SN Nuclearelectrica SA

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

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

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

	Note	31 December 2016 (audited)	31 December 2015 (audited)
Assets			
Non-current assets			
Property, plant and equipment	5	7.249.582.386	7.615.323.640
Intangible assets	6	80.660.034	80.006.400
Total non-current assets		**7.330.242.420**	**7.695.330.040**
Current assets			
Inventories	7	331.056.533	323.222.357
Recoverable income tax		-	1.173.730
Trade receivables and other receivables	8	162.099.518	163.579.415
Prepayments		12.699.411	12.073.377
Bank deposits	9	1.245.073.268	1.103.841.528
Cash and cash equivalents	9	264.200.287	259.943.096
Total current assets		**2.015.129.017**	**1.863.833.503**
Total assets		**9.345.371.437**	**9.559.163.543**
Equity and liabilities			
Equity			
Share capital	10	3.210.641.253	3.210.641.253
Sharepremium	10	31.474.149	31.474.149
Prepaid share reserve	10	21.553.537	21.553.537
Revaluation reserve	10	1.773.743.734	1.773.743.734
Retained earnings	10	2.469.110.336	2.457.912.749
Total shareholders' equity		**7.506.523.009**	**7.495.325.422**
Non-controlling interests		-	-
Total equity		**7.506.523.009**	**7.495.325.422**
Liabilities			
Non-current liabilities			
Long term borrowings	11	1.087.961.815	1.279.606.054
Long-term deferred income		143.446.616	157.791.277
Deferred tax liability	13	163.087.603	173.496.018
Employee benefits	14	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	12	178.902.336	197.428.572
Current tax liability		6.432.070	-
Deferred income		6.181.408	21.671.875
Current portion of long term borrowings	11	220.929.527	202.048.304
Total current liabilities		**412.445.341**	**421.148.751**
Total liabilities		**1.838.848.428**	**2.063.838.121**
Total equity and liabilities		**9.345.371.437**	**9.559.163.543**

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

	Note	2016 (audited)	2015 (audited)
Revenues			
Sales of electricity	15	1.620.769.517	1.673.421.590
Electricity transmission revenues		26.861.292	75.247.078
Total revenues		**1.647.630.809**	**1.748.668.668**
Other income	19	32.591.641	34.340.020
Operation expenses			
Depreciation and amortization		(474.779.554)	(493.762.157)
Personnel expenses	16	(299.416.095)	(302.418.531)
Cost of traded electricity		(22.665.212)	(26.828.898)
Repairs and maintenance		(126.128.089)	(129.820.114)
Electricity transmission expenses		(26.861.292)	(75.247.078)
Cost with spare parts		(21.243.702)	(18.721.768)
Cost of nuclear fuel		(140.397.129)	(139.198.799)
Other operating expenses	17	(411.046.290)	(437.911.061)
Total operating expenses		**(1.522.537.363)**	**(1.623.908.406)**
Operating result		**157.685.087**	**159.100.282**
Financial costs	18	(119.002.621)	(150.922.573)
Financial income	18	89.989.985	168.405.487
Net finance (costs)/revenuse		**(29.012.636)**	**17.482.914**
Profit before income tax		**128.672.451**	**176.583.196**
Net income tax expense	13	(17.915.378)	(29.184.696)
Profit of the fiscal year		**110.757.073**	**147.398.500**
Profit attributable to:			
Owners of the group		110.757.073	147.398.500
Non-controlling interests		-	-
Profit for the year		**110.757.073**	**147.398.500**

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

Daniela Lulache
Chief Executive Officer

Mihai Darie
Chief Financial Officer

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

	Note	2016 (audited)	2015 (audited)
Profit for the fiscal year		**110.757.073**	**147.398.500**
Other comprehensive income			
Items that will never be included in the profit and loss account			
Property, plant and equipment revaluation		-	3.772.653
Deferred tax related to the revaluation reserve		-	(603.624)
Actuarial gains (loss) on defined benefits plan		(59.915)	1.447.515
Other comprehensive income		**(59.915)**	**4.616.544**
Total comprehensive income		**110.697.158**	**152.015.044**
Attributable to:			
Owners of the group		**110.697.158**	**152.015.044**
Non-controlling interests		**-**	**-**
Total comprehensive income for the year		**110.697.158**	**152.015.044**
Earnings per share			
Basic earnings per share (lei/share)	22	**0,37**	**0,50**
Diluted earnings per share (lei/share)	22	**0,37**	**0,50**

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

	Note	Share capital	Share premium	Prepaid share reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2016 (audited)		**3.210.641.253**	**31.474.149**	**21.553.537**	**1.773.743.734**	**2.457.912.749**	**7.495.325.422**	**-**	**7.495.325.422**
Comprehensive income for the period									
Profit for the year		-	-	-	-	110.757.073	**110.757.073**	-	**110.757.073**
Other comprehensive income (OCI)		-	-	-	-	(59.915)	**(59.915)**	-	**(59.915)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**110.697.158**	**110.697.158**	**-**	**110.697.158**
Dividends distributed	**10**	-	-	-	-	(99.499.571)	**(99.499.571)**	-	**(99.499.571)**
Balance as at 31 December 2016 (audited)		**3.210.641.253**	**31.474.149**	**21.553.537**	**1.773.743.734**	**2.469.110.336**	**7.506.523.009**	**-**	**7.506.523.009**

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

	Note	Share capital	Share premium	Prepaid share reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2015 (audited, restated)		**3.013.330.303**	**31.474.149**	**217.820.977**	**1.770.574.705**	**2.399.460.799**	**7.432.660.933**	**-**	**7.432.660.933**
Comprehensive income for the period									
Profit for the year		-	-	-	-	147.398.500	**147.398.500**	-	**147.398.500**
Other comprehensive income (OCI)		-	-	-	3.169.029	1.447.515	**4.616.544**	-	**4.616.544**
Total comprehensive income for the period		**-**	**-**	**-**	**3.169.029**	**148.846.015**	**152.015.044**	**-**	**152.015.044**
Shares issue		197.310.952	**-**	(197.304.802)	**-**	**-**	**6.150**	**-**	**6.150**
Transfer to reserves		(2)	-	-	-	-	**(2)**	-	**(2)**
Increase of prepaid reserve		-	-	1.037.362	-	(27.753)	**1.009.609**	-	**1.009.609**
Dividends		-	-	-	-	(90.366.312)	**(90.366.312)**	-	**(90.366.312)**
Balance as at 31 December 2015 (audited)		**3.210.641.253**	**31.474.149**	**21.553.537**	**1.773.743.734**	**2.457.912.749**	**7.495.325.422**	**-**	**7.495.325.422**

Notes on pages 1-27 are an integral part of these consolidated 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.

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

	2016 (audited)	2015 (audited)
Cash flows from operating activities		
Profit before income tax	**128.672.451**	**176.583.196**
Adjustments for:		
Depreciation and amortization	474.779.554	493.762.157
Impairment on trade and other receivables	(193.717)	(877.223)
Impairment on inventories	5.808.166	(1.662.547)
Provisions	7.670.139	8.588.083
Loss on disposal of non-current assets and impairment impact of non-current assets	5.776.726	102.904
Net financial costs/(gains)	28.692.798	(17.903.107)
Changes in:		
Decrease in trade receivables and other receivables	721.645	85.683.581
(Increase) in inventories	(13.931.759)	(7.667.972)
Variation of deferred income	(29.835.128)	(17.582.292)
Variation of deferred expense	(626.034)	-
(Decrease) of trade liabilities and other liabilities	(15.851.467)	(27.234.197)
Cash flows generated from operating activities	**591.683.374**	**691.792.583**
Income tax paid	(20.717.994)	(48.345.205)
Interest received	15.438.854	18.700.167
Interest paid	(10.468.684)	(13.629.233)
Net cash from operating activities	**575.935.550**	**648.518.312**
Cash flows from investing activities		
Purchase of intangible assets	(8.379.259)	(8.262.645)
Purchase of property, plant and equipment	(110.940.864)	(168.026.264)
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 used in investing activities	**(260.462.822)**	**(1.248.516.318)**
Cash flow from financing activities		
Repayments of borrowings	(211.824.851)	(210.715.164)
Dividends	(99.390.686)	(88.209.568)
Issue of shares	-	6.150
Net cash flow from financing activities	**(311.215.537)**	**(298.918.582)**
Net increase in cash and cash equivalents	**4.257.191**	**(898.916.588)**
Cash and cash equivalents as at 1 January (see Note 9)	**259.943.096**	**1.158.859.684**
Cash and cash equivalents at the end of the year (see Note 9)	**264.200.287**	**259.943.096**

1. REPORTING ENTITY

Societatea Nationala Nuclearelectrica S.A. (the "Company" or "SNN") is a national joint-stock company, with unitary management system, having a head office and two branches without legal personality, CNE Cernavoda (Centrala Nuclearo – Electrica) –having the main office in Constanta, Cernavoda, Medgidiei, nr.2, street, Trade Register no. J13/3442/2007 and FCN Pitesti (Fabrica de Combustibil Nuclear) –having the main office in Arges, Mioveni, Campului, nr.1 street, Trade Register no. J03/457/1998. The registered office of SNN is located in Bucharest, District 1, 65 Polona Street. The company's main activity is the "Electricity production" - NACE code 3511 and it is recorded in the Trade Register under number J40/7403/1998, fiscal code 10874881, fiscal attribute RO.

As at 31 December 2016 and 31 December 2015, the Company owns 100% of the share capital of EnergoNuclear S.A. ("Energonuclear"). The company has the main office in Bucharest, District 2, 5-7 Vasile Lascar Street, 3rd floor, and is recorded in the Trade Register under 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.

These consolidated financial statements prepared for the year ended on 31 December 2016 comprise the financial statements of the company and its subsidiary Eneregonuclear, which are called together "the Group".

The Company's main activity consists in electricity and thermal energy production 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 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 22 August 2014 (for more information see Note 5).

The Company owns a reactor (Unit 5) for which the Company shareholders approved changing the initial destination in March 2014, 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. The 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 Cernavodă is performed by the Company in the branch FCN Pitesti.

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 its 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 or cost plus profit margin, using a methodology approved by ANRE.

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

As described in Note 10, on 31 December 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 27,408,381shares 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 consolidated financial statements were authorized for issue by the management of the Group on 22 March 2017.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements were prepared on the basis of the Ministry of Public Finance Order 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 the OMFP 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 European Council dated on 19 July 2002 regarding the application of the international accounting standards.

The OMPF 2844/2016 repealed on 19t December 2016 of Ministery of Public Finance Order no. 1286/2012 ("OMFP 1286/2012") with subsequent amendments involving the approval of the Accounting Regulations in accordance with IFRS applicable to companies whose securities are traded on a regulated market, applicable until that date.

b) Basis of assessment

The consolidated financial statements have been prepared under the historical cost, except for property, plant and equipment, which are measured at fair value, as shown in the accounting policies (see Note 3d). Property, plant and equipment, with the exception of construction in progress, plant and equipment, which are recorded at historical cost and with the exception of assets purchased before 31 December 2003, which include the hyperinflation adjustments as per IAS 29 "Financial reporting in hyperinflationary economies", are accounted based on the revaluation method.

c) Functional and presentation currency

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

d) Use of estimates and professional judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires the senior management to make 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 (see Note 3d), assumptions used in determining the fair value (see Note 4 and Note 23e), assumptions made in determining the fair value of tangible assets (property, plant and equipment) (see Note 5), the transfer to tangible assets (property, plant and equipment) of those spare parts which meet the recognition criteria required by IAS 16 (see Note 5), the recoverability of trade receivables (see Note 8), assumptions regarding the net recoverable value of inventories (see Note 7), assumptions regarding the calculation of employee benefits (see Note 14), the period on which the governmental grants are transferred to the profit and loss account (see Note 3q and Note 19). 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.

Information about assumptions that have a significant risk of resulting in a material adjustment within the next financial years is included in Note 20 (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 consolidated financial statements prepared by the Group.

The consolidated financial statements are prepared on the assumption that the Group will continue to operate in the foreseeable future. To assess the applicability of this assumption, the senior management analyses projections of future cash inflows.

a) Consolidation basis

(i) Combination of enterprises

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the control is transferred to the Group. Control requires exposure to rights to variable returns and the ability to affect those returns through power over an investee.

The Group measures goodwill at the acquisition date as:

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

The gain obtained from a profitable purchase is recognised immediately in profit or loss when the fair value of consideration transferred is greater than the recognised net value of identifiable assets purchased. The consideration transferred does not include amounts related to the settlement of pre-existing relationships between the Group and the acquired entity. Such amounts generally are recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

(ii) Acquisition of non-controlling interest

The Group measures non-controlling interests in the acquire at their proportionate share of the acquirer's identifiable net assets, at acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

(iii) Subsidiaries

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

(iv) Loss of control

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

(v) ***Transaction eliminated on consolidation***

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

b) Trades 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 year end are expressed in RON at the exchange rate at that time (the exchange rate is the one displayed by the National Bank of Romania). Gains and losses from exchange rate differences, realized or unrealized, are included in the profit and loss of the year. The exchange rates on 31 December 2016 and 31 December 2015 for the major currencies the Group trades in are as follows:

	Average exchange rate		**Exchange rate as at**	
	2016	**2015**	**31 December 2016**	**31 December 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.

c) 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 require 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 Group no longer applied IAS 29 starting on January 1, 2004. Consequently, the amounts expressed in the measuring unit current on December 31, 2003 are treated as the basis for the carrying amounts of these financial statements.

d) Property, plant and equipment

Recognition and assessment

Property, plant and equipment are initially assessed at cost minus accumulated depreciation and accumulated impairment loss.

The cost includes the expenses directly attributable to the acquisition of the assets. The cost of assets built by the Group 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.

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

Land, special constructions, administrative buildings and other buildings are accounted at their fair value, based on the assessments of independent evaluators, by using the market value method and the net replacement cost, less the cumulated depreciation value and accumulated impairment, if applicable.

If the carrying amount of an asset is increased as a result of a revaluation, this increase must be recorded directly in equity, in the heading "revaluation reserves". However, the increase must 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.

If the carrying amount of an asset is impaired because of a revaluation, the decrease must be recognized in profit and loss. However, the decrease must 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".

The revaluation surplus included in other comprehensive income related to the property, plant and equipment may be transferred directly to the retained earnings if the asset is derecognized.

Machinery, equipment and other assets, less the administrative buildings and special constructions are recorded at cost. The under construction assets are recorded at their acquisition cost or their construction cost (restated as per the measure unit at 31 December 2003 for assets purchased before 1 January 2004). Within the ongoing assets, the heavy water and buildings which will be used for Units 3 and 4 were included.

Units 1,2,3,4 and 5 were considered a single project and before 1990, the costs were accounted for separately for each unit. In 1991, the group performed a cost allocation for each unit. This reallocation represents the basis for the assets included in the property, plant and equipment under construction.
Elements such as spare parts, spare equipment and maintenance parts are recognized as property, plant and equipment as per IAS 16, when they meet the definition of property, plant and equipment. All other spare parts are recognised as inventories.

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

Subsequent expenditures

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

Amortisation

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

Depreciation of other tangible assets (property, plant and equipment) 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 operating hours per Unit, equivalent to 80% capacity factor over a 30-year period. By 31 December 2016, the cumulated 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, it 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 an 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 Group contracted specialized services for technical assistance to determine the possibility of extending the number of operating hours designed for Unit 1.

The Group’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 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 afore mentioned influenced mainly by the technical state of Unit 1 and the decision of the regulatory 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 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 consolidated items (major components) of an asset. The depreciation methods for assets, 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 gainor loss is determined by the difference between the proceeds from the sale of the asset and its accounting value, being recognised as operational revenue or operational expense in profit and loss account.

The costs of the borrowings for the construction of an element of non-current asset is capitalised in the asset’s cost at the current date of the preparation of the asset for its predetermined use or sale.

e) Intangible assets

Intangible assets are recognized at cost, less 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 feasible technically and commercially, 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.

f) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there are indications of the existence of Depreciation. If any impairment 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 greater of value in use and its fair value less the selling costs. 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 GGUs. For the impairment testing, assets that cannot be tested consolidated 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).

A depreciation loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognized.

g) Inventories

Inventories consist of consumables, spare parts that do not meet criteria as tangible assets (property, plant and equipment), safety stock, uranium and other inventories necessary for the activity of the Group. These are recorded as inventorieswhen purchased and then expensed when consumed.
Inventories are measured at the lower of 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 selling costs.

According to the IAS 2 standard on "Inventories" the cost of outgoing 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 Group used the FIFO method.

Following the analysis made by the management of the Group it was concluded that the use of WAC method would produce reliable 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 the inflows inventories was changed from FIFO to WAC method.

In accordance with the requirements for change in 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 are more relevant and more reliable for users' needs for making economic decisions, as shown in the below analysis of the two methods below:

- The FIFO method asumes that the outflows inventories are to be evaluated with 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;
- 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 Group 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 Group applies the new policy prospectively from 1 January 2016.

h) Recognition and derecognition of non-derivative financial instruments

Non-derivative financial instruments

The Group 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 Group becomes party to the contractual terms of the instrument.

The Group 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 by 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 Group is recognized separately as an asset or a liability.

The financial assets and liabilities are offset and the net value is entered in the statement of financial position only when the Group 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 Group are mainly receivables, cash and cash equivalents and bank deposits.

Non-derivative financial liabilities

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

The Group derecognizes a financial liability when its contractual obligations are settled, cancelled or expires.

The Group 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.

i) 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 impaired value. A provision for impairment is established when there is objective evidence that the Group will not be able to collect receivables on time. Significant financial difficulties of the debtor, probability that 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 updated future cash flows by using the original effective interest rate of the asset. The carrying value is reduced by using an account for depreciation adjustments and the loss is entered into the profit and loss section under "other operating expenses".

j) 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.

k) 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.

l) Legal reserve

Legal reserves are established as follows: 5% comes from the gross profit from the end of the year until the total legal reserves reach 20% of the share capital paid in accordance with the law. These reserves are deductible for corporation 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 the balance sheet date. The legal reserve is found in the entry "retained earnings".

m) Prepaid reserve

The prepaid reserve represents the cash contributions made by the Company’s shareholders in respect of the future issuance of shares by the Group. This contributions are recorded on credit in the prepaid reserve, when there is not the possibility that advance payments to be returned, and the Company’s obligation is to issue a fixed number of shares.

n) Dividends

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

o) Trade debts and other liabilities

Debts to suppliers 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 are due within one year, otherwise they are presented as non-current liabilities.

According to IFRIC 21 "Taxes", the Group admits 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.

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 registration of the counter-party for this debt (respectively asset or cost) and that an asset is acknowledged in case a debt was paid in advance and there is no present payment obligation.

The Group considers that the acknowledging moment for the debt is determined by the existence of assets in its patrimony representing the base of taxes and therefore, the debt for the special building tax (applicable by 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 continued on expenses to fulfil the payment terms provided by the corresponding law.

p) Loans

Loans are recognized initially at fair value, net of transaction costs. Subsequent to initial recognition, loans are stated 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.

q) 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 Group will comply with the conditions rassociated with the grant.

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

r) Income tax

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

(i) Current tax

The current tax is the expected tax payabele or receivable on 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;
• Temporary differences resulting from investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse 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 Group 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.

Debts and receivables with the deferred tax 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 assets and taxation debts will be conducted simultaneously.

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 debts are reviewed on each reporting date and are reduced if the related tax benefit is unlikely to be obtained.

(iii) Tax exposure

In determining the current and deferred tax the Group 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 may become available and cause the Group 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.

s) Employee Benefits

(i) Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group'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 of unrecognized prior services and the fair value of the benefits 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 Group, the recognized asset is limited to the total of the unrecognized past service costs 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 Group are considered. An economic benefit is available for the Group 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 effective. To the extent that the benefits become effective immediately, the expense is recognized immediately in profit and loss.

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

The gain or loss on the curtailment 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 Group'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 Group has a present, legal or constructive obligation to pay this amount for past services rendered by employees and this obligation can be estimated reliably.

t) Provisions

A provision is recognized if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably and it is 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 unwinding of the discount is recognized as financial expense. The provision related to the intermediary storage of spent nuclear fuel is determined as the present value of future expenditure with its storage.

u) Revenues acknowledgement

Revenue includes the fair value of the consideration received or receivable recognition for the sale of goods in the ordinary course of the Group's activities. Revenue is presented net of value added tax.

The Group recognizes revenues when their value can be measured reliably, getting benefits is probable and other further criteria have been met. The amount of revenues is not considered to be reliably measurable until all contingencies related to the sale are solved.

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

v) Financial income and expenses

Financial income mainly includes the interest income on bank deposits and cash, as well as the foreign currency gain. 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 foreign currency losses. 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.

w) Fields of activity

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

• That engages in business activities, 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 allocate resources and assess its performances; and
• For which separate financial information is available.
The management of the Group considers all activities as "a single segment".

x) Earnings per share

Earnings per share is calculated by dividing the profit and loss attributable to the Group's shareholders by the weighted average number of ordinary shares outstanding over the period. Weighted average number of ordinary shares outstanding over 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 weighting factor of time.

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, and provide specific interests of each ordinary share in the entity's performance.

y) 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 related parties.

z) Contingencies

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

aa) Comparative figures

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

bb) 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 the European Union adopted some of them. The Group's management expects that the implementation of these accounting standards in future periods will have no material effect on the financial statements of the Group.

4. DETERMINATION OF FAIR VALUES

Some Group's accounting policies and disclosure require the measurement of the fair value for both financial and non-financial assets and liabilities. In determining the fair values of assets and liabilities, the Group 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 (i.e. prices) or indirectly (i.e. 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.

Property, plant and equipment

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

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

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	TOTAL
Cost					
Balance as at 1 January 2015 (audited)	**28.689.128**	**6.072.194.991**	**1.744.966.641**	**1.124.092.132**	**8.969.942.892**
Additions	1.006.071	-	14.087.194	125.931.414	**141.024.679**
Revaluation of special buildings/land/constructions	4.357.831	4.417.451	(5.002.628)	-	**3.772.654**
Offset of accumulated depreciation 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 31 December 2015 (audited)	**34.053.030**	**5.415.577.164**	**1.828.655.712**	**1.110.285.501**	**8.388.571.407**
Balance as at 1 January 2016 (audited)	**34.053.030**	**5.415.577.164**	**1.828.655.712**	**1.110.285.501**	**8.388.571.407**
Additions	-	-	13.256.072	93.632.951	**106.889.023**
Transfers	-	164.223.252	29.262.697	(193.485.949)	-
Transfers to intangible assets	-	-	-	(13.717.629)	**(13.717.629)**
Spare parts transfers	-	-	-	289.417	**289.417**
Disposals	-	-	(1.477.663)	(5.851.327)	**(7.328.990)**
Balance as at 31 December 2016 (audited)	**34.053.030**	**5.579.800.415**	**1.869.696.818**	**991.152.965**	**8.474.703.228**
Depreciation and impairment losses					
Balance as at 1 January 2015 (audited)	**233.272**	**334.518.634**	**568.272.353**	**139.384.518**	**1.042.408.777**
Depreciation charges	77.757	339.289.050	108.129.274	-	**447.496.081**
Revaluation of special buildings/land/constructions	2.490.087	29.408.719	(16.607.332)	-	**15.291.475**
Offset of accumulated disposals	-	-	(1.838.455)	-	**(1.838.455)**
Adjustments for impairment of intangible assets	-	-	(13.106)	8.149.618	**8.136.511**
Offset of accumulated depreciation upon revaluation	-	(673.807.684)	(64.438.939)	-	**(738.246.623)**
Balance as at 31 December 2015 (audited)	**2.801.116**	**29.408.719**	**593.503.795**	**147.534.136**	**773.247.765**
Balance as at 1 January 2016 (audited)	**2.801.116**	**29.408.719**	**593.503.795**	**147.534.136**	**773.247.765**
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	-	-	(6.698.251)	(6.510.337)
Balance as at 31 December 2016 (audited)	**3.040.868**	**375.420.323**	**705.823.765**	**140.835.885**	**1.225.120.845**
Carrying amount					
Balance as at 1 January 2015 (audited)	**28.455.856**	**5.737.676.357**	**1.176.694.288**	**984.707.614**	**7.927.534.114**
Balance as at 31 December 2015 (audited)	**31.251.914**	**5.386.168.444**	**1.235.151.918**	**962.751.365**	**7.615.323.641**
Balance as at 31 December 2016 (audited)	**31.012.162**	**5.204.380.093**	**1.163.873.053**	**850.317.080**	**7.249.582.386**

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 31 December 2016 amounting to 383.525.007 RON (31 December 2015: 404.188.599 RON) and administrative buildings with a net carrying amount on 31 December 2016 amounting to 315.465.551 RON (31 December 2015: 332.439.518 RON).

In accordance with the accounting policies in force applied by the Group, the land, buildings and constructions are stated at fair value. The assets were revaluated on 31 December 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 31 December 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 December 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 December 2016, the carrying value of Units 3 and 4 recognized in the group "Non-current assets in progress" amounts to 273.960.000 RON (31 December 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 Group allocated the costs for the construction of Units 3 and 4 of the nuclear power plant and for Unit 5.

On 31 December 2016 and 31 December 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 31 December 2013 the Group recognized a depreciation adjustment of 100% of the Unit 5 since there were no plans to resume its construction. On 31 December 2016 the gross carrying amount for Unit 5 is 136.980.000 RON (31 December 2015: 136.980.000 RON). In March 2014, the Group shareholders approved the change of destination and use of Unit 5 for other activities of the Group, ongoing project, the result of which will be an asset with a different use than the initial one designed 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 EUR (i.e. range 1.726 – 2.448 million RON considering the exchange rate RON/EUR 4,5411 on 31 December 2016).

The main investments made by the Group 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 Unit 1, Unit 2 water chambers amounting to 3.930.922 RON (2015: 435.555 RON);
- 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: RON 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).

The main investments made in the 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-Magnetita 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 („ANRSS") required for Units 1 and 2 amounting to 9.621.247 RON (2015: 6.000 kg of heavy water in the amount of 11.095.440 RON).

On 31 December 2016, the net carrying amount of the assets under construction related to Unit 3 and Unit 4 amounts to 648.115.181 RON (31 December 2015: 652.998.148 RON). On 31 December 2016, the remaining difference up to 850.317.080 RON (31 December 2015: 962.751.365 RON) represents the 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 projected amounting to 7.119.054 RON.

On 31 December 2016, the Company purchased non-current assets on credit from suppliers amounting to 9.115.867 RON (31 December 2015: 14.625.875 RON).

Decommissioning of nuclear units

The nuclear power Unit 1 is scheduled to operate until 2026 and Unit 2 until 2037. The Group 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 Group 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 17). 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 31 December 2016, and 31 December 2015, the Group has no pledged or mortgaged assets.

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

6. INTANGIBLE ASSETS

	Licences and software	Power plant software and other tangible assets	TOTAL
Cost			
Balance as at 1 January 2015 (audited)	**57.869.034**	**167.513.654**	**225.382.688**
Additions	2.320.593	5.945.053	**8.265.646**
Transfers	50.000	(50.000)	-
Disposals	(30.874)	(31.505)	**(62.379)**
Balance as at 31 December 2015 (audited)	**60.208.753**	**173.377.202**	**233.585.955**
Balance as at 1 January 2016 (audited)	**60.208.753**	**173.377.202**	**233.585.955**
Additions	1.894.136	6.485.123	**8.379.259**
Transfers	-	13.717.629	**13.717.629**
Disposals	(35.737)	(1.738.827)	**(1.774.565)**
Balance as at December 31, 2016 (audited)	**62.067.152**	**191.841.126**	**253.908.278**
Accumulated amortization			
Balance as at 1 January 2015 (audited)	**54.807.900**	**75.995.507**	**130.803.406**
Amortization cost	4.756.730	18.081.359	**22.838.089**
Amortization related to disposals	(30.874)	(31.067)	**(61.941)**
Balance as at 31 December 2015 (audited)	**59.533.756**	**94.045.799**	**153.579.555**
Balance as at 1 January 2016 (audited)	**59.533.756**	**94.045.799**	**153.579.555**
Amortization cost	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)	**61.574.073**	**111.674.170**	**173.248.244**
Carrying amount			
Balance as at 1 January 2015	**3.061.134**	**91.518.147**	**94.579.281**
Balance as at 31 December 2015	**674.997**	**79.331.403**	**80.006.400**
Balance as at 31 December 2016	**493.078**	**80.166.956**	**80.660.034**

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

7. INVENTORIES

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

	31 December 2016 (audited)	31 December 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	3.400.862	8.809.406
Total	**331.056.533**	**323.222.357**

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

8. TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	31 December 2016 (audited)	31 December 2015 (audited)
Trade receivables	137.739.961	139.114.866
Trade receivables allowance	(12.846.744)	(12.848.554)
Other receivables	13.113.869	16.114.234
Other receivables allowance	(3.468.965)	(3.660.872)
Taxes and duties	27.561.397	24.859.741
Total	**162.099.518**	**163.579.415**

As at 31 December 2016, the significant 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 done during 2016 to Electrica Furnizare SA represented approximately 19% (2015: 20%) of total revenues of the Group, 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 Group's exposure to credit and market risks as well as the allowance for impairment in respect of trade receivables are presented in Note 23.

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

9. CASH, AND CASH EQUIVALENTS AND BANK DEPOSITS

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

	31 December 2016 (audited)	31 December 2015 (audited)
Cash at bank in RON	262.726.378	257.891.064
Cash at bank in foreign currency	1.473.909	2.052.032
Total cash and cash equivalents	**264.200.287**	**259.943.096**

The position "Current bank accounts" include bank deposits with original maturity less than 3 months.
As at 31 December 2016, the Group issued some bank guarantee letters of 49.124.158 RON, for which guarantee in cash was submitted 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 guarantee in cash submitted as collateral deposit, with a maturity up to 3 months.

As at 31 December 2016 the position "Bank deposits" includes an amount of 45.397.989 RON (31 December 2015: 20,092,045 RON) related to the bank guarantee letters issued by different banks in favour of the Group for which a cash guarantee was submitted, of which 37.447.413 RON with maturity up to one year (31 December 2015: RON 20,092,045), and the remaining 7,950,576 RON with maturity over one year.

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

10. EQUITY

Share capital

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

According to the articles of incorporation, the authorized capital of the Company is 3.016.200.000 RON. The subscribed and paid share capital as at 31 December 2016 is 3.015.138.510 RON, under the authorized capital.

As at 31 December 2016 and 31 December 2015, the share capital includes the effect of the withdrawals registered in the previous years required by the application of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The reconciliation of the share capital is as follows:

	31 December 2016 (audited)	**31 December 2015 (audited)**
Subscribed and paid 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)	**3.210.641.253**	**3.210.641.253**

As at 31 December 2016 and 31 December 2015, 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 amounts to 10 RON.

As at 31 December 2016 and 31 December 2015 the shareholding structure is the following one: **Shareholders**	**Number of shares**	**% of the share capital**
Romanian State	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 pre-emptive 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 31 December 2015 the Romanian state contribution in the amount of 194.376.700 RON, 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 county, were transferred to the capital from the "Prepaid Reserve".

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

Prepaid reserve

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

Revaluation reserves

As at 31 December 2016 the revaluation reserve amounts to 1.773.743.734 RON (31 December 2015: 1.773.743.734 RON).

Retained earnings

The retained earnings are the cumulated earnings of the Group.
The retained earnings are distributed based on the annual financial statements prepared in accordance with OMFP 2844/2016 for the approval of the accounting regulations as per the International Financial Reporting Standards.

In 2016, the Company distributed dividends amounting to 99.499.571 RON and paid dividends amounting to 99.493.893 RON.

11. BORROWINGS

Reimbursements of borrowings during the year ended on 31 December 2016 were as follows:

	Currency	Interest rate	Value	Year of maturity
Balance on 1 January 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 31 December 2016 (audited)			**1.345.420.230**	

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

(i) Long-term borrowings

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

	31 December 2016 (audited)	31 December 2015 (audited)
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 borrowings 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 31 December 2016 was EUR 533 thousand (31 December 2015: EUR 1,60 million). The reimbursement is divided in 20 instalments 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.

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 31 December 2016 was EUR 42,29 million EUR (31 December 2015: EUR 49,98 million). The reimbursement is divided in 30 instalments 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 and 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 31 December 2016 was CAD 120,19 million (31 December 2015: EUR 142,05 million). The reimbursement is divided in 30 instalments over a period of 16 years, payable between December 2007 and June 2022. The loan is subject to a variable CDOR 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 31 December 2016 was EUR 670 thousand (31 December 2015: EUR 2,01 million). The reimbursement is divided in 20 instalments 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 USD 29,5 million. The amount due on 31 December 2016 was USD 2.9 million (31 December 2015: USD 5.9 million). The reimbursement is divided in 20 instalments 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 31 December2016 is EUR 165,5 million (31 December 2015: EUR 184,5 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 60 million (31 December, 2015: EUR 70 million); (ii) Second instalment with a balance of EUR 72 million (31 December 2015: EUR 81 million) and (iii) Third instalment with a balance of EUR 33.5 million (31 December2015: EUR 33.5 million). Repayment of first instalment will be made in 20 instalments payable during 2013-2022, repayment of second instalment will be made in 20 instalments payable during 2015-2024 and the repayment of third instalment will be made in 16 instalments 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 2 instalments and a 0.079% for the third instalment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

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 Group'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 31 December 2016 and 31 December 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 favour of the creditor.

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

(ii) Short-term borrowings

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

	31 December 2016 (audited)	31 December 2015 (audited)
Current portion of long-term borrowings	228.197.074	209.134.834
Interests related to the long-term borrowings	560.850	741.866
Short-term transaction costs	(7.828.396)	(7.828.396)
Total short-term loans	**220.929.527**	**202.048.304**

12. ACCOUNTS PAYABLES AND OTHER LIABILITIES

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

	31 December 2016 (audited)	31 December 2015 (audited)
Non-current assets suppliers	9.115.867	14.625.875
Trade payables	96.445.148	118.300.922
Employee benefits	15.115.857	14.543.396
Payables to the State	23.176.880	22.847.892
Dividends payables	295.306	281.269
Other payables	34.753.276	26.829.218
Total	**178.902.334**	**197.428.572**

As at 31 December 2016, the main suppliers in balance are: Cameco Inc. USA – 17.967.417 RON (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 31 December 2016 the position "Non-current assets suppliers" includes an amount of 677.676 RON related to the debts to related parties (31 December 2015: 35.955 RON). As at 31 December 2016 the position "Suppliers" includes an amount of RON 22.133.676 related to the debts to related parties (31 December 2015: 26.406.001 RON).

13. INCOME TAX

The income tax recognised in the profit and loss account:

	2016 (audited)	2015 (audited)
Current income tax expense	28.323.794	42.664.305
Deferred tax release	(10.408.416)	(13.479.609)
Total	**17.915.378**	**29.184.696**

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

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

Reconciliation of effective tax rate:

	2016 (audited)	2015 (audited)
Profit before the income tax	**130.367.280**	**176.583.196**
Fiscal amortization effect of software programs	(2.563.193)	-
Income tax at the statutory rate of 16%	20.858.766	28.253.311
The effect of non-deductible expenses	5.278.418	9.673.891
Taxed revaluation reserves	9.796.978	9.018.873
Effect of tax exempt income	(4.570.832)	(4.009.449)
Deferred tax release	(10.408.416)	(13.479.609)
Reinvested profit	(413.342)	(196.872)
Effects of other differences	(63.000)	(75.449)
Income tax expense	**17.915.378**	**29.184.696**

The deferred tax consists of:

31 December 2016 (audited)	Assets	Liabilities	Net
Property, plant, equipment	-	167.338.010	167.338.011
Intangible assets	-	2.563.194	2.563.193
Inventories	(1.195.811)	-	(1.195.811)
Employee benefits	(4.809.882)	-	(4.809.882)
Obligations regarding employees participation to profits	(606.880)	-	(606.880)
Obligations regarding administrators and directors remuneration	(176.721)	-	(176.721)
Obligations regarding unspent vacations	(24.307)	-	(24.307)
Net tax (asset)/debt	**(6.813.601)**	**169.901.204**	**163.087.603**

31 December 2015 (audited)	Assets	Liabilities	Net
Property, plant, equipment	-	177.444.078	177.444.078
Intangible assets	-	1.456.665	1.456.665
Inventories	-	219.097	219.097
Employee benefits	(4.801.704)	-	(4.801.703)
Obligations regarding employees participation to profits	(574.240)	-	(574.240)
Obligations regarding administrators and directors remuneration	(215.111)	-	(215.111)
Obligations regarding unspent vacations	(32.768)	-	(32.768)
Net tax (asset)/debt	**(5.623.823)**	**179.119.840**	**173.496.018**

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

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

	Balance on 1 January 2015 (audited)	Deferred tax recognised in profit and loss	Deferred tax recognized directly in OCI	Balance on December 31, 2015 (audited)	Deferred tax recognised in profit and loss	Deferred tax recognized directly in OCI	Balance on 31 December 2016 (audited)
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	-	2.563.193
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 profits	(418.944)	(155.296)	-	(574.240)	(32.640)	-	(606.880)
Obligations regarding administrators and directors remuneration	(148.156)	(66.955)	-	(215.111)	38.390	-	(176.721)
Obligations regarding unspent vacations	-	(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**

14. EMPLOYEE BENEFITS

	31 December 2016 (audited)	31 December 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**

As at 31 December 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 31 December 2016 and 31 December 2015.

Assessment date	31 December 2016	31 December 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

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

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 31 December 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.

15. REVENUES FROM ELECTRICITY SALES

(i) Revenues from electricity sales

	2016 (audited)	2015 (audited)
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	**1.620.769.517**	**1.673.421.590**

(ii) The amount of energy sold

	2016 (audited)	2015 (audited)
Quantity of electricity sold on regulated market (MWh)	1.454.563	2.252.443
Quantity of electricity sold on competitive market (MWh)	8.975.937	8.528.174
	10.430.500	**10.780.618**

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

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

16. Employees costs

In 2016, the employee's costs amounted to 299.416.095 RON (2015: 302.418.531 RON), as follows:

	2016 (audited)	2015 (audited)
Wages and salaries	228.581.387	231.684.977
Expenditure on social security and assimilated costs	70.834.708	70.733.554
Total costs borne for employees	**299.416.095**	**302.418.531**

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

	2016 (audited)	2015 (audited)
Chief officers	167	173
Executive officers	1.852	1.881
Total average number of employees	**2.019**	**2.054**

17. OTHER OPERATIONAL COSTS

	2016 (audited)	2015 (audited)
Expenses with third parties 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 policies	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	50.016.549	47.290.348
Total	**411.046.290**	**437.911.061**

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.

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

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 Group 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 Cernavoda Local Council. 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 eliminated since 2017, the tax for buildings will be due by the Group 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, percentage 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 at 0,5% of the taxable value of buildings (it remained unchanged for 2017, too).

The tax for special constructions owed by the Group 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 expenses

"Other operational expenses" 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.

18. FINANCIAL INCOMES AND EXPENSES

	2016 (audited)	2015 (audited)
Interest income	14.487.670	20.285.378
Foreign exchange gains	75.502.315	148.120.109
Total financial income	**89.989.985**	**168.405.487**
Foreign exchange losses	(100.886.557)	(130.369.246)
Interest expense	(18.116.064)	(20.553.327)
Total financial cost	**(119.002.621)**	**(150.922.573)**
Net financial (cost)/income	**(29.012.636)**	**17.482.914**

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

19. OTHER INCOMES

	2016 (audited)	2015 (audited)
Income from investment subsidies	14.384.164	14.383.051
Income from compensations, fines and penalties	2.607.857	2.777.414
Other incomes	15.599.620	17.179.555
Total	**32.591.640**	**34.340.020**

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.

20. GROUP ENTITIES

As at 31 December 2016 and 31 December 2015, the Group owns 100% of the share capital of Energonuclear S.A.: number of shares as at 31 December 2016: 146.153 shares and share capital nominal value 146.152.999 RON. The value of participation as at 31 December 2016 and 31 December 2015 amounts to 141.666.101 RON.

On 31 December 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 constitution of the new project company and the transfer of Energonuclear value to the new project company according to the Strategy for the continuation of CNE Cernavoda Units 3 and 4 Project approved on 31 July 2014 by the Romanian Government and on 22 August 2014 by the Extraordinary General Meeting of Company's Shareholders.

The strategy provides the creation of a mixed Group, according to Article 50 of Law 137/2002, constituted by the Company, on the one hand, and a private selected investor, namely a Project Group ("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 stage 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 Group – 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 9 September 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 currently carried out by a Negotiations Committee coordinated by an Interministerial Committee. The members of the Negotiations Committee are appointed by the Minster of Energy and the members of the Interministerial Commitee are appointed by the Prime Minister. The Company is represented by members appointed in both committees.

The Memorandum of Understanting ("MoU") on the development, construction, operation and decommissioning of units 3 and 4 of CNE Cernavoda was approved by the Extraordinary General Meeting of Shareholders on 22 October 2015.On 9

November 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 the conclusion of MoU the parties were negotiating the Agreement for Investments and the Incorporation Articles of the new project Group, process that represents the last phase of the selection procedure for investors, according to the Government Strategy to continue the Project Units 3 and 4 of Cernavodă NPP.

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

Given that, the initial term of six months set for reaching an agreement regarding the Investment Documents was fulfilled on 8 May 2016 (according to Art.11 paragraph. (3) of MoU, on 5 May 2016 CGN transmitted to SNN a letter, by which they proposed to proceed the negotiations for an additional period of 4 (four) months

On 16 May 2016 the Interministerial Comitee 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 9 May 2016 in application of all provisions of the MoU. Continuation of negotiations with CGN was approved by the Romanian Government on 2 June 2016. On 18 July 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 on 9 May 2016 in application of all other provisions of the MoU, 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 Investment Documents is concluded and to the extent that the delay was not caused by that Party.

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

On 20 October 2016 CGN was sent a new revised proposal of the Investors Agreement, and between 24 October 2016 – 8 November 2016 intensive negotiating sessions took place. On 10 November 2016 list of the main issues in conflict and the record of issues escalated by each side were completed.

Between 6 to 20 December 2016, negotiating meetings took place between the Board of Negotiation and CGN, together with consultants from both Parties, in order to clarify the wording of some clauses agreed during the negotiations. Following these meetings, on 20 December 2016 because no agreement on the Investment documents was concluded, CGN expressed its readiness to continue negotiations beyond 20 December 2016.

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

On 6 March 2017, the Interministerial Comitee endorsed the Board of Negotiation's proposal on further negotiations and submission to the Government of Romania 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 CNE Cernavoda is a priority of the energy sector development, provided by the Romanian Energy Strategy 2007-2020 approved by Government Decision no. 1069/2007.

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

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. Besides, Project Units 3 and 4 was declared 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 are expected the decisions from the competent authorities (Ministry of Energy, Government of Romania) and from the General Meeting of Shareholders are expected and there is a belief that such decisions will lead to the formalization of continuing the negotiating process which had the last term on 20 December 2016.

Considering the abovementioned issues, as well as the stage of the negotiations with the Selected Investor, the senior management of the Group has highly hopes that the project developed by Energonuclear will be continued in the future and that there will be a request in the future for the electricity to be issued by Units 3 and 4. Therefore, the management of the Group considers the investment in Energonuclear S.A. and other assets value such as Units 3 and 4 (buildings, equipment etc.) will be returned, according to the Strategy.

21. TRANSACTIONS WITH RELATED-PARTIES

i) Transactions with state-owned companies

The Group 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 Group 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 uranium processing and storage services (Compania Nationala a Uraniului National Uranium Company). During its activity, the Group identified the following transactions and balances with the main related-parties:

	Sales		**Receivables as at**	
	2016 (audited)	**2015 (audited)**	**31 December 2016 (audited)**	**31 December 2015 (audited)**
Electrica Furnizare SA	304.457.190	304.283.367	30.893.082	19.681.915
OPCOM	424.024.261	161.839.026	945.089	317.104
Transelectrica SA	372.066	757.988	10.606	161.931
Hidroelectrica SA	979.142	-	-	-
Total	**729.832.660**	**466.880.381**	**31.848.777**	**20.160.950**

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

	Purchases		Payables as at	
	2016 (audited)	**2015 (audited)**	**31 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 Nationala a Uraniului SA	6.085.810	94.971.731	2.510.328	2.258.854
Apele Romane Bucuresti	58.629.864	59.399.400	11.792.224	12.255.673
Apele Romane Constanța (Administratia Bazinala de Apa Dobrogea Litoral)	10.786.671	11.350.156	2.466.368	3.095.244
CNCAN	9.046.088	9.035.171	-	-
RATEN ICN	4.611.442	5.291.396	1.137.436	943.956
ICSI RM.VALCEA	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 Nationala a Rezervelor de Stat si Probleme Speciale	9.340.657	11.095.440	-	-
Total	**230.733.164**	**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 (see Note11).

iii) Compensation to senior management of the Group

The management of the Group is made up of:

- The members of the Board of Directors of the company and the subsidiary Energonuclear who have concluded mandate contracts with the Group;
- The managers of the Group with mandate contracts within the Company;
- Other managers within the Group who have concluded the consolidated employment agreements, under the conditions provided in the collective labour 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 based on 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 Group (gross value)	6.227.173	6.593.004
	6.227.173	**6.593.004**

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

22. EARNINGS PER SHARE

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

(i) Basic earnings per share

	2016 (audited)	2015 (audited)
Net profit for the year	**110.757.073**	**147.398.500**
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 at 31 December	**301.513.851**	**296.385.871**
Basic earnings per share (RON/share)	**0,37**	**0,50**

(ii) Diluted earnings per share

	2016 (audited)	2015 (audited)
Net profit for the year	**110.757.073**	**147.398.500**
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 31 December(a)	301.513.851	296.385.871
Number of shares corresponding to the prepaid share reserve (b) (see Note 11)	-	-
Weighted-average number of ordinary shares (diluted) at 31 December (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 Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate risk and currency risk). The Group’s overall risk management programme focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the financial performance of the Group.

The Group does not have formal arrangements to mitigate financial risks. Despite the fact that no formal arrangements are in place, the financial risks are strictly monitored by the senior management given the financial needs of the Group 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 Group's income or the value of its financial instruments.

a) Currency risk

The Group 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 Group's functional currency is RON. The Group is exposed to foreign currency risk on cash, cash equivalents, purchases and long-term loans denominated in other currency than the functional currencies of the Group. The currencies, which expose the Group 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 Group’s exposure to foreign currency risk expressed in RON was:

	Carrying amount (*)	RON	EUR	USD	CAD	GBP
31 December 2016						
Monetary assets						
Cash and cash equivalents	264.200.287	262.731.166	569.498	187.359	687.728	24.536
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	**277.530.342**	**274.206.649**	**1.287.432**	**459.919**	**1.551.807**	**24.536**
Monetary liabilities						
Trade payables and suppliers of non-current assets	(105.561.015)	(71.839.099)	(2.649.033)	(20.963.345)	(9.978.071)	(131.467)
Borrowings	(1.345.420.229)	-	(949.044.931)	(12.710.203)	(383.665.096)	-
Gross exposure	**(1.450.981.244)**	**(71.839.099)**	**(951.693.964)**	**(33.673.548)**	**(393.643.168)**	**(131.467)**
Net exposure in the statement of financial position (audited)	**(1.173.450.903)**	**202.367.550**	**(950.406.532)**	**(33.213.629)**	**(392.091.361)**	**(106.931)**

	Carrying amount (*)	RON	EUR	USD	CAD	GBP
31 December 2015						
Monetary assets						
Cash and cash equivalents	259.943.096	247.068.465	267.839	5.443.635	7.153.545	9.612
Prepayments	12.073.377	11.761.217	830	64.222	247.108	-
Property, plant and equipment (prepayments)	7.942.234	-	-	-	7.942.234	-
Gross exposure	**279.958.707**	**258.829.682**	**268.668**	**5.507.857**	**15.342.887**	**9.612**
Monetary liabilities						
Trade payables and suppliers of non-current assets	(132.926.797)	(117.978.085)	(1.226.533)	(3.028.126)	(10.309.596)	(384.458)
Borrowings	(1.525.830.626)	-	(1.077.210.910)	(24.501.247)	(424.118.469)	-
Gross exposure	**(1.658.757.423)**	**(117.978.085)**	**(1.078.437.443)**	**(27.529.373)**	**(434.428.065)**	**(384.458)**
Net exposure in the statement of financial position (audited)	**(1.378.798.716)**	**140.851.599**	**(1.078.168.775)**	**(22.021.516)**	**(419.085.179)**	**(374.846)**

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

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

The following exchange rates have been used:

	Average rate		Reporting date spot rate	
	2016	**2015**	**31 December 2016**	**31 December 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	95.298.140	107.870.762
USD	3.972.776	3.303.723
CAD	39.584.616	44.977.095
GBP	15.600	39.407
Total	**138.871.132**	**156.190.987**

A 10% weakening of the national currency against the following foreign currencies on 31 December 2015 and 31 December 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	(95.298.140)	(107.870.762)
USD	(3.972.776)	(3.303.723)
CAD	(39.584.616)	(44.977.095)
GBP	(15.600)	(39.407)
Total	**(138.871.132)**	**(156.190.987)**

b) Interest rate risk

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

	Carrying amount (*)	
	31 December 2016 (audited)	**31 December 2015 (audited)**
Fixed rate instruments		
Financial assets	1.406.334.436	1.337.606.864
	1.406.334.436	**1.337.606.864**

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

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.

Sensitivity analysis of cash flows for variable interest rate instruments

A change of 100 basis points (100 bp) 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**
31 December 2016		
Variable rate instruments	(13.454.202)	13.454.202
Cash flow sensitivity (net)	**(13.454.202)**	**13.454.202**
31 December 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 Group may incur if a customer or a counter party to a financial instrument fails to meet its contractual obligations, and arises mainly from Group’s trade receivables and financial investments.
Financial assets, which potentially subject the Group 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 impairment adjustment represents the maximum amount exposed to credit risk.

On 31 December 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 (see Note 8). The counterparty risk is limited considering the guarantees obtained from clients as bank guarantee letters.

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:

	31 December 2016 (audited)	**31 December 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	147.978.398	70.061.964
Exim Bank	15.000.973	60.000.901
Patria Bank S.A. (privious Nextebank S.A.)	80.977.000	45.000.000

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

Citi Romania	19.193.772	1.055.804
Unicredit Bank S.A.	50.113.032	40.000.205
Other	2.433.722	3.721.407
Total cash and bank deposits	**1.509.273.555**	**1.363.784.624**

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

	Net value	
	31 December 2016 (audited)	**31 December 2015 (audited)**
Financial assets		
Trade receivables	124.893.217	126.266.312
Bank deposits	1.245.073.268	1.103.841.528
Cash and cash equivalents	264.200.287	259.943.096
Other receivables	37.206.301	37.313.103
	1.671.373.073	**1.527.364.039**

The ageing of trade receivables on the reporting date was:

	Gross value 31 December 2016 (audited)	**Impairment adjustment 31 December 2016 (audited)**	**Gross value 31 December 2015 (audited)**	**Impairment adjustment 31 December 2015 (audited)**
Not past due	118.678.457	-	125.835.797	-
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	**137.739.961**	**(12.846.744)**	**139.114.866**	**(12.848.554)**

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

	Gross value 31 December 2016 (audited)	**Impairment adjustment 31 December 2016 (audited)**	**Gross value 31 December 2015 (audited)**	**Impairment adjustment 31 December 2015 (audited)**
Not past due	36.815.519	-	35.807.848	-
Past due 1-30 days	10.694	-	1.298	-
Past due 31-90 days	32.247	-	190.501	(111.751)
Past due 91-180 days	14.239	-	243.029	(226.869)
Past due 181-270 days	-	-	42.954	(40.000)
Past due 271-365 days	335.135	(333.709)	-	-
Past due more than one year	3.467.432	(3.135.256)	4.688.345	(3.282.253)
Total	**40.675.266**	**(3.468.965)**	**40.973.975**	**(3.660.872)**

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

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

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

d) Liquidity risk

Liquidity risk is the risk that the Group 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 Group aims to maintain flexibility in funding by obtaining financing from various financing sources.

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

	Carrying amount	Contractual amount	<12 months	1-2 years	2-5 years	> 5 years
31 December 2016 (audited)						
Financial liabilities						
Borrowings **(*)**	1.345.420.230	1.366.381.373	234.995.567	215.203.701	638.505.432	277.676.673
Trade payables and suppliers of non-current assets	105.561.015	105.561.015	105.561.015	-	-	-
Other payables	73.341.319	73.341.319	73.341.319	-	-	-
	1.524.322.564	**1.545.283.707**	**413.897.901**	**215.203.701**	**638.505.432**	**277.676.673**

	Carrying amount	Contractual amount	<12 months	1-2 years	2-5 years	> 5 years
31 December 2015 (audited)						
Financial liabilities						
Borrowings **(*)**	1.525.830.626	1.561.109.716	217.980.774	231.208.701	629.670.527	482.249.714
Trade payables and suppliers of non-current assets	132.926.797	132.926.797	132.926.797	-	-	-
Other payables	64.501.775	64.501.775	64.501.775	-	-	-
	1.723.259.198	**1.758.538.288**	**415.409.346**	**231.208.701**	**629.670.527**	**482.249.714**

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

(ii) ***Capital management***

The Group policy is to maintain a strong capital base to maintain investors, creditors and market confidence and to sustain future development of the business.

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

e) Fair value of financial instruments

Fair value is the amount for which the financial instrument may be 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 31 December 2016 and 31 December 2015, the management of the Group 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 Group 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 Group'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
31 December 2016 (audited)			
Financial assets			
Net trade receivables	124.893.217	124.893.217	2
Cash and cash equivalents	264.200.287	264.200.287	2
Bank deposits	1.245.073.268	1.245.073.268	2
Net other receivables	27.206.301	27.206.301	2
	1.671.373.073	**1.671.373.073**	

	Carrying amount	Fair value	Level
31 December 2015 (audited)			
Financial assets			
Net trade receivables	126.266.312	126.266.312	2
Cash and cash equivalents	259.943.096	259.943.096	2
Bank deposits	1.103.841.528	1.103.841.528	2
Net other receivables	37.313.103	37.313.103	2
	1.527.364.039	**1.527.364.039**	

	Carrying amount	Fair value	Level
31 December 2016 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	1.087.961.815	1.087.961.815	2
	1.087.961.815	**1.087.961.815**	
Short-term financial liabilities			
Suppliers, including suppliers of non-current assets	105.561.015	105.561.015	2
Borrowings, short-term portion of long-term loans	220.929.527	220.929.527	2
Employee benefits and other payables	83.914.601	83.914.601	2
	399.831.861	**399.831.861**	

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

	Carrying amount	Fair value	Level
31 December 2015 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	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 assets	132.926.797	132.926.797	2
Borrowings, short-term portion of long-term loans	202.048.304	202.048.304	2
Employee benefits and other payables	64.501.775	64.501.775	2
	399.476.876	**399.476.876**	

(iii) ***<u>Other risks</u>***

f) Operational risk

Operational risk is the risk deriving from deficiencies relating to Group's information technology and control systems as well as the risk of human error and natural disasters. In addition, the operational risk is associated with the Group'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 Group'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 arise 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 group 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 29 February 2016, the National Agency for Fiscal Administration – General Directorate against fiscal fraud has completed the control started on 9 September 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 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 17 March 2016 and completed on 16 March 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 analyse 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 31 December 2016, the following operational insurance policies are in force:

- Property insurance policy for material damages, all risks, including mechanical and electrical destruction (for CNE Cernavoda Units 1 and 2 and FCN Pitesti). 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 CNE Cernavoda Units 1 and 2).

(iii) Environmental issues

The Company recorded no liability as at 31 December 2016 and 31 December 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 17). The management considers that the nuclear plant fully complies with the Romanian and international environmental standards and estimates that additional costs associated with environmental compliance at 31 December 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 Group periodically assesses its obligations under environmental regulations. The established obligations are acknowledged immediately. Potential liabilities, which might arise because 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 Group’s management believes that there are no significant liabilities for environmental damage.

(iv) Ongoing litigations

In 2016, the Group was involved in a number of disputes arising in its normal course of activity. The management of the Group regularly analyses the ongoing litigation sand, after consulting with its legal advisers and lawyers, decides whether to create a provision for the amounts involved or to present them in the financial statements.

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 8 November 2015. On 8 February 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 21 September 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 trial term shall be allotted subsequently.

The Company filed an appeal to the Court of Auditors against 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 7 October 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 cancelled the measure on the income of non-residents in the meeting that took place on 10 March 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 the Government Emergency Ordinance no. 44/2015, application that was filed to the tax authorities (ANAF-DGAMC) on 18 December2015. On 6 July 2016, a favourable decision was issued for cancellation of the penalties for delay, of a 54,2% share from the interests and a 77,1% share of the late payment penalties, related to the main payment obligations outstanding as at 30 September 2015, totalling 1.592.910 million RON; the amounts were recognized as income in 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 expertise 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***

As at 31 December 2016, the Group is committed to incur the capital and operating costs amounting to approximatively RON 656 million.

(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-NC and PCSU amounts to RON 34,30 million in favor of OPCOM for the participation to DAM and IM amounted to RON 13,18 million . 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-NC, 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 Balanced Market, through the establishment by each of Balance Responsible Party of a financial guarantee in favor of Transelectrica SA, basic on the 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 asumed by the clients through the energy sale contracts.

25. FEES

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

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

In April 2014, Energonuclear concluded an agreement for statutory audit services relating to the annual financial statements with A.Co Internal and Financial Audit SRL, for 12 months period, with one-year automatic extension unless the Parties otherwise notify. The total fees (including VAT) for the fiscal year 2016 amount to 17.383 RON.

26. Miscellaneous

(i) Details of the group of companies

The Group is part of a group of companies controlled by the Romanian State represented by the Ministry of Energy.

(ii) Investments in associates

The Group holds participating interests in Bursa Romana de Marfuri SA: having the registered office in Bucharest, 50-52 Buzesti Street; number of shares owned as at 31 December 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, non-profit, apolitical, consisting of associate or supporting members, with registered office in Bucharest, 5-7 Vasile Lascar street, 1st floor. 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 167 employees in leadership positions (2015: 169 employees) and 1.841 employees in executive positions (2015: 1.865 employees).

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

27. SUBSEQUENT EVENTS TO THE REPORTING DATE

The dispute initiated 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: 22 March 2017

Daniela LULACHE	Mihai DARIE
Chief Executive Officer	Chief Financial Officer