31 December 2016 and 31 December 2015, the equity includes the effect of restatements of previous years subject to the application of IAS 29 "Financial reporting in hyperinflationary economies".

The reconciliation of the share capital is as follows:

	<u>December 31, 2016</u> <u>(audited)</u>	<u>December 31, 2015</u> <u>(audited)</u>
Subscribed statutory share capital (nominal value)	3.015.138.510	3.015.138.510
Differences related to the restatement according to IAS 29	195.502.743	195.502.743
Share capital (restated value)	<u>3.210.641.253</u>	<u>3.210.641.253</u>

As at December 31, 2016, the value of the statutory subscribed and paid-off share capital amounts to 3.015.138.510 RON, consisting of 301.513.851 ordinary shares having the nominal value of 10 RON.

The holders of ordinary shares are entitled to receive dividends, as they are reported from time to time, and one vote per share at the General Meetings of Shareholders. The nominal value of a share is 10 RON.

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

As at December 31, 2016 and December 31, 2015 the shareholding structure is the following one:

Shareholders	Number of shares	% of the share capital
Romanian Estate	248.736.619	82,4959%
Fondul Proprietatea SA	27.408.381	9,0903%
Other investors	25.368.851	8,4138%
TOTAL	301.513.851	100%

In November 2013, the Company issued 28.100.395 shares on the Bucharest Stock Exchange through an initial public offering and the exercise of preemptive right by the shareholder Fondul Proprietatea S.A. The amount collected – amounting to 312.478.099 RON - was made up of the share capital increase of 281.003.950 RON and an issue/share premium of 31.474.149 RON.

On December 31, 2015 the Romanian state contribution in the amount of RON 194.376.700, representing budgetary allocations for the period 2006 - 2009 for Unit 2 and to complete work on Units 3-5 at the CNE and the amount of RON 2.928.100 representing the value of the land located in Bulevardul Magheru and the "Guard and access road" land in the town of Saligny, Constanta, were transferred to the capital from the "Prepaid Reserve".

Prepaid reserve

The prepaid reserves amount to 21.553.537 RON as at December 31, 2016 and December 31, 2015 and represent objectives of public utility of Cernavodă NPP (5.439.321 RON as at December 31, 2016 and December 31, 2015), budgetary allocations for the period 2007-2011 for the construction of the Training and Recreation Center for Youth and Children in Cernavodă (16.114.216 RON as at December 31, 2016 and December 31, 2015).

Revaluation reserves

As at December 31, 2016 the revaluation reserve amounts to 265.842.461 RON (December 31, 2015: 293.329.577 RON). Such amount is net of the deferred tax related to the reevaluation reserve.

During 2016, the Company recognized an increase of the revaluation reserve amounting to 27.487.116 RON after its transfer into the reported result (2015: 23.244.513 RON).

Retained earnings

In 2016 the Company distributed dividends amounting to 99.499.571 RON to its shareholders and paid dividend in amount of 99.493.893 RON.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

12. LOANS

Reimbursements of loans during the fiscal year ended on December 31, 2016 were as follows:

	<u>Currenc</u> <u>y</u>	<u>Interest rate</u>	<u>Value</u>	<u>Year of</u> <u>maturity</u>
Balance on January 1, 2016(audited)			1.525.830.626	
New issues				
Reimbursements, out of which:			(211.824.851)	
Societe Generale - ALSTOM BC	EUR	EURIBOR 6M+0,45%	(4.812.058)	2017
Societe Generale - ANSALDO BC	EUR	EURIBOR 6M+0,45%	(34.705.334)	2022
Societe Generale - AECL BC	CAD	CDOR 6M+0,375%	(68.486.533)	2022
Societe Generale - NEXANS BC	EUR	EURIBOR 6M+0,45%	(6.044.823)	2017
Societe Generale - GENERAL ELECTRIC	USD	LIBOR 6M+0,07%	(12.124.653)	2017
EURATOM	EUR	EURIBOR 6M+0,08%	(85.651.450)	2024
Exchange rate differences			31.414.455	
Balance on December 31, 2016 (audited)			1.345.420.230	

(i) Long-term loans

As at December 31, 2016 and December 31, 2015 the long-term loans are as follows:

	<u>December 31, 2016</u> <u>(audited)</u>	<u>December 31, 2015</u> <u>(audited)</u>
Societe Generale - ALSTOM BC (a)	2.420.553	7.235.117
Societe Generale - ANSALDO BC (b)	192.031.669	226.116.915
Societe Generale - AECL BC (c)	383.665.096	424.118.469
Societe Generale - NEXANS BC (d)	3.040.658	9.088.628
Societe Generale - GENERAL ELECTRIC (e)	12.710.203	24.501.247
EURATOM (f)	751.552.050	834.770.250
Total long-term loans	1.345.420.229	1.525.830.626
Less: Current portion of long-term loans	(228.197.074)	(209.134.834)
Less: Balance of commitment and insurance fees (long term)	(29.261.340)	(37.089.738)
Total long-term loans net of the short-term portion	1.087.961.815	1.279.606.054

The long-term loans are detailed as follows:

a) The loan granted by Societe Generale – ALSTOM

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was EUR 10,7 million. The amount due on December 31, 2016 was EUR 533 thousand (December 31, 2015: EUR 1,60 million). The reimbursement is divided in 20 installments over a period of 11 years, payable between December 2007 and June 2017. The loan is subject to a variable EURIBOR interest rate every six months plus a 0.45% margin. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

b) The loan granted by Societe Generale – ANSALDO

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was EUR 115,3 million. The amount due on December 31, 2016 was EUR 42,29 million EUR (December 31, 2016: EUR 49,98 million). The reimbursement is divided in 30 installments over a period of 16 years, payable between December 2007 and June 2022. The loan is subject to a variable EURIBOR interest rate every six months plus a 0.45% margin for the first 15 years and EURIBOR every six months plus a 0.7% margin for the remaining period. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

c) The loan granted by Societe Generale – AECL

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was CAD 327,8 million. The amount due on December 31, 2016 was CAD 120,19 million (December 31, 2015: EUR 142,05 million). The reimbursement is divided in 30 installments over a period of 16 years, payable between December 2007 and June 2022. The loan is subject to a variable COMMANDOR interest rate every six months plus a 0,375% margin. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

d) The loan granted by Societe Generale – NEXANS

The loan was granted by Societe Generale to the Company in 2002. The initial value of the loan was EUR 13,4 million. The amount due on December 31, 2016 was EUR 670 thousand (December 31, 2015: EUR 2,01 million). The reimbursement is divided in 20 installments over a period of 11 years, payable between December 2007 and June 2017.

The loan is subject to a variable EURIBOR interest rate every six months plus a 0,45% margin. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

e) The loan granted by Societe Generale – GENERAL ELECTRIC

The loan was granted by Societe Generale to the Company in 2003. The initial value of the loan was EUR 29,5 million. The amount due on December 31, 2016 was EUR 2.9 million (December 31, 2015: EUR 5,9 million). The reimbursement is divided in 20 installments over a period of 10 years, payable between December 2008 and July 2017. The loan is subject to a variable LIBOR interest rate every six months plus a 0,07% margin. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

f) The loan granted by EURATOM

The loan was granted by EURATOM to the Company in 2004. The initial value of the loan was EUR 223,5 million. The amount due on December 31, 2016 is EUR 165.5 million (December 31, 2015: EUR 184,5 million), corresponding to the following installments: (i) First installment with a balance of EUR 60 million (December 31, 2015: 70 million); (ii) Second installment with a balance of EUR 72 million (31 December 2015: EUR 81 million) and (iii) Third installment with a balance of EUR 33.5 million (December 31, 2015: EUR 33,5 million). Repayment of first installment will be made in 20 installments payable during 2013-2022, repayment of second installment will be made in 20 installments payable during 2015-2024 and the repayment of third installment will be made in 16 installments payable during 2017-2024. The loan is subject to a variable EURIBOR interest rate every six months plus a 0,08% margin for the first two installments and a 0,079% for the third installment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

The loan agreement includes certain financial clauses: (i) the coverage index for the debt service should be at least 1,5; (ii) indebtedness must not exceed the value 2; (iii) the Company's income should be sufficient to cover the operating and maintenance cost for Units 1 and 2, as well as the interests payments in relation to units 1 and 2.

Financial indicators must be calculated based on the financial statements prepared in accordance with the International Financial Reporting Standards.

As at December 31, 2016 and December 31, 2015 the financial indicators required by EURATOM are met. All loans have been contracted to finance the construction of Unit 2.

The Company has not entered into any hedging arrangements against risks in respect of 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, does not differ significantly from the values mentioned above.

Guarantees

Loans with foreign banks contracted from Societe Generale ("SG") and EURATOM are guaranteed by the Romanian state through the Ministry of Public Finance. Besides, loans by SG are guaranteed by foreign insurers (COFACE, SACE, EDC and Eximbank - New York) and promissory notes are issued by the Company in favor of the creditor.

(ii) Short-term loans

As at December 31, 2016 and December 31, 2015 the short-term loans are as follows:

	December 31, 2016 (audited)	December 31, 2015 (audited)
Current portion of long-term loans	228.197.074	209.134.834
Interests related to the long-term loans	560.850	741.866
Short-term commitment and insurance fees	(7.828.396)	(7.828.396)
Total short-term loans	220.929.527	202.048.304

13. ACCOUNTS PAYABLES AND OTHER LIABILITIES

As at December 31, 2016 and December 31, 2015, the suppliers and other obligations are as follows:

	December 31, 2016 (audited)	December 31, 2015 (audited)
Suppliers of non-current assets	9.115.482	14.618.981
Trade payables	96.439.435	118.293.915
Employee benefits	15.102.120	14.488.236
Payables to the State	23.155.206	22.770.187
Dividends payables	295.306	281.269
Other payables	34.753.276	26.829.218
Total	178.860.825	197.281.806

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

As at December 31, 2016, the main suppliers in balance are: Cameco Inc. SUA – 17.967.417RON (31 December 2015: 0 RON), Apele Romane Bucuresti – 11.792.224 RON (31 December 2015: 12.255.673 RON), Mate-Fin S.R.L. – 6.967.151 RON(31 December 2015: 8.267.542 RON).

As at December 31, 2016 the position "Suppliers of non-current assets" includes an amount of 677.676 RON related to the debts to affiliated parties (December 31, 2015: 35.955 RON). As at December 31, 2016 the position "Trade payables" includes an amount of RON 22.133.676 related to the debts to related parties (December 31, 2015: 26.406.001 RON).

14. INCOME TAX

The income tax recognised in the profit and loss account:

	2016	2015
	(audited)	(audited)
Current income tax expense	28.323.327	42.659.844
Net income from the deferred tax	(10.408.416)	(13.479.609)
Total	17.914.911	29.180.235

Receivables and liabilities related to the deferred taxes are assessed on December 31,2016 and December 31,2015 at the 16% effective tax rate, representing the tax rate currently implemented.

Reconciliation of effective tax rate:

	2016	2015
	(audited)	(audited)
Profit before the income tax	130.364.362	178.323.964
Fiscal amortization effect on software programs	(2.563.193)	
Income tax at the statutory rate of 16%	20.858.299	28.531.834
The effect of non-deductible expenses	5.278.418	9.523.211
Taxation of revaluation reserves	9.796.978	9.018.873
Effect of non-taxable income	(4.570.832)	(4.141.753)
Resumption of deferred tax, net	(10.408.416)	(13.479.609)
Reinvested profit	(413.342)	(196.872)
Effects of other differences	(63.000)	(75.449)
Income tax expense	17.914.911	29.180.235

The deferred tax consists of:

December 31, 2016 (audited)	Assets	Debts	Net
Tangible non-current assets	-	167.338.011	167.338.011
Intangible assets	-	2.563.193	2.563.193
Inventories	(1.195.811)	-	(1.195.811)
Employee benefits	(4.809.882)	-	(4.809.882)
Obligations regarding employees participation to profit	(606.880)	-	(606.880)
Obligations regarding Administrators and Directors indemnities	(176.721)	-	(176.721)
Obligations regarding unspent holidays	(24.307)	-	(24.307)
Net tax (asset)/debt	(6.813.601)	169.901.204	163.087.603

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

December 31, 2015 (audited)	Assets	Debts	Net
Tangible non-current assets	-	177.444.078	177.444.078
Intangible assets	-	1.456.665	1.456.665
Inventories	-	219.097	219.097
Employee benefits	(4.801.703)	-	(4.801.703)
Obligations regarding employees participation to profit	(574.240)	-	(574.240)
Obligations regarding Administrators and Directors indemnities	(215.111)	-	(215.111)
Obligations regarding unspent holidays	(32.768)	-	(32.768)
Net tax (asset)/debt	(5.623.822)	179.119.840	173.496.018

The movement table regarding the deferred taxes debt in 2015 and 2016 is as follows:

	Balance on January 1, 2015 (audited)	Deferred tax recognised in profit and loss	Deferred tax recognized directly in AERG	Balance on December 31, 2015 (audited)	Deferred tax recognised in profit and loss	Deferred tax recognized directly in AERG	Balance on December 31, 2016 (audited)
Tangible assets (property, plant and equipment)	191.049.012	(14.208.558)	603.624	177.444.078	(10.106.067)	-	167.338.011
Intangible assets	146.666	1.309.999	-	1.456.665	1.106.528	-	2.563.194
Inventories	548.903	(329.806)	-	219.097	(1.414.908)	-	(1.195.811)
Employee benefits	(4.805.478)	3.775	-	(4.801.703)	(8.179)	-	(4.809.882)
Obligations regarding employees participation to profit	(418.944)	(155.296)	-	(574.240)	(32.640)	-	(606.880)
Obligations regarding Administrators and Directors indemnities	(148.156)	(66.955)	-	(215.111)	38.390	-	(176.721)
Obligations regarding unspent holidays	-	(32.768)	-	(32.768)	8.461	-	(24.307)
Net tax (asset)/debt	186.372.003	(13.479.609)	603.624	173.496.018	(10.408.416)	-	163.087.603

15. EMPLOYEE BENEFITS

	December 31, 2016 (audited)	December 31, 2015 (audited)
Retirement benefits	21.065.580	20.712.522
Anniversary bonuses	8.920.480	9.153.077
Benefits in case of death	1.920.993	1.930.422
Total	31.907.053	31.796.021

Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

On December 31, 2016 the Company has the obligation to pay retirement benefits varying between 2 and 3 gross basic wages depending on the number of years of seniority in the energy sector on the retirement date (defined benefit plan) and anniversary bonuses according to the number of years of seniority in the energy sector (other long-term employee benefits).

The following assumptions were taken into account for the application of IAS 19 "Employee Benefits" on December 31, 2016 and December 31, 2015.

Assessment date	December 31, 2016	December 31, 2015
Number of employees	2.042	2.060
Rate of wage increase	2,1% for 2017 2,5% for 2018 2,5% for 2019 After that it grows with the average inflation rate of 2.5% in 2020-2030 followed by a downward trend in the coming years.	0,5% for 2016 2,7% for 2017 2,5% for 2018 After that it grows with the average inflation rate of 2.5% in 2019-2030 followed by a downward trend in the coming years.
Real average productivity	2,2%	2,2%
Mortality tables	Mortality rates in Romania 2013	Mortality rates in Romania 2013
Gross average wage	5.558	5.601

The above assumptions have been considered taking into account:

- The real average efficiency is calculated based on the estimation of the inflation rate and government bonds efficiency on the active market as at December 31, 2016 and for the residual term to maturity: 1-9 years and 11 years.
- Mortality rate used is the one communicated by the National Institute of Statistics.

16. REVENUES FROM ELECTRICITY SALES*(i) Revenues from electricity sales*

	<u>2016</u> <u>(audited)</u>	<u>2015</u> <u>(audited)</u>
Sales of electricity on regulated market	236.674.991	357.308.080
Sales of electricity on competitive market	1.382.055.372	1.314.010.852
Sales of thermal energy	2.022.068	2.096.158
Revenues from green certificates	17.086	6.500
Total	<u>1.620.769.517</u>	<u>1.673.421.590</u>

(ii) The amount of energy sold

	<u>2016</u> <u>(audited)</u>	<u>2015</u> <u>(audited)</u>
Quantity of electricity sold on regulated market (MWh)	1.454.563	2.252.443
Quantity of electricity sold on free market (MWh)	8.975.937	8.528.174
Total	<u>10.430.500</u>	<u>10.780.618</u>

The Company is a participant in the balancing market, but also a Responsible Party in the balancing, according to the conventions concluded with the transport and system operator Transelectrica SA. The quantity of energy sold presented does not include the quantity of energy corresponding to the income from positive unbalances valued on the Balancing Market,

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

amounting 26.803 MWh for the fiscal year ended on December 31, 2016 (43.532 MWh for the fiscal year ended on December 31, 2015).

The Company is developing the activity of producing thermal energy by exploiting the energetic capacities corresponding to the units for producing electrical and thermal energy consisting in two heat switches with a full thermal power of 40 Gcal/h and 46,51 MW. The Company delivers thermal energy to the local thermal energy distribution company SC Utilitati Publice SA Cernavoda, as well as to other final consumers in the locality Cernavoda – business entities, social-cultural institutions. The sales of thermal energy in 2016 amount to 2.022.068 RON (December 31, 2015: 2.096.159 RON).

In 2016, the Company delivered at about 14.6% of the electricity sold on the regulated market (2015: 21%). The total quantity of electricity sold in 2016 was 10.430.500 MWh (2015: 10.780.618 MWh). The average sale price of electricity sold by the Company on the regulated market in 2016 was 162,71 RON/MWh (2015: 158,63 RON / MWh), value which does not include the tariff for electric energy transmission service paid to Transelectrica for the introduction of electricity in the electricity transmission network (Tg).

In the competitive market, in 2016, the Company delivered approximately 86% of the energy sold (2015: 79%). The average sale price of electricity sold by the Company in this market in 2016 was 153,97 RON/MWh (2015: 154,08 RON / MWh) value which does not include Tg.

17. Employees costs

In 2016, the employees costs amounted to 297.732.932 RON (2015: 301.369.015 RON), as follows:

	2016	2015
	(audited)	(audited)
Wages and salaries	227.400.987	230.875.918
Expenditure on social security and assimilated costs	70.331.945	70.493.097
Total costs borne for employees	297.732.932	301.369.015

In 2016, the breakdown by category of employees is as follows:

	2016	2015
	(auditat)	(auditat)
Chief officers	167	169
Executive officers	1.841	1.865
Total average number of employees	2.008	2.034

18. OTHER OPERATIONAL COSTS

	2016	2015
	(audited)	(audited)
Third party services	95.368.226	100.902.751
Expenses with ANDR	93.058.314	95.169.393
Energy and water	75.624.404	77.735.435
Fuels, lubricants and other consumables	36.115.954	37.217.067
Insurance expense	12.477.421	11.587.367
Transport and telecommunication	6.095.610	6.441.091
Tax on special constructions	983.235	61.567.609
Tax on buildings	41.306.577	-
Other operating expenses	50.013.939	47.289.842
Total	411.043.680	437.910.555

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

Expenses with ANDR

Starting with 2007, following the Government Decision no. 1080/2007 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 electricity generated and delivered in the system.
- Contribution for the permanent storage of radioactive waste of 1,4 EUR/MWh of electricity produced and generated and delivered 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 takes responsibility for managing the entire decommissioning process at the end of the useful life of the nuclear plants and the storage of resulting waste.

Tax on special constructions/buildings

Starting with the year 2016, the new Tax Code (Law 227/2015) does no longer except NPPs from the definition of a building. Thus, in 2014 and 2015, under the Tax Code applicable at the time (Law 571/2003 with subsequent amendments) the Company owed a tax on special construction for the two nuclear power plants.

Starting with the year 2016, as the exception from the definition of a building is no longer applicable to a nuclear power plant, there is an obligation for the Company to pay the tax on non-residential buildings belonging to legal entities for the two nuclear power plants to the Local Council in Cernavoda. At the same time, the tax on buildings being due, no tax for special constructions in 2016 related to the two nuclear units was due.

Unlike the tax for special construction, scheduled to be removed since 2017, the tax for buildings will be due by the Company in the future since the exception from the definition of a building of nuclear power plants, along with hydroelectric and thermoelectric plants, exception provided in the old Tax Code Art.250, paragraph (1) will not be reintroduced.

The tax on non-residential buildings belonging to legal entities is established between 0,2% - 1,3% of the taxable value of buildings, share that may be increased in certain circumstances by up to 50% by local authorities.

For 2016, the Cernavoda Local Council established the tax rate for non-residential buildings owned by legal entities, such tax amounting to 0,5% of the taxable value, value kept unchanged in 2017.

The tax for special constructions owed by the Company for 2016 amounts to 983.235 RON (2015: 61.567.609 RON).

In 2016 the building tax amounts to 41.306.577 RON (2015: 4.894.444 RON, value included in the row "Other operating expenses").

Other operational costs

"Other operational costs" include the expenses related to disposal of the assets amounting to 1.101.283 RON (2015: 1.862.621 RON), as well as various taxes, taxes on land and expenses related to provisions.

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

*(All amounts are presented in RON, unless otherwise indicated.)***19. FINANCIAL INCOMES AND EXPENSES**

	2016	2015
	(audited)	(audited)
Interest income	14.483.070	20.261.165
Foreign exchange gains	75.494.830	148.035.144
Dividends income	12.659	731.284
Total financial income	89.990.559	169.027.593
Foreign exchange losses	(100.878.654)	(130.289.757)
Interest expense	(18.116.064)	(20.553.327)
Total financial expenses	(118.994.718)	(150.843.084)
Net financial (expenses)/incomes	(29.004.159)	18.184.509

20. OTHER INCOMES

	2016	2015
	(audited)	(audited)
Income from investment subsidies	14.384.164	14.383.051
Income from compensations, fines and penalties	2.607.857	2.777.402
Other incomes	15.597.281	17.168.718
Total	32.589.302	34.329.171

The subsidies for investment (long-term deferred income) granted in 2007 consisted of cancellation of penalties and liabilities related to loan contracts. The subsidies are recorded in the profit and loss account as income during 2007-2026, for the remaining useful life of Unit 1.

21. TRANSACTIONS WITH RELATED-PARTIES**i) Transactions with state-owned companies**

The company operates in an economic environment dominated by companies owned or controlled by the Romanian state through its governmental authorities and agencies, collectively referred to as state-owned companies. The company had significant transactions with other companies owned or controlled by the State including: sales of electricity (Electrica, OPCOM), purchase of electricity transmission services and balancing services (CN Transelectrica SA) and purchase of uranium and processing and storage services for uranium products (Compania Națională a Uraniului National Uranium Company).

During its activity, the Company identified the following transactions and balances with the main related parties:

	Sales		Receivables as at	
	2016	2015	December 31,2016	December 31,
	(audited)	(audited)	(audited)	2015
Electrica Furnizare SA	304.457.190	304.283.367	30.893.082	19.681.915
OPCOM	424.024.261	161.839.026	945.098	317.104
Transelectrica SA	372.066	757.988	10.606	161.931
Hidroelectrică SA	979.142	-	-	-
Energonuclear SA	10.516	16.623	337	1.712
Total	729.843.175	466.897.004	31.849.114	20.162.662

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

	Purchases		Payables as at	
	2016 (audited)	2015 (audited)	December 31, 2016 (audited)	December 31, 2015 (audited)
Transelectrica SA	32.310.387	95.676.434	4.057.794	5.561.700
ANDR	93.058.314	95.169.393	9.863.987	9.872.194
Compania Națională a Uraniului SA	6.085.810	94.971.731	2.510.328	2.258.854
Apele Romane București	58.629.864	59.399.400	11.792.224	12.255.673
Apele Romane Constanța (National Water Administration Dobrogea-Seashore)	10.786.671	11.350.156	2.466.368	3.095.244
CNCAN	9.035.539	9.035.171	-	-
RATEN ICN	4.611.442	5.291.396	1.137.436	943.956
ICSI RM.VĂLCEA	303.804	3.043.097	112.200	536.531
OPCOM SA	6.560.127	7.036.380	24.712	103.976
Electrica Furnizare SA	-	137.631	-	10.378
Administratia Bazinala de Apa Dobrogea Litoral		-		-
Administratia Nationala a Rezervelor de Stat si Probleme Speciale	9.340.657	11.095.440	-	-
Total	230.722.615	392.206.229	31.965.049	34.638.506

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

All loans are guaranteed by the Romanian State through the Ministry of Public Finance (refer to Note12).

iii) Compensation to senior management of the Company

The management of the Company is made up of:

- The members of the Board of Directors who have concluded mandate contracts with the Company;
- The managers of the Company with mandate contracts within the Company;
- Other managers within the Company who have concluded individual labor agreements, under the conditions provided in the collective labor agreements, as applicable.

The members of the Board of Directors have concluded administration (mandate) contracts with the Company, their remuneration being approved by the General Meeting of Shareholders. The managers with mandate contracts are remunerated on the basis of the contractual provisions within the general limits approved by GMS. Detailed information regarding the remuneration of directors and managers are included in the Annual Report of the Nomination and Remuneration Committee, established at the level of the Board of Directors of the Company. The amounts presented are gross remunerations.

	2016 (audited)	2015 (audited)
Remuneration of the management of the Company	5.998.527	6.296.371
	5.998.527	6.296.371

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

*(All amounts are presented in RON, unless otherwise indicated.)***22. EARNINGS PER SHARE**

As at December 31, 2016 and December 31, 2015 the earnings per share were as follows:

(i) Basic earnings per share

	<u>2016</u> <u>(audited)</u>	<u>2015</u> <u>(audited)</u>
Net profit for the fiscal year	112.449.451	149.143.729
Number of the ordinary shares at the beginning of the year	301.513.851	281.782.756
Number of ordinary shares issued during the year	-	19.731.095
Weighted-average number of ordinary shares on December 31	301.513.851	296.385.871
Basic earnings per share (RON/actiune)	0,37	0,50

(ii) Diluted earnings per share

	<u>2016</u> <u>(audited)</u>	<u>2015</u> <u>(audited)</u>
Net profit for the fiscal year	112.449.451	149.143.729
Number of the ordinary shares at the beginning of the year	301.513.851	281.782.756
Number of ordinary shares issued during the year	-	19.731.095
Weighted-average number of ordinary shares on December 31 (a)	301.513.851	296.385.871
Number of shares corresponding to the prepaid share reserve (b) (Refer to Note 11)	-	-
Weighted-average number of ordinary shares (diluted) on December 31, (a) + (b)	301.513.851	296.385.871
Diluted earnings per share (RON/share)	0,37	0,50

23. RISK MANAGEMENT*(i) 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 aims to minimize potential adverse effects on the financial performance of the Company.

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 strictly monitored by the senior management given the financial needs of the Company in order to manage efficiently the risks and opportunities. The financial department prepares daily forecasts of cash flows which help the management in making decisions.

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 financial instruments.

a) Currency risk

The Company may be exposed to changes in the foreign exchange rate through cash and cash equivalents, prepayments, long-term loans or trade payables denominated in foreign currency.

The Company's functional currency is RON. The Company is exposed to foreign currency risk on cash, cash equivalents, purchases and long-term loans denominated in a currency other than the functional one of the Company.

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

The currencies which exposes the Company to this risk are primarily EUR, USD, CAD and GBP. Long-term loans are denominated in foreign currencies and retranslated to RON, at the exchange rate prevailing on the balance sheet date, as communicated by the National Bank of Romania. The resulting differences are included in the profit and loss account and do not affect cash flows until the settlement of the amount.

The Company's exposure to foreign currency risk expressed in RON, was:

	Carrying amount (*)	RON	EUR	USD	CAD	GBP
December 31, 2016						
Monetary assets						
Cash and cash equivalents	263.714.387	262.261.805	562.337	182.454	684.117	23.675
Prepayments	12.699.411	11.475.483	717.934	112.533	393.461	-
Property, plant and equipment (prepayments)	630.644	-	-	160.027	470.618	-
Gross exposure	277.044.443	273.737.288	1.280.271	455.013	1.548.196	23.675
Monetary liabilities						
Trade payables and suppliers of non-current assets	(105.554.917)	(71.833.001)	(2.649.033)	(20.963.345)	(9.978.071)	(131.467)
Loans	(1.345.420.229)	-	(949.044.931)	(12.710.203)	(383.665.096)	-
Gross exposure	(1.450.975.146)	(71.833.001)	(951.693.964)	(33.673.548)	(393.643.168)	(131.467)
Net exposure in the statement of financial position (audited)	(1.173.930.705)	201.904.287	(950.413.694)	(33.218.535)	(392.094.972)	(107.791)
December 31, 2015						
Monetary assets						
Cash and cash equivalents	257.376.819	244.609.048	169.085	5.438.906	7.150.167	9.612
Prepayments	12.072.918	11.760.759	830	64.222	247.108	-
Tangible assets (advances)	7.942.234	-	-	-	7.942.234	-
Gross exposure	277.391.971	256.369.807	169.915	5.503.128	15.339.509	9.612
Monetary liabilities						
Trade payables and suppliers of non-current assets	(132.912.896)	(117.964.184)	(1.226.533)	(3.028.126)	(10.309.596)	(384.458)
Loans	(1.525.830.626)	-	(1.077.210.910)	(24.501.247)	(424.118.469)	-
Gross exposure	(1.658.743.522)	(117.964.184)	(1.078.437.443)	(27.529.373)	(434.428.065)	(384.458)
Net exposure in the statement of financial position (audited)	(1.381.351.551)	138.405.623	(1.078.267.528)	(22.026.244)	(419.088.556)	(374.846)

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

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

The following exchange rates have been used:

	Average rate		Reporting date spot rate	
	2016	2015	December 31, 2016	December 31, 2015
RON/ EUR	4,4900	4,4450	4,5411	4,5245
RON/ USD	4,0569	4,0057	4,3033	4,1477
RON/ CAD	3,0627	3,1363	3,1921	2,9858
RON/ GBP	5,4964	6,1255	5,2961	6,1466

Sensitivity analysis

A 10% strengthening of the national currency against these foreign currencies on December 31, 2016 and December 31, 2015 would have increased the gross profit by the amounts shown below. This analysis assumes that all other other variables remain constant.

	Profit 2016 (audited)	Profit 2015 (audited)
EUR	95.297.423	107.860.886
USD	3.972.285	3.303.250
CAD	39.584.255	44.976.757
GBP	15.514	39.407
Total	138.869.478	156.180.300

A 10% weakening of the national currency against the following foreign currencies on December 31, 2015 and December 31, 2016 would have had the equal but opposite effect on the amounts shown above, assuming that all other variables remained constant.

	Loss 2016 (audited)	Loss 2015 (audited)
EUR	(95.297.423)	(107.860.886)
USD	(3.972.285)	(3.303.250)
CAD	(39.584.255)	(44.976.757)
GBP	(15.514)	(39.407)
Total	(138.869.478)	(156.180.300)

b) Interest rate risk

The Company's operating cash flows are affected mainly by the changes in interest rates, due to the foreign currency long-term loans the Company contracted. The Company has significant long-term loans with variable interest rates, which may expose the Company to a significant cash flow risk and all bank deposits irrespective of maturity bear fixed interest rates.

On the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount (*)	
	December 31, 2016 (audited)	December 31, 2015 (audited)
Fixed rate instruments		
Financial assets	1.406.034.436	1.337.606.864
	1.406.034.436	1.337.606.864
Variable rate instruments		
Financial liabilities	(1.345.420.230)	(1.525.830.626)
	(1.345.420.230)	(1.525.830.626)

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

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

*(All amounts are presented in RON, unless otherwise indicated.)**Sensitivity analysis of cash flows for variable interest rate instruments*

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

	Profit and loss	
	100bp Increase	100bp Decrease
December 31, 2016		
Variable rate instruments	(13.454.202)	13.454.202
Cash flow sensitivity (net)	(13.454.202)	13.454.202
December 31, 2015		
Variable rate instruments	(15.258.306)	15.258.306
Cash flow sensitivity (net)	(15.258.306)	15.258.306

c) Credit risk

Credit risk is the risk of financial loss that the Company may incur if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from Company's trade receivables and financial investments.

Financial assets, which potentially subject the Company to credit risk are mainly trade receivables, cash and cash equivalents and bank deposits. Sale of electricity to customers is done both on the regulated and competitive market, based on the framework established by ANRE and in compliance with the OPCOM market rules. The carrying amount of accounts receivables, net of depreciation adjustment, represents the maximum amount exposed to credit risk.

On December 31, 2016 the Company is exposed to a concentrated credit risk, considering the fact that approximately 31% of the trade receivables are from GEN-I d.o.o. and Electrica SA (Refer to Note 9). The counter party risk is limited considering the guarantees obtained from clients as letters of bank guarantees.

Cash and deposits are placed in different financial institutions (banks), in order to reduce the counterparty risk by limiting the exposure (which would be higher if cash and deposits were placed in a single financial institution). The main financial institutions where the financial assets are placed are shown below:

	December 31, 2016 (audited)	December 31, 2015 (audited)
Banca Transilvania S.A.	359.834.932	340.569.409
Banca Comerciala Romana S.A.	246.001.522	223.863.678
Alpha Bank S.A.	227.780.752	218.544.769
Garanti Bank S.A.	274.236.073	211.138.712
OTP Bank S.A.	85.723.379	149.827.774
BRD Societe Generale S.A.	147.497.972	69.962.642
EximBank S.A.	15.000.973	60.000.901
Patria Bank S.A. (fosta Nextebank S.A.)	80.977.000	45.000.000
Citi Romania	19.193.772	1.055.804
Unicredit Bank S.A.	50.113.032	40.000.205
Others	2.428.248	1.254.453
Total cash and bank deposits	1.508.787.655	1.361.218.347

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

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

	Net value	
	December 31, 2016 (audited)	December 31, 2015 (audited)
Financial assets		
Trade receivables	124.893.554	126.267.850
Bank deposits	1.245.073.268	1.103.841.528
Cash and cash equivalents	263.714.387	257.376.819
Other receivables	37.169.748	37.231.331
	1.670.850.957	1.524.717.528

The ageing of trade receivables on the reporting date was:

	Gross value December 31, 2016 (audited)	Impairment adjustment December 31, 2016 (audited)	Gross value December 31, 2015 (audited)	Impairment adjustment December 31, 2015 (audited)
Not past due	118.678.795	-	125.837.335	-
Past due 1-30 days	6.109.060	(1.055)	370.601	(439)
Past due 31-90 days	45.905	(123)	5.041	(384)
Past due 91-180 days	25.394	(575)	16.828	(397)
Past due 181-270 days	27.562	(218)	39.324	(723)
Past due 271-365 days	9.491	(682)	1.450	(785)
Past due more than one year	12.844.091	(12.844.091)	12.845.825	(12.845.825)
Total	137.740.298	(12.846.744)	139.116.404	(12.848.554)

The ageing of other receivables, including recoverable VAT on the reporting date was:

	Gross value December 31, 2016 (audited)	Impairment adjustment December 31, 2016 (audited)	Gross value December 31, 2015 (audited)	Impairment adjustment December 31, 2015 (audited)
Not past due	36.815.878	-	35.807.848	-
Past due 1-30 days	-	-	900	-
Past due 31-90 days	21.694	-	112.081	(111.751)
Past due 91-180 days	-	-	243.029	(226.869)
Past due 181-270 days	332.176	-	40.000	(40.000)
Past due 271-365 days	333.709	(333.709)	-	-
Past due more than one year	3.135.256	(3.135.256)	4.688.345	(3.282.253)
Total	40.638.713	(3.468.965)	40.892.203	(3.660.872)

The evolution of adjustments for trade receivables impairment is as follows:

	December 31, 2016 (audited)	December 31, 2015 (audited)
Balance on the beginning of the year	(12.848.554)	(14.132.449)
Impairment adjustments recognized, net of resurreptions	1.810	1.283.895
Balance on the end of the year	(12.846.744)	(12.848.554)

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

*(All amounts are presented in RON, unless otherwise indicated.)**d) Liquidity risk*

Liquidity risk is the risk that the Company may 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 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 various financing sources.

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 presented in the table are the contractual undiscounted cash flows.

	Carrying amount	Contractual amount	<12 months	1-2 years	2-5 years	> 5 years
December 31, 2016 (audited)						
Financial liabilities						
Loans(*)	1.345.420.230	1.366.381.373	234.995.567	215.203.701	638.505.432	277.676.673
Suppliers and suppliers of non-current assets	105.554.917	105.554.917	105.554.917	-	-	-
Other payables	73.305.908	73.305.908	73.305.908	-	-	-
	1.524.281.055	1.545.242.198	413.856.392	215.203.701	638.505.432	277.676.673

	Carrying amount	Contractual amount	<12 luni	1-2 ani	2-5 ani	> 5 ani
December 31, 2015 (audited)						
Financial liabilities						
Loans(*)	1.525.830.626	1.561.109.716	217.980.774	231.208.701	629.670.527	482.249.714
Suppliers and suppliers of non-current assets	132.912.896	132.912.896	132.912.896	-	-	-
Other payables	64.368.910	64.368.910	64.368.910	-	-	-
	1.723.112.432	1.758.391.522	415.262.580	231.208.701	629.670.527	482.249.714

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

(ii) Capital management

The Company policy is to maintain a strong capital base so as to maintain investors, creditors 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 maybe exchanged in usual transactions conducted under objective conditions between willing parties knowingly, other than those determined by the liquidation or forced sale. Fair values are obtained from quoted market prices or discounted cash flow models as appropriate. As at December 31, 2016 and December

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

31, 2015, the management of the Company considers that the fair values of cash and cash equivalents, trade receivables and other receivables, trade payables as well as other short-term liabilities approximates their carrying amounts.

Given the business field in which the Company operates, corroborated with the specific nature of the financed investments and of the structure of the guarantees which include a government guarantee, as well as the variable interest rates, the Company's management estimates that the fair value of the loans is approximately equal to their carrying amount. The carrying amount of loans is the amortized cost. Based on these considerations, loans have been classified Level 2.

	Carrying amount	Fair value	Level
December 31, 2016			
(audited)			
Financial assets			
Net trade receivables	124.893.554	124.893.554	2
Cash and cash equivalents	263.714.387	263.714.387	2
Bank deposits	1.245.073.268	1.245.073.268	2
Net other receivables	37.169.748	37.169.748	2
	1.670.850.957	1.670.849.864	
	Carrying amount	Fair value	Level
December 31, 2015			
(audited)			
Financial assets			
Net trade receivables	126.267.850	126.267.850	2
Cash and cash equivalents	257.376.819	257.376.819	2
Bank deposits	1.103.841.528	1.103.841.528	2
Net other receivables	37.231.331	37.231.331	2
	1.524.717.528	1.524.717.528	
	Carrying amount	Fair value	Level
December 31, 2016			
(audited)			
Long-term financial liabilities			
Long-term financial loans	1.087.961.815	1.087.961.815	2
	1.087.961.815	1.087.961.815	
Short-term financial liabilities			
Suppliers, including supplier of non-current asset	105.554.917	105.554.917	2
Loans, short-term portion of long-term loans	220.929.527	220.929.527	2
Employee benefits and other payables	73.305.908	73.305.908	2
	399.790.352	399.790.352	
	Carrying amount	Fair value	Level

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

*(All amounts are presented in RON, unless otherwise indicated.)***December 31, 2015 (audited)****Long-term financial liabilities**

Long-term financial loans	1.279.606.054	1.279.606.054	2
	1.279.606.054	1.279.606.054	

Short-term financial liabilities

Suppliers, including supplier of non-current asset	132.912.896	132.912.896	2
Loans, short-term portion of long-term loans	202.048.304	202.048.304	2
Employee benefits and other payables	64.368.910	64.368.910	2
	399.330.110	399.330.110	

(iii) Other risks*f) Operational risk*

Operational risk is the risk deriving from deficiencies relating to Company's information technology and control systems as well as the risk of human error and natural disasters. Also, the operational risk is associated with the Company's ability to provide the electricity quantities undertaken through contracts on the regulated and competitive market, considering both planned and unplanned outages for Units 1 and 2.

The management of these risks relates to assessment, maintenance and continuous modernization of the Company's systems as well as to the proper planning and conducting of preventive and corrective maintenance activities for controlling nuclear risks and for reducing the number of hours of downtime.

g) Compliance risk

Compliance risk is the risk of financial loss, including fines and penalties, which arises from non-compliance with laws and regulations as result of possible changes in the legislative framework. These changes may relate to the imposition by local and central authorities or by the regulatory authority for energy (ANRE) of new contractual provisions or tax changes. This risk is limited by continuously monitoring and assessing the impact on the Company by legislative changes.

24. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS**(i) Taxation**

The Romanian taxation system is in a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of tax legislation. In some cases, 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 tax 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.

On the 29th of February 2016, the National Agency for Fiscal Administration – General Directorate against fiscal fraud completed the control initiated on September 9, 2015, which focused on verifying the commercial transactions undertaken by the Company in the period 2011-2015 with the companies Eco Petroleum S.A. and Prod Oil SRL. The Supervisory Body proceeded to calculate by assessing the company's tax liabilities owed jointly to the state budget in connection with the diesel

Notes on pages 1-28 are an integral part of these individual financial statements.

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

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

excise duty (by joint liability) and ordered the establishment of liens for the amount of RON 1.436.176 representing 100% of the amount of tax liability calculated, amount which is rendered unavailable at the Treasury.

Upon the request of the General Directorate against fiscal fraud the Company was subjected to a partial tax audit by the National Agency for Fiscal Administration (ANAF) aiming the VAT and excises (diesel, biodiesel and electricity) for the period 2011-2012; the tax audit was initiated on March 17, 2016 and completed on March 16, 2017. According to the preliminary tax audit report no. 292/15.03.2017 ANAF established additional payment obligations representing the VAT in amount of 273.425 RON, to which accessories are added. The company filled partial objections to the preliminary tax audit report, and will analyze the opportunity of appealing against the fiscal audit report depending on the way in which the fiscal authority will consider the objections. Moreover, the company will consider future appeal methods against the liens set out in the Company's duty by the General Directorate against fiscal fraud about the amount of 1,436,176 RON, considering the fact that fiscal report of ANAF did not establish additional payment obligations representing excises.

(ii) Insurance policies

As at December 31, 2016 the following operational insurance policies are in force:

- Property insurance policy for material damages, all risks, including mechanical and electrical destruction (for Cernavodă NPP Units 1 and 2 and FCN Pitești). The compensation limit is subject to a maximum of USD 1.560 million per year for all losses.
- Third party liability insurance for nuclear damages. The compensation limit is DST 300 (for Cernavodă NPP Units 1 and 2).

(iii) Environmental issues

The Company recorded no liability as at December 31, 2016 and December 31, 2015 for any anticipated costs relating to environmental issues, including legal and consulting fees, site studies, the design and implementation of remediation plans. Responsibility for decommissioning and cleaning-up of nuclear installations was taken over by ANDR (Note 18). The management considers that the nuclear plant fully comply with the Romanian and international environmental standards and estimates that additional costs associated with environmental compliance at December 31, 2016 are not significant. Furthermore, the Company is insured against the risk of nuclear accidents, up to the amount of DST 300 million, as described in section (ii) above.

However, enforcement of environmental regulations in Romania is evolving and their application by the government authorities is continuously being reconsidered. The Company periodically evaluates its obligations under environmental regulations. The established obligations are recorded immediately. Potential liabilities which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be significant. In the current enforcement climate under existing legislation, the Company's management believes that there are no significant liabilities for environmental damage.

(iv) Ongoing litigations

In 2016, the Company was involved in a number of disputes arising in its normal course of activity. The management of the Company regularly analyzes the ongoing litigations and, after consulting with its legal advisers and lawyers, decides whether or not to create a provision for the amounts involved or to present them in the financial statements.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

Taxes and duties. Income tax for non-residents

At the request of the Court of Auditors, the Company underwent a partial tax inspection on income tax for non-residents for the period 2012-2014. The tax audit was conducted by the National Agency for Fiscal Administration, the General Administration of Large Taxpayers (ANAF-DGAMC). Following the completion of the tax audit the fiscal inspection report no. F-MC 287/08.10.2015 was prepared and the tax decision no. F-MC 2261/08.10.2015 was issued. By the decision imposing tax payment, additional payment obligations were established in the total amount of RON 7.961.458, of which RON 5.797.714 additional tax relating to non-residents income, RON 1.450.145 delay penalties and RON 713.599 penalties for late payment. These amounts were paid in October, 2015.

The Company filed appeal against the tax audit report and the taxation imposing decision on 08.11.2015. On 08.02.2016, the competent body for settling appeals, namely the General Directorate for appeals settling within ANAF communicated to the Company the Decision no. 25/29.01.2016 ordering the appeal to be settled until the final settlement of the Company's action against the Court of Auditors subject to File no. 4970/2/2015 of the Court of Appeal. Against this decision to suspend the appeal settlement the Company filed legal action at the Court of Appeal of Bucharest (case no. 1367/2/2016), considering that the reasons for the suspension of appeal settlement are unfounded. On September 21, 2016 the Court of Appeal rejected the application submitted by the Company for annulment of the suspension decision and the Company lodged an appeal on October 10, 2016. The appeal is now at the High Court of Cassation and Justice (ICCJ), in the filter procedure; the next judging date will be given later.

The Company filed an appeal to the Court of Auditors against the the report and conclusion of the Court of Auditors regarding the measures ordered in relation to income tax for non-residents. The appeal was rejected. Further, the Company submitted to the Court of Appeals of Bucharest, two actions against the Audit Report No. 4371/10.04.2005, Decision no. 16/11.05.2015 and Conclusion no. 59/17.07.2015 issued by the Court of Auditors, one action aimed at suspending the implementation of the measures imposed on the income of non-residents (file no. 4970/2/2015) and the other aimed at the cancellation of these measures (file no. 4958/2/2015). On 07.10.2015 the suspension action in case no. 4970/2/2015 was admitted. In case no. 4958/2/2015, the Court allowed the appeal by the Company and canceled the measure on the income of non-residents in the meeting that took place on March, 10 2016. Both solutions have been appealed at the Court of Auditors, the files being currently pending at ICCJ, in the filter procedure.

Besides, the Company filed for annulment of the additional payment obligations under Government Emergency Ordinance no.44/2015, application that was filed to the tax authorities (ANAF-DGAMC) on 18.12.2015. Besides, the Company filed for annulment of the additional payment obligations under EGO no.44/2015, application that was filed to the tax authorities on 18.12.2015. On 07.06.2016 a decision to cancel the delay penalties, an interest rate of 54.2% and a 77.1% share of the late penalties related to the main payment obligations outstanding on September 30, 2015, fully amounting to 1.592.910 RON was issued. On July 6, 2016 a favourable decision was issued for cancellation of the penalties for delay, of a 54,2% share of the interests and a 77,1% share of the late payment penalties, related to the main payment obligations outstanding as at 30th of September 2015, totaling 1.592.910 million RON; the amounts were recognized as income of 2016.

Thus, the Company contests the fiscal approach applied to some services performed by non-residents during 2012-2014, which were deemed royalties due to an alleged transfer of know-how by public external auditors or by tax inspectors; this fiscal approach led to the establishment of additional payment obligations following the tax audit above mentioned. The Company will use all legal remedies to contest the payment obligations.

In the opinion of the Company's management there are no current legal actions or claims which might have significant effects on the financial earnings and the financial position of the Company that has not been included in these financial statements.

(v) Commitments

On December 31, 2016, the Company is committed to incur the capital and operating costs amounting to approximately 655 million RON.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

(vi) Guarantees

Trading of electricity produced on platforms operated by OPCOM, assume that for some transactions the Company must provide letters of guarantee for participation in certain markets such as DAM (Day After Market) and IM (Intra-day Market), auctions (PCSU–Centralized Market for Universal Service) or in favor of clients (PCCB-NC - Centralized Market for Bilateral Contracts with Continuous Negotiation).

As at 31 December 2016, the total value of letters of guarantee issued in favor of customers for contracts concluded on PCCB-CN and PCSU amounts to RON 34,30 million in favor of OPCOM for the participation to DAM and IM amounted to 13,18 million RON. For these letters of guarantee, the Company established collateral deposits at banks issuing the letters of guarantee.

By the letters of guarantee the Company guarantees the fulfillment of the obligations assumed under the purchase and sale agreements concluded on PCCB-CN and PCSU, according to the contractual terms, respectively the fulfilling of its obligations by participating in DAM and IM for the letters of guarantee in favor of OPCOM.

On 31 December 2016 the Company has established a letter of guarantee issued in favor of Transelectrica SA, amounting to RON 1,6 million, aiming to ensure liquidity on Balance Market, through the establishment by each of Balance Responsible Party of a financial guarantee in favor of Transelectrica SA, basic on Balance Responsible Party Convention concluded between the Company as the licensee and Transelectrica SA.

On 31 December 2016 the Company has established a Treasury deposit in the amount of 1.436.176 RON, standing for the liens according to the decision made by ANAF - General Directorate against tax fraud.

At 31 December 2016, the value of the bank guarantee letters issued by clients in favor of SNN for the contracts concluded on PCCB-LE and PCCB-NC is in amount of RON 128,3 million. These guarantees cover the risk of unfulfilling the contractual obligations assumed by the clients through the energy sale contracts.

25. Fees

The Company concluded on December 19, 2014, a contract for auditing and financial auditing services with Baker Tilly Klitou and Partners SRL with a duration of 36 months. Total fees (VAT excluded) for the financial year 2016 charged for the statutory audit of annual financial statements is RON 61.665, for the limited revision of the financial statements as at 30 June 2016 is of RON 33.400 (excluding VAT) and the total fees (excluding VAT) for insurance services (additional services to the audit services) in 2016 amount to RON 55.422.

The Company concluded an agreement with BDO TAX LLC for provision of tax consultancy based on monthly subscription. Total fees (excluding VAT) charged in the year ended on December 31, 2016 amounted to RON 78.669.

26. Miscellaneous

(i) Details of the group of companies

The Company is part of a group of companies controlled by the Romanian State represented by the Ministry of Energy. The Company does not belong as a subsidiary of another group of companies for which consolidated annual financial statements are prepared.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

*(All amounts are presented in RON, unless otherwise indicated.)***(ii) Investments in associates**

The Company holds participating interests in the following entities:

- a) Energonuclear S.A.: having the registered office in Bucharest, Vasile Lascar 5 – 7, Street, Floor 3; number of shares owned as at December 31, 2016: 146.153 shares, the nominal value of share capital owned: 146.152.999 RON, representing 100% of the number of issued shares.
- b) Bursa Romana de Marfuri S.A.: having the registered office in Bucharest, Buzesti, 50 – 52 Street; number of shares owned as at December 31, 2016: 23 shares, nominal value of share capital owned: 23.000 RON, representing 0,29% of the number of issued shares.

The Company is a founding member of the Romanian Atomic Forum - ROMATOM, Romanian legal entity of private law, independent union nationally representative, without patrimonial or gain purpose, nongovernmental, nonprofit, apolitical, consisting of associate or supporting members, with registered office in Bucharest, Vasile Lascar, 5 – 7 Street, floor 1. In the General Assembly, each founding member and each associate member are entitled to a deliberative vote number, calculated according to the turnover related to activities performed in the nuclear field in the previous year, by value tranches, as follows: between EUR 0 and EUR 500,000 turnover - 1 vote; between EUR 500,000 and EUR 3 million turnover - 2 votes; between EUR 3 million and EUR 10 million turnover - 3 votes; EUR 10 million turnover - 4 votes. The company meets the criteria for entitlement to 4 votes. The equivalent cash contribution made by the Company as a founding member is 100 RON.

(iii) The Company's Employees

The average number of employees of the Company during 2016 was 2.008 (2015: 2.034 employees). As at 31 December 2016 the actual number of employees is 2.042 (2015: 2.063 employees).

As at 31 December 2016 the company has 931 employees with higher education (2015: 923 employees) and 1.111 employees with secondary education (2015: 1.140 employees).

As at 31 December 2016 the company has an average number of 167 employees in leadership positions (2015: 169 employees) and 1.841 employees in executive positions (2015: 1.865 employees).

27. PROFIT DISTRIBUTION

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

Net profit to be distributed for the year 2016	112.449.451
Legal reserves	6.518.506
Other reserves representing fiscal facilities provided by law	2.454.218
Dividends	99.499.571
Other reserves (own financing resources)	3.977.156
Profit remained undistributed	-

The proposal for allocating the net profit complies with the disposals provided by the Government Ordinance no. 64/2001 regarding the profit distribution within national companies and companies with total or majority state capital, and the Autonomous Administrations, as amended and supplemented.

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

The amounts proposed to be distributed in the form of "employee participation in profits" are up to 10% of the net profit, but no more than the level of an average monthly basic salary per employee in 2016 and taking into account the average number of employees in 2016. In the profit distribution proposal is only included the amount of RON 3.793.000, in order to comply with the amounts previously budgeted in 2016 budget of revenues and expenditures. The profit sharing obligation has been established by the income and expenditure budget approved for 2016 so that the provisions of Art. 1 paragraph 1 letter e) of the Government Ordinance no. 64/2001 are complied with. The amounts representing the employees participation in profits is not a direct distribution of the net profit, which is provisioned at the end of the financial year and distributed in the next financial year after approval of the net profit distribution. Therefore, the net income of the financial year 2016 includes a provision for employees participation in profits (derived from the accounting profit) in the amount of RON 3.793.000.

The amounts allocated to the legal reserve shall be determined under the provisions of Art. 183 of Law no. 31/1990 according to which "at least 5% from the company profit shall be taken every year for the formation of the reserve fund, until it reaches at least one fifth of the share capital". The amount allocated to the legal reserve was taken in the end of the financial year, representing the mandatory allocation amounting to RON 6.518.506.

Other reserves representing tax incentives provided by law (RON 2.454.218) are allocated on the basis of Art. no 22 of Law no. 227/2015 regarding the Fiscal Code amended and supplemented; they relate to profit tax exempted related to the profit invested in technological equipment, computers and peripherals, machinery and home appliances, control and billing equipment, as well as produced and/or purchased software, as stipulated in subgroup 2.1 class 2.2.9 in the "Catalogue on classification and the normal useful life of fixed assets" used for business purposes. The amount allocated to reserves is the amount of the profit invested in this equipment, net of legal reserve (5%).

The proposed gross dividend (99.499.571RON) are in the amount of 92,76% in the net profit, a percentage applied to the distributable profit after allocation for the destinations under Art. no 1 paragraph 1 letter a) - e) of Government Ordinance no. 64/2001 plus the amount proposed to be distributed as "employees participation in profits", for the reunification of the calculation basis. For 2016, according to the provisions of the Government Memorandum on "Empowering the state representatives in the General Assembly of Shareholders/Board of Directors, as appropriate, within the national companies and the companies with total and majority state capital, and the autonomus administrations in order to take necessary steps for the allocation of a 90% share of the net profit of 2016 as dividends/payments to the state" it should be distributed as dividends at least 90% of the profit remaining after distribution for the destinations under Art.1 paragraph 1 letter a) - e) of the Government Ordinance no. 64/2001. Reporting strictly to the net profit (without the gross up with the obligation for the participation of employees to profit), the distribution percentage per dividend is of 90,68%. The percentage of 90,68% comes from rounding of gross dividend per share proposed, namely RON 0,33 gross/share.

The remained profit amounts to be distributed (3.977.156 RON), after the distribution for the destinations under Art. 1 paragraph 1 letter a) - f) of the Government Ordinance no. 64/2001, are to be distributed in the form of own sources of funding (other reserves).

The proposal for allocating the net profit is presented in detail in the note relating to point 5 on the agenda of the General Meeting of Shareholders that is going to take place on April 24, 2017.

SN Nuclearelectrica SA

Notes to the individual financial statements prepared for the year ended on December 31, 2016

(All amounts are presented in RON, unless otherwise indicated.)

28. SUBSEQUENT EVENTS TO THE REPORTING DATE

The litigation started by Fondul Proprietatea S.A.

The file no. 40046/3/2014 had a hearing on 17 January 2017 before the Bucharest General Court, seeking the annulment of the Decision no. 8/06.10.2014 issued by the General Extraordinary Meeting of Shareholders of SNN.

By SNN Decision no. 8/06.10.2014, issued by the General Extraordinary Meeting of Shareholders, the increase of the Company's share capital with a maximum cash input in total amount of RON 239.172.630 was approved, from the actual amount of RON 2.817.827.560 to the value of RON 3.057.000.190, by issuing a maximum number of 23.917.263 new, nominative, dematerialized shares at a price of 10 RON/share, equal to the nominal value (excluding the share capital premium).

The court set a hearing date for the file for 28 February 2017, to allow the Company to present all financial accounting documents attesting the transferred amounts from which the capital increase was ordered.

This term was postponed for 28 March 2017 for allowing the applicant to consider all accounting and financial documents attesting the transferred amounts from which the capital increase was ordered.

Date: March 22, 2017

Daniela LULACHE
Chief Executive Officer

Mihai DARIE
Chief Financial Officer

*Notes on pages 1-28 are an integral part of these individual financial statements.
This is a free translation from the Romanian version. In case of any differences between the Romanian and English version, the Romanian version prevails.*