S.N. Nuclearelectrica S.A.

Individual Financial Statements
as at and for the year ended on
December 31, 2017

Prepared in accordance with
the Public Finance Minister's Order no. 2844/2016 regarding the approval
of the accounting regulations compliant with the
International Financial Reporting Standards adopted by the
European Union (IFRS-EU)

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

	Note	December 31, 2017 (audited)	December 31, 2016 (audited, restated)	January 1, 2016 (audited, restated)
Assets				
Non-current assets				
Property, plant and equipment	**5**	6,668,102,545	7,048,919,083	7,406,544,777
Intangible assets	**6**	62,535,958	80,636,405	79,982,771
Financial assets	**10**	76,355,852	22,414,346	-
Financial investments	**7**	141,689,201	141,689,201	141,689,201
Total non-current assets		**6,948,683,556**	**7,293,659,035**	**7,628,216,749**
Current assets				
Inventories	**8**	332,348,618	331,057,122	323,222,947
Recoverable income tax		-	-	1,173,730
Trade receivables and other receivables	**9**	150,443,354	162,063,302	163,499,181
Prepayments		10,895,537	12,699,411	12,072,918
Bank deposits	**10**	1,172,273,956	1,222,658,922	1,103,841,528
Cash and cash equivalents	**10**	573,903,315	263,714,387	257,376,819
Total current assets		**2,239,864,780**	**1,992,193,144**	**1,861,187,123**
Total assets		**9,188,548,336**	**9,285,852,179**	**9,489,403,872**
Equity and liabilities				
Equity				
Share capital, out of which:	**11**	3,210,641,253	3,210,641,253	3,210,641,253
Subscribed and paid in share capital		*3,015,138,510*	*3,015,138,510*	*3,015,138,510*
Inflation adjustments to the share capital		*195,502,743*	*195,502,743*	*195,502,743*
Share premiums	**11**	31,474,149	31,474,149	31,474,149
Share capital	**11**	21,553,537	21,553,537	21,553,537
Revaluation reserve	**11**	236,534,798	263,354,767	290,575,201
Retained earnings	**11**	3,927,941,491	3,809,021,821	3,771,513,786
Total equity		**7,428,145,228**	**7,336,045,527**	**7,325,757,926**
Liabilities				
Long term liabilities				
Long term borrowings	**12**	894,848,799	1,087,961,815	1,279,606,054
Provisions for risks and expenses	**14**	137,036,268	118,032,110	114,531,494
Deferred revenues		129,101,954	143,446,616	157,791,277
Deferred tax liability	**15**	113,903,761	131,608,365	141,861,394
Employee benefits	**16**	33,328,029	31,907,053	31,796,020
Total long-term liabilities		**1,308,218,811**	**1,512,955,959**	**1,725,586,239**
Current liabilities				
Accounts payable and other liabilities	**13**	180,632,919	178,645,222	210,750,529
Current portion of provisions for risks and expenses	**14**	31,838,166	24,662,564	3,588,999
Current tax liability		21,726,375	6,431,972	-
Deferred revenues		12,331,535	6,181,408	21,671,875
Current portion of long term loans	**12**	205,655,302	220,929,527	202,048,304
Total current liabilities		**452,184,297**	**436,850,693**	**438,059,707**
Total liabilities		**1,760,403,108**	**1,949,806,652**	**2,163,645,946**
Total equity and liabilities		**9,188,548,336**	**9,285,852,179**	**9,489,403,872**

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

	Note	2017 (audited)	2016 (audited, restated)
Incomes			
Sales of electricity	**17**	1,884,740,511	1,620,769,517
Electricity transmission revenues		12,557,690	26,861,292
Total incomes		**1,897,298,201**	**1,647,630,809**
Other income	**21**	35,602,416	32,589,302
Operating expenses			
Depreciation and amortization		(497,185,088)	(474,391,750)
Personnel expenses	**18**	(324,765,608)	(297,732,932)
Cost of traded electricity		(55,567,883)	(22,665,212)
Repairs and maintenance		(123,888,331)	(126,128,089)
Electricity transmission expenses		(12,557,690)	(26,861,292)
Cost with spare parts		(18,113,517)	(21,243,702)
Cost of nuclear fuel		(122,183,695)	(140,397,129)
Other operating expenses	**19**	(403,311,594)	(413,878,459)
Total operating expenses		**(1,557,573,406)**	**(1,523,298,565)**
Operating result		**375,327,211**	**156,921,546**
Financial costs	**20**	(94,102,348)	(118,994,718)
Financial income	**20**	75,653,531	89,990,559
Net financial result		**(18,448,817)**	**(29,004,159)**
Profit before income tax		**356,878,394**	**127,917,387**
Net income tax expense	**15**	(53,002,126)	(14,721,491)
Profitul of the fiscal year		**303,876,268**	**113,195,896**

The Individual Financial Statements presented on page 1 to 61 have been signed on March 22, 2018 by:

Cosmin Ghita
Chief Executive Officer

Adrian Gabriel Dumitriu
Chief Financial Officer

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

	Note	2017 (audited)	2016 (audited, restated)
Profit for the fiscal year		**303,876,268**	**113,195,896**
Other comprehensive income			
Actuarial gains (loss) on defined benefits plan		703,726	(59,915)
Other comprehensive income		**703,726**	**(59,915)**
Total comprehensive income for the financial year		**304,579,994**	**113,135,981**
Earnings per share			
Basic earnings per share (RON/share)	**23**	**1.01**	**0.38**
Diluted earnings per share (RON/share)	**23**	**1.01**	**0.38**

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

		Share capital	Share premiums	Prepaid reserve	Revaluation reserve	Retained earnings	Total own equity
Balance as at January 1, 2017 (audited)		**3,210,641,253**	**31,474,149**	**21,553,537**	**265,842,461**	**3,977,101,856**	**7,506,613,256**
Correction of accounting errors		-	-	-	(2,487,694)	(168,080,035)	**(170,567,729)**
Balance as at January 1, 2017 (audited, restated)		**3,210,641,253**	**31,474,149**	**21,553,537**	**263,354,767**	**3,809,021,821**	**7,336,045,527**
Comprehensive income of the financial year							
Profit for the fiscal year		-	-	-	-	**303,876,268**	**303,876,268**
Other comprehensive income		-	-	-	-	703,726	**703,726**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**304,579,994**	**304,579,994**
Transfer of the revaluation reserve to the retained earnings	**11**	-	-	-	(26,819,969)	26,819,969	**-**
Dividends distributed	**11**	-	-	-	-	(209,524,685)	**(209,524,685)**
Other elements		-	-	-	-	(2,955,608)	**(2,955,608)**
Balance as at December 31, 2017 (audited)		**3,210,641,253**	**31,474,149**	**21,553,537**	**236,534,798**	**3,927,941,491**	**7,428,145,228**

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

		Share capital	Share premiums	Prepaid reserve	Revaluation reserve	Retained earnings	Total own equity
January 1, 2016 (audited)		**3,210,641,253**	**31,474,149**	**21,553,537**	**293,329,577**	**3,936,724,775**	**7,493,723,291**
Correction of accounting errors		-	-	-	(2,754,376)	(165,210,989)	**(167,965,366)**
Balance as at January 1, 2016 (audited, restated)		**3,210,641,253**	**31,474,149**	**21,553,537**	**290,575,201**	**3,771,513,786**	**7,325,757,925**
Comprehensive income of the financial year							
Profit for the fiscal year (restated)		-	-	-	-	113,195,896	**113,195,896**
Other comprehensive income		-	-	-	-	(59,915)	**(59,915)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**113,135,981**	**113,135,981**
Transfer of the revaluation reserve to the retained earnings	**11**	-	-	-	(27,220,434)	27,220,434	-
Dividends distributed	**11**	-	-	-	-	(99,499,571)	**(99,499,571)**
Other elements		-	-	-	-	(3,348,808)	**(3,348,808)**
Balance as at December 31, 2016 (audited, restated)		**3,210,641,253**	**31,474,149**	**21,553,537**	**263,354,767**	**3,809,021,821**	**7,336,045,527**

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

	2017 (audited)	2016 (audited, restated)
Cash flows from operating activities		
Profit before income tax	**356,878,394**	**127,917,387**
Adjustments for:		
Depreciation and amortization	497,185,088	474,391,750
Impairment on tangible assets	-	(8,055,074)
Impairment on trade and other receivables	190,481	(193,717)
Impairment on inventories	874,505	5,808,165
Other provisions	8,543,688	21,533,827
Provisions for employee benefits	12,938,884	(37,710)
Losses from asset assignment	(38,333)	5,776,726
Net financial expenses	20,048,078	28,679,399
Changes in:		
Decrease in trade receivables and other receivables	11,353,969	677,437
Increase in inventories	(1,852,508)	(13,931,758)
Variation of deferred income	(8,194,535)	(29,835,128)
Variation of prepayments	1,803,874	(626,493)
Decrease of trade liabilities and other liabilities	(5,963,047)	(18,687,573)
Cash flows generated from operating activities	**893,768,539**	**593,767,739**
Income tax paid	(58,393,050)	(20,717,625)
Interest received	13,448,329	15,434,443
Interest paid	(15,259,884)	(10,468,684)
Net cash from operating activities	**833,563,934**	**578,015,927**
Cash flows from investing activities		
Purchase of intangible assets	(132,250)	(8,379,259)
Purchases or tangible assets	(86,817,876)	(110,940,864)
Proceeds from sale of tangible assets	89,783	89,041
Increase in bank deposits and financial assets	(3,556,540)	(141,231,740)
Net cash flow used in investing activities	**(90,416,883)**	**(260,462,822)**
Cash flow from financing activities		
Repayments of borrowings	(225,290,386)	(211,824,851)
Dividends	(207,667,737)	(99,390,686)
Net cash flow from financing activities	**(432,958,123)**	**(311,215,537)**
Net increase in cash and cash equivalents	**310,188,928**	**6,337,568**
Cash and cash equivalents as at January 1 (see Note 10)	**263,714,387**	**257,376,819**
Cash and cash equivalents as at December 31 (see Note 10)	**573,903,315**	**263,714,387**

1. REPORTING ENTITY

Societatea Nationala Nuclearelectrica S.A. (the "Company" or "SNN") is a national joint-stock company, one-tier management system, having a head office and two branches without legal personality, CNE Cernavoda (Nuclear Power Plant) – with registered office in Constanta County, Cernavoda City, 2 Medgidiei Street, registered with the Trade Register under number J13/3442/2007, and FCN Pitesti (Nuclear Fuel Plant) - with registered office in Arges County, Mioveni City, 1 Campului Street, registered with the Trade Register under number J03/457/1998, respectively. The address of the registered office is Bucharest Municipality, 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.

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 of Units 3 and 4, approved by the Extraordinary General Meeting of Shareholders on August 22, 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 2020. 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 was undergoing a process of gradual liberalization up to the end of 2017. The Company participates in the electricity market both in the competitive segment, and on the regulated market segment. ANRE has set, by 2017, included, by means of annual decisions, the quantities of electricity that need to be sold by the Company on the regulated market and the regulated prices to be charged in the current year, respectively; the regulated prices are set based on economically justified costs, i.e. cost plus profit margin, using a methodology approved by ANRE.

On December 31, 2017 the Company's shareholders are: The Romanian State through the Ministry of Energy which holds 248,736,619 shares representing 82.4959% of the share capital, Fondul Proprietatea SA which holds 27,408,381 shares representing 9.0903% of the share capital and other natural persons and legal entities shareholders holding together 25,368,851 shares, representing 8.4138% of the share capital.

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

2. BASIS OF PREPARATION

a) Statement of compliance

The individual financial statements have been prepared based on the Public Finance Minister’s Order no. 2844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards (“IFRS”) (“OMFP 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. 1606/2002 of the European Parliament and of the Council dated on 19 July 2002 regarding the application of the international accounting standards.

The individual financial statements prepared on and for the financial year ended on December 31, 2017 were audited by an independent auditor.

These individual financial statements were authorized for issue and signed on March 22, 2018 by the Company's management.

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

b) Basis of assessment

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

c) Functional and presentation currency

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

d) Use of estimates and professional judgments

The preparation of the individual financial statements in conformity with IFRS requires the management to use professional judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses, useful life of non-current assets (refer to Note 3c), assumptions used in determining the fair value (refer to Note 4 and Note 24e), assumptions made in determining the fair value of tangible assets (property, plant and equipment) (refer to Note 5), the transfer to tangible assets (property, plant and equipment) of those spare parts which meet the recognition criteria required by IAS 16 (refer to Note 5), the recoverability of trade receivables (refer to Note 9), assumptions regarding the net recoverable value of inventories (refer to Note 8), assumptions regarding the calculation of employee benefits (refer to Note 16), the period on which the governmental grants are transferred to the profit and loss account (refer to Note 3p and Note 21), estimates regarding the radioactive and non-radioactive waste management obligations (refer to Note 2e and Note 14). Actual results may differ from the estimated values.

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 7 (key assumptions relating to the continuance of the Project for Units 3 and 4).

e) Correction of accounting errors

IFRIC 21 - Taxes

The Company implemented the provisions of IFRIC 21 - Taxes by amending the accounting policies, starting with the Financial Statements related to the financial year 2014. Within the scope, the Company identified the tax on special constructions and local duties and taxes. The Company recognized the liability related to such duties and taxes at the time of the occurrence of the activity determining the payment, as such is defined by the relevant legislation. A liability related to duties and taxes is progressively estimated only if the activity that determines the payment occurs over a certain period.

The Company considered that the acknowledging moment for the debt is determined by the existence of assets in its patrimony representing the base of taxes and as a consequence, the debt for the special building tax and local duties and taxes was fully acknowledged on the 1st of January in trade-off with the corresponding expense.

The Company reconsidered the date of occurrence of the generating event in relation to duties and taxes that fall under the scope of IFRIC 21 - Taxes and concluded that this date is December 31 of each year. This change of valuation in relation to date of occurrence of the generating event was treated as an accounting error in compliance with the IAS 8 provisions - Accounting Policies, Changes in Accounting Estimates and Error Correction.

The reconsideration of the accounting treatment regarding the government duties and taxes subject to IFRIC 21 - Taxes, determines changes in terms of liabilities in relation to the state budget, on expenses related to local duties and taxes and deferred tax registered in the current period, respectively, with the comparative financial statements being restated accordingly.

Intermediary Used Fuel Storage ("DICA")

The commissioning of the Nuclear Power Plant at Cernavoda NPP, Unit 1 (1996) and Unit 2 (2007) determined the need for building and commissioning the Intermediary Used Fuel Storage ("DICA"), according to the normative acts issued by the National Commission for Nuclear Activities Control ("CNCAN"), the recommendations of IAEA (International Atomic Energy Agency) and the international practices related to spent fuel management with a view regarding the interim storage of used fuel from the reactor, following the temporary storage period (6 years) in the Used Fuel Basin. The DICA is composed of a series of modules built as the need thereof arose. A DICA MacStor 200 module has a capacity of 12,000 irradiated spent nuclear combustion bundles. On 31.12.2017, the Company has put into operation 8 DICA modules, with a total capacity of 96,000 bundles of spent fuel. On 31.12.2017, the total of spent fuel bundles requiring the intermediate storage following the transfer from the Used Fuel Pool to the DICA modules is of approximately 160,000, so the company is currently planning to build DICA modules to cover storage requirement, i.e. up to 13 DICA modules.

In order to recognize the obligation to obligation to build the DICA modules during the period when revenues are obtained by burning nuclear fuel bundles that will subsequently be moved in the DICA, and because this obligation is actually fulfilled in periods following the achievement of these revenues, the Company established provisions for the construction of DICA modules, starting with module 9. These provisions were established based on expenses and are intended to cover future cash outflows related to the construction of DICA modules.

When DICA modules are put into operation, the Company recognizes an income from reversing the related provision. Until 31.12.2017, for the DICA 1-8 modules, the nuclear fuel bundles up to 31.12.2011, put into operation in the previous years, have a linear damping for a life span of 10 years.

On 31.12.2017, the Company reconsidered the need for recording provisions for DICA modules 1-8, as well as DICA's capacity to generate future economic benefits, and the need for the depreciation thereof, after commissioning, respectively. The Company concluded that for the DICA modules 1-8 it was necessary to record provisions in the previous financial years, as well as to reverse them at the time of commissioning each of the 8 modules. Furthermore, it also concluded that DICA modules had to be fully depreciated since their commissioning and not depreciated as a result of the fact that they do not generate future economic benefits. Thus, the accounting errors originating from the non-recognition of provisions related to DICA modules 1-8, from the failure of recognizing the income from the resumption of provisions while they are commissioned, the accounting errors resulting from the annulment of the depreciation and the recognition of the depreciation in full at the time of commissioning, as well as the related impact on deferred tax.

Low and medium radioactive waste and non-radioactive waste

The operating activity of the two units of the Nuclear Power Plant at Cernavoda NPP involves the production of various low and medium radioactive waste, as well as non-radioactive waste, for which the Company has the obligation to manage them, in compliance with the current legislation regulations issued by CNCAN, as well and in compliance with the provisions of Directive 2011/70/EURATOM of the Council of the European Community.

On 31.12.2017, the Company concluded that there is a volume of low and medium radioactive waste in the Cernavoda NPP, as well as non-radioactive wastes produced in previous production cycles, for which there is a present obligation of the Company, resulting from past events, for which it was necessary to recognize provisions to cover future cash outflows as a result of the effective management of such waste. Thus, the accounting errors were corrected due to the unrecognition in the related periods of the provisions for the management of this waste and the related impact.

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

The effect of correcting accounting errors on comparative amounts in the financial statements prepared on and for the period ended on December 31, 2016 are summarized in the following table:

	31.12.2016 (audited)	**IFRIC 21**	**DICA**	**Low and medium radioactive and non-radioactive wastes**	**31.12.2016 (audited, restated)**
Element in the financial position					
Property, plant and equipment	7,108,486,979	-	(59,567,896)	-	7,048,919,083
Total assets	**9,345,420,075**	**-**	**(59,567,896)**	**-**	**9,285,852,179**
Revaluation reserve	265,842,461	-	(2,487,694)	-	263,354,767
Retained earnings	3,977,101,856	(35,386,691)	(70,073,109)	(62,620,235)	3,809,021,821
Total own equity	**7,506,613,256**	**(35,386,691)**	**(72,560,803)**	**(62,620,235)**	**7,336,045,527**
Provisions for risks and expenses	34,332,262	-	381,463	83,318,385	118,032,110
Current portion of provisions for risks and expenses	3,793,000	-	13,644,216	7,225,348	24,662,564
Deferred tax liability	163,087,603	(6,065,546)	(10,926,695)	(14,486,997)	131,608,365
Accounts payable and other liabilities	140,735,562	37,909,660	-	-	178,645,222
Total liabilities	**1,838,806,818**	**31,844,114**	**3,098,985**	**76,056,735**	**1,949,806,652**

Element in the financial performance	**2016 (audited)**	**Impact correction of accounting errors IFRIC 21**	**Impact correction of accounting errors DICA**	**Impact correction of accounting errors Low and medium radioactive and non-radioactive wastes**	**2016 (audited, restated)**
Depreciation and amortization	(482,834,628)	-	8,442,878	-	(474,391,750)
Other operating expenses	(402,988,606)	5,105,980	-	(15,995,833)	(413,878,459)
Net income tax expense	(17,914,911)	(816,957)	1,451,044	2,559,333	(14,721,491)
Profit for the fiscal year	**112,449,451**	**4,289,023**	**9,893,922**	**(13,436,499)**	**113,195,896**

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

The effect of correcting accounting errors on comparative amounts in the financial statements prepared at the date and for the period ended December 31, 2015 are summarized in the following table:

	31.12.2015 (audited)	**IFRIC 21**	**DICA**	**Low and medium radioactive and non-radioactive wastes**	**31.12.2015 (audited, restated)**
Element in the financial position					
Property, plant and equipment	7,474,555,551	-	(68,010,774)	-	7,406,544,777
Total assets	**9,557,414,646**	**-**	**(68,010,774)**	**-**	**9,489,403,872**
Revaluation reserve	293,329,577	-	(2,754,376)	-	290,575,201
Retained earnings	3,936,724,775	(34,526,426)	(79,506,421)	(51,178,142)	3,771,513,786
Total own equity	**7,493,723,291**	**(34,526,426)**	**(82,260,798)**	**(51,178,142)**	**7,325,757,926**
Provisions for risks and expenses	-	-	14,025,679	74,547,899	88,573,578
Deferred tax liability	173,496,018	(6,882,502)	(12,824,458)	(11,927,664)	141,861,394
Accounts payable and other liabilities	167,734,892	43,015,638	-	-	210,750,530
Total liabilities	**2,063,691,355**	**36,133,136**	**1,201,222**	**62,620,235**	**2,163,645,946**
Element in the financial performance	**2015 (audited)**	**Impact correction of accounting errors IFRIC 21**	**Impact correction of accounting errors DICA**	**Impact correction of accounting errors Low and medium radioactive and non-radioactive wastes**	**2015 (audited, restated)**
Depreciation and amortization	(493,762,157)	-	4,459,142	-	(489,448,409)
Other operating expenses	(437,765,161)	28,607,510	-	(13,621,540)	(422,779,191)
Net income tax expense	(29,180,235)	(3,783,298)	3,627,775	2,179,446	(27,156,312)
Profit for the fiscal year	**149,143,729**	**24,824,212**	**8,086,917**	**(11,442,093)**	**170,612,763**

On 31 December 2017, the following items of comparative information for the financial statements prepared at the date and for the financial years ended 31 December 2016 and 31 December 2015 are reclassified by the Company for the exact presentation of their classification:

	31.12.2016 (audited)		**31.12.2016 (audited, before restatement)**
Financial assets	-	22,414,346	22,414,346
Bank deposits	1,245,073,268	(22,414,346)	1,222,658,922
Accounts payable and other liabilities	178,860,825	(38,125,262)	140,735,562
Provisions for risks and expenses	-	34,332,262	34,332,262
Current portion of provisions for risks and expenses	-	3,793,000	3,793,000
Depreciation and amortization	474,779,554	8,055,074	482,834,628
Other operating expenses	411,043,680	(8,055,074)	402,988,606

	31.12.2015 (audited)		**31.12.2015 (audited, before restatement)**
Accounts payable and other liabilities	197,281,806	(29,546,914)	167,734,892
Provisions for risks and expenses	-	25,957,915	25,957,915
Current portion of provisions for risks and expenses	-	3,588,999	3,588,999
Depreciation and amortization	493,762,157	145,394	493,907,551
Other operating expenses	437,910,555	(145,394)	437,765,161

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Transactions in foreign currencies

Trades in foreign currencies are translated into RON at exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currencies at 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 December 31, 2017 and December 31, 2016 for the main currencies used by the Company in its transactions are as follows:

	Average rate		**Reporting date spot rate**	
	2017	**2016**	**December 31, 2017**	**December 31, 2016**
RON/ EUR	4.5680	4.4900	4.6597	4.5411
RON/USD	4.0517	4.0569	3.8915	4.3033
RON / CAD	3.1221	3.0627	3.1051	3.1921
RON/GBP	5.2123	5.4964	5.2530	5.2961

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

b) Adjustment of hyperinflation effects

Romania had in the past a very high level of inflation and was considered a hyperinflationary economy, as defined in the International Accounting Standard (IAS) 29 "Financial reporting in hyperinflationary economies". IAS 29 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 Company no longer applied IAS 29 starting on January 1, 2004. Consequently, the amounts expressed in the measuring unit currency on December 31, 2003 are treated as the basis for the carrying amounts of these financial statements.

c) Tangible assets

Recognition and assessment

Tangible assets 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 Company include as follows:

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

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

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

Within non-current assets in progress the buildings and heavy water to be used in the Project of Units 3 and 4 are also included since the heavy water is not used and is not chemically impaired; it is evaluated initially and subsequently at cost.

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

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

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

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

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

If the financial value of an asset is increased as a result of a revaluation, this increase is directly recorded in equity, under the item "Revaluation reserves"; however, the increase shall be recognized in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss.

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit and loss account; the decrease is recognized as well in other comprehensive income elements, to the extent that there is a balance in the revaluation surplus for that asset. However, the decrease shall be recognized in other comprehensive income, to the extent that there is a credit balance in the revaluation surplus for that asset.

Subsequent expenditures

Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with these expenditures will be available for the Company. 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.

Amortization

Land is not subject to amortization 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 December 31, 2017, the cumulated capacity factor achieved since the commissioning of Unit 1 is 90.69% and 94.29% 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 26.4 years for Unit 1 and 25.4 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 Company contracted specialized services for technical assistance to determine the possibility of extending the number of operating hours designed for Unit 1.

The Company's Management truly believes it is possible to successfully increase the number of running hours for Unit 1, by adding a number of hours over the operation hours designed (210,000 hours) which would ensure the operation of Unit 1 until 2026 and therefore would allow to maintain the remaining duration of the estimated useful life, the estimated useful life for the first cycle of operation being 30 years. Increasing of the operating hours depends on the initial results of the study contracted 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 gain or loss is determined by the difference between the proceeds from the sale of the asset and its accounting value, being recognized as operational 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 capitalized in the asset's cost at the current date of the preparation of the asset for its predetermined use or sale.

d) Intangible assets

Intangible assets are recognized at cost, less accumulated amortization and accumulated impairment loss, if any. Amortization 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 constantly amortized over a period of 5 years. Amortization methods and useful lives are reviewed at each reporting date and adjusted accordingly, if needed.

Research and development

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

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

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

Subsequent expenditures

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.

e) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there are indications of the existence of impairment. If 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 amortization, if no impairment had been recognized.

f) Inventories

Inventories consist of consumables, spare parts that do not qualify for recognition as non-current assets , safety stock, uranium and other stocks necessary for the activity of the Company. These are recorded as inventories when 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 company used the FIFO method.

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

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

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

g) Recognition and derecognition of non-derivative financial instruments

Non-derivative financial instruments

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

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

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

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

Non-derivative financial liabilities

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

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

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

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

h) Trade receivables and other receivables

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

i) Cash and cash equivalents

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

j) Share capital

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

k) Legal reserve

Legal reserves are established as follows: 5% comes from the gross profit from the 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 on profit calculation tax at the rate specified in the Tax Code and are only distributable in the event of liquidation of the Company. The legal reserve is distributed at the balance sheet date. The legal reserve is found in the entry "retained earnings".

l) Prepaid reserve

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

m) Dividends

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

n) Accounts payable 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.

The Company implemented the provisions of IFRIC 21 - Taxes by amending the accounting policies, starting with the annual Financial Statements related to the financial year 2014. Within the scope, the Company identified the tax on special constructions and local duties and taxes. The Company recognized the liability related to such duties and taxes at the time of the occurrence of the activity determining the payment, as such is defined by the relevant legislation. A liability related to duties and taxes is progressively estimated only if the activity that determines the payment occurs over a certain 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 Company considered that the acknowledging moment for the debt is determined by the existence of assets in its patrimony representing the base of taxes and as a consequence, the debt for the special building tax and local duties and taxes was fully acknowledged on the 1st of January in trade-off with the corresponding expense.

The Company reconsidered the date of occurrence of the generating event in relation to duties and taxes that fall under the scope of IFRIC 21 and concluded that this date is December 31 of each year. This change of valuation in relation to date of occurrence of the generating event was treated as an accounting error in compliance with the IAS 8 provisions - Accounting Policies, Changes in Accounting Estimates and Error Correction.

The reconsideration of the accounting treatment regarding the government duties and taxes subject to IFRIC 21, determines changes in terms of liabilities in relation to the state budget, on expenses related to local duties and taxes and deferred tax registered in the current period, respectively, with the comparative financial statements being restated accordingly.

The effect of correcting accounting errors on the Profit and loss account within the comparative financial statements is presented in Note 2, point e).

o) 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.

p) Government grants

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

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

q) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss 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 payable 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;
- Temporary differences arising from the initial recognition of goodwill.

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

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

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) Income tax exposure

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

r) Employee Benefits

(i) Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net liabilities in relation to the defined benefits plans are calculated separately for each single plan, by estimating the amount of future benefit that employees have earned in return for the services rendered in the current and prior periods; these benefits are discounted to the present value. Any costs 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 Company, the recognized asset is limited to the total of the unrecognized cost of past service and the present value of any economic benefits available in the form of future reimbursements in the plan or some reductions applied to the future contributions to the plan. To calculate the present value of the economic benefits, all minimum financing requirements applicable to any plan of the Company are considered. An economic benefit is available for the Company if it is attainable over the life of the plan or when debts in the plan are settled.

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

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

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

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

(iii) Short-term benefits granted to employees

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

s) Provisions

A provision is recognized if, as a result of a past event, the Company has a present, legal or constructive obligation that can be estimated reliably and it is likely that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The 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.

The provision for the management of low and medium radioactive waste and the provision for the management of non-radioactive waste are determined as updated value of their future management expenses. The management of low and medium radioactive and non-radioactive waste takes place in a period following the one in which they are generated by the operating activity.

t) 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 Company recognizes revenues when their value can be measured reliably, benefits are 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 Company) are recognized when the Company has delivered energy in the electricity transmission network.

u) Financial income and expenses

Financial income mainly includes the interest income on bank deposits and cash, as well as the 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.

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

w) Earnings per share

Earnings per share is calculated by dividing the profit and loss attributable to (a) the Company's shareholders at the weighted average of ordinary shares outstanding during the period. Weighted average number of ordinary shares outstanding 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.

x) Related parties

When one party, either through ownership, contractual rights, family relationship or otherwise has the power to directly or indirectly control or significantly influence the other party, the parties are considered related parties. Considering the status of majority state-owned company, the Company is subject to specific regulations, having reporting obligations regarding the transactions with affiliated parties. The Company presents in the Financial Statements the transactions with the affiliated parties in compliance with IAS 24 "Related Party Disclosures".

y) 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.

z) Comparative figures

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

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

During the current year the Company has applied all new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant to its operations and are effective for the accounting periods beginning on January 1, 2017, approved by the European Union.

Upon the date of approval of these financial statements, a number of standards and interpretations issued by the International Accounting Standards Board (IASB) apply, but only some of them were adopted by the European

Union. The Company's management expects that the implementation of these accounting standards in future periods will have no material effect on the financial statements of the Company.

4. DETERMINATION OF FAIR VALUES

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

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

- Level 1: quoted (unadjusted) prices in markets for identical assets and liabilities.
- Level 2: inputs other than the quoted prices included in Level 1 that are observable for assets or liabilities, either directly (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 24e.

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					
January 1, 2016 (audited)	**31,534,439**	**5,415,577,164**	**1,480,759,307**	**979,523,186**	**7,907,394,096**
Additions	-	-	13,256,072	93,305,636	106,561,708
Transfers	-	164,223,252	29,262,697	(193,485,949)	-
Inventories transfers	-	-	-	289,417	289,417
Transfers to intangible assets	-	-	-	(13,717,629)	(13,717,629)
Disposals	-	-	(1,477,663)	(5,851,327)	(7,328,990)
Balance as at December 31, 2016 (audited)	**31,534,439**	**5,579,800,416**	**1,521,800,413**	**860,063,334**	**7,993,198,602**
Balance as at January 1, 2017 (audited)	**31,534,439**	**5,579,800,416**	**1,521,800,413**	**860,063,334**	**7,993,198,602**
Additions	-	-	26,475,334	71,179,710	97,655,043
Transfers	-	14,478,112	52,584,720	(67,062,832)	-
Transfers in inventories	-	-	-	(12,372,946)	(12,372,946)
Transfers from inventories	-	-	12,290,946	-	12,290,946
Disposals	-	(39,111)	(1,690,269)	-	(1,729,380)
Balance as at December 31, 2017 (audited)	**31,534,439**	**5,594,239,417**	**1,611,461,143**	**851,807,266**	**8,089,042,265**
Depreciation and impairment losses					
Balance as at January 1, 2016 (audited)	**311,030**	**29,408,719**	**255,579,053**	**147,539,743**	**432,838,545**
The effect of correcting accounting errors	-	-	68,010,774	-	68,010,774
Balance as at January 1, 2016 (restated)	**311,030**	**29,408,719**	**323,589,827**	**147,539,743**	**500,849,319**
Depreciation charges	51,838	346,011,604	105,340,314	-	451,403,755
Offset of accumulated disposals	-	-	(1,463,222)	-	(1,463,222)
Adjustments for impairment of intangible assets	187,914	-	-	(6,698,248)	(6,510,334)
Balance as at December 31, 2016 (audited, restated)	**550,782**	**375,420,323**	**427,466,920**	**140,841,495**	**944,279,519**
Balance as at January 1, 2017 (audited)	**550,782**	**375,420,323**	**367,899,023**	**140,841,495**	**884,711,623**
The effect of correcting accounting errors	-	-	59,567,895	-	59,567,895
Balance as at January 1, 2017 (restated)	**550,782**	**375,420,323**	**427,466,919**	**140,841,495**	**944,279,518**
Depreciation charges	-	357,864,041	110,547,579	-	468,411,619
Offset of accumulated disposals	-	(39,111)	(1,638,855)	-	(1,677,967)
Adjustments for impairment of intangible assets	-	-	10,138,169	(211,620)	9,926,549
Balance as at December 31, 2017 (audited)	**550,782**	**733,245,253**	**546,513,811**	**140,629,875**	**1,420,939,720**
Carrying amount					
Balance as at January 1, 2016 (audited, restated)	**31,223,410**	**5,386,168,445**	**1,157,169,480**	**831,983,443**	**7,406,544,777**
Balance as at December 31, 2016 (audited, restated)	**30,983,658**	**5,204,380,093**	**1,094,333,493**	**719,221,839**	**7,048,919,083**
Balance as at December 31, 2017 (audited)	**30,983,658**	**4,860,994,164**	**1,064,947,333**	**711,177,390**	**6,668,102,545**

Machinery, equipment and other assets mainly include the heavy water used for the operation of Units 1 and 2, with a net carrying amount on December 31, 2017 amounting to RON 450,417,031 (December 31, 2016: RON 383,525,007) and administrative buildings with a net carrying amount on December 31, 2017 amounting to RON 267,160,515 (December 31, 2016: RON 315,465,551).

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

Revaluation results were accounted by using the net method and reflect a reduction in net carrying amount of assets (land, buildings and constructions) amounting to RON 11,518,821 as at December 31, 2015.

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

On December 31, 2017, the carrying value of Units 3 and 4 recognized in the group "Non-current assets in progress" amounts to RON 273,960,000 (December 31, 2016: 273.960.000 RON). Before 1991 the nuclear Units 1, 2, 3, 4 and 5 were considered as a single project and therefore the construction costs incurred had not been allocated per unit. Subsequently, the Company allocated the costs for the construction of Units 3 and 4 of the nuclear power plant and for Unit 5.

The carrying amount of heavy water purchased for Units 3 and 4 is RON 159,307,070, representing approximately 75 tons (December 31, 2016: RON 158,470,146). This asset is shown in the group "Non-current assets in progress".

On December 31, 2013 the Company recognized a depreciation adjustment of 100% of the Unit 5 since there were no plans to resume its construction. On December 31, 2017 the gross carrying amount for Unit 5 is RON 136,980,000 (December 31, 2016: RON 136,980,000). In March 2014, the Company shareholders approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation the result of which will be an asset with a different use than the initial use of Unit 5.

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

The main investments made by the Company during 2017 for projects in progress related to Units 1 and 2 include:

- Construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to RON 17,567,359 (2016: RON 8,116,594);
- Spare parts of the nature of fixed assets installed amounting to RON 12,208,324 (2016: RON 7,778,327);
- Replacement of control part of the excitation system of Unit 2 amounting to RON 19,015,742 (2016: RON 1,570,480);
- Equipment and materials for ongoing investments at Unit 1 and Unit 2 in warehouses amounting to RON 9,442,690 (2016: RON 7,741,820);
- Installation of access gates into the water inlet chamber amounting to RON 3,549,668 (2016: RON 4,296,668).

The main investments commissioned during the financial year 2017 are mainly related to: modernization of the computer network amounting to RON 18,526,959, spent nuclear fuel storage and loading space (DICA) amounting to RON 14,302,396, spare parts of the nature of fixed assets installed amounting to RON 12,148,000, spare parts of the nature of fixed assets in the warehouse amounting to RON 11,711,578 and equipment and materials for ongoing investments in Unit 1 and Unit 2 in warehouses amounting to RON 7,226,687.

During 2017, the Company purchased 11,909.52 kg of heavy water from the National Administration of States Reserves and Special Problems („ANRSPS") required for the operation of Units 1 and 2 amounting to RON 21,993,395 (in 2016: 5,081.59 kg of heavy water were purchased amounting to RON 9,621,247).

On December 31, 2017, the net carrying amount of the assets under construction related to Units 3 and 4 amounts to RON 506,561,052 (December 31, 2016: RON 507,024,049). On December 31, 2017, the remaining difference up to RON 711,177,390 (December 31, 2016: RON 719,221,839) represents fixed assets under construction related to Unites 1 and 2 such as: D2O detritiation installation amounting to RON 63,236,525, construction of spent nuclear fuel loading and storage (DICA) premises amounting to RON 27,010,354, replacement of control part of the excitation system amounting to RON 19,015,742, improvement of nuclear safety systems after Fukushima amounting to RON 13,116,932, extension of Unit 1 lifetime in relation to the initial designed lifetime amounting to RON 9,405,550.

On December 31, 2017, the Company has fixed assets purchased based on credit from suppliers (commercial credit) amounting to RON 21,554,862 (December 31, 2016: RON 9,115,482).

The values presented on January 1, 2016 and December 31, 2016, related to the cost of tangible assets, i.e. the accumulated depreciation of tangible assets at the same dates have been corrected with the total amount of RON 15,291,476, of which RON 2,491,550 for the category "Land" and RON 12,799,926 for the category "Machinery, equipment and other assets", to correlate the values presented in this note with the accounting records. These differences resulted from a different presentation of the impact of the revaluation carried out on December 31, 2015 in the note regarding the movement of tangible assets, compared to the accounting records made on the same date. These corrections have no impact on the net carrying amount of tangible assets for any of the periods previously reported.

Decommissioning of nuclear units

The nuclear power Unit 1 is scheduled to operate until 2026 and Unit 2 until 2037. In 2017, the retrofitting project of Unit 1 was launched. Following the completion of this project, it is estimated that the service life of the unit will be extended by another 25 - 30 years beyond the initial expected term. Under these conditions, the decommissioning of Unit 1 will be carried out after 2056. The same approach is also expected to be applied for Unit 2. The Company has not registered a provision for the decommissioning of the two units, as it is not responsible for the decommissioning works; according to Government Decision no. 1080/5 September 2007, the Nuclear and Radioactive Waste Agency ("ANDR") is responsible for collecting the contributions paid by the Company for the remaining lifetime of the nuclear units and assumes the responsibility for the management of the decommissioning process of the two units and for the final storage of nuclear waste at the end of the useful lifetime of the two units, as well as for the permanent storage of the resulting residues (see Note 19). The contribution paid by the Company to ANDR in 2016 amounts to RON 96,721,769 (2016: RON 93,058,314).

Assets pledged as security

As at December 31, 2017, and December 31, 2016 the Company has no pledged or mortgaged assets.

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

6. INTANGIBLE ASSETS

	Licenses and software	Power plant software and other intangible assets	TOTAL
Cost			
January 1, 2016 (audited)	**59,901,022**	**169,519,308**	**229,420,330**
Additions	1,894,136	6,485,123	8,379,259
Transfer form tangible assets	-	13,717,629	13,717,629
Disposals	(35,737)	(1,738,827)	(1,774,565)
Balance as at December 31, 2016 (audited)	**61,759,421**	**187,983,232**	**249,742,653**
Balance as at January 1, 2017 (audited)	**61,759,421**	**187,983,232**	**249,742,653**
Additions	40,037	61,668	101,705
Transfers and reallocations	2,411,282	(2.411.282)	-
Disposals	(301,817)	(3,490)	(305,307)
Balance as at December 31, 2017 (audited)	**63,908,923**	**185,630,128**	**249,539,051**
Accumulated amortization			
January 1, 2016 (audited)	**59,396,202**	**90,041,357**	**149,437,559**
Depreciation charges	2,076,055	19,367,199	21,443,254
Amortization related to disposals	(35,737)	(1,738,827)	(1,774,565)
Balance as at December 31, 2016 (audited)	**61,436,519**	**107,669,729**	**169,106,247**
Balance as at January 1, 2017 (audited)	**61,436,519**	**107,669,729**	**169,106,247**
Depreciation charges	2,002,798	16,199,354	18,202,152
Amortization related to disposals	(301,817)	(3,489)	(305,306)
Transfers and reallocations	(950,217)	950,217	-
Balance as at December 31, 2017 (audited)	**62,187,283**	**124,815,811**	**187,003,093**
Carrying amount			
January 1, 2016 (audited)	**504,820**	**79,477,951**	**79,982,771**
Balance as at December 31, 2016 (audited)	**322,903**	**80,313,504**	**80,636,405**
Balance as at December 31, 2017 (audited)	**1,721,640**	**60,814,317**	**62,535,958**

On December 31, 2017, the position "Software for the nuclear power plant and other tangible assets" includes other intangible assets representing ongoing integrated management software systems amounting to RON 26,084,953 (December 31, 2016: RON 26,435,773).

7. FINANCIAL INVESTMENTS

Financial investments - Business continuity for Energonuclear S.A. and the Project of Units 3 and 4

Financial investments are mainly represented by the investment in Energonuclear S.A. ("Energonuclear"), company with its headquarters in Bucharest, District 2, 5 – 7 Vasile Lascar Street, 3rd floor and registered with the Trade Register under the number J40/3999/25.03.2009, having the sole registration code 25344972, tax attribute RO. The main business of Energonuclear consists in "Engineering activities and technical consultancy related to it" – NACE Code 7112.

On December 31, 2017 and December 31, 2016, the Company owns 100% of the share capital of EnergoNuclear S.A. The value of participation as at December 31, 2017 and December 31, 2016 amounts to RON 141,666,101.

On January 31, 2017, the Board of Negotiation approved the proposal to continue negotiations on the Investment Documents under the same conditions of the MoU, with the formalities for obtaining a mandate from the Inter-ministerial Commission, the Romanian Government and the General Meeting of Shareholders regarding the continuation of the negotiations being initiated.

The Inter-ministerial Commission for the Project of Units 3 and 4 from Cernavoda NPP decided to approve the continuation of negotiations regarding the Investment Documents for a period of up to 6 months from the date of institutional and corporate approval, with all other MoU provisions, including the possibility for any Party to terminate the MoU without any indemnity by means of a simple written notification to the other Party, if no agreement on the Investment Documents has been reached and to the extent that the delay was not caused by that Party.

By the Government Memorandum, on July 13, 2017, the continuation of the negotiations on the Investment Documents regarding the development, operation and decommissioning of Units 3 and 4 from CNE Cernavoda with the Chinese company CGN.

By the Resolution of the Board of Directors of SNN no. 114/20.07.2017, the continuation of the negotiations on the Investment Documents under the same conditions from the Memorandum of Understanding was accepted and submitted for the approval of the Extraordinary General Assembly of Shareholders, for up to 6 months after the date of institution and corporate approval, by applying all the other provisions of the Memorandum of Understanding, including the possibility for any party to terminate the Memorandum of Understanding without any compensations by a simple written notification to the other Party, if an agreement has not been reached on the Investment Documents, and insofar as the delay has not been caused by the respective Party.

By the Resolution of the Extraordinary General Assembly of Shareholders of SNN no. 6/24.08.2017, the following measures were approved:

- Continuing the negotiations on the Investment Documents under the same conditions from the MoU, for 6 months after the date of institution and corporate approval, by applying all the other provisions of the MoU, including the possibility for any party to terminate the MoU without any compensations by a simple written notification to the other Party, if an agreement has not been reached on the Investment Documents, and insofar as the delay has not been caused by the respective Party.

- Mandating the Board of Directors to set the terms and conditions of the negotiations with the Selected investor by the SNN representatives within the Negotiation Board for the implementation of the Project for Units 3 and 4 CNE Cernavoda, according to the Memorandum of the Romanian Government no. 20/2683/13.07.2017.

Resolution of the Board of Directors of SNN no. 133/24.08.2017 approved the terms and conditions of the negotiations with the Selected investor by the SNN representatives within the Negotiation Board for the implementation of the

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

Project for Units 3 and 4 CNE Cernavoda, according to the Memorandum of the Romanian Government no. 20/2683/13.07.2017.

The negotiation process restarted on September 13, 2017, according to the calendar agreed between the negotiation board and CGN. In the period September 13 - 29, 2017, negotiations took place on the draft for the Investors' Agreement ("IA") and the relevant annexes to IA, and the following aspects were identified: (i) the clauses/sections on which the parties agreed; (ii) the clauses/provisions that require reformulation (for this purpose the terms for drafting proposals by the consultants of both parties were set) and/or (iii) aspects that remained divergent, as well as discussing the principles indicated in the list of aspects escalated by the parties and identifying the flexible positions of the parties.

With the EGMS Resolution of SNN no. 4/02.03.2018, the shareholders approved the continuation of negotiations on the Investment Documents under the same conditions from the Memorandum of Understanding, for a period of 6 months after the date of institutional and corporate approval, with the application of all the other provisions of the Memorandum of Understanding, including the possibility for any Party to terminate the Memorandum of Understanding without any indemnity by means of a simple written notification to the other Party, if no agreement on the Investment Documents has been reached and to the extent that the delay was not caused by that Party.

Regarding the activity of Energonuclear S.A.:

- With the EGMS Resolution of SNN no. 4/11.07.2017, the shareholders of SNN approved the granting by SNN of a loan convertible in shares amounting to maximum RON 4,000,000 to the Energonuclear S.A. ("EN") branch, in order to finance the maintenance and conservation activities for the site of Units 3 and 4 of Cernavoda NPP; on 31.12.2017, Energonuclear requested an installment of RON 500,000 to be granted from the maximum amount, for which SNN registered an interest of RON 1,103, capitalized;

Considering the aforementioned aspects, as well as the stage of the negotiations with the Selected Investor for the development of the Project of Units 3 and 4 of Cernavoda NPP, the Company's management is confident that the project developed by Energonuclear and which will be continued by the new project company, will continue in the future and there will be a demand in the future for the electricity to be produced by Units 3 and 4. Thus, the Company's management considers that the investment in Energonuclear S.A. will be recovered, in line with the Strategy.

8. INVENTORIES

On December 31, 2017 and December 31, 2016, the inventories are as follows:

	December 31, 2017 (audited)	**December 31, 2016 (audited)**
Spare parts	135,781,160	130,820,218
Consumables and other materials	40,523,280	45,107,372
Nuclear fuels	113,324,270	102,355,393
Uranium	38,309,045	49,372,687
Other inventories	4,410,863	3,401,452
Total	**332,348,618**	**331,057,122**

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

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

On December 31, 2017 and December 31, 2016, the trade receivables and other receivables are as follows:

	December 31, 2017 (audited)	December 31, 2016 (audited)
Trade receivables	133,487,231	137,740,298
Adjustments for impairment of trade receivables	(13,427,586)	(12,846,744)
Other receivables	10,943,454	13,079,870
Adjustments for impairment of other receivables	(3,078,604)	(3,468,965)
Taxes and duties	22,518,859	27,558,843
Total	**150,443,354**	**162,063,302**

On December 31, 2017, the main trade receivables in the balance are from: Electrica Furnizare S.A. - RON 22,176,419 (December 31, 2016 - RON 30,893,082), GEN-I d.o.o. - RON 16,074,663 (December 31, 2016 - RON 15,251,159), CEZ Vanzare S.A. - RON 14,465,221 (December 31, 2016 - RON 3,131,472), E.ON Energie Romania S.A. - RON 10,466,090 (December 31, 2016 - RON 2,740,938), Enel Energie S.A. - RON 5,652,575 (December 31, 2016 - RON 8,820,614), Enel Energie Muntenia S.A. - RON 5,120,780 (December 31, 2016 - RON 10,677,949).

The sales performed during 2017 to Company Operatorul Pietei de Energie Electrica si de Gaze Naturale “OPCOM" S.A. represented approximately 25% (2016: 25%), Electrica Furnizare S.A. represented approximately 11% (2016: 19%) of total revenues of the Company, while the sales to GEN-I d.o.o represented approximately 7% (2016: 12%), and to Alpiq Romindustries S.R.L. 5% (2016: 1%).

The Company's exposure to credit and market risks as well as the value adjustments related to trade receivables are presented in Note 24.

On December 31, 2017, the "Trade receivables" and "Adjustments for impairment of trade receivables" include a net amount of RON 2,734,140 related to receivables from affiliated parties (December 31, 2016: RON 1,673,449). On December 31, 2017, the positions "Other receivables" and "Adjustments for impairment of other receivables" include a net amount of RON 916,447 related to receivables from affiliated parties (December 31, 2016: RON 161,563), of which RON 501,103 represent the loan granted to the Energonuclear S.R.L. branch, including capitalized interest.

On December 31, 2017 the position "Duties and Taxes" mainly represents the VAT to be recovered amounting to RON 18,001,809 (December 31, 2016: RON 25,356,943).

10. CASH, AND CASH EQUIVALENTS, BANK DEPOSITS AND FINANCIAL ASSETS

On December 31, 2017 and December 31, 2016, the cash and cash equivalents are as follows:

	December 31, 2017 (audited)	December 31, 2016 (audited)
Cash at bank in RON	564,293,253	262,257,016
Cash at bank in foreign currency	9,610,062	1,457,371
Total cash and cash equivalents	**573,903,315**	**263,714,387**

The position "Current bank accounts" include bank deposits with an initial maturity under 3 months in amount of RON 21,554,254 (December 31, 2016: RON 157,235,000).

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

On December 31, 2017 and December 31, 2016, the bank deposits are as follows:

Currency of deposits	**December 31, 2017 (audited)**	**December 31, 2016 (audited)**
RON	1,172,273,956	1,216,413,443
CAD	-	651,189
USD	-	5,594,290
Total	**1,172,273,956**	**1,222,658,922**

On December 31, 2017, the Company has bank guarantee letters issued by different banks at the request of the Company in favor of third parties in a total amount of RON 111,477,734 (31 December 2016: 49,124,158 RON), for which a cash guarantee was formed in the form of collateral deposits, divided as follows: 2,294,426 RON in the position "Cash and cash equivalents" (December 31, 2016: 3,726,168 RON) related to bank guarantee letters with maturity less than 3 months, 32,827,456 RON in the position " Bank Deposits "(December 31, 2016: RON 22,983,644) related to bank guarantee letters maturing up to one year and RON 76,355,852 in the" Financial Immobilizations "position of bank guarantee letters with a maturity of more than one year 2016: 22,414,346 RON). These letters of guarantee are related to the company's participation in the electricity market, mainly representing the company's electricity sales.

11. 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 with inflation up to December 31, 2003) plus subsequent increases.

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 December 31, 2017 is RON 3,015,138,510, under the authorized capital.

As at December 31, 2017 and December 31, 2016, the share capital includes the effect of reassessments 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:

	December 31, 2017 (audited)	**December 31, 2016 (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 December 31, 2017 and December 31, 2016, the value of the statutory subscribed and paid-off share capital amounts to RON 3,015,138,510, consisting of 301,513,851 ordinary shares having the nominal value of 10 RON each.

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

The holders of ordinary shares have the right to receive dividends, as such are declared at certain times, and the right to one vote for each share held within the Company's General Meeting of Shareholders.

The shareholding structure on December 31, 2017 and December 31, 2016 is as follows:

Shareholders	**Number of shares**	**% of the share capital**
Romanian State	248,736,619	82.4959%
Fondul Proprietatea S.A.	27,408,381	9,0903%
Other investors	25,368,851	8,4138%
Total	**301,513,851**	**100%**

Share premiums

In November 2013, the Company issued 28,100,395 ordinary 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 RON 312,478,099 - was made up of the share capital increase of RON 281,003,950 and an issue/share premium of RON 31,474,149.

On December 31, 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".

Prepaid reserve

The prepaid reserves amount to RON 21,553,537 as at December 31, 2017 and December 31, 2016 and represent objectives of public utility at Cernavodă NPP (RON 5,439,321 as at December 31, 2017 and December 31, 2016), budgetary allocations for the period 2007-2011 for the construction of the Training and Recreation Center for Youth and Children in Cernavoda (RON 16,114,216 as at December 31, 2017 and December 31, 2016).

Revaluation reserves

As at December 31, 2017 the revaluation reserve amounts to RON 236,534,798 (December 31, 2016: RON 263,354,767), net of deferred tax related to the revaluation reserve. The last revaluation of lands, buildings and constructions was carried out on December 31, 2015 by an independent valuer, East Bridge SRL, member of the National Association of Certified Assessors in Romania (“ANEVAR“).

During 2017, the Company recognized a decrease of the revaluation reserve amounting to RON 26,819,969 following its transfer into the reported result (2016: RON 27,220,434).

The impact of correcting the accounting errors on December 31, 2017 on position "Revaluation reserves" is presented in Note 2, point e).

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

Retained earnings

The retained earnings are the cumulated earnings of the Company. The retained earnings are distributed based on the annual financial statements prepared in accordance with the Public Finance Minister's Order no. 2844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards.

During the financial year ending on December 31, 2017, the Company declared dividends amounting to RON 209,524,685 (December 31, 2016: RON 99,499,571). Unpaid gross dividends as at December 31, 2017 amounted to RON 138,871 (December 31, 2016: RON 295,306).

The impact of correcting the accounting errors on December 31, 2017 on position "Retained earnings" is presented in Note 2, point e).

12. BORROWINGS

Reimbursements of borrowings during the year ended on December 31, 2017 were as follows:

	Currency	Interest rate	Value	Year of final maturity
Balance as at January 1, 2017 (audited)			**1,345,420,230**	
New issues				
Reimbursements, out of which:			**(225,290,386)**	
Societe Generale – ALSTOM	EUR	EURIBOR 6M + 0.45%	(2,436,066)	2017
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.45%	(35,415,379)	2022
Societe Generale – AECL BC	CAD	CDOR 6M + 0.375%	(66,527,402)	2022
Societe Generale – NEXANS	EUR	EURIBOR 6M + 0.45%	(3,060,143)	2017
Societe Generale - GENERAL ELECTRIC	USD	LIBOR 6M + 0.07%	(12,249,737)	2017
EURATOM	EUR	EURIBOR 6M + 0.08%	(105,601,659)	2024
Exchange rate differences			**9,518,025**	
Balance as at December 31, 2017 (audited)			**1,129,647,869**	

(i) Long term borrowings

As at December 31, 2017 and December 31, 2016, the long-term borrowings are as follows:

	December 31, 2017 (audited)	December 31, 2016 (audited)
Societe Generale – ALSTOM	-	2,420,553
Societe Generale – ANSALDO BC	161,220,243	192,031,669
Societe Generale – AECL BC	305,352,316	383,665,096
Societe Generale – NEXANS	-	3,040,658
Societe Generale – GENERAL ELECTRIC	-	12,710,203
EURATOM	663,075,310	751,552,050
Total long-term loans	**1,129,647,869**	**1,345,420,229**
Less: Current portion of long-term loans	**(211,787,832)**	**(228,197,074)**
Less: Balance of commitment and insurance fees (long term)	**(23,011,238)**	**(29,261,340)**
Total long-term loans net of the short-term portion	**894,848,799**	**1,087,961,815**

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. On December 31, 2017, the loan was repaid in full. The amount due on December 31, 2016 was EUR 533 thousand. The reimbursement was 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 was 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 December 31, 2017 is EUR 34.60 million (December 31, 2016: EUR 42.29 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 December 31, 2017 is CAD 98.34 million (December 31, 2016: CAD 120.19 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. On December 31, 2017, the loan was repaid in full. The amount due on December 31, 2016 was EUR 670 thousand. The reimbursement was divided in 20 instalments over a period of 11 years, payable between December 2007 and June 2017. The loan was subject to a variable EURIBOR interest rate every six months plus a 0.45% margin. The loan was 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. On December 31, 2017, the loan was repaid in full. The amount due on December 31, 2016 was USD 2.9 million. The reimbursement was divided in 20 instalments over a period of 10 years, payable between December 2008 and July 2017. The loan was subject to a variable LIBOR interest rate every six months plus a 0.07% margin. The loan was guaranteed by the Romanian State through the Ministry of Public Finance.

f) The loan granted by EURATOM

The loan was granted by EURATOM to the Company in 2004. The initial value of the loan was EUR 223,5 million. The amount due on December 31, 2017 is EUR 142.3 million (December 31, 2016: EUR 165.5 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 50 million (December 31, 2016: EUR 60 million); (ii) Second instalment with a balance of EUR 63 million (December 31, 2016: EUR 72 million) and (iii) Third instalment with a balance of EUR 29.3 million (December 31, 2016: 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.

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

The loan agreement includes certain financial clauses: (i) the coverage index for the debt service should be at least 1.5; (ii) indebtedness must not exceed the value 2; (iii) the 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 December 31, 2017 and December 31, 2016, the financial indicators required by EURATOM are met. All loans have been contracted to finance the construction of Unit 2.

The Company has not entered into any hedging arrangements against risks in respect of obligations in foreign currency or interest rate exposure. The fair value of long-term loans, which was estimated by discounting the future contractual cash flows using current market interest rate available for similar financial instruments, does not differ significantly from the values mentioned above.

Guarantees

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

(ii) Short-term borrowings

As at December 31, 2017 and December 31, 2016, the short-term borrowings are as follows:

	December 31, 2017 (audited)	**December 31, 2016 (audited)**
Current portion of long-term loans	211,787,832	228.197.074
Interests related to the long-term borrowings	442,109	560,850
Short-term transaction costs	(6,574,639)	(7,828,397)
Total short-term loans	**205,655,302**	**220,929,527**

13. TRADING AND OTHER LIABILITIES

On December 31, 2017 and December 31, 2016, trading and other liabilities are as follows:

	December 31, 2017 (audited)	**December 31, 2016 (audited, restated)**
Non-current assets suppliers	21,554,862	9,115,482
Trade payables	74,668,365	96,439,435
Employee benefits	12,649,979	11,461,033
Payables to the State	70,528,622	61,064,864
Dividends payables	138,871	295,306
Other payables	1,092,220	269,102
Total	**180,632,919**	**178,645,222**

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

On December 31, 2017, the main balance suppliers, from the "Non-current assets suppliers" and "Suppliers" positions, are: General Electric Wilmington - Romania Branch - RON 18,433,942 (December 31, 2016 - RON 3,186,240), Apele Romane Bucuresti - RON 11,957,517 (December 31, 2016 - RON 11,792,224), Mate - Fin S.R.L. - RON 9,624,358 (December 31, 2016 - RON 6,967,151), Cameco Inc. USA – RON 0 (December 31, 2016 - RON 17,967,417).

On December 31, 2017, trading and other liabilities include the amount of RON 34,180,278 related to liabilities to affiliated parties, of which, under the positions "Suppliers" and "Non-current assets suppliers", the amount of RON 21,697,172 (December 31, 2016: RON 22,133,676) and under positions "Payables to the State" the amount of RON 10,069,885 (December 31, 2016: RON 9,863,987), representing the contribution to ANDR, for the decommissioning of nuclear facilities and the permanent storage of radioactive waste.

On December 31, 2017, the position "Payables to the State" includes the debt related to 2017 local taxes and taxes, to be paid in 2018, amounting to RON 45,311,609 (December 31, 2016: RON 37,909,658) which, according to IFRIC 21 - Taxes, is recognized on 31 December. The maturity of these taxes and charges is during the financial year 2018.

14. PROVISIONS FOR RISKS AND EXPENSES

On December 31, 2017, the Company recognized the following provisions, included under the position "Provisions for risks and expense" and the position "Current share of provisions for risks and expenses".

	December 31, 2017 (audited)	**December 31, 2016 (audited, restated)**
Obligations regarding the Intermediary Used Fuel Storage (DICA)	57,953,296	48,357,941
Obligations regarding the low and medium radioactive and non-radioactive waste	97,584,997	90,543,733
Employees’ participation to the profit	13,265,000	3,793,000
Provisions for litigations	71,141	-
Total	**168,874,434**	**142,694,674**

On December 31, 2017, the provisions in the total amount of RON 168,874,434 represent long-term and short-term liabilities, as follows:

	Long - term share (> 1 year)	**Current share (< 1 year)**
Obligations regarding the Intermediary Used Fuel Storage (DICA)	46,950,611	11,002,685
Obligations regarding the low and medium radioactive and non-radioactive waste	90,014,515	7,570,482
Employees’ participation to the profit	-	13,265,000
Provisions for litigations	71,141	-
Total	**137,036,268**	**31,838,166**

Following the reconsideration of the accounting treatment regarding the government taxes and duties, in compliance with IFRIC 21 and the Intermediary Used Fuel Storage ("DICA”) and the recognition of the provision for low and medium radioactive and non-radioactive waste ("DIDSR"), the positions "Payables to the State" and "Provisions for risks and expense" as at December 31, 2016 have been restated accordingly (see Note 2, point e)).

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

15. INCOME TAX

The income tax recognized in the profit and loss account:

	2017 (audited)	2016 (audited, restated)
Current income tax expense	73,687,454	28,323,327
Deferred tax release	(20,685,328)	(13,601,836)
Total	**53,002,126**	**14,721,491**

Receivables and liabilities related to the deferred taxes are assessed on December 31, 2017 and December 31, 2016 at the 16% effective tax rate, representing the tax rate currently implemented.

Reconciliation of effective tax rate:

	2017 (audited)	2016 (audited, restated)
Profit before income tax	**356,878,394**	**127,917,387**
The effect of the difference between accounting depreciation and tax depreciation	(1,646,348)	(2,171,677)
Income tax at the statutory rate of 16%	57,100,543	20,466,783
The effect of non-deductible expenses	19,345,865	5,278,418
Taxed revaluation reserves	9,205,270	9,796,978
Effect of tax exempt income	(7,977,403)	(4,570,832)
Deferred tax release	(20,685,328)	(13,601,836)
Reinvested profit	(1,300,441)	(413,342)
Effects of other differences	(1,040,030)	(63,000)
Income tax expense	**53,002,126**	**14,721,491**

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

The deferred tax consists of:

December 31, 2016 (audited, restated)	Assets	Liabilities	Net
Tangible assets	-	155,872,622	155,872,622
Intangible assets	-	3,101,888	3,101,888
Inventories	(1,195,811)	-	(1,195,811)
Employee benefits	(4,809,882)	-	(4,809,882)
Employees' participation to the profit	(606,880)	-	(606,880)
Allowances for administrators	(176,721)	-	(176,721)
Holiday leaves not taken	(24,307)	-	(24,307)
Taxes and duties	(6,065,546)	-	(6,065,546)
Radioactive and non-radioactive waste	(14,486,997)	-	(14,486,997)
Net tax (asset)/debt	**(27,366,143)**	**158,974,510**	**131,608,365**

December 31, 2017 (audited)	Assets	Liabilities	Net
Tangible assets	-	141,884,365	141,884,365
Intangible assets	-	3,971,298	3,971,298
Inventories	(1,413,187)	-	(1,413,187)
Employee benefits	(5,149,834)	-	(5,149,834)
Employees' participation to the profit	(2,122,400)	-	(2,122,400)
Allowances for administrators	(33,048)	-	(33,048)
Holiday leaves not taken	(382,729)	-	(382,729)
Taxes and duties	(7,237,103)	-	(7,237,103)
Radioactive and non-radioactive waste	(15,613,600)	-	(15,613,600)
Net tax (asset)/debt	**(31,951,901)**	**145,855,663**	**113,903,761**

The movement table regarding the deferred taxes debt in 2016 and 2017 is as follows:

	Balance as at January 1, 2016 (audited, restated)	Deferred tax recognized in profit and loss	The impact of correcting accounting errors with the retained earnings	Balance as at December 31, 2016 (audited, restated)	Deferred tax recognized in profit and loss	The impact of correcting accounting errors with the retained earnings	Balance as at December 31, 2017 (audited)
Tangible assets	164,080,925	(11,557,111)	3,348,808	155,872,622	(16,968,981)	2,980,722	141,884,363
Intangible assets	1,995,360	1,106,528	-	3,101,888	869,410	-	3,971,298
Inventories	219,097	(1,414,908)	-	(1,195,811)	(217,376)	-	(1,413,187)
Employee benefits	(4,801,703)	(8,179)	-	(4,809,882)	(339,952)	-	(5,149,834)
Employees' participation to the profit	(574,240)	(32,640)	-	(606,880)	(1,515,520)	-	(2,122,400)
Allowances for administrators	(215,111)	38,390	-	(176,721)	143,673	-	(33,048)
Holiday leaves not taken	(32,768)	8,461	-	(24,307)	(358,422)	-	(382,729)
Taxes and duties	(6,882,503)	816,957	-	(6,065,546)	(1,171,557)	-	(7,237,103)
Radioactive and non-radioactive waste	(11,927,664)	(2,559,333)	-	(14,486,997)	(1,126,602)	-	(15,613,600)
Net tax (asset)/debt	**141,861,393**	**(13,601,836)**	**3,348,808**	**131,608,366**	**(20,685,327)**	**2,980,722**	**113,903,760**

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

16. EMPLOYEE BENEFITS

	December 31, 2017 (audited)	December 31, 2016 (audited)
Retirement benefits	20,201,084	21,065,580
Anniversary bonuses	4,624,496	8,920,480
Benefits in case of death	832,790	1,920,993
Retirement benefits in the energy field	7,669,659	-
Total	**33,328,029**	**31,907,053**

On December 31, 2017, the Company has the following obligations:

- to pay the employees who are retiring retirement premiums ranging between 2 and 3 basic salaries according to the number of years of seniority in the field of electric, thermal and nuclear energy;
- to pay the employees jubilee premiums according to the number of years of uninterrupted seniority in the field of electric, thermal and nuclear energy;
- to pay the aid to the family of the employee, in the event of his/her death;
- to pay employees who are retiring an energy benefit, representing the equivalent value of 1,200 KWh/year electricity share. The awarding criterion for this benefit is the 15 year old seniority in the field of energy, of which at least the last 10 years within SNN. This benefit is granted as of April 1, 2017.

The following assumptions were taken into account for the application of IAS 19 "Employee Benefits" on December 31, 2017 and December 31, 2016.

Assessment date	December 31, 2017	December 31, 2016
Number of employees	2,001	2,042
Rate of wage increase	SNN's management has estimated a 20% increase in base salaries, reflecting the transfer of contributions from the employer to the employee, in order to maintain the net salary level at the level of December 2017. 2.2% for 2019 2.0% for 2020 For 2021 and the following years: average salary increase with the annual inflation rate.	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.
Rate of kWh price increase	KWh price updated on 31.12.2017: RON 0,5184. For 2018 - 2030: estimates provided by SNN and development on the same trend for the years to come.	-
Real average productivity	2.2%	2.2%
Mortality tables	Mortality rates in Romania in 2013	Mortality rates in Romania in 2013
Gross average wage	5,755	5,558

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

The above assumptions have been considered taking into account:

- The actual average efficiency is calculated based on the estimation of the inflation rate and government bonds efficiency on the active market as at December 31, 2017 and for the residual term to maturity of 1 - 9 years and 14 years.
- Mortality rate used is the one communicated by the National Institute of Statistics.
- A discount rate of 3.69%.

17. REVENUES FROM ELECTRICITY SALES

(i) Revenues from electricity sales

	2017 (audited)	2016 (audited)
Sales of electricity on regulated market	96,738,415	236,674,991
Sales of electricity on competitive market	1,785,829,730	1,382,055,372
Sales of thermal energy	2,154,959	2,022,068
Revenues from green certificates	17,407	17,086
Total	**1,884,740,511**	**1,620,769,517**

(ii) The amount of energy sold

	2017 (audited)	2016 (audited)
Quantity of electricity sold on regulated market (MWh)	609,458	1,454,563
Quantity of electricity sold on competitive market (MWh)	10,107,639	8,975,937
	10,717,097	**10,430,500**

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 28,059 MWh for the fiscal year ended on December 31, 2017 (26,803 MWh for the year ended on December 31, 2016).

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 2017 amount to RON 2,154,959 (December 31, 2016: RON 2,022,068).

In 2017, the Company delivered approximately 5.7% of the energy sold on the regulated market (2016: 13.9%). The total quantity of electricity sold in 2017 was 10,717,097 MWh (2016: 10,430,500 MWh). The average sale price of electricity sold by the Company on the regulated market in 2017 was 158.25 RON/MWh (2016: 162.71 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 2017, the Company delivered approximately 94% of the energy sold (2016: 86%). The average sale price of electricity sold by the Company on this market in 2017 was 176.68 RON/MWh (2016: 153.97 RON/MWh) value, which does not include Tg.

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

As of 2018, the electricity market is liberalized through the elimination of the regulated market.

18. EMPLOYEES COSTS

In 2017, the employee's costs amounted to RON 324,765,608 (2016: RON 297,732,932), as follows:

	2017 (audited)	**2016 (audited)**
Wages and salaries	251,507,727	227,400,987
Expenditure on social security and assimilated costs	73,257,881	70,331,945
Total costs borne for employees	**324,765,608**	**297,732,932**

In 2017, the breakdown by category of employees is as follows:

	2017 (audited)	**2016 (audited)**
Chief officers	173	175
Executive officers	1,861	1,880
Total actual number of employees	**2,034**	**2,055**

19. OTHER OPERATIONAL COSTS

	2017 (audited)	**2016 (audited, restated)**
Expenses with third parties services	93,617,443	95,368,226
Expenses with ANDR	96,721,769	93,058,314
Energy and water expenses	78,039,258	75,624,404
Fuels, lubricants and other consumables expenses	31,090,933	36,115,954
Insurance policies expenses	12,486,885	12,477,421
Transport and telecommunication expenses	6,185,561	6,095,610
Tax on buildings expenses	44,671,149	37,909,690
Expenses related to provisions and impairments, net	8,543,688	21,533,827
Other operating expenses	31,954,908	35,695,014
Total	**403,311,594**	**413,878,459**

Expenses with ANDR

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

- Contribution for the decommissioning of each nuclear unit amounting to 0,6 EUR/MWh of electricity generated and delivered in the system.
- Contribution for the permanent storage of radioactive waste of 1,4 EUR/MWh of electricity produced and generated and delivered in the system.

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

Tax on buildings expenses

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

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

Unlike the tax for special constructions, removed starting with 2017, the tax for buildings is due by the Company in 2017 and 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, par. (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 2017, 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).

In 2017, the building tax amounts to RON 44,671,149 (2016: RON 37,909,690), value included in the row “Other operating expenses”).

Expenses related to provisions and impairments

The position "Expenses related to provisions and impairments, net" includes the costs related to the provisions and impairments of the year, as well as income from the reversal of provisions during the year. In 2017, the Company established provisions amounting to RON 26,081,378 (2016: RON 32,714,185) and reversed provisions amounting to RON 17,537,699 (2016: RON 13,426,870). Of the provisions constituted in 2017, RON 15,554,982 represent the update of the provision for the Intermediary Used Fuel Storage ("DICA") (2016: RON 6,638,541) and RON 7,014,901 represent the update of the provision for low and medium radioactive waste (2016: RON 15,995,834).

Other operating expenses

The position "Other operating expenses" includes the expenses related to the operating authorizations paid to CNCAN Bucharest amounting to RON 9,900,000 (December 31, 2016: RON 9,000,000), as well as other taxes and contributions paid to governmental and non-governmental organizations amounting to RON 3,579,064 (December 31, 2016: RON 3,088,908).

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

20. FINANCIAL INCOMES AND EXPENSES

	2017 (audited)	2016 (audited)
Interest income	13,372,796	14,483,070
Foreign exchange gains	62,277,633	75,494,830
Dividends income	3,102	12,659
Total financial income	**75,653,531**	**89,990,559**
Foreign exchange losses	(71,457,344)	(100,878,654)
Interest expense	(22,645,004)	(18,116,064)
Total financial cost	**(94,102,348)**	**(118,994,718)**
Net financial expenses	**(18,448,817)**	**(29,004,159)**

During the financial year 2017, Energonuclear S.A. distributed dividends amounting to RON 2,011 related to 2016 (December 31, 2016: RON 11,566), which the Company collected in July 2017.

21. OTHER INCOMES

	2017 (audited)	2016 (audited)
Income from investment subsidies	14,383,111	14,384,164
Income from compensations, fines and penalties	1,714,181	2,607,857
Other income	19,505,124	15,597,281
Total	**35,602,416**	**32,589,302**

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.

22. TRANSACTIONS WITH RELATED-PARTIES

i) Transactions with state-owned companies

The company operates in an economic environment dominated by companies owned or controlled by the Romanian state through its governmental authorities and agencies, collectively referred to as state-owned companies.

The company performed significant transactions with other companies owned or controlled by the state including: sales of electricity (OPCOM SA), purchase of water needed for the operation of the two nuclear power plants (Apele Romane Bucuresti), purchase of electricity transport and balancing services (C.N. Transelectrica S.A.) and payment of the contribution for the management of the decommissioning process of the two units and the final storage of nuclear waste at the end of the useful lifetime of the two units, as well as for the permanent storage of the resulting residues (Nuclear and Radioactive Waste Agency - ANDR) .

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

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

	Sales		**Receivables as at**	
	2017 (audited)	**2016 (audited)**	**December 31, 2017 (audited)**	**December 31, 2016 (audited)**
Romanian Electricity and Gas Market Operator (OPCOM)	497,486,770	424,024,261	2,163,530	945,089
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	42,550,988	-	-	-
C.N. Transelectrica S.A.	15,051,450	372,066	12,148	10,606
Cernavoda public utilities	2,163,027	1,759,185	911,379	693,869
Compania Nationala a Uraniului (CNU)	20,990	10,495	-	-
Energonuclear S.A.	6,593	10,516	501,446	337
Compania Nationala Administratia Canalelor Navigabile	4,911	5,346	1,284	1,350
Total	**557,284,728**	**426,181,869**	**3,589,787**	**1,651,252**

	Purchases		**Payables as at**	
	2017 (audited)	**2016 (audited)**	**December 31, 2017 (audited)**	**December 31, 2016 (audited)**
Nuclear and Radioactive Waste Agency (ANDR)	96,721,769	93,058,314	10,069,885	9,863,987
Romanian Waters Bucharest	59,898,126	58,629,864	11,957,517	11,792,224
National Administration of States Reserves and Special Problems	21,978,338	9,340,657	-	-
Romanian Electricity and Gas Market Operator (OPCOM)	17,040,064	6,560,127	861,635	24,712
C.N. Transelectrica S.A.	12,586,884	32,310,387	3,691,904	4,057,794
National Administration „Romanian Waters” ("Seaside-. Dobrogea” Water Basin Administration - ABADL)	10,922,375	10,786,671	1,278,390	2,466,368
National Commission for Nuclear Activities Control (CNCAN)	9,329,506	9,035,539	-	-
RATEN - Institute for Nuclear Research Pitesti (ICN)	3,951,151	4,611,442	1,057,168	1,137,436
S.C. Raja S.A.	2,574,192	2,517,284	505,125	237,466
Uranium National Company (CNU)	1,899,635	6,085,810	2,510,328	2,510,328
Administration of Navigable Canals National Company	1,113,464	1,019,023	188,077	168,240
Cernavoda public utilities	438,085	374,535	76,662	151,040
State Inspection for the Control of Boilers, Pressure Vessels and Lifting Installations (ISCIR)	158,872	148,839	11,730	3,660
National Meteorological Administration through the Dobrogea Regional Meteorological Centre	90,000	96,555	17,850	25,725
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	-	-	1,954,008	-
Total	**238,702,462**	**234,575,046**	**34,180,278**	**32,438,980**

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

The balance of debts to affiliated parties as at December 31, 2017 presented above included the advance payments received from customers, affiliated parties, amounting to RON 3,344,990 presented in the Individual Statement of the Financial Position as at December 31, 2017 within the group *"Current Liabilities"* under the position *"Short-term Deferred Income"* (December 31, 2016: RON 2,278,788).

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 Note 12).

iii) Compensation to senior management of the Company

The management of the Company is made up of:

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

The members of the Board of Directors have concluded administration (mandate) contracts with the Company, their remuneration being approved by the General Meeting of Shareholders. The managers with mandate contracts are remunerated 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.

	2017 (audited)	**2016 (audited)**
Remuneration of the management of the Company (gross amounts)	6,435,614	5,998,527
	6,435,614	**5,998,527**

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

23. EARNINGS PER SHARE

As at December 31, 2017 and December 31, 2016, the earnings per share were as follows:

(i) Basic earnings per share

	2017 (audited)	2016 (audited, restated)
Net profit for the year	**303,876,268**	**113,195,896**
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of ordinary shares issued during the period	-	-
Weighted-average number of ordinary shares at December 31,	**301,513,851**	**301,513,851**
Basic earnings per share (RON/share)	**1.01**	**0.38**

(ii) Diluted earnings per share

	2017 (audited)	2016 (audited, restated)
Net profit for the year	**303,876,268**	**113,195,896**
Number of ordinary shares at the beginning of the period	301,513,851	301,513,851
Number of shares issued during the period	-	-
Weighted-average number of ordinary shares at the end of the period	301,513,851	301,513,851
Weighted-average number of ordinary shares (diluted) on December, 31	**301,513,851**	**301,513,851**
Diluted earnings per share (RON/share)	**1.01**	**0.38**

24. RISK MANAGEMENT

(i) Financial risk factors

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

The Company does not have formal arrangements to mitigate financial risks. Despite the fact that no formal arrangements are in place, the financial risks are strictly monitored by the senior management given the financial needs of the Company in order to manage efficiently the risks and opportunities. The financial department prepares daily forecasts of cash flows, which help the management in making decisions.

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

a) Currency risk

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

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

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

	Carrying amount (*)	RON	EUR	USD	CAD	GBP
December 31, 2017						
Monetary assets						
Cash and cash equivalents	573,903,315	564,294,352	120,259	3,532,579	5,933,801	22,323
Prepayments	10,895,537	9,803,402	114,932	564,968	412,236	-
Tangible assets (prepayments)	5,543,450	5,543,450	-	-	-	-
Gross exposure	**590,342,301**	**579,641,204**	**235,190**	**4,097,547**	**6,346,037**	**22,323**
Monetary liabilities						
Trade payables and suppliers of non-current assets	(96,223,228)	(84,506,369)	(3,012,052)	(1,479,037)	(6,120,994)	(1,104,777)
Loans	(1,129,647,869)	-	(824,295,553)	-	(305,352,316)	-
Gross exposure	**(1,225,871,097)**	**(84,506,369)**	**(827,307,605)**	**(1,479,037)**	**(311,473,310)**	**(1,104,777)**
Net exposure in the statement of financial position (audited)	**(635,528,796)**	**495,133,735**	**(827,072,414)**	**2,618,511**	**(305,126,173)**	**(1,082,454)**

	Carrying amount (*)	RON	EUR	USD	CAD	GBP
December 31, 2016						
Monetary assets						
Cash and cash equivalents	263,714,387	262,261,805	562,337	182,454	684,117	23,675
Prepayments	12,699,411	11,475,483	717,934	112,533	393,461	-
Tangible assets (prepayments)	630,644	-	-	160,027	470,618	-
Gross exposure	**277,044,443**	**273,737,288**	**1,280,271**	**455,013**	**1,548,196**	**23,675**
Monetary liabilities						
Trade payables and suppliers of non-current assets	(105,554,917)	(71,833,001)	(2,649,033)	(20,963,345)	(9,978,071)	(131,467)
Loans	(1,345,420,229)	-	(949,044,931)	(12,710,203)	(383,665,096)	-
Gross exposure	**(1,450,975,146)**	**(71,833,001)**	**(951,693,964)**	**(33,673,548)**	**(393,643,168)**	**(131,467)**
Net exposure in the statement of financial position (audited)	**(1,173,930,705)**	**201,904,287**	**(950,413,694)**	**(33,218,535)**	**(392,094,972)**	**(107,791)**

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

The following exchange rates have been used:

	Average rate		**Reporting date spot rate**	
	2017	**2016**	**December 31, 2017**	**December 31, 2016**
RON/ EUR	4.5680	4.4900	4.6597	4.5411
RON/USD	4.0517	4.0569	3.8915	4.3033
RON/CAD	3.1221	3.0627	3.1051	3.1921
RON/GBP	5.2123	5.4964	5.2530	5.2961

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

Sensitivity analysis

A 10% strengthening of the national currency against these foreign currencies on December 31, 2017 and December 31, 2016 would have increased the gross profit by the amounts shown below. This analysis assumes that all other other variables remain constant.

	Profit 2017 (audited)	Profit 2016 (audited)
EUR	82,707,241	95,297,423
USD	(261,851)	3,972,285
CAD	30,512,617	39,584,255
GBP	108,245	15,514
Total	**113,066,253**	**138,869,478**

A 10% depreciation of the national currency against the following foreign currencies on December 31, 2016 and December 31, 2017 would have had the equal but opposite effect on the amounts shown above, assuming that all other variables remained constant.

	Loss 2017 (audited)	Loss 2016 (audited)
EUR	(82,707,241)	(95,297,423)
USD	261,851	(3,972,285)
CAD	(30,512,617)	(39,584,255)
GBP	(108,245)	(15,514)
Total	**(113,066,253)**	**(138,869,478)**

b) Interest rate risk

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

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

	Carrying amount (*)	
	December 31, 2017 (audited)	**December 31, 2016 (audited)**
Fixed rate instruments		
Financial assets	1,272,478,488	1,406,034,436
	1,272,478,488	**1,406,034,436**
Variable rate instruments		
Financial liabilities	(1,129,647,869)	(1,345,420,230)
	(1,129,647,869)	**(1,345,420,230)**

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

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

Sensitivity analysis of cash flows for variable interest rate instruments

A change of 100 basis points (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**
December 31, 2017		
Variable rate instruments	(11,296,479)	11,296,479
Cash flow sensitivity (net)	**(11,296,479)**	**11,296,479**
December 31, 2016		
Variable rate instruments	(13,454,202)	13,454,202
Cash flow sensitivity (net)	**(13,454,202)**	**13,454,202**

c) Credit risk

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

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

On December 31, 2017 the Company is exposed to a concentrated credit risk, considering the fact that approximately 35% of the trade receivables are in relation to the Romanian Electricity and Gas Market Operator (OPCOM) and in relation to Societatea de Distributie A Energiei Electrice Muntenia Nord S.A (see Note 9). The counterparty risk is limited considering the guarantees obtained from clients as bank guarantee letters.

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

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

	December 31, 2017 (audited)	**December 31, 2016 (audited)**
Banca Comerciala Romana S.A.	418,382,211	246,001,522
BRD Societe Generale S.A.	370,539,724	147,497,972
Banca Transilvania S.A.	263,916,540	359,834,932
Garanti Bank S.A.	225,868,115	274,236,073
Unicredit Bank S.A.	223,620,369	50,113,032
Alpha Bank S.A.	124,788,371	227,780,752
EximBank S.A.	100,001,338	15,000,973
OTP Bank S.A.	59,745,352	85,723,379
Patria Bank S.A.	31,531,473	80,977,000
Treasury of Bucharest Municipality	1,948,198	2,044,301
Citi Bank Romania	2,013,506	19,193,772
Other	177,927	383,946
Total cash and bank deposits	**1,822,533,123**	**1,508,787,655**

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

	Net value	
	December 31, 2017 (audited)	**December 31, 2016 (audited)**
Financial assets		
Trade receivables	120,059,645	124,893,554
Bank deposits	1,172,273,956	1,222,658,922
Cash and cash equivalents	573,903,315	263,714,387
Other receivables	30,383,709	37,169,748
	1,896,620,625	**1,648,436,611**

The ageing of trade receivables on the reporting date was:

	Gross value December 31, 2017 (audited)	**Impairment adjustment December 31, 2017 (audited)**	**Gross value December 31, 2016 (audited)**	**Impairment adjustment December 31, 2016 (audited)**
Not past due	118,073,727	-	118,678,794	-
Past due 1-30 days	1,769,419	-	6,109,060	(1,055)
Past due 31-90 days	104,660	-	45,905	(123)
Past due 91-180 days	111,838	-	25,394	(575)
Past due 181-270 days	586,758	(586,758)	27,562	(218)
Past due 271-365 days	1,389	(1,389)	9,491	(682)
Past due more than one year	12,839,439	(12,839,439)	12,844,091	(12,844,091)
Total	**133,487,231**	**(13,427,586)**	**137,740,298**	**(12,846,744)**

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

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

	Gross value December 31, 2017 (audited)	**Impairment adjustment December 31, 2017 (audited)**	**Gross value December 31, 2016 (audited)**	**Impairment adjustment December 31, 2016 (audited)**
Not past due	30,337,924	-	36,815,878	-
Past due 1-30 days	-	-	-	-
Past due 31-90 days	20,965	-	21,694	-
Past due 91-180 days	-	-	-	-
Past due 181-270 days	-	-	332,176	-
Past due 271-365 days	-	-	333,709	(333,709)
Past due more than one year	3,103,425	(3,078,604)	3,135,256	(3,135,256)
Total	**33,462,313**	**(3,078,604)**	**40,638,713**	**(3,468,965)**

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

	December 31, 2017 (audited)	**December 31, 2016 (audited)**
Balance on the beginning of the year	**(12,846,744)**	**(12,848,554)**
Recognized impairment adjustments, net of resumptions	(580,842)	1,810
Balance on the end of the year	**(13,427,586)**	**(12,846,744)**

d) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Company aims to maintain flexibility in funding by obtaining financing from various financing sources.

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

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

	Carrying amount December 31, 2017	Contractual amount	<12 months	1-2 years	2-5 years	> 5 years	Carrying amount December 31, 2016
Financial liabilities							
Borrowings (*)	1,129,647,869	1,129,647,869	211,787,832	211,787,832	583,522,096	122,550,110	1,345,420,229
Trade payables and suppliers of non-current assets	96,223,227	96,223,227	96,223,227	-	-	-	105,170,830
Provisions for risks and expenses	168,874,434	168,874,434	31,838,166	14,635,469	59,582,972	62,817,828	142,694,674
Other payables	84,409,692	84,409,692	84,409,692	-	-	-	73,474,391
	1,479,155,223	**1,479,155,223**	**424,330,058**	**226,352,159**	**643,105,068**	**185,367,938**	**1,666,760,124**

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

(ii) Capital management

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

e) Fair value of financial instruments

Fair value is the amount for which the financial instrument 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 December 31, 2017 and December 31, 2016, the management considers that the fair values of cash and cash equivalents, trade receivables and other receivables, trade payables as well as other short-term liabilities approximates their carrying amounts.

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

	Carrying amount	Fair value	Level
December 31, 2017 (audited)			
Financial assets			
Financial assets	76,355,852	76,355,852	2
Net trade receivables	120,059,645	120,059,645	2
Cash and cash equivalents	573,903,315	573,903,315	2
Bank deposits	1,172,273,956	1,172,273,956	2
Net other receivables	30,383,709	30,383,709	2
	1,972,976,477	**1,972,976,477**	

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

	Carrying amount	Fair value	Level
December 31, 2016 (audited)			
Financial assets			
Financial assets	22,414,346	22,414,346	2
Net trade receivables	124,893,554	124,893,554	2
Cash and cash equivalents	263,714,387	263,714,387	2
Bank deposits	1,222,658,922	1,222,658,922	2
Net other receivables	37,169,748	37,169,748	2
	1,670,850,957	**1,670,850,957**	

	Carrying amount	Fair value	Level
December 31, 2017 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	894,848,799	894,848,799	2
Provisions for risks and expenses	137,036,268	137,036,268	2
	1,031,885,067	**1,031,885,067**	
Short-term financial liabilities			
Suppliers, including suppliers of non-current assets	96,223,227	96,223,227	2
The current share of provisions for risks and expenses	31,838,166	24,662,564	2
Borrowings, short-term portion of long-term loans	205,655,302	205,655,302	2
Employee benefits and other payables	84,409,692	84,409,692	2
	424,278,824	**424,278,824**	

	Carrying amount	Fair value	Level
December 31, 2016 (audited, restated)			
Long-term financial liabilities			
Long-term financial borrowings	1,087,961,815	1,087,961,815	2
Provisions for risks and expenses	118,032,110	118,032,110	2
	1,205,993,925	**1,205,993,925**	
Short-term financial liabilities			
Suppliers, including suppliers of non-current assets	105,554,917	105,554,917	2
The current share of provisions for risks and expenses	24,662,564	24,662,564	
Borrowings, short-term portion of long-term loans	220,929,527	220,929,527	2
Employee benefits and other payables	73,090,305	73,090,305	2
	424,237,313	**424,237,313**	

(iii) Other risks

f) Operational risk

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

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

g) Compliance risk

Compliance risk is the risk of financial loss, including fines and penalties, which 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 Company by legislative changes.

25. 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 February 29, 2016, the National Agency for Fiscal Administration - the General Directorate against Fiscal Fraud completed the control initiated on September 9, 2015, which had the purpose of checking the commercial transactions carried out by the Company in the period 2011 - 2015 with companies Eco Petroleum S.A. and Oil Prod S.R.L. The control authority proceeded to calculate the Company's tax liabilities jointly due to the state budget in relation to the payment of the excise duties on diesel (by attracting the joint liability) and ruled the imposition of precautionary measures for the amount of RON 1,436,176, representing a percentage of 100% of the equivalent amount of the calculated tax liabilities, amount that is seized 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 analyze the opportunity of appealing against the fiscal audit report depending on the way in which the fiscal authority will consider the objections. Moreover, the company will consider future appeal methods against the liens set out in the Company’s duty by the General Directorate against fiscal fraud about the amount of 1,436,176 RON, considering the fact that fiscal report of ANAF did not establish additional payment obligations representing excises.

On 17.11.2017 the Company received from ANAF - DGAMC *[General Directorate for the Administration of Big Taxpayers]* Decision no. 112/15.11.2017 in response to the appeal filed by the Company, whereby the former ruled the annulment, in part, of the Taxation Decision regarding the main tax liabilities related to the differences of the bases of taxation established during the tax inspection for the amount of RON 194,051, representing additional VAT, with the competent tax inspection authorities subsequently proceeding to a new check of the same period and the same type of tax taking into account the legal provisions applicable in the case in question.

Based on the Tax Audit Notice no. F-MC 16/11.01.2018 a control team visited the Company's registered office in order to re-check the VAT for the period 01.01.2011-31.12.2012. The re-checking operation is under way at the date these Financial Statements were drafted.

(ii) Insurance policies

As at December 31, 2017, 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 million (for CNE Cernavoda Units 1 and 2).

(iii) Environmental issues

The Company recorded no liability as at December 31, 2017 and December 31, 2016 for any anticipated costs relating to environmental issues, including legal and consulting fees, site studies, the design and implementation of remediation plans. The responsibility for decommissioning and cleaning-up of nuclear installations was taken over by ANDR (see Note 19). 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 on December 31, 2017 are not significant. Furthermore, the Company is insured against the risk of nuclear accidents, up to the amount of DST 300 million, as described in section (ii) above.

However, enforcement of environmental regulations in Romania is evolving and their application by the government authorities is continuously being reconsidered. The Company periodically evaluates its obligations under environmental regulations. The established obligations are 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

During 2017, the Company was involved in a number of legal proceedings arising during its normal course of business. 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.

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 presented in these individual financial statements.

(v) Commitments

On December 31, 2017, the total amount of commitments is fully reflected under the position *"Trading and other liabilities"*, representing capital and operating expenses.

(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 and PCCB-LE - Centralized Market for Bilateral Contracts through Extended Auctions).

As at December 31, 2017, the total value of letters of bank guarantee issued in favor of customers for contracts concluded on PCCB-NC, PCCB-LE and PCSU amounts to RON 88.67 million, and in favor of OPCOM for the participation to DAM and IM amounted to RON 19.12 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-CN, PCCB-LE and PCSU, according to the contractual terms, respectively the fulfilling of its obligations by participating in DAM and IM for the letters of bank guarantee in favor of OPCOM.

On December 31, 2017 the Company has established letters of guarantee issued in favor of Transelectrica S.A. and Ciga Energy S.A. amounting to RON 3.69 million, with the role of ensuring the liquidity on the Balancing Market, through the establishment by each of Party Responsible for Balancing of a financial guarantee in favor of Transelectrica S.A. and Ciga Energy S.A., respectively, on the account of the Convention of the Party Responsible for the Balancing concluded between the Company as license holder and Transelectrica S.A. and Ciga Energy S.A., respectively.

On December 31, 2017 the Company has established a Treasury deposit in the amount of RON 1,436,176, standing for the liens according to the decision made by ANAF - General Directorate against tax fraud.

On December 31, 2017, the value of the bank guarantee letters issued by clients in favor of the Company for the contracts concluded on PCCB-NC is in amount of RON 321.8 million. These guarantees cover the risk of unfulfilling the contractual obligations assumed by the clients through the energy sale contracts.

26. FEES

The Company concluded on July 12, 2017, a contract for financial auditing services and auditing services with Mazars Romania S.R.L. with a duration of 36 months. Total fees (excluding VAT) related to the financial year 2017 charged for the limited review of the financial statements as at June 30, 2017 is RON 34,283 and the total of the insurance services (auxiliary services to audit services) in 2017 is RON 16,728.

By July 12, 2017, the Company had concluded audit and auditing services with Baker Tilly Klitou and Partners S.R.L., which provided statutory auditing services for the annual financial statements for the financial year ended December 31, 2016, for a total amount of RON 74,497, excluding VAT, and insurance services (auxiliary services to audit services) in 2017 totaling RON 12,384, excluding VAT.

The Company concluded a contract with BDO Tax S.R.L. for provision of tax consultancy based on monthly subscription. The services were provided by BDO Tax S.R.L, and the total value of the fees (excluding VAT) charged during the financial year ended December 31, 2017 is in the amount of RON 65,950.

27. MISCELLANEOUS

(i) Details of the group of companies

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

(ii) Investments in associates

The Company holds participating interests in the following entities:

- Energonuclear S.A.: having the registered office in Bucharest,Vasile Lascar 5 – 7, Street, Floor 3; number of shares owned as at December 31, 2016: 146.153 shares, the nominal value of share capital owned: 146.152.999 RON, representing 100% of the number of issued shares.

- Bursa Romana de Marfuri S.A.: having the registered office in Bucharest, Buzesti, 50 – 52 Street; number of shares owned as at December 31, 2016: 23 shares, nominal value of share capital owned: 23.000 RON, representing 0,29% of the number of issued shares.

The Company is a founding member of the Romanian Atomic Forum - ROMATOM, Romanian legal entity of private law, independent union nationally representative, without patrimonial or gain purpose, nongovernmental, nonprofit, apolitical, consisting of associate or supporting members, with registered office in Bucharest, 5 – 7 Vasile Lascar Street, floor 1. In the General Assembly, each founding member and each associate member are entitled to a deliberative vote number, calculated according to the turnover related to activities performed in the nuclear field in the previous year, by value tranches, as follows: between EUR 0 and EUR 500.000 turnover - 1 vote; between EUR 500.000 and EUR 3 million turnover - 2 votes; between EUR 3 million and EUR 10 million turnover - 3 votes; EUR 10 million turnover - 4 votes. The company meets the criteria for entitlement to 4 votes. The equivalent cash contribution made by the Company as a founding member is 100 RON.

(iii) The Company's Employees

The average number of employees of the Company during 2017 was 1,975 (2016: 2,008 employees). As at December 31, 2017 the actual number of employees is 2,034 (2016: 2,042 employees).

As at December 31, 2017, the company has 173 employees in leadership positions (2016: 175 employees) and 1,861 employees in executive positions (2016: 1,867 employees).

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

28. PROFIT DISTRIBUTION

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

Net profit to be distributed for the financial year 2017	**303,876,268**
Legal reserves	17,845,334
Other reserves representing fiscal facilities provided by law	7,721,372
Dividends	271,362,466
Other reserves (own financing resources)	6,947,096
Profit remained undistributed	**-**

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

The amounts proposed to be distributed in the form of "employee participation in profits" are up to 10% of the net profit, but no more than the level of an average monthly basic salary per employee in 2017 and taking into account the average number of employees in 2017. In the profit distribution proposal only the amount of RON 13,265,000 is included, in order to comply with the amounts previously budgeted in 2017 within the rectified budget of revenues and expenditures, approved by the Resolution of the Board of Directors no. 80/10.11.2017. The profit sharing obligation has been established by the income and expenditure budget approved for 2017 so that the provisions of Art. 1 par. 1 let. e) of the Government Ordinance no. 64/2001 are complied with. The amounts representing the employees participation in profits is not a direct distribution of the net profit, which is provisioned at the end of the financial year and distributed in the next financial year after approval of the net profit distribution. Therefore, the net income of the financial year 2017 includes a provision for employees participation in profits (derived from the accounting profit) in the amount of RON 13,265,000.

The amounts allocated to the legal reserve shall be determined under the provisions of art. 183 of Law no. 31/1990 according to which "at least 5% from the company profit shall be taken every year for the formation of the reserve fund, until it reaches at least one fifth of the share capital". The amount allocated to the legal reserve was taken in the end of the financial year, representing the mandatory allocation amounting to RON 17,845,334.

Other reserves representing tax facilities provided by law (RON 7,721,372) are allocated based on art. no 22 of Law no. 227/2015 regarding the Fiscal Code amended and supplemented; they relate to profit tax exempted related to the profit invested in technological equipment, computers and peripherals, machinery and home appliances, control and billing equipment, as well as produced and/or purchased software, as stipulated in subgroup 2.1 class 2.2.9 in the "Catalogue on classification and the normal useful life of fixed assets" used for business purposes. The amount allocated to reserves is the amount of the profit invested in this equipment, net of legal reserve (5%).

The proposed gross dividends (RON 271,362,466) are in the amount of 93.07% of the net profit, a percentage applied to the distributable profit after allocation for the destinations referred to under art. 1 par. 1 let. a) - e) of Government Ordinance no. 64/2001 plus the amount proposed to be distributed as "employees' participation to the profit", for the reunification of the calculation basis. For 2017, according to the provisions of the Govern Memorandum with the theme “Authorizing the state representative in the GMS/BoD, as the case may be, to national companies, national companies and full or majority state capital companies, as well as to autonomous authorities, in order to take the measures required for dividing a minimum rate of 90% of the net profit performed for 2017 as dividends/payments to the state budget”, must be distributed as dividends minimum 90% of the profit remained after sharing on the destinations provided at Art.

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

1 par. 1 let. a) - e) of Government Ordinance no. 64/2001 are complied with. Reporting strictly to the net profit (without the gross up with the obligation for the participation of employees to profit), the distribution percentage per dividend is of 90.67%. The percentage of 90.67% comes from rounding of gross dividend per share proposed, namely Lei 0.90 gross/share.

The remained profit amounts to be distributed (RON 6,947,096), after the distribution for the destinations under art. 1 par. 1 let. a) - f) of Government Ordinance no. 64/2001, are to be distributed in the form of own sources of funding (other reserves).

The proposal for allocating the net profit is presented in detail in the note relating to point 5 on the agenda of the General Meeting of Shareholders that is going to take place on April 24, 2018.

29. SUBSEQUENT EVENTS

By the Resolution of the Extraordinary General Assembly of Shareholders of SNN no. 4/02.03.2018, the following measures were approved:

Continuing the negotiations on the Investment Documents under the same conditions from the Memorandum of Understanding, for 6 months after the date of institution and corporate approval, by applying all the other provisions of the Memorandum of Understanding, including the possibility for any party to terminate the Memorandum of Understanding without any compensations by a simple written notification to the other Party, if an agreement has not been reached on the Investment Documents, and insofar as the delay has not been caused by the respective Party.

The amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this topic on the agenda (topic 2 of the AGEA agenda of March 02, 2018). The modifications mainly target: the elimination of the secondary scope of activity - NACE code 3512 “Transmission of electricity”; reformulating certain articles or removing some provisions that are unclear, redundant or no longer up-to-date following the amendment of the legal framework; removal of the provisions of art. 7 par. (8) regarding the delegation to the Board of Directors of the increase of the share capital by issuing new shares in exchange of shareholder contributions, provisions that are no longer up-to-date; the share capital increase was completed on December 03, 2015; clarifying and supplementing the organization and attributions of the General Assembly of Shareholders.

Date: March 22, 2018

Cosmin Ghita	Adrian Gabriel Dumitriu
Chief Executive Officer	Chief Financial Officer