



Current report in compliance with the Law no. 24/2017 and ASF Regulation no. 5/2018

Report date: 24.04.2019

Name of the issuing entity: Societatea Nationala NUCLEARELECTRICA S.A.

Registered office: 65, Polona Street, District 1, Bucharest

Phone/fax number: 021.203.82.00 / 021.316.94.00

Sole Registration Code with the Trade Register Office: 10874881

Order number: J40/7403/1998

Subscribed and paid share capital: Lei 3,015,138,510

Regulated market on which the issued securities are traded: Bucharest Stock Exchange

**To: Bucharest Stock Exchange
Financial Supervisory Authority**

Important event to be reported

The Annual Report for the financial year ended on December 31, 2018

Societatea Nationala Nuclearelectrica S.A. ("SNN") informs the shareholders and investors on the publishing of the **Annual Report for financial year ended on December 31, 2018**, prepared in compliance with the provisions of art. 63 of Law no. 24/2017 on issuers of financial instruments and market operations and with Appendix no. 15 to the Regulation no. 5/2018 on issuers of financial instruments and market operations, issued by the Financial Supervisory Authority.

The Annual Report for the financial year ended on December 31, 2018, comprises:

- (i) The main events in the SNN's activity throughout the financial year ended on December 31, 2018;
- (i) The Individual Audited Financial Statements as at and for the year ended on December 31, 2018, prepared in accordance with Minister of Finance Order no. 2844/2016 for the approval of the Accounting regulations compliant with the International Financial Reporting Standards ("IFRS"), accompanied by the Independent auditor's report;
- (ii) (iii) The Consolidated Audited Financial Statements as at and for the year ended at December 31, 2018, prepared in accordance with Minister of Finance Order no. 2844/2016 for the approval of the Accounting regulations compliant with the International Financial Reporting Standards ("IFRS"), accompanied by the Independent auditor's report.

Societatea Nationala NUCLEARELECTRICA S.A.

65 Polona Street, District 1, 010494, Bucharest, Romania; Tel +4021 203 82 00, Fax +4021 316 94 00;

Trade Registry number: J40/7403/1998, Sole registration code: 10874881,

Paid and subscribed capital: 3.015.138.510 lei

office@nuclearelectrica.ro, www.nuclearelectrica.ro

The main financial results

In anul 2018, SNN obtained a net profit of de **410,611 thousand lei, 33.9% larger than in 2017**. The main results are presented below and are excerpted from the Individual Audited Financial Statement as at and for the financial year ended on December 31, 2018:

Indicator [thousand RON]	2018 (audited)	2017 (audited, retreated)	Variation
Production (GWh)*	10,443	10,561	(1.1%)
Operating income, of which:	2,178,873	1,932,901	12.7%
<i>Income from electricity sales**</i>	<i>2,116,992</i>	<i>1,884,741</i>	<i>12.3%</i>
Operating expenses, minus depreciation and amortization	(1,089,368)	(1,009,107)	8.0%
EBITDA	1,089,505	923,794	17.9%
Depreciation and amortization	(552,965)	(545,800)	1.3%
EBIT	536,540	377,994	41.9%
Net financial result	36,083	(18,449)	n/a
Corporate tax expenses, net	(162,012)	(53,002)	205.7%
Net profit	410,611	306,543	33.9%

*Electricity produced and delivered by Cernavoda NPP in the National Energy System.

**Including revenues from the sale of thermal energy, insignificant in the total revenues.

The main factors that contributed to the results of 2018 compared to the previous year:

- **Operational profit** (EBITDA) increased by 17.9% as compared to the same period of the previous year, mainly following the increase of operational revenues by 12.7%, influenced by the increase by 12.3% of the revenues from the sale of electricity.
- In 2018 the Energy Regulation National Authority (“ANRE”) no longer set for producers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the producers based on regulated contracts and electricity quantities from the regulated contracts concluded by the producers with last-instance suppliers, after completing the schedule for gradually removing regulated fees.
- The **operating income** increased by 12.7%, influenced by the 12.9% increase in the weighted average price of the electricity sold in 2018 as compared to the weighted average price in 2017, within the terms of the sale of a total quantity of electricity over the period January 1 - December 31, 2018 similar to the total quantity sold over the period January 1 - December 31, 2017 (only 0.6% decrease). In 2018, SNN did not sell energy on the regulated market (5.7% in 2017), the entire quantity of electricity being sold on the competitive market of bilateral contracts and on the spot market. As compared to the same period of the previous year, the quantity of electricity sold on the competition market of bilateral contracts increased by 17%, and benefited from an increase of the average sale price on this market by 20% (price without Tg), while the electricity quantity sold on the spot market (PZU and PI) decreased by 33%, whereas an average sale price on this market lower by 9% (price without Tg) was registered.
- The **operating expenses** increased by 8% over the period January 1 - December 31, 2018, as compared to the same period of the year of 2017. This evolution is primarily determined by the increase in personnel expenses by 19.7% over the period January 1 - December 31, 2018, as compared to the same

period of 2017, as a result of the approved wages increase guaranteed by Income and Expenses Budget for 2018 approved. The increase is also determined by the increase of the expenses on the electric power purchased for the compensation of the negative imbalances registered in the period and by the purchase of electricity in the second quarter of 2018 for deliveries in the same period related to the portfolio of ongoing contracts in the planned outage period, partially compensated by the decrease of the other expenses that make up the operating expenses.

➤ **Net currency exchange differences** positively influenced the net result, so in 2018, net financial revenues were recorded, while in the same period of the previous year net financial expenses were recorded. The main currencies to which there are exposures are EUR, CAD and USD.

➤ The increase in **corporate tax expense** diminishes the positive influences of the other items, as a result of the increase in the taxable profit calculated for the financial year 2018 as compared to the one calculated for the financial year 2017, as well as the calculation and registration of the tax on the additional dividends granted in 2018.

Energy sales and market 2018

Sales by types	Quantities in MWh	% of total sales	Average price [Ron/MWh with T _g included]	Revenues from sales [Ron]
Sales on the competitive market (bilateral contracts and PZU and PI contracts), out of which:	10,642,623	99.7%	198.99	2,117,821,215
- Contract sales PCCB - LE, PCCB - NC, PCSU and supply contracts	9,048,774	84.8%	200.67	1,815,847,897
- PZU and PI sales	1,593,849	14.9%	189.46	301,973,318
PE positive imbalances ^{*)}	33,556	0.3%	174.49	5,855,256
Total sales over the period January 1 - December 31, 2018	10,676,179	100%	198.92	2,123,676,471

^{*) NB: RON 425,399 of the value presented represents redistributed revenues resulted from the balancing of the system, based on the application of NARE Order no. 51/2016, NARE Order no. 76/2017 and NARE Order no. 31/2018.}

The electricity quantity sold based on contracts, on the spot market (PZU and PI) and on PE is 10,676,179 MWh, 0.9% more than the sales program, of 10,581,220 MWh (sized on the production estimate, without estimating unplanned outages) and 0.64% more than the electricity quantity sold in 2017.

The revenues obtained from the electricity market related to electricity deliveries in 2018 are RON 2,123,676,471 (out of which RON 425,399 account for redistributed revenues resulted from balancing the system, based on the application of ANRE Order no. 51/2016, ANRE Order no. 76/2017 and ANRE Order no. 31/2018), 3.9% higher than the budget revenues for 2018, and 12.06% higher than the same period of the previous year.

The average weighted sale price, for the electricity quantities sold (without PE), result in 2018, is 198.99 lei/MWh (including T_g). For comparison, the weighted average price of all the transactions performed on the markets on which SNN operated in 2018 (PCCB - LE, PCCB - NC, PCSU and PZU), calculated based on the values published by OPCOM in the monthly market reports, is 205.85 lei/MWh. In 2017 the

average weighted sale price, for the energy quantities sold (without PE) was 176.37 lei/MWh (including T_g).

The sold electricity quantities on the competitive market (bilateral contracts) represented in 2018 a percentage rate of 84.8% out of the total volume of the sold energy. The average sale price on bilateral contracts in 2018 was 200.67 RON/MWh (with included T_g), recording an increase of 19.6% as compared to the average price recorded in 2017, of 167.78 RON/MWh (with included T_g); given the fact that the values of the electric power input transport fee in the T_g network were the following: RON 1.34/MWh for the period January 1st, 2017 - June 30th, 2017 according to ANRE Order no. 27/June 22, 2016; 1.05 RON/MWh for the period July 1st, 2017 - June 30th, 2018 according to ANRE Order no. 48/June 22, 2017 and 1.18 RON/MWh for the period July 1st, 2018 - September 30th, 2018 according to ANRE Order no. 108 /June 20, 2018.

On the spot market (PZU and PI), in 2018, a quantity of electricity representing 14.9% of the total sales volume was sold, compared to the percentage share of 22.2% recorded over the same period of 2017. The energy average selling price on the spot market (PZU and PI) achieved by SNN in 2018 was 189.46 lei/MWh (with T_g included), compared to 208.32 lei/MWh (with T_g included) recorded during the same period of 2017.

2018 Investment program

The total value of SNN's investment program for 2018 was 244,867 thousand lei (excluding the component allocated to the debt service for long-term loans), approved by the Decision no. 3/02.03.2018 of the Ordinary General Meeting of Shareholders of SNN.

The comparative situation of the investment achievements (value and percentage) for the period 1 January - 31 December 2018 compared to the comparative period of 2017 is presented in the table below:

Year	Investment program [thousand lei]	Performed (01.01 – 31.12) [thousand lei]	Degree of completion (01.01 – 31.12) (%)
2018	244,867	139,699	57.1%
2017	231,593	92,751	40.0%

As in previous years, Nuclearelectrica S.A. has structured its investment development program on objectives defined in relation to the needs of the production branches (CNE Cernavoda and FCN Pitesti), so as to achieve the highest possible utilization of the production capacity (EAF Energy Availability Factor) the nuclear safety rules and the long-term maintenance of the level of excellence in the operation of the plant. At the same time, the development program aims to respond to the need to modernize/refurbish systems, for both economical reasons (specific consumption reductions, improvement of some parameters characteristic of the processes served, with a positive impact on efficiency) and juridical nature, improvements in nuclear safety, environmental protection and occupational safety, which are imperative requirements coming from regulatory authorities in the field.

The SNN's investment program for 2018 was value-added taking into account the ongoing contractual commitments, estimates of the investment objectives to be achieved in the next year, including amounts allocated to investment projects for which certain performance is expected Requirements beyond SNN

control (eg prior regulatory authority approvals, legal deadlines for completion of public procurement procedures including appeals, obtaining necessary approvals from SNN corporate bodies, etc.) to allow implementation of these projects with approved budget values.

Among the important investment projects budgeted in the 2018 investment program we mention:

- **"Intermediate Fuel Storage Facility - DICA (including SICA Unit 2)":** budgeted 14,147 thousand MDL - the value achieved on December 31, 2018 is 60.8%. During the year 2018, construction works were completed and the completion of the works for the DICA Module 9 and the physical protection works related to Module 8 were completed. For Modules 10 and 11 type Macstor 200, the building authorization was obtained, being construction works started.
- **"Modernization and extension Physical protection system":** budgeted 16,600 thousand lei - the performance value at December, 31 2018 is 49.3%. Delays were recorded in the contract chart mainly due to the delay in obtaining prior authorizations and the revision of the economic estimates. Physical protection works priority 2, stage 1 of completing the physical protection system of Cernavoda NPP are in progress. The value not made in 2018 will be set in the 2019 budget.
- **"Improving the Cernavoda NPP response and the nuclear safety functions in case of events outside the design bases following the nuclear accident at the Fukushima 1 nuclear power plant, Japan":** budgeted 26,241 thousand lei - the achievement value at December 31, 2018 is of 33.3%. Within the objective of changing the destination of the existing constructions on Unit 5 site, the technical and economic documentation for the design activities was completed and the additional 5 to the contract was signed after the completion of the project and the approval of the economic documentation by the Cernavoda NPP. This process has accumulated delays due to the length of the iterative process of consulting the design documentation.
- **"Expanding the lifetime of Unit 1 by rewinding the reactor and refurbishing the main systems (studies)":** budgeted 10,373 thousand lei - the achievement value at December 31, 2018 is 23.9%. SNN joined the Candu Owners Group (COG) under the Integrated Material Surveillance Program (IMSP) to acquire the data needed to conduct fuel channel studies. Expenditure incurred until December 31, 2018 is largely the cost of joining SNN to the COG program, and in the course of 2019, the report will be received with the results of the analyzes. The delays were determined by the necessity of re-calibrating the strategy and the initial technical requirements, which were based on the budget value dimensioning, with the market realities (market consultation process, implementation of the changes in the procurement specifications, iterative process with ANAP regarding the qualification criteria potential suppliers and rating factors.
- **"Planting of NPP property and relocation of buildings necessary for the good functioning of Seiru Deposits on the territory of Cernavoda NPP":** budgeted 4,624 thousand lei - the performance value at December 31, 2018 is 34.1%. The contract was signed in October 2018, the signing process being extended after the revision of the economic estimates.
- **"HESIR Type Horizontal and Vertical Flow Detectors Extraction Equipment":** budgeted 3,038 thousand lei - the value achieved on December 31, 2018 is 8.3%. The delivery deadline for the equipment was offset from December 2018 at the beginning of 2019. The value not achieved in 2018 will be set in the 2019 budget.

- **"Upgrading the communication infrastructure, setting up the data center according to the TIA 942-1 standard and implementing information security risk mitigation measures"**: budgeted 2.170 thousand lei - until December 31, 2018 the procurement procedure for the the first stage - data center design, structured cabling and communication infrastructure. The awarding award in November 2018 marked the winner, but in December 2018 a contestation was filed by one of the participating companies, a dispute that is due to be settled in January 2019.

Further information can be obtained at address email: investor.relations@nuclearelectrica.ro

Cosmin Ghita
Chief Executive Officer



S.N. NUCLEARELECTRICA S.A.

ANNUAL REPORT

2018

COMPANY MANAGED IN A ONE - TIER MANAGEMENT SYSTEM

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1. BASIS OF REPORT

The Annual Report of the Board of Directors of S.N. Nuclearelectrica S.A. for the financial year ended on December 31, 2018 was drafted according to:

- ❖ Chapter III of the Public Finance Minister's Order no. 2844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards.
- ❖ Art. 63 of Law no. 24/2017 on the issuers of financial instruments and market operations.
- ❖ Annex no. 15 regarding the requirements of the Annual Report, from Regulation no. 5/2018 regarding the issuers of financial instruments and market operations, issued by the Financial Supervision Authority.
- ❖ Art. 56 of Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public institutions, as further amended and supplemented.
- ❖ Art. 5.3 par. 5.3.1. let. o) from the Administration Contracts, valid as at December 31, 2018, concluded between the directors and S.N. Nuclearelectrica S.A.
- ❖ Art. 20 par. (2) let. e) and Art. 20 par. (3) let. e) from the Articles of Incorporation of S.N. Nuclearelectrica S.A.

2. IDENTIFICATION DATA

Report date:	March 20, 2019
Name of the issuer:	S.N. Nuclearelectrica S.A. ("SNN")
Registered office:	Bucharest, District 1, 65 Polona Street
Telephone/Fax:	+40 21 203 8200; +40 21 316 9400
Web:	www.nuclearelectrica.ro
Email:	office@nuclearelectrica.ro
Sole Registration Number	10874881
Registration number in the Trade Register:	J40/7403/1998
Subscribed and paid share capital:	3,015,138,510 lei
Regulated market on which the issued securities are traded:	Bucharest Stock Exchange (www.bse.ro)
Main features of the issued securities:	Premium Category 301,513,851 shares, nominal value of 10 lei/share, dematerialized, nominative, ordinary, indivisible, with equal voting rights, freely tradable on Bucharest Stock Exchange under SNN symbol starting with 04.11.2013

3. MESSAGE OF THE BOARD OF DIRECTORS

The year 2018 has been characterized by evolution in the development of nuclear programs and research and innovation programs, both in the Member States of the European Union and in Romania, in a context of long-term European energy policies that also shape the role of nuclear energy.

At global level, interest in nuclear power remained stable, especially in developing countries. Approximately 11% of the world's electricity is generated by the 450 nuclear reactors, with nuclear power being the second source of low-carbon electricity. In addition, more than 50 countries use nuclear energy in approximately 225 research reactors, which are also used for the production of medical and industrial isotopes as well as for training. At the same time, about 30 countries are emerging countries in the field of nuclear energy and are considering, planning or initiating nuclear energy programs.

We are also witnessing the phenomenon of prolonging the lifetime of existing nuclear power plants, with more than 85 nuclear reactors in this situation. In the US, this has already been practiced since the early 2000s, about 90% of US power plants have renewed their operating licenses, extending their activity to 60 years. In this respect, SNN is developing its own major investment project on the refurbishment of Cernavoda NPP Unit 1, which requires 30 years of operation and production at less than half of the cost of a new nuclear reactor but with the same benefits for the energy system and for consumers. Extending the service life to comparatively lower costs than necessary for building new nuclear units is another positive sign regarding the key role played by nuclear power in ensuring the stability of national energy systems.

Moreover, in recent years we have been witnessing a substantial increase in the performance of existing nuclear reactors. Over the past 40 years, the number of reactors reaching high capacity factors has increased significantly. For example, 64% of reactors have reached a capacity factor of more than 80% in 2016 compared to 24% in 1976.

The importance of nuclear energy globally is also reflected in the growing threat of climate change, motivating countries to invest in new nuclear projects or, at least, to keep existing nuclear power plants in operation. Extending access to energy and, at the same time, drastically reducing greenhouse gas emissions that cause global warming and climate change are among the central challenges of mankind in the 21st century. Nuclear power is a major part of the carbon-free energy solution in many parts of the world, such as the United States, the European Union, South Korea, making an important contribution to reducing greenhouse gas emissions, while providing increasing quantities of electricity necessary to develop the global economy. Increased demand for electricity is particularly rapid in emerging countries, especially in Africa, where demand will increase by 100-450% by 2050. While today most people without access to electricity live in rural areas, most of the

population growth by 2030 will take place in cities. Achieving the goal of securing access to electricity for an additional 1.3 billion people globally by 2030 will require a combination of less polluting power generation solutions. In this scenario, nuclear power will be part of the solution, due to the advantages it holds, such as stability in national systems, clean energy, baseload production. The contribution of nuclear energy to avoiding short-term CO₂ emissions will be achieved by nuclear power plants in operation, under construction and in preparation. At European Union level, in order to achieve the goal of decarbonising the economy by 2050, a quarter of the EU's electricity production needs to be from nuclear sources.

Last generation nuclear technologies represent a change in how nuclear power plants are designed and assert the importance of nuclear energy in the global energy mix. In this context, SNN is involved in accelerating the development and use of advanced low-carbon dioxide technologies, improving new technologies and reducing costs by coordinating national research efforts. Also, in 2018, SNN expressed its interest and involvement in the development of nuclear technologies of the future as a means of sustainable use of nuclear energy in Romania and complementing the current nuclear program, Generation-IV reactors, such as the Alfred project.

For SNN, 2018 marks the 20 years since the company was founded. During these years, the two NPPs in Cernavoda, through our specialists, produced and delivered to the NPS a total amount of energy of 168 649 752 MWh and used over 169 800 nuclear fuel bundles produced by our colleagues from FCN Pitesti. In the 20 years of activity we have avoided the release of 150 million tons of CO₂ into the atmosphere.

At national level, the confirmation of the importance of nuclear energy was marked in 2018 by the Energy Strategy of Romania 2018-2030, with the prospect of 2050, a document in which nuclear energy is recognized as a pillar of the national energy system. In the strategic investment program of national interest, an important role is played by the completion of units 3 and 4 from Cernavoda NPP as an optimal solution to cover the projected electricity deficit for 2028-2035 as a result of reaching the operating limit of more existing capabilities. By achieving these two groups, nuclear power production in Romania will grow from about 18% to about 28% in 2035.

Regarding the prospects of nuclear energy in Central and Eastern Europe with the target of 2050, Romania supports the idea of a balanced and efficient energy mix in which nuclear power has a significant share and an important contribution to achieving the decarbonisation targets and the strategic objectives assumed by Romania. SNN, through the strategies and measures it has adopted, will continue to play an essential role in ensuring the stability and security of the energy system, both through its current capabilities and in the long run, through its major investment projects.

From the viewpoint of the energy market orientation, the company acts in the sense of a sales revenues stability in order to ensure the contribution to the realization of its strategic investments. In

order to strengthen its capital market position, in 2018, SNN became a founding member of the Association for Investor Relations on the Romanian Stock Exchange (ARIR), a statute that will help establish strategic liaison functions between issuers, future issuers, shareholders and investors.

For 2019, the operational priority of SNN remains nuclear security, constant production, stable financial results and development.

**Chairman of the Board of Directors,
Iulian Robert Tudorache**

4. STATEMENT OF THE CHIEF EXECUTIVE OFFICER

The year 2018 represented for Nuclearelectrica the continuation of the implementation and completion of its major projects, and of the current investments in nuclear safety, plus a strong emphasis on the human resources strategy for the purpose of identifying and recruiting young people so as to train a new generation of specialists taking into account the long-term major projects of SNN: the refurbishment of Unit 1 and the Project of Units 3 and 4, and for the purpose of retaining SNN specialists.

Regarding the investments, according to the corresponding plan and budget, the refurbishment of Unit 1 was a priority. In 2018, the Comfort Letter was received from CNCAN, showing that Unit 1 NPP Cernavoda may be authorized to operate up to 245,000 EFPH provided that all the necessary activities / studies are completed, and SNN continues to conduct the appropriate Life Management programs, the inspection and testing for Systems, Structures and Components. This first phase of the project actually means finalizing the purpose of the refurbishment works, mainly with technical studies and tests to evaluate the state of the equipment. In 2018, preliminary activities for the evaluation of the technical state of the structures, systems and components of Unit 1 were conducted, preliminary activities leading to the extension of the reactor life up to approximately 245,000 hours of nominal power operation, the Preliminary Technical Study and the Feasibility Study on the Management of Radioactive Waste generated during the refurbishment of Unit 1, and during the operation of the two units after the refurbishment of Unit 1.

Under the Project, Units 3 and 4 continued the negotiation process with the selected investor, CGN, and in 2018 the SNN shareholders approved a revision of the Project's Continuous Strategy which clearly establishes the duties of SNN and of the Romanian State, which allows an acceleration of the current process. Romania needs reactors 3 and 4. It is obvious today that this project does not represent additional capacities but some that will replace capacities withdrawn for economic and weariness reasons, bringing a significant contribution to clean and stable energy in a future energy policy with a strong emphasis on environmental protection. EU estimates for 2050 provide for a significant percentage of nuclear energy in the Member States, some of them investing in the development of the nuclear program from scratch. The investment efforts in a greenfield nuclear program are very high, significantly higher than other technologies during the construction period, but still very necessary given the comparatively lower production price, the energy security and decarbonisation, in the context of adapting the energy mix to these targets.

The current investments of SNN have the priority of strengthening the nuclear safety functions, continuing the investment at the Intermediary used fuel storage facility and the tritium removal facility.

For the Intermediary used fuel storage facility, a very-long-term modular investment, the construction and assembly works were completed, and the acceptance upon the completion of the works was performed for Module 9 DICA, as well as the physical protection works related to Module 8. For Macstor 200 Modules 10 and 11 the contracting of the construction and assembly works was completed, the building permit was obtained and the works commencement order was issued.

The tritium removal facility project was actively resumed and approved by the General Meeting of Shareholders of SNN in 2018 at a cost of 190 million Euro. The benefits of this investment are complex: reduction of the decommissioning-related expenses; reduction of the operational costs by significantly reducing the need for radiation protection materials; reduction of the waste management costs resulting from the normal operation of the units; reduction of the duration of planned stops; reduction of waste management costs resulting from refurbishment; reduction of refurbishment costs by significantly reducing the need for the necessary radiation protection equipment during the refurbishment shutdown. Revenues from tritium sales and the sale of heavy water after tritium removal add to these internal benefits.

In 2018, the production of electricity and thermal energy was carried out under normal conditions. Unit 1 recorded a monthly capacity factor of 97.04%, with an annual average of 87.31% (Unit 1 entered the planned stoppage in 2018) and 464 173 MWh were delivered, with a total annual net quantity of 4 928 499 MWh. Unit 2 recorded a monthly capacity factor of 99.78% with an annual average of 97.43% and delivered 481,024 MWh, with a total net annual quantity of 5,530,839 MWh. The operation activity was conducted without events that might impact the nuclear security, its own personnel, the population or the environment, in optimal nuclear safety conditions. In 2018, Cernavoda NPP was evaluated by a team of 25 international experts, with the analysis report indicating a very high level of nuclear safety. The operating results of Cernavoda NPP are obviously supported by the exceptional quality of fuel bundles produced by FCN Pitesti, which is proven by the extremely low failure rate and the professionalism of the staff.

A very high level of nuclear safety is a guarantee of the derived results both for the company and its position on the energy market and the capital market, but also for the SNN stakeholders, interested in maintaining or increasing the company's results.

In terms of human resources strategy, given the migration of highly qualified personnel to new nuclear projects in the United Arab Emirates or China, knowing that expertise is an absolute requirement in the nuclear industry to maintain and increase operator performance, the management efforts focused on the human resources strategy both in the retention of specialized personnel and in the formation of new generations of nuclear energy specialists through the direct involvement of SNN and the establishment of partnerships with higher education establishments and by granting

scholarships. The strategy also focused on motivating SNN specialists through the prospect of career development, entering into partnerships with universities globally.

From the standpoint of SNN's position on the capital market, 2018 accounted for a sustained effort to deliver sustainable financial results and a higher return on dividends. Equally, attention has been given to corporate governance through the implementation of internal measures and to investor relations so that the SNN investor has the necessary information at the optimal decision-making moment.

The development of international relations and cooperation was also a major coordinate in 2018 by Romania's accession to the global Clean Energy Ministerial Initiative and the active involvement of SNN in the “NICE Future” project, an international initiative for the support of nuclear energy benefits in the context of decarbonization.

**Chief Executive Officer,
Cosmin Ghita**

5. ACTIVITY ANALYSIS

5.1. COMPANY PRESENTATION

5.1.1. Main activity

Societatea Nationala Nuclearelectrica S.A. (“Company” or “SNN”) is a national joint-stock company, managed in a one-tier management system, with its registered office in Bucharest, District 1, 65 Polona Street, and two branches without legal personality. The company’s main activity is the “Production of electricity” – NACE code 3511, and it is recorded in the Trade Register under no. J40/7403/1998, tax number 10874881, fiscal attribute RO.

At present, SNN is the only producer of electricity based on nuclear technology in Romania. Also, SNN produces nuclear fuel bundles, CANDU type, used for the operation of its own nuclear reactors.

CNE branch (Nuclear - Electric Station) Cernavoda, registered office in Cernavoda, 2 Medgidiei Street, registered with the Trade Register under no. J13/3442/11.10.2007, ensures the operation of the two nuclear units, based on CANDU technology type, as well as the administration of all SNN assets in Cernavoda (except for Units 1 and 2 in operation, Units 3 and 4 in different construction stages, Unit 5 for which the shareholders of the Company had approved the change of destination since March 2014, namely, its use for carrying out activities related to the operation of Units 1 and 2, and also the heating system). The two units have a installed capacity around 700 MW each (MWe 706.5 Unit 1 and MWe 704.8 MWe Unit 2).

FCN Branch (Nuclear Fuel Plant) Pitesti, registered office in Mioveni, 1 Campului Street, registered with the Trade Register under no. J03/457/24.08.1998, where CANDU fuel bundles are made for Units 1 and 2 of Cernavoda.

Unit 1 was commissioned in 1996 and Unit 2 in 2007. The two reactors alone ensure about 17% - 18% of the internal energy production of Romania. The nuclear reactors from the two units are 6 CANDU type, design developed in Canada, by Atomic Energy of Canada Ltd. This type of reactors are cooled and moderated with heavy water and use natural uranium as fuel. The initial project envisages the construction of 5 nuclear units CANDU type.

According to the Government initial strategy, the construction of CNE Cernavoda Units 3 and 4 will be completed by Energonuclear S.A., a subsidiary of SNN, incorporated in 2009. Currently, there is a new strategy for the continuation of the Project for Units 3 and 4 approved by the Extraordinary General Meeting of Shareholders of SNN of August 22, 2014, providing for the incorporation of a new project company, into which Energonuclear S.A. will be absorbed. Unit 5 is

currently completely depreciated, due to the fact that there is no plan for its construction; in march 2014, the shareholders of the Company approved the use of Unit 5 for operating activities of Units 1 and 2.

Units 1 and 2 use, on an annual basis, approximately 11.000 nuclear fuel bundles, each containing 19 kg of uranium. In order to produce the necessary fuel, FCN Pitesti operates at maximum capacity. In 2018, FCN Pitesti branch manufactured 11,209 nuclear fuel bundles and delivered to CNE Cernavoda 10,800 nuclear fuel bundles, according to the manufacturing and delivery plan.

In 2018, for the production of nuclear fuel, sinterisable uranium dioxide powder was consumed, at an average price of 352.87 lei/kg, coming from the stock existing on January 1, 2018, from the purchases from suppliers Cameco Inc. and CNU - Feldioara Branch, as well as from the powder resulting from the processing of non-compliant nuclear material (to the National Company of Uranium - Feldioara Branch).

By Decision no. 5 / 25.04.2018 of the Ordinary General Meeting of Shareholders of SNN approved the strategy for the diversification of sources of raw materials supply necessary for the production of nuclear fuel. On December 31, 2018, documentation on supplier qualification is being prepared and work on planning the storage activity of the raw materials to be purchased according to the strategy.

SNN represents a stability factor for the energy market in Romania, both through the base load electricity production and the competitive production cost.

5.1.2. Mission, vision, objectives, values

Mission



Characteristics:

- ❖ High value of the usage factor of the installed capacity; at an equal installed power, a nuclear group produces twice the quantity of power produced by a conventional group;
- ❖ Absence of green house gas emissions;

- ❖ Low dependence of the power cost determined by the changes uranium price, due to its minor importance in comparison with other types of energy;
- ❖ High technical level of the operating staff, the reasonable level of generation costs;
- ❖ Nuclear energy answer integrally to the safety delivery requirements, durable development and competitiveness.

Vision

Commitment to excellence. Action for results.

Objectives

- ❖ Operation of the nuclear units in safe conditions and nuclear for the staff, population, environment and production assets;
- ❖ Conservation of the power production capacity above the present average level in industry;
- ❖ Accomplishment of the major investment objectives;
- ❖ Improvement of the indicators related to the financial performances of the company.

Values



5.1.3. Incorporation date

SNN was incorporated on July 02, 1998 by Government Resolution no. 365/1998, following the reorganization of the Romanian energy system. Before the reorganization, the nuclear power plant was part of RENEL, national vertically integrated company that was divided in different national companies owned by the state. The Company operates under the Romanian legislation and the Articles of Incorporation.

5.1.4. Shareholding structure

The shareholding structure as at 31.12.2018 is as follows:

Shareholder type	Number of shares owned	% share capital ownership
Romanian State - Ministry of Energy	248,736,619	82.4959 %
Fondul Proprietatea S.A.	21,268,355	7.0539 %
Other legal entities	17,025,607	5.6467 %
Individuals	14,483,270	4.8035 %
Total	301,513,851	100%

5.1.5. Significant mergers or reorganizations

In the 2018 financial year, there were no significant mergers or reorganizations within SNN or its controlled companies. The company is not part of a group of companies, except the group of companies generically under the common control of the Romanian State through different entities. SNN directly controls the Energonuclear S.A. ("EN") branch, 100% ownership, as at December 31, 2018. The Energonuclear branch implemented in 2018 some activity optimization programs in terms of costs, given the strategy of continuing the Unit 3 and 4 Project.

5.1.6. Asset purchases and sales

In the 2018 financial year, there were no asset purchases, except for those that were necessary for activity operation and development, reflected in the investment plan and in the budgets approved for this purpose. The total expenses for investments during 2018 were in value of approximate 139.7 million lei.

Also, no transfer of assets occurred, except those that became obsolete as stipulated by law and the program to sell CNE Cernavoda employees' service apartments with installments payment. The total revenues from the transfer of assets in 2018 were approximate 308 thousand lei.

5.2. ELEMENTS OF GENERAL ASSESMENT

Financial position statement as of December 31, 2018

Indicator [thousand RON]	December 31, 2018 (audited)	December 31, 2017 (audited, retreated)	Variation
Non-current assets	6,671,436	7,004,655	(4.8%)
Current assets	2,194,769	2,239,865	(2.0%)
Total assets	8,866,205	9,244,520	(4.1%)
Long-term liability	1,122,869	1,308,219	(14.2%)
Current liabilities	564,205	452,184	24.8%
Total liabilities	1,687,074	1,760,403	(4.2%)
Equity	7,179,131	7,484,117	(4.1%)
Total equities and liabilities	8,866,205	9,244,520	(4.1%)

Non-current assets registered a slight drop of 4.8% as compared to the level registered on December 31, 2017, especially due to the drop of the net value of the tangible assets by acknowledging the amortization related to the period January 1 - December 31, 2018. The impact of the period's amortization was partially compensated by the investments performed for Units 1 and 2 Cernavoda CNE. 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, 2018 by an independent assessor, S.C. Primoval S.R.L, member of the National Association of Certified Assessors in Romania ("ANEVAR"). Revaluation results were accounted by using the net method and reflect an increase in net carrying amount of assets (land, buildings and constructions) amounting to RON 56 mil. as of December 31, 2018.

Current assets recorded a 2% decrease as compared to December 31, 2017, mainly due to the decrease in cash (cash, cash equivalents and bank deposits with a maturity of more than three months) and prepayments for expenses related to the following periods.

Long-term debts decreased by 14.2%, as compared to the values recorded on December 31st, 2017. The decrease is mainly caused by the decrease of the long term portion of the external credits contracted from Societe Generale and EURATOM for building and starting up unit 2 CNE Cernavoda, following the reclassification of the outstanding installments in the short-term portion, gradually with the maturity of the credits; partially offset by the recording of the provision corresponding to the litigation for salaries and benefits.

Current debts increased by 24.8% compared to the values recorded on December 31, 2017. The increase is mainly determined by the tax on income for Q4 of 2018. At the same time, the short-term advance revenues increased following the signing of electricity delivery contracts by paying the delivered energy in advance, for deliveries of electricity in subsequent periods.

Profit and loss account for the financial year ended on December 31, 2018

During the 12-month period ended on December 31, 2018, SNN recorded a net profit of 410,611 thousand RON.

Indicator [thousand RON]	2018 (audited)	2017 (audited, retreated)	Variation
Production (GWh)*	10,443	10,561	(1.1%)
Operating income, of which:	2,178,873	1,932,901	12.7%
<i>Income from electricity sales**</i>	2,116,992	1,884,741	12.3%
Operating expenses, minus depreciation and amortization	(1,089,368)	(1,009,107)	8.0%
EBITDA	1,089,505	923,794	17.9%
Depreciation and amortization	(552,965)	(545,800)	1.3%
EBIT	536,540	377,994	41.9%
Net financial result	36,083	(18,449)	n/a
Corporate tax expenses, net	(162,012)	(53,002)	205.7%
Net profit	410,611	306,543	33.9%

* Electricity produced and delivered by Cernavoda NPP in the National Energy System.

** Including revenues from the sale of thermal energy, insignificant in the total revenues.

Operational profit (EBITDA) increased by 17,9% as compared to the same period of the previous year, mainly following the increase of operational revenues by 12,7%, influenced by the increase by 12,3% of the revenues from the sale of electricity.

Following the completion of the process of liberalizing the electricity market in Romania, starting with 2018 the Energy Regulation National Authority (“ANRE”) no longer set for producers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the producers based on regulated contracts and electricity quantities from the regulated contracts concluded by the producers with last-instance suppliers, after completing the schedule for gradually removing regulated fees.

The **operating income** increased by 12,7%, influenced by the 12.9% increase in the weighted average price of the electricity sold in 2018 as compared to the weighted average price in 2017, within the terms of the sale of a total quantity of electricity over the period January 1 - December 31, 2018 similar to the total quantity sold over the period January 1 - December 31, 2017 (only 0.6% decrease). In 2018, the Company did not sell energy on the regulated market (5.7% in 2017), the entire quantity of electricity being sold on the competitive market of bilateral contracts and on the spot market. As compared to the same period of the previous year, the quantity of electricity sold on the competition market of bilateral contracts increased by 17%, and benefited from an

increase of the average sale price on this market by 20% (price without Tg), while the electricity quantity sold on the spot market (PZU and PI) decreased by 33%, whereas an average sale price on this market lower by 9% (price without Tg) was registered.

The **operating expenses** increased by 8% over the period January 1 - December 31, 2018, as compared to the same period of the year of 2017. This evolution is primarily determined by the increase in personnel expenses by 19,7% over the period January 1 - December 31, 2018, as compared to the same period of 2017, as a result of the actual personnel expenses recorded over the 12 months of 2018. The increase is also determined by the increase of the expenses on the electric power purchased for the compensation of the negative imbalances registered in the period and by the purchase of electricity in the second quarter of 2018 for deliveries in the same period related to the portfolio of ongoing contracts in the planned outage period, partially compensated by the decrease of the other expenses that make up the operating expenses.

Net currency exchange differences positively influenced the net result, so in 2018, net financial revenues were recorded, while in the same period of the previous year net financial expenses were recorded. The main currencies to which there are exposures are EUR, CAD and USD.

The increase in **corporate tax expense** diminishes the positive influences of the other items, as a result of the increase in the taxable profit calculated for the financial year 2018 as compared to the one calculated for the financial year 2017.

The main financial indicators and non-financial indicators

Indicator [thousand lei]	2018 (audited)	2017 (audited; restated)	Δ % 2018 vs. 2017
Net profit	410,611	306,543	33.9%
Gross operating profit	536,540	377,993	41.9%
Turnover	2,129,745	1,899,936	12.1%
Operating expenses	1,642,334	1,554,908	5.6%
EBITDA (Operating profit + Amortization)	1,089,505	923,794	17.9%
Liquidity (Cash and cash equivalents + Bank deposits)	1,632,131	1,746,177	(6.5%)
% market share	17.7%	18.1%	(2.2%)

Indicator [lei]	Formula	m.u.	2018 (audited)	2017 (audited; restated)
Profit indicators				
EBITDA to total sales	EBITDA/Turnover	%	51.2%	48.6%
EBITDA return on equity ratio	EBITDA/Equity	%	15.2%	12.3%
Gross profit ratio	Gross profit/Turnover	%	26.9%	18.9%
Return on equity	Net profit/Equity	%	5.7%	4.1%
Return on assets	Net profit/Total assets	%	4.6%	3.3%
Liquidity and solvability indicators				
Current liquidity ratio	Current assets/ Current liabilities	x	3.89	4.95
Quick liquidity ratio	Current assets - Inventories/Current liabilities	x	3.24	4.22
Patrimonial solvency	Equity/Total liabilities	x	4.26	4.25
Risk indicators				
Debt ratio indicator	Borrowed equity/Equity	x	0.12	0.15
Interest coverage ratio	EBIT/Interest expenses	x	32.20	16.69
Activity indicators				
Speed ratio of debits - Customers	Average accounts receivables x 365/Turnover	days	26	26
Speed ratio of credits - Suppliers	Adjusted average balance suppliers VAT x 365/Turnover	days	12	16

Indicator	2018	2017	% 2018 vs. 2017
Gross production [GWh]	11,377	11,509	98.9%
Net production [GWh] – Delivered in SEN	10,443	10,561	98.9%
Average capacity factor (%) – Unit 1	87.31%*)	97.14%	89.9%
Average capacity factor (%) – Unit 2	97.43%	89.72%*)	108.6%
Average personnel number	2,002	1,975	101.4%

*) Planned outage year.

The main results of the Company activities

No.	Indicator [thousand lei]	Performed 2018 (audited)	BVC 2018*)	Performed 2017 (audited; restated)	% 2018 vs. 2017	
0	1	2	3	4	5=2/3	6=2/4
1	Operating revenues	2,178,873	2,072,377	1,932,901	105.1%	112.7%
2	Operating expenses	(1,642,333)	(1,709,689)	(1,554,907)	96.1%	105.6%
3	Operating profit	536,540	362,688	377,994	147.9%	141.9%
4	Financial expenses	(58,856)	(68,113)	(94,102)	86.4%	62.5%
5	Financial revenues	94,939	71,250	75,654	133.2%	125.5%
6	Net financial revenues/(expenses)	36,083	3,137	(18,448)	1,150.3%	N/A
7	Profit before income tax	572,623	365,825	359,546	156.5%	159.3%
8	Net income tax expense	(162,012)	(70,553)	(53,002)	229.6%	305.7%
9	Profit of the fiscal year	410,611	295,272	306,544	139.1%	133.9%

*) BVC 2018 approved by OGMS Resolution no. 3/02.03.2018.

Execution of the Revenues and Expenses Budget as of December 31, 2018

The revenues and expenses budget (“BVC”) of SNN for the year 2018 was approved by Resolution no. 3/02.03.2018 of the General Meeting of Shareholders.

The company is monitored regarding the compliance with the performance indicators, objectives and criteria, respectively the compliance with the salary payroll level, with the revenues and expenses level, the program to reduce the arrears and the outstanding receivables.

As per the analysis of the Budget of Revenues and Expenses execution as of December 31, 2018 (presented below), a degree of accomplishment of the programmed operating revenues of 105.2% and a reduction of the operating expenses compared to the budgeted level of 3.8%. The performance level of the total income is 106.2%, higher than the performance level of the total expenses of 95.8%.

thousand RON

			Indicators	Row no.	BVC 2018 approved by OGMS Resolution no. 3/02.03.2018	BVC 2018 Approved by the BoD Decision no. 215/26.11.2018	Achieved 2018	Achieved vs. Initially approved [Col. 6/Col. 4]	Achieved vs. Approved rectified [Col. 6/Col. 5]
1	2			3	4	5	6	7	8
I.			TOTAL REVENUES (Row 2 + Row 5 + Row 6)	1	2,143,627	2,239,290	2,276,047	106.2%	101.6%
	1.		Total operating income, of which:	2	2,072,377	2,163,900	2,181,109	105.2%	100.8%
		c ₁	Discounts, in compliance with the legal provisions	3	-	-	-	-	-
		c ₂	Transfers, in compliance with the legal provisions	4	-	-	-	-	-
	2.		Financial income	5	71,250	75,390	94,939	133.2%	125.9%
	3.		Extraordinary revenues	6	-	-	-	-	-
II.			TOTAL EXPENSES (Row 8 + Row 20 + Row 21)	7	1,777,802	1,753,667	1,703,424	95.8%	97.1%
	1.		Operating expenses (Row 9 + Row 10 + Row 11 + Row 19)	8	1,709,689	1,696,292	1,644,568	96.2%	97.0%
		A.	Expenses with goods and services	9	579,280	515,867	459,959	79.4%	89.2%
		B.	Expenses with taxes, duties and similar payments	10	154,349	154,177	164,122	106.3%	106.5%
		C.	Personnel expenses (Row 12 + Row 15 + Row 17 + Row 18)	11	428,509	393,734	394,399	92.0%	100.2%
		C ₀	Salaries expenses (Row 13 + Row 14)	12	389,311	362,303	360,601	92.6%	99.5%
		C ₁	Salary expenses	13	351,926	330,447	330,445	93.9%	100.0%
		C ₂	Bonuses	14	37,385	31,856	30,157	80.7%	94.7%
		C ₃	Other personnel expenses, out of which:	15	1,606	1,606	1,200	74.7%	74.7%
			a) Expenses with compensations for early release of personnel	16	-	-	-	-	-
		C ₄	Expenses related to the mandate contract and other control authorities, commissions and committees	17	2,550	2,919	2,838	111.3%	97.2%
		C ₅	Expenses related to social protection, special funds and other legal obligations	18	35,042	26,907	29,760	84.9%	110.6%
		D.	Other operational expenses	19	547,550	632,513	626,089	114.3%	99.0%
	2.		Financial costs	20	68,113	57,375	58,856	86.4%	102.6%
	3.		Extraordinary expenses	21	-	-	-	-	-
III.			GROSS RESULT (profit/loss) (Row 1 – Row 7)	22	365,825	485,622	572,623	156.5%	117.9%
IV.			INCOME TAX	23	70,553	168,132	162,012	229.6%	96.4%
V.			PROFIT AFTER INCOME TAX	24	295,272	317,490	410,611	139.1%	129.3%

5.3. PRODUCTION AND SALE ACTIVITY

5.3.1. Production of electric and thermal energy

The gross production of electricity of the two operational units of CNE Cernavoda was 11,377,435 MWh in 2018; from this gross production, the own technological consumption of the Units during the operation, and during the outages ensured from own production was 934 thousand MWh in 2018.

Thus, the electricity produced and delivered in the National Energy System (“NES”) was 10,443,078 MWh in 2018, compared to the same period of 2017 (10,561,051 MWh), which accounts for a decrease of 1.12%.

The net electricity production program approved by the Board of Directors for 2018 considered an amount of 10,405,516 MWh, and it was achieved at a rate of 100.36%.

The installed power usage factor, recorded by each operational unit within CNE Cernavoda in 2018, and cumulated since the start of the commercial usage (Unit 1 on December 2nd, 1996, Unit 2 on November 1st, 2007) was as follows:

Cernavoda NPP unit	Cumulated 2018	Cumulated from the commercial exploitation
Unit 1	87.31%	90.54%
Unit 2	97.43%	94.60%

The lower value of the installed power usage factor at Unit 1 Cernavoda NPP reflects the influence of the planned outage with an actual duration of 786 hours, registered since May 2nd, 2018 at 10:53 and which ended on June 4, 2018 at 05:02.

Also, unplanned outages with an actual duration of 156.9 hours were registered in 2018, as follows:

- At unit 1 CNE Cernavoda there was an unplanned outage with a total duration of 46.3 hours: starting with March 25th, 2018, at 09:20. The Unit 1 CNE Cernavoda was disconnected for investigating and remedying the triggering caused by the inverter and voltage regulator.
- At unit 2 CNE Cernavoda there was an unplanned outage with a total duration of 17.1 hours: starting with March 29th, 2018. The Unit 2 CNE Cernavoda was disconnected following the automatic triggering of the main switch. Over the period March 25th-26th, the turbogenerator also operated at a low charge with 55% for replacing the bearing at the engine of a condensation pump, caused by high vibration.

- At unit 1 CNE Cernavoda there was an unplanned outage with a total duration of 8.5 hours: starting with July 23rd, 2018 at 16:38. Unit 1 CNE Cernavoda was disconnected following the false signal that triggered one of the systems of the turbine.
- At Unit 2 CNE Cernavoda, there was an unplanned outage for a total duration of 2.2 hours: starting August 16th, 2018, Unit 2 Cernavoda NPP was disconnected due to external causes - disconnection of power discharge line in the system, as a result of a wrong maneuver of the personnel of C.N. Transelectrica S.A. who performed maintenance works on the 400 kV line Cernavoda - Constanta North.
- At Unit 2 CNE Cernavoda, there was an unplanned outage for a total duration of 82.8 hours: starting September 5th, 2018 at 3:00 p.m. Cernavoda NPP Unit 2 was shut down in order to perform repair works at the bridge of the Fuel Upload/Download Machine ("MID").

SNN is an electric and thermal power energy producer, the main activity being that of electricity producer. Thermal power sales revenues represent an insignificant portion in the total operating revenues. As well, SNN is a CANDU type fuel bundle producer, which are entirely used for the operation of Units 1 and 2 CNE Cernavoda.

The electricity with which Units 1 and 2 of CNE Cernavoda in 2018 operated was influenced by the planned outage of Unit 1, and amounted to 786 hours, by the weather and hydrological conditions (the temperature of the cooling water from the Danube, the level of the water in the intake tank, air temperature, etc.), by fuel recharges and the unplanned outages of Unit 1 amounting to 54.8 hours, and by the unplanned outages, including those caused by external factors, of Unit 2, amounting to approximately 102.1 hours.

The annual energy quantity that SNN can produce by its two Units from CNE Cernavoda is approximately 10.6 TWh (net), given the fact that the Units are operated at a high capacity use coefficient. The energy produced by SNN in 2018 had a weight of approximately 17.2% in the total electricity produced in Romania (net values).

Power production in 2017 – 2018:

Output	2018			2017		
	Unit 1	Unit 2	Total	Unit 1	Unit 2	Total
Gross production (GWh)	5,387	5,990	11,377	5,986	5,523	11,509
Net production (GWh)	4,928	5,531	10,459	5,485	5,095	10,580
Capacity factor (%)	87.31	97.43	92.37	97.14	89.72	93.43

The planned and unplanned outages for each unit:

Event	Number outage days	
	2018	2017
Planned outage U1	32.75	-
Planned outage U2	-	26.48
Subtotal planned outages	32.75	26.48
Unplanned outage U1	2.28	5.15
Unplanned outage U2	4.25	6.73
Subtotal unplanned outages	6.53	11.88
Total	39.28	38.36

The number of hours of unplanned outages was within the number estimated according to the 2018 production program.

In 2018, the planned outage of Unit 1 had a duration of approximately 32.75 days, shorter than the estimated duration, of approximately 33 days.

Within the activity of electricity trading, the Company is obligated to submit letters of bank guarantee to certain contractual partners, according to the provisions stipulated in the electricity sale-purchase contracts. Mainly, these refer to: the contract concluded with C.N. Transelectrica S.A. for electricity transportation (a letter of bank guarantee is not necessary given the status of good payer; the contract provides the situations where the security is mandatory); the agreement concluded with OPCOM S.A. for electricity trading on PZU (Next Day Market) and PI (Intra-daily Market); contracts concluded on the PCCB – NC market (centralized market of bilateral electricity contracts – the trading method according to which contracts are awarded by Continuous Negotiation); contracts concluded on the PCSU platform (centralized market for the universal service), plus tender procedure securities; the agreement for PE (balancing market) concluded with C.N. Transelectrica S.A. and the contract concluded with Ciga Energy S.A. for PE representation.

For the purpose of this activity, over the year 2018, 88 letters of bank guarantee were issued, out of which, for 63 letters of bank guarantee, collateral deposits were set up at the equivalent amount. The cumulated value thereof is of RON 146,601,609, out of which, for RON 106,514,985, collateral deposits have been set up. Over the period January 1st - December 31st, 2018, a number of 42 collateral deposits were liquidated related to the letters of bank guarantee amounting to RON 71,583,426, issued both in 2018 and in 2016 - 2017. On December 31st, 2018, there are in the balance 78 letters of bank guarantee amounting to RON 164,932,291, out of which, for 57 letters of bank guarantee, there are collateral deposits set up amounting to RON 126,373,507.

The quantities of electricity sold during the year 2018 and the corresponding incomes, distributed on sale contract types are presented in the table below:

Electricity sales (quantities, prices and values) in 2018

Sales by types	Quantities in MWh	% % of total sales	Average price [Ron/MWh with Tg included]	Revenues from sales [Ron]
Sales on the competitive market (bilateral contracts and PZU and PI contracts), out of which:	10,642,623	99.7%	198.99	2,117,821,215
- Contract sales PCCB - LE, PCCB - NC, PCSU and supply contracts	9,048,774	84.8%	200.67	1,815,847,897
- PZU and PI sales	1,593,849	14.9%	189.46	301,973,318
PE positive imbalances*)	33,556	0.3%	174.49	5,855,256
Total sales over the period January 1 - December 31, 2018	10,676,179	100%	198.92	2,123,676,471

* NB: RON 425,399 of the value presented represents redistributed revenues resulted from the balancing of the system, based on the application of NARE Order no. 51/2016, NARE Order no. 76/2017 and NARE Order no. 31/2018.

The electricity quantity sold based on contracts, on the spot market (PZU and PI) and on PE is 10,676,179 MWh, 0.9% more than the sales program, of 10,581,220 MWh (sized on the production estimate, without estimating unplanned outages) and 0.64% more than the electricity quantity sold in 2017.

The difference between the electricity sold by the Company and the electricity produced and delivered by CNE Cernavoda (233 thousand MWh) is represented by the electricity purchased for the full coverage of the contractual obligations, an electricity quantity that was purchased 27% from the Centralized Markets, 38% from the spot market and the rest from PE. According to the sales strategy, on the Centralized Markets, 8 purchase agreements were concluded between October 2017 – April 2018, for a constant power of 85 MWh, with delivery in May 2018, at an average purchase price of 167.12 RON/MWh which partially covered the sale obligations undertaken by the contracts whose average weighted sale price in May 2018 was 187.95 RON/MWh. The electric power required to be purchased for the full coverage of contractual obligations was purchased from the spot and PE markets.

The revenues obtained from the electricity market related to electricity deliveries in 2018 are RON 2,123,676,471 (out of which RON 425,399 account for redistributed revenues resulted from balancing the system, based on the application of ANRE Order no. 51/2016, ANRE Order no. 76/2017 and ANRE Order no. 31/2018), 3.9% higher than the budget revenues for 2018, and 12.06% higher than the same period of the previous year.

The average weighted sale price, for the electricity quantities sold (without PE), result in 2018, is 198.99 lei/MWh (including T_g). For comparison, the weighted average price of all the transactions performed on the markets on which SNN operated in 2018 (PCCB - LE, PCCB - NC, PCSU and PZU), calculated based on the values published by OPCOM in the monthly market reports, is 205.85 lei/MWh. In 2017 the average weighted sale price, for the energy quantities sold (without PE) was 176.37 lei/MWh (including T_g).

Starting with 2018 the Energy Regulation National Authority ("ANRE") no longer set for manufacturers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the manufacturers based on regulated contracts and electricity quantities from the regulated contracts concluded by the manufacturers with last-instance suppliers, after completing the schedule for gradually removing regulated fees.

Following the Government Emergency Ordinance no. 114 / 28.12.2018, amending and supplementing Electricity and natural gas law no. 123/2012, by establishing the supply of electricity under conditions regulated by ANRE for household clients, between March 1st, 2019 and February 28th, 2022 and introducing as an additional obligation of manufacturers to deliver last-instance suppliers, between March 1st, 2019 and February 28th, 2022, the electricity that is necessary for ensuring the consumption of household consumers for which regulated fees are applied, ANRE issued Order no. 10 / February 01, 2019 for approving the Methodology for setting the prices for the electricity sold by the manufacturers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by the manufacturers with last-instance suppliers. ANRE sets for the manufacturers in the indicated period obligations to sell firm quantities of electricity based on regulated contracts. For 2019, the estimated quantity estimated to be attributed to SNN for regulated contracts is 1,377 GWh, and for the following years, the sale obligations based on the regulated contracts attributed to SNN shall be set on a maximum level of 65% of the delivered electricity quantity.

The sold electricity quantities on the competitive market (bilateral contracts) represented in 2018 a percentage rate of 84.8% out of the total volume of the sold energy. The average sale price on bilateral contracts in 2018 was 200.67 RON/MWh (with included T_g), recording an increase of 19.6% as compared to the average price recorded in 2017, of 167.78 RON/MWh (with included T_g); given the fact that the values of the electric power input transport fee in the T_g network were the following: RON 1.34/ MWh for the period January 1st, 2017 - June 30th, 2017 according to ANRE Order no. 27/June 22nd, 2016; 1.05 RON/MWh for the period July 1st, 2017 - June 30th, 2018 according to ANRE Order no. 48/June 22nd, 2017 and 1.18 RON/MWh for the period July 1st, 2018 - September 30th, 2018 according to ANRE Order no. 108 /June 20th, 2018.

On the spot market (PZU and PI), in 2018, a quantity of electricity representing 14.9% of the total sales volume was sold, compared to the percentage share of 22.2% recorded over the same period of

2017. The energy average selling price on the spot market (PZU and PI) achieved by SNN in 2018 was 189,46 lei/MWh (with T_g included), compared to 208.32 lei/MWh (with T_g included) recorded during the same period of 2017.

In 2018, SNN performed 228 energy sales contracts, as follows:

- 147 contracts concluded on PCCB-LE;
- 67 contracts concluded on PCCB-NC;
- 10 contracts concluded on PCSU;
- 4 supply contracts for 2 end users.

In 2018, two contracts were refused to be signed by the buyers designated through tenders (1 tender on PCCB – NC and 1 tender on PCCB – LE) for which indemnities were received according to the regulations of the Centralized Markets.

No contracts were terminated and no significant delays were notified compared to the due payment terms provided in the contracts in 2018. In all the cases in which there have been delays, the Company sent notifications and charged penalties according to the contractual provisions.

Expenses in the energy market

In 2018, the total value of the expenses on the electric power market, incurred by SNN, is of RON 69,778,085, out of which RON 32,883,110 represent expenses on the electric power purchase, RON 24,046,639 represent the expenses on the balancing market (PE), RON 11,676,332 represent T_g (the regulated tariff paid to CN Transelectrica SA for the injection of the electric power produced by Cernavoda NPP in the electric power transport network), RON 33,576 represent the expenses consisting in the equivalent value of the green certificates required to be purchased for the supplied electric power, RON 668,450 represent the tariffs paid to OPCOM SA for the sale and purchase transactions carried out on the platforms managed by OPCOM S.A.

The expenses incurred on energy acquisition, totaling RON 32,883,110 (2017: RON 16,463,970), for the purpose of providing the full compliance with the electricity delivery contractual obligations during the planned and unplanned outages of the Units of CNE Cernavoda; the purchased quantity of electric power was of 150,740 MWh (2017: 67,945 MWh), at an average price of RON 218.14 /MWh (2017: RON 242.31/MWh). In 2018, on the Centralized Markets, electricity was purchased in the amount of RON 10,568,520 - for 63,240 MWh, and on the spot market (DAM and IP) amounting to RON 22,314,590 - for 87,500 MWh.

The PE expenses in 2018 were RON 24,046,639, and the purchased electricity quantity was 82,313 MWh (2017: RON 39,103,914, with the purchased quantity of electric power amounting to 116,161

MWh). This amount represents the counter value of the energy received from the Balancing Market for the compensation of the negative imbalances which occurred because of the differences between the quantities of actual delivered energy and quantities notified on the market as per the daily prognosis for each hour frame and the value of the imbalance upon notification.

The expenditure on electricity acquisition and negative imbalances was lower in the fourth quarter of 2018 compared to the fourth quarter of 2017, due to uninterrupted operation in the fourth quarter of 2018 compared to the previous year, when 60.4 hours of unplanned shutdown were recorded.

5.3.2. Main sale markets for each product and distribution methods

SNN operates only on the Romanian market, being the only nuclear power producer in the country.

The electricity was sold based on production license, as follows:

- ❖ On the competition market by energy sale-purchase contracts on the markets managed by the market operator OPCOM S.A.: mainly PCCB – LE and PCCB - NC (centralized market for bilateral electricity contracts with the method trading contracts by extended tender procedures and the method of trading contracts according to which contracts are distributed by continuous negotiations), PZU (following-day market) and PCSU (universal service centralized market).
- ❖ On the balancing market administered by Transelectrica S.A., in case of positive unbalance.
- ❖ By the energy supply contracts concluded with two consumers supplied directly from the installations of CNE Cernavoda, according to the electricity manufacture license.

The thermal energy produced and sold both in 2018, and in 2017, by CNE Cernavoda, was delivered to the local supplier of thermal power and end consumers in the CNE and Cernavoda area (only in 2017). In Cernavoda, SNN is the only manufacturer that delivers thermal power in a centralized system.

Contracts on the regulated market

In 2018, the Energy Regulation National Authority (“ANRE”) no longer set for manufacturers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the manufacturers based on regulated contracts and electricity quantities from the regulated contracts concluded by the manufacturers with last-instance suppliers, after completing the schedule for gradually removing regulated fees.

Following the Government Emergency Ordinance no. 114/28.12.2018, amending and supplementing Electricity and natural gas law no. 123/2012, by establishing the supply of electricity under conditions regulated by ANRE for household clients, between March 01, 2019 and February 28, 2022 and introducing as an additional obligation of manufacturers to deliver t last-instance suppliers, between March 1, 2019 and February 28, 2022, the electricity that is necessary for ensuring the consumption of household consumers for which regulated fees are applied, ANRE issued Order no. 10 / February 01, 2019 for approving the Methodology for setting the prices for the electricity sold by the manufacturers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by the manufacturers with last-instance suppliers. ANRE sets for the manufacturers in the indicated period obligations to sell firm quantities of electricity based on regulated contracts. For 2019, the estimated quantity estimated to be attributed to SNN for regulated contracts is 1,377 GWh, and for the following years, the sale obligations based on the regulated contracts attributed to SNN shall be set on a maximum level of 65% of the delivered electricity quantity.

Evolution of quantities sold on the regulated market in 2014 - 2018:

Indicator	2018	2017	2016	2015	2014
Energy sold by SNN (GWh)	10,676	10,745	10,457	10,824	10,876
Production share sold on the regulated market	-	5.7%	13.9%	20.8%	34.4%
Energy sold on the regulated market (at national level) (GWh)	-	1,740	4,200	6,410	9,000
SNN share in total regulated market	-	35%	35%	35%	42%

Sale contracts on the competitive market administered by OPCOM

The bilateral contracts are concluded as a result of bidding organized on the OPCOM platform, in conditions of transparency. The markets on which tender procedures took place for bilateral contracts in which SNN took part in 2018 are PCCB -LE (centralized market of bilateral contracts of electricity – method of trading contracts by extended tender procedures), PCCB-CN (centralized market for bilateral contracts with continuous negotiation) and PCSU (universal service centralized market).

The average price applied by SNN on the centralized market of bilateral contracts registered significant fluctuations in 2018: from a minimum price of 189.92 lei/MWh in the second quarter to a maximum price of 206.61 lei/MWh in the fourth quarter. The prices corresponding to each month in 2018 were influenced by the weight of the energy produced from renewable sources in the National Energy System, the impact of the energy produced from hydrological sources, and the increase of the electricity transportation fee (Tg) starting with July 2018 (by 0.13 lei/MWh), but to a lower degree than the weighted average prices calculated for all the transactions on the wholesale market, due to the high weight of the contracts with average delivery periods in the SNN portfolio.

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The average sale price for the contracts concluded on the OPCOM markets with delivery in 2018 was 19.6% higher than the one registered in 2017.

Energy sale-purchase contracts on PZU (following day market) and PI (intraday market)

The company can engage transactions on the Centralized Electric Power Market for the Next day according to the convention concluded with OPCOM. On PZU, OPCOM acts as central counterparty, being the sole buyer of the energy sold by the Company. The settlements for the transactions implemented on PZU are performed only with OPCOM and are done quickly (2-3 days after the energy delivery).

PZU does not represent a primary market to SNN, the quantities sold on this market being relatively reduced, but they have increased lately considering PZU market share in total market. On PZU quantities of energy available for sale are traded, which were not already contracted by bilateral contract concluded on the platforms managed by OPCOM.

The energy sold on the spot market (PZU and PI) by SNN represented approximately 14.9% of the total sales in 2018, compared to 22.2% in 2017, and 28.7% in 2016. The decrease of the weight was predominantly generated by the increase of the electricity volume contracted on bilateral platforms, associated to the increase of the sale price compared to the previous year. Starting with august, the average sale price obtained by SNN on the spot market in 2018 was higher than the one obtained by contracts, and it followed the evolution of the average prices set on the spot markets of Europe.

The average weighted annual price set on PZU was 223.24 lei/MWh, while the average annual arithmetic trading price was in 2018 of 216.16 lei/MWh, lower than the corresponding value of 2017, of 219.95 lei/MWh.

Also, SNN participated in PZU also as a buyer for the quantities that needed to be purchased especially during the unplanned outage, and also during the planned annual outage, in order to cover the contractual obligations. The purchased electricity quantities are insignificant and are within the approved budget.

Generally, the prices on PZU have an increased volatility, being massively influenced by the renewable sources.

Convention to participate in the green certificate market

The company has the right to take part both in the centralized green certificate market (PCBCV - market of green certificate bilateral contracts and PCSCV - green certificate spot anonymous market), based on the Convention on the participation in the green certificate market, concluded as

at November 23, 2017. This Convention was concluded between the Company, as a participant, and OPCOM as an operator of the green certificate market.

The green certificates acquisition obligation depends on the volume of electricity supplied by the Company to the end consumers. Considering the low consumption, of approximately 600 MWH a year, the number of green certificates that need to be purchased by the Company is low.

The balancing market

The company participates in the balancing market, and it is also a balancing responsible party according to the standard Convention concluded as at November 28, 2005 with the system and transport operator, Transelectrica S.A., whose scope is to sell and purchase electricity between parties, as a result of the occurrence of production/consumption unbalances of the Company, which were compensated by Transelectrica S.A. on the balancing market, according to the applicable legislation. On October 8, 2018, considering the effectiveness of ANRE Order no. 31/31.01.2018, two new conventions were concluded, both for the participation in the balancing market and for assuming the balancing responsibility.

Starting with June 24, 2016, the Company delegated the balancing responsibility to PRE Ciga Energy S.A., after following a competition-based granting procedure, in order to join a broader PRE resulting in reducing the net costs related to unbalances in the system induced by SNN, by the mutual compensation of individual unbalances and the efficient distribution of costs and benefits among the participants of PRE Ciga Energy S.A.

The Company sells an insignificant quantity of electricity on the balancing market, mainly due to aspects related to production planning, the notification of quantities, technical variations or differences uncontracted on the spot market.

The weight of each product category in the energy sale revenues and in the operating revenues for 2017 - 2018:

Indicator [thousand lei]	2018		2017	
	[thousand lei]	%	[thousand lei]	%
Sales revenues, out of which:	2,128,667	97.70%	1,897,276	98.16%
Electricity sales revenues	2,112,000	99.22%	1,882,545	99.22%
Green certificates sales revenues	21	0.00%	18	0.00%
Thermal power sales revenues	4,970	0.23%	2,155	0.11%
Proceeds from electric power transmission	11,676	0.55%	12,558	0.66%
Other operating revenues	50,205	2.30%	35,603	1.84%
Total operating revenues	2,178,872	100%	1,932,879	100%

No new products/new services for which a considerable volume of assets would be necessary are taken into consideration for the next financial year.

5.3.3. Evolution of sales on the internal and/or external market and medium and long-term prospects

Evolution of the sales on the main markets for the last two years, both quantitative and as value:

Indicator [lei]	2018		2017	
	GWh	Value [thousand lei]	GWh	Value [thousand lei]
Electricity sales, out of which:	10,676	2,112,000	10,745	1,882,545
Regulated contracts	-	-	609	96,738
Contracts on the free market	10,676	2,112,000	10,136	1,785,807
- OPCOM contracts	9,049	1,804,195	7,720	1,286,224
- PZU/PI	1,594	301,954	2,388	494,661
- Balancing market*)	33	5,851	28	4,922

*) Values related to the positive unbalances on the Balancing Market, according to the conventions concluded with the system and transport operator Transelectrica S.A. and internal settlement results in PRE Ciga Energy.

The quantities of energy sold monthly, based on contracts, varied insignificantly, from one quarter to another, compared to production prognosis. Thus, lower quantities of electricity were sold in the second quarter of 2018, given the duration of the planned outage of Unit 1, between May 2, 2018 and June 4, 2018.

At the same time, SNN delivers thermal energy in Cernavoda, and the related revenues are insignificant in the total revenues (4.97 million lei in 2018 and 2.15 million lei in 2017, respectively).

In 2018, the Energy Regulation National Authority (“ANRE”) no longer set for manufacturers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the manufacturers based on regulated contracts and electricity quantities from the regulated contracts concluded by the manufacturers with last-instance suppliers, after completing the schedule for gradually removing regulated fees.

5.3.4. Competition situation, market weight of products and main competitors

The participants to the Romanian energy market which are certified by ANRE are:

- Energy producers;
- Electricity Transport Company - Transelectrica S.A.;
- Energy distributors;

- Energy suppliers;
- Energy traders.

The supply of electricity was performed in 2018 on the competition-based market.

As at the date of this Report, there is no data published by ANRE regarding the electricity market in 2018, on December 31, 2018. According to the ANRE market monitoring report for November, the market share of the manufacturers with dispatch units depending on the electricity delivered in the networks in January-November was for SNN of 17.85%, while the value of the indicator calculated for Hidroelectrica was 30% and for C.E. Oltenia 21.9%.

According to the statistical data centralized by Transelectrica S.A. until now, in 2018, the SNN production represented 17.2% of the total electricity produced in Romania (net values).

The structure of the gross energy production at national level is as follows:

Structure of the energy production	2018		2017	
	GWh	%	GWh	%
Conventional power plants	26,810	41.6%	28,088	44.1%
Hydro power plants	18,025	28.0%	14,755	23.2%
Nuclear power plants	11,377	17.7%	11,509	18.1%
Wind power plants	6,497	10.1%	7,411	11.6%
Photovoltaic power plants	1,674	2.6%	1,882	3%
Total	64,383	100%	63,645	100%

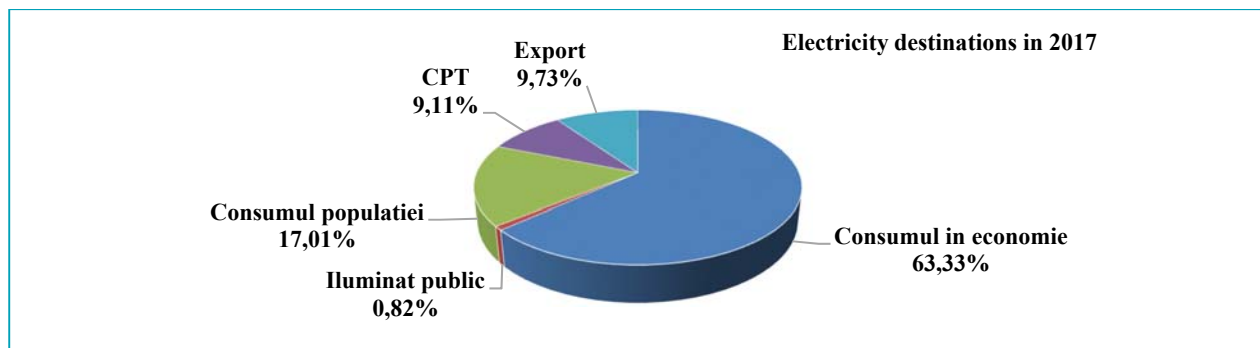
Source: National Institute of Statistics – Press release no. 35/2019.

The estimated gross electricity production in Romania increased by almost 1.2% in 2018 compared to 2017, while the estimated consumption increased by 2.3%. In 2018 the exports on national level decreased by 16.3% compared to the value of the previous year, reaching a value of 5,478.6 GWh, representing 54% from the population consumption, which is 10,167 GWh, out of a total national consumption of 55,881.5 GWh.

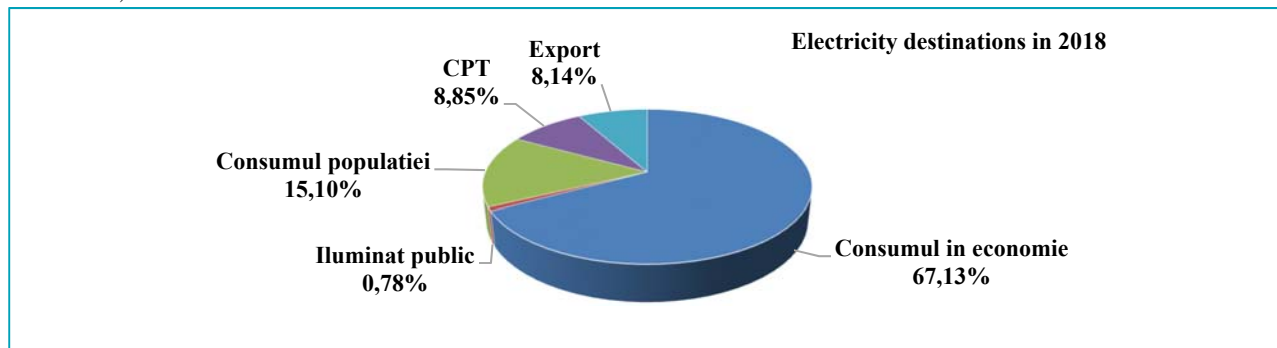
In 2018, the quantity of electricity sold by SNN was 10,676 GWh (including the quantity sold on the balancing market), while in 2017 the sold quantity was 10,745 GWh (including the quantity sold on the balancing market).

Therefore, while in 2017, SNN sales represented approximately 19.7% of the final electricity consumption in the national economy, in 2018, SNN sales represented approximately 19.1 % of the final electricity consumption in the national economy, which was 55.881 GWh (2.3% more than in 2017).

Structure by destinations of the electricity resources in 2017 and 2018:



Source: The National Institute of Statistics – Press release no. 37/2018 (CPT: technological consumption in networks and stations).



Source: National Institute of Statistics – Press release no. 35/2019 (CPT: own technological consumption in networks and stations).

5.3.5. Dependencies on a single client or group of clients

In 2018, SNN concluded, on the centralized markets administered by OPCOM, 224 electricity sale contracts with 42 buyers (there were cases where the same buyer won several organized tender procedures). Out of the 42 buyers on the competition-based market, only 22 bought energy quantities that exceeded, for each, 1% of the total sales of SNN. The first 3 buyers, based on the volumes of energy purchased from SNN, purchased a total of 25 % of the sold energy; the first buyer took over 9.02%, and the second 8.8%.

Due to the organization of the electricity market and considering the exposure to clients on the competitive market, the Company does not consider that there is a dependency on a single client or a group of clients.

According to the PZU participation convention, SNN sold in 2018 to OPCOM (which acts as central party on PZU). Sales on PZU and PI represented 14.9 % of the total volume of energy sold by SNN in 2018. It cannot be concluded that there is a significant dependency on a single client or group of clients, the loss of which would negatively impact revenues.

5.4. THE TECHNICAL – MATERIAL SUPPLY ACTIVITY

The technical-material supply regarding materials and products necessary to unfolding the activities is achieved by both internal and import sources.

SNN has the supply sources for the unfolding in good conditions of its activity, and the inventories of raw material and materials are accordingly dimensioned to ensure the continuation of operation of the 2 Nuclear Units in Cernavoda, and for the nuclear fuel manufacturing at FCN Pitesti.

SNN, in its quality of Contracting Authority, defined according to the provisions of Emergency Ordinance no. 99/2016, regarding the awarding of procurement, has the obligation to acquire the products, services or workings necessary to unfolding its relevant activity through awarding procedures that unfold according to the provisions of the mentioned normative act, mostly open bid, competitive negotiation or simplified procedure.

In this context, in 2018, SNN SA initiated and implemented 173 granting procedures (excluding direct purchases and exceptions) for the purchase of products, services and works, with an estimated cumulated value of 597,968,082.06 lei.

In total, in 2018, on headquarters and branch level, 1.021 contracts of sectorial procurement were concluded.

The most important contracts concluded in 2018 grouped by types of contracts are presented below.

Product contracts concluded by SNN in 2018

The technical-material supply activity is correlated to:

➤ *Regarding CNE Cernavoda:* the necessary products (consisting, as the case may be, in equipment, spare parts, materials, consumables, etc.), resulted from the evaluation of preventive and corrective maintenance programs, as the case may be, from the investment program, for Units 1 and 2 at CNE Cernavoda, including for the common objectives of the 2 units (for example the Intermediary Warehouse for Burnt Fuel – “DICA”). A very important issue is the acquisition of the critical spare parts. Critical spare parts are necessary mainly for the equipment whose defects can lead to the decrease of the nuclear security system redundancy, incidents that can endanger the environment or staff health, can cause operation transients or the necessity to reduce the power, can generate major flaws of the important equipment of the Power Plant.

➤ *Regarding FCN Pitesti:* The annual production necessities (NAF) for the implementation of the annual fuel production plan, also ensuring the reserve inventory, according to the Company

Strategy. Great importance is paid to the procurement of raw materials consisting in uranium dioxide (UO₂) sintering powder, as well as various semi-finished goods made of Zircaloy 4 (tubes, round bar, sheet, wire) used for manufacturing fuel.

In 2018, the Company concluded a series of contracts for supplying raw materials, spare parts, components and equipment, out of which the most important ones are:

- Contract no. 6 of January 05, 2018, with the scope of supplying 120,000 +/- 0.5% kg of natural Uranium as sintering UO₂ powder, in value of approximately 44,174,520 lei, assigned to company Cameco Marketing Inc., as an exception from the application of Law no. 99/2016 on sectorial procurements, based on art. 39, par. (1), let. b) of the law, by the competition of the 2 qualified suppliers of SNN, namely Cameco and CNU;
- Framework agreement no. 58 of 30.01.2018, with the scope of supplying technical and special gas to CNE Cernavoda, in estimated value of 1,510,119 euros, concluded with Linde Gaz Romania, based on an open tender procedure;
- Framework agreement no. 178 of March 07, 2018, with the scope of supplying radio protection equipment for CNE Cernavoda employees, in estimated value of 1,823,470 euros, concluded with Mate Fin S.R.L., based on an open tender procedure;
- Contract no. 682 on July 05, 2018, with the scope of 5,300 kg of heavy water for supplementing the reserve for Units 1 and 2 of CNE Cernavoda, in value of 10,316,132 lei, concluded with the National Administration of State Reserves and Special Matters (“ANRSPS”) – Territorial Unit 515, following the implementation of a negotiation process without a previous invitation to a competitive tender procedure, in virtue of the provisions of art. 117 par. (1) let. c), corroborated with par. (2) let. b) and c) of Law no. 99/2016 on sector purchases, for technical reasons and for the protection of exclusive rights;
- Framework agreement no. 914 of 19.07.2018, with the scope of supplying 720,000 +/- 0.5% kg of natural Uranium as sintering UO₂ powder, in estimated value of 545,040,000 lei, assigned to the National Uranium company (CNU), as an exception from the application of Law no. 99/2016, based on art. 39 of the Law;
- Framework agreement no. 915 of 19.07.2018, with the scope of supplying 720,000 +/- 0.5% kg of natural Uranium as sintering UO₂ powder, concluded with Cameco Marketing Inc. (Cameco), in estimated value of 68,400,000 USD, as an exception from the application of Law no. 99/2016, based on art. 39 of the Law.

NB: The 2 aforementioned framework agreements were concluded according to BoD Resolution no. 56 of 25.04.2018 and the Strategy for diversifying the sources for supplying the raw materials

that is necessary for manufacturing nuclear fuel, approved by EGMS Resolution no. 5/25.04.2018, so that SNN would ensure the necessary raw materials for manufacturing nuclear fuel both during the implementation of the process of transition to purchasing U3O8, and in cases where, after the transition to U3O8, there could be certain dysfunctions related to refining U3O8 within CNU. The 2 framework agreements are implemented in parallel, namely SNN can initiate orders for UO2 powder either to CNU or to Cameco. According to the 2 framework agreements, two orders were initiated in 2018, as follows: an order of 160,000 +/- 0.5% kg of Uranium in UO2 to Cameco and an order of 62,500 +/- 0.5% kg of U in UO2 to CNU.

Services contracts concluded by SNN in 2018

The company concluded two subscriptions, with the Romanian Waters National Administration, as the sole operator of water resources, as follows:

➤ Subscription no. 2/2018 (RUEC SNN no. 1586/December 21, 2018), whose scope was *Using cooling water from the Danube for the Nuclear Power Station - Units 1 and 2 from CNE Cernavoda, for 2019*, in value of 60,105,408 RON, concluded with the “Romanian Waters” National Administration, as an exception from the application of Law 99/2006 on sectorial procurements, in virtue of art. 38, considering the exclusive right for providing services held by the Romanian Waters National Administration, according to the provisions of GEO no. 107/2002;

➤ Addendum no. 3 to subscription no. 908/2016, whose scope was *Resource reception of wastewater originating from the Nuclear Power Station - Unit 1 and Unit 2, for 2019 (only for January 01, 2019 - May 31, 2019)*, in value of 5,260,632 RON, concluded with the “Romanian Waters” National Administration – Basin Administration “Dobrogea Litoral”, as an exception from the application of Law no. 99/2006 regarding sectorial procurements, in virtue of art. 38, considering the exclusive right for providing services held by the Romanian Waters National Administration, according to the provisions of GEO no. 107/2002.

The most important service contracts concluded by SNN in 2018 are:

➤ Contract no. 43 of 29.01.2018, scope: Services for recovering uranium from non-compliant nuclear materials originated from the process of manufacturing nuclear fuel within FCN Pitesti, in value of 4,748,500 lei, concluded with Compania Nationala a Uraniului S.A. (CNU), as an exception to the application of Law no. 99/2016 on sector purchases, according to art. 39, par. (1), let. b) of the law, by the competition of the 2 qualified suppliers of SNN, namely Cameco and CNU;

➤ Contract no. 80 of 07.02.2018, scope: IT maintenance and repair technical services, by guaranteeing the recommissioning within 24 hours or 48 hours or 10 days, as applicable, for

Hewlett Packard (HP) servers and equipment of CNE Cernavoda, in value of 3,504,944 EUR, concluded with Ager Business Tech SA following the implementation of an open-tender procedure;

➤ Contract no. 225 of 19.03.2018, scope: Pressure Tube Integrated Material Surveillance Program, in value of 2,966,749 CAD, concluded with Candu Owners Group (COG), as an exception from the application of Law no. 99/2016, according to art. 36, par. (1) let. b) of the law. This contract is based on Joint Project - JP COG JP 4597 “Embalse Pressure Tube (PT) Surveillance”;

➤ Contract no. 154/01.03.2018, scope: Testing and diagnosis services and specialized technical assistance services for electrically operated valves (MOV) and pneumatically operated valves (AOV) at CNE Cernavoda, in value of 2,115,616 USD, concluded with Crane Nuclear Inc. following the implementation of an open-tender procedure;

➤ Contract no. 249 of 26.03.2018, scope: Maintenance, repair, technical assistance, personnel training and providing spare parts for the Distribution Control System (DCS) model ABB Symphony Harmony INFI90 from Unit 2 at CNE Cernavoda, in value of 733,200 EUR, concluded with ABB S.R.L. following the implementation of a procedure of negotiation without prior invitation to a competition-based tender procedure, in virtue of the provisions of art. 117 par. (1) let. c) and e) of Law no. 99/2016;

➤ Contract no. 433 of 10.05.2018, scope: Capital repair services for air compressors 1-7510-CP01, CP02, CP03 and CP04, model ZR4B, manufactured by Atlas Copco, from Unit 1 of CNE Cernavoda, in value of 379,820 EUR, concluded with Atlas Copco Romania S.R.L., following the implementation of a simplified procedure;

➤ Contract (Policy) no. 544 of 31.05.2018, scope: Civil liability insurance services for nuclear damages, in value of 931,000 USD, concluded with Nuclear Risk Insurers Ltd, by a procedure of Negotiation without a prior invitation to a competition-based tender procedure;

➤ Contract (Policy) no. 546 of 31.05.2018, scope: Property insurance services - Units 1 and 2 CNE Cernavoda and FCN Pitesti - for material damages, all risks, including mechanical and electrical destruction, in value of 1,699,815 USD, concluded with Nuclear Risk Insurers Ltd, by a procedure of negotiation without a prior invitation to a competition-based tender procedure;

➤ Framework agreement no. 554 of 05.06.2018, scope: Services for treating radioactive water derived from the manufacture activities of the FCN Pitesti branch, in maximum value of 1,185,536 lei, concluded with RATEN-ICN Pitesti, by a procedure of negotiation without a prior invitation to a competition-based tender procedure;

➤ Addendum no. 6 to service contract no. 23/2014, for including in the contract special dredging works in 2018-2020 - concluded with the Navigable Canal Administration National Company on

15.06.2018, in value of 2,342,476 EUR, as an exception from the application of the provisions of Law no. 99/2016 on sector procurements, in virtue of art. 38 of the Law (*“This law is not applicable to sector service contracts granted to an entity that is itself a contracting entity or an association of contracting entities, according to an exclusive right it benefits from for providing the respective services according to the law or other legal acts that are published, insofar as they are compatible with the provisions of TFUE”*);

➤ Contract no. 387 of 26.04.2018, scope: The Joint Project COG for the Research and Development Program related to period 2018 - 2019, in value of 1,241,000 CAD, concluded with Candu Owners Group (COG), as an exception from the application of Law no. 99/2016, in virtue of art. 36, par. (1), let. b) from the Law;

➤ Contract no. 882 of 11.07.2018, scope: Services for the take-over and treatment (decontamination) of radioactive aqueous liquid waste resulting from the operation of Cernavoda CNE, the solidification and transfer of secondary radioactive waste resulted from treatment at the National Radioactive Waste Warehouse Baita-Bihor, in view of final disposal, concluded with RATEN - ICN Pitesti, in value of 413,880 EUR, following the implementation of a simplified procedure;

➤ Contract no. 923 of 19.07.2018, scope: Preventive, predictive and corrective maintenance services for the peripheral security subsystems related to the Physical protection System CNE Cernavoda, in value of 5.934.765 lei, concluded with UTI Grup S.A. following the implementation of a limited tender procedure, organized in virtue of the provisions of Emergency Government Ordinance no. 114/2011 on granting certain public procurement contracts in the defense and security fields;

➤ Framework agreement no. 1024 of 20.08.2018, scope: Non-destructive examination services for operation and outage periods of CNE Cernavoda, concluded with 2 companies - TUV Austria Romania and Compcontrol Ing - in estimated value of 5,607,113 lei, following the implementation of an open tender procedure;

➤ Framework agreement no. 1025 of 20.08.2018, scope: Inspection services and subaquatic activities on the units and equipment of CNE Cernavoda, concluded with Atlantis Mar Group - in estimated value of 1,499,995 lei, following the implementation of an open tender procedure;

➤ Contract no. 1198 of October 03, 2018, whose scope was Repair services for 7 pumps type NMV 1000 RA/NMV 1000 related to the Technical Service Water System (RSW - BSI 71310) from CNE Cernavoda, in value of 735,170 EUR, concluded with SC General Turbo SA following the implementation of an open tender procedure;

- Contract no. 1242 of October 15, 2018, whose scope was Services of operation, maintenance and repairs related to the water supply system from drills FJ1, FJ2 and FJ3, the chlorination station and the treatment station of CNE Cernavoda, in value of 3,341,357 RON, concluded with SC General Concrete Cernavoda SRL following the implementation of an open tender procedure;
- Contract no. 1296 of November 01, 2018, whose scope was Complete civil security services for the units outside the CNE Cernavoda platform, in value of 2,895,332 RON, concluded with SC Cameleon Security Systems SRL following the implementation of an open tender procedure;
- Contract no. 1317 of November 05, 2018, whose scope was Services of operating external units related to the security premises of CNE Cernavoda, in value of 3,260,160 RON, concluded with SC Elcomex IEA SA following the implementation of an open tender procedure;
- Contract no. 1346 of November 09, 2018, whose scope was Activities of assembling / disassembling scaffolds and services of leasing scaffolds for the CNE Cernavoda Branch, in value of 11,113,398 RON, concluded with the Nuclear Serv Association following the implementation of an open tender procedure.

Important contract of works concluded by SNN in 2018:

- Contract no. 420 on May 09, 2018, with the scope Works for implementing Modules 10 and 11, type MACSTOR 200, the preparation of the foundation rock and pouring the completion concrete for Module 12, related to Intermediary Warehouse for Burnt Fuel (“DICA”), in value of 22,580,311.40 lei, concluded with the association composed of SC General Concrete Cernavoda S.R.L and SC Titan Echipamente Nucleare S.A., based on an open tender procedure.

5.5. HUMAN RESOURCES ACTIVITY

The activity performed within SNN in 2018, in the field of human resources, had as main objectives:

- ❖ The maintenance of personnel stability and the increase of its involvement degree by means of adequate instruments of both financial and non-financial motivation;
- ❖ The maintenance of an open and efficient dialogue between the administration and social dialogue partner - the Unions.

5.5.1. Number, training level and workforce unionization degree

Average number of employees with individual employment contracts in 2016 – 2018:

Indicator*	2018	2017	2016
Average number of employees, out of which:	2,002	1,975	2,008
- Indefinite term	1,977	1,955	1,985
- Definite term	25	20	23

Note (): Average number of employees according to SI reporting – Statistics.*

Out of the total actual number of employees of 2,058 (2017: 2,000), the structure of the personnel by qualification level / education for higher and medium-level education personnel, is as follows:

Studies*	2018	2017	2016
Higher education	958	904	931
High school degree	1,100	1,096	1,111
Total	2,058	2,000	2,042

Note (): Reporting was prepared considering the position held by the employee.*

On December 31, 2018, there were 4 unions within SNN:

- ❖ “CNE Cernavoda” Union, a representative union, according to Resolution no. 577/09.08.2018 of Medgidia Court of Law;
- ❖ Free Union "Energetica Nucleara '90" Cernavoda (SLEN '90);
- ❖ Union “Fabricatie Combustibil Nuclear” Pitesti;
- ❖ Union „Operatom” Cernavoda.

On December 31, 2018, approximately 70.8% of the total number of employees are union members (1,457 employees belonged to unions out of a total number of 2,058 employees).

The occupational safety and employee health supervision monitored occupational accident and/or disease risks. All performance indicators qualified as excellent. There were no occupational accidents or diseases.

5.5.2. Relations between management and employees

The rights and obligations of employees are stipulated in the Collective Employment Agreement ("CCM") of SNN, in individual employment contracts ("CIM") and Internal Regulations of the

Company. The rights and obligations of employees stipulated in the CCM are formulated in full compliance with human rights, the right to work in accordance with applicable law, employees benefiting from equal treatment, without discrimination, corresponding to the international standards of the nuclear industry, in conjunction with the legislation and motivational packages tailored to the macro- and micro-economic specificity in Romania.

The employees carry on their activity in accordance with the established working schedule, the job description as well as the Rules for Organization and Operation (“ROF”). The main activities, attributions, responsibilities as well as the relationships between the departments of the company are presented in the rules for the organization and operation of the company. The manner of applying legal provisions and internal normative provisions regarding work discipline is set by the updated Internal Regulations, applicable as at November 09, 2018.

The legal act that governs the labor relations within the Company is the Labor Code - Law no. 53/2003, as further amended and supplemented, according to which, in 2018, between the Board of Directors of the Company and its employees, represented by the CNE Cernavoda union - a representative union on a legal-personality unit level, a new CCM was negotiated, registered with the Ministry of Labor as at November 26, 2018, effective in 01.12.2018 - 30.11.2020. Also, provisions were integrated in CCM stipulated in other normative acts that govern the work relations, such as: Law no. 62/2011 on Social Dialog – republished, as further amended and supplemented, and Law no. 319/2006 on occupational safety and health.

The company currently uses a standardized individual work agreement both for the employees hired for a determined period of time and for the employees hired on undetermined term. The standardized individual work agreement respects the provisions of the Order no. 64/2003, regarding the individual work contract.

The company evaluates its employees according to an internal procedure, annually or periodically, at an interval of 3 - 6 months (in the case of some personnel members who are under observation).

The updated internal rules, in force on Company level as at November 09, 2018, contain all the provision categories provided by the Labor Code. The internal rules were made available to the employees on the Intranet page of the company and have full effect on the employees since the date of the publication.

Within the Company, in 2018 there were no collective layoffs and no collective work-related conflicts. Currently, there are no plans for personnel reduction/restructuring.

5.6. THE ACTIVITY RELATED TO ENVIRONMENTAL PROTECTION

Currently, the Company owns certifications for environment protection system, as follows:

CNE Cernavoda Branch

(i) The Environment Authorization no. 1/26.05.2008 issued by the Ministry of Environment and Sustainable Development for the operation of CNE Cernavoda Units 1 and 2, valid as at 05.01.2019. The Authorization covers all the assets and activities related to the operation of CNE Cernavoda Units 1 and 2, including both the nuclear component of the plant and the classic one. The authorization was issued without a compliance program.

(ii) The Authorization regarding the greenhouse gas emissions no. 83/01.02.2013, revised in 09.03.2018, issued by the National Agency for Environment Protection for the period 2013-2020, which states that the Startup Thermal plant, the Backup Diesel Groups and the Emergency Diesel Groups of each unit as well as the motor pump of the fire extinguishing system fall under the legislation regarding the reduction of greenhouse gas emissions.

(iii) Water Management Authorization, amending Authorization no. 131/01.06.2016, no. 118/20.04.2018 on "Water supply and wastewater disposal for Units 1 and 2 of Cernavoda Nuclearelectrica Power Plant" valid until 31.05.2019.

(iv) Water Management Permit no. 275/05.12.2016 issued by the National Administration "Romanian Waters" on "Cernavoda Spent Fuel Storage Facility (DICA)" valid until 05.12.2019. By means of this permission, the National Administration "Romanian Waters" gave the Company the right to use hydraulic structures and receptors for drainage of rainwater from the surface Repository Spent Fuel and evacuate rainwater Valley Cismelei, provided that quality indicators related to this element radioactive respect the limits set by CNCAN.

FCN Pitesti Branch

The Environment Agreement issued by the Ministry of Environment and Forests and approved by the Government's Decision no. 1061/2011, valid until February 28, 2015, issued with a compliance plan, the procedure of reauthorization is in progress. At the end of 2018 the Government Resolution draft for issuing the environment authorization was under inter-ministry approval.

The Company holds certificates on environmental management system, as follows:

- Certificate no. 56/2018 regarding the Environment Management System of SNN - CNE Cernavoda branch for the production of electrical and thermal energy, using nuclear sources and

support and related activities, according to the conditions of the SR EN ISO 14001:2015 (ISO 14001: 2015) standard, issued by IQNet and SRAC on September 10, 2018 and valid as at April 25, 2019.

- Certificate no. 4309/2016 regarding the Environment Management System of SNN – FCN Pitesti branch for the nuclear fuel processing activity, according to the conditions from the EN ISO 14001:2015 standard, issued by IQNet and SRAC on October 25, 2016, and valid as at November 5, 2019.

The impact of the operation of the NPP on the environment is constantly monitored and reported in accordance with the requirements of the operation and environment authorizations. For both branches, the Company observed in 2018 the limits for pollutants set in environmental permits.

In 01.01.2018 – 31.12.2018 on the level of SNN and its branches, there were no events with impact on the environment, the population and own and contracting personnel.

All the environment reports were drafted and sent until the agreed deadlines according to the provisions from authorizations, protocols and additional requests.

According to the Investors Agreement, SNN was responsible for obtaining the environmental approval for the investment “Continuation and completion of works at Units 3 and 4 of CNE Cernavoda”. The procedure for obtaining the environmental approval was started in 2006 and ended in September 2013 when the environmental approval was issued. According to the specific environmental legislation for nuclear premises, the environmental approval was issued by Government Resolution no. 737/2013.

The total volume of solid radioactive waste, for both units of CNE Cernavoda, generated in 2018, was 53.08 m³. In total, until the present, in 1996 - 2018, the total volume of solid radioactive waste, for both units, is of 909.77 m³.

The waste is stored within the protection fence of CNE Cernavoda, inside the Intermediary Storage for Solid Radioactive Waste.

CNE Cernavoda’s policy for managing used fuel is as follows:

- (a) Wet storage in the used fuel pool of the unit for a period of minimum 6 years;
- (b) Dry storage for spent fuel in intermediate storage for a period of 50 years.

Spent Fuel Storage Facility ("DICA") is on the CNE Cernavoda site, transport being made on an internal road that allows maintenance of physical protection systems integrated.

The deposit is gradually built according to DICA Strategy for long term development. Until now, there are 9 MACSTOR 200 modules, with a capacity of 12,000 bundles per module.

In 2018, 4,800 fuel bundles were transferred to the Intermediary Burnt Fuel Warehouse from Unit 1 and 5,400 bundles from Unit 2.

FCN Pitesti monitors the gaseous radioactive effluents in the atmosphere through the dispersion chimneys as well as the liquid effluents in accordance with the conditions stipulated in the authorizations. As per these conditions, FCN Pitesti may release in the atmosphere a volume of radioactive gaseous effluents of maximum $10^9 \text{ m}^3/\text{year}$. The volume of gaseous radioactive effluents released in the atmosphere in 2018 represented 71.1% from the authorized volume.

FCN Pitesti transferred in 2018 a volume of 500 m^3 of liquid radioactive effluents to the Cleaning Station of the Nuclear Research Institute (SE-ICN), which represented 25% of the maximum authorized volume.

A volume of 300 m^3 of radioactive liquid waste was transferred for treatment to the Radioactive Waste Treatment Station of the Nuclear Research Institute (STDR-ICN), namely 37.5% of the limit value provided in the environment authorization ($800 \text{ m}^3/\text{year}$).

27,831.6 kg of non-burnable radioactive solid waste (DSRN) and 4,144.2 kg of burnable radioactive solid waste (DSRI) were generated. Four transfers of non-burnable radioactive solid waste (DSRN) were performed to the final disposal warehouse for low-level radioactive solid waste from CNU, Feldioara branch, of 24,183.4 kg of DSRN. 3,576.5 kg of burnable radioactive solid waste (DSRI) were transferred for treatment by incineration to STDR-ICN Pitesti.

5.7. RADIOPROTECTION PROGRAM

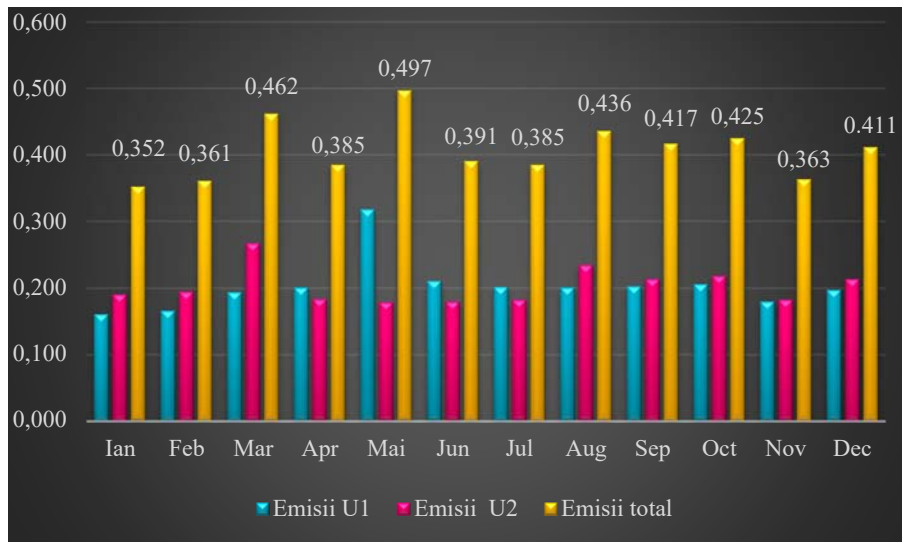
The main objective of SNN operational radiation protection program is to maintain professional exposure as low as reasonably achievable in compliance with the ALARA principle.

The efficiency of the CNE Cernavoda's policy regarding the ALARA principle is being monitored by determining, controlling and periodically reporting the performance indicators based on internal and external operational experience.

The Radiation Protection performance indicators show us the efficiency of the Radiation Protection programs in optimizing the personnel exposure to radiations.

The radioactive emissions into water and air were kept quite below the authorized limits for the Station. The actual annual dose for a person from the critical group, due to the radioactive emissions in the environment (Unit 1 and Unit 2) was 0.004885 mSv in 2018, while the annual average dose received by a member of the public is 2.4 mSv. More detailed information on the radiological impact are provided by SNN - “Environment Report”

Radioactive emissions in the environment U1 + U2 in 2018 (microSv)



In 2018, the achieved collective dose was 494.03 mSv/employee, the annual average dose for employees with recordable doses was 0.59 mSv, and the individual maximum dose was at 5.84 mSv. The legal limit for the effective dose for the professionally exposed workers is 20 mSv/year, and the administrative level at CNE is 14 mSv/year. Neither of these limits was exceeded.

At the end of 2018 the internal collective dose was at 85.6 mSv/employee, representing 17.3% of the total dose on the level of the Power Plant.

The Radioprotection Department issues regular reports regarding the evolution of the collective doses and of the ALARA performance indicators, thus raising the involvement of the plant's personnel in the control and optimization process for the professional exposure to ionized radiation. The achievement of these objectives is monitored through the ALARA process and the ALARA committees carry on their activity with excellent results. With an average dose per unit of 247 mSv/employee, CNE Cernavoda remains, according to the information to date, one of the highest performing power plants in the CANDU group.

The radioprotection program of the FCN Pitesti branch has the objective to maintain a very low exposure to ionized radiation, individual radiological monitoring and of the work environment according to the current law and requirements from the operating permits issued by CNCAN.

For the external exposure to ionizing radiations, the entire personnel of FCN Pitesti is monitored by using Thermal-luminescent Dose-meters (TLDs) measured within the Personal Radiation Protection and Dose-meter Laboratory of FCN (LRDP-FCN), assigned by CNCAN as a certified dose-meter authority with assigning certificate FCN ODD06/2017 valid for the period October 24, 2017 – October 23, 2020.

In 2018 the collective dose of FCN was 545,890 mSv/employee, out of which the collective dose following the external exposure was 477,512 mSv/employee. The collective dose following the internal exposure (68,378 mSv/person) represented 12.5% of the collective dose of FCN for 2018. The individual average annual dose was 1,479 mSv/year, a dose which represents 9.9% of the administrative control limit for the actual individual annual dose of the professionally exposed personnel imposed by FCN Pitesti.

FCN Pitesti manufactured in 2018 a volume of 11,209 bundles with natural uranium dioxide. From it, 10.800 bundles were delivered to CNE Cernavoda, for the 2 units in operation, as follows: 5,040 bundles of nuclear fuel at Unit 1 and 5,760 bundles of nuclear fuel at Unit 2.

The nuclear fuel malfunction rate in 2018 was 0.01% for Unit 1 and 0% for Unit 2. For 2018, the average discharge combustion degree was 168.159 MWh/kg U for Unit 1, and 181.145 MWh/kg U for Unit 2. Thus, the high quality and performance of the nuclear fuel were validated during the operation of the 2 reactors.

FCN Pitesti continued to monitor the personnel and the means of transportation, with the purpose of correlate the doses, and reported the findings to CNCAN, on an annual basis and filled a report after each transport.

5.8. RESEARCH AND DEVELOPMENT ACTIVITY

Although the Company is not directly involved in any research and development activities, it is a member of various organizations and associations.

5.9. OPERATING AUTHORIZATIONS AND LICENSES

The company carries out its activity through its subsidiaries according to the following main categories of specific authorizations, special licenses and rights:

- Location Authorization no. Site authorization no. I/605/30.09.1978, issued by the State Committee for nuclear energy;
- Authorizations in the nuclear field issued by (CNCAN);
- Licenses issued by (ANRE);
- Other authorizations.

(a) Location Authorization no. I/605/30.09.1978, issued by the State Committee for Nuclear Energy

The site authorization was issued for Cernavoda site for the construction of a CANDU-PHWR 4x660 MWe nuclear power plant, made up of 4 nuclear reactors. The authorization was issued according to Law no. 61/1974 and the Nuclear Safety Norms for “Nuclear reactors and nuclear power plants” dated in 1975 and provides the main technical characteristics of the nuclear power plant.

(b) Authorizations in the nuclear field issued by CNCAN

Pursuant to art. 8 par. 8 (1) of the Law no. 111/1996, for the development of the activities and/or utilization of the resources that make the object of this law, the operators must obtain specific authorizations issued by CNCAN, by respecting the specific authorization procedure for every type of activity or resource. At the end of 2018, the following authorizations in the nuclear field were valid for SNN:

(i) Authorizations issued by CNCAN in the nuclear field for the CNE Cernavoda Subsidiary:

- Nuclear safety authorization for the operation and maintenance of the Nuclear Power Plant of Cernavoda, Unit 1, authorization no. SNN CNE Cernavoda U1 – 01/2013. The authorization was issued for a period of 10 years, starting with 01.05.2013 until 30.04.2023;
- Nuclear safety authorization for the operation and maintenance of the Nuclear Power Plant of Cernavoda, Unit 2, authorization no. SNN CNE Cernavoda U2 – 02/2013. The authorization was issued for a period of 7 years, starting with 01.05.2013 until 30.04.2020;
- Building permit for Modules 10 and 11 of the Intermediary Burnt Fuel Warehouse, permit no. SNN Construction DICA 04/2018. The authorization is valid until March 25, 2021;
- Nuclear safety authorization for the operation and maintenance of modules 1, 2, 3, 4, 5, 6, 7, 8 and 9 of the Intermediary Burnt Fuel Warehouse, authorization no. SNN DICA 04/2018. The authorization was issued on March 09, 2018 and is valid until July 12, 2020;

- Authorization for the quality management system for the operation, design, supply, repair and maintenance and use of software products, in the nuclear field. Authorization no. SNN CNE Cernavoda – 01/2017 is issued for a period of 2 years, starting with 01.05.2017 until 30.04.2019.

(ii) Authorizations issued by CNCAN in the nuclear field for the FCN Pitesti branch:

(a) Authorization for the Quality Management System in the nuclear field, no. 18035, issued according to Art. 24 of Law no. 111/1996, for manufacturing activities in the nuclear field, for a period of 2 years, from 18.09.2018 to 17.09.2020;

(b) 9 authorizations for activities in the nuclear field:

- i. Authorization LP/001/2018 for owning ionizing radiation sources, radiologic installations with ionizing radiation sources, devices generating ionizing radiations, nuclear installations for processing and manufacturing nuclear fuel, nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest, equipment and devices provided in Government Resolution no. 916/2002, valid starting from 31.01.2018 to 30.01.2020;
- ii. Authorization LP/002/2018 for the use of closed ionizing radiation sources, radiological installations, equipment and devices generating ionizing radiations, valid from 31.01.2018 to 30.01.2020;
- iii. Authorization LP/003/2018 for handling closed radiation sources, radiological installations with closed sources and radioactive waste, valid from 31.01.2018 to 30.01.2020;
- iv. Authorization LP/004/2018 for the processing of nuclear raw materials, valid from 31.01.2018 to 30.01.2020;
- v. Authorization LP/005/2018 for the manufacture of nuclear fuel valid from 31.01.2018 to 30.01.2020;
- vi. Authorization LP/006/2018 for the temporary storage of nuclear raw materials, nuclear fuel and radioactive waste, valid from 31.01.2018 to 30.01.2020;
- vii. Authorization LP/007/2018 for the supply of nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest and double-use materials, valid from 31.01.2018 to 30.01.2020;
- viii. Authorization FCN Transport_20/2018 for the transportation of radioactive materials, valid from 10.01.2019 to 09.01.2024;
- ix. Authorization AN/287/2016 for ownership of unpublished information, valid starting with 29.11.2016 until 28.11.2021.

(c) By Assignment Certificate no. FCN ODD06/2017, CNCAN updated the appointment of the personnel radiation protection and dosimetry laboratory within FCN Pitesti as a Dosimetry Body.

(iii) Authorizations in the nuclear field for the main office:

- Authorization for the quality management system for management activities in the nuclear field. Authorization no. SNN EX-01/2017 was issued for a period of 2 years, starting with 01.05.2017 until 30.04.2019;
- Authorization no. PD/205/2018 for the ownership of heavy water for Units 3 and 4, valid from 26.10.2018 to 25.10.2023.

(iv) CNCAN authorized personnel. For the CNE Cernavoda branch, the Company holds 12 CNCAN permits for the management personnel, 8 CNCAN permits for the personnel in specific training positions, and 54 CNCAN permits for the operational staff from the control rooms of the two units. For the FCN Pitesti branch, the Company holds 13 permits for nuclear activities, level 2.

• *Licenses issued by ANRE*

According to the Regulation for the granting of licenses and authorizations in the electric power sector approved by the Government's Decision no. 540/2004, the supply of electric power, the production of electric and thermal power in cogeneration are performed according to certain licenses issued by ANRE in this respect.

On the date of the current report, the company holds the following licenses issued by ANRE:

- a) License no. 5/03.12.1999 for the production of electric power granted through ANRE Decision no. 80/03.12.1999;
- b) License no. 244/26.03.2001 for the production of thermal power granted by ANRE through the Decision no. 341/26.03.2001;
- c) License no. 962/21.10.2010 for the supply of electric power granted by ANRE through the Decision no. 2597/21.10.2010.

The company complied, both in previous years and in 2018, the provisions of the conditions associated to the aforementioned licenses.

License no. 5/03.12.1999 authorizes the company to produce electric power through the commercial operation of the power capacities related to the electric power production units. The license came into force on 03.12.1999 and is valid for 25 years. Through the resolution of ANRE no. 1683/01.11.2007, the license was modified to increase the installed capacity factor of the company from 706.5 MW to 1,413 MW and to approve other conditions associated to the license as well, after the commissioning of CNE Cernavoda Unit 2.

License no. 244/26.03.2001 authorizes the Company to perform the activity of generating thermal energy by the commercial operation of the power capacities related to the units of electrical and heating power generation consisting of two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The license came into force on 26.03.2001 and is valid for 25 years. Through the resolution of ANRE no. 1684/01.11.2007, the license was modified to approve the existing conditions related to the license. SNN delivers thermal power to the local heat distribution company – Public Utilities SA Cernavoda, as well as to some end consumers in Cernavoda town – businesses, social and cultural institutions.

License no. 962/21.10.2010 for the supply of electric power authorizes the company to supply electricity on the energy retail market and come into force on 26.10.2010. By the ANRE Decision no. 2000/23.09.2015, the license was modified for the extension of the validity of the license till 21.10.2020.

- *Other authorizations*

- ISCIR regulatory documents;
- Statements to the National Anti-Drugs Agency;
- Licenses issued by ANCOM. CNE Cernavoda obtained 3 licenses for the use of electrical radio frequencies from the National Communications Regulating Authority (ANCOM);
- Fire safety authorizations;
- Sanitary authorizations.

For environmental protection, the authorizations and certificates were distinctly presented in the report.

5.10. NUCLEAR SECURITY

Permanent maintenance of a nuclear security level in all phases of performance and exploitation of the nuclear objectives and installations is of vital importance and represents the first priority for SNN.

SNN developed a nuclear safety policy that was approved by CNCAN, with the purpose of maintaining a high and constant level of nuclear safety in all the phases of the commissioning and operation of nuclear installations. The nuclear safety policy ensures performance warranties for all

the significant activities regarding nuclear safety, in all the phases of installation and operation of nuclear facilities. This document confirms the fact that nuclear safety has the maximum priority.

The high level of nuclear safety is ensured by the design, construction and operation of the nuclear installations. The risk generated by the nuclear fuel in the reactors is minim for the population and the environment, due to the fact that:

- (i) The power of the reactor is under control;
- (ii) The fuel is cooled;
- (iii) The radiation is contained, all these taking place on a continuous base.

Up to present, no CANDU type NPP recorded events or accidents that pose a threat to the health and security of the population. Among such measures, we mention the emergency preparedness, required by the national law as a pre-requisite for licensing the operation of a nuclear power plant. Within the CNE Cernavoda, the emergency preparedness is verified and improved through quarterly, annual or general drills and exercises (once every three- four years).

After the Fukushima accident, the European Commission and the Group of European Regulators of the SNN decided that the nuclear security of nuclear plants in Europe shall be reviewed based on transparent and extended risk evaluations, called „Stress tests”. The technical purpose of these stress tests was defined considering the risks pointed out by the events occurred at Fukushima. The following issued were stressed: initiation events, such as earthquakes or floods, the consequences of losing the security functions during such events, as well as management difficulties of severe accidents.

CNE Cernavoda, together with AECL Canada and ANSALDO Italia, issued „The reevaluation report of nuclear security limits”. The evaluation performed proves the fact that Units 1 and 2 from CNE Cernavoda comply with the nuclear security requirements established by the project and that they can face severe earthquakes and floods, as well as the total loss of electrical energy and cooling water supply. Moreover, methods and procedures were planned for managing possible severe accidents. Also, were identified methods for preventing and limiting the consequences of accidents which may determine the melting of the active area.

In order to provide a good coordination with the competent Local Public Authorities regarding the response in emergency situations, CNE Cernavoda created two important facilities for Cernavoda and namely: Local Center for emergency Situations of the Cernavoda City Hall and Personnel Decontamination Area, within the Town Hospital from Cernavoda.

Decommissioning

In accordance with Government Decision no. 1080/2007, and Radioactive Waste Nuclear Agency ("ANDR") is responsible for collecting and managing the contributions made by the SNN for the dismantling of the two units and for disposal of radioactive waste generated in the operation and decommissioning of units.

In 2008 - 2018, SNN paid on an annual basis the following contributions to ANDR:

- (a) Contributions for the decommissioning of each nuclear reactor in amount of 0.6 EUR/MWh of produced and delivered electricity in SEN;
- (b) Contributions for the final storage of radioactive waste, in amount of 1.4 EUR/MWh of produced and delivered electricity in SEN.

5.11. INTEGRATED MANAGEMENT SYSTEM

SNN developed and maintains a General Management System, which complies with the provisions of Law no. 111/1996, the Quality Management Norms applicable in the nuclear field ("NMC") issued by CNCAN. The Management System of SNN is authorized by CNCAN according to the Law no. 111/1996 by the Authorization of the Quality management system in the nuclear field for management activities; current authorization no. SNN EX - 01/2017 is valid until April 30, 2019.

The Quality Management System, described in the Manual of Quality Management System, identifies the directions of developing and implementing the management system within SNN Executive and it's branches: the CNE Cernavoda and the Nuclear Fuel Plant - Pitesti. The development and evaluation of the Management System (MS) is coordinated by the Department for the Development and Evaluation of the Management Systems (DDESM).

The branches CNE Cernavoda and FCN Pitesti have developed and maintain management systems specific to their activities.

The CNE Cernavoda branch has developed and implemented an integrated Management System that complies with the provisions of Law no. 111/1996, the Norms for Quality Management Systems applicable in the nuclear field issued by CNCAN, the AIEA GS-R standard part 2 and international standards ISO 14001 – "Environment management systems. Usage guideline requirements", ISO 45001 – "Occupational health and security management systems. Usage requirements and guidelines" (replacement standard OHSAS 18001) and ISO/CEI 27001:2005 – "Requirements for the informational security management system". The legal and regulation

requirements issued by CNCAN and those from the International Standards, voluntarily applied, are included in the documents of the Integrated Management System of CNE Cernavoda.

The quality management system of CNE Cernavoda is authorized by CNCAN according to the provisions of Law no. 111/1996 for “Activities of operation, design, supply, repair and maintenance, use and maintenance of software products in the nuclear field”; current authorization no. SNN CNE Cernavoda – 01/2017 is valid until April 30, 2019.

The compliance with the requirements of International Standards ISO 14001 and OHSAS 18001 was recertified by the certification body SRAC in 2016 (validity until 25.04.2019 for the certificate of compliance with ISO 14001:2015 and 25.04.2019 for the certificate of compliance with OHSAS 18001:2007).

At the beginning of November CNE Cernavoda received the registration certificate in EMAS no. RO-000017, valid from October 15, 2018 to October 15, 2021. This certificate represents the validation by a system acknowledged by the European Commission, of the environment performance on excellence level of the CNE Cernavoda Branch in relation to the relevant criteria of this process, regulated by Regulation (EC) no. 1221/2009 of the European Parliament and Council of November 25, 2009, amended by Regulation 1505 of August 28, 2017 on the voluntary participation of organizations in an environment management and management community system (EMAS). One of the conditions for this registration is maintaining the compliance certification with standard ISO 14001.

FCN Pitesti Branch has developed and implemented an Integrated Management System which complies with the provisions of Law no. 111/1996, Rules for Systems Management CNCAN, integrating and requirements of Canadian standard CAN 3-Z299.2. The component of the Quality Management System is authorized by CNCAN by Authorization no. 18-035 (valid until 17.09.2020).

The compliance with the requirements of International Standards ISO 14001 and OHSAS 18001 was recertified by the certification body SRAC in 2016 (validity until 15.09.2019 for the certificate of compliance with ISO 14001:2015 and 05.11.2019 for the certificate of compliance with OHSAS 18001:2007).

Besides, other components of the Integrated Management System are developed and implemented as well (for example Physical Protection, Radiological Safety, Nuclear warranties etc.). The development and implementation of the components of FCN Integrated Management System decisively contributed to the nuclear fuel quality proved by a very good combustion degree and zero failure rate.

Given the firm commitment of the company's management to promote ethical behavior in professional activity and impeccable business conduct, it is necessary to adapt the tools used up to now and to update / supplement them in accordance with the latest developments in the specific regulatory field.

In this respect, the international standard ISO 37001 - Anti-Bribery Management System, designed and developed to support organizations to strengthen their safety measures on this segment at a higher level, was developed internationally in 2016, so as to benefit in the long run from a number of advantages such as:

- promoting an "anti-bribery" organizational culture through staff awareness and ethical values within the organization;
- prevention, detection and resolution of bribe taking / bribery risks;
- preventing conflicts of interest;
- reducing additional costs (financial, material, image) by introducing tools to identify possible deviations in the early stages so that corrective measures can be implemented in a timely manner and the negative effects generated by them are minimal;
- increasing the credibility of the organization in relation to its owners, financiers, suppliers and customers;
- reducing the risks of luring the company's liability in the event of investigations by investigative and prosecution bodies, in the context in which management can provide conclusive evidence that it has taken reasonable steps to prevent and discourage bribery and bribe according to good practices at international level.

These efforts are justified mainly by the fact that most multinational companies and those representative in terms of international turnover are extremely selective in terms of choosing their business partners, putting more and more focusing on requiring ethical and compliance safeguards to avoid image risks and related costs in case of potential integrity incidents.

The implementation of the ISO 37001 standard involves a number of complex activities, including the integration and harmonization of specific policies, procedures and instructions with those already applicable at the company level, so that the regulatory framework that will result from the completion of the process is a coherent, easy, easy understood and applied by all employees and business partners.

5.12. CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is the management process, part of the business strategy of the Company, whereby SNN wants to contribute to the building of a sustainable and performing Romanian society. SNN essential role that it has in the Romanian energy field is naturally completed by the

company's desire to support the real needs of all those who permanently contribute to the smooth running of its activities.

In order to permanently involve the stakeholders and maintain open communication with them, SNN is involved in several forms of dialog by online communication channels (website - Investor Relation, social media platforms Facebook, LinkedIn, Access SNN app for investors), Intranet, periodical notifications and newsletters for employees, press releases to relevant public authorities, taking part in public consultations and various local, national and international events on topics relevant for the activities of the company.

The open and continuous dialog with the stakeholders is part of our organizational culture, it helps us obtain balanced perspectives from outside the organization and provides support in setting references, strategic priorities and in approaching future challenges.

The social programs developed by SNN were focused, ever since 1991, on the local development and improvement of living conditions for the inhabitants of Cernavoda. Further on, the corporate social responsibility activities of SNN were diversified and extended towards all areas at the country and towards different population groups.

It is obvious that there is high interest from companies for durable development, both on operational and on reputation levels. They have been interested, for several years, in developing in this field and are looking for ways to improve their strategy and the level of covering important aspects. Emerging companies in this field have started investing more, either consolidating their CSR strategy, or having more CSR projects. A higher level of social and environment transparency is important because it will increase the resilience of companies and will improve both financial and non-financial results. This approach shall lead to an increase in the trust of the stakeholders, including investors and consumers. Transparent business management is also according to long-term investments. The identity model of corporate social responsibility brings immediate major benefits both on organization and on society level. Currently, the adequate application of CSR not only on regional but also on global level represents the “engine” of sustainable economic development.

The wish to identify viable solutions for building an extremely reactive management of corporate effects, the ability to capitalize several strategic partners are skills that become very efficient for the business environment and civil society. It is about a new redirection of the modern business, in which CSR becomes a paradigm.

In the current business environment there is a necessity to treat corporate social responsibility not just a simple concept, but more like an alternative of an identity model within the global economy. Quality, efficiency and performance objectives can only be reached with the participation of

companies in several activities characterized by responsibility and dynamism. At the same time, CSR enhances not only the communication connection between organizations and their public, but it also helps them develop a responsible conduct towards the principles of sustainable development.

SNN develops its own corporate social responsibility programs, but is also involved in supporting the initiatives of non-profit organizations in fields with a social impact such as: educational and research, humanitarian and cultural.

The main targets of the corporate social responsibility actions, according to the specification of the SNN activity, are:

- ❖ Actions dedicated to students in the nuclear, energetic, technical field, especially; as well as to young people in general, like contests, creation and invention exhibits etc.;
- ❖ Actions dedicated to the development of local communities in the Cernavoda and Pitesti area, to the improvement of living conditions, access to quality medical services, helping the population in need, providing opportunities for education, development of young people's skills, increasing the number and quality of green areas etc.;
- ❖ Attendance within organizations promoting sustainable public policies in the economic, energetic, social, cultural field, like professional associations, institutes, resource centers etc.;
- ❖ Cultural and educational actions for facilitating public access to personal culture and development, supporting artistic creations and manifestations etc.;
- ❖ Humanitarian actions destined to help population segments affected by natural calamities or singular cases of persons with through certain profile associations, especially actions dedicated to elders and children.

Corporate social responsibility policy of SNN has the purpose the establishment of strategic orientation and priority directions of its involvement in philanthropic-type actions, charitable and humanitarian for the benefit of the community, in areas nearby nuclear objectives operated by SNN (Cernavoda and Pitesti), as well as nationwide. SNN considers that durable development of the company and the sustainability of its long-term development points are strongly connected with the development, education, information, acceptance and public support before the nuclear energy in Romania. Therefore, investing a part of the annual profit of SNN in corporate social responsibility actions represents a part of the company's development strategy during 2015 - 2025.

Corporate social responsibility objectives:

- ❖ Creating and supporting a sustainable business model, with responsible management and global policies adapted to local issues;
- ❖ Responsibility for real issues of the community;
- ❖ Development of relations with the local community, NGOs;
- ❖ Attracting young specialists;
- ❖ Alignment to international standards and good practices of corporate social responsibility practiced by the companies.

The CSR strategy of SNN aims:

- ❖ To be focused on individuals and on all partners of interest, but it will be assessed based on the implications on the individuals (employees, managers, citizens);
- ❖ To build a corporate conceptual inheritance, by integrating ethics in the professional training process and by instituting processes whereby ethics is reflected in all the actions of the company;
- ❖ To put the employees first, appreciating them as the most valuable resource and the best ambassadors of the company;
- ❖ To know each community in which it operates, including its culture;
- ❖ To establish a system whereby CSR debates remain transparent and continuous;
- ❖ To form wise partnerships in order to achieve CSR objectives;
- ❖ To accurately measure the impact of CSR projects;
- ❖ To report the obtained results also outside the company, so that the information would reach all partners of interest.

A Global Compact asks companies to adopt, support and act in supporting a set of basic values from the following fields:

Human rights

Principle 1: Companies should support and respect the protection of universal human rights.

Principle 2: To ensure that they are not accomplices in human right abuses.

Labor

Principle 3: Companies should support the freedom of association and actually acknowledge the right of collective negotiation.

Principle 4: Eliminating all forms of forced and mandatory labor.

Principle 5: Actual elimination of minors' labor.

Principle 6: Eliminating the discrimination regarding hiring and jobs.

Environment

Principle 7: Companies should promote a preventive approach of environment challenges.

Principle 8: Assuming initiatives for promoting a solid responsibility towards the environment.

Principle 9: Encouraging the development and promotion of environment friendly technologies.

Anti-corruption

Principle 10: Companies should fight against all forms of corruption, including blackmail and bribery.

In 2018, SNN sponsored educational, social and cultural activities, such as: The educational program “Different Physics” developed by the Center of Assessment and Educational Analyses dedicated to students and teachers from Romania, partial payment of the costs related to “open gates” within the Faculty of Physics, fitting schools with operational computer hardware, support in organizing the 2018 edition of the youth science camp Atlantykrón, partial payment of the costs for the participation of the Romanian team in the international contest “International Space Settlement Design Competition”, organized by NASA, partial payment of the costs of the association for treating and education for over 170 young people with physical disabilities.

5.13. INTERNATIONAL RELATIONS

The nuclear industry is especially through the fact that inside it, there is a continuous flow of experience and information exchange. Each operator of Nuclear Plants is part of an international network of approximately 440 Nuclear Units globally. At international level, the leader in international cooperation, in the nuclear field, is the World Association of Nuclear Operators (“WANO”), and at the government level, the International Agency for atomic Energy from Vienna (“AIEA”).

The purpose for the development of this international cooperation network is the analysis of different event categories and the dissemination of lessons learned in order to eliminate recurrence, promoting experiences and optimum practices adopted and implemented internationally, benchmarking and evaluation of implementing standards at international level, control and monitoring of performance indicators and updating them to keep a constant high level of nuclear security, organizing inter-pares evaluation missions for ensuring the adherence and for each

operator of Nuclear plants to adopt the best practices at international level and evaluated through de facto performance.

Therefore, at the nuclear industry level, it is created what is called the “inter-pares pressure”, element which determines keeping certain high security nuclear standards. In general, the international cooperation programs, mainly in the technical operating area, are divided in four distinctive categories: international evaluation missions, experience in operation, technical support and, implicitly, exchange of information and experience, continuous technical and professional development.

All information categories and data resulted following the development of these programs are disseminated to all members, within the international system.

SNN pays particular attention to safe operation of nuclear facilities which it operates, to equipment reliability, increased performance in operation, exchange of experience, with direct results on employee performance, involvement in building political support and development programs related to integrated development of the company.

Therefore, according to the practice at international level, SNN is an active member in a series of international organisms, with different areas at applicability, from nuclear security, radioprotection, management of radioactive waste up to procurement, financial benchmarking, international law.

Depending on their specificity, these organizations can have a regulation and inspection nature for its members in order to improve their performance (e.g. World Association of Nuclear Operators - WANO) or consultative, participatory and inter-sharing of knowledge character, participation in joint projects as an effective mechanism to reduce research and purchase equipment costs.

SNN is affiliated with a number of organizations both at European and international level in order to benefit from the operational experience available in their participation in decision-making processes that may affect European policy and global alignment of nuclear safety standards imposed by CNCAN, recognition of results, among which we mention:

❖ World Association of Nuclear Operators (WANO): represents the association of all owners of nuclear power plants in the world, founded in 1989. SNN has been a member of Atlanta Regional Center since 1991. In 2011 it became a member of London Coordination Centre. WANO membership guarantees: participation in assessment missions, exchange of experience in operating, technical support, technical and professional development. The WANO membership facilitates the information exchange in the field of exploitation experience of Nuclear Plants, therefore WANO members working together for reaching the highest standards in the field of Nuclear Plants exploitation under high nuclear and reliability security standards. Through WANO, all Nuclear

Plant holders may communicate and exchange information between them, openly and cooperatively. This working method allow each WANO member to benefit and learn from the experience of other members, to get in line with the best practices global practices in the field, all with the final purpose of increasing the security degree in exploiting the Nuclear Plants they own.

❖ Candu Owners Group (COG): represents a private international non-profit organization, which includes organizations from Canada (AECL, Ontario Power Generation, NB Power, Bruce Power Generation, Hydro Quebec), Argentina, China, India, Korea, Pakistan and Romania. Within COG, SNN participate to the basic program Information Exchange (IE), Research and Development Program (R&D), Nuclear and Environment Safety Program (Nuclear Safety & Environmental Affairs NSEA), Joint Projects Program (Joint Projects - JP). The COG activity is generally focused on a regulation, research, maintenance, development, technical assistance and information exchange program between its members.

❖ The International Agency for Atomic Energy (AIEA): serves as inter-government world forum for the scientific and technical cooperation in the nuclear field. AIEA encourages the use of atomic energy by the signatory states, offering them the necessary technical assistance and providing them experts in the field, respectively the necessary logistic base. Romania is a founding member of AIEA.

❖ NEA OECD: Romania has joined the Nuclear Energy Agency (NEA) within the Organization for Economic Cooperation and Development (OECD) in June 2017. NEA represents the intergovernmental agency that facilitates the cooperation between the countries that use nuclear technology and aim to achieve the highest standard of nuclear safety, corroborated with the performance in environment protection, technological and economic development.

❖ European Nuclear Installations Standards (ENISS): brings together policy makers and specialists in the nuclear industry, along with representatives from nuclear regulatory bodies to establish together security targets, regulations and security measures that will ultimately become a common set of European safety standards for the nuclear installations.

❖ The European Atomic Forum (affiliation to the Romanian Atomic Forum): represents a non-profit European organization with the following purposes: supporting the role of the nuclear energy at an European level by active involvement in the energetic policy of the European Union, adopting support positions for member states operating Nuclear Plants and involving specialists in the work groups at European level in order to centralize different points of view and measures.

The results of active attendance within different international organisms is directly reflected in the performance indicators associated to the fields: operation, radioprotection and radioactive waste management.

5.14. LEGAL ACTIVITY/LITIGATIONS

Currently, SNN is involved in several litigations, out of which:

- 80 civil law/administrative law/insolvency law/labor law trials;
- 2 criminal lawsuits where SNN is a civil party;
- 15 trials against the Court of Accounts.

Out of the 97 litigations, 42 are major litigations whose value is over 500,000 lei, including those that are not monetarily balanced or have a scope that is not assessable in money.

In the litigations with the Court of Accounts (2015) in which SNN was a plaintiff, cases related to the suspension and cancelation of the measures ruled by the Court of Accounts by administrative acts, 6 cancellation cases are in progress, out of which 5 in the appeal stage and one in which there is no merits solution. Out of the files in which the suspension of the measures taken by the Court of Accounts were ordered, 6 were settled as final, favorably, and one unfavorably.

In the 9 litigations with the Court of Accounts in 2018, in which SNN was a plaintiff, in 4 cases that asked for a suspension, a favorable suspension resolution and 3 unfavorable solutions were obtained, and in the actions that asked for the cancellation of the measures taken by the Court of Accounts by administrative acts, resolution deadlines were set.

Until the end of 2018, SNN obtained final solutions in 20 litigations, out of which:

- The value of the recoverable receivables out of the litigations that were favorably settled where SNN was a plaintiff was 13,479,785 lei.
- The value of the losses avoided in the favorably settled litigations where SNN was a defendant is 40,867,580 lei.

In 01.01.2018 – 31.12.2018, 2 criminal litigations were settled as final, from which SNN recovered the amount of 13,453,181 lei.

The total value of the damages for which SNN was a civil party in the criminal litigations is 16,896,850 lei.

File no. 40046/3/2014 on the dockets of the Bucharest Court of Law by which the claimant Fondul Proprietatea S.A. requested the cancellation of the Decision of the Extraordinary General Meeting of Shareholders of SNN no. 8/06.10.2014, by which, among others, was approved the increase of the share capital of SNN with cash input. The first-instance court favorably settled the case by

rejecting the case of Fondul Proprietatea. The appeal formulated by Fondul Proprietatea was rejected as groundless, and the judgment is final.

A detailed situation of the litigations may be found in Annex 6 of this Report.

5.15. PERSPECTIVE ELEMENTS

As it concerns the perspective of energy sales on medium and long term (up to three years) we consider, based on the data related to more developed European energy markets, that the price competitive market will not undergo any significant changes in terms of increasing or decreasing ample.

The new electricity market context leads to the necessity to identify new investment opportunities including by diversifying the activity portfolio in activities included in the electricity value chain, for reducing the business risk and assuring a proper efficiency adequate to the own capital.

Continuation and development of Project Units 3 and 4 CNE Cernavoda may create favorable perspectives on long term for SNN, both regarding the recovery of the assets already invested in the project and some additional incomes which may be obtained from services (operation), namely goods supply (supply of nuclear fuel bundles).

Equally, the project for the refurbishment of Unit 1 is an essential project on whose success maintaining the production capacity in the future at a level similar to that of today depends.

5.15.1. Factors that may influence liquidity

Among the factors that may affect the company's liquidity in the future, we mention:

- Energy prices on the competitive market sale;
- The price of the main raw materials used by the company in the current activity;
- Fluctuations in interest rates and the exchange;
- The volume of investments to maintain and those to develop;
- The level of taxation, including the introduction of new taxes.

There are many internal and external factors that may influence the company's liquidity, but on short and even medium term, the company has a very good liquidity.

5.15.2. Current and estimated capital expenses

The total value of SNN's investment program for 2018 was 244,867 thousand lei (excluding the component allocated to the debt service for long-term loans), approved by the Decision no. 3/02.03.2018 of the Ordinary General Meeting of Shareholders of SNN.

The comparative situation of the investment achievements (value and percentage) for the period 1 January - 31 December 2018 compared to the comparative period of 2017 is presented in the table below:

Year	Investment program [thousand lei]	Performed (01.01 – 31.12) [thousand lei]	Degree of completion (01.01 – 31.12) (%)
2018	244,867	139,699	57.1%
2017	231,593	92,751	40.0%

As in previous years, Nuclearelectrica S.A. has structured its investment development program on objectives defined in relation to the needs of the production branches (CNE Cernavoda and FCN Pitesti), so as to achieve the highest possible utilization of the production capacity (EAF Energy Availability Factor) the nuclear safety rules and the long-term maintenance of the level of excellence in the operation of the plant. At the same time, the development program aims to respond to the need to modernize/refurbish systems, for both economical reasons (specific consumption reductions, improvement of some parameters characteristic of the processes served, with a positive impact on efficiency) and juridical nature, improvements in nuclear safety, environmental protection and occupational safety, which are imperative requirements coming from regulatory authorities in the field.

Analysis of the achievement of the investment program at 31 December 2018

The SNN's investment program for 2018 was value-added taking into account the ongoing contractual commitments, estimates of the investment objectives to be achieved in the next year, including amounts allocated to investment projects for which certain performance is expected Requirements beyond SNN control (eg prior regulatory authority approvals, legal deadlines for completion of public procurement procedures including appeals, obtaining necessary approvals from SNN corporate bodies, etc.) to allow implementation of these projects with approved budget values.

Among the important investment projects budgeted in the 2018 investment program we mention:

- **"Intermediate Fuel Storage Facility - DICA (including SICA Unit 2)":** budgeted 14,147 thousand MDL - the value achieved on December 31, 2018 is 60.8%. During the year 2018, construction works were completed and the completion of the works for the DICA Module 9 and the physical protection works related to Module 8 were completed. For Modules 10 and 11 type Macstor 200, the building authorization was obtained, being construction works started.
- **"Modernization and extension Physical protection system":** budgeted 16,600 thousand lei - the performance value at 31 December 2018 is 49.3%. Delays were recorded in the contract chart mainly due to the delay in obtaining prior authorizations and the revision of the economic estimates. Physical protection works priority 2, stage 1 of completing the physical protection system of Cernavoda NPP are in progress. The value not made in 2018 will be set in the 2019 budget.
- **"Improving the Cernavoda NPP response and the nuclear safety functions in case of events outside the design bases following the nuclear accident at the Fukushima 1 nuclear power plant, Japan":** budgeted 26,241 thousand lei - the achievement value at December 31, 2018 is of 33.3%. Within the objective of changing the destination of the existing constructions on Unit 5 site, the technical and economic documentation for the design activities was completed and the additional 5 to the contract was signed after the completion of the project and the approval of the economic documentation by the Cernavoda NPP. This process has accumulated delays due to the length of the iterative process of consulting the design documentation.
- **"Expanding the lifetime of Unit 1 by rewinding the reactor and refurbishing the main systems (studies)":** budgeted 10,373 thousand lei - the achievement value at December 31, 2018 is 23.9%. SNN joined the Candu Owners Group (COG) under the Integrated Material Surveillance Program (IMSP) to acquire the data needed to conduct fuel channel studies. Expenditure incurred until December 31, 2018 is largely the cost of joining SNN to the COG program, and in the course of 2019, the report will be received with the results of the analyzes. The delays were determined by the necessity of re-calibrating the strategy and the initial technical requirements, which were based on the budget value dimensioning, with the market realities (market consultation process, implementation of the changes in the procurement specifications, iterative process with ANAP regarding the qualification criteria potential suppliers and rating factors.
- **"Planting of NPP property and relocation of buildings necessary for the good functioning of Seiru Deposits on the territory of Cernavoda NPP":** budgeted 4,624 thousand lei - the performance value at 31 December 2018 is 34.1%. The contract was signed in October 2018, the signing process being extended after the revision of the economic estimates.

- **"HESIR Type Horizontal and Vertical Flow Detectors Extraction Equipment"**: budgeted 3,038 thousand lei - the value achieved on 31 December 2018 is 8.3%. The delivery deadline for the equipment was offset from December 2018 at the beginning of 2019. The value not achieved in 2018 will be set in the 2019 budget.

- **"Upgrading the communication infrastructure, setting up the data center according to the TIA 942-1 standard and implementing information security risk mitigation measures"**: budgeted 2.170 thousand lei - until 31 December 2018 the procurement procedure for the the first stage - data center design, structured cabling and communication infrastructure. The awarding award in November 2018 marked the winner, but in December 2018 a contestation was filed by one of the participating companies, a dispute that is due to be settled in January 2019.

5.15.3. Events, transactions and economic changes that affect revenues

The income from the main activity is significantly affected by:

- ❖ Production of electricity by CNE Cernavoda, closely related to the operational performance of the two nuclear units;
- ❖ Reintroduction, following Government Emergency Ordinance no. 114 / 28.12.2018, amending and supplementing the Law on Electricity and Natural Gas no. 123/2012, of the obligation of the manufacturers to deliver to last instance suppliers on the basis of regulated contracts, between March 1, 2019 and February 28, 2022, the electricity required for ensuring the consumption of household clients;
- ❖ Regulated prices set by ANRE;
- ❖ Evolution of prices on the competitive market and the company's ability to successfully compete in these conditions.

6. TANGIBLE ASSETS

6.1. LOCATION AND CHARACTERISTICS OF MAIN PRODUCTION CAPACITIES

Cernavoda Nuclear Power Plant is located in Constanta approx. 2 km southeast of the town of Cernavoda, approx. 1.5 km northeast of the first shuttle of navigable channel Danube-Black Sea. The platform designed for building the structures of CNE Cernavoda is bordered at the north by Cismelei Valley and at south-west by 223 County Road. The south and east limit consists of hilly natural formations. For location of the Nuclear Power Plant with 5 CANDU 600 units an area of 72 hectares was arranged by excavating and leveling of former limestone quarries Ilie Barza. The resulting platform is + 16.00 share mdMB (Baltic Sea level).

The plant is designed to operate at load curve base. It has a turbo-generator supplying gross electric power of approx. 700 MWe gross each (706.5 MWe Unit 1, respectively, 704.8 MWe Unit 2) using the steam produced by the energy developed in a nuclear reactor type CANDU-PHWR-6 (Canadian Deuterium Uranium - Heavy Water Reactor Pressurized). This type of reactor uses heavy water as moderator and coolant in two separate systems. Fuel consists of natural uranium as sintered uranium dioxide pills, wrapped in zircaloy and assembled in bundles containing 37 fuel elements each.

Ceramic pellets contained inside a fuel element, are able to retain fission products inside them. Loading and unloading of reactor fuel is continuous, bidirectional and under load. The reactor is equipped with a heat transport system with two independent loops, which transfer the heat produced in the fuel by the controlled fission reaction in chain in the four steam generators to produce steam from the light water. Saturated steam from the steam generators is expanded in the turbine by putting it in motion and is then condensed using cooling water taken from the Danube through an open intake channel and race no. 1 of the Danube-Black Sea Canal (CDMN). The electricity produced is discharged in the National Power Network through the 400 kV Cernavoda plant belonging to Transelectrica.

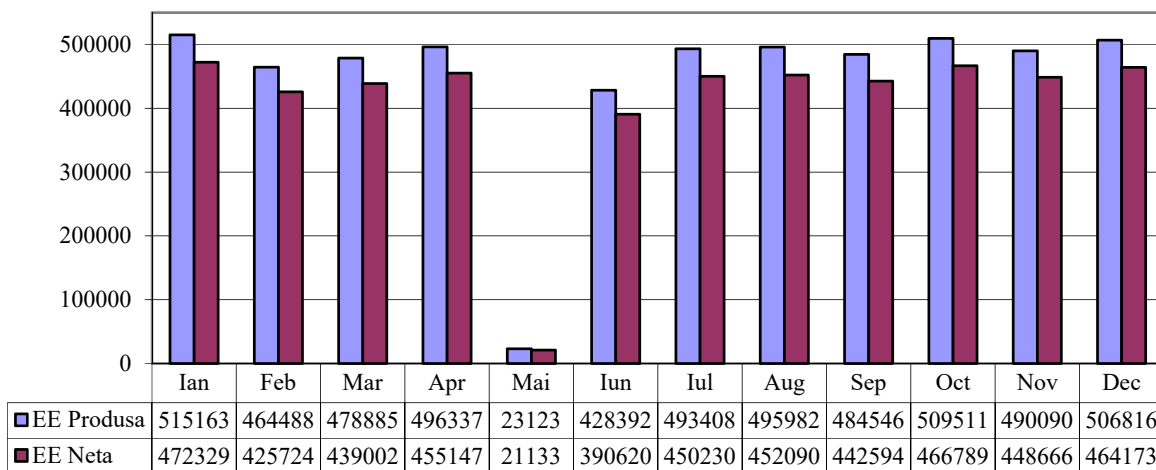
Within the company also operates the Subsidiary Fabrica de Combustibil Nuclear (FCN) Pitesti, with head office in Arges county, town Mioveni. FCN is the owner of a land in surface of 23.273 sq m, of which 8.458 sq m is occupied by production departments, storage and offices, and the rest is a free surface. Within FCN Pitesti is performed the production of the nuclear fuel bundles, using as raw material the sintering uranium dioxide powder (UO₂).

6.2. THE DEPRECIATION DEGREE OF THE ASSETS

The two nuclear power units within the CNE Cernavoda have an initial life cycle of 30 years, that can be extended for another 25 years after a refurbishment process. Unit 1 was commissioned in 1996 while Unit 2 was commissioned in 2007. Every two years, nuclear units are switched off for maintenance shutdowns planned in the program. The Nuclear Fuel Plant in Pitesti was founded in 1992, and the first batch of nuclear fuel bundles was produced in 1994.

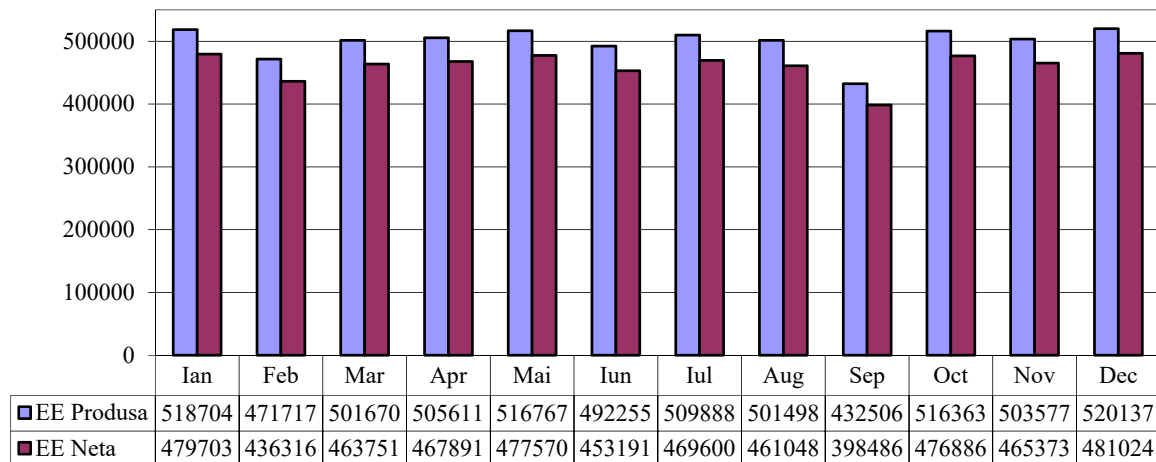
6.3. OPERATIONAL PERFORMANCE INDICATORS

Electricity produced/net U1 (MWh)



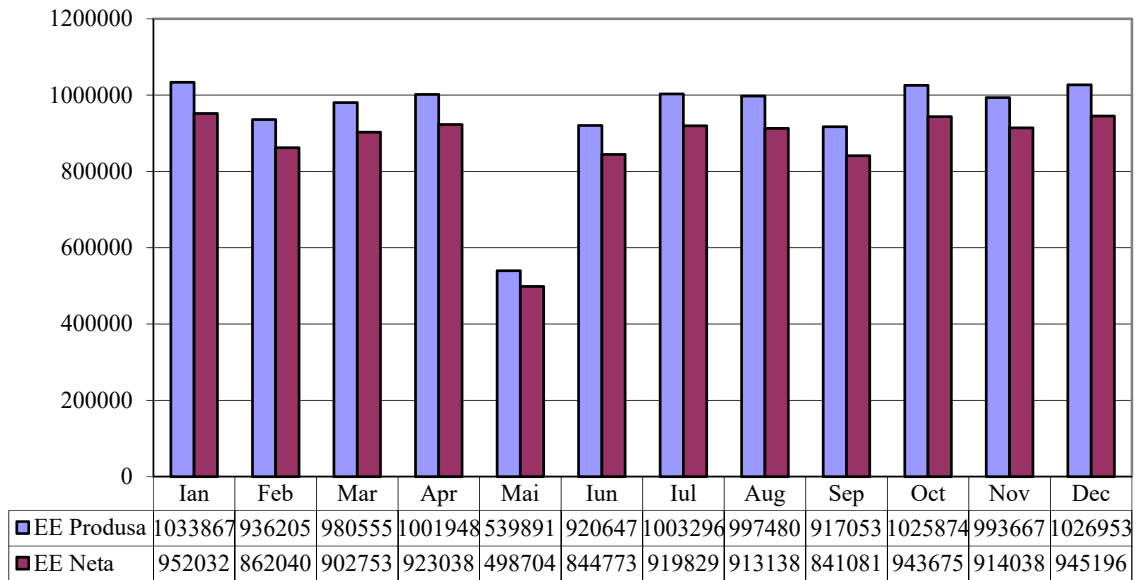
Total 2018
 E produced E net
 5,386,742 4,928,499
 Average own consumption: 8.52%

Electricity produced/net U2 (MWh)



Total 2018
 E produced E net
 5,990,693 5,530,839
 Average own consumption: 7.68%

Electricity produced/net U1 + U2 (MWh)



Total 2018

E produced

11,377,435

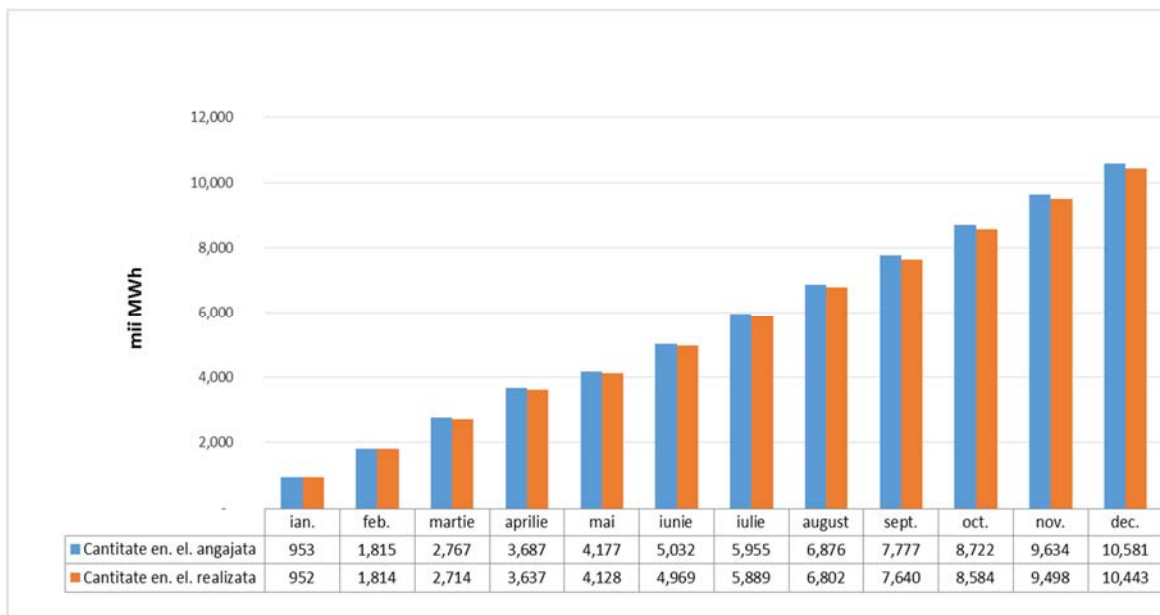
E net

10,459,338

Self – consumption of electricity

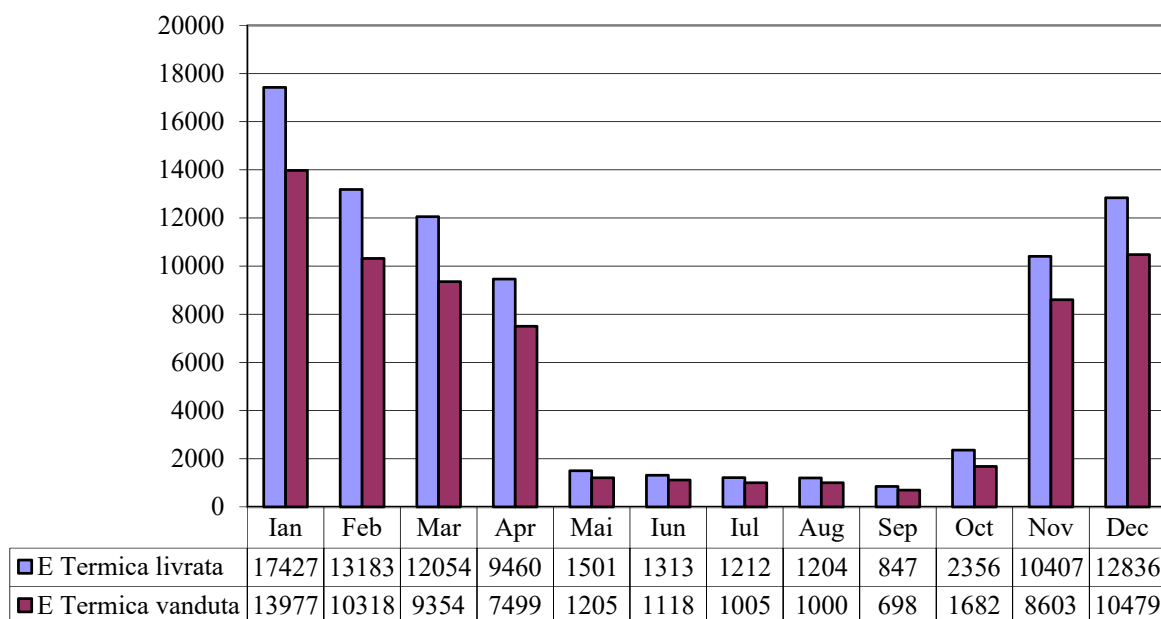
Done cumulatively 2018: 8,10% Project planned: max 10,00%

The amount of electricity programmed/realized (for marketing) (thousand MWh)



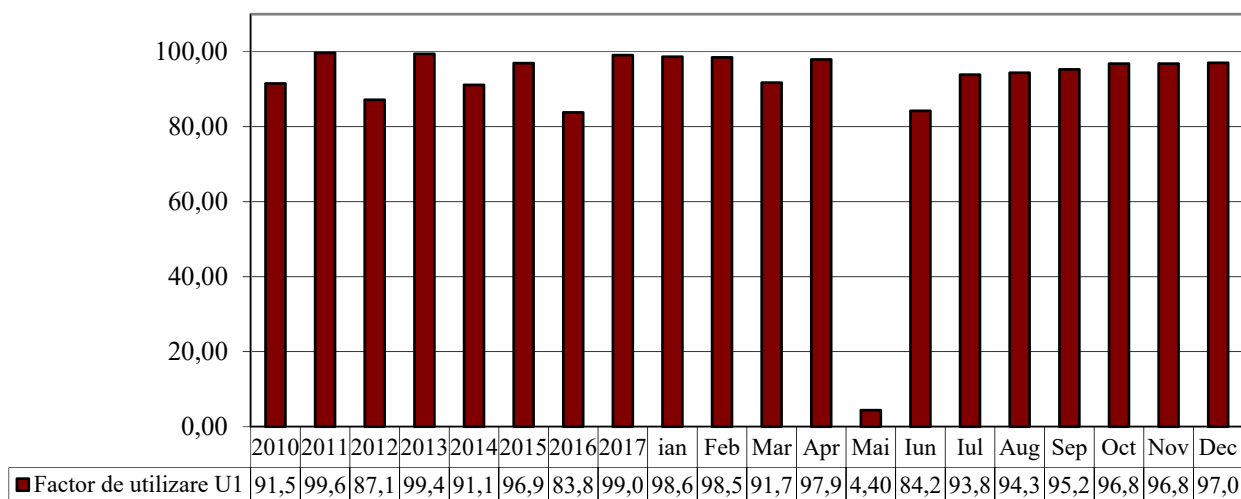
Percentage of achievement: 98.69%

Thermal energy delivered to district heating/sold (Gcal)



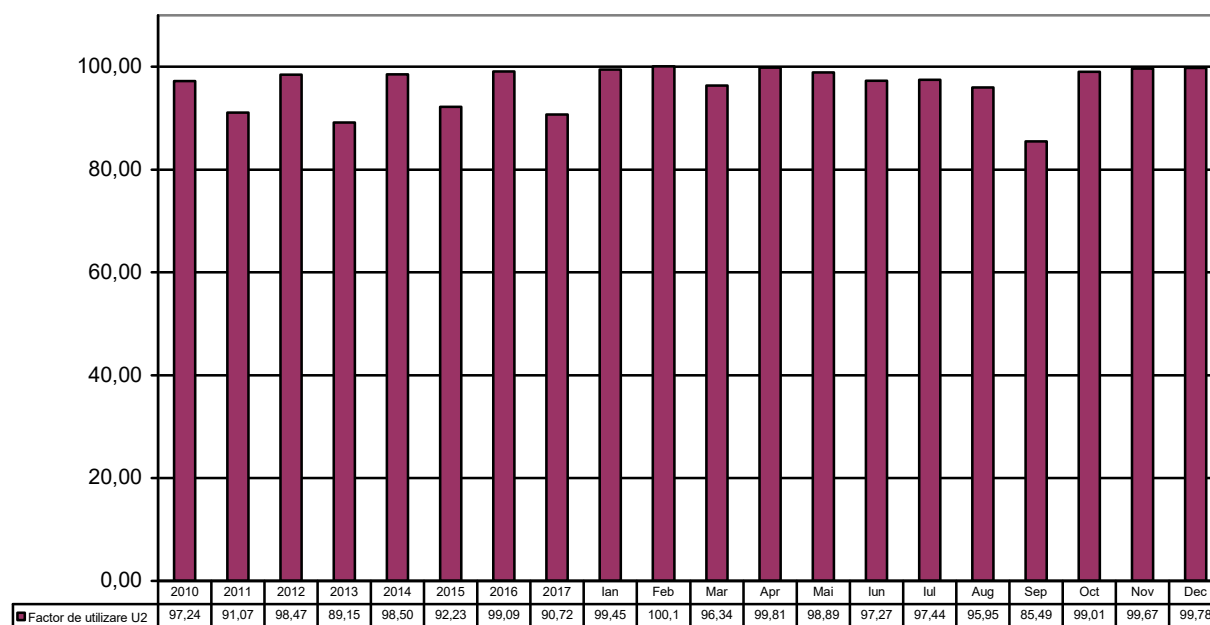
Total 2018
 E thermal supply E thermal sold
 83,799 66,940

The power factor used U1 (%)



Provided Cumulative 2018 U1
 87.4 87.31
 (internal target CNE)

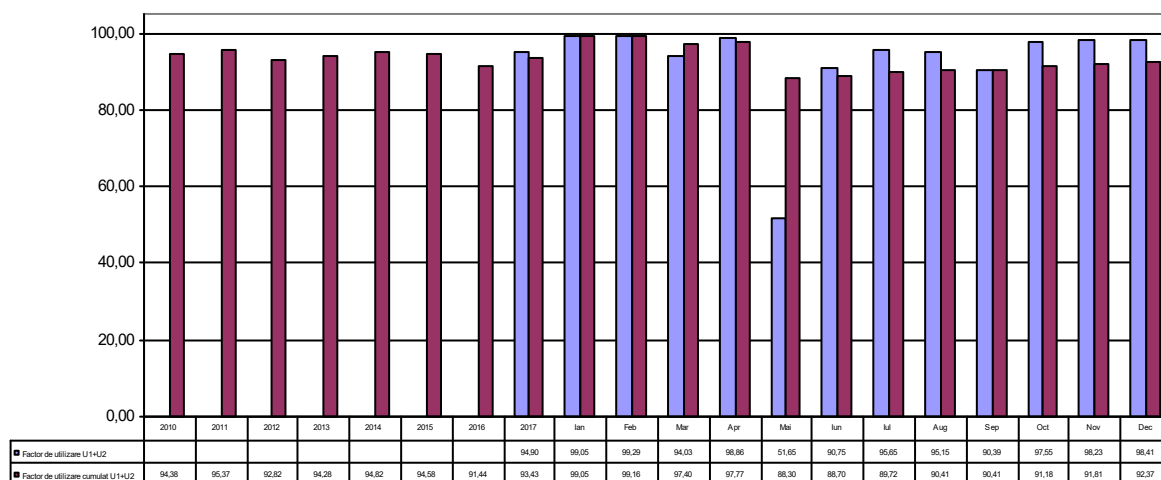
The power factor used U2 (%)



Provided
99
(internal target CNE)

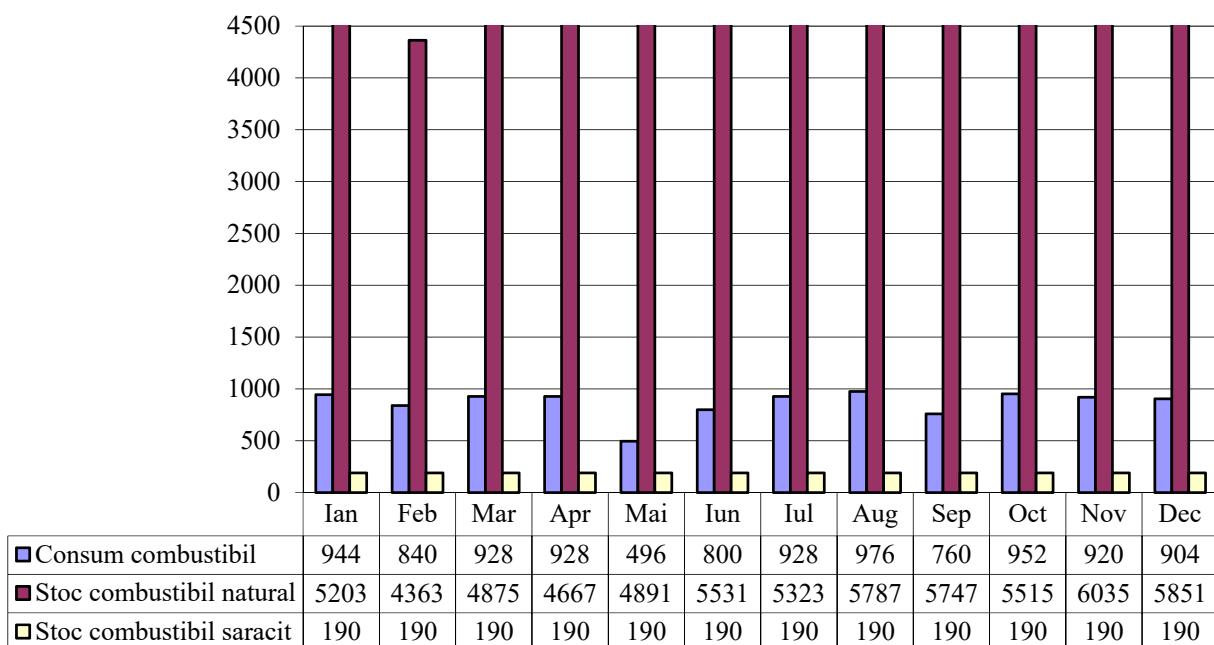
Cumulative 2018 U2
97.43

The power factor used U1 + U2 (%)



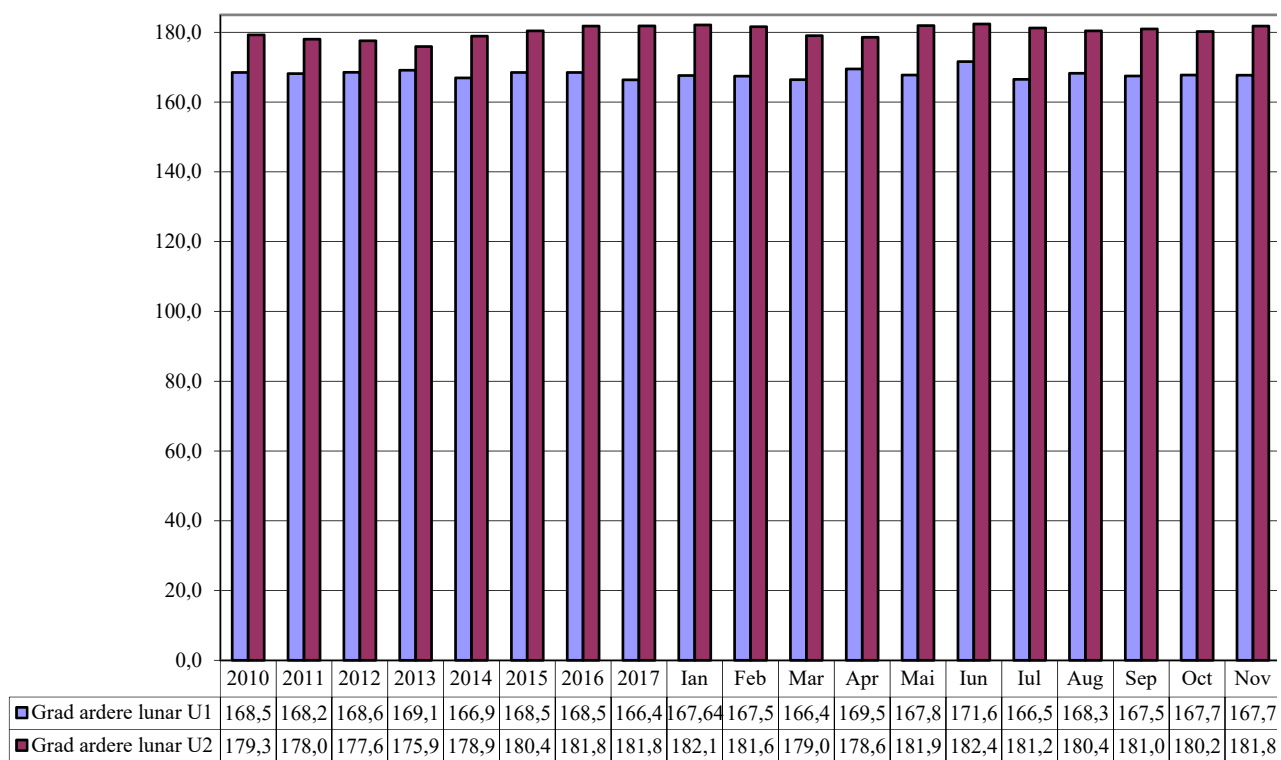
Cumulative 2018: 92,37 Provided 2018: 93

Fuel consumption U1 + U2/Fuel stock (bundles)



Cumulative consumption 2018: 10,376

Nuclear Fuel Combustion Rate (MWh/ KgU)



7. MARKET OF SECURITIES ISSUED BY THE COMPANY

7.1. THE ROMANIAN MARKETS AND THE MARKETS OF OTHER COUNTRIES WHERE THE SECURITIES ISSUED BY THE COMPANY ARE TRADED

Consequently to the Initial Public Offer of 25,368,236 shares, representing 10% of the share capital of S.N.N., offer developed during the period 09.09.2013 – 20.09.2013, the SNN shares are traded on the regulated market managed by the Bucharest Stock Exchange (BSE) since 04.11.2013, on the category I, having the issuant symbol “SNN” and ISIN code ROSNNEACNOR8. Starting with 05.01.2015, the SNN shares have been traded on the Premium category of BSE.

The selection of issuers in order to analyze for the promotion in the Premium category is performed based on the following alternative criteria:

- The actions are among the most liquid 25 titles, after the liquidity coefficient;
- The free-float capitalization average for the last 3 months exceeds the amount of EUR 40 million.

As at 31.12.2018, the total number of shares issued by SNN is 301,513,851. The record of shares is kept by the Central Depository, as independent registry company, authorized by the Authority for Financial Surveillance.

The evolution of the share capital increases:

Shareholders	Shares [mil.]	Percent	Shareholders	Shares [mil.]	Percent	Shareholders	Shares [mil.]	Percent	Shareholders	Shares [mil.]	Percent
Ministry of Economy	229,00	90,27%	Ministry of Economy	229,00	81,27%	Ministry of Energy, Small and Medium sized Enterprises and Business Environment	248,44	82,48%	Ministry of Energy	248,73	82,49%
Fondul Proprietatea S.A.	24,70	9,73%	Fondul Proprietatea S.A.	27,40	9,73%	Fondul Proprietatea S.A.	27,40	9,10%	Fondul Proprietatea S.A.	27,40	9,09%
			Free float	25,40	9,00%	Free float	25,36	8,42%	Free float	25,36	8,41%
Total	253,70	100%	Total	281,80	100%	Total	301,22	100%	Total	301,51	100%
Shareholding structure pre IPO			Shareholding structure post IPO			Increase of share capital 2015			Increase of share capital 2015		

<ul style="list-style-type: none"> - IPO followed by an allocation rights issue, traded between 4 and 28 October 2013. - The shares were listed on the main segment of the Bucharest Stock Exchange (symbol: SNN) starting 4 November 2013. - Including in indexes: BET Index 1.99%, BET-XT Index 1.53%. 	<ul style="list-style-type: none"> - IPO for a 10% stake (new shares). - Subscription period: 9-20 September 2013. - Closed book for the institutional tranche. - Oversubscription of 5,6 and 3,7 times for the two retail tranches (small subscription tranche fully subscribed by the end of day 2). - Deal Value (mn): RON 281.9 (~EUR 62.6). - Total share capital increase value (mn): RON 312.5 (~EUR 69.4). - Market Cap Post IPO (mn): RON 3,150 (~EUR 700). 	<ul style="list-style-type: none"> - Share capital increase by 19,438,285 shares out of the total of 23,917,263 shares provided for trading. - Subscription period: 05.01.2015 – 02.04.2015. - The share capital increase represents the acknowledgment of the contributions from the state budget by budget allocations in 2006 - 2009 and 4,479,539 shares provided according to the preemption right. - Allocation percentage: 81.2730%. - Increase value: RON 194,382,850 (EUR 43,196,188). 	<ul style="list-style-type: none"> - Share capital increase with 292,810 shares representing the in-kind contribution of the Romanian State in value of 2,928,100 lei. - Subscription period: 19.10.2015 – 18.11.2015. - 62,201 newly issued shares were provided for subscription to registered shareholders on the registration date, according to the preemption right. These shares were not subscribed.
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7.2. DIVIDEND POLICY

Applicable legal provisions

SNN is a national company with a majority state capital. Thus, the allocation of the net profit complies with the provisions of Government Ordinance no. 64/2001 (“GO 64/2001”) regarding the profit distribution in national entities, national companies and companies with total or majority state capital, and autonomous administrations, as further amended and supplemented. Thus, according to the provisions of GO no. 64/2001, the minimum dividend distribution share is 50% of the net profit remained after the distributions provided under art. 1 par. (1) let. a)-e) from G.O. no. 64/2001. The legislative framework could be amended in the future by amending the legislation in force, so that the minimum dividend distribution share would be changed.

The provisions of GO 64/2001 establish a minimum mandatory dividend distribution share. Thus, as long as the provisions of GO 64/2001 remain unchanged, the Company may propose to the shareholders a dividend distribution share between 50% and 100% of the distributable profit. The profit share to be distributed annually by the Company in the form of dividends is subject to approval within the General Meeting of Shareholders.

Thus, SNN registers and pays dividends distributed from the net profit, only after the approval of the annual financial statements by the General Meeting of Shareholders and the profit distribution proposal.

Situation regarding the distribution of dividend profit in the last 3 years

For the year 2018 the net profit distribution proposal complies with the provisions of the Government Ordinance no. 64/2001 on the distribution of profits to the national companies, the national companies and the commercial companies with full or majority state capital, as well as to

the autonomous regies, with the subsequent modifications and completions.

The amounts proposed to be distributed in the form of "employee participation at the profit" are within 10% of the net profit, but not more than the level of an average monthly salary per employee in 2018 and taking into account the average number of employees in 2018. In the profit distribution proposal, the amount of. The obligation to participate in the profit was established through the income and expenditure budget approved for 2018 so that the provisions of art. 1 par. 1 lit. e) of the Government Ordinance no. 64/2001. Amounts representing employee participation at profit are not a direct distribution of net profit, which is provisioned at the close of the financial year and distributed in the next financial year, after approval of the net profit distribution. Thus, the net profit for the financial year 2018 includes a provision for the participation of employees to profit (deducted from the accounting profit) in the amount of RON 16 million.

Amounts allocated to the legal reserve are determined on the basis of the provisions of art. 183 of Law no. 31/1990 according to which "from the company's profit will be taken at least 5% of each year for the formation of the reserve fund until it reaches at least a fifth of the share capital". The amount allocated to the legal reserve was taken over at the close of the financial year, representing the mandatory distribution in the amount of RON 28,631,164.

Other reserves representing fiscal facilities provided by law (RON 3,065,741) are allocated on the basis of art. 22, par. (1) of the Law no. 227/2015 regarding the Fiscal Code with subsequent amendments and completions; they refer to exempt tax on profits invested in technology equipment, electronic computers and peripheral equipment, home and office machines, control and billing, as well as in software, products and / or purchased software as provided for in subgroup 2.1, respectively in class 2.2.9 of the "Catalog on classification and normal durations of fixed assets", used for the purpose of economic activity. The amount allocated to reserves is the amount of profit invested in these equipment, net of legal reserve (5%).

The proposed gross dividends (378,914,310 RON) were calculated as the difference between the net profit of the financial year (RON 410,611,215) and the amounts deducted as a legal reserve (28,631,164 lei) and the reserves representing fiscal facilities (3,065,741 lei) resulting in a 100% distribution.

From the net profit for the financial year 2017, a 93.07% share of the net dividend distribution was approved, and a net dividend distribution of 92.76% of the net profit for the year 2016 was approved , thus observing the provisions of art. 1 paragraph (1) let. f) from O.G. 64/2001, with subsequent amendments and completions.

By Decision no. 8 / 28.09.2017 of the Ordinary General Meeting of Shareholders of SNN was approved the distribution of the amount of RON 110,000,000 representing additional dividends

from other reserves and retained earnings, based on the provisions of art. II and art. III of Government Emergency Ordinance no. 29/2017 for the amendment of Art. (1) lit. g) of the Government Ordinance no. 64/2001 on the distribution of profits to national companies, national companies and commercial companies with full or majority state capital, as well as to the autonomous regies and for the modification of art. 1 par. (2) and (3) of Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, to SNN shareholders, in proportion to their participation in the share capital.

By Decision no. 13 / 10.12.2018 of the Ordinary General Meeting of Shareholders of SNN approved the distribution of the amount of RON 485,437,300.11, representing additional dividends from other reserves and the result carried forward, according to the provisions of art. II and art. III of Government Emergency Ordinance no. 29/2017 for the amendment of Art. (1) lit. g) of the Government Ordinance no. 64/2001 on the distribution of profits to national companies, national companies and commercial companies with full or majority state capital, as well as to the autonomous regies and for the modification of art. 1 par. (2) and (3) of Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, to SNN shareholders, in proportion to their participation in the share capital.

Calculation method and payment

Dividends are distributed to shareholders proportionally with the rate of input to the subscribed and paid up share capital of the company; each fully paid actions gives the holder the right to receive a dividend. Details regarding the distribution methods, of retaining a tax on dividend and payment are available on the company's website /section investor relation/GMS.

Principles to be considered when establishing dividends in the future

In drafting the proposals to the General Meeting of Shareholders on the dividend distribution shares in the future, the Board of Directors shall consider the following criteria, in the order presented below:

- ❖ The compliance with the requirements from the GO 64/2001, including the minimum distribution rate of 50% of the sharing profit;
- ❖ Keeping a balance between the need to compensate the shareholders by dividend and the financing needs by own sources of the company, including for investment projects;
- ❖ The correlation between the shared profit for dividends and the monetary correspondence of the sharing profit, respectively that part of the sharing profit with a monetary correspondence, after the adjustment of non-monetary elements; this has the objective the avoidance of de-capitalization of

the company in case of an uncoupling between the sharing profit for dividends and monetary counter-party of the profit;

❖ The possibility to provide a dividend accomplishment correlated with other similar listed companies, as well as with a correlation of the dividend per action in the absolute amount with the one from the previous period. There is no guarantee that in the future these correlations will be provided.

More information regarding dividends can be found in the Annual reports available on the company's website, section investor relation/GMS.

The due dividends and payments, respectively, during the last 3 years were as follows:

Indicator [lei]	2018 ^{*)}	2017	2016
Retreated net profit^{**) (a)}	-	306,542,912	116,989,069
The effect of correcting accounting errors (b)	-	(2,666,644)	(4,539,618)
Net profit (c) = (a) + (b)	410,611,215	303,876,268	112,449,451
Distribution to the legal reserve (d)	(28,631,164)	(17,845,334)	(6,518,506)
Other reserves representing tax facilities provided by law (e)	(3,065,741)	(7,721,372)	(2,454,218)
Net profit distributable to the dividend (f) = (c) + (d) + (e)	378,914,310	278,309,562	103,476,727
Employees' participation to the profit (g)	(16,000,000)	(13,265,000)	(3,793,000)
Net profit calculation base, dividend distribution (h) = (f) – (g)	394,914,310	291,574,562	107,269,727
Proposed dividends (i)	378,914,310	271,362,466	99,499,571
Allocated dividends	378,914,310	271,362,466	99,499,571
Additionally distributed dividends ^{***)}	-	485,437,300	110,000,000
Dividends paid until 31.12.2018	-	756,192,262	209,436,268
Profit distribution rate (%) = (i)/(h)	95.95%	93.07%	92.76%
Profit distribution rate² (%) = (i)/(f)	100.00%	97.50%	96.16%

*) For 2018, the indicators presented represent the profit distribution proposal formulated by the Board of Directors and subject to the approval of the Ordinary General Meeting of Shareholders of SNN. In the apportionment proposal, the amount proposed to be distributed in the form of "participation of employees to profit" is worth RON 16,000,000; to comply with the amounts previously budgeted in 2018 under the Income and Expenses Budget, approved by the Ordinary General Meeting of Shareholders of SNN no.3/02.03.2018.

**) According to the correction of certain accounting errors detailed in the Audited Individual Financial Statements at the date and for the financial years ended December 31, 2017 and December 31, 2018.

***) 2016: By the Decision no. 8 / 28.09.2017 of the Ordinary General Meeting of Shareholders of SNN approved the distribution of the amount of RON 110,000,000, representing additional dividends from other reserves and the result carried forward, under the provisions of Art. II and art. III of Government Emergency Ordinance no. 29/2017 for the amendment of Art. (1) lit. g) of the Government Ordinance no. 64/2001 on the distribution of profits to national companies, national companies and commercial companies with full or majority state capital, as well as to the autonomous regies and for the modification of art. 1 par. (2) and (3) of Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, to SNN shareholders, in proportion to their participation in the share capital.

***) 2017: By the Decision no. 13 / 10.12.2018 of the Ordinary General Meeting of Shareholders of SNN approved the distribution of the amount of RON 485,437,300.11, representing additional dividends from other reserves and the result carried forward, according to the provisions of art. II and art. III of Government Emergency Ordinance no. 29/2017 for the amendment of Art. (1) lit. g) of the Government Ordinance no. 64/2001 on the distribution of profits to national companies, national companies and commercial companies with full or majority state capital, as well as to the autonomous regies and for the modification of art. 1 par. (2) and (3) of Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, to SNN shareholders, in proportion to their participation in the share capital.

7.3. ACTIVITY OF SNN AT BSE

Evolution of SNN shares in December 1 - 31, 2018:



The activity performed by SNN in 2018, as an issuer of securities on the capital market in Romania, is as follows:

- ❖ In 2018, a total of 26,682 transactions with SNN shares took place, with a daily average number of 107.15 transactions;
- ❖ The total volume of SNN traded shares was 24,971,342 shares;
- ❖ The value of transactions with SNN shares in 2018 was 206,916,729 lei;
- ❖ In 2018, two “Deals” trades were performed, 1,550,128 shares in total;
- ❖ The price of one share in 2018 was between a maximum value of 9.89 lei and a minimum value of 7 lei, an increase compared to the values registered in 2017, when the maximum value was 7.75 lei and the minimum value was 4.88 lei;
- ❖ The stock capitalization on the last trading day of 2018 was 2,460,353,024 lei, an increase compared to 2,170,899,727 lei, at the end of 2017.

7.4. PRESENCE IN THE INDEXES

The Bucharest Stock Exchange (BSE) calculates and distributes in real time 8 internal indexes – BET, BET-TR, BET-XT, BET-XT-TR, BET-BK, BET-FI, BET-NG, BET Plus – and an index developed with the Stock Exchange of Vienna, the ROTX index.

The BSE indexes reflect the progress of prices of the most traded companies listed or the progress of certain representative fields, like the financial or energy field. As calculation methodology, all the BSE indexes are weighted price indexes with free float capitalization, with maximum limits for the weight price of constituent companies. Except for the most recent launched index, BET Total Return BET-TR and BET-XT-TR, which are adjusted for the dividends, the other indexes only reflect the progress of market prices.

The SNN shares were included in the structure of BSE indexes with the following weights, on the adjustment date 14.12.2018 (the latest periodical adjustment):

- ❖ 1.68% in the BET index (Bucharest Exchange Trading – the reference index of the capital market, a weighted price index with the free floating capitalization of the most liquid 10 companies listed on the BSE regulated market). Starting with 2015, for selection under this index also apply criteria regarding the issuers transparency and the reporting and communication quality with the investors;

- ❖ 4.69% in the BET-BK index (Bucharest Exchange Trading Benchmark Index) calculated as a weighted price index by the free-floating capitalization of the most traded 25 companies listed on the BSE regulated market);
- ❖ 1.58% in the BET-XT index (Bucharest Exchange Trading Extended Index), a blue-chip index that reflects the evolution of the prices of the most liquid 25 companies traded on the regulated market segment, including SIFs, and the maximum weight of a symbol in the index is 15%;
- ❖ 4.43% in the BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - a sector index that follows the movement of the share prices of the companies whose main activity field is associated to the “energy and utility” sector, and the maximum weight of a symbol in the index is 30%);
- ❖ 1.78% in the BET-TR index (Bucharest Exchange Trading Total Return Index), an index that reflects the evolution of the prices of constituent companies and the dividends offered by them.
- 1.03% in the BET-XT-TR index, total return type of the BET-XT index, including the most 25 traded Romanian companies listed at BSE;
- ❖ 1.56% in the BET Plus (Bucharest Exchange Trading Plus Index), an index that reflects the evolution of Romanian companies listed on the BSE regulated market, which meet the minimum selection criteria regarding liquidity and the value of shares included in the free float, except for financial investment companies (SIFs);
- ❖ 1.66% in the BET-XT-TR index (BET-XT-TR is the total return version of the BET-XT index, including the most 25 traded Romanian companies listed at BSE. The BET-XT-TR index reflects both the evolution of the prices of constituent companies and the dividends offered by them).

7.5. COMMUNICATION WITH THE SHAREHOLDERS AND INVESTORS

The activity of Communication and Investor Relation is performed according to the legal provisions in force included in the Law no. 31/1990 republished, as further amended and supplemented, GEO no. 109/2011 regarding the corporate governance of public enterprises, Law no. 297/2004 regarding the capital market, Law 24/2017 on the issuers of financial instruments and market operations, Regulation no. 5/2018 regarding the issuers of financial instruments and market operations, Regulation no. 6/2009 regarding the application of certain rights of the shareholders at the general meetings of shareholders, the Code of Bucharest Stock Exchanges, the Code of the Central Depository and the regulations of the Financial Supervision Authority (“ASF”).

Internally, the efficient integration of financial, legislative, corporate governance and corporate social responsibility information of interest for the investors and shareholders as well as the communication of such information, either as requirement according to the reporting data of a company listed on the stock, or on the shareholders’, investors’ requests and other third parties’ requests, interested in the progress of company.

The communication process is a symmetrical two way system, focused on feedback and, implicitly, on the constant development of the investor relation. The main highlights are: meetings with investors and analysts, conferences and media briefings, private meetings with the shareholders, tele and videoconferencing, dedicated section on the company's website, access to relevant information about the company and its activity, as well as to reports and policies, communication of the significant information with impact on the company and its shareholders and potential investors.

The purpose is an efficient communication, adjusted based on the market feedback, which allows the shareholders to comprehend and assess, based on objective information, sent in real time, the changes occurred on the samples of trading, the development directions of the company, the information with an impact on the risk administration strategies.

The actions of communication with shareholders and investors were concretized in 2018 in:

- ❖ Organization of meetings with the investors for the presentation of financial results;
- ❖ Organization of teleconferences, in accordance with the financial calendar of the company;
- ❖ Posting of presentations and audio recordings from teleconferences with investors on the SNN website;
- ❖ Immediate transmission of information on the request of shareholders, potential investors and participants to the capital market;
- ❖ Participation in conferences organized by third parties regarding the capital market of Romania and presentation of financial results and company development opportunities (BSE, Wood's, Fondul Proprietatea etc);
- ❖ Participation of the company representatives to information seminars organized by the relevant authorities for the improvement of corporate governance and development of transparency towards the shareholders;
- ❖ The organization of the General Meetings of Shareholders and other actions related to guaranteeing shareholders' rights: distributing dividends related to financial year 2017 and additional dividends following the application of the provisions of art. II and Art. III of Government Emergency Ordinance no. 29/2017;
- ❖ Information gathering, issuance and checking of current reports, their transmission to the competent authorities (BSE and ASF) and their publishing on the company website, observing the terms required by the legislation in force;
- ❖ Attending training courses and discussion sessions regarding corporate governance standards, communication platforms with investors and other instruments provided by the capital market authorities;
- ❖ Updating the SNN site for improving the shareholders' and investors' access to relevant information and facilitating the understanding and profitability of acquiring the capacity of SNN shareholder;

❖ The launch of the "AccessSNN" app for the participants on the capital market, and not only, in order to facilitate their access to relevant information, organized by areas at interest specific to the capital market.

7.6. FURTHER INFORMATION

In the financial year that ended on 31.12.2018 there were no transactions regarding the procurement by SNN of own shares and bonds issued by SNN and/or other types of receivables. SNN pays on time its liabilities incurred by the credit facilities and fulfilled the financial conditions included in the relevant agreements.

The Project for Units 3 and 4 Cernavoda NPP

The main benchmarks for continuing the Project of Units 3 and 4 Cernavoda CNE in 2018 are the following:

- By the Resolution of the Extraordinary General Assembly of Shareholders of SNN no. 4/02.03.2018 the company 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.
- In February - March 2018 there were negotiations regarding the undisputed aspects concerning the Investors' Agreement.
- By letter of the General Department for Privatization and State Energy Interest Management (DGPAPSE) no. 261387/June 25th, 2018, SNN was informed about the approval, during the Government meeting as of June 21, 2018, in the confidential section, of the Memorandum on the "Approval of the necessary measures to provide the continuity of Units 3 and 4 in CNE Cernavoda Project and the finalization of the negotiations with the selected investor".
- On July 16, 2018, the Board of Directors of SNN endorsed the revised form of the Project Continuity Strategy. The EGMS of SNN approved on September 14th, 2018 the reviewed form of the Project Continuation Strategy, in line with the requirements of the Government Memorandum.
- At the meeting of October 8th, 2018, the Board of Directors has appointed a new negotiation commission, granting to this new commission a reviewed mandate related to the terms and

conditions on continuing the negotiations for the establishment of a new JVCo, approved the reviewed preliminary format of investor Agreement and Articles of Incorporation for JVCo, so these documents may be sent to CGN.

- On November 22nd, 2018, a meeting took place between the National Energy Administration ("NEA") / CGN (the Chinese side) and the Ministry of Energy ("ME") / SNN (the Romanian side) at the ME headquarters in the context of the invitation of the Romanian party to resume the institutional dialogue on the Intergovernmental Agreement ("IGA").
- By the Decision of the Prime Minister no. 318 of December 18th, 2018, the Working Group was established for the negotiation of the Intergovernmental Agreement between Romania and the People's Republic of China on the cooperation for the implementation of the Unit 3 and 4 NPP Cernavoda Unit ("IGA").

Signing the Memorandum of SNN - CESINA

On March 14, 2018 a Memorandum of Understanding with the Partnership for Research and Education for Advanced Nuclear Systems ("CESINA"), represented by the Institute for Nuclear Research within the Autonomous Administration for Nuclear Energy ("RATEN – ICN") was signed.

The goal of the signing of this memorandum is to involve both signing parties in the acceleration of development and the use of advanced technologies with low emissions of carbon dioxide, improving new technologies and reducing costs by coordinating the national research efforts, and involving SNN in the development of the nuclear technologies of the future, as means for the durable use of nuclear energy in Romania, complementary to the current nuclear program.

The Memorandum of Understanding has a validity period of 3 years after the signing date, and can be extended with the agreement of the parties.

Approving the strategy of diversifying the supply sources

By Resolution no. 5/April 25th, 2018 of the Ordinary General Meeting of the Shareholders of SNN, the strategy of diversification of the sources of supply with the raw materials necessary for generating nuclear fuel was approved.

Planned outage of Unit 1 CNE Cernavoda

Starting from May 2, 2018 at 11:00 o'clock, Unit 1 CNE Cernavoda entered the planned outage program and the synchronization with the National Energy System was made on June 4, 2018 at 05:02 o'clock.

During the period of planned outage made once every two years, more than 10,500 activities of the following programs were carried out:

- Preventive and corrective maintenance program;
- Inspection program;
- The mandatory testing program during the period of planned outages, according to the requirements of the National Committee for Nuclear Activities Control which can be made only with the plant stopped;
- Program for implementation of the project modifications by certain systems/equipment/components.

All the objectives of the planned outage were achieved under safety conditions for the staff of the plant, for the public and the environment, according to the procedures approved used by CNE Cernavoda Branch.

Signature of the Agreement between SNN - University Politehnica Bucuresti

On May 31, 2018 an agreement was signed with the Polytechnic University of Bucharest for granting 25 scholarships; each scholarship amounts to 2,000 RON/months for the university years 2018 – 2019 and 2019 – 2020.

The selection of the faculties within the Polytechnic University of Bucharest was made based on the needs of CNE Cernavoda Branch for recruitment retention and training of specialists both for the current operation and production activities and for the major investment projects (Project for Refurbishing Unit 1 CNE Cernavoda; the Project Units 3 and 4 CNE Cernavoda).

Details about the way of granting these scholarships are published on the website of S.N. Nuclearelectrica S.A. (www.nuclearelectrica.ro).

Launch of the mobile phone application “Access SNN”

By the Current Report published on June 7, 2018, S.N. Nuclearelectrica S.A. announces the launch of the mobile phone application, “SNN Access”, destined to the relation with the investors. S.N. Nuclearelectrica S.A. is the first company listed on the Bucharest Stock Exchange (apart from it),

which launched such application. The “SNN Access” application may be downloaded from the Android and Apple stores or from the website of S.N. Nuclearelectrica S.A. (www.nuclearelectrica.ro).

Implementing the Business Ethics and Conduct Code

By the Current Report published on July 5, 2018, S.N. Nuclearelectrica S.A. announces the implementation of the Business Ethics and Conduct Code, applicable to the managers, employees, business partners, contractors and consultants of the company.

The Business Ethics and Conduct Code is drafted according to the most recent business and governance standards and can be accessed from the website of S.N. Nuclearelectrica S.A. (www.nuclearelectrica.ro), “Relations with investors/Corporate governance/Regulations” section.

Project of the Tritium Removal Facility at Cernavoda NPP

By Resolution no. 9/August 22nd, 2018 of the Extraordinary General Assembly of Shareholders of SNN, the implementation Strategy of the Investment Project entitled “Tritium Removal Facility at CNE Cernavoda” was approved, according to the note submitted to the shareholders for this item on the agenda (section 6 of the EGMS agenda as of August 22nd, 2018).

Founding member of the Association for Investor Relations on the Romanian Stock Exchange “ARIR”

By press release published on November 19, 2018, S.N. Nuclearelectrica S.A. announces its involvement as a founding member of the Association for Investor Relations on the Romanian Stock Exchange ("ARIR"). ARIR is a nongovernmental and nonprofit organization whose purpose is to provide current and potential issuers with a platform for the development of investor relations professionals and to contribute to the implementation of best practices in the communication with the investors and corporate governance. For more information, go to the Association's website (www.ir-romania.ro).

Approval of distributing additional dividends

Resolution no. 13/10.12.2018 of the Ordinary General Assembly of Shareholders of SNN approved the distribution of the amount of 485,437,300,11 lei representing additional dividends from other reserves and the carried-forward result, in virtue of the provisions of art. II and Art. III of Government Emergency Ordinance no. 29/2017 for amending art. 1 par. (1) let. g) of Government Ordinance no. 64/2001 regarding the distribution of profit at national entities, national companies and commercial companies with full or majority state capital, and at autonomous administrations

and for amending art. 1 par. (2) and (3) of Government Emergency Ordinance no. 109/2011 regarding the corporate governance of public companies, to the shareholders of SNN, proportional to their interest in the share capital.

Activities approved for the increase of share capital

Resolution no. 2/04.01.2019 of the Extraordinary General Meeting of Shareholders approved the following activities for the increase of share capital:

1. The appointment by the Trade Registry Office attached to Bucharest Court of Law of an authorized assessor to appraise the land located on 23 Energia Street, Cernavoda, Constanta County, in order to increase the share capital of Nuclearelectrica S.A., as per the note forwarded to the shareholders with regard for this point of the agenda (item 3 of EGMS agenda from January 4, 2019);
2. Conferral of power to the Board of Directors for S.N. Nuclearelectrica S.A. share capital increase up to a maximum value of authorized registered capital of Lei 3,015,427,983 lei, according to the note forwarded to the shareholders in relation for this point of the agenda (item 4 of EGMS agenda from January 4, 2019).

Appraisal mission lead by the World Association of Nuclear Operators “WANO”

By the Current Report published on January 30, 2019, S.N. Nuclearelectrica S.A. is notifying the shareholders and investors on the appraisal mission lead by the World Association of Nuclear Operators “WANO” between 5 – 12 November, 2018. This appraisal, carried out at the request of S.N. Nuclearelectrica S.A., by a team of 25 international experts sent by nuclear power plants from all over the world, concluded that the level of nuclear security at CNE Cernavoda is high.

Approval of regulated prices and quantities for the period March 1, 2019 – December 31, 2019

By the Current Report published on February 27th, 2019, S.N. Nuclearelectrica S.A. informs the shareholders and the investors about the Decision of the National Energy Regulatory Authority no. 326 / 25.02.2019, according to which S.N. Nuclearelectrica S.A. has the obligation to sell 1,377,328,968 MWh on the regulated market between March 1st, 2019 - December 31st, 2019 (March - April 2019, and July - December 2019, respectively), representing 13.4% of the total production schedules for 2019 at the regulated price of RON 188.33 / MWh. This regulated price does not include the electricity transmission fee, in the amount of RON 1.18 / MWh (according to the Order of the National Regulatory Authority for Energy No. 108 / 20.06.2018).

8. INDIVIDUAL FINANCIAL STATEMENTS AS AT 31.12.2018

The individual financial statements are attached. Extracts containing the main elements are presented below.

Financial position statement

Indicator [thousand lei]	2018 (audited)	2017 (audited; restated)
Fixed assets	6,671,436	7,004,655
Current assets	2,194,769	2,239,865
Total assets	8,866,205	9,244,520
Equity	7,179,131	7,484,117
Total liability, out of which:	1,687,074	1,760,403
Long-term liability	1,122,870	1,308,219
Short-term liability	564,204	452,184
Total Equity and Liability	8,866,205	9,244,520

Profit and loss account and comprehensive result

Indicator [thousand lei]	2018 (audited)	2017 (audited; restated)
Operating revenues	2,178,874	1,932,901
Operating expenses	(1,642,334)	(1,554,908)
Operating profit	536,540	377,993
Financial revenues	94,939	75,654
Financial expenses	(58,856)	(94,102)
Net financial revenues/(expenses)	36,083	(18,448)
Profit before income tax	572,623	359,545
Net income tax expense	(162,012)	(53,002)
Profit of the fiscal year	410,611	306,543
Comprehensive income	41,202	704
Comprehensive income	451,813	307,247
Basic earnings per share (Ron/share)	1.36	1.02
Diluted earnings per share (Ron/share)	1.36	1.02

Cash flow statement

Indicator [thousand lei]	2018 (audited)	2017 (audited, restated)
Profit before income tax	572,623	359,545
Value adjustments and modifications	526,784	585,505
Cash flow related to operational activities	1,099,407	945,050
Net cash flow from operating activities	1,022,987	884,846
Cash flow used in investing activities	(162,860)	(198,201)
Cash flow from financing activities	(962,300)	(432,958)
Net (decrease)/increase in cash and cash equivalents	(102,173)	253,687
Cash and cash equivalents at the beginning of the period	1,713,350	1,459,663
Cash and cash equivalents at the end of the period	1,611,177	1,713,350

9. CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2018

The consolidated financial statements are attached. Extracts containing the main elements are presented below.

Financial position statement

Indicator [thousand lei]	2018 (audited)	2017 (audited; restated)
Fixed assets	6,673,099	7,004,618
Current assets	2,193,166	2,239,856
Total assets	8,866,265	9,244,474
Equity	7,178,990	7,484,022
Total liability, out of which:	1,687,275	1,760,452
Long-term liability	1,122,871	1,308,219
Short-term liability	564,404	452,233
Total Equity and Liability	8,866,265	9,244,474

Profit and loss account and comprehensive result

Indicator [thousand lei]	2018 (audited)	2017 (audited; restated)
Operating revenues	2,178,863	1,932,904
Operating expenses	(1,642,333)	(1,554,912)
Operating profit	536,530	377,992
Financial revenues	94,905	75,652
Financial expenses	(58,857)	(94,104)
Net financial revenues/(expenses)	36,048	(18,452)
Profit before income tax	572,578	359,540
Net income tax expense	(162,012)	(53,002)
Profit of the fiscal year	410,566	306,538
Comprehensive income	41,202	704
Comprehensive income	451,768	307,242
Basic earnings per share (Ron/share)	1.36	1.02
Diluted earnings per share (Ron/share)	1.36	1.02

Cash flow statement

Indicator [thousand lei]	2018 (audited)	2017 (audited; restated)
Profit before income tax	572,578	359,540
Value adjustments and modifications	527,735	594,616
Cash flows generated from operating activities	1,100,313	954,156
Net cash flow from operating activities	1,023,858	893,951
Cash flow used in investing activities	(163,433)	(207,308)
Cash flow from financing activities	(962,300)	(432,958)
Net (decrease)/increase in cash and cash equivalents	(101,875)	253,685
Cash and cash equivalents at the beginning of the period	1,713,834	1,460,149
Cash and cash equivalents at the end of the period	1,611,959	1,713,834

10. CORPORATE GOVERNANCE DECLARATION

10.1. IMPLEMENTATION OF THE CORPORATE GOVERNANCE PRINCIPLES

In 2018, SNN continued the implementation of the corporate governance best practices in order to align its internal practices so as they would fully qualitatively comply with the new requirements related to the capacity of a company approved for trading at BSE.

Implementation of the corporate governance rules provides a transparent decisional process, based on clear and objective rules mean to lead to an increase of the trust level of the shareholders in the company. SNN provides a special importance to corporate governance, analyzing the compliance level with the provisions of the new Corporate Governance Code issued by Bucharest BSE effective as at January 4th, 2016. SNN issued a current report at the beginning of 2016 regarding the application of the code's provisions within its activity, identifying those provisions ongoing to be implemented and for which the necessary actions were performed in 2017. Annex 7 to this Report presents the stage of the up-to-date implementation of the Corporate Governance Code of the Bucharest BSE on the level of 2018.

For the activity of investor relation and for the degree of transparency, accuracy and completeness of information and the accessibility of the Nuclearelectrica site, the company received grade 10/10 from BSE in the White Charter of Listed Companies, which assessed 85 issuers on the capital market of Romania.

The Corporate Governance Rules of SNN (available on the Company's website), provides the support integrated management in the optimum relationship of issuer- shareholders/ investors/analysts by non-discriminating compliance of their rights, establishing a balance between management, leadership and assumed performance objectives, on one hand, and the control, namely, the evaluation of the efficiency and performance, the adequate administration of real and potential risks, the careful oversight of the observance of the regulations in force, on the other hand.

In order to implement the corporate governance principles, SNN implemented a series of corporate governance actions in 2018 which mainly focused on:

- ❖ The payment of the dividends related to financial year 2017 and the additional dividends granted in virtue of the provisions of art. II and Art. III of Government Emergency Ordinance no. 29/2017 was carried out in compliance with the legislation in force applicable to issuers, without incidents, according to a transparent procedure and related documents published on the Company's webpage, within a dedicated section.

- ❖ According to the provisions of the ASF Regulation no. 5/2018, SNN sent current reports to BSE and ASF. SNN reported the legal documents with directors, employees, controlling shareholders, and with the persons with whom they operate in a concerted manner, whose cumulated value represents at least the equivalent value in lei of 50,000 euros (art. 82 of Law 24/2017). The disseminated current reports are uploaded on the website of SNN and contain the following information : the parties of the agreement, the conclusion date and nature of the legal document, the description of the object, the total value of the legal document, mutual receivables, warranties, penalties, due dates and payment methods.

- ❖ SNN sends current reports to BSE and ASF for the information of the shareholders regarding any event which modified the patrimony of the Company or the financial statements, in compliance with the due dates provided in the legislation applicable to issuers of securities with shares accepted for trading on the regulated market.

- ❖ SNN published and will continue to publish on its webpage quarterly, half-yearly and annual reports both in English and in Romanian, informing the Bucharest Stock Exchange as well.

- ❖ The representatives of the SNN managers participated in 2018 in 4 events dedicated to the investor relation (business to business) organized by Woods&Co, BSE, FP within which they directly interacted with the investors, on top management level.

- ❖ SNN organized 4 teleconferences and a "face to face" meeting with the investors for presenting the financial results, according to the financial calendar posted at the beginning of the year.

Within SNN operates a department dedicated to the investor relation – Department of Communication and Investor Relation, which role is represented by the implementation and monitoring of corporate governance standards at the Company's level, notifying the shareholders and investors according to the legal provisions, proactive communication focused on the target group, on the notification needs of the investors and on the analysis of the market trends.

❖ Measures taken towards ensuring transparency, namely:

- A dedicated section for investor relation of the website of the Company;
- On SNN's website, in the Investor Relation section, there is a dedicated subsection for the General Meetings of Shareholders, where SNN publishes convening notices and documents related to each GMS, GMS resolution projects, special power of attorney and correspondence voting ballots, for legal entities, as well as for natural persons, the resolutions of the GMS and the result of the votes. Also, SNN publishes on its website information materials dedicated to the shareholders;
- The SNN site also offers several instruments regarding the calculation of investments, graphs, trading summary;
- The publication of the resolutions of the general meetings of shareholders, within 24 hours since the date of the meeting on the website of the Company;
- The section dedicated to Investor Relation on the website of the company contains the main corporate regulations existing on Company level, bilingual: Articles of Incorporation, the Corporate Governance Regulation that contains the reference terms of the Board of Directors, the Regulations of the consultative committees, the Organization Regulation and the Regulation for the GMS Meetings;
- Communication of current and periodical financial reports (quarterly, bi-annual and annual) to the BSE and ASF and posting them on the Company's website, accompanied by the Reports of the relevant auditor;
- Submitting updated information regarding the members of the BoD: members CV-s, other professional commitments of the BoD members, including executive and non-executive positions in the BoDs of other companies or non-profit institutions, status of independent members, as the case may be;
- The presentations performed by SNN for investors during the main financial events of the company and the audio file, according to the financial calendar, are posted on the Company website, including the audio files of the recordings;
- The graphic of the stock exchange evolution of the SNN share price.

❖ SNN adopted an internal policy regarding the legal conditions applicable to confidential information, the legal provisions and the sanctions that can be applied in case of the inadequate/abusive use and in case of the inadequate circulation/unauthorized disclosure of confidential information, and updated the lists of persons with access to confidential information with permanent and temporary access.

❖ At the level of the company, an internal procedure regarding the elaboration, signing and dissemination of the current report to BSE and the Financial Supervisory Authority was established. Up to present, the reporting due dates were not exceeded.

❖ All the conditions have been met for the shareholders to exercise their voting rights through correspondence or electronic means, before the date of the meeting, in compliance with the provisions of art. 45 par. 6 of Government Emergency Ordinance no. 109/2011. Thus, the Regulation for the organization and unfolding of the General Meetings of Shareholders provides "the correspondence vote" as a method to exercise one's voting rights, with strict and precise rules on this matter.

The responsible person for Investor Relation within SNN is Valentina Dinu.

Manager of the Department of Communication and Investor Relation

Contact data:

E-mail: vdinu@nuclearelectrica.ro

Telephone: 021.203.82.77

Fax: 021.316.94.00

10.2. THE GENERAL MEETING OF SHAREHOLDERS

The corporate bodies of SNN, a company managed in a unitary system, are structured as follows: General Meeting of Shareholders, the highest decision forum of the Company, and the Board of Directors.

The General Meeting of Shareholders (GMS)

The General Meeting of Shareholders is the main corporate governance body of the company, which decides on the economic and business policy and activity of the company. SNN has established and implemented solid internal procedures governing the organization and development of GMS, as well as rules governing the latter's legal and statutory activity, in accordance with the Articles of Incorporation and the applicable laws. In terms of its structure, depending on the items which require the approval of the shareholders, the General Meeting of Shareholders may be ordinary or extraordinary.

The Ordinary General Meeting of Shareholders (OGMS)

The main responsibilities of the Ordinary General Meeting of Shareholders (OGMS) are:

- Discusses, approved and changes the annual financial statements of the basis of the reports presented by the Board of Directors and financial auditor;
- Establishes the distribution of the net profit and the value of the dividend;
- Elects and revokes members of the Board of Directors;

- Appoints and dismisses the financial auditor and established the minimal duration of the financial audit contract;
- Establishes the general limits of the Chief Executive Officer and Managers remuneration;
- Establishes the remuneration of the members of the Board of Directors, as well as the terms and conditions of the mandate contract concluded with the members of the Board of Directors;
- Decides upon the administration of the Board members
- Approves the strategy and the development policies of the Company;
- Establishes the annual revenues and expenditures budget for the next financial year;
- Decides upon the mortgage, renting and constituting as real estate guarantees the assets of the Company;
- Approves the reports of the Board of Directors regarding its activity;
- Decides in any aspect related to the Company, in compliance with its legal attributions, under the condition that the matters fall under the competence of the General Meeting of Shareholders;
- Analyzes and solves other issues submitted by the Board of Directors.

The Extraordinary General Meeting of Shareholders (EGMS)

The main responsibilities of the Extraordinary General Meeting of Shareholders (EGMS) are:

- Approves the change of the company's legal condition;
- Approves the change of the company's headquarters location;
- Approves the change of the company's object of activity;
- Approves the establishment or dissolution of secondary headquarters: subsidiaries, agencies, offices and other units without legal entity;
- Approves share capital increase, reduction and consolidation through the issue of shares;
- Approves merger with other companies and division of the Company;
- Approves anticipated dissolution of the Company;
- Approves the issuance of shares;
- Approves the conversion of shares from one category to another;
- Approves the conversion of a category of bonds into another or to shares;
- Authorizes the acquisition by the company of its own shares, and establishes the means of obtaining the maximum number of shares to be acquired, their minimum and maximum equivalent amount and operation period, in compliance with the law; it also establishes the method of alienation of own shares acquired by the company;
- Approves the acquisition, sell, exchange and pledge as guarantee assets of the Company from the „non-current assets” category, the value of which exceeds, separately and cumulated, 20% of the total non-current asset of the Company, less receivables for a financial year;
- Approves the renting of tangible assets, for a period greater than a year, if the separate or cumulated value for the sale contractor or implicated parties who act together exceeds 20% of the

total tangible assets, less receivables at the date of conclusion of the legal document, as well as the associations for a period larger than one year, exceeding the same value;

- Approves any amendment to the Articles of Incorporation and any other resolution for which the approval of the Extraordinary General Meeting of Shareholders is required;
- Approves the mandate of Nuclearelectrica's representatives in the General Meeting of Shareholders for:

- Changing the share capital of S.C Energonuclear S.A;
- Changing the participation rate of SNN to the share capital of S.C Energonuclear S.A;
- Dissolution and liquidation of S.C Energonuclear S.A.;
- Any investment by S.C Energonuclear S.A exceeding 50,000,000 EUR (fifty million EUR) for a single transaction and/or exceeding 50,000,000 EUR (fifty million EUR) cumulated with other transactions in any financial year;
- The conclusion by S.C Energonuclear S.A of any contract involving expenses or assuming any important obligations by S.C Energonuclear S.A exceeding 50,000,000 euros (fifty million EUR), individually or cumulated, in a single financial year;
- Any actual or proposed sale, any other transfer or any assets or rights of S.C Energonuclear S.A, any actual or proposed acquisition of assets or rights by S.C Energonuclear S.A exceeding the cumulated amount of 50,000,000 EUR (fifty million EUR);
- Contracting, by S.C Energonuclear S.A., of any types of loans or debts or obligations of loan types with a value exceeding 50,000,000 EUR (fifty million EUR).

In addition to the above mentioned responsibilities established by the Law, the Extraordinary General Meeting of Shareholders decides on the following matters:

- Conclusion by the Company of any contract, obligation or engagement that might involve expenses or assumption of any important obligation by the Company, as per the competence limits provided in the Addendum 1 to the Articles of Incorporation;
- Engagement by the Company of any type of loans, debts or obligations as per the competence limits provided in Addendum 1 to the Articles of Incorporation;
- Establishment or participation to the establishment of companies or conclusion by the Company of any type of association, including joint ventures.

Quorum and majority requirements

The quorum shall be checked by the meeting president regarding each decision in part, prior to voting the respective decision.

(a) OGMS

For the first convocation of the meeting, requirements shall be met provided that the shareholders, representing at least 1/4 of the company's share capital, are attending the meeting or are represented. The resolutions can be validly adopted only when the shareholders representing the majority of the cast votes are voting "for". For the second convocation, the meeting can validly adopt resolutions regardless of the attending number of shareholders, simply through the vote cast by the shareholders representing the majority of the cast votes.

(b) EGMS

For the first convocation of the meeting, the quorum requirements shall be met provided that the shareholders, representing at least 1/4 of the company's share capital, are attending the meeting. Resolutions can be validly adopted only with the majority of the votes held by the present or represented shareholders. For the second convocation, the meeting can validly adopt resolutions included on the agenda of the first meeting convocation provided that the shareholders, representing at least 1/5 of the company's share capital, are attending the meeting or are represented.

The resolutions meant to amend the main object of activity of the company, the resolutions meant to increase or reduce the capital, to change of legal form of the company, or referring to mergers, division or dissolution of the company shall be adopted by a majority of at least 2/3 of the voting rights held by the shareholders or their proper representatives attending the meeting.

GMS convening process

The General Meeting of Shareholders is convened by the Board of Directors. The General Meeting of Shareholders, either ordinary or extraordinary, will be convened when needed, in compliance with the legal requirements and the provisions of the articles of incorporation, by publishing the convening notice in the Official Gazette of Romania, Part IV and in a national newspaper or a local newspaper from the location of the Company's headquarters with at least 30 days before the established date, as well as on the Company's website. All information will be disseminated both in Romanian and in English.

The General Meeting of Shareholders may be convoked in the following situations:

- (i) As a result of the resolution of the SNN's Board of Directors, of the President of the Board of Directors or of one of its members, based on the power of attorney given by the President;
- (ii) As a result of the request of a shareholder or of some shareholders who individually or jointly hold 5% of the share capital, if the request contains dispositions included in the meeting's responsibilities/functions.

The Ordinary General Meetings of Shareholders are held at least once a year, within maximum 4 (four) months after the end of the financial year, for the examination of the previous year's financial statements and for establishing the activity program and the budget for the current year.

The meeting cannot be appointed earlier than thirty days after the publication of the convening notice in the Official Gazette of Romania, Part IV.

According to the applicable provisions (Law no. 31/1990, GEO no. 109/2011, Regulation no. 5/2018) and the provisions of the Articles of Incorporation, the GMS Summons comprises at least the following information:

- Name of the issuer;
- Date, starting hour and location for the first and the second convening notice of the GMS;
- The proposed agenda, with the explicit mention of all the issues under debate in the meeting;
- The clear and precise description of the procedures that must be respected by the shareholders in order to participate and vote within the general meeting, with regards to:
 - The right of one or more shareholders representing separately or jointly at least 5% of the share capital of the Company, to introduce items on the agenda (accompanied by a justification), within at least 15 days since the publication of the convening notice and to present resolution proposals for the items included or proposed for inclusion on the agenda of the meeting. The amended convening notice with the items proposed by the shareholders must be published with at least 10 days before the General Meeting of Shareholders, at the date mentioned in the initial convening notice.
 - The exact specification of the fact that the voting right can be exercised directly, through representative, or through correspondence and the respective conditions for each method. When exercising the vote by proxy (representation), the fact that for this type the (special and general) mandating forms must be used will be taken into consideration. Access to the special/general powers of attorney for the GMS, the due date and the address where they must be sent, as well as the requirements for the company to accept the electronic notification regarding the empowerment of representatives Procedures that allow the vote by correspondence.
- The reference date, as well as the information that only the persons who are shareholders at the reference date, have the right to attend and to vote within the general meeting;
- The deadline until which candidates may be proposed for administrators positions, in case the agenda includes the election of administrators. The convening notice will mention that the list with

the information regarding the names, residence and professional qualification of the persons proposed for the position of member of the Board of Directors is available to the shareholders and can be consulted and amended by the shareholders;

- The address where the shareholders may obtain the full text of the documents and the resolution proposals, other information regarding the items on the agenda of the general meeting and the date at which the information will be available, as well as the respective procedure;
- When the agenda includes modifications to the Articles of Incorporation, the convening notice must include the text of the proposals;
- The webpage address of the Company;
- The proposal regarding the registration date;
- the proposal regarding the ex date and payment date, if applicable;
- The exact specification of the fact that the voting right can be exercised directly, by a representative according to a special or general power of attorney or by correspondence and the conditions under which they are exercised;
- The dissemination method of the ballot for vote through correspondence and the special power of attorney for representation within the GMS, as well as the date of their availability;
- The due date and address where the special powers of attorney, the correspondence ballots and the mandates of the shareholders must be sent;
- The indication of the exact address where the special powers of attorney and the correspondence ballots must be sent;
- The fact that the significant shareholders are entitled to opt for the application of the cumulative vote for electing the members of the Board of Directors, if the matter is on the agenda of GMS according to the provisions of art. 84 of Law no. 24/2017.

The convening notice, other points added to the agenda of the meeting as per the request of shareholders, the financial statements, the annual report as well as the proposal regarding the distribution of profits are made available to the shareholders at the company's headquarters, at the date of the convocation of the GMS and are published on the company's website, for the information of the shareholders. By requests, copies of these documents are made available to the shareholders.

The shareholders representing separately or together at least 5% of the share capital may request the introduction of new items on the agenda and may present resolution proposals for the items on the agenda, by means of a request addressed to the Board of Directors, no later than 15 days before the publication of the convening notice. The amended agenda with the items introduced by the shareholders must be published with at least 10 days before the general shareholders meeting, at the date mentioned in the convening notice.

Each shareholder may address the BoD questions in writing for the points registered on the GMS agenda, before the date of the GMS, following to receive an answer during the Meeting. The Company undertakes to respond to questions addressed by the shareholders. The Company may draft a general answer for the questions with the same content. It is considered a given answer is the information requested is published on the company's webpage www.nuclearelectrica.ro as question - response.

In compliance with the capital market regulations, the resolution projects subjected to the approval of the GMS, as well as the other supporting documents must be published on the webpage of the Company.

GMS organization procedure

SNN has established and implements internal rules for the organization and carrying out of the GMSs, which require specific competence and responsibilities for various organization structures and departments of the company within GMS organization. These regulations are intended to regulate the entire internal stream of documents and information, procedures and logistics as well as the external process which consists in properly informing the company's shareholders about the aspects related to the convoked meetings.

The shareholders may participate and vote in the General Meeting of Shareholders by representation according to a special or general power of attorney for that specific General Meeting of Shareholders or for a period not exceeding 3 years. The proxy cannot be substituted by another person. In case the empowered person is a legal entity, it can exercise its mandate through any person member of the administration or management of the company or its employees.

The legal persons may be represented by their legal representatives who, in their turn, may give a power of attorney to other persons for that specific General Meeting of Shareholders. When the State is involved, the proper Minister may designate their permanent representatives in the General Meeting of Shareholders, in compliance with the above mentioned legal requirements and conditions.

In addition to the organization regulation of the GMSs, SNN fully complies with the laws regulating and governing the organization process of GMS of the listed companies.

Within 24 hours after the date when the GMS took place, the company draws up a current report in which it will briefly present how the GMS is organized and the resolutions adopted. The report will be disseminated to the capital market institutions, namely the BSE, and will be published on the company's website.

Shares and shareholders' rights

The Company's shares are nominative, of equal values and are issued in a dematerialized form, by registration in the account and equal rights are provided to their holders.

Each subscribed and paid share provides equal right and confers them the right to vote in the GMS, the right to elect and be elected in the leadership, the right to attend the profit distribution, according to the provisions of the Articles of Incorporation and legal provisions, as well as other rights provided in the Articles of Incorporation and applicable legal provisions.

The shares issued under dematerialized form are traded on a regulated market, according to the law of the capital market. The rights and obligations of shares follow the actions in case of their passing under other persons' ownership. Shareholders have the right to correct and completely inform the GMS on the Company's situation. In case of issuing new shares, the existent shareholders have a preference right on the registration, according to the law, proportionally with the share percentage owned by the Company.

The SNN shareholders may exert the right to vote as follows:

1. Direct vote - personally, within GMS;
2. Vote by representative with special or general power of attorney;
3. Vote through correspondence.

All financial instruments holders issued by SNN from the same type and class of titles benefit from equal treatment, and the Company permanently makes sustained efforts to perform an effective, active and transparent communication in order to perform the right in an equitable manner.

10.3. THE MANAGEMENT OF THE COMPANY

10.3.1. Board of Directors

Structure. Appointment of members. Eligibility criteria

The executive body of the company is the Board of Directors and consists of 7 members, non-executive.

Following the termination of the provisional 4-month mandate, according to GEO no. 109 / 2011, by OGMS Resolution no. 5/25.04.2018, the General Meeting of Shareholders approved the extension of the mandate by two months starting with 29.04.2018 for the provisional members of the Board of Directors with initial mandates of 4 months: Iulian - Robert Tudorache, Cristian Gentea, Dragos Ionut Banescu, Cristian Dima, Mihai Anitei, Marcu Mirel Alexandru, Elena Popescu.

By the OGMS Resolution no. 6/28.06.2018, the aforementioned members of the Board of Directors were revoked given the expiry of their mandate on 29.06.2018 and were appointed as provisional members for a 4-month mandate as at 30.06.2018.

By the OGMS Resolution no. 12 / 28.09.2018, following the completion of the selection procedure according to the provisions of GEO 109/2011, the following persons were elected by the cumulative vote method: Dima Cristian, Iulian_Robert Tudorache, Elena Popescu, Vulpescu Dumitru Remus, Cristian Gentea, Cosmin Ghita and Anita Mihai Daniel, for a 4-year mandate.

Also, Marcu Mirel Alexandru and Banescu Dragos Ionut were revoked.

Considering the fact that the members of the Board of Directors were appointed for temporary mandates until 28.09.2018, in the interim period, according to the legal provisions, the Board of Directors did not submit to the approval of GMS an administration plan and was only paid a fixed component, in the absence of the indicators derived from the administration plan. An administration plan that shall also include the management and derived performance indicators components is to be adopted after the completion of the procedure for selecting the executive managers for a 4-year mandate according to GEO no. 109/2011.

The President of the Board is elected by the Board of Directors from among its members, in the person of Mr Iulian-Robert Tudorache. The President of the Board is appointed for a period that may not exceed the duration of his/her mandate/term as administrator/director and can be dismissed any time by the Board of Directors.

The directors/administrators can be dismissed anytime by the Ordinary General Meeting of Shareholders. Each director/administrator has expressly accepted to fulfil the mandate. The company is obligated to conclude a D&O type insurance. During the mandate fulfillment, the directors/administrators may not conclude an employment contract with the company.

The members of the Board of Directors are obliged to exercise their mandate with prudence and diligence of a good administrator, with loyalty, on behalf of, and to the benefit of the company, and are not allowed to disclose confidential information and business secrets of the company.

Also, the Board of Directors members undertake to provide the avoidance of a direct or indirect conflict of interests with the Company, and in case such conflict occurs, to refrain from discussion and vote on the respective matters, according to the current legal provisions

As at 31.12.2018, the directors of the Company are as follows:

First name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of mandate expiration
Iulian - Robert Tudorache	44 years old	Attorney-at-law	18 years old	Chairman of the Board of Directors (non-executive member)	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
Cristian Gentea	56 years old	Physician engineer	31 years old	Non-executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022

First name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of mandate expiration
Elena Popescu	59 years old	Nuclear station engineer	35 years old	Non-executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
Cristian Dima	51 years old	Economist	27 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
Mihai Daniel Anitei	49 years old	Mechanical engineer	22 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
Cosmin Ghita	29 years old	Economist	10 years	Executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
Remus Vulpescu	47 years old	Legal Adviser	25 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
					28.12.2017 (temporary mandate according to OGSM Resolution	28.04.2018

First name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of mandate expiration
					10/20.12.2017)	

The members of the Board of Directors are appointed by the shareholders, during the Ordinary Meetings of the Shareholders. The company has no knowledge of any agreement, understanding or family connections between the administrators and/or other persons, due to whom the respective administrator was appointed.

Information regarding other professional commitments and obligations relatively permanent of the BoD members

surname	Company	Position	Period	Current position (Yes/No)
Iulian-Robert Tudorache	Ministry of Energy	State Secretary	December 2017 – Present	Yes
	Arges Bar	Attorney-at-law	2015 - January 2017	No
	Ministry of Energy, Small and Medium Enterprises and Business Environment	Minister's Personal Adviser	January 2015 - November 2015	No
	Arges Bar	Attorney-at-law	2008 - 2015	No
Cosmin Ghita	N/A	N/A	N/A	N/A
Cristian Gentea	Autonomous Administration of Technologies for Nuclear Energy	Chief Executive Officer	1987 - Present	Yes
	Autonomous Administration of Technologies for Nuclear Energy - Institute for Nuclear Research Pitesti	Nuclear Security Deputy Manager	June 2012 – Present time	No
Cristian Dima	Convert Leasing IFN S.A.	Chairman of the Board of Directors	2008 - Present	Yes
	Ministry of Business Environment, Trade and Entrepreneurship	State Secretary	January 2017 - April 2017	No
	City Hall of Galati	Local adviser	June 2016 – January 2017	No
	Hospital of Obstetrics and Gynecology «Buna Vestire» of Galati	Member of the Board of Directors	June 2016 – January 2017	No
	Ministry of Environment, Waters and Forests	Adviser on matters of environment and aquaculture	May 2015 – November 2015	No
	City Hall of Galati	Local adviser	2012 - 2016	No

surname	Company	Position	Period	Current position (Yes/No)
	Andreiana Juventus Foundation	Vice President - Managing Committee	2012 - January 2017	No
Elena Popescu	Ministry of Energy	Chief Executive Officer - General Division of Energy Policies	September 2013 – Present	Yes
	Ministry of Energy	Adviser in the field of nuclear energy and European affairs	February 2013 – September 2013	No
	Energionuclear S.A.	Chairman of the Board of Directors	2013 - Present	Yes
	Permanent Agency of Romania to the European Union	Adviser for the nuclear field and international relations in energy	August 2007 – February 2012	No
Remus Vulpescu	Romaero S.A.	Chief Executive Officer and member of the Board of Directors	2016 – Present time	Yes
	Cupru Min S.A. Abrud	Member of the Board of Directors	2016 – present	Yes
	Fortus S.A. Iasi	Special Administrator (insolvency procedure)	2015 - present	Yes
Mihai Daniel Anitei	Azomures	Chief Executive Officer	June 2012 – Present time	Yes
	Agriculture Committee of Fertilizers Europe	President	September 2012 – Present	Yes
	Ameropa Grains	BoD Member	2016 – Present time	Yes
	Chimpex	BoD Member	2016 – Present time	Yes
	Oil Terminal	BoD Member	2016 – Present time	Yes

According to criteria provided at point A4 of the Corporate Governance Code of BSE, the members of the Board of Directors with contractual relations with a shareholder owning over 10% of the voting rights, as at January 1, 2016 are: Iulian-Robert Tudorache (State Secretary within the Energy Ministry), Elena Popescu (Chief Executive Officer, General Division of Energy Policies within the Ministry of Energy), Cristian Gentea (Chief Executive Officer of the Administration of Technologies for Nuclear Energy, an entity 100% owned by the Romanian State, a majority shareholder of SNN).

As at 31.12.2018, the members of the Board of Directors have no shares in SNN.

The main responsibilities of the Board of Directors

The main objectives of the Board of Directors appointed for a 4-year mandate, as at 28.09.2018.

Regarding the operation of the nuclear units in safe conditions and nuclear security for the staff, population, environment and production assets:

- Maintaining a degree of maximum availability of technological systems and with security features
- Improving/maintaining the high level of professional training for the staff operating the two nuclear units
- Maintaining the volume of radioactivity releases in water and air below the regulated level
- Maintaining memberships within international organizations in the nuclear energy industry and, if applicable, affiliation to other organizations
- Ensuring the oversight function

In order to maintain the power production capacity above the average level in industry:

- Performing the maintenance and repair plans in order to increase the reliability of equipment and systems and the operation of nuclear units under safe and secure conditions
- Running lifetime management programs for the Cernavoda NPP components and systems (reactor, steam generator, turbo-generator etc.)
- Continuing the programs for the replacement of worn and obsolete components and equipment
- Performing, on time and under conditions of maximum quality, the mandatory annual inspection programs of the vital nuclear components (fuel channels, heat exchangers, etc.)
- Maintaining the over-average power utilization rate in the nuclear industry
- Implementing the strategy for diversifying sources of raw material supply needed to produce nuclear fuel

As regards the fulfillment of the major investment objectives, the following major priority projects have been identified.

- Extending the number of hours of operation of Unit 1, i.e. developing supporting documentation (studies, nuclear safety analyzes and tests) to demonstrate Unit 1 capability to operate at rated power over the 210,000-hour threshold foreseen in the initial design. Estimated budget (2019-2022): 42 million RON.
- Unit 1 Refurbishment Project: running activities regarding:
 - i) the establishment of the volume of works on the basis of the technical status evaluation of the structures, systems and components of Unit 1;

- ii) the selection of engineering support services for the beneficiary;
- iii) the identification of the storage and management solutions for the radioactive waste generated during the refurbishment period and the infrastructure necessary to run the Refurbishment project;
- iv) the elaboration of the feasibility study. Estimated budget (2019-2022): 165 million RON.

- The Intermediary Burnt Fuel Warehouse Project (DICA). The implementation of the measures foreseen in the Long-term revised strategy for the development of the Intermediate Spent Fuel Storage Facility (DICA) and authorization for the extension of the lifetime of Units 1 and 2 harmonized with CNCAN's observations, and those of the Ministry of Environment and Climate Change, respectively, approved by the shareholders of SNN through the Decision no. 8/28.09.2017 of the Ordinary General Meeting of Shareholders. Estimated budget (2019-2022): 50 Million RON.
- Project of Units 3 and 4 of NPP Cernavoda: running the pre-project activities (rechecking the feasibility, evaluating the assets, decision-making on IPC contracting, obtaining authorizations and approvals needed to start work, including support measures and final investment decision). Estimated budget (SNN cash contribution related to the 49% stake in the project company) 2019-2023: 74 million RON.
- Tritium Removal Facility NPP Cernavoda Project: running the activities leading to the implementation of the project (selection of support services for the beneficiary, selecting the IPC contractor, obtaining the approvals and authorizations, structuring the financing, etc.). The total cost of the investment under the Feasibility Study is 896 million RON, and the project will be implemented by the end of 2026.

At the same time, the implementation of some investment projects representing modernization / rehabilitation/reliability improvements of the productive assets with an annual budget effort estimated at 90 million lei.

In order to meet the major investment objectives, it is necessary to adopt the following measures:

- Establishing and monitoring an investment strategy within SNN, in order to provide the support required for the operation of the production units under conditions of nuclear safety and security
- Establishing a long-term priority order in a realistic manner, correlated with SNN's ability to allocate the technical, human and financial resources required for the projects mentioned
- Conducting the necessary feasibility studies and commencing the works for the major investment objectives
- Ensuring the conditions and the specialized personnel for completing the negotiations on the Investment Documents regarding the development, construction, operation and decommissioning of Units 3 and 4 of Cernavoda NPP

Regarding the power trading strategy:

- Long time advance contracting to ensure company revenue stability and to lower the risk of electricity price volatility
- Getting a sale price of more than 180 RON/ MWh for the entire 2018-2022 period

Regarding the improvement of the financial performance indicators of the Company and the fulfillment of the three financial indicators mentioned in the contract with Euratom we are considering:

- Maximizing the use of the company's capabilities with a direct effect in obtaining adequate cost structures, while observing the nuclear safety culture
- Strengthening the operational cash flows of the company to ensure liquidity needs for current investment projects and to increase the bankability of major investment projects run by SNN
- Ensuring liquidity requirements for payment of outstanding installments on contracted loans
- Strengthening the self-financing capacity of the activity (CAF) while observing the nuclear safety standards

With regard to maintaining a foreseeable / predictable dividend policy of the company:

- Maintaining a dividend rate of at least 60% of the profit after the deduction of the profit tax

Regarding the optimization and streamlining of the organizational structure of the Company:

- Optimization envisages the implementation of an organizational structure that allows the company's capabilities to be maximized as a fundamental element of sustainability of the competitive advantages
- Creating an internal resource allocation system to maximize and streamline direct-effect uses to achieve cost-effective structures,
- Amid the consolidation of the nuclear safety culture, we plan on implementing an organizational structure based on clearly defined roles, eliminating inadequate redundancy of roles, cascading goals, aligning skills with today's changing demands, based on good corporate governance rules, with a fluent vertical and horizontal communication system.
- Aligning the organizational structure with the other 3 dimensions of the organization: human resource, process system and technology.

Regarding the observance of the principles of corporate governance and the code of ethics and integrity:

- Compliance with all legal provisions and recommendations of the Romanian capital market institutions regarding the principles of corporate governance

- Performing a regular benchmarking with entities at international level and adopting international best practices
- 0 tolerance to deviations in the SNN code of ethics

Regarding responsible and active involvement in corporate social responsibility actions:

- Involvement in social responsibility actions at local and national level in the following fields: education and research, humanitarian and cultural fields.

In terms of maintaining / attracting highly qualified staff, in the context of a specialized labor market:

- Adopting a strategy for attracting, training and retaining human resources.
- Implementing cooperation programs with the Polytechnic University of Bucharest and technical faculties at national level, especially in SNN operating areas, adapted to the medium- and long-term personnel needs of SNN in order to grant scholarships
- Implementing national and local information campaigns in high schools to attract young people both for enrolling them in faculties (major in energy) and for attracting vocational school graduates
- Developing traineeship programs for undergraduates and individual mentoring programs for young employees
- Adopting specific human resources measures to increase the level of satisfaction of highly qualified staff and its retention in conjunction with the current and long-term needs of SNN.
- Implementing a remuneration system based on individual performance by analyzing individual performance indicators

In order to develop / improve reporting, control and risk management capabilities, paying increased attention to investor relations, SNN aims at:

- Integrating / correlating corporate risk management processes and mechanisms (other than operational approached by regulatory, standard and practices of the nuclear industry) with the processes and mechanisms for managing the risks associated with the operation of the nuclear power plant in order to ensure an adequate approach to the risks faced by the organization, in the sense of completeness of their management,
- Revising, improving and/or developing (as the case may be) processes and instruments for the management of corporate risk and revising and / or recalibrating / adjusting risk management tools periodically (e.g. internal procedures, algorithms and models, assessment scales, risk profile, risk tolerance limit, operational and informational flows),
- Increasing the knowledge of the Company personnel regarding risk management especially by conducting qualification / training sessions for the personnel of the SNN Power Station, NPP Cernavoda and NFP Pitesti,

- Improving information flows to circulate information about risks within the organization, both in order to better manage them in locations where exposure exists, and to better apply the principle of making informed decisions in terms of risks (RIDM - Risk-Informed Decision Making,
- Develop an internal business continuity management (BCM) framework.

The Board of Directors appointed for temporary mandates, until 28.09.2018, did not adopt administration plans, and this was an obligation for the Boards of Directors appointed for 4 years according to the provisions of art. 30 of G.E.O. no. 109/2011.

The Board of Directors has the following responsibilities, that cannot be delegated to the Chief Executive Officer:

- Approval of the Company's main activity and development directions;
- Establishment of the accounting and financial audit system and approval of the financial planning;
- Appointment and revocation of the Managers, as well as the establishment of their remuneration;
- Oversight of the activity of the Chief Executive Officer and of the Managers;
- Preparation of the annual report, organization of the general meeting of shareholders and implementation of the GMS resolution;
- Filing the request for opening the insolvency procedure of the company, as per the Law 85/2006 regarding the insolvency procedure;
- Approval of changing the activity field of the company.

The Board of Directors has also the following responsibilities:

- Exercise control on the way the Chief Executive Officer and the other Managers govern the Company;
- Approves the revenues and expenses budget;
- Approves the management plan prepared by the Chief Executive Officer and/or other Directors;
- Verifies if the activity of the company is compliant with the Law, the Articles of Incorporation and any relevant resolution of the General Meeting of Shareholders;
- Presents to the General Meeting of Shareholders an annual activity report;
- Represents the company in relationship with the Chief Executive Officers and the appointed Managers;
- Checks and approves the quarterly, half-year and annual financial statements of the Company;
- Verifies and approves the Report of the Chief Executive Officer and the reports of the Managers;
- Proposes to the General Meeting of Shareholders the appointment and the revocation of the financial auditor, as well as the minimum duration of the audit contract;

- Approves the mandate contracts of the Chief Executive Officer and of the appointed Managers thus establishing the organization of the activity of the managers;
- Approves the empowered representatives to negotiate the collection work agreement with the unions and/or with the representatives of the employees as well as their negotiation mandate;
- Approves the Company's collective work agreement;
- n) Approves the Organization and Operation Regulations of the Board of Directors;
- Approves the activity programs (production, research– development, technological engineering, investment, etc);
- Approves the energy transactions strategy of the Company;
- Approves any transaction of the company with any of the companies with which it has close relations whose value is equal to or higher than 5% of the net assets of the company (according to the latest financial report) following a mandatory opinion of the Audit Committee of the Board and correctly disclosed to shareholders and potential investors, insofar as such transactions fall into the category of events which are subject to reporting requirements;
- Approves the conclusion of any contract/document which raises legal obligations for the Company (acts of acquisition, sell, exchange and pledge as guarantee non-current assets of the Company), the value of which does not exceed, separately and cumulated, during one financial year, 20% of the total non-current assets of the Company less receivables, in compliance with the competence limits provided in the Annexes to the Articles of Incorporation;
- Approves the renting of tangible assets, for a period greater than a year, with an individual and cumulated value for the same contractor or entity involved with the company, which does not exceed 20% of the total value of non-current assets, less receivables at the date of the legal document, as well as the associations for periods greater than 1 year, which do not exceed the same value;
- Approves the mandate of Nuclearelectrica's representatives in the General Meeting of Shareholders of S.C. Energonuclear S.A. for the decisions which fall under the competence of S.C. Energonuclear S.A. with the exception of those for which a resolution of the Company's General Meeting of Shareholders is necessary, in compliance with the provisions of the Articles of Incorporation.

The Board of Directors is responsible for the endorsement/approval of the contracts, credits and different operations at the level of the Company, in compliance with the competence limits provided by the Annexes to the Articles of Incorporation.

In 2018, the Board of Directors of SNN was summoned 45 times in order to take the necessary decisions for the management of the company according to the attributions established by the SNN Articles of Incorporation, by the Corporate Governance Regulation and by the Organization and Development Regulation of the BoD Meetings, 17 meetings took place with the members' attendance, 25 by electronic vote and 3 by teleconference.

Attendance of the members of the Board of Directors at the 17 attendance meetings, depending on the members' term, including revocation.

BoD members temporarily appointed in 2018	Number of meetings
Iulian-Robert Tudorache	14
Cristian Gentea	17
Cristian Dima	14
Mihai Anitei	10
Cosmin Ghita	7
Remus Vulpescu	5
Mirel Alexandru Marcu	7
Elena Popescu	14
Dragos Ionut Banescu	9

According to the provisions of the SNN Articles of Incorporation, the Corporate Governance Regulation and the Organization and Development Regulation of the BoD Meetings, the BoD members assigned representation mandates to other members of the BoD for the meetings they couldn't attend in person or over the phone, making sure they are represented and complying with the quorum requirements. The BoD meetings of SNN are valid according to the hereby majority of its members.

The BoD secretary on 31.12.2018 is Mrs. Saida Ismail, PR Specialist within SNN.

Remuneration of the Members of the Board of Directors

According to the provisions of the GEO no. 109/2011 with subsequent amendments and additions regarding corporate governance of public companies, the remuneration policy and criteria for the administrators and managers in a unitary system are made public on the website of SNN, under the section "Public interest information".

The directors and managers with mandate contracts appointed for temporary mandates in 26.04.2017 – 28.09.2018 only benefitted from the fixed component of the compensation. Following the appointment of the members of the Board of Directors for a mandate of 4 years, 28.09.2019, until the approval of the objectives and indicators of performance stability by the Management Plan with the included management component, the members of the Board of Directors benefitted only from the fixed component.

According to the provisions of Art. 37 of the OUG no. 109/2011 with subsequent amendments and additions, the fixed allowance of the non executive and BoD members cannot exceed twice the average on the last 12 months of the average gross wage for the developed activity, according to the main object of activity of the Company, at the class level, according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the

appointment. The fixed allowance of the executive members of the BoD cannot exceed 6 times the average of the last 12 months of the monthly gross average wage for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment.

The fixed and variable allowance for the BoD members is approved by the SNN GMS. The general meetings of the manager's allowances (manager according to Art. 143 of the Law no. 31/1990) are approved by the GMS; according to such general limits, the BoD establishes the amount of the managers' allowance. The fixed compensation of the managers with mandate contracts cannot exceed 6 times the average gross salary for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment.

Detailed information regarding the directors' and managers' remuneration in 2018 can be found in the Report of the Advisory Committee for Nomination and Remuneration, attached to this Report.

10.3.2. Executive Management

The Board of Directors delegates the management of the company to one or more Directors, naming one of them Chief Executive Officer. The Chief Executive Officer represents the company in relation with third parties and in the court of law. The Chief Executive Officer is responsible for taking all the necessary measures related to the governing of the company, within the limits of the company's scope and in compliance with the competences establishes by Law or by the Articles of Incorporation for the Board of Directors and the General Meeting of Shareholders. The Board of Directors can delegate one or more responsibilities mentioned above (which can be delegated) to the Chief Executive Officer.

The Chief Executive Officer of SNN, has the following responsibilities in compliance with the Articles of Incorporation:

- ❖ Manages and coordinates the activity of the company;
- ❖ Fulfills the resolutions of the General Meetings of Shareholders and the decisions of the Board of Directors, adopted in compliance with the competences reserved;
- ❖ Applies the strategy and policy of the Company;
- ❖ Selects, hires, promotes and dismisses the employees of the Company;

- ❖ Appoints, suspends and revokes the managers of the subsidiaries, establishing their remuneration;
- ❖ Negotiates and concludes, under the conditions of the law, individual work agreements;
- ❖ Concludes legal documents on behalf of the company, for the acquisition, sale, renting and exchange or pledging as guarantee the assets of the company, which don't fall under the competence of the General Meeting of Shareholders or of the Board of Directors;
- ❖ Concludes any binding documents which don't fall under the competence of General Meeting of Shareholders or of the Board of Directors, within the competence limits provided in the Annexes to the Articles of Incorporation;
- ❖ Approves the investment projects, in compliance with the limits provided in the Annex to the Articles of Incorporation;
- ❖ Prepares and subjects for the endorsement of the Board of Directors the financial statements as well as the proposal regarding the distribution of the profit resulted from the balance, which is intended to be presented to the General Meeting of Shareholders;
- ❖ Prepares and subjects to the endorsement of the Board of Directors the budget project of the Company, which will be subjected to the approval of the General Meeting of Shareholders;
- ❖ Subjects to the endorsement of the Board of Directors the materials which will be subjected to the approval of the General Meeting of Shareholders;
- ❖ Prepares together with the other managers and subjects for the endorsement/approval of the Board of Directors the activity programs (production, research-development, technological engineering, investments, etc.);
- ❖ Establishes the responsibilities of the Company's staff;
- ❖ Approves the collections and payments, as per the legal competences and provisions of the Articles of Incorporation;
- ❖ Empowers Managers or any other person to exercise powers from his field of competence;
- ❖ Approves the delegations of competence for the Managers of the Company and of the subsidiaries, in order to carry out the activities of the company;

- ❖ Approves the competences and the responsibilities of the Company's departments;
- ❖ Approves the organizational chart of the Company and the number of positions, the formation of operational and production compartments, as well as the Organization and Operation Rules;
- ❖ Approves the environmental protection and occupational safety policies, in compliance with the law;
- ❖ Approves legal documents and rules which regulate the activity of the company;
- ❖ Establishes the marketing tactics and strategy;
- ❖ Fulfills any other responsibility provided by the legislation, the Articles of Incorporation, the resolutions of the Board of Directors and of the General Meeting of Shareholders;
- ❖ Solves any other matter that the Board of Directors commissions to him.

The position of Manager of the CNE Cernavoda Branch was occupied by an individual employment contract, following the resolution of the Chief Executive Officer 51 / 07.04.2016 by Mr. Marian Serban who was also a Chief Nuclear Officer until 01.08.2018. In the period 01.08.2018-01.09.2018, by the Resolution of the Chief Executive Officer, no. 328 / 30.07.2018, Mr. Dan Bigu, operating manager, was also a branch manager. Subsequently, by the Resolution of the Chief Executive Officer no. 365 / 29.08.2018, as at 01.09.2018, the position of Manager of the CNE Cernavoda Branch is occupied by Mr. Dan Bigu.

The Board of Directors delegated to the Chief Financial Officer the management, organization, coordination of the economic activity of the Company including the accounting and financial functions, the preventive financial control, reporting and budget, asset administration and IT service. In order to fulfill his mandate, the Chief Financial Officer unfolds all the necessary actions for the management, organization and coordination of the economic activity of the Company together with the other managers. The Chief Financial Officer is subordinated to the Board of Directors and to the CEO and is responsible for fulfilling his duties towards them.

Following the Resolution of the Board of Directors no. 218/20.12.2017, Mr. Adrian Gabriel Dumitriu, Economic Manager of CNE Cernavoda, was appointed for a temporary period of 4 months starting with 03.01.2018, upon recommendation of the Advisory Committee for Nomination and Remuneration, Chief Financial Officer of SNN, after notifying the termination of the mandate contract related to the position of Chief Financial Officer of Mr. Mihai Darie, starting with 03.01.2018.

The *Deputy Chief Executive Officers* were appointed by the Board of Directors on 13.12.2017, and their mandate started on 03.01.2018 for a temporary term of 4 months, according to the provisions of art. 20 par. 1 of the Articles of Incorporation of SNN, art. 35 par. 1 and art. 64 index 2 par. 1 of GEO no. 109/2011 as further amended and supplemented and the provisions of art. 143 paragraph 1 and 4 of Law 31/1990 on companies. The resolution of the Board of Directors was taken upon the recommendation of the Advisory Committee for Nomination and Remuneration within the Board of Directors, a recommendation made according to the necessity of adopting measures within SNN for achieving the objectives included in the Strategy for the long-term development of the company (2015-2025), the simultaneous implementation of medium-term and long-term projects (modernization of Unit 1 CNE Cernavoda, Project for Units 3 and 4) and for a better corporate integration of the current activities of the company in the general management process. Thus, Mr. Dan Laurentiu Tudor, Deputy Chief Executive Officer, is responsible for coordinating the activities regarding public procurements, corporate business and strategies and human resource policies on company level. Mr. Toni Viorel-Lary, Deputy Chief Executive Officer, is responsible for coordinating the activities related to the development of investment projects and activities of obtaining revenues related to energy transactions.

The Chief Financial Officer and the two Deputy Chief Executive Officers are subordinated to the Chief Executive Officer and to the Board of Directors.

Subsequently, by the Resolution of the Board of Directors no. 63 / 25.04.2018, it was decided to appoint the Chief Executive Officer, the Chief Financial Officer and the Deputy Managers for a further provisional period of 4 months, until 04.09.2018. By the Resolution of the Board of Directors no. 153 / 22.08.2018, it was decided to extend the provisional mandates of the entire executive management with a period of 2 months, according to the provisions of GEO 109/2011, until 05.11.2018. According to Resolution of BoD no. 176 / 23.10.2018, it was decided to appoint the aforementioned executive management for a further period of 4 months, until 06.03.2019.

According to the OGMS Resolution no. 12/28.09.2018, after the election of the members of the Board of Directors for a 4-year mandate following the completion of the selection procedure, the Board of Directors approved by Resolution no. 186 / 29.10.2018 the initiation of the selection procedure for the executive management: Chief Executive Officer, Chief Financial Officer, Deputy Chief Executive Officers.

Executive management

Name and Surname	Position	Start date (since 2018)	End date (since 2018)
Cosmin Ghita	Chief Executive Officer Temporary mandate	Appointment for a provisional mandate of 4 months 03.01.2018	03.05.2018
		Appointment for a provisional mandate of 4 months 04.05.2018	04.09.2018
		Extension of the 4-month mandate with two more months 05.09.2018	05.11.2018
		Appointment for a provisional mandate of 4 months 06.11.2018	06.03.2019
Adrian Dumitriu	Chief Financial Officer Temporary mandate	Appointment for a provisional mandate of 4 months 03.01.2018	03.05.2018
		Appointment for a provisional mandate of 4 months	04.09.2018

Name and Surname	Position	Start date (since 2018)	End date (since 2018)
		04.05.2018	
		Extension of the 4-month mandate with two more months 05.09.2018	05.11.2018
		Appointment for a provisional mandate of 4 months 06.11.2018	06.03.2019
Marian Serban	Branch Manager CNE Cernavoda (employment contract)	01.01.2018	-
Dan Bigu	Operation manager with branch manager attributions	01.08.2018	01.09.2018
Dan Bigu	Branch Manager CNE Cernavoda (employment contract)	01.09.2018	31.12.2018
Florin Gheba	Branch Manager FCN Pitesti (employment contract)	01.01.2018	31.12.2018
		Appointment for a provisional mandate of 4 months 04.05.2018	04.09.2018
		Appointment for a provisional mandate of 4 months 04.05.2018	
		Extension of the 4-month mandate with two more months 05.09.2018	05.11.2018

Name and Surname	Position	Start date (since 2018)	End date (since 2018)
		Appointment for a provisional mandate of 4 months 06.11.2018	06.03.2019
Toni Viorel - Lary	Deputy Chief Executive Officer (mandate contract for a temporary term of 4 months)	Appointment for a provisional mandate of 4 months 03.01.2018	03.05.2018
		Appointment for a provisional mandate of 4 months 04.05.2018	04.09.2018
		Extension of the 4-month mandate with two more months 05.09.2018	05.11.2018
		Appointment for a provisional mandate of 4 months 06.11.2018	06.03.2019

The company has no knowledge of any agreement, understanding or family connections between the administrators and/or other persons, due to whom the respective administrator was appointed.

As at 31.12.2018, the members of the executive management have no shares in SNN.

On the date of this Report, the Company does not have knowledge regarding the existence of litigations or administrative procedures against the members of the Board of Directors and/or of the management, related to their activity within SNN or to their capacity to fulfil their duties within the issuer.

The action of Dima Tatiana - file no. 34778/3/2018 requesting i) to annul the OGM Decision no. 12 / 28.09.2018, ii) suspension of execution of HAGOA no. 12 / 28.09.2018 and obliging SNN to resume the selection procedure of CA members under GEO no. 109/2011,. On December 31, 2018, the case was in the process of the appeal filed by the applicant, Dima Tatiana, against the sentence pronounced on the merits of the case, because the court of first instance quashed her application.

10.4. CONSULTATIVE COMMITTEES

According to the Articles of Incorporation of the Company and in compliance with GEO 109/2011, the Board of Directors of SNN created 4 advisory committees, made up of at least 2 Board members.

The Advisory Committee for Nomination and Remuneration

This committee was established according to Art. 34 of GEO no. 109/2011, by Resolution no. 7 of the Board of Directors of 26.04.2013.

The Advisory Audit Committee

This committee was established according to Art. 34 of GEO no. 109/2011, by Resolution no. 8 of the Board of Directors of 30.04.2013.

The Advisory Committee for Nuclear Safety

This committee was established according to Art. 34 of GEO no. 109/2011, by Resolution no. 27 of the Board of Directors of 26.08.2013.

The Advisory Committee for Strategy, Development and Large Investment Projects

This committee was established according to Art. 34 of GEO no. 109/2011, by Resolution no. 27 of the Board of Directors of 26.08.2013.

The Advisory Committees have the task to develop analysis and draft recommendations for the Board of Directors, in specific fields, with the obligation to periodically forward activity reports of the Board of Directors members.

The main responsibilities of the Advisory Committees are provided in the Organization and operation Regulations approved by the BoD and available on the SNN site.

Each Advisory Committee has appointed a secretary and a president.

The Presidents of the Advisory Committees are the following administrators:

I. By the Resolution of the Board of Directors no. 13/26.01.2018

The Advisory Committee for Nomination and Remuneration	Iulian-Robert Tudorache
The Advisory Audit Committee	Dragos Ionut Banescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

II. By the Resolution of the Board of Directors no. 131/16.07.2018

The Advisory Committee for Nomination and Remuneration	Dragos Ionut Banescu
The Advisory Audit Committee	Dragos Ionut Banescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

III. By the Resolution of the Board of Directors no. 166/02.10.2018

The Advisory Committee for Nomination and Remuneration	Cristian Dima
The Advisory Audit Committee	Remus Vulpescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

The Advisory Audit Committee

The Advisory Audit Committee is formed of 3 members appointed from among the members of the Board of directors. In 2018, the Advisory Audit Committee was modified, and the most recent one, according to Resolution no. 166/02.10.2018, has the following members: Remus Vulpescu (member-Chairman), Cristian Dima (member), Mihai Anitei (member); all members have specialized training.

The role of the Advisory Audit Committee is to assist the BoD in performing its duties related to internal audit and to offer council regarding the strategy and policy of the Company related to the internal and external control system, evaluation of the conflict of interests, as well as the control over the management of the significant risks.

From the functional point of view, the Advisory Audit Committee reports directly to the BoD. Within SNN, there is an Internal Audit Department responsible for managing the internal audit activity of the company, reporting to the BoD, from the functional point of view and to the Chief Executive Officer, from the management point of view.

The main attributions of the Advisory Audit Committee include analysis functions, monitoring, supervision and facility, as follows:

- ❖ Approving the multi-annual internal audit plan as well as the normative documents drafted by the Internal Audit Department;
- ❖ Examination, on a regular basis, the efficiency of the internal control and risk management system;
- ❖ Monitoring the application of the legal and internal audit standards, maintaining the authority, independence and impartiality of the internal auditors;
- ❖ Monitors the Company's compliance with the legal provisions, Articles of Incorporation and internal applicable normative documents;
- ❖ Analyzes and approves the activity reports of the Internal Audit Department, transactions with the affiliated parties;
- ❖ Monitors the correctness and credibility of the financial information provided to the Company's leadership and external users;
- ❖ Supervises the activity of internal auditors and financial auditors;
- ❖ Approves or proposes the approval for the supervision authorities or shareholders regarding the appointment, remuneration and revoking the financial auditor;
- ❖ Makes sure the executive authorities take the necessary remedy measures to solve the identified deficiencies;
- ❖ Drafting and forwarding reports at the request of the BoD.

In 2018, the Advisory Audit Committee assembled in 11 meetings where recommendations were drafted to the BoD of SNN on matters within its attributions, as follows:

- ❖ Report regarding the activity of the internal audit for 2017;

- ❖ Internal audit plan for 2019 and multiannual audit plan for 2019-2021;
- ❖ Quarterly report on risk management;
- ❖ Annual report on the assessment of the internal management inspection system;
- ❖ Review report of the independent auditor on the Simplified Individual Interim Financial Statements on the date and for the period of 6 months that ended on June 30, 2018;
- ❖ Independent report for limited assurance on the information included in the current reports drafted by the Company according to the provisions of art. 82 of Law no. 24/2017 and ASF Regulation no. 5/2018;
- ❖ The Individual Annual Financial Statements and the and Consolidated Financial Statements at the end of 2017, drafted according to the International Financial Reporting Standards (IFRS – EU), based on the reports of the independent auditor and the annual report of the directors for 2017;
- ❖ Revenue and Cost Budget for 2018;
- ❖ Half-year report on the management activity, drafted according to the legal provisions.

Regarding the management of conflicts of interests, each member of the Board of Directors ensures the avoidance of a direct or indirect conflict of interests with the Company, and in case of occurrence of such conflict it refrains from debates and vote on the respective issues, according to the current legal provisions.

In order to provide the correctness, transactions with the parties involved, the BoD members call on the following criteria, but without a limitation:

- ❖ Keeping the competency of the BoD or GMS, as the case may be, to approve the most important transactions (according to the annex to the Articles of Incorporation regarding the competence limits);
- ❖ Requesting a previous opinion on the most important transactions from the part of the internal control structures;
- ❖ Providing negotiations, regarding such transactions, to one or many independent administrators or administrators without any connections with the respective involved parties;
- ❖ Appeal to independent experts.

The transactions concluded in 2018 with affiliated parties and reported to the capital authorities of Romania and to the SNN shareholders, according to the provisions of art. 225 of Law no. 297/2004 and art. 82 of Law no. 24/2017 did not create problems regarding potential conflicts of interests with the directors and managers of SNN.

The planning of internal audit activities is performed following a large process of risk evaluation (e.g.: discussions with the heads of the departments, the result of activities of the other monitoring departments, reports of the external control organisms of the Company, results of the previous audit reports). The Advisory Audit Committee evaluated the internal inspection system, based on the questionnaire regarding the evaluation of the implementation stage of the internal/management inspection, consisting in the compliance of the internal management inspection activity with the standards provided in Order no. 400/2015.

More information regarding the internal audit is found in subchapter *10.8. Audit and risk management division*.

The Advisory Committee for Nuclear Safety

The Nuclear Safety Advisory Committee shall provide the Board of Administration with independent assistance and/or evaluation in the field of nuclear safety and environmental protection, drawing up written recommendations in this respect.

The main duty of the advisory committee for nuclear safety is to ensure assistance and/or independent evaluation in fields like:

- ❖ Company's strategic options for nuclear security, regarding the existent situations and the applicable regulation frame for the operating activities of CNE Cernavoda;
- ❖ Conclusions drawn from the review of certain design studies and their impact on systems, structures and components with critical functions of nuclear security;
- ❖ Fundamental decisions regarding nuclear security, as well as regarding radioprotection, considered at the Company level and its two subsidiaries;
- ❖ Frame and main criteria to be adopted for nuclear security and for the management and quality insurance system;
- ❖ Conclusions of impact studies regarding all types of emissions in the environment;
- ❖ Nuclear security criteria, public health and environment protection, applied in the relations with the sub-contractors and providers;
- ❖ Drafting and applying preparation programs of the nuclear security culture for the Company's personnel;
- ❖ General policy and regulations regarding personnel and competence requirements in operating the Company's assets;
- ❖ Inspection of structures and components with critical security function;
- ❖ Independent control processes in nuclear security issues and radioprotection, regarding the Company's specific activities;
- ❖ Certification and licensing process;

- ❖ Analysis of the events/incidents reports of operations with a potential impact on nuclear security or personnel radioprotection;
- ❖ Analysis of any report regarding nuclear security, drafted at the Company's level;
- ❖ Any issue for which the BoD considers necessary to be consulted the Advisory Committee for Nuclear Security.

The Advisory Committee for Nuclear Security was summoned 3 times in 2018. During the three meetings organized in 2018, the reports regarding the status of nuclear security within SNN for quarters III and IV of 2017 and quarters I and II of 2018 were discussed and submitted to the approval of the BoD.

The Advisory Committee for Strategy, Development and Large Investment Projects

The structure of the Advisory Committee for Strategy, Development and Large Investment Projects ("CSDPMI") in 2018 had the following dynamics:

- At the beginning of 2018 by the BoD Resolution of 22.11.2017, the following members were appointed: Mrs. Elena Popescu – Chairman and Mr. Cristian Gentea, Sebastian Tcaciuc, Cristian-Romulus Anton and Mirel Marcu Alexandru.
- By BoD Resolution no. 13/26.01.2018, the following members were appointed: Mrs. Elena Popescu – Chairman and Mr. Cristian Gentea, Mihai Anitei, Cristian Dima and Mirel Marcu Alexandru.
- By BoD Resolution no. 166/2.10.2018, the following members were appointed: Mrs. Elena Popescu – Chairman and Mr. Cristian Gentea, Mihai Anitei, Cosmin Ghita and Iulian Robert Tudorache.

According to its own regulation, the Advisory Committee for Strategy, Development and Large Investment Projects develops analyses and drafts recommendations for the BoD of SNN regarding:

- ❖ Global strategy of development, refurbishing, modernization, economic – financial restructuring of the Company and the main development directions, the strategic objectives of the Company and the methods to reach them.
- ❖ Approval and implementation by the BoD of large investment projects (projects whose estimated value exceeds the value of 5 million euros), following the analysis of specific documentation.

In 2018, the activity of the Advisory Committee for Strategy, Development and Large Investment Projects mainly aimed:

- ❖ Drafting a recommendation to the BoD of SNN for approval, in order to submit for the approval of EGMS SNN, the continuation of the negotiations on the Investment Documents under the same

conditions from the Memorandum of Understanding regarding the development, building, operation and decommissioning of Units 3 and 4 from CNE Cernavoda („MoU”) for a period of 6 months after the date of the corporate approval, by applying all the other provisions of MoU, including the possibility of any party to terminate the MoU without any compensation, by a simple written notification to the other party, in case no agreement was reached on the Investment Documents and insofar as the delay was not caused by the respective Party. (EGMS Resolution no. 9/22.08.2018).

❖ Formulating a recommendation to the Board of Directors of SNN for the approval, in order to submit to the EGMS SNN for approval, of the Investment Project Implementation Strategy for the CNE Cernavoda Tritium Removal Installation based on the Feasibility Study Rev 11. (EGMS Resolution no. 9/22.08.2018).

❖ Formulating a recommendation to the Board of Directors of SNN for the approval, in order to submit to EGMS SNN, the revised form of the Continuation Strategy for the Project of Units 3 and 4 of CNE Cernavoda, by acknowledging the stages performed to date, including those implemented based on the provisions of the Government Memorandum no. 20/12683/MB of July 13, 2017 and the subsequent mandate granted to the SNN Board of Directors by GMS Resolution no. 6 / 24.08.2017, namely: a. Reorganization of the existing negotiation/approval stages and the cessation of the activities of the designated committees (the Negotiation Committee and the Inter-Ministry Committee), and the negotiations are to be conducted by a negotiation committee appointed by the executive management of SNN; b. Amendment of art. 8.14 in the sense that the draft Investor Agreement and the Articles of Incorporation of JVC shall be subject to the approval of the General Meeting of Shareholders of SNN, within the limits of its competences and duties (EGMS Resolution no. 11/14.09.2018).

From the analysis of the activity of the Advisory Committee for Strategy, Development and Large Investment Projects we appreciate that it allowed the creation/crystallization of a unitary and structured approach regarding the strategic development directions and an adequate scheduling of the multi-annual investment plan of SNN.

10.5. SHAREHOLDERS RIGHTS

All holders of financial instruments issued by SNN of the same type and title class receive an equal treatment, and the company is making permanent efforts to achieve an effective, active and transparent communication in order to exercise the rights in an equitable manner.

All SNN holders are treated equally. All the issued shares offer equal rights to their holders; any change in the rights conferred by them will be subject to approval by the directly affected shareholders in special meetings.

SNN makes all efforts to facilitate the participation of shareholders at the general meetings of shareholders, the dialogue between shareholders and members of the Management Board and/or

management, as well as the full exercise of their rights. The participation of shareholders at the General Shareholders Meetings is strongly encouraged, and for the shareholders who are unable to attend the meeting, the opportunity of voting in the absence is offered-based on special mandate, by mail or by special or general power of attorney.

The company has created a special section called Investor Relation, on its own website, where relevant information on the procedures regarding the access and the participation at the General Meeting of Shareholders (GMS), GMS convocation, supplemented agenda of the GMS, MB responses to shareholders' questions, current reports, financial statements of the Company, the exercise of voting rights in GMS, GMS agenda materials, special mandate models, financial calendar, corporate governance etc. of the company is constantly updated and accessible, thus contributing to transparency and equitable information for all persons interested.

At the same time, SNN has established a specialized organizational structure for the management of the capital market activity, respectively the Department of Communication and Investor Relation – a structure whose work will be dedicated to the relationship with the investors and shareholders. The department's staff is permanently trained / educated / professional formed on issues related to the company's relationship with its shareholders, the principles of corporate governance, management and customer relationship.

The main shareholders' rights regarding the General Meeting of shareholders are:

(a) The right to a minimum period of notice:

The Company's Shareholders are informed about an upcoming meeting of shareholders by convocation published in the Official Gazette and in a newspaper of national circulation at least 30 days before the meeting; also, the convocation is published on the website of the Company, in the Investor Relation section and it is transmitted to the Financial Supervision Authority and the Bucharest Stock Exchange in the form of a current report.

(b) The right of access to information:

SNN publishes the documents and information required on its website to ensure that all shareholders exercise their rights in an informed manner.

(c) The right to supplement the agenda of the meeting:

SNN shareholders representing individuals or together with other shareholders at least 5% of the share capital may request the addition of supplementary items to the agenda within the limits and in accordance with the applicable legislation.

(d) The right to participate at the meeting

SNN shareholders registered in the list of shareholders on the reference received from the Central Depository shall be entitled to attend in person or by representative the General Meetings of Shareholders;

(e) Voting rights:

The share capital of the Company is represented by ordinary shares conferring a right to vote for each share registered in the name of the shareholder at the reference date;

(f) The right to ask questions:

Any shareholder of the Company may submit written questions concerning the items on the agenda of the General Meeting of Shareholders and is entitled to receive responses from SNN.

The shareholders have the right to participate effectively and to vote in the GMS and to be informed of the rules, including the voting procedures that govern the GMS. Each share confers one vote, one dividend. There are no preferred shares without voting rights or shares conferring the right to more than one vote.

10.6. TRANSPARENCY, FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Transparency

Being a company admitted to trading, SNN acts constantly according to the information requirements regulated by the capital market rules, by conducting periodic and continue reports on significant events concerning the company, including, but not limited to, financial state, performance, ownership and leadership. The Company will prepare and disseminate periodic and continuous relevant information, in accordance with the International Financial Reporting Standards (IFRS). Information is disseminated both in Romanian and English. The Company shall hold, at least five times a year, meetings or teleconferences with financial analysts, brokers, market specialists and investors, for disseminating annual and/or half-yearly financial statements, materials that are relevant to investment decisions or depending on the specific interest of the participants in the capital market (teleconferences and face to face meetings). The aim is to ensure total transparency by communication in accordance to the law and proactively, in order to provide information with a high degree of accuracy and in a timely manner necessary to maintain and develop a relationship of mutual trust.

To make the information process more efficient and accessible for investors, SNN created on its website (www.nuclearelectrica.ro) a special section (Investor Relation) where any investor can easily access information about: (i) strategy of the Company, (ii) news, information and events, (iii)

corporate governance, (iv) the rights of shareholders, (v) reports, (vi) dividend payment, (vii) financial statements. Moreover, SNN has set strict internal rules and procedures and has a dedicated investor relation department. The company develops and implements an efficient and transparent policy in its investor relation.

In 2018, SNN issued 111 current reports, some of them representing the compliance with the legal requirements, and others representing events that may have an impact on the share price, and SNN considers that a proactive and open approach to shareholders and investors is optimal:

Financial reporting, internal inspection and risk management

SNN transmits to BSE, no later than 120 days after the end of the reporting period, the annual report in accordance with regulatory matters, issued by the Financial Supervisory Authority (ASF), including all documents stipulated in the ASF regulations. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as they are approved by the European Union, starting with the year 2013.

SNN transmits to BSE, no later than 45 days after the end of the reporting period, the quarterly report prepared in accordance with regulatory matters, issued by the ASF, and the half-yearly financial statements are prepared in accordance to the law.

SNN transmits to BSE, no later than 45 days after the end of the reporting period, the Quarterly Report for the first and the third quarter, prepared in accordance with ASF regulations, comprising both reporting documents as stipulated in the ASF regulations and also quarterly interim financial statements, prepared in accordance with applicable regulations.

The Advisory Audit Committee supports the Management Board members by regularly examining the efficiency of financial reporting, of internal control and risk management system adopted by the company.

Internal inspection

Organization and the exercise of the internal/managerial control

S.N. Nuclearelectrica S.A. organizes its own internal management inspection system adapted to the specificity and size of the company, depending on the particularities of the legal framework of organization and operation, as well as the internal management inspection standards, respectively in correlation with the management systems implemented within SNN (headquarters and branches) in order to ensure the compliance with all the applicable legal requirements, norms and standards (OSGG 600/2018, Law 111/1996, CNCAN Norms, etc.).

Based on the information provided by the management internal inspections, the management of the entity has the possibility to consolidate its managerial decisions regarding the plan of activity, the organization and coordination of the structures of the entity, the precise determination of the responsibilities by structures and the persons involved in the activities of the entity.

The management internal inspection by its objectives and procedures aims at: ensuring a proper use of resources (financial, human) and their correlation with the objectives of the public entity; improving the informational flow; increasing intelligibility, risk management, fraud prevention and detection, and document quality.

The purpose of the internal management inspection system is to prevent errors and irregularities, to preventively remove the underlying causes and to perfect the inspected activities.

The management internal inspection can provide the management with data on the progress or regress in achieving the proposed objectives.

The management internal inspection provides a reasonable, but not absolute, assurance that the public entity complies with its objectives.

For the development of the structure of the management inspection system, the compliance with the provisions of Order no. 600/2018, and also with the corporate governance requirements, including the recommendations of the World Association of Nuclear Operators (WANO) regarding the necessity to implement a corporate oversight process, the necessary stages were implemented in order to ensure the organizational framework, namely:

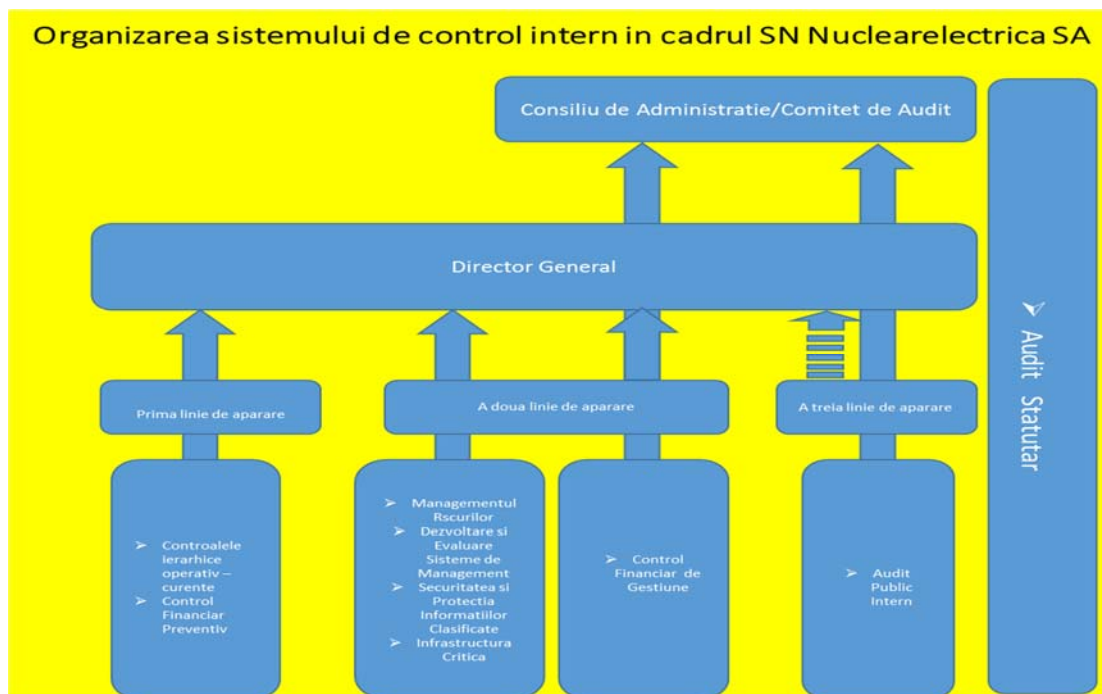
- the organization and operation regulation of National Company “Nuclearelectrica”- S.A was reviewed, by integrating and updating the responsibilities and attributions of the Board for Monitoring the Internal Management Inspection System.
- the procedure regarding the organization and the operation regulation of the commission for monitoring the implementation and development of the internal management inspection system was reviewed;
- by the resolution of the Chief Executive Officer of S.N. Nuclearelectrica S.A., the members of the Monitoring Committee for the internal management inspection system were appointed;
- the program for the development of the Internal Management Inspection System for 2019 was drafted and approved.

As a result of the diversity of the performed activities (nuclear fuel manufacture, electricity and thermal energy manufacture by operating nuclear units, energy sales, public procurement, stock exchange activities, etc.), the company owns one of the most complex internal inspection

environments, especially in the operational area, with an organizational culture aimed at continuous improvement, which wants to ensure supervision in all essential points.

Thus, the organizational model of SNN aims at ensuring the legal segregation and independence requirements of the defense levels, assimilated to the best practices and standards of the COSO model.

Organizing the internal inspection system within Societatea Nationala Nuclearelectrica S.A.



According to best practices and the requirements of OSGG 600/2018, SNN implements the model of "3 defense lines", where:

- The first line is represented by the operational management, responsible for the daily management of the activities and current inspections;
- The second line of defense is represented by the structures that have assessment and inspection attributions in ensuring that the first line of defense is adequate, implemented, and operates properly. These Departments have some degree of independence from the first line of defense, and can also intervene directly in modifying and developing the inspection and risk management systems;
- The third line of defense, ensuring internal independence - internal audit - must provide to the Board of Directors / the Audit Committee and the Executive Management with an independent and objective assurance on the operation of the internal inspection and risk management system within the Company.

The internal management inspection system is essentially an inspection of the obtained performance and it is adequate to best cover the interests pursued by the public entity in achieving its objectives.

Regarding and perceived as a management function, the internal management inspection is the responsibility of the managers of the public entities, who have the obligation to design, implement and develop it continuously.

The establishment of the internal management inspection system is under the responsibility of the public entity managers and must be based on internal inspection standards that are grouped into five components of internal management inspection:

- Inspection environment - groups the matters related to organization, human resources management, ethics, deontology and integrity;
- Performance and risk management - addresses management issues related to objective setting, planning (multi-annual planning), scheduling (management plan), performance (performance monitoring) and risk management;
- Inspection activities - refers to the drafting of procedures, the continuity of processes and activities, the separation of duties, supervision;
- Information and communication - this section groups matters related to the creation of an adequate informational system and a system of reports regarding the implementation of the management plan, the budget, the use of resources and the management of documents;
- The assessment of the internal management inspection system and internal audit - the issue addressed by this group of standards refers to the development of the capacity to assess the internal management inspection, in order to ensure the continuity of the process of its improvement.

In order to monitor, coordinate and methodologically guide the implementation and development of the internal management inspection system, the Chief Executive Officer of SN Nuclearelectrica SA ordered by a resolution the creation of a Monitoring Commission that coordinates the process of updating the general and specific objectives, the procedural activities, the risk management process, the performance monitoring system, the status of the procedures and of the monitoring and reporting system, respectively notifications to the manager of the public entity.

Risk management

The risk management process is under the responsibility of the Chairman of the Monitoring Committee, and considering the size, complexity and environment specific to nuclear activities, the responsibilities regarding risk management are performed / fulfilled by the Risk Management Service together with risk managers and the SNN staff.

In fulfilling its attributions, the internal management inspection monitoring commission analyzes

the risk management process based on the risk ratio and prioritizes the significant risks that may affect the achievement of the objectives, by establishing the risk profile and the risk tolerance limit, annually, approved by the managers of the company. It also analyzes the "Plan to implement inspection measures for significant risks on SNN level" in order to submit it to the Chief Executive Officer for approval.

Risk analysis regarding the current activities and business strategy

The general objective of the Energy Strategy of Romania is to "meet the energy needs both in the present and medium and long term, at a price that is as low as possible, adequate to a modern market economy and a civilized standard of living, under safe conditions, food safety, by complying with the principles of durable development", consequently pursuing three strategic directions: energy security, durable development and competitiveness.

Consequently, SNN as a company of national importance whose shares are listed on the stock exchange, has defined a business strategy ("Strategy of Societatea Nationala Nuclearelectrica SA for 2015-2025"), in which business, corporate governance and social responsibility objectives are combined in order to fulfill the mission and goals mandated by AGA, as well as the role assumed in society.

SNN established, in the development strategy 2015-2025, the main medium and long term strategies with the main focus of maintaining nuclear safety, the continuous growth and increase of its shareholders' profits, and the analysis of the risks of the activity is important in this context.

Medium and long term, the activity of SNN will be influenced both by the evolution of electricity prices and by the investment projects that the Company will develop: extending the life cycle of Unit 1, participating in the development of Units 3 and 4, continuing the development of DICA, setting up the funds needed for the solutions for the final storage of burnt fuel and/or building a tritium removal installation (CTRF - Cernavoda Tritium Removal Facility).

Consequently, the main risks in terms of SNN's activity and goals (market-related risks and project development) were analyzed. The diagram below comprises the overview of the main objectives, the critical elements in relation to the implementation of the strategies and the risks SNN will be faced with.



Main specific risks of SNN

Macroeconomic Environment

The future profitability of the operations of the Company and the feasibility of its projects depend on the market conditions from Romania and those from the countries with which it performs most of its commercial operations, especially in the European Union. The main risk factors associated with the macroeconomic environment are grouped into the following three categories:

Market risk

The market risk category includes general market risks and risks associated with the Romanian electricity market. This risk combines the effects of macroeconomic performance, the evolution of the electricity market and the volatility of the electricity price, being generated by the fluctuation of the electricity price and the fluctuation of the prices of raw materials and materials, the reduced number of suppliers or commercial partners and the lack of long-term contracts. The materialization of the market risk has a direct impact on the overall performance of the Company.

Legislative/regulation risk

Legislative risk is represented by changes that may occur in the legislative framework of Romania and/or the European Union with direct applicability, without the necessity of transposing it into the national legislation. Possible changes may refer to imposing new taxes or setting standards and/or requirements for nuclear security by community, local and central authorities, and/or by the authority that regulates the nuclear energy field. The effect of the legislative risk may be the unestimated increase of production costs, which may determine the drop of profit margins.

Besides the individual risk that can be generated by a single regulation (regulation, directives, law, ordinance, etc.), the Company is exposed to legislative / regulation risk and from the perspective of the high number of national and international regulation and / or inspection entities and / or professional associations, which address the activities of the Company, in this context there is the possibility that the regulations issued by various authorities are contradictory.

Currency risk

The currency risk is determined by the current activities of the Company considering that some of them involve transactions in foreign currency. These transactions include the repayment of loans contracted in order to fund Unit 2 (in EUR, USD and CAD), technical support and contributions for decommissioning the two units.

Operational environment

The Company's current operations are influenced by various additional risk factors that have a major impact on current profitability. The main categories of risks are the following:

Operational risk

Operational risk is associated with the risk of loss risk resulting either from the use of inadequate processes, people, or internal systems or which have not fulfilled their function properly, or from external events, and includes legal risk.

Operational risks are associated with the activities of the Company, with its capacity to generate revenues and maintain the competitive operational margin and are closely related to the market position, the identification and assessment of investments, generated profits / losses, potential fines, penalties, sanctions, a deficient establishment or management of contractual obligations. These risks depend on the Company's capacity of providing the necessary quantities of electricity that it has undertaken to provide under the contracts concluded on the regulated market and competitive market, considering both planned and unplanned outages for Units 1 and 2.

The occurrence of operational risks can be materialized in equipment malfunctions, human errors, the defective operation of operational processes, which can ultimately lead to unplanned outages. Similarly, prolonged and extreme drought or other external events (e.g. powerful storms, extreme cold, failure of the electricity transmission network of Transelectrica) may have a major impact on electricity production, following unplanned activity outages.

One of the measures that may mitigate these risks is to consider the negotiation of long-term contracts with predefined prices and specific commercial terms on liquidation and damages, in order to reduce the volatility of the collection period by providing the cash flow that is necessary for operations and investments. Other measures that may mitigate operational risk may be represented by the ability of the Company to plan activity interruptions in the periods when the price of

electricity decreases or the ability of the Company to conclude contracts to compensate for unrealized production when the units do not produce enough electricity because of unplanned activity outages.

Counterparty risk

Counterparty risk is the risk of business partners not acting according to the terms and conditions specified in the concluded contracts, as a result of the failure, intentional (refusal to pay) or unintentional (inability to pay) to pay a debt to SNN, judicial reorganization, bankruptcy or the voluntary winding-up of a SNN counterparty.

SNN has commercial partners both as a seller and as a buyer of electricity, as well as a buyer of the goods, equipment and services that are necessary for performing its current activities.

In the context of market liberalization, SNN will seek to conclude predominantly long-term electricity sales contracts for most of its production capacity, this being a condition for ensuring the cash flow imposed by credit institutions, especially considering the additional funding that is needed to perform the investments. In order to mitigate this risk, the Company has a policy for selecting commercial partners based on their credit risk, seeking to conclude such contracts only with solvent traders.

Competitive risk

Competition risk must be analyzed in the context of aligning the day-ahead market ("PZU") of Romania, in compliance with the price coupling mechanism of the markets from the Czech Republic, Slovakia and Hungary, and the Company is exposed to increased regional competition generated by future improvements, refurbishment, extensions and new constructions expected to be made by the manufacturers on the respective electricity markets. At the same time, renewable energy projects are very volatile in terms of production, due to the lack of forecasts on the availability of fuel sources (e.g. wind, solar energy).

Risk associated to investment/maintenance/refurbishment works

This risk is manifested in close connection to the funds of the Company, the procurement and maintenance plan, conducting studies and the analyses that are necessary for substantiating the plans, structure and training of the personnel, equipment / installations suppliers.

Risk associated to the absence of specialized workforce

This risk is manifested both in relation to the losses of specialized knowledge as a result of the retirement of the specialists of the Company, as well as in relation to specialists leaving for other better paid jobs, and also in the absence of programs for attracting qualified young people, to be trained and specialized both in the field of operation and maintenance, and in the fields related to the implementation of the proposed investment program.

Analysis of Company-specific risk factors

No	Risk category	Level	Impact	Mitigation method
1. Macroeconomic Environment				
1.1	Market risk	Environment	High	Long-term bilateral contracts, with fixed prices or well-defined price formulas.
1.2	Legislative/regulation risk	Environment	Moderate	Using the best technologies that ensure environment durability. Continuous communication with the authorities
1.3	Currency risk	High	High	Negotiating price conditions that include currency risk.
2. Operational environment				
2.1 Operational risk				
2.1.1.	Revenues	High	High	Negotiating contracts for periods longer than 1 year with predefined prices. Commercial partner assessment policy. Capitalizing export opportunities.
2.1.2	Regarding costs	High	Moderate	Concluding contracts in order to compensate the revenues from electricity production when the reactors are switched off, thus anticipating unplanned activity outages.
2.2	Counterparty risk	Environment	High	Well-designed and detailed long-term contracts Applying a rating system for the parties with whom bilateral contracts are concluded. Securities (cash in the accounts of the Company, letters of guarantee, letters of commitment, such as PCG - Parent Company guarantees).
2.3	Competition risk	Environment	Moderate	Continuously monitoring markets. Applying a cost control policy.
The "level" of the risk category defines the probability of occurrence: high, medium and low. The "impact" of the risk category defines the potential monetary impact on the company performance: strong, moderate, weak.				

Improving the risk management internal framework

In order to develop and improve its reporting, inspection and risk management capabilities, the Company intends to continuously improve its risk management framework, and the analysis measures include:

- Reducing the times for reporting risk information (risk management) and defining related performance indicators (KPI);
- Periodically revising the counterparty risk for the counterparties on the energy markets;
- Increasing the knowledge of the Company personnel regarding risk management by the participation in training courses and the acquisition of specialized materials, as well as qualification / training sessions for the personnel of the SNN Power Station, CNE Cernavoda and FCN Pitesti;
- Implementing a multi-annual risk self-assessment exercise and related inspection mechanisms, in order to identify and assess the specific risks on the level of each compartment, as well as risk owners and the owners of the inspection mechanisms;
- Revision and / or recalibration / periodic adjustment of risk management tools (e.g. internal procedures, algorithms and models, assessment scales, risk profile, risk tolerance limit, operational and informational flows).

Reinforcing the risk management system

- a. Reviewing internal financial-accounting inspections.
- b. Monitoring the adequacy of the Internal Inspection System focusing on the inspection environment, the managers' attitude and the management of the implemented inspections.
- c. Reviewing the compliance with internal regulations, the legal framework and the Code of Ethics assuring the Board of Directors that SNN implements inspection and support activities in order to maintain a compliant behavior.
- d. Reviewing SNN policies on fraud risk management, ensuring that fraud reporting and investigation systems are implemented.
- e. Granting the Board of Directors trust in the statement from the Annual Report regarding the adequacy of the internal inspection and the risk management framework
- f. Regularly receiving reports on the results of the internal inspection system testing, conducted by internal and external auditors.
- g. Supervising, on request, certain transactions for which support from the Board of Directors is required by the executive management.

Compliance, ethics and integrity

SNN started and will continue the process of optimizing the internal procedural framework regarding the compliance, prevention and integrity warnings, by means of a sustained and formalized activity of familiarizing the entire personnel with the principles and provisions of the related procedural framework. For this purpose, the compliance and anti-fraud activity was organized on the level of the Audit and Risk Management Division (including by the creation of the Compliance Office) with a dual role, of prevention within the company (by developing specific procedures and teaching courses / training sessions to employees), and audit.

Until now, in 2018, the main activities performed by the compliance function were as follows:

- The prevention activity was materialized by developing the following procedures / policies:
 - The benefit granting / receiving procedure, which establishes rules / interdictions and provides guidelines applicable to all SNN operations and branches, in order to protect the company from ethical deviations and any other non-compliance aspects related to accepting and granting benefits;
 - Anti-fraud procedure, designed to facilitate the development of inspection activities in order to help detect and prevent fraud against Societatea Nationala Nuclearelectrica S.A. (SNN S.A.), and its branches;
 - The irregularity reporting procedure, which introduced the concept of integrity alert, established methods for reporting and treating irregularities and addressing issues related to aspects of public interest that relate to the non-compliance with SNN policies, procedures, or applicable law;

- The sponsorship granting procedure, which sets the manner of processing this type of actions, according to the applicable legislation;
- The Business Ethics and Code of Conduct, applicable to all the members of management, employees, consultants, the personnel of the partners that operate within the company, defining and promoting the fundamental values that guide the current activity, namely universally valid principles that must be known and applied unconditionally by all employees.
- Audit activity: involvement in scheduled and ad-hoc audit missions.

Starting with 2019, the prevention activity shall also be supported by a training program performed and implemented on the level of the Headquarters and of the Branches, whereby the SNN personnel shall be informed and trained on the compliance with specific procedures of ethics, integrity, anti-fraud and anti-corruption. Moreover, the improvement of the existing procedures with the best practices in the field, the lessons learnt and the adaptation to the requirements of the legislation in force shall be continued.

Also starting with 2019, SNN shall start implementing the anti-bribery standard, and shall become one of the first companies in Romania to have specific monitoring policies, procedures and methods in the field.

On SNN S.A. level, the managers shall continue to define and establish a set of principles and values that guide the daily activities of its employees. The results of SNN, the image we build and consolidate within the business environment, the trust of our shareholders and partners and, last but not least, our well-being depend on the way the company succeeds in complying with these principles, and the way in which they are continually improved. We all must be aware of the fact that certain values we appreciate universally to those around us, like integrity, professionalism, responsibility, respect, loyalty, are surely requirements and expectations of our co-workers, partners and even of our community to in terms of how we perform our own activity.

The way we work, behave and interact with other persons is defining for establishing a healthy, responsible and efficient work environment. For this purpose, the Business Ethics and Code of Conduct was developed, and it is applicable to all management staff members, employees, advisors, the personnel of our partners who work in SNN, in order to present the basic values which must be observed and promote the adopting of a fair attitude, so that by complying with these criteria we are able to build a prosperous business, which relies on healthy, honest and transparent principles. The basic values that guide our business are universally valid principles of our company, and these must be known and unconditionally applied by all employees. They are meant to support and promote the vision and culture of our organization.



SNN SA has adhered to the basic values, principles, goals and monitoring mechanism of the National Anti-corruption Strategy for 2016-2020, to this end expressing its resolute decision to:

- condemn corruption in all its forms and to states its commitment to fight against this phenomenon by all legal means at its disposal;
- take corruption prevention actions as elements of the management plans and to assess them regularly as part of management performance in order to increase the institutional integrity;
- support and promote the implementation of anti-corruption legal framework which is mainly targeted at preventing corruption, increasing the level of anti-corruption awareness, fighting against corruption based on administrative actions, approving the integrity plans and developing the related monitoring and assessment system;
- strengthen the operational independence of internal inspection and audit structures and boost the implementation of internal/management inspection systems;
- perform a regular self-assessment of the level of mandatory prevention action implementation;
- adopting all the actions required to avoid the conflicts of interests and incompatibilities, as well as to put the public interest above any other interest, by complying with the transparency principle applied to the decision-making process and free access to public interest information.

With the help of the compliance activity, SNN employees shall be trained on how they should not use the attributions within the company in order to obtain undue patrimonial or non-patrimonial benefits for themselves, their families or other close persons, as well as the risks they face and assume if they get involved in such activities.

Risk Insurance

Significant risk insurance policies on SNN level are as follows:

- 1) Property Insurance Policy - Units 1 and 2 CNE Cernavoda and FCN Pitesti - all types of risks, including mechanical and electrical destruction, for a cumulated liability limit (insured amount) of USD 1,560,000.
- 2) Third party liability insurance policy for nuclear damage with a liability limit (insured amount) of DST 300,000,000.
- 3) Civil / professional liability insurance policy for SNN directors and managers ("D&O") for a liability limit (insured amount of EUR 33,000,000).

Besides these insurance, the Company has concluded RCA policies, CASCO policies (voluntary motor insurance) and an insurance policy against work accidents and occupational diseases for employees.

Annual assessment of the internal management inspection system

By the resolution of the Chief Executive Officer no. 481 / 16.11.2018, the function of self-evaluation and assessing the degree of implementation of the internal management inspection standards was created on December 31, 2018, respectively, the Internal Management Inspection System Monitoring Committee debated, in order to determine the degree of compliance with the internal management inspection standards, the following:

- necessity of complying with the provisions of art. 4 par. (3) of Government Ordinance no. 119/1999 on internal inspection and preventive financial inspection, republished, as further amended and supplemented, and Order no. 600/2018, regarding the drafting of the annual report for assessing the internal management inspection system, as further amended and supplemented;
- the provisions of the aforementioned legal acts, regarding the performance of the annual evaluation of the internal management inspection system and the drafting of the report on assuming management responsibility, respectively the filling in by each compartment from the organizational chart of the company, based on the principle of truth, of the "Self-assessment questionnaire on the stage of implementing the internal management inspection standards";
- the provisions of art. 4 par. (3) of Government Ordinance no. 119/1999 on internal inspection and preventive financial inspection, republished, as further amended and supplemented;

- the provisions of the Order of the General Secretariat of the Government no. 600/2018 for the approval of the Code of internal managerial inspection of public entities, as further amended and supplemented, namely:

- point 15.2.2. "The managers of the public entity perform, at least once a year, a verification and self-assessment of their own internal management inspection system, in order to determine its degree of compliance with the internal management inspection standards."
- point 15.2.4 which provides: "The manager of the public entity annually drafts a report on the internal management inspection system, as the basis for an action plan containing the identified vulnerable areas, the inspection tools that need to be implemented, measures and action directions in order to increase the capacity of internal management inspection to achieve the objectives of the entity. "
- the provisions of art. 1.3. of Annex 4 - "1.3. In order to draft the report, the manager of the public entity orders the department managers to perform the self-assessment of the internal management inspection system."

Thus, according to OSGG no. 600 of May 7, 2018, by creating the function for the self-assessment of the internal management inspection, the following guidelines were established:

1. Filling in, based on the principle of truth, the form "Questionnaire for self-assessing the implementation stage of the internal/management inspection standards as at December 31, 2018" by the managers of the departments comprised in the organizational chart of SNN and the branches.
2. Drafting the reports on the internal/management inspection system on the level of branches CNE Cernavoda and FCN Pitesti, by assuming the responsibilities of managing the subunits, by annexing the Synthetic report of the assessment results.
3. Development of the updated development program for 2019 (according to OSGG No. 600 of May 07, 2018);
 - the stage of complying with the specific objectives on the level of the headquarters compartments, respectively the objectives of the branches (established and monitored according to the CNE and FCN procedures), for 2018.
4. Drafting the consolidated synthetic report, on company level, and the Report on the internal/management inspection system.

Following the self-assessments based on a realistic, correct, complete and trustworthy assessment of the internal / management inspection system, formulated based on the principle of truth and assuming management responsibility, it resulted that the internal / management inspection system comprises inspection mechanisms, and the application of the measures for increasing its effectiveness is based on risk assessment.

Thus, on December 31, 2018, based on the results of the self-assessment of the internal / management inspection system of S.N. Nuclearelectrica S.A., it resulted that no standard remained unimplemented; out of the 16 standards comprised in the Code of internal / management inspection, 14 are implemented, and 2 standards are partially implemented, mentioning the following:

- The Commission for Monitoring the Internal Management System (CM-SCIM) is up-to-date and operational; in order to comply with the provisions of Order 600/2018 for the approval of the Code of internal / management inspection of public entities, the SNN Regulation of Organization and Operation was reviewed, by integrating and updating the responsibilities and attributions of the Monitoring Commission; consequently, the procedure regarding the organization and operation of CM-SCIM was also reviewed, and decisions were issued regarding the nomination of CM-SCIM members.
- The risk management process is organized and monitored, and in 2018 procedure MR-00-01 - Risk Management within SNN was reviewed and updated.
- The Internal Management Inspection System Development Program is updated annually. The Internal Management Inspection System Development Program in 2018 was implemented 89%, as follows: out of the total of 34 actions, 29 were implemented, one action was partially implemented, and 3 shares were not implemented, and were carried forward to 2019 . An action was cancelled following legislative modifications.
- The performance monitoring system is established and assessed for the objectives and activities of the entity, by performance indicators.

In 2018, a project was started on setting key performance indicators on departmental and individual levels, and the following stages were implemented:

- understanding the business processes and information flows in the organization;
- assessing the existing performance measuring instruments;
- identifying performance indicators specific to each function, including measurement / monitoring targets and methods;
- aggregating and validating the final list of indicators on the level of the entire organization;
- assessment of current systems (salary grid, basic salary components, bonuses and premiums) within the company;
- assessing the existing criteria for assessing the personnel within the company;
- reviewing the existing remuneration system and proposing a variable performance-based payment mechanism;
- the correlation of the KPI-based performance assessment system with the other elements used in assessing performance on organization level.

Inventorying procedural activities and updating the procedures represent permanent activities, and a continuous process in which every functional structure of SNN is involved.

▪ Within the headquarters of SNN from Bucharest, the processed and activities are structured as follows:

- 22 processes documented in process charts;
- 130 procedures that describe specific, procedure-based activities.

The issued documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.

▪ Within the FCN Pitesti branch, the processed and activities are structured as follows:

- 23 processes documented in process charts;
- 66 system procedures;
- 93 general procedures;
- Other 672 documents representing: technical procedures, guarantee inspection, radioprotection, occupational health and safety, fire protection, etc., radioprotection manual) that regulate operation, technological, inspection and control activities.

Documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.

▪ Within the CNE Cernavoda branch, the processed and activities are structured as follows:

- 31 RD procedures - also referred to as Reference Documents, describing the processes of the power plant;
- 156 SI procedures - also referred to as Instructions of the Power Plant detailing the sub-processes and activities defined in RD;
- 215 PSP procedures - specific process procedures that describe punctual activities within processes, define specific tasks and activities;
- Other documents: Department instructions - IDP, operation and maintenance manuals and procedures, training manual, etc.

Documents are analyzed with preset frequencies (every 3 or 5 years depending on the type of the document) in order to determine the adequacy to work practices and / or the necessity to update them.

Administration financial inspection

The Financial and Management Control of S.N. Nuclearelectrica S.A. is organized and implemented in compliance with the provisions of Government Emergency Ordinance no. 94/2011 regarding the organization and operation of the economic-financial inspection, approved by Law no. 107/2012 and GR no. 1151/2012 on the approval of the Methodological norms related to the

organization and implementation of the administration financial inspection, covering all the structures from the organizational chart of the company.

The development and improvement of the financial administration inspection is, under the current conditions, an opportunity, as the achievement of this objective enhances the quality, performance and responsibility of financial management in the process of using the resources of the entity.

According to the current legislation regarding the methodological norms for the organization and implementation of the financial administration inspection and internal procedures, the main objectives of financial administration inspection are:

- a) ensuring the integrity of the SNN patrimony, and of the assets from the private domain of the state under administration, concession or lease;
- b) complying with the legal provisions and internal regulations, applicable to the economic-financial activity;
- c) increasing efficiency in using the allocated resources.

The purpose of financial administration inspection is to verify the legality, regularity and compliance of operations, to identify the weaknesses of the internal inspection system that generated errors or allowed the occurrence of fraud, inadequate or fraudulent administration, and to propose measures to remedy them.

The purpose of financial administration inspection is to provide to the Chief Executive Officer of SNN, in due time, with information on performance and prospects, as well as information on:

- performing operations in an orderly, ethical, economic and efficient manner;
- complying with responsibility obligations;
- compliance with applicable laws and regulations;
- protecting resources against losses, abuses and damages;
- enhancing the internal inspection system, in order to efficiently prevent irregularities and recover the losses caused by irregularities or fraud.

In 2018, the specific objectives of the financial administration inspection activity were achieved, the approved activity program (17 inspection missions) was entirely implemented, and all the 3 subunits, the Headquarters, the CNE Cernavoda Branch and the FCN Pitesti Branch, were included in the verifications.

Also, in 2018, besides the approved inspection program, 9 unannounced / thematic operations were performed, ordered by the Chief Executive Officer of SN Nuclearelectrica SA, in addition to the activity program (including operational information reports), 2 operations for the extension and deepening of some measures ordered by the Court of Accounts of Romania and 4 actions of verification, guidance and optimization of internal inspection activities, according to the provisions

of the internal procedures regarding assistance and guidance activities, which serve the managers and the interests of SNN by actions designed to optimize and prevent or detect dysfunctions in order to substantiate decisions, assimilate best practices, implement actions for increasing efficiency and improving performance.

In summary, the inspection activities targeted the following general objectives:

1. Preventive inspection on substantiating the draft of the Revenue and Expense Budget of SNN.
2. Monitoring the implementation of the measures established as a result of the verifications performed by the financial administration inspection, requesting action plans, verifying the compliance with the established deadlines and the reality of the communications made, as well as the measures established by the "Synthesis of the actions of assistance and management of processes implemented in the first half-year of 2017".
3. Complying with the legal provisions and internal regulations regarding the manner of organizing and settling actions for rest and restoring the work capacity.
4. Complying with the legal provisions and internal regulations regarding the existence, integrity, keeping of circulating assets such as inventory, held under any title; the way in which they are reflected in the accounting records; the organization of the administration, adequately ensuring places for keeping and storing goods; creation and operation of reception commissions.
5. Method of organizing and managing the administration accounting; production inspection and inventory variation.
6. The manner in which the documents approved by the Technical-Economic and Scientific Committee are submitted on the adequate competence level; the manner in which the records ensure the traceability of the complete document circuit.
7. Complying with the legal provisions in the implementation of the revenue and expense budget of SNN and of the subunits from its structure.
8. Complying with the legal provisions and/or the internal regulations regarding the implementation of the specific economic and financial indicators of the activity, on SNN level.
9. Complying with the legal provisions and internal regulations regarding the existence, integrity and operation of fixed assets in the production process.
10. The deficiencies found by the inspection acts approved by the managers of SNN represent non-compliance cases, deviations from the legal acts or internal procedures in force, for which 47 corrective measures were established, deadlines and responsibilities to find solutions or responsibilities or to extend and enhance the analyses and the verifications on the level of the subunit/division.

The deficiencies found by the inspection acts approved by the management of the Company represent non-compliance cases, deviations from the compliance with legal acts or internal procedures in force, for which 50 corrective measures were established, deadlines and

responsibilities for resolution and extension and to enhance the analyses and verifications on subunit/division management level.

According to the legal provisions, the Board of Directors was quarterly informed on the implementation and results of the financial administration inspection.

Risk management

The activity regarding the risk management including the company policy and objectives in this field are presented in the previous chapters of the Annual Report.

10.7. CONFLICT OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

The provisions on managing conflicts of interests are included in the Operation and organization regulation of the Board of Directors.

The Management Board members will make decisions in the sole interest of the Company and will not take part in any deliberation or decision which creates conflict between their personal interests and those of the Company.

Each member of the Management Board ensures the avoidance of a direct or indirect conflict of interest with the Company, and in the event of such a conflict, will abstain from deliberations and voting on such matters in accordance with the legal provisions in force.

The members of the Board of Directors submit to the Board of Directors of SNN information regarding any relations with a shareholder that directly or indirectly owns shares representing over 5% of all voting rights. This obligation refers to any relation that may affect the member's position with regard to issues determined by the Council.

In order to ensure the procedural fairness of transactions with implied parties, the members of the Management Board use the following criteria, but they do not limit to them:

- ❖ Maintaining the competence of BoD or GAS, as the case may be, to improve the most important transactions. In case of transactions with affiliated parties, SNN will comply with the provisions of art. 52 par. (5) GEO 109/2011 as further amended and supplemented;
- ❖ Any transaction with a value equal or higher than 5% of the net assets of the company is approved by the Board of Directors following a mandatory opinion of the Advisory Audit Committee of the Board;
- ❖ Requesting a previous opinion on the most important transactions from the part of the internal control structures (The Advisory Audit Committee and Internal Audit Department);

- ❖ Providing negotiations, regarding such transactions, to one or many independent administrators or administrators without any connections with the respective involved parties;
- ❖ Appeal to independent experts.

Apart from the general legal provisions, SNN established and implemented internal policies that regulate in more details the procedures concerning the disclosure of transactions between affiliates.

Thus, the Board of Directors will inform the shareholders, during the first GMS following the conclusion of the legal act on any transaction with administrators or directors, with employees, with shareholders holding the control of the company or with a company controlled by them, by making available to the shareholders the documents reflecting the essential and significant data and information in connection with these transactions. Also, the Board will inform the Company controlled by them, making available to the shareholders the documents that contain essential and significant information related to these transactions. At the same time, the Board of Directors will inform the shareholders during the first General Meeting, following the conclusion of the juridical form, about any transactions sealed with SNN, as a public company, with other public company or public supervisory body, in case the transaction or a series of transactions have an individual value of at least 100,000 EUR.

The Board of Directors quarterly approves an informative report regarding the purchase of goods, services and works whose value is higher than 500,000 EUR/purchase (for purchases of goods and works) and 100,000 euros/purchase (for services), a report published on the website of the company in the section Investor Relation / Periodical Reports.

The Board of Directors also approves and publishes, on an annual basis, on the SNN website, a report regarding the sponsorships awarded in the previous year.

10.8. AUDIT AND RISK MANAGEMENT DIVISION

In 2018, there was a process of improving and increasing the efficiency of the existing organizational structure on SNN level, including, among other activities, internal audit, compliance and risk management activities, which led to the creation of the Audit and Risk Management Division (DAMR).

DAMR is managed by a Manager and is directly subordinated to the Chief Executive Officer, and has the following main attributions:

- ❖ Performs internal audit activities by the Internal Audit Department (DAI) in order to assess whether the internal management and inspection systems of the Company comply with the legality, efficiency, effectiveness, regularity, and/or cost-effectiveness, depending on the situation; this

activity is performed by complying with the principle of the independence of the internal audit function within the company;

- ❖ Ensures the organization and performance of specific compliance 0 antifraud missions and / or activities (by the Compliance Office - BC);

- ❖ Ensures the coordination and monitoring of the risk management process and organizes, coordinates and methodologically guides the risk management process (by the Risk Management Service - SMR) that could affect the achievement of the business objectives of the organization and monitors the achievement / implementation of the actions that place and maintain risks within acceptable limits, by the Risk Management Service.

In order to ensure the independence of the internal audit function, the Audit and Risk Management Division (DAMR) is *administratively subordinated* to the Chief Executive Officer, and *operationally* to the Board of Directors or the Audit Committee.

The main benefits to the SNN managers by the new organization of audit, compliance and risk management activities are as follows:

On the level of DAI:

1. Unitary coordination of the Chief Executive Officer leading to the absence of overlapping audit and inspection missions and the absence of complaints and notifications on the level of the Chief Executive Officer regarding overlapping audit and inspection missions;
2. Developing a unitary methodology and vision of risk identification and assessment, by aligning the risk management procedure to the risk-based audit methodology;
3. Creating the Compliance Office with attributions in the field of antifraud activities and allocating a specialized resource in the field.

On the level of BC:

The development of the antifraud and compliance activity was achieved by the following activities:

1. Developing Procedures / Policies regarding granting-receiving benefits, anti-fraud, reporting irregularities, granting sponsorships and the Business Ethics and Code of Conduct, as well as the involvement in scheduled and ad-hoc audit missions;
2. Adopting of the Procedure for Reporting of Irregularities, which sets the channels of communication that can be used by employees, partners and third parties for notifying any professional irregularities, the manner of resolving complaints was established, the concept of integrity warning was introduced, and guarantees were provided for its protection;

3. Adopting of the Procedure on granting and accepting benefits within SNN, which sets limits on the benefits that can be granted / received based on work relations, the reporting obligations, and the conditions for returning benefits that cannot be accepted;
4. In order to implement the aforementioned procedure, a Commission for Assessing declarable goods was created, and the Registry for recording declared goods was organized;
5. Adopting of the antifraud activity policy, in order to develop inspection activities for detecting and preventing fraud against SNN and its branches;
6. Drafting and adopting the Ethics Code of the Board of Directors, which defines the mission, vision, values and norms of professional conduct that BoD members undertake to comply and apply in the activities performed within the company;
7. Drafting and publishing the Business Ethics and Code of Conduct of SNN SA, designed for employees and business partners, as part of the strategic vision of the SNN managers to promote the fundamental values that must be known and applied unconditionally by all the employees of the company, and by the business partners and employees of the companies that have commercial relations with SNN and actually perform activities in SNN units;
8. Revision of the applicable procedure on granting sponsorships.

On the level of SMR:

1. Creating an environment of stability and motivation for the SMR personnel;
2. Significant reduction of the time for issuing the risk quarterly report to approximately one month after the end of the quarter;
3. Updating of internal operational procedures;
4. Ensuring legality by creating and operating the Monitoring Commission.

Internal Audit

In 2018, the internal audit activity in SNN was carried out by its own internal audit structure, namely the Internal Audit Department (“IAD”), hierarchically subordinated to the Company Chief Executive Officer; its independence is ensured by reporting and operational relations with the BoD and the Audit Committee. The management of SNN assured the improvement of the professional quality of IAD by supporting the Program for Insurance and Improvement of Quality. The majority of the internal auditors are professionals who possess certificates which are recognized internationally (CIA, CRMA).

In 2018, there were no issues related to the lack of the independence and competence of the internal auditors, and there were no cases of non-compliance with the rules and principles indicated in the Code of Ethics of the internal auditor.

The branches, CNE Cernavoda and FCN Pitesti do not have internal audit structures and their audits are done by the Internal Audit Department from central level.

IAD operates following its own principles which are updated whenever it is necessary. The main internal procedures, according to which the IAD operates, are as follows:

- The detailed rules regarding the organization and execution of internal audit inside SNN;
- The internal audit charter.

The detailed rules were elaborated according to the legislation into force (Resolution no. 1086/2013 and Law no. 672/2002, republished), the Standards for Professional Practice of Internal Audit of the Institute of Internal Audit (IIA-Inc) and the best practices in this field.

In addition, the Program for Insurance of Quality Improvement continued at IAD level with the view to:

- Offer a suitable level of insurance so that the activity carried out by the internal auditors add value and contribute to the improvement of SNN processes and activities;
- To provide additional assurance to the fact that the work is performed in accordance to the applicable law and the Code of Ethics of Internal Auditor.

The internal audit activity operated according to the annual plan, approved by the Chief Executive Officer of the Company. Also, at the end of the year, the Chief Executive Officer approved the Multiannual Audit Plan for 2019 - 2021, which intends to cover most of the areas for audit according to the law in force.

In 2018, within SNN, 6 audit missions were completed, planned by the Internal Audit Annual Plan, out of which:

- 4 audit missions included in the internal audit plan for 2018 and
- 2 ad-hoc audit missions, based on the request of the Executive Management of SNN, and following the inspection action performed between 10.01.2018-04.05.2018 by the Court of Accounts.

The Internal Audit Department monitors permanently the implementation level of the recommendations made during the internal audit missions, the internal auditors requesting at the deadlines the communication of the stage and where possible, the transmission of the implementation proofs. After the implementation deadline expires, the auditors go the audited entity to verify the conformity of the received information and to establish new implementation deadlines, if the case.

In 2018 there was also a process of improving and increasing the efficiency of the existing organizational structure on SNN level, including, among other activities, the internal audit activity, which led to the creation of the Audit and Risk Management Department. Increasing the efficiency of the organizational structure led to the following improvements:

- inexistence of audit and inspection overlays;
- the absence of complaints and notifications on the level of the Chief Executive Officer regarding overlapping audit and control missions;
- developing a unitary methodology and vision of risk identification and assessment, by aligning the risk management procedure to the risk-based audit methodology.

In 2018, the company complied with the provisions of art. 21 par. 8 of Law no. 672/2002, republished, were complied with the internal auditors' professional competence in SNN by attending the refresher/training courses, as well as individual studies.

11. PRESENTATION OF THE GROUP

SNN has one branch, namely Energonuclear S.A. ('EN'), with an interest in the share capital of 100% on December 31, 2018. It enters within the consolidation perimeter.

History and presentation

The establishment of Energonuclear S.A., company whose mission is the development of the execution project for the Units 3 and 4 from Cernavodă Nuclear Power Plant, was achieved by promoting a shareholding structure, where SNN holds a participation share of 51% of the share capital (according to the Government Resolution no. 643/2007, as it was amended by the Government Resolution no. 691/2008). According to the Investment Agreement, according to which the EN was founded, signed on December 25th, 2008 and approved by the Government Resolution no. 1565/2008, the shareholding initial structure was: SNN 51%, RWE, GDF Suez, ENEL and CEZ each with 9,15%, and ArcelorMittal and Iberdrola each with 6,2%.

After the withdrawal from the Project of the CEZ shareholders (on December 30th, 2010) and RWE, GDF Suez and Iberdrola (on February 28th, 2011), Enel (January 16th, 2014) and ArcelorMittal (January 17th, 2014), SNN acquired, by share transfer agreements, the cumulated share held by them within EN, managing, as a result of these operations, to hold on January 17, 2014 a share of 100% in the share capital of EN.

The share capital of the EN on December 31, 2018 is 146,152,998.73 lei, representing the equivalent of 35,000,000 euros. The share capital is divided into 37,105,029 ordinary nominative shares with a nominal value of 3.9389 lei per share.

The headquarters of the company EN is in Bucharest, 5-7 Vasile Lascar st., 3rd floor, District 2, offices no. 307, 315, 315A, 315B, 315C, 316, 317. Order number in the Trade Register is J40/3999/2009, and the Unique Registration Code is 25344972.

Articles of incorporation

The Articles of Incorporation of EN was amended, and the amendments were approved by Resolutions of the Extraordinary General Meeting of Shareholders, within the program for limiting the activities of Energonuclear S.A. initiated by HEGMS no. 1/30.01.2015, and accommodated successive reductions of personnel and successive reductions of premises, and the last amendment was ordered by the Resolution of the Extraordinary General Meeting of Shareholders no. 2 of January 18, 2017, which decided to relocate the registered office of EnergoNuclear to the aforementioned address.

Documents of appointment/revocation of administrators

Energonuclear is managed in a unitary system. The Board of Directors consists of 3 administrators appointed by the General Meeting of Shareholders for a period of 4 years. The Chairman of the Management Board is appointed with the unanimous consent of the shareholders, on the proposal of each shareholder, for a period of maximum 2 years.

The Board of Directors of EN had the following members at the end of 2018:

- Elena Popescu: Chairman;
- Ion Sarbulescu: Member;
- Liviu - George Fotache: Member.

The management of Energonuclear

In 2018, the executive management of EN was ensured by the following managers:

1. Cristian Felician Talmazan: Technical Service Manager (Individual employment contract concluded for a definite term starting with October 16, 2017) by temporarily taking over the attributions of Chief Executive Officer according to HCA no. 8/13.10.2017.
2. Nicolae Capatina: Technical Service Manager - as at November 16, 2018 (Individual Employment Contract concluded for an indeterminate period as chief engineer at the Technical Service, dated May 7, 2012) by temporarily taking over the duties of the Chief Executive Officer (as at November 16, 2018) according to HCA no. 8 / 11.16.2018.

Description of activity

In 2018, EN performed activities that targeted actions necessary for continuing the implementation of the project for Units 3 and 4 CNE Cernavoda, out of which the most important were:

- ❖ Obtaining the CNCAN authorization (in July 2018) for the nuclear quality management system no. 18-025, valid until July 2020, for the provision of services in the nuclear field (management of the reference documentation for Unit 3 and Unit 4; drafting and assessing the technical documentation; monitoring the introduction of project modifications from Unit 1 and Unit 2 applicable to Unit 3 and Unit 4; monitoring the status of the existing structures related to Unit 3 and Unit 4, performance of activities related to the preservation of the existing structures).
- ❖ Insurance of the assistance, mostly technical, for the Negotiation Committee (“CN”), as a part of the “SNN Team” during the negotiations with the selected investor regarding the Investor Agreement and Articles of Incorporation of the new mixed company.
- ❖ Monitoring the state of the site and of the structures of Units 3 and 4 CNE Cernavoda and pursuing the corrective actions recommended by CNCAN.
- ❖ Drafting the EnergoNuclear informational report, code 83-15000-IR-004 Rev.0, on the state of the layouts of Units 3 and 4 CNE Cernavoda.
- ❖ Drafting regular information reports for the Ministry of Energy, the Ministry of Public Finance, the Board of Directors of EnergoNuclear, GMS EnergoNuclear, etc.
- ❖ Signing a protocol on the custody of the EnergoNuclear documentation from CNE Cernavoda with SNN - CNE Cernavoda Branch given that the technical documentation owned by Energonuclear related to Units 3 and 4 CNE Cernavoda resulted from the contracts implemented with third parties, as well as the technical documentation owned by Energonuclear related to Units 3 and 4 from CNE Cernavoda and drafted with its own personnel are handed over under custody to SNN / CNE Cernavoda, it was agreed to approve a method of supervising the status of the documents and the access of the EnergoNuclear personnel to this documentation.
- ❖ Various activities within the inspection action of the economic - financial inspection team from the General Inspection Division of the Ministry of Public Finance.
- ❖ Drafting the public procurement documentation, implementing on SEAP / SICAP (Electronic System of Public Procurement) of the granting procedure, the signing and monitoring of the services of the contract with RATEN-CITON for the engineering service for performing independent expertise studies on structures and their permanent components in order to preserve the site of Units 3 and 4 CNE Cernavoda. Since May 2018, CITON has started providing services consisting of on-site observation and inspection activities, as well as documentation in the EnergoNuclear archive and at the RATEN-CITON headquarters. The service provision was completed in September 2018 by drafting and approving without comments the Final Expertise Report.

❖ Drafting the public procurement documentation, performing the tender procedure on SEAP / SICAP, signing and monitoring the performance of services from the contract with CNE Cernavoda for the supply of electricity to Units 3 and 4 CNE Cernavoda, necessary for the performance by EnergoNuclear and its contractors of maintenance and preservation activities for the two units. The service provision started late, as the initial SEAP / SICAP tenders did not meet the price requirements imposed by EnergoNuclear. On May 31, 2018, the electricity supplier CNE Cernavoda and the Purchaser - EnergoNuclear performed the initial reading of the three electricity meters, and in August - October 2018 the periodical metrological verification was performed (10 years). Starting with September 1, 2018, electricity was supplied by another contract, with SNN, which also regulated the consumption of reactive (inductive) energy.

❖ Drafting the public procurement documentation, the implementation on SEAP / SICAP of the granting procedure, signing the contract and monitoring the performance of the services within the contract with Energotech for maintenance and operation services for the temporary electrical installation on the site of Units 3 and 4 CNE Cernavoda. The service provision started late, as the initial SEAP / SICAP tenders did not meet the technical and price requirements imposed by EnergoNuclear. Service provision started in June 2018. Actually used installations are periodically checked and maintained from the work schedule agreed with the contractor.

❖ Drafting the public procurement documentation, the implementation on SEAP / SICAP of the granting procedure, signing the contract and monitoring the services within the contract with "PFA Florian Militaru - Site Inspector" for works / services supervision services, including QC / QS on the site of Units 3 and 4 CNE Cernavoda, related to the contracts concluded by EnergoNuclear and those from the processes of implementing public procurement procedures. Service provision started in September 2018. The contracts is implemented under adequate conditions.

❖ Drafting the public procurement documentation, implementation on SEAP/SICAP of the granting procedure, signing the contract and monitoring the performance of works within the contract with Stizo-Unify for fireproofing the technological platform for access to the ring structure of the Reactor Building of Unit 3. The service provision started late, as the initial SEAP / SICAP tenders did not meet the technical and price requirements imposed by EnergoNuclear. The work was completed under very good quality conditions in the first decade of December 2018.

❖ Drafting the public procurement documentation, implementation on SEAP / SICAP of the granting procedure, signing the contract and monitoring the services within the contract with Pegas-Impex SRL for clearance / sanitation services (including water drainage / discharge) for the structures outside and inside the buildings within the protected area on the site of Units 3 and 4 CNE Cernavoda. The service provision started late in the second decade of December 2018, as the initial SEAP / SICAP tenders did not meet the technical and price requirements imposed by EnergoNuclear. In addition, the contractor started late the mandatory formalities for the access to

Units 3 and 4. Starting in December 2018, the services are performed with the periodicity from the work schedule agreed with the contractor.

❖ Drafting the public procurement documentation, the implementation on SEAP / SICAP of the granting procedure, signing the contract and monitoring the performance of the services within the contract with RATEN-CITON for drafting the tender books for increasing the occupational security on the site of Units 3 and 4 CNE Cernavoda. The service provision was completed in the second decade of December 2018 by the delivery and approval of the contractual documentation without objections.

❖ Concluding contracts / monitoring the service provision for:

- External auditor
- Accounting
- Accounting expertise
- Specialized assistance in the design, implementation, monitoring and improvement of the Internal Management Inspection System
- Supplying spare / wear parts, consumables, fuel, etc.
- Procuring accounting software, IT licenses
- Communications (telephony, internet)
- Banking services
- Leasing of premises and furniture

❖ Current activities for administrative, financial-accounting, legal, etc. matters.

Energionuclear S.A. resources mainly come from:

- Draws from the shareholder loan contract concluded by SNN with Energionuclear S.A.;
- Cash contributions historically made by the shareholders.

On December 31, 2018, Energionuclear S.A. had 7 employees working up to 40 hours a week.

Litigations

On March 06, 2017, Energionuclear S.A. received the Notification on the judgment in the most important litigation of EN, the litigation with the Court of Auditors – Chamber of Accounts of Bucharest (“CC-CCMB”), regarding the cancellation of Inspection report no. 7179/ 2.11.2011 and Resolution no. 97/28.11.2011 issued by CC-CCMB and the cancellation of authentication no. 22/09.02.2012 of the Court of Auditors - Appeal Settlement Board. By the public decision displayed on the Portal of Bucharest Court, Department II- Administrative and Fiscal Section, the application of EN was approved and the Inspection Report no. 7179/2.11.2011 is annulled, Resolution no. 97/28.11.2011 is annulled, both issued by issued by CC-CCMB, and Authentication 22/09.02.2012 of the Court of Auditors - Appeal Settlement Board.

After obtaining a favorable judgment in this litigation, EN will recover the profit tax paid to the state budget in value of 780.409 lei. An accounting and legal process regarding the recovery manner will be initiated. At the same time, accounting policies will be implemented in order to avoid similar situations.

The litigations of EN with its employees or former employees, requesting the recovery of annual leave compensation differences for 2009-2010, representing compensations in value of 556,526 lei, which had been ordered by applying measure no. 8 from the judgment of the Court of Auditors no. 97/2011, are closed (by approving the statute of limitation notification), and only 3 cases remain, whose application for approving the statute of limitation was tried in November 2018, and the judgment has not been received.

There is a new litigation between EN and a former employee asking for a free electricity quota /the settlement of the equivalent value of this electricity quota. Actions shall be performed in order to settle this litigation.

12. SUBSEQUENT EVENTS

Amendment of the Articles of Incorporation of the Company

By Resolution no. 2/04.01.2019 of the Extraordinary General Meeting of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this point on the agenda (item 2 of the EGMS agenda of January 4th, 2019), was approved. The amendment is as follows: adding Paragraph (7) to Art. 8 which is specifying that the Board of Directors is authorized, for a period of three years, to increase the share capital by issuing new shares in exchange for the contributions of the shareholders up to an authorized capital value of Lei 3,015,427,983.

Activities approved for the increase of share capital

Resolution no. 2/04.01.2019 of the Extraordinary General Meeting of Shareholders approved the following activities for the increase of share capital:

- The appointment by the Trade Registry Office attached to Bucharest Court of Law of an authorized assessor to appraise the land located on 23 Energia Street, Cernavoda, Constanta County, in order to increase the share capital of Nuclearelectrica S.A., as per the note forwarded to the shareholders with regard for this point of the agenda (item 3 of EGMS agenda from January 4th, 2019);
- Conferral of power to the Board of Directors for S.N. Nuclearelectrica S.A. share capital increase up to a maximum value of authorized registered capital of Lei 3,015,427,983 lei, according to the note forwarded to the shareholders in relation for this point of the agenda (item 4 of EGMS agenda from January 4th, 2019).

Appraisal mission lead by the World Association of Nuclear Operators “WANO”

By the Current Report published on January 30, 2019, S.N. Nuclearelectrica S.A. is notifying the shareholders and investors on the appraisal mission lead by the World Association of Nuclear Operators “WANO” between 5 – 12 November 2018. This appraisal, carried out at the request of S.N. Nuclearelectrica S.A., by a team of 25 international experts sent by nuclear power plants from all over the world, concluded that the level of nuclear security at CNE Cernavoda is high.

Changes in the management of the Company

By Resolutions no. 2/04.02.2019 and no. 3/04.02.2019, SNN Board of Directors has approved the appointment of the Chief Executive Officer, Deputy Executive Officer and Chief Financial Officer for a period of 4 years, starting on February 11, 2019, as follows: Mr. Cosmin Ghita – as Chief Executive Officer; Mr. Dan Laurentiu Tudor – as Deputy Executive Officer and Mr. Adrian Gabriel Dumitriu – as Chief Financial Officer.

Adjustment of public / sector procurement contract price

In the Official Gazette no. 32 / 11.01.2019 has been published Instruction no. 2 / 21.12.2018 regarding the adjustment of the price of the public / sectoral procurement contract issued by the Ministry of Public Finance - National Agency for Public Procurement ("ANAP"). By the time this report was published, this legislative change did not impact SNN's work.

13. STATEMENTS AND SIGNATURES

Based on the most accurate available information, we confirm that the Individual Financial Statements and the Consolidated Financial Statements drafted in compliance with the applicable accounting standards (the International Financial Reporting Standards approved by the European Union) provide a correct and true image regarding the Financial Position of the Company and of the Group, the Financial Performance and the Cash Flows for the 2018 financial year. This report, drafted according to the provisions of art. 63 of Law 24/2017 on the issuers of securities and market operations and Annex no. 15 to Regulation no. 5/2018 issued by the Financial Supervision Authority, for the financial year ended on December 31, 2018 , comprises correct and accurate information regarding the development and performance of the Company and of the Group, as well as a description of the main risks and uncertainties specific to the performed activity.

**Chairman of the Board of Directors,
Iulian - Robert Tudorache**

**Chief Executive Officer,
Cosmin Ghita**

**Deputy Chief Executive Officer,
Dan Laurentiu Tudor**

**Chief Financial Officer,
Adrian Gabriel Dumitriu**

14. Annex 1 - Articles of incorporation amended in 2018

By the resolution of the Extraordinary General Meeting of Shareholders no. 4 / 02.03.2018, the amendment of the Articles of Incorporation of SNN was approved.

The amendment of the Articles of Incorporation is the result of the voting mechanism within the company's extraordinary general meeting of the shareholders, the effect of the social will, which is formed, by vote, within the general meeting. According to the principles of the Organization for Economic Cooperation and Development (OECD) in the field of corporate governance, it is necessary to implement an effective corporate governance system that would lead to transparency and efficiency, to regulate in a clear manner the distribution of responsibilities, to protect and facilitate the exercising of the rights of shareholders and to ensure a fair treatment of all the shareholders, including the minority ones.

SNN pays attention to corporate governance, as it deems that it is essential to ensure balance between the structures of the company for a greater protection of shareholders, majority and, especially minority ones, in order to achieve economic growth, efficiency and profitability.

Thus, the following provisions were amended:

1. The name of the Articles of Incorporation of S.N. Nuclearelectrica S.A. is amended as follows: "The Articles of Incorporation of Societatea Nationala "Nuclearelectrica" S.A. with the amendments and supplementations registered until... 2018".

2. Par. (4) of art. 5 "Goal and scope of activity" by removing NACE Code 3512 Electricity transportation is amended.

3. Art. 8 is amended "Decreasing or increasing the share capital", by removing the following paragraph:

"(7) According to the provisions of art. 2201 of Law no. 31/1990, the Board of Directors is authorized, for a period of one year, to increase the share capital by issuing new shares in exchange of shareholder contributions, up to an authorized capital value of 3,016,200,000 lei representing:

- the in-kind contribution of the Romanian State, represented by the Ministry of Energy, Small and Medium Enterprises and Business Environment, following the obtaining of the ownership certificate issued by the Ministry of Economy no. 12900, series M03 on the land with an indivisible share of 239.05 sqm from Bd. Gheorghe Magheru no. 33 Bucharest and the ownership certificate issued by the Ministry of Economy series M03 no. 9462 / 04.02.2005 for the land "Guard unit and access road" from Saligny, Constanta county; in-kind contributions shall be assessed by the assessors designated by the Trade Register Office according to the provisions of art. 215 of Law no.

31/1990 with the assessment method provided under art. 6 par. 3 of GR no. 834/1991, corroborated with the provisions of art. 143 of HG no. 577/2002;

- cash contribution of the other shareholders within exercising the preferential right by the other shareholders in exchange of the in-kind contribution of the Romanian State by the Ministry of Energy, Small and Medium Enterprises and the Business Environment;

The resolution of the Board of Directors to increase the share capital shall be published in the Official Gazette of Romania, Part IV".

4. Art.13 "Attributions of the General Meeting of Shareholders" is amended as follows:

- par. (3) shall be amended by adding after letter j) a new letter k) and adequately renumbering the paragraphs, with the following content:

"k) withdrawal of the shareholders' preferential right to the subscription of new shares issued by the Company;"

- par. (4) letter c) shall be amended and shall have the following contents:

"c) incorporation or participation in the incorporation of companies regulated by Company Law no. 31/1990 or of associations or foundations regulated by GO no. 26/2000 on associations and foundations;"

5. Art.14 "Summoning the General Meeting of Shareholders", is amended as follows:

- par. (2) shall be amended and shall have the following content:

"(2) GMS can be summoned in the following situations: (i) whenever it is necessary following the resolution of the SNN Board of Directors by the Chairman of the Board of Directors or by one of its members, based on a power of attorney issued by the Chairman;

(ii) upon the request of the shareholders representing, individually or jointly, at least 5% of the share capital, if the request contains provisions included in the attributions of the meeting.

The Board shall immediately summon the general meeting of shareholders upon the request of the shareholders according to the aforementioned paragraph, within 30 days, and shall convene no later than 60 days after the date on which the request is received."

- par. (3) shall be amended and shall have the following content:

"(3) Ordinary General Meetings of Shareholders are held at least once a year, within 4 (four) months after the end of the financial year, in order to examine the financial statements for the previous year and the annual report of the Board and in order to establish the budget for the current year."

- par. (5) shall be amended and shall have the following content:

"(5) The General Meeting of Shareholders, either ordinary or extraordinary, shall be convened when needed, in compliance with the legal requirements and the provisions of the articles of incorporation, by publishing the summoning notice in the Official Gazette of Romania, Part IV, and in a national newspaper or a wide-circulation newspaper from the city of the company headquarters, at least 30 days before the established date.

The 30-day term is not applicable for the second summoning of the general meeting of shareholders due to the failure to meet the quorum, according to the legal provisions."

- par. (6) shall be amended and shall have the following content:

"(6) The summons register shall indicate, at least, the place, time and date of the General Meeting of the Shareholders, as well as the reference date, the agenda, by explicitly indicating all the topics that will be debated and a clear and precise description of the procedures the shareholders have to meet in order to be able to participate and vote in the general meeting of shareholders, and all the mandatory elements provided by the applicable law."

- par. (5) shall be amended and shall have the following content:

"(8) At least 30 days before the date set for the General Meeting of Shareholders, the Company must publish the summons in the Official Gazette of Romania Part IV and in a national circulation newspaper or in a newspaper of wide circulation in the city of the Company headquarters, the website of the company, as well as the documents to be presented to the shareholders at the General Meeting of Shareholders."

- par. (9) shall be amended and shall have the following content:

"(9) The completed agenda shall be published by the Company under the same conditions as in the previous paragraph. Upon request, shareholders shall be issued copies of these documents."

- par. (11) and (12) are removed;

- a new article is added, (12) with the following content:

"(12) The shareholders representing, individually or jointly, at least 5% of the share capital shall be entitled to introduce new items on the agenda of the general meeting of shareholders and to present draft resolutions for the items included or proposed to be included on the agenda of the general meeting of shareholders. This right may be exercised only in writing and within 15 days after the publication of the summons, according to the provisions of the published summons and the applicable legal provisions.

The agenda completed with the topics proposed by the shareholders must be published at least 10 days before the General Meeting of Shareholders, on the date indicated in the initial summoning notice."

6. After art. 14 a new article is added, 15 - Representation, with the following content:

"Art. 15 (1) The access of the shareholders entitled to participate, on the reference date, in the general meeting of shareholders, is allowed by simply proving their identity, in the case of natural-person shareholders, by their identity card or, in case of legal entities, of the legal representative, and in the case of legal entities and natural-person shareholders who are represented, with the power of attorney of the person who represents them, according to the applicable legal provisions in the field.

(2) Shareholders may participate personally or may be represented in GMS by a designated representative ("Agent") who was issued a special/general power of attorney, based on the representation form provided by the Company, according to the law, which shall indicate the manner in which the representative shall vote.

Unless GMS decides otherwise, press representatives do not have access in the meeting room."

7. Art. 15 "Organization of the General Meeting of Shareholders" is renumbered and becomes art. 16 and is amended as follows:

- par. (1) shall be amended and shall have the following content:

"(1) The Ordinary General Meeting of the Shareholders may take decisions if at the first summons there are shareholders present or represented, representing at least $\frac{1}{4}$ of the total number of voting rights.

If a quorum is met, decisions can be taken by a majority of the votes cast by the shareholders present or represented in the meeting. "

- par. (2) shall be amended and shall have the following content:

"(2) At the second summons, the Ordinary General Meeting of Shareholders may decide on the items on the agenda of the first summoned meeting, regardless of the attending number of shareholders, by the vote of the shareholders that represent the majority of the votes expressed by the shareholders that are present or validly represented at the meeting."

- par. (3) shall be amended and shall have the following content:

"(3) The Extraordinary General Meeting of the Shareholders may take decisions if at the first summons the shareholders that hold at least $\frac{1}{4}$ of the total number of voting rights are present. If a quorum is met, decisions can be taken only by the majority of the votes held by the shareholders that are present or validly represented in the meeting."

- par. (5) shall be amended and shall have the following content:

"(5) If the quorum is met, at the second summons of the Extraordinary General Meeting of Shareholders, it may decide on the topics included on the agenda by the majority of the votes held by the shareholders that are present or validly represented in the meeting."

- par. (6) becomes par. (7) and after par. (5) a new par. is added, (6) with the following content:

(6) "As an exception from the provisions of par. (5) above, in case of any decisions regarding the withdrawal of the shareholders' preferential right to subscribe new shares when increasing the share capital, the general meeting of shareholders must vote by observing the relevant legal provisions regarding the quorum of the general meeting of shareholders and the majority of the expressed votes, according to the provisions of the capital market law."

(7) The resolutions for amending the main scope of activity of the company, for increasing or decreasing the share capital, for changing the legal form, for the merger, division or dissolution of the Company shall be passed with a majority of at least $\frac{2}{3}$ of the voting rights held by the shareholders who are present or validly represented."

- after par. (7) a new par. is added, (8) with the following content:

(8) When calculating the attendance quorum in a general meeting of shareholders, the shares for which the shareholder expresses his/her/its vote in the general meeting of shareholders shall be taken into consideration, by expressing "abstain" votes and the shares for which the shareholder does not express a voting right. In the calculation of the majority with which decisions are made in the meetings, the "abstain" votes expressed are taken into consideration, namely, if the majority of the votes cast is represented by "abstain" votes, in this case, the decision is not deemed as approved by the shareholders, as the number of votes required for taking a decision has not been met."

8. Art.16 "Meeting performance" is renumbered and becomes art. 17 and is amended as follows:

- par. (2) shall be amended and shall have the following content:

"(2) The Chairman of the Board of Directors or the person who substitutes him/her appoints one or several technical secretaries in order to verify the fulfillment of the formalities required by law for the performance of the meeting and to perform his/her duties according to the legal provisions."

- par. (3) shall be amended and shall have the following content:

"(3) The General Meeting of Shareholders shall elect, from the present shareholders, one to three secretaries who shall check the shareholders' attendance list, indicating the share capital represented by each of them, the minutes for ascertaining the number of shares submitted and the fulfillment of all the formalities required by law and by these Articles of Incorporation for holding the assembly, and then the agenda shall be discussed."

- par. (4) shall be amended and shall have the following content:

"The minutes shall be drawn up by the meeting secretary and shall declare the fulfilment of the formalities regarding the summons, the date and place of the meeting, the agenda, the present shareholders, the number of shares, a summary of the debates, the resolutions taken and, upon the request of the shareholders, the declarations made by them at the meeting. The minutes shall be signed by the Chairman of the meeting, by the secretary of the meeting and by the technical secretaries."

- par. (6) shall be amended and shall have the following content:

"(6) The minutes of the meeting shall be typed and attached to the Register of the meetings and deliberations of the General Meetings of Shareholders, which may be kept in electronic form and, subsequently, at the end of the year, sealed and stamped."

- par. (7) shall be amended and shall have the following content:

"(7) The resolutions of the General Meeting of Shareholders shall be drafted based on the minutes and / or the electronic result regarding the exercising of votes and shall be signed by the Chairman of the Board of Directors and the Secretary of the Meeting."

- par. (9) shall be amended and shall have the following content:

"(9) Shareholders can participate personally or by a representative, according to the legal provisions. Shareholders may be represented by persons other than shareholders, by an agent with a special / general power of attorney, or may express their vote by correspondence. The procedure and forms for special / general powers of attorney and correspondence voting ballots shall be established by the Company according to the legal provisions in force and shall be posted on the Company website at the latest on the date of the summons of the general meeting of shareholders."

- par. (13) shall be amended and shall have the following content:

"(13) In the announcements notifying the summoning of the general meeting of shareholders of the Company, the Board of Directors shall indicate the reference date in relation to which the shareholders shall be entitled to participate and vote. Also, it shall set the date until which the shareholders can send their powers of attorney, as well as the voting procedure by correspondence, on any of the issues that is subject to approval."

- par. (14) shall be amended and shall have the following content:

"(14) Shareholders' votes by correspondence or the submitted general / special powers of attorney shall have a clear and precise form, containing the mention "for", "against" or "abstain" for each topic subject to approval."

9. Art.17 "Exercising the right to vote in the General Meeting of Shareholders" shall be renumbered and becomes art. 18 and is amended as follows:

- par. (2) is removed;
- par. (3) is re-numbered and becomes par. (2);
- par. (4) is re-numbered and becomes par. (3) and shall have the following content:

"(3) In case of voting by representation, the special power of attorney or general power of attorney, on its first use, shall be submitted at the Company headquarters, in original form, 48 hours prior to the meeting, or shall be sent electronically by e-mail with an incorporated extended electronic signature, under the sanction of losing the right to vote in that assembly."

- par. (5) is renumbered and becomes par. (4);
- par. (6) is renumbered and becomes par. (5);
- par. (7) is renumbered and becomes par. (6);
- par. (8) is renumbered and becomes par. (7);
- par. (9) is renumbered and becomes par. (8) and is amended as follows:

"(8) Decisions of the General Meetings of Shareholders shall be taken, for each item on the agenda, by filling in a voting ballot."

- par. (10) is renumbered and becomes par. (9) and is amended as follows;

"(9) The decisions taken by the General Meetings of Shareholders, within the limits of the law and of these Articles of Incorporation, are mandatory even for absent shareholders, for the unrepresented shareholders or for the shareholders that voted against."

10. Art. 18 "Organization and Operation of the Board of Directors" is renumbered and becomes art. 19 and is amended as follows:

- par. (1) shall be amended and shall have the following content:

"(1) The Company is managed in a one-tier system. The executive body of the company is the Board of Directors, composed of 7 (seven) members, out of whom at least 4 (four) members must be independent directors. The members of the Board of Directors will be elected for a 4-year term, and can be reelected. The Board members are elected by the Ordinary General Meeting of Shareholders, by complying with the legal provisions."

- par. (6) shall be amended and shall have the following content:

"(6) The Board of Directors is managed by a Chairman. The President of the Board is elected by the Board of Directors from among its members. The Chief Executive Officer of the Company cannot fulfill this capacity, even if he/she is a member of the Board. The President of the Board is appointed for a period that may not exceed the duration of his/her mandate/term as administrator/director and can be dismissed any time by the Board of Directors. The Chairman coordinates the activity of the Board and reports on this matter to the General Meeting of Shareholders. The Chairman monitors the proper operation of the decisional bodies of the company."

- after par. (12) new paragraphs are added, (13) and (14), and the following paragraphs are renumbered:

“(13) If it is technically possible, any member of the Board can validly participate in a meeting of the Board or of the consultative committee by teleconference, videoconference or any other form of communications equipment, provided they allow the participants’ identification, the actual participation in the Board meeting and the continuous transmission of the meeting.

(14) The person who participates by teleconference, videoconference or any other form of communications equipment that complies with the requirements provided in the paragraph above shall be considered personally present in the respective meeting and shall be considered when ascertaining the quorum, with a voting right.”

- par. (13) is renumbered and becomes par. (15);

- par. (14) is renumbered and becomes par. (16);

- par. (15) is renumbered and becomes par. (17);

- par. (16) is renumbered and becomes par. (18);

- par. (17) is renumbered and becomes par. (19) and is amended as follows:

“(19) The minutes are signed by all the members of the Board who are present and by the secretary. According to the minutes, the secretary of the Board drafts his/her decision, which is signed by the Chairman, the secretary and at least another member of the Board.”

- par. (18) is renumbered and becomes par. (20);

- par. (19) becomes par. (21) and after par. (21) a new par. is added, (22) with the following content:

“(22) The Chairman and the members of the Board shall take part in the meetings. As the case may be, when he/she deems it necessary, the Chairman of the Board can invite to meetings executive managers, internal auditors, and other employees of the company or specialists in various fields of activity outside the company. The Chairman of the union can also be invited, in order to discuss professional, economic and social matters. In order to defend the professional, economic and social rights and interests of the members, he/she will receive from the managers of the company the necessary information for negotiating the collective employment contracts. The articles from the resolutions of the Board regarding professional, economic and social matters shall be communicated in writing to the representative union, within two business days after the meeting takes place.”

- par. (20) is renumbered and becomes par. (23).

11. Art. 19 “Attributions of the Board of Directors” becomes art. 20 and is amended as follows:

- let. f) of par. (2) shall be amended and shall have the following content:

“f) submitting the application for initiating the insolvency procedure of the company, according to Law 85/2014 regarding insolvency prevention and insolvency procedures;”

12. Art. 21 "Obligations of the members of the Board of Directors, of the Chief Executive Officer and Managers" becomes art. 22 and is amended as follows:

- par. (2) shall be amended and shall have the following content:

"(2) The members of the Board of Directors, the Chief Executive Officer and the Managers are responsible to the General Meeting of Shareholders of the company, according to the legal

provisions related to the mandate. The decisions of the members of the Board of Directors, the Chief Executive Officer and the Managers shall be taken after due diligence on the relevant circumstances existing at the time when the respective decisions were taken. "

- par. (4) shall be amended and shall have the following content:

"(4) If a member of the Board of Directors, the Chief Executive Officer or a Manager has in a particular operation, directly or indirectly, interests that are contrary to the interests of the Company, he / she must inform the other members in this regard, as well as the internal auditors, and must not take part in any deliberations concerning this operation."

13. Art. 22 "Financial Audit and Internal Audit" becomes art. 23;

14. Art. 23 "Financing own activities" becomes art. 24;

15. Art. 24 "Financial year" becomes art. 25;

16. Art. 25 "Personnel of the company" becomes art. 26;

17. Art. 26 "Amortization of fixed assets" becomes art. 27;

18. Art. 27 "Accounting records and drafting financial statements" becomes art. 28;

19. Art. 28 "Profit calculation and distribution" becomes art. 29 the the numbering of the paragraphs is corrected;

20. Art. 29 "Company registers" becomes art. 30;

21. ART. 30 "Association" becomes art. 31;

22. Art. 31 "Legal form amendment" becomes art. 32;

23. Art. 32 "Company dissolution" becomes art. 33;

24. Art. 33 "Company winding-up" becomes art. 34;

25. Art. 34 "Litigations" becomes art. 35;

26. Art. 35 "Final provisions" becomes art. 36.

15. Annex 2 – Appointment/revocation acts in 2018

By the OGMS Resolution no. 6 / 28.06.2018, the members of the Board of Directors were revoked given the expiry of their mandate on 29.06.2018 and were appointed as provisional members for a 4-month mandate as at 30.06.2018.

Revoked members of the Board of Directors: Iulian-Robert Tudorache, Cristian Gentea, Dragos Ionut Banescu, Cristian Dima, Mihai Anitei, Marcu Mirel Alexandru, Elena Popescu.

16. Annex 3 – List of offices

S.N. Nuclearelectrica S.A. has its central headquarters at 65 Polona Street, District 1, Bucharest.

17. Annex 4 – List of subsidiaries

S.N. Nuclearelectrica S.A. has two branches that without legal personality, as follows:

- ❖ CNE Cernavoda branch, with registered office in Constanta County, Cernavoda City, 2 Medgidiei Street registered with the Trade Register under no. J13/3442/11.10.2007, operating Units 1 and 2, as well as the auxiliary services.
- ❖ FCN Pitesti Branch, with registered office in Arges County, Mioveni City, 1 Campului Street, registered with the Trade Register under no. J03/457/24.08.1998, where nuclear fuel bundles are being produced, required for the operation of Units 1 and 2 CNE Cernavoda.

18. Annex 5 – List of branches

On December 31, 2018, SNN holds interests in only one branch – Energonuclear S.A., with a share of 100%, a company that was incorporated for the purpose of developing and implementing the Implementation Project of Units 3 and 4 of CNE Cernavoda.

Energonuclear S.A. with its main headquarters in 5-7 Vasile Lascar Street, 3rd floor, District 2, offices no. 302, 303, 304, 305, 305A, 305B, 306, 306A, 307, 308, 315, 315A, 315B, 315C, 316, 317, is registered in the Trade Register under no. J40/3999/25.03.2009, having the Sole Registration Number 25344972.

The main activity of Energonuclear S.A. consists of Engineering and Technical Advice related to them – Cod CAEN 7112.

This company has a second headquarters (place of business) on the site of CNE Cernavoda – Constanta County, the town of Cernavoda.

19. Annex 6 - List of major litigations in progress on 31.12.2018 (over 500 thousand lei), including those that were not monetarily assessed

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
SNN Executive								
1.	2183/115/2010	Civil Court of Law Caras - Severin	Creditor	S.C. CET Energoterm Resita S.A.	Insolvency Bankruptcy Receivable 580,974.21 lei	Merits	Closure of the insolvency proceedings was ordered by sentence no. 59/2019.	-
2.	9089/101/2013	Civil Court of Law Mehedinti	Creditor	Autonomous Administration for Nuclear Activities (RAAN)	Insolvency. Winding-up bankruptcy. Claim 7,828,405.48 lei	Merits	Procedure in progress. In virtue of art. 107 paragraph 1 let. c of Law no. 85/2006. Orders the start of the procedure for the bankruptcy of the debtor. In virtue of art. 107 paragraph 2 of Law no. 85/2006. Appoints as a temporary legal liquidator Euro Insol SPRL.	06.06.2019
3.	7238/120/2012	Civil Court of Law Dambovit	Creditor	S.C. Eco Energy S.R.L.	Bankruptcy Claim 2.464.059,64 lei	Merits	Procedure in progress. Receivable registered with the consolidated list of creditors. Enforcement of the receivable to recover from Edland S.R.L.	04.03.2019
4.	873/1259/2008	Civil Court of Law	Creditor	Termoficare 2000 S.A.	Insolvency Bankruptcy. Claim 2.713.986,71 lei	Merits	Procedure in progress.	16.04.2019

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION. IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Arges						
5.	18770/3/2007	Civil Court of Law Bucharest	Creditor	S.C. Con - Dem S.A.	<p>Insolvency Bankruptcy. Claim</p> <p>2,446,227.08 lei.</p> <p>The receivable approved in the payment program is Lei 2.079,293.02</p> <p>(85% of the receivable accepted in the table).</p>	Merits	Procedure in progress.	08.05.2019
6.	3793/2/2013	Administrative Court of Appeal High Court of Cassation and Justice	Respondent	Greenpeace CEE Romania	<p>Cancellation of the resolution of the environmental agreement and of the environment agreement related to the Project</p> <p>Units 3 and 4.</p>	Second appeal	<p>Merits</p> <p>Admits the exception of lack of object of the second head of the initial petition (cancellation of the environment agreement regarding the project "Continuation of the construction works and completion of Units 3 and 4"). Rejects head II of the initial petition filed in relation to the cancellation of the environment agreement for the project "Continuation of construction and completion works of Units 3 and 4 CNE Cernavodă", as devoid of object. Overrules the rest of the petition, as it was completed by the additional petition, as ungrounded.</p>	25.03.2020

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							<p>Second appeal</p> <p>The Decision No. 2100 dated June 23rd 2016. Accepts the second appeal filed by the Greenpeace CEE Romania Foundation and the Bankwatch Romania Association against the decision no. 1436 from May 9th, 2014 of the Bucharest Court of Appeal – Section 8th administrative and fiscal department. Reverses the appealed sentence and sends the cause back to the retrial towards the same Court. Final, today, June 23rd, 2016.</p> <p>Retrial merits (CAB)</p> <p>Rejects the summons as ungrounded.</p> <p>With appeal within 15 days from the intimation.</p> <p>Decision no. 2208/2017.</p> <p>Retrial recourse (ICCJ)</p>	
7.	11661/3/2014	<p>Bucharest Court of Appeal</p> <p>Bucharest Court of Law – Retrial</p>	Respondent	<p>S.C. Fondul</p> <p>Proprietatea S.A.</p>	<p>Finding the absolute nullity of EGMS Resolution no. 1/11.03.2014.</p>	<p>Appeal</p> <p>Retrial merits</p>	<p>On the merits (TB)</p> <p>Rejected the request of Fondului Proprietatea accepting the exception of the lack of interest reported to the object of the request.</p> <p>Appeal CAB</p> <p>Admits the appeal of Fondul Proprietatea, cancels the sentence appealed and sends the case for retrial at the same Court.</p> <p>Final.</p> <p>Substance retrial (TB)</p> <p>The court ruled the suspension of the case due to the fact that the Bucharest Court of Law and Craiova Court of Appeal asked the</p>	Suspended.

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							Court of Justice of the European Union for some clarifications regarding the possibility of the existence of state aid in relation to the projects that are the scope of EGMS Resolution no. 1/11.03.2014.	
8.	1794/118/2016	Criminal Court of Law Constanta	Civil party	Bucur Ionel Negulici Elena Olteanu Madalina Encica Ionel Nicola Laurentiu Daramus Victor SC Davy Security S.R.L. as a civil liability party by a legal administrator.	Prejudice EUR 3,471,463.	Merits	Merits In order to continue the judicial investigation. Discussing the evidence.	20.03.2019
9.	38724/3/2014	Bucharest Law Court Section II - administrative division	Third party under seizure	The Romanian State by the Ministry of Public Finance.	Appeal to the enforcement and cancelling all the foreclosure decisions from the foreclosure file 22/2014 creditors Multipack S.R.L., European Food S.A., Starmil S.R.L., Micula Ioan.	Merits	Merits In virtue of art. 413, par. 1, point 1 NCPC suspends the trial until the final resolution of case no. 15755/3/2014. With appeal throughout the suspension.	Suspended.
10.	3490/121/2015	Civil	Claimer	S.C. ArcelorMittal	Claims	Merits		

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Court of Law Galati Court of Appeal Galati ICCJ		Galati S.A.	RON 8,575,245,78 difference amount energy sale made redundant and other associated expenses.		<p>Merits</p> <p>Rejects the action to oblige the claimant to pay damage deriving from contract no. 207/22.02.2013 as ungrounded.</p> <p>Appeal</p> <p>Approves the appeal filed by plaintiff S.N. Nuclearelectrica S.A. against civil judgment no. 278/20.12.2016 issued by Galati Court of Law - Civil Section II in Case File no. 3490/121/2015. Fully changes the appealed judgment and, in retrial. Partially admits the action. Orders ArcelorMittal Galati S.A. to pay to the claimant S.N. Nuclearelectrica S.A. the amount of Lei 8,645,467.52, as damage compensations. Rejects as ungrounded the appeal filed against the resolution of May 26,2016 of the same court. Orders the defendant to pay Lei 142,132.97, trial expenses - merits and appeal to the claimant.</p> <p>Resolution no. 227/27.09.2017.</p> <p>Second appeal</p>	There is a retreat.
11.	4959/2/2015	Administrative Bucharest Court of Appeal ICCJ	Claimer	Court of Auditors	Measure annulment TRIPS TRIPS	Merits	<p>Merits</p> <p>Admits the request. Partially cancels resolution no. 59/17.07.2015 issued by the claimant, regarding point 3. Partially cancels the Decision no. 16/11.05.2015 issued by the claimant regarding the measures ruled at point 5 and the measure no. I3. Partially cancels the Control Report no. 4371/10.04.2015 issued by the claimant regarding point 3.1.5. Forces the claimant to pay lei 4,550 trial expenses to the claimant.</p> <p>Second appeal</p>	17.04.2019
12.	4906/2/2015	Administrative	Claimer	Court of Auditors	Measure annulment	Merits	Merits	24.05.2019

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Bucharest Court of Appeal ICCJ			TRIPS PURCHASES		According to art. 413 par. 1 point 1 from the Civil Procedure Code, it suspends the trial of the case until the final settlement of file no.62136/299/2015 of Bucharest Court of Law District 1. With appeal throughout the duration of the suspension. Resolution - Suspension 18.01.2016. Dismisses the action as groundless. With a right of appeal within 15 days since the communication. Pronounced today, 10.10.2016. Dismisses the action as groundless. With a right of appeal within 15 days since the communication. Pronounced in public session today, 10.10.2016. Resolution no. 2961/2016. Second appeal	
13.	4912/2/2015	Administrative Bucharest Court of Appeal ICCJ	Claimer	Court of Auditors	Measure annulment TRIPS POLICIES D&O	Merits	Merits Admits the request. Overrules the inadmissibility solution of the partial annulment petition of the control report no.4371/10.07.2015. Admits the action. Partially annuls Resolution no.59/17.07.2015, issued by the defendant regarding pt.10, Decision no. 16/11.05.2015 issued by the defendant regarding the measure disposed at pt.II.12 from the resolution, as well as pt. 3.1.10 from Control Report no.4371/10.04.2015 issued by the defendant. With a right of appeal within 15 days since the communication. Decision no.173/26.01.2016. Second appeal Dismisses the appeal declared by the Court of Accounts of Romania against civil sentence no.173 of January 26, 2016, pronounced by the Bucharest Court of Appeal - the 8th Administrative and Fiscal Section as unfounded. Final. Pronounced in the public hearing today, 20 February 2019.	-
14.	4946/2/2015		Claimer	Court of Auditors	Measure annulment TRIPS	Merits	Merits In relation to the absence of the expertise report, delays the case	28.03.2019

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Administrative Bucharest Court of Appeal		Intervener General Concrete	GENERAL CONCRETE		and reissues a letter to the expert under the sanction of applying a judiciary fine according to art. 187 of the Civil Procedure Code for not submitting the report in due time. Resolution 09.06.2017.	
15.	4958/2/2015	Administrative Bucharest Court of Appeal ICCJ	Claimer	Court of Auditors	Measure annulment TRIPS NON-RESIDENTS	Merits	<p>Merits</p> <p>Partially cancels resolution no. 59/17.07.2015, namely regarding the rejection of point VI from Appeal no. 6420/28.05.2015 and, consequently, cancels the measure taken under point II.8 from Resolution no. 16/11.05.2015 for removing the non-compliance presented under point 3 from the same resolution, as well as pt. 3.1.3 from Inspection Report no. 4371/10.04.2005. With a right of appeal within 15 days since the communication.</p> <p>Pronounced March 10th, 2016.</p> <p>Second appeal</p>	17.04.2019
16.	4964/2/2015	Administrative Bucharest Court of Appeal ICCJ	Claimer	Court of Auditors	Measure annulment TRIPS JUDGMENTS	Merits	<p>Merits</p> <p>Admits the exception of inadmissibility of the application end relating to cancellation of point 3.1.7 from Control Report No. 4371/ 10.04.2015 invoked by the respondent. Dismisses as inadmissible the request for annulment of section 3.1.7 from Control Report No. 4371/ 10.04.2015. Dismisses as groundless the redundant actions. With appeal within 15 days from the intimation. The appeal shall be lodged with the Bucharest Court of Appeal. Decision no.373/09.02.2016.</p> <p>Second appeal</p>	14.05.2019

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
17.	45494/3/2015	Bucharest Law Court Civil Section VI Court of Appeal	Plaintiff asked to pay a security	Managers S.N. Nuclearelectrica S.A. and GMS members.	Prejudice 708,407 lei. Execution of measure disposed by CC through the 2012 report regarding D&O policies.	Merits	<p>Merits</p> <p>Rejects the exception of the invoked procedure quality by the claimants Grama Mioara, Popescu Lucia -Ioana, Chiriac Cristiana and Serbanescu Cristian Ovidiu. Admits the prescription exception. Dismisses the request, stating as prescribed the right to action. Dismisses the application of calling in warranty as left without object. Compels the claimer to pay the following trial expenses: 8,226.53 lei towards the respondent Grama Mioara, 7,873.53 lei towards the respondent Popescu Lucia - Ioana and 7,925.79 lei towards the respondent Chiriac Cristiana. With appeal within 30 de days from the intimation. Resolution no.7583/29.11.2016.</p> <p>Appeal</p>	14.05.2019
18.	1367/2/2016	Administrative Bucharest Court of Appeal ICCJ	Plaintiff	National Agency for Fiscal Administration	Administrative act cancellation - Resolution no. 25/29.01.2016.	Merits	<p>Merits</p> <p>Dismisses the action as groundless. With a right of appeal within 15 days since the communication. Resolution no. 2656/21.09.2016.</p> <p>Second appeal</p>	01.03.2019
19.	409/2/2016	Bucharest Court of Appeal	Civil Party	Tudor Ion Criminal group House of insolvency liquidator Banat CET Energoterm Reșița.	Tax evasion offenses, bribery, corrupt practices 580,974.21 lei.	Merits	Procedure in progress.	16.03.2019

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
20.	6874/3/2016	Court of Law Bucharest	Respondent	Nuclear and Radioactive Waste Agency (ANDR)	<p>Claims</p> <p>131,080.08 Euros contributions according to HG [Government Decision] no. 1080/2007 for 2010-2012.</p> <p>Contributions for the 2013-2015 for the energy difference produced and the delivered one in SEN.</p> <p>Penalties 2010 - 2015 until the actual payment.</p>	Merits	<p>Merits</p> <p>Rejects the exception of the prescription of the material right to action as ungrounded. Rejects the summons as ungrounded. With a right of appeal within 30 days from the communication.</p> <p>Appeal</p> <p>Dismisses the appeal as reasonless. With right of second appeal within 30 days from communication. Resolution no. 2006/21.11.2017.</p> <p>Second appeal</p>	04.04.2019
21.	41419/3/2016	Civil Court of Law Bucharest S II	Plaintiff- Defendant	Energio Securent S.R.L.	<p>SNN claims: 330,074.32 lei</p> <p>Claims Energio Securent: 2,206,539.80 lei</p>	Merits	<p>Merits</p> <p>Management of the evidence with accounting expertise.</p>	23.04.2019
22.	5802/118/2017	Labor Constanța Court	Respondent	CNE Union for 757 employees	Monetary rights hazardous conditions	Merits	<p>Merits</p> <p>Pending accounting expertise.</p>	17.05.2019

Ite m no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
					bonus.			
23.	7036/118/2017	Labor Constanța Court	Respondent	SLEN union for 132 employees 159 plaintiffs on their own behalf	Monetary rights hazardous conditions bonus.	Merits	Merits Pending accounting expertise.	17.05.2019
24.	10032/3/2018	Civil Bucharest Court, Civil Section VII Sema CAB	Plaintiff	KDF Energy	Appeal against the measure of the judicial administrator against the measure of rejection as ungrounded of the demand for the payment of the current receivable of 561,600 lei.	Merits	Merits Approves the appeal. Finds the receivable of creditor S.N. Nuclearelectrica S.A. in the amount of 561,600 lei, representing a termination damage for the electricity sale-purchase contract on PCCB-LE no. 908 / 11.10.2016, as a current receivable, the payment of which shall be made under the conditions of art. 75 par. 3 and 102 par. 6 of Law no. 85/2014. With appeal within 7 days after notification. The appeal application is to be submitted to Bucharest Court of Law. Resolution no. 4452/10.07.2018. Appeal	14.03.2019
25.	26294/3/2018	Civil Bucharest Court of Law	Plaintiff	Davi Comfire	Estimated damage 1,915,490 lei + Legal interest and trial expenses.	Merits	Merits Evidence administration.	05.04.2019

Ite m no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
26.	6471/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Auditors	Measure annulment point 1 of the Authentication - Energonuclear loan.	Merits	Merits	15.03.2019
27.	6472/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Auditors	Measure annulment point 4 of the Authentication – Uranium.	Merits	Merits	15.03.2019
28.	6479/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Auditors	Measure annulment point 5 in the Decision - ROEL Xerox.	Merits	Merits	28.03.2019
29.	6481/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Auditors	Measure annulment point 3 of the Authentication - BVC substantiation.	Merits	Merits	08.05.2019
30.	6487/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Auditors	Measure annulment point 2 of the Authentication - Non- increase of the share capital.	Merits	Merits	08.05.2019
31.	6676/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Auditors	Suspension of measure point 4 of the Court Decision – Uranium.	Merits	Merits Admits the exception of non-admissibility. Rejects the petition for the suspension of the enforcement of point 4 of Decision no. 29/July 31 st , 2018 of the Court of Auditors, as inadmissible. Admits the petition of suspension of the enforcement of the measures	09.10.2019

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
							ordered in point 1.8 of Decision no. 5/June 8 th , 2018. In virtue of art. 15 in Law no. 554/2004 orders the suspension of the enforcement of the measures ordered in point 1.8 of Decision no. 5/2018, until the final settlement of the action in annulment contemplated by file no. 6472/2/2018 registered pending with Bucharest Court of Appeal. it compels the defendant to the payment, in favor of the plaintiff, of the legal charges representing the judicial stamp duty, amounting to RON 20. Subject to appeal within 5 days of communication, the appeal petition being filed at Bucharest Court of Appeal. Resolution no. 3975/October 8 th , 2018.	
32.	6753/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Auditors	Suspension of measure point 5 from the Authentication - ROEL.	Merits	<p>Merits</p> <p>Overrules as inadmissible the petition of suspension of the performance of point 5 of Decision no. 29/July 31st, 2018 passed by the Challenge Settlement Board within the Court of Auditors of Romania. Overrules as unsubstantiated the petition of suspension of the enforcement of point II.13 from Resolution no. 5/June 08, 2018 issued by the Court of Accounts of Romania - Department IV. With right to appeal within 5 days of communication. The application to exercise the appeal is submitted to C.A.B. Judgment no. 4169/17.10.2018.</p> <p>Second appeal</p>	24.10.2019
33.	6969/2/2018	Administrative Bucharest Court of Appeal	Plaintiff	Court of Auditors	Suspension of measure point 1 - Energonuclear loan.	Merits	<p>Merits</p> <p>Rejects the suspension application. Solution in brief: rejects the suspension application as groundless. With appeal. Passed in a public session. Document: Resolution no. 4815/23.11.2018.</p>	25.09.2019
34.	7061/2/2018	Administrative Bucharest Court	Plaintiff	Court of Auditors	Suspension of measure point 3 from the BVC	Merits	<p>Merits</p> <p>Rejects the application as groundless. With the right to appeal</p>	

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		of Appeal			Authentication.		within 5 days of the notification, which is to be submitted to the Bucharest Court of Appeal. Pronounced today, 23.11.2018, by making the solution available to the parties by the registry of the Court.	06.03.2019
35.	34778/3/2018	Labor - Bucharest Court of Law CAB	Respondent	Dima Tatiana	Action for cancelling the GMS Resolution.	Merits	Merits Approves the exception of not stamping the application, invoked ex officio. Cancels the application as unstamped. With appeal within 5 days after the notification. The appeal application is submitted to the Bucharest Court of Law - Civil Section VI. Pronounced in public session today, 14.11.2018. Document: Resolution no. 3437/14.11.2018.	26.03.2019
36.	34088/3/2018	Civil Bucharest Court of Law	Defendant	Termogaz Company S.A.	Claims 575,391.88 lei - equivalent value of performed and unsettled works. Youth Center Social Program.	Merits	Merits	23.10.2018
37.	35693/299/2018	Civil Court of Law District 1 Civil Section I	Third party subject to seizure – SNN debtor AAAS defendant Ministry of Public Finance.	Ionita St. Barsoianu Theodora in foreclosure case no. 959/2010 BEJ Draganescu, Ionescu Grafenco infringed parties FNI.	Seizure validation for 2,089,042.69 RON.	Merits	Merits	27.03.2019

Item no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
CNE Cernavoda Branch								
1.	3338/118/2016	Civil/ Court of Appeal of Constanta	Appellee defendant	Employee group Sarman Costel, Dinu Sorin s.a.	Monetary rights radiological risk bonus.	Appeal	<p>Merits</p> <p>Rejects the civil case formulated by Sarman Constantin, Dinu Sorin Stefan, Mitea Ionut Antonel, Cornateanu George, Manole Constantin, Matei Nicusor, Deciu Georgian, Tompe Augustin, Zafir Bogdan, Mirsu Adrian, Anghel Ene Paul, and others against defendant S.N. Nuclearelectrica S.A., as groundless. With the right to appeal within 10 days after the notification of this Resolution. Resolution no. 2776/13.12.2017.</p> <p>Appeal</p>	15.05.2019
2.	2853/118/2018	Labor/ Constanța Court	Respondent	Employee group Mihaila Alexandru, Munteanu Nicu and others	Monetary rights radiological risk bonus.	Merits	<p>Background</p> <p>Rejects the petition for dismissal as unreasonable. With right of appeal within 10 days of communication. The appeal shall be lodged with the Constanta Tribunal. Pronounced by putting the solution at the disposal of the partis through the court registry, today, March 4, 2019.</p> <p>Document: Decision no. 574/03.04.2019.</p>	18.02.2019
3.	4133/118/2017	Labor / Constanta Court of Law	Respondent	Employee group Catranguiu Rica, Bejenaru Alexandru and others	Monetary rights Radiological risk bonus.	Merits	Merits	13.03.2019
4.	3/118/2018	Civil/	Plaintiff	Cernavoda City Hall	Claim of land in area of 1,393.62 sq m, in	Merits	Merits	12.04.2019

Ite m no.	File number	Litigation nature/ Court	SNN title	Opposing party	Value	Stage	Description	Lawsuit stage Term
		Constanța Court			extension of Campus 1.			
5.	3990/118/2018	Civil / Constanta Court of Law	Plaintiff	CNE S.A.	The obligation to demolish the building erected on the land owned by SNN in area of 579 sq m.	Merits	Merits	14.03.2019

20. Annex 7 - Stage of the implementation of the Corporate Governance Code of the Bucharest Stock Exchange

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
A.1	All companies must have an internal regulation of the Board which shall include the terms of reference/responsibilities of the Council and key management functions of the company, and that applies, inter alia, the General Principles from Section A.	<p>SNN has an organization and operation Internal Regulation of the Board of Directors and a Corporate Governance Regulation, which contains the terms of reference, the responsibilities of the executive management, the Board of Directors and GMS and key management functions and responsibilities of the Advisory Committees of the Board of Directors in accordance with the General principles in the Corporate Governance Code.</p> <p>These terms of reference/responsibilities are brought to the knowledge of the public through the Organization and Operation Regulations of the Board of Directors and through the Governance Regulations, published on the company's website within the section "Investor Relation/Corporate Governance".</p>			

THIS A FREE TRANSLATION FROM THE ROMANIAN VERSION. IN CASE OF ANY DIFFERENCES BETWEEN THE ROMANIAN AND ENGLISH VERSION, THE ROMANIAN VERSION PREVAILS.

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
A.2	Provisions for management of conflicts of interest must be included in the Council regulation. In any case, Board members must notify the Council of any conflicts of interest that have arisen or may arise and to refrain from participating in discussions (including by the default, except that the fault would prevent the formation of the quorum) and to vote for the adoption of a resolution concerning the matter which gives birth to the conflict of interest question.	The provisions regarding the management of conflicts of interests are included in the Organization and Operation Regulations of the Board of Directors and the Corporate Governance Regulations, published on the SNN site. Regarding the management of conflicts of interests, each member of the Board of Directors ensures the avoidance of a direct or indirect conflict of interests with the Company, and in case of occurrence of such conflict it refrains from debates and vote on the respective issues, according to the current legal provisions.			
A.3	The Board of Directors or the Supervisory Board should be composed of at least five members.	SNN's Board of Directors consists of 7 members. The information relating to the structure of the BoD is published in the Annual Report, in the Organization and Operation Regulations of the Board of Directors and on the website, under section "Investor Relation/Board of Directors".			
A.4	The majority of the members of the Board of Directors must not have executive function. At least one member of the Board of Directors or of the Supervisory Board must be independent in case	SNN is a company in the Premium Category, managed by a provisional Board of Directors on 31.12.2018, composed of 7 non-executive members. 3 of the 7 members of the Board of Directors are			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
	of Standard Category Companies. In the case of Premium Category companies, no less than two non-executive members of the Board of Directors or of the Supervisory Board must be independent. Each independent member of the Board of Directors or of the Supervisory Board, as the case may be, must submit an affidavit at the time of his appointment in view of election or re-election, as well as when it occurs any change in its status, indicating elements according to which it is considered that he is independent from the point of view of his character and judgment.	independent according to the criteria from Section A. In 2018, the members of the Board of Directors appointed for provisional mandates and those appointed for 4-year mandates. Submitted their independence statements based on the criteria provided under art.138 ² par. 2 of Company Law no.31/1990 and according to the criteria provided under point A4 of the corporate governance Code of the Bucharest Stock Exchange. The Annual Report presents in chapter "Corporate Governance Statement" information relating to the status of independent member of the Board of Directors members. Also this information is published on the website of SNN.			
A.5	Other professional commitments and obligations relatively permanent of a member of the Council, including executive and non-executive positions in the Board of some companies and non-profit institutions, must be disclosed to shareholders and potential investors prior to appointment and in the course of his mandate.	The Annual Report presents in the section "corporate governance Statement" information on other professional commitments and obligations of the members of the Board of Directors, including executive and non-executive positions in the Board of other companies. This information is also available on the website of SNN, in the section "Investor Relation/corporate			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
		Governance/Board of Directors".			
A.6	Any member of the Council must submit to the Council any information relative to any relation with a shareholder who owns shares directly or indirectly representing over 5% of all voting rights. This obligation refers to any relation that may affect the member's position with regard to issues determined by the Council.	<p>This provision is included in the Organization and Operation Regulation of the Board of Directors. The information regarding the reports with shareholders that own directly and indirectly over 5% of the SNN shares have been checked based on the statements according to the criteria stipulated in Art.138² par. 2 of Company Law no.31/1990 and according to the criteria provided under point A4 of the corporate governance Code of the Bucharest Stock Exchange.</p> <p>In 2018, two members of the Board of Directors were employees of the Ministry of Energy, a shareholder that directly owns more than 5% of all voting rights: Iulian-Robert Tudorache and Elena Popescu. Also, Mr. Cristian Gentea is the Chief Executive Officer of RATEN, an entity 100% owned by the Romanian State, the majority shareholder of SNN.</p>			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
A.7	The company must appoint a Secretary of the Board in charge of supporting the activity of the Council.	The name of the Secretary of the Board of Directors is published in the SNN Annual Report for 2017, in the section "Corporate Governance Statement".			
A.8	Statement regarding corporate governance will inform if an assessment has taken place under the leadership of the Chairman of the Council or of the Nomination Committee and, if so, will summarize the key measures and changes resulting. The company should have a policy/guidelines regarding the Committee evaluation including aim, criteria and frequency of the evaluation process.	According to the legal provisions of GEO 109/2011 on provisional mandates, in 2018 there was no BoD self-assessment based on performance indicators, and these would be set in the BoD Management Plan.	The company does not have a policy/guideline for the assessment of the activity of the Board of Directors, such shall be adopted following the completion of the selection procedure for the members of the Board of Directors for a mandate of 4 years.		SNN shall send the current compliance report with this provision after drafting the assessment policy/guideline.
A.9	The statement regarding the corporate governance should contain information on the number of meetings of the Council and committees during the last year, the participation of administrators (present and absent) and a report of the Council and the committees with regard to their activities.	The Annual Report for 2018 contains information about the number of sessions of the Board of Directors in 2018 as well as about the participation of the directors, in the section "Corporate Governance Statement". The reports of the advisory committees created within the Board of Directors are also presented in the Annual Report for 2018.			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
A.10	The statement regarding the corporate governance shall contain information about the exact number of independent members from the Board of Directors or from the Supervisory Board.	The Annual Report for 2018 presents the exact number of independent members, in the section "Corporate Governance Statement".			
A.11	The Council of Premium Category companies must establish a Nominating Committee consisting of persons without executive functions, which will lead the procedure of appointment of new members in the Council and will make recommendations to the Council. The majority of the Nomination Committee members must be independent.	At the level of SNN there is an Advisory Committee for Nomination and Remuneration established in 2013. The Nominating Committee component is presented on the website and in the Annual Report of the Company. The members of the Advisory Committee for Nomination and Remuneration are non-executive members.	Two members of the Advisory Committee for Nomination and Remuneration are independent non-executive directors.		
	The terms of reference of the Nomination Committee shall include a provision that the Nominating Committee will be composed of persons without executive functions, and will lead the nomination procedure for new members in the Council and will make recommendations to the Council.	This provision exists in the Regulation of the Advisory Committee for Nomination and Remuneration. Members of the Nomination Committee are non-executive.			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
B.1	The Council is required to establish an audit committee in which at least one member must be an independent non-executive administrator. The majority of members, including the Chairman, must prove that they have adequate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have accounting or auditing experience proven and appropriate. In the case of Premium Category Companies, the audit committee must be composed of at least three members and the majority of the audit committee members must be independent.	At the level of SNN there is an Audit Committee of set up in 2013. The Audit Committee consists of 3 members, all with relevant experience in the field. The Audit Committee's component is published on the website of SNN, at the Corporate Governance section. On 31.12.2018, all the members of the Audit Committee are independent non-executive directors.			
B.2	The Chairman of the audit committee must be a non-executive independent member .	The Chairman of the Audit Committee is an independent non-executive Member - Mr. Remus Vulpescu. This information is presented in the Annual Report for 2018.			
B.3	In the framework of its responsibilities, the audit committee must conduct an annual assessment of internal control system.	This provision is stipulated in the Organization and Functioning Regulation of the Audit Committee published on the website of the SNN in the Corporate Governance section. Information on the annual			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
		assessment of internal control system are set out in the Audit Committee report of the "Statement of corporate governance".			
	If the Audit Committee reviewed the internal control system, taking into account the effectiveness and scope of the internal audit function, the adequacy degree of the risk management and internal control reports and submitted to the Audit Committee of the Board and the promptness and efficiency with which the executive leadership solves the problems or deficiencies identified as a result of its internal control and presented relevant reports submitted to the attention of the Council.	The Annual Report contains information about the work of control and assessment conducted by the Audit Committee.			
B.4	The assessment must take into account the effectiveness and scope of the internal audit function, the adequacy degree of the risk management and internal control reports submitted to the Audit Committee of the Board, the promptness and efficiency with which the	The Annual Report contains information about the work of control and assessment conducted by the Audit Committee (the number of internal audit missions, their subjects, the number of meetings of the Audit Committee, information on the issues discussed, information			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
	executive leadership solves the deficiencies or the weaknesses identified as a result of its internal control and the submission of relevant reports to the attention of the Council.	about the risk management, how to solve the identified problems), in accordance with the Organization and Functioning Regulation of the Audit Committee.			
B.5	The Audit Committee must assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with affiliated parties. Information on the number and value of transactions with affiliated parties.	This activity is carried out according to the obligation of monitoring the Company's compliance with the provisions of the Articles of Incorporation, legal framework and applicable normative documents concerning transactions with related parties as defined in the Organization and Functioning Regulation of the Audit Committee. In 2018, the Audit Committee assessed the transactions of the Company and found that there were no conflicts of interest, which is stated in the Annual Report for 2018.			
B.6	The Audit Committee must assess the effectiveness of internal control system and of the risk management system.	This provision is contained in the Organization and Functioning Regulation of the Audit Committee. The result of evaluating the effectiveness of the internal control system and			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
		of the risk's management system is contained in the Annual Report.			
B.7	The audit committee must monitor the application of the legal and internal audit standards generally accepted. The audit committee shall be to receive and to assess reports from the internal audit team.	The audit committee has provided the obligation of applying the legal standards and standards for internal audit as well as evaluation reports of the internal audit team in the Organization and Operation Regulation.			
B.8	Whenever the Code mentions reports or analyses of Audit Committee, they should be followed by periodic (at least annually) or ad-hoc reports to be forwarded to the Council at a later date.	The Annual Report contains a list of the documents prepared or verified by the Audit Committee which were submitted for approval to the Board of Directors, in the section "corporate governance Statement".			
B.9	Any shareholder may not be given preferential treatment over other shareholders in connection with transactions and agreements concluded by the company with shareholders and their affiliates.	Policy on transactions with affiliated parties displayed on the website of SNN provides equal treatment for all shareholders in connection with the transactions and agreements concluded by the Company with the shareholders or their affiliates.			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
B.10	The Council is required to adopt a policy to ensure that any transaction of the company with any of the companies with which it has closed relations whose value is equal to or more than 5% of the net assets of the company (according to the latest financial report) is approved by the Council following a mandatory opinion of the Audit Committee of the Board and disclosed to shareholders and potential investors in the right way, insofar as such transactions fall into the category of events which are subjected to reporting requirements.	The Articles of Incorporation and the Organization and Operation Regulations of the Board of Directors provide for the approval by the Board of Directors of any transaction of the company with any of the companies with which it has close relationships, whose value equals or exceeds 5% of the net assets of the company (according to the latest financial report), following a binding opinion of the Audit Committee of the Board and correctly disclosed to the shareholders and potential investors, insofar as these transactions fall within the category of events that are subject to reporting requirements. For transactions with unaffiliated parties the limit of competence of the Management Board is for contracts over 5 million Euros. According to the Articles of Incorporation, contracts with a value of more than 50 million Euros are approved by the Board of Directors and approved by the AGA. These provisions are included in the policy regarding transactions with affiliated parties displayed on SNN's website.			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
B.11	<p>Internal audits shall be carried out by a separate structural division (Internal Auditing Department) of the company or by engaging a third independent entity. Descriptive report of the Chairman of the Audit Committee (on the assessment of the Internal Audit Department and the reporting to the designate Director of the Department of Internal Audit).</p>	<p>SNN has its own Audit Department. The Annual Report contains a section dedicated to the Audit Committee in the context of the "Statement of Corporate Governance" in which it is presented and evaluated the audit activity at the level of the Company.</p>			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
B.12	In order to ensure the fulfillment of the main functions of the Internal Audit Department, it must report the functional point of view towards the Council through the Audit Committee. For administrative purposes within management's responsibilities to monitor and reduce the risks, it must report directly to the Chief Executive Officer.	Reporting lines are followed exactly. Audit Department reports to the Chief Executive Officer and to the Management Board.			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
C.1	<p>The company must publish on its website the remuneration policy and to include a statement in the Annual Report on the implementation of the remuneration policy in the annual period under review. Remuneration policy should be formulated so as to allow shareholders the understanding of the principles and arguments underlying remuneration of Board members and the Chief Executive Officer and the members of the Executive Board in the two-tier system. It must describe how the process and decision making regarding remuneration is done, to detail the components of the remuneration to executive management (such as salaries, annual bonuses, long-term incentives tied to the value of the shares, benefits in nature, pensions and others) and to describe the purpose, principles and the underlying</p>	<p>The remuneration policy is published on the website of the company and is included in the Annual Report. The Advisory Committee for Nomination and Remuneration performs an annual report that is submitted to the opinion of the Board of Directors and to the approval of the AGA. The Advisory Committee for Nomination and Remuneration Report contains information about the principles and arguments that form the basis of the remuneration of members of the Board of Directors and of the directors, the manner of processing and decision-making regarding the remuneration, the details of the remuneration components. The report also contains information relating to the period of notice and compensation for revocation without a just cause.</p> <p>The Report of the Advisory Committee for Nomination and Remuneration for 2018 is an integral part of the Annual Report.</p>			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
	of each component (including the general criteria for any performance related to any variable remuneration). In addition, the remuneration policy must specify the length of the agreement to the Executive Director and of the period of notice stipulated in the agreement, as well as possible compensation for revocation without a just cause. [...] Any essential change occurred in remuneration policy shall be published in due course on the company's website.	.			
D.1	The Company must organize an Investor Relation service - made known to the public by the person/persons in charge or as an organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relation, in Romanian and English, with all relevant information of interest for investors, inclusively.	SNN has a structure specially designed for interacting with investors - Communication and Investor Relation Department within the Legal and Corporate Affairs Department. All materials published on the website of SNN in "Investor Relation" section are translated also in English.			
D.1.1	Main corporate regulations: articles of incorporation, procedures relating to General Meetings of Shareholders.	The Articles of Incorporation and the procedure regarding the organization and performance of the General Meetings of Shareholders are published in bilingual form on the SNN site			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
		within the section "Investor Relation/Corporate Governance".			
	The terms of reference of the Board and committees of the Council.	The terms of reference of the Board and Committees of the Council are published on the company's website on the Investor Relation/Corporate governance section.			
	The rules and procedures of the AGA.	Materials published on the company's website in the "Investor Relation-Information about AGA".			
D.1.2	Professional CVs of the members of the management organs of the company, other professional engagements of Board members, including executive and nonexecutive positions on boards of Directors in companies or non-profit institutions.	CVs of the members of the Board are published on the company's website. Presentation of the members of the Board of Directors on SNN website and of this Annual Report includes non-executive and executive positions owned by them and other professional commitments owned in other companies.			
D.1.3	Current reports and periodic reports (quarterly, half-yearly and annual) - at least the ones stipulated in point D.8 -including current reports with detailed information pertaining to non-conformity with this code.	Current reports including periodic reports (quarterly, half-yearly and annual) are published on the website of SNN, in section Corporate Governance and contain information pertain to this provision. The current report regarding nonconformities and			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
		also the current subsequent reports concerning but the compliance will be published on the site.			
D.1.4	Information on general meetings of the shareholders: agenda and information materials; the procedure for electing the members of the Council; the arguments that support the proposals for candidates for election into the Council, together with their professional resumes; shareholders inquiries concerning items on the agenda and the company answers, including adopted resolutions .	Information published on the website in the section "Corporate Governance/information about AGA".			
D.1.5	Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to acquisition or limitations on rights of a shareholder, including deadlines and principles applied in these operations. The information will be published in a period that will allow investors to adopt investment decisions.	All this information is published on the company's website in the sections "Investor Relation/Dividends".			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
D.1.6	The name and contact details of a person who will be able to provide, upon request, relevant information.	Information is available on the website in the "Investor Relation" section. Information is available in the Annual Report.			
D.1.7	Company presentations (e.g. presentations for investors, the quarterly results presentations, etc.), financial statements (quarterly, biannually, annually), audit reports and annual reports.	The presentations made on the occasion of the publication of quarterly and half-yearly financial results and/or during meetings with investors/analysts are published on the site, in the section "Investor Relation/Presentations", accompanied by the audio recordings of the meetings and teleconferences. Half-yearly and annual financial statements are accompanied by an Audit Report.			
D.2	The company will have an annual distribution of policy dividends or other benefits shareholders, proposed by the Chief Executive Officer or Directorship and adopted by the Board in the form of a set of guidelines which the company intends to follow with respect to the distribution of net profit. Annual policy principles of distribution toward the shareholders will be published on the website of	SNN does not have a multi annual dividend policy, but it subjects to the approval of the GMS on a yearly basis the proposal regarding the distribution of profits. Information regarding the payment of dividends for years 2013, 2014, 2015, 2016, 2017 and 2018 (additional dividends) are posted on the SNN website, section "Investor Relation". The distribution of the net profit for the previous years is also published on the website of the company in the "Investor			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
	the company.	Relation / Information on AGA" section.			
D.3	The company will adopt a policy in relation to the forecasts, either as they are made public or not. Forecast refers to the quantifiable conclusions of some studies which concerns the establishment of the global impact of a number of factors relating to a future period (so called hypotheses):by its nature, this projection has a high level of uncertainty, the actual results can differ significantly from the initially presented forecasts. Policy regarding the forecasts will set the frequency, timing and content of the actual forecast. If they're published, forecasts may be included only in annually, quarterly or half-yearly reports. Policy		SNN does not have a policy regarding forecasts, because input data and estimated related to the development of SNN's financial results depend to a large extent on the evolution of the price on the energy market. SNN is a participant in the energy market, not a price creator, thus the forecasts regarding the evolution of this market and implicitly the financial results and the price of SNN shares would have a high degree of uncertainty.		.

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
	regarding the forecasts will be published on the website of the company.				

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
D.4	General Meetings of Shareholders rules should not limit the participation of shareholders at general meetings and the exercise of their rights. Rules changes will come into force at the earliest, starting with the next meeting of shareholders. Rules changes will come into force at the earliest, starting the next General Meeting of Shareholders.	Organization and conduct Regulation of the General Meetings of Shareholders SNN guarantees shareholders' rights according to the relevant legislation and ensures equal treatment thereof. The Regulation is published on the SNN website in the section dedicated to the GSM. Changes to Regulation were posted in the News section to be viewed by a large number of visitors, quickly. The changes took effect at the next General Board, after their approval in SNN Board..			
D.5	External auditors will be present at the General Meeting of Shareholders when their reports are presented at these meetings.	At the SNN General Meeting of Shareholders of April 25, 2018 for presenting and approving the Activity Annual Report of the company, the representatives of the SNN auditor were also present.			
D.6	The Council will present to the annual General Meeting of Shareholders a brief assessment of the internal control systems and management of significant risks and opinions on issues subjected to the decision of the General Board.	This information is contained in the chapters "Risk management activity" and "Financial reporting, internal control and risk management" in the Annual Report of the Board subdued to AGM approval			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
D.7	Any specialist, consultant, expert or financial analyst may participate in the shareholders meeting according to a prior invitation from the Council. Accredited journalists can also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	These provisions are included in the Regulation for the Organization and Performance of General Meetings of Shareholders of SNN			
D.8	Financial quarterly and biannual reports include information both in Romanian and in English on the key factors influencing changes at the level of sales, operating profit, net profit and other relevant financial indicators from a quarter to another and from a year to the next one.	Financial quarterly and biannual reports include information both in Romanian and in English on the key factors influencing changes at the level of sales, operating profit, net profit and other relevant financial indicators from a quarter to another and from a year to the next one.			
D.9	A company will organize at least two meetings / teleconferences with analysts and investors every year. Information presented on these occasions will be published in the Investor Relation section of the company website on meetings / teleconferences date.	SNN organized 4 teleconferences and a face-to-face meeting with the investors, financial analysts, brokers, etc. in 2018. According to the financial calendar for 2019, SNN will organize 5 meetings with the financial analysts, out of which one will be face-to-face.			

No.	Code Provision	Observes	Does not observe or observes in part	Reason for non-compliance	Rectification Terms
D.10	If a company supports various forms of artistic and cultural expression, sports, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company are part of its mission and development strategy, will publish the policy on its activity in this area.	<p>SNN published on its website the statement of corporate social responsibility according to which the company conducts support and development of the local community, cultural activities, young talented, research and scientific activity.</p> <p>Also, the Annual Report contains information on the policy applied by SNN in corporate social responsibility.</p> <p>SNN publishes annually on their website the list of the sponsorship made in the previous year.</p>			

21. Annex 8 - Report of the Advisory Committee for Nomination and Remuneration for 2018

Introduction

The Advisory Committee for Nomination and Remuneration ("NRC") of the SNN Board of Directors was created by the Board of Directors Resolution no. 7 / April 26, 2013, according to the provisions of Art.140² of Law no. 31/1990 republished, on companies, as further amended and supplemented, and according to the provisions of Article 34 of Government Emergency Ordinance no. 109 / 2011 on the corporate governance of public enterprises, corroborated with the provisions of Article 19 par. 2 of the SNN updated Articles of Association.

NRC is a permanent committee with an advisory capacity, reporting directly to the Board of SNN, with powers of evaluation, consultation and development of proposals in the nomination of Board members, the Company's Directors whom are delegated management responsibilities to, as well as their remuneration in accordance with the legal regulations in force. NRC conducts investigations and prepares recommendations for the Board of Directors regarding the remuneration of directors, managers and staff or for appointment of the candidates for various management positions.

According to Article 55 para. 2 and 3 of the Government Emergency Ordinance no.109 / 2011, NRC has the obligation to present to the General Meeting of the Shareholders an annual report on the remuneration and other benefits granted to managers and directors during the financial year.

Organization

CNR consists of 3 members appointed from the members of the Board of Directors, the mandate of the members of this committee being valid for the period when they are directors in the Board of Directors of SNN.

For the proper performance of the duties incumbent and a good organization, the Advisory Committee for Nomination and Remuneration drafted and approved by Resolution no. 1 / April 26th 2013 its own Organization and Operation Regulation, approved by the Board of Directors' Resolution no .7 / April 26th 2013.

By Resolution no. 30 / March 13th 2014, the SNN Board approved a single Organization and Functioning Regulation of Consultative Committees.

Decisions in the NRC are taken by simple majority of participating members (or represented) at the meeting and are, for the Board of Directors, as recommendations, not mandatory. Each member of

the NRC express a vote, respectively “for”, “against” or “abstain”. For each meeting of CNR, a resolution is drafted that records at least the following: the recommendation made by the Board of Directors, the arguments that were at the basis of the respective recommendation, the cast votes.

NRC meets whenever necessary. When creating a vacancy in CNR, a new member is appointed by a resolution of the Board of Directors. Board members which are removed from their appointment automatically lose their membership in the Committees they were part of.

At the proposal of the President or members of consultative Committees, the Board may approve the hiring of independent external permanent experts, physical or legal persons, specialists in the fields of activity of the Committees which to assist their members in their work, also establishing the remuneration of these experts.

NRC Meetings in 2018

In 2018, CNR from the Board of Directors of SNN met in 13 sessions in which it drafted recommendations to the Board of Directors of SNN on matters within its attributions, as follows:

- ❖ The recommendation regarding the approval of the recalculation of Managers' remunerations, respectively the recalculation of the Managers' monthly gross fixed remunerations as well as at any variable components in gross amounts related to the Managers' remuneration stipulated in the mandate contracts concluded by them with SNN in order to maintain the variable monthly net remuneration on the date of appointment or subsequently modified by addendums to the mandate contracts, respectively of the net level of any variable components related to the Managers' remuneration in order to comply with the new mandatory social contributions payable according to Law no. 227/2015, as further amended and supplemented, as amended by Government Emergency Ordinance no. 79/2017 for amending and supplementing Law no. 227/2015 regarding the fiscal code, the recalculation being based on the provisions of art. 18 of Government Emergency Ordinance no. 90/2017 The monthly gross fixed remuneration shall be recalculated starting with the remuneration related to January 2018 inclusively, and any variable components of the Managers' remuneration according to the terms of the mandate contracts shall also be recalculated starting with January 2018, in order to ensure the same monthly net remuneration, respectively the same net level of the variable remuneration component that the Managers would have received in the absence of the effects of GEO 79/2017 on the level of net monthly remuneration and the net amount of variable components.
- ❖ Approval of the annual report of CNR for 2017.
- ❖ Recommendation for the appointment of Mr. Cosmin Ghita in the position of Chief Executive Officer of SNN starting with May 04, 2018, by concluding a provisional mandate contract of 4 months.

- ❖ Recommendation for the appointment of Mr. Dan Laurentiu Tudor in the position of Deputy Chief Executive Officer by concluding a provisional mandate contract of 4 months, as at 04.05.2018, responsible for the coordination of legal, human resources, procurement and corporate affairs activities.
- ❖ Recommendation for the appointment of Mr. Toni Viorel Lary in the position of Deputy Chief Executive Officer by concluding a provisional mandate contract of 4 months as at 04.05.2018, responsible for the coordination of the activities in the sector of investment and electricity transaction development.
- ❖ Recommendation for the appointment of Mr. Dumitriu Adrian as Chief Financial Officer by signing a provisional mandate contract for 4 months, starting with 04.05.2018.
- ❖ Recommendation on the approval of the initial component of the selection plan for 7 positions in the Board of Directors.
- ❖ Recommendation on mandating the Advisory Committee for Nomination and Remuneration to conduct the selection process of SNN directors.
- ❖ Recommendation regarding the approval of contracting the services of an independent expert in human resource recruitment in order to assist CNR in conducting the selection process of SNN managers and directors and mandating the executive management to perform the procurement procedure under the coordination of CNR.
- ❖ Recommendation on the approval of the terms of reference for the selection of the independent expert.
- ❖ Recommendation regarding the approval by the Board of Directors of the Profile of the Board of Directors and the profile of the candidate, in view of submitting it for approval to the General Meeting of Shareholders.
- ❖ Recommendation to approve the recruitment announcement for BoD members in a restricted and extended form, subject to the approval by GMS of SNN of the BoD profile and the candidate profile.
- ❖ Recommendation on the delegation to the independent expert of the interviewing and scoring activity for the candidates on the shortlist; the CNR members who have not applied for the selection process shall participate in the interviewing and scoring of the candidates on the shortlist.
- ❖ Recommendation regarding the extension of the mandate contract of the Chief Executive Officer of Societatea Nationala Nuclearelectrica SA in office, for a period of 2 months, starting with September 5, 2018.
- ❖ Recommendation regarding the extension of the mandate contract of the Deputy Chief Executive Officer, responsible for coordinating the activities from the legal field, human resources, procurements and corporate affairs, in office, for 2 months, as at 05.09.2018.
- ❖ Recommendation regarding the extension of the mandate contract of the Deputy Chief Executive Officer, responsible for the coordination of activities in the field of investment development and electricity transactions, in office, for a period of 2 months, starting with 05.09.2018.

- ❖ Recommendation regarding the extension of the mandate contract of the Chief Financial Officer of Societatea Nationala Nuclearelectrica SA, in office, for a period of 2 months, starting with September 5, 2018.
- ❖ Recommendation on the approval of the Final Report of the recruitment and selection process for the candidates for the positions of members in the Board of Directors of Societatea Nationala Nuclearelectrica SA including the matrix with the detailed results for all the candidates.
- ❖ Approval of the Report for the final appointment of the members of the Board of Directors of Societatea Nationala Nuclearelectrica S.A., drafted by the Advisory Committee for Nomination and Remuneration, according to the provisions of art. 44 par. (7) of GR 722/2016 - for approving the Methodological Norms for the application of certain provisions of Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises.
- ❖ Approving the mandate contract draft to be concluded by the company with each member of the BoD of SNN.
- ❖ Recommendation regarding:
 - The appointment of Mr. Cosmin Ghita as the Chief Executive Officer of Societatea Nationala Nuclearelectrica S.A. with a provisional mandate of 4 months as at 06.11.2018.
 - The appointment of Mr. Dan Laurentiu Tudor as a Deputy Chief Executive Officer of Societatea Nationala Nuclearelectrica S.A. with a provisional mandate of 4 months as at 06.11.2018.
 - The appointment of Mr. Toni Viorel - Lary as a Deputy Chief Executive Officer of Societatea Nationala Nuclearelectrica S.A. with a provisional mandate of 4 months as at 06.11.2018.
 - The appointment of Mr. Adrian Dumitriu as a Chief Financial Officer of Societatea Nationala Nuclearelectrica S.A. with a provisional mandate of 4 months as at 06.11.2018.
 - the mandate contracts to be signed by SNN with the Chief Executive Officer, Deputy Chief Executive Officers and the Chief Financial Officer shall be amended exclusively regarding the remuneration and term.
- ❖ Recommendation to initiate the selection procedure for the Chief Executive Officer, two Deputy Chief Executive Officers and the Chief Financial Officer according to GEO no. 109/2011 and mandating the Advisory Committee for Nomination and Remuneration to perform the selection procedure assisted by the human resources expert, who shall provide the services according to the contract concluded with SNN.
- ❖ Recommendation regarding the approval of eligibility criteria.
- ❖ Recommendation on the approval of the announcement to be published by the company according to GEO no. 109/2011.

Information according to the provisions of art. 55 par. 2 and 3 of GEO no. 109/2011

According to the provisions of art. 55 par. (2) and (3) of Government Emergency Ordinance no.109/2011, NRC has the obligation to present to the General Meeting of Shareholders an annual

report on the remunerations and other benefits granted to managers and directors during the financial year.

NRC's annual report includes at least information on:

- (i) The remuneration structure, explaining the share of variable weigh and the fixed component.
- (ii) The performance criteria that substantiates the variable remuneration component, the relationship between the performance and remuneration.
- (iii) The considerations that justify any scheme of annual bonuses or non-cash benefits.
- (iv) Any supplementary pension schemes or anticipation pension.
- (iv) Information on contract duration, negotiated period of notice, the amount of damage - interests for the unjust revocation.

(i) The remuneration structure, explaining the share of variable weigh and the fixed component.

Remuneration of Directors with mandate contract

The managers with whom the company concluded provisional mandate contracts in 2018 have a fixed monthly gross remuneration for the implementation of the entrusted mandate and have not benefited from the variable component, and were appointed according to the provisions of art. 64² of GEO no. 109/2011 for a provisional period of 4 months until the selection procedure of the Managers has been completed.

On December 31, 2018, the selection procedure of the Chief Executive Officer, two Deputy Chief Executive Officers and the Chief Financial Officer was ongoing.

❖ Resolution of the Board of Directors no. 217/20.12.2017 approved the appointment of Mr. Cosmin Ghita as the Chief Executive Officer for a provisional mandate of 4 months as at 03.01.2018.

❖ Resolution of the Board of Directors no. 206/13.12.2017 approved the appointment of Mr. Laurentiu Dan Tudor as a Deputy Chief Executive Officer for a provisional mandate of 4 months as at 03.01.2018.

❖ Resolution of the Board of Directors no. 206/13.12.2017 approved the appointment of Mr. Viorel Lary Toni as a Deputy Chief Executive Officer for a provisional mandate of 4 months as at 03.01.2018.

❖ Resolution of the Board of Directors no. 218/20.12.2017 approved the appointment of Mr. Adrian Gabriel Dumitriu as a Chief Financial Officer for a provisional mandate of 4 months as at 03.01.2018.

❖ Resolution of the Board of Directors no. 63/25.04.2018 approved:

- The appointment of Mr. Cosmin Ghita as the Chief Executive Officer for a provisional mandate of 4 months as at 04.05.2018;

- The appointment of Mr. Laurentiu Dan Tudor as a Deputy Chief Executive Officer for a provisional mandate of 4 months as at 04.05.2018;

- The appointment of Mr. Viorel Lary Toni as a Deputy Chief Executive Officer for a provisional mandate of 4 months as at 04.05.2018;

- The appointment of Mr. Dumitriu Adrian Gabriel as a Chief Financial Officer for a provisional mandate of 4 months as at 04.05.2018.

❖ Resolution of the Board of Directors no. 153/22.08.2018 approved:

- The extension of the mandate contract of Mr. Cosmin Ghita as the Chief Executive Officer of SNN, for 2 months, as at 05.09.2018;

- The extension of the mandate contract of Mr. Laurentiu Dan Tudor as a Deputy Chief Executive Officer, for 2 months, as at 05.09.2018;

- The extension of the mandate contract of Mr. Viorel Lary Toni as a Deputy Chief Executive Officer, for 2 months, as at 05.09.2018;

- The extension of the mandate contract of Mr. Dumitriu Adrian Gabriel as a Chief Financial Officer, for 2 months, as at 05.09.2018.

❖ Resolution of the Board of Directors no. 176/23.10.2018 approved:

- The appointment of Mr. Cosmin Ghita as the Chief Executive Officer for a provisional mandate of 4 months as at 06.11.2018;

- The appointment of Mr. Laurentiu Dan Tudor as a Deputy Chief Executive Officer for a provisional mandate of 4 months as at 06.11.2018;

- The appointment of Mr. Viorel Lary Toni as a Deputy Chief Executive Officer for a provisional mandate of 4 months as at 06.11.2018;

- The appointment of Mr. Dumitriu Adrian Gabriel as a Chief Financial Officer for a provisional mandate of 4 months as at 06.11.2018.

The table below shows the managers with provisional mandate contracts in 2018 and the fixed payments related to the mandate contracts for 2018:

Directors	Monthly gross fixed payment according to the contract	Mandate start date	Mandate end date
Ghita Cosmin	RON 33,429	03.01.2018	03.05.2018
Ghita Cosmin	RON 34,692	04.05.2018	04.09.2018
Ghita Cosmin	RON 34,692	05.09.2018	05.11.2018
Ghita Cosmin	RON 34,764	06.11.2018	06.03.2019
Tudor Laurentiu Dan	RON 29,974	03.01.2018	03.05.2018
Tudor Laurentiu Dan	RON 31,223	04.05.2018	04.09.2018
Tudor Laurentiu Dan	RON 31,223	05.09.2018	05.11.2018
Tudor Laurentiu Dan	RON 33,500	06.11.2018	06.03.2019
Toni Viorel Lary	RON 29,974	03.01.2018	03.05.2018
Toni Viorel Lary	RON 31,223	04.05.2018	04.09.2018
Toni Viorel Lary	RON 31,223	05.09.2018	05.11.2018
Toni Viorel Lary	RON 33,500	06.11.2018	06.03.2019
Dumitriu Adrian Gabriel	RON 32,372	03.01.2018	03.05.2018
Dumitriu Adrian Gabriel	RON 33,651	04.05.2018	04.09.2019
Dumitriu Adrian Gabriel	RON 33,651	05.09.2018	05.11.2018
Dumitriu Adrian Gabriel	RON 33,500	06.11.2018	06.03.2019

The remuneration of non-executive managers

By the Resolution of the General Meeting of Shareholders no. 10 / 20.12.2017, the members of the Provisional Board of Directors are elected, establishing the duration of the four-month mandate, starting with 28.12.2017 or until the completion of the directors' selection procedure, according to the provisions of GEO no. 109/2011, approved by Law no. 111/2016, as further amended and supplemented, if the selection is completed before the aforementioned deadline, namely the following persons: Popescu Elena; Gentea Cristian; Tudorache Iulian Robert; Banescu Dragos Ionut; Alexandru Marcu Mirel; Dima Cristian; Anitei Mihai Daniel.

Thus, the company concluded with the members of the Board of Directors provisional mandate contracts with a term of 4 months, and they received a monthly gross fixed remuneration of 9,476 lei, equal to 2 times the average for the last 12 months of the gross average salary in the field in which the Company operates. In 2018, the members of the Board of Directors did not benefit from variable components.

Considering the provisions of Article 18 from GEO no. 90/2017 regarding some fiscal-budgetary measures, amending and supplementing certain normative acts and prorogating some terms according to which "the gross remunerations of directors and managers stipulated in the mandate contracts concluded according to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, approved as further amended and supplemented by Law no. 111/2016, as further amended and supplemented, may be recalculated in order to be harmonized with the new

mandatory social contributions payable according to Law no. 227/2015 as further amended and supplemented, as amended by GEO no. 79/2017 for amending and supplementing Law no. 227/2015 of the Fiscal Code" by the Resolution of the General Meeting of Shareholders no. 1 / 31.01.2018, the gross monthly fixed remuneration of the BoD members was modified, according to the mandate contracts. Consequently, their mandate contracts were supplemented, and their gross monthly remuneration became 11,429 lei.

Considering the provisions of Article 64¹ par. (2) and (5) of GEO no. 109/2011 on the corporate governance of public enterprises, approved as further amended and supplemented by Law no. 111/2016, as further amended: (...) (2) If the holiday provided in par. (1) causes the number of directors to fall below the legal minimum, the custody public authority appoints temporary directors in order to fill in the minimum legal number of members of the board of directors, until the completion of the selection procedure, according to this emergency ordinance. (...) (5) In the situations referred to in par. (2) - (4), the term of the mandate shall be 4 months, with the possibility of its extension, for solid reasons, up to a maximum of 6 months", the Resolution of the General Meeting of Shareholders no. 5 / 25.04.2018 approved the modification of the term of the mandate contracts of the members of the Board of Directors, for their extension by 2 months, from 29.04.2018 to 29.06.2018.

By the Resolution of the General Meeting of Shareholders no. 6 / 28.06.2018, the following persons are elected as members of the Provisional Board of Directors, establishing the mandate term of 4 months, from 30.06.2018 to 30.10.2018: Popescu Elena; Gentea Cristian; Tudosache Iulian Robert; Banescu Dragos Ionut; Alexandru Marcu Mirel; Dima Cristian; Anitei Mihai Daniel.

According to the provisions of art. 44 paragraphs (7) and (9) of GR no. 722/2016 for the approval of the Methodological Norms for the application of some provisions of GEO no. 109/2011 regarding the corporate governance of public enterprises, after the completion of the interviews, the Advisory Committee for Nomination and Remuneration drafted the report for the final appointments, which included the classification of the candidates with its substantiation, a report which was sent to the manager of the public custody authority, in order to mandate the representatives of the state in the general meeting of shareholders for proposing the members of the Board of Directors.

Thus, by the resolution of the General Meeting of Shareholders no. 12 of 28.09.2018, the following persons were elected as members of the Board of Directors, with a term of 4 years, by the cumulative voting method: Dima Cristian, Tudorache Iulian Robert, Popescu Elena, Vulpescu Dumitru Remus, Gentea Cristian, Ghita Cosmin, Anitei Mihai Daniel.

The following table shows the members of the Board of Directors as at December 28, 2017 as well as the remunerations related to the mandate contracts for 2018:

BoD Members	Monthly gross fixed payment according to the contract	Mandate start date	Mandate end date
Tudoarache Iulian Robert	RON 11,429	28.12.2017	28.04.2018
Tudoarache Iulian Robert	RON 11,429	29.04.2018	29.06.2018
Tudoarache Iulian Robert	RON 10,526	30.06.2018	28.09.2018
Tudoarache Iulian Robert	RON 11,331	28.09.2018	28.09.2022
Banescu Dragos Ionut	RON 11,429	28.12.2017	28.04.2018
Banescu Dragos Ionut	RON 11,429	29.04.2018	29.06.2018
Banescu Dragos Ionut	RON 10,526	30.06.2018	28.09.2018
Marcu Mirel Alexandru	RON 11,429	28.12.2017	28.04.2018
Marcu Mirel Alexandru	RON 11,429	29.04.2018	29.06.2018
Marcu Mirel Alexandru	RON 10,526	30.06.2018	28.09.2018
Popescu Elena	RON 11,429	28.12.2017	28.04.2018
Popescu Elena	RON 11,429	29.04.2018	29.04.2018
Popescu Elena	RON 10,526	30.06.2018	28.09.2018
Popescu Elena	RON 11,331	28.09.2018	28.09.2022
Gentea Cristian	RON 11,429	28.12.2017	28.04.2018
Gentea Cristian	RON 11,429	29.04.2018	29.06.2018
Gentea Cristian	RON 10,526	30.06.2018	28.09.2018
Gentea Cristian	RON 11,331	28.09.2018	28.09.2022
Dima Cristian	RON 11,429	28.12.2017	28.04.2018
Dima Cristian	RON 11,429	29.04.2018	29.06.2018
Dima Cristian	RON 10,526	30.06.2018	28.09.2018
Dima Cristian	RON 11,331	28.09.2018	28.09.2022
Anitei Mihai Daniel	RON 11,429	28.12.2017	28.04.2018
Anitei Mihai Daniel	RON 11,429	29.04.2018	29.06.2018
Anitei Mihai Daniel	RON 10,526	30.06.2018	28.09.2018
Anitei Mihai Daniel	RON 11,331	28.09.2018	28.09.2022
Ghita Cosmin	RON 11,331	28.09.2018	28.09.2022
Vulpescu Dumitru Remus	RON 11,331	28.09.2018	28.09.2022

The mandate contracts concluded by the Company with the members of the Board of Directors for a four-year term stipulate that the directors receive a remuneration consisting of:

- (i) a gross monthly fixed remuneration of 11,331 lei approved by the resolution of the Ordinary General Meeting of Shareholders no. 12 / 28.09.2018 for the execution of the entrusted mandate, equal to twice the average for the last 12 months of the average gross monthly salary for the activity carried out according to the main scope of activity registered by the company, at the class level according to the classification of the activities from the national economy, communicated by the National Institute of Statistics prior to the appointment.
- (ii) a variable component established based on the financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders, determined by complying with the methodology provided by GR no. 722/2016 and which aim at the long-term sustainability of the Company and ensure the compliance with the principles of good governance.

The variable component of the Director's remuneration is reviewed annually, depending on the level of achievement of the objectives included in the management plan and the degree of achievement of the financial and non-financial performance indicators approved by the General Meeting of Shareholders.

(ii) Performance criteria underlying the variable component of the remuneration; relationship between made performance and remuneration.

On 31.12.2018, the General Meeting of Shareholders had not approved the variable remuneration, objectives and performance indicators for the directors. The directors' mandate contracts stipulate that the provisions of the mandate contracts shall be supplemented by an addendum that shall stipulate the variable remuneration, objectives and financial and non-financial performance indicators established by the general meeting of shareholders, as well as those from the letter of expectations.

(iii) The considerations that justify any scheme of annual bonuses or non-cash benefits.

SNN does not grant bonuses to directors and managers under mandate contracts.

According to the mandate contracts concluded by the Company with the Managers, they benefit from a fixed monthly gross remuneration for the performance of the entrusted mandate, as well as the following non-monetary benefits:

1. Professional Liability Insurance, insured amount 3 million EUR;
2. The right to reimbursement of travel expenses for work;
3. The right to be considered as seniority and / or in electricity, thermal and nuclear the entire period of time for which he was a Director of the SNN;
4. The benefit, constantly, of a car service (whose cost will be borne entirely by SNN) phone service, laptop, desktop, office equipment, fax machines, logistics, stationery etc. and any other devices/equipment/facilities that are specific for the level of representation of the position of Director;
5. The benefit of an office space, according to its position of Director, with all the appropriate equipment and facilities;
6. The benefit of insurance against accidents at work and occupational diseases at the expense of the Company;
7. The benefit of the services of Secretariat, in which the cost of salaries fulfilling this function will be fully borne by the Company;
8. The right to request mediation, consultancy and / or other protective measures from the Board of Directors, the General Meeting of Shareholders, confederation, federation or employer organization the Company is part of, in resolving conflict situations with trade unions and / or employees' representatives, and other organizations, with the right to receive, in these cases, the necessary legal assistance, on the expense of SNN;
9. The right to have a prize fund protocol approved by the Company's Board of Directors;
10. The right to be ensured an appropriate job for his/her training and work experience within SNN (according to an individual employment contract of indefinite duration, concluded according to the law), and all rights related to this job, according to legal provisions and / or of the Collective Employment Contract applicable to the Company, after the cessation, for any reason, of the mandate contract, or after the dismissal from this position for reasons unrelated to him/her.

According to the mandate contracts concluded by the Company with the Directors, they benefit from:

- The gross monthly fixed remuneration of RON 11,331 approved by the Resolution of the Ordinary General Meeting of Shareholders no. 12 / 28.09.2018 for the execution of the entrusted mandate, equal to twice the average for the last 12 months of the average gross monthly salary for the activity performed according to the main scope of activity registered by the company at class

level according to the classification of activities from the national economy, by the National Institute of Statistics prior to the appointment.

- The variable component established based on the financial and non-financial performance indicators negotiated and approved by the General Meeting of Shareholders, determined by complying with the methodology provided by GR no. 722/2016 and which aim at the long-term sustainability of the Company and ensure the compliance with the principles of good governance.

The variable component of the Director's remuneration is reviewed annually, depending on the level of achievement of the objectives included in the management plan and the degree of achievement of the financial and non-financial performance indicators approved by the General Meeting of Shareholders.

(iii) Any additional or anticipated pension systems. - Not applicable.

(v) Information on agreement duration, notice period negotiated, amount of damage - interests to revoke unjust.

The management contracts concluded by the members of the Board of Directors with SNN with a duration of 4 months or until the completion of the directors' selection procedure according to the provisions of Government Emergency Ordinance no. 109/2011, do not provide a negotiated notice period. In the event of revocation without a just cause, no compensation was negotiated for the period that has not been performed of the Management Contract.

The mandate contracts concluded by the Directors with SNN for a period of 4 months provide a negotiated notice period of 30 business days after the date when the resolution of the Board of Directors regarding the revocation is notified. In the event of revocation without a just cause, no compensation was negotiated for the period that has not been performed of the Mandate Contract.

The mandate contracts concluded by the members of the Board of Directors with SNN for a period of 4 years provide for a 30-day notice period.

In case of the unintentional or unjustified revocation of the directors, they are entitled to receive from SNN compensation for the non-executed period of the Mandate Contract as follows:

- ❖ If the revocation occurs within the first 3 (three) years of the mandate, the director is entitled to receive damage compensations representing the fixed monthly remunerations for the remaining period not covered by the mandate contract, but not more than 24 fixed monthly remunerations.

❖ If the revocation occurs within the last year of the mandate, the director is entitled to receive damage compensations representing the fixed monthly remunerations for the remaining period not covered by the mandate contract, but not more than 6 fixed monthly remunerations.

Damage compensations are paid within 30 business days after the termination of the Mandate Contract.

Advisory Committee for Nomination and Remuneration,

Cristian Dima

Iulian Robert Tudorache

Remus Vulpescu

22. Annex 9 - Audited Financial Statements on the date and for the period that ended on 31.12.2018

The Audited Individual Financial Statements on the date and for the financial year ended on December 31, 2018 drafted according to Order of the Minister of Public Finance no. 2844/2016 for approving the accounting regulations according to the International Financial Reporting Standard (“IFRS”), are published on the website of S.N. Nuclearelectrica S.A. (www.nuclearelectrica.ro), section “Investor Relation”, and are accompanied by the Report of the independent auditor regarding the Individual Financial Statements.

23. Annex 10 - Audited Consolidated Financial Statements on the date and for the period that ended on 31.12.2018

The Audited Consolidated Financial Statements on the date and for the financial year ended on December 31, 2018 drafted according to Order of the Minister of Public Finance no. 2844/2016 for approving the accounting regulations according to the International Financial Reporting Standard (“IFRS”), are published on the website of S.N. Nuclearelectrica S.A. (www.nuclearelectrica.ro), section “Investor Relation”, and are accompanied by the Report of the independent auditor regarding the Consolidated Financial Statements.

24. Annex 11 - Non-financial reporting

The non-financial reporting is prepared in compliance with Directive 2014/95/EU of the European Parliament and of the Council, based on the Guidelines on reporting non-financial information (2017/C215/01) and contains non-financial information and information regarding the diversity of the company's activities, relevant, useful and applicable to a producer of nuclear energy such as SN Nuclearelectrica SA, exemplified through performance indicators allowing all interested categories of the public to compare the relevant annual results, through reference to policies, procedures and authorizations applicable and used by SNN.

Given the specific nature of SNN, the production of energy through nuclear procedure and the manufacture of nuclear fuel bundles in order to operate the two Cernavoda NPP units, objectively, not all the indicators specified in the above-mentioned guidelines are applicable to the company.

This non-financial statement includes information and data on the main business that influence both the company and its stakeholders, the environment and the population, and provides a comprehensive description of all impacting factors, the management method and results, with a view of illustrating the company's responsibility towards all these categories of the public and the environment.

1. Business model

1.1. Own organization and structure

SNN is a national joint-stock company, managed in one-tier management system, having its registered office in Bucharest, District 1, Polona Street, No. 65, and two branches without legal personality. The company's main activity is the "Production of electricity" – NACE code 3511, and it is recorded in the Trade Register under no. J40/7403/1998, tax number 10874881, fiscal attribute RO.

SNN was incorporated on July 02, 1998 by Government Resolution no. 365/1998, following the reorganization of the Romanian energy system. Before the reorganization, the nuclear power plant was part of RENEL, national vertically integrated company that was divided in different national companies owned by the state. The Company operates under the Romanian legislation and the Articles of Incorporation.

Shareholding structure on 31.12.2018:

Shareholder type	Number of shares owned	% Ownership of the share capital
Romanian State – Ministry of Energy	248,736,619	82.4959 %
Fondul Proprietatea S.A.	21,268,355	7.0539 %
Other legal entities	17,025,607	5.6467 %
Individuals	14,483,270	4.8035 %
Total	301,513,851	100%

At present, SNN is the only producer of electricity based on nuclear technology in Romania. Also, SNN produces nuclear fuel bundles, CANDU type, used for the operation of its own nuclear reactors.

NPP branch (Nuclear - Power Plant) Cernavoda, with registered office in Cernavoda, 2 Medgidiei Street, registered with the Trade Register under no. J13/3442/11.10.2007, ensures the operation of the two nuclear units, based on CANDU technology type, as well as the administration of all SNN assets in Cernavoda (except for Units 1 and 2 in operation, Units 3 and 4 in different construction stages, Unit 5 for which the shareholders of the Company had approved the change of destination since march 2014, namely, its use for carrying out activities related to the operation of Units 1 and 2, and also the heating system). The two units have an installed capacity around 700 MW (MWe 706.5 Unit 1 and MWe 704.8 MWe Unit 2).

NFP Branch (Nuclear Fuel Plant) Pitesti, with registered office in Mioveni, 1 Campului Street, registered with the Trade Register under no. J03/457/August 24, 1998, where CANDU fuel bundles are made for Units 1 and 2 of Cernavoda.

Unit 1 was commissioned in 1996 and Unit 2 in 2007. The two reactors alone ensure about 17% - 18% of the internal energy production of Romania. The nuclear reactors from the two units are 6 CANDU type, design developed in Canada, by Atomic Energy of Canada Ltd. This type of reactors are cooled and moderated with heavy water and use natural uranium as fuel. The initial project envisages the construction of 5 nuclear units CANDU type.

According to the Government initial strategy, the construction of NPP Cernavoda Units 3 and 4 will be completed by Energonuclear S.A., a subsidiary of SNN, incorporated in 2009. Currently, there is a new strategy for the continuation of the Project for Units 3 and 4 approved by the Extraordinary General Meeting of Shareholders of SNN of August 22, 2014, providing the incorporation of a new project company, into which EnergoNuclear will be absorbed. Unit 5 is currently completely depreciated, due to the fact that there is no plan for its construction; in march 2014, the shareholders

of the Company approved the use of Unit 5 for operating activities of Units 1 and 2, the project is being implemented, also aiming at the achievement of objectives assumed in the plans resulting from the Stress Test Report.

Units 1 and 2 use, on an annual basis, approximately 11.000 nuclear fuel bundles, each containing 19 kg of uranium. In order to produce the necessary fuel, NFP Pitesti operates at maximum capacity. In 2018, NFP Pitesti branch manufactured 11,209 nuclear fuel bundles and delivered to NPP Cernavoda 10,800 nuclear fuel bundles, according to the manufacturing and delivery plan.

1.2.The market in which the company is operating

SNN represents a stability factor for the energy market in Romania, both through the base load electricity production and the competitive production cost.

During 2018, electricity was sold based on the manufacturer's license, as follows:

- ❖ On the competition market by energy sale-purchase contracts on the markets managed by the market operator OPCOM S.A.: mainly PCCB – LE and PCCB - NC (centralized market for bilateral electricity contracts with the method trading contracts by extended tender procedures and the method of trading contracts according to which contracts are distributed by continuous negotiations), PZU (following-day market) and PCSU (universal service centralized market).
- ❖ On the balancing market administered by Transelectrica S.A., in case of positive unbalance.
- ❖ By the energy supply contracts concluded with two consumers supplied directly from the installations of NPP Cernavoda, according to the electricity manufacture license.
- ❖ The thermal energy produced and sold both in 2018, and in 2017, by NPP Cernavoda, was delivered to the local supplier of thermal power and end consumers in the NPP and Cernavoda area (only in 2017). In Cernavoda, SNN is the only manufacturer that delivers thermal power in a centralized system.

The participants to the Romanian energy market which are certified by ANRE are:

- Energy producers;
- Electricity Transport Company - Transelectrica S.A.;
- Energy distributors;
- Energy suppliers;
- Energy traders.

The supply of electricity was performed in 2018 on the competition-based market.

As at the date of this Report, there is no data published by ANRE regarding the electricity market in 2018, on December 31, 2018. According to the ANRE market monitoring report for November, the market share of the manufacturers with dispatch units depending on the electricity delivered in the networks in January-November was for SNN of 17.85%, while the value of the indicator calculated for Hidroelectrica was 30% and for C.E. Oltenia 21.9%.

According to the statistical data centralized by Transelectrica S.A. until now, in 2018, the SNN production represented 17.2% of the total electricity produced in Romania (net values).

The structure of the gross energy production at national level is as follows:

Structure of electricity production	2018		2017	
	GWh	%	GWh	%
Conventional power plants	26,810	41.6%	28,088	44.1%
Hydro power plants	18,025	28.0%	14,755	23.2%
Nuclear power plants	11,377	17.7%	11,509	18.1%
Wind power plants	6,497	10.1%	7,411	11.6%
Photovoltaic power plants	1,674	2.6%	1,882	3%
Total	64,383	100%	63,645	100%

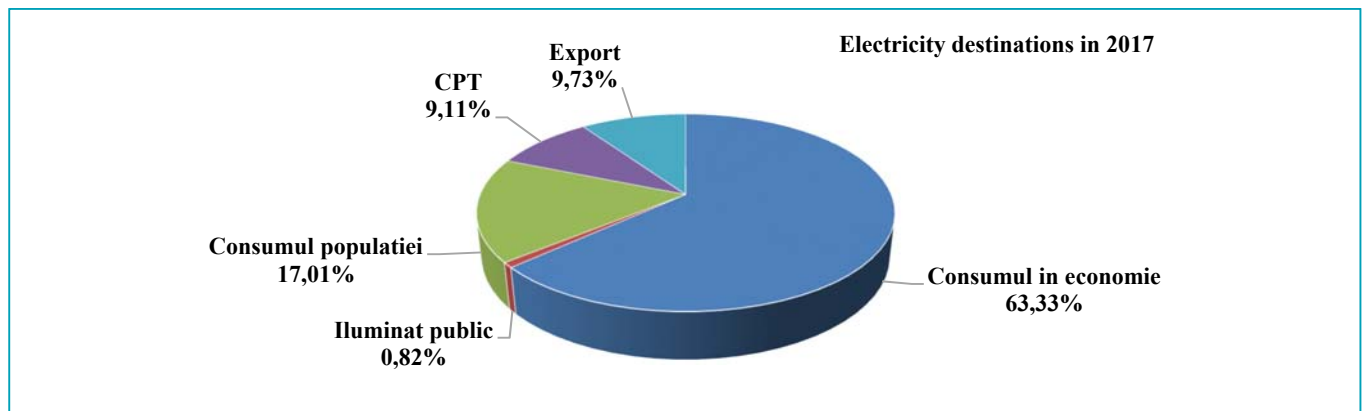
Source: National Institute of Statistics – Press release no. 35/2019

The estimated gross electricity production in Romania increased by almost 1.2% in 2018 compared to 2017, while the estimated consumption increased by 2.3%. In 2018 the exports on national level decreased by 16.3% compared to the value of the previous year, reaching a value of 5,478.6 GWh, representing 54% from the population consumption, which is 10,167 GWh, out of a total national consumption of 55,881.5 GWh.

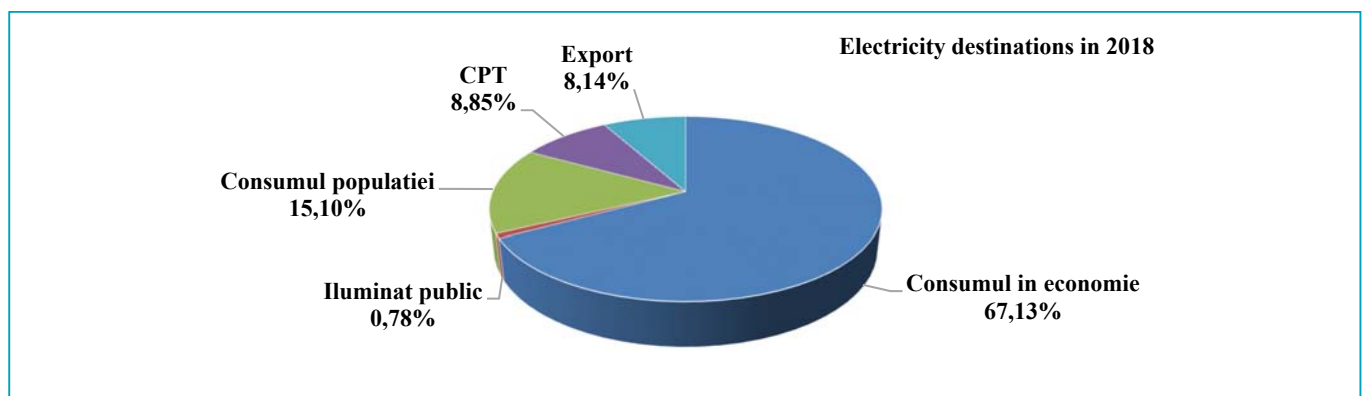
In 2018, the quantity of electricity sold by SNN was 10,676 GWh (including the quantity sold on the balancing market), while in 2017 the sold quantity was 10,745 GWh (including the quantity sold on the balancing market).

Therefore, while in 2017, SNN sales represented approximately 19.7% of the final electricity consumption in the national economy, in 2018, SNN sales represented approximately 19.1 % of the final electricity consumption in the national economy, which was 55.881 GWh (2.3% more than in 2017).

Structure by destinations of the electricity resources in 2017 and 2018:



Source: The National Institute of Statistics – Press release no. 37/2018 (CPT: technological consumption in networks and stations).



Source: National Institute of Statistics – Press release no. 35/2019 (CPT: own technological consumption in networks and stations).

1.3.Strategic goals

The company has its mission, goals and values defined in a coherent way. The general goals represent a comprehensive picture of SNN's annual objectives, which in turn are supported and fulfilled by annual plans and specific programs. Alongside the other major producers on the Romanian electricity market, SNN will have the mission to ensure the satisfaction of domestic electricity demand, under specific conditions in terms of the plants' nuclear safety and environment protection, and the safety of the population and of its own staff.

Among the main characteristics of SNN we can recall: the high value of the installed capacity utilization factor, low CO₂ emissions, the low dependence on the cost of energy produced by the

variations in the price of uranium, the relatively constant and predictable production costs, the high level of technical training of the operating personnel.

The strategic goals are developed based on the national and international context, such as: the support given by the Romanian Government to the nuclear energy sector, the need to rehabilitate the obsolete power generation capacities, the electricity demand synchronized with the evolution of the GDP, the tendency for diversification of energy production capacities (the support given to production from renewable energy sources; the impact of petrol price increases), the development of new major power producing companies that will have extensive capacities and will be active at international level.

Objectives and measures to achieve them

Regarding the operation of the nuclear units in safe conditions and nuclear security for the staff, population, environment and production assets:

- Maintaining a degree of maximum availability of technological systems and with security features
- Improving/maintaining the high level of professional training for the staff operating the two nuclear units
- Maintaining the volume of radioactivity releases in water and air below the regulated level
- Maintaining memberships within international organizations in the nuclear energy industry and, if applicable, affiliation to other organizations
- Ensuring the oversight function

In order to maintain the power production capacity above the average level in industry:

- Performing the maintenance and repair plans in order to increase the reliability of equipment and systems and the operation of nuclear units under safe and secure conditions
- Running lifetime management programs for the Cernavoda NPP components and systems (reactor, steam generator, turbo-generator etc.)
- Continuing the programs for the replacement of worn and obsolete components and equipment
- Performing, on time and under conditions of maximum quality, the mandatory annual inspection programs of the vital nuclear components (fuel channels, heat exchangers, etc.)
- Maintaining the over-average power utilization rate in the nuclear industry
- Implementing the strategy for diversifying sources of raw material supply needed to produce nuclear fuel

As regards the fulfillment of the major investment objectives, the following major priority projects have been identified:

- Extending the number of hours of operation of Unit 1, i.e. developing supporting documentation (studies, nuclear safety analyzes and tests) to demonstrate Unit 1 capability to operate at rated power over the 210,000-hour threshold foreseen in the initial design. Estimated budget (2019-2022): 42 million RON.
- Unit 1 Refurbishment Project: running activities regarding:
 - the establishment of the volume of works on the basis of the technical status evaluation of the structures, systems and components of Unit 1;
 - the selection of engineering support services for the beneficiary;
 - the identification of the storage and management solutions for the radioactive waste generated during the refurbishment period and the infrastructure necessary to run the Refurbishment project;
 - the elaboration of the feasibility study. Estimated budget (2019-2022): 165 million RON.
- The Intermediary Burnt Fuel Warehouse Project (DICA). The implementation of the measures foreseen in the Long-term revised strategy for the development of the Intermediate Spent Fuel Storage Facility (DICA) and authorization for the extension of the lifetime of Units 1 and 2 harmonized with CNCAN's observations, and those of the Ministry of Environment and Climate Change, respectively, approved by the shareholders of SNN through the Decision no. 8/28.09.2017 of the Ordinary General Meeting of Shareholders. Estimated budget (2019-2022): 50 Million RON.
- Project of Units 3 and 4 of NPP Cernavoda: running the pre-project activities (rechecking the feasibility, evaluating the assets, decision-making on IPC contracting, obtaining authorizations and approvals needed to start work, including support measures and final investment decision). Estimated budget (SNN cash contribution related to the 49% stake in the project company) 2019-2023: 74 million RON.
- Tritium Removal Facility NPP Cernavoda Project: running the activities leading to the implementation of the project (selection of support services for the beneficiary, selecting the IPC contractor, obtaining the approvals and authorizations, structuring the financing, etc.). The total cost of the investment under the Feasibility Study is 896 million RON, and the project will be implemented by the end of 2026.

At the same time, the implementation of some investment projects representing modernization / rehabilitation / reliability improvements of the productive assets with an annual budget effort estimated at 90 million lei.

In order to meet the major investment objectives, it is necessary to adopt the following measures:

- Establishing and monitoring an investment strategy within SNN, in order to provide the support required for the operation of the production units under conditions of nuclear safety and security
- Establishing a long-term priority order in a realistic manner, correlated with SNN's ability to allocate the technical, human and financial resources required for the projects mentioned
- Conducting the necessary feasibility studies and commencing the works for the major investment objectives
- Ensuring the conditions and the specialized personnel for completing the negotiations on the Investment Documents regarding the development, construction, operation and decommissioning of Units 3 and 4 of Cernavoda NPP

Regarding the power trading strategy:

- Long time advance contracting to ensure company revenue stability and to lower the risk of electricity price volatility
- Getting a sale price of more than 180 RON/ MWh for the entire 2018-2022 period

Regarding the improvement of the financial performance indicators of the Company and the fulfillment of the three financial indicators mentioned in the contract with EURATOM we are considering:

- Maximizing the use of the company's capabilities with a direct effect in obtaining adequate cost structures, while observing the nuclear safety culture
- Strengthening the operational cash flows of the company to ensure liquidity needs for current investment projects and to increase the bankability of major investment projects run by SNN
- Ensuring liquidity requirements for payment of outstanding installments on contracted loans
- Strengthening the self-financing capacity of the activity (CAF) while observing the nuclear safety standards

With regard to maintaining a foreseeable / predictable dividend policy of the company:

- Maintaining a dividend rate of at least 60% of the profit after the deduction of the profit tax
- Regarding the optimization and streamlining of the organizational structure of the Company:
- Optimization envisages the implementation of an organizational structure that allows the company's capabilities to be maximized as a fundamental element of sustainability of the competitive advantages

- Creating an internal resource allocation system to maximize and streamline direct-effect uses to achieve cost-effective structures,
- Amid the consolidation of the nuclear safety culture, we plan on implementing an organizational structure based on clearly defined roles, eliminating inadequate redundancy of roles, cascading goals, aligning skills with today's changing demands, based on good corporate governance rules, with a fluent vertical and horizontal communication system.
- Aligning the organizational structure with the other 3 dimensions of the organization: human resource, process system and technology.

Regarding the observance of the principles of corporate governance and the code of ethics and integrity:

- Compliance with all legal provisions and recommendations of the Romanian capital market institutions regarding the principles of corporate governance
- Performing a regular benchmarking with entities at international level and adopting international best practices
- 0 tolerance to deviations in the SNN code of ethics

Regarding responsible and active involvement in corporate social responsibility actions:

- Involvement in social responsibility actions at local and national level in the following fields: education and research, humanitarian and cultural fields.

In terms of maintaining / attracting highly qualified staff, in the context of a specialized labor market:

- Adopting a strategy for attracting, training and retaining human resources.
- Implementing cooperation programs with the Polytechnic University of Bucharest and technical faculties at national level, especially in SNN operating areas, adapted to the medium- and long-term personnel needs of SNN in order to grant scholarships
- Implementing national and local information campaigns in high schools to attract young people both for enrolling them in faculties (major in energy) and for attracting vocational school graduates
- Developing traineeship programs for undergraduates and individual mentoring programs for young employees
- Adopting specific human resources measures to increase the level of satisfaction of highly qualified staff and its retention in conjunction with the current and long-term needs of SNN.

- Implementing a remuneration system based on individual performance by analyzing individual performance indicators

In order to develop / improve reporting, control and risk management capabilities, paying increased attention to investor relations, SNN aims at:

- Integrating / correlating corporate risk management processes and mechanisms (other than operational approached by regulatory, standard and practices of the nuclear industry) with the processes and mechanisms for managing the risks associated with the operation of the nuclear power plant in order to ensure an adequate approach to the risks faced by the organization, in the sense of completeness of their management,
- Revising, improving and/or developing (as the case may be) processes and instruments for the management of corporate risk and revising and / or recalibrating / adjusting risk management tools periodically (e.g. internal procedures, algorithms and models, assessment scales, risk profile, risk tolerance limit, operational and informational flows),
- Increasing the knowledge of the Company personnel regarding risk management especially by conducting qualification / training sessions for the personnel of the SNN Power Station, NPP Cernavoda and NFP Pitesti,
- Improving information flows to circulate information about risks within the organization, both in order to better manage them in locations where exposure exists, and to better apply the principle of making informed decisions in terms of risks (RIDM - Risk-Informed Decision Making,
- Develop an internal business continuity management (BCM) framework.

In order to use the assets that are not currently generating revenues:

- Completing the Project of Units 3 and 4 from Cernavoda NPP, by capitalizing existing assets of SNN, having a considerable value: land, buildings, equipment etc. - and those of EnergoNuclear S.A. - intangible assets etc., under the terms of the law.

The Strategy for continuing the Project of Units 3 and 4 of Cernavoda NPP by organizing an Investor Selection Procedure (the "Strategy") was approved by the Extraordinary General Meeting of Shareholders of S.N. Nuclearelectrica S.A. dated August 22, 2014.

The strategy provides for the creation of a joint venture ("JV") within the meaning of art. 50 of Law no. 137/2002, between SNN and a selected private investor, i.e. a JV, to which the value invested by SNN in the subsidiary company EnergoNuclear S.A. ("EN") would be transferred. JV represents the company prior to the IPP (Independent Energy Producer - IPP) company, set up for a period of 2 years, duration that may be modified with the agreement of the parties, in order to recheck, under the current conditions, the feasibility of the project, the assessment of asset, taking the decision

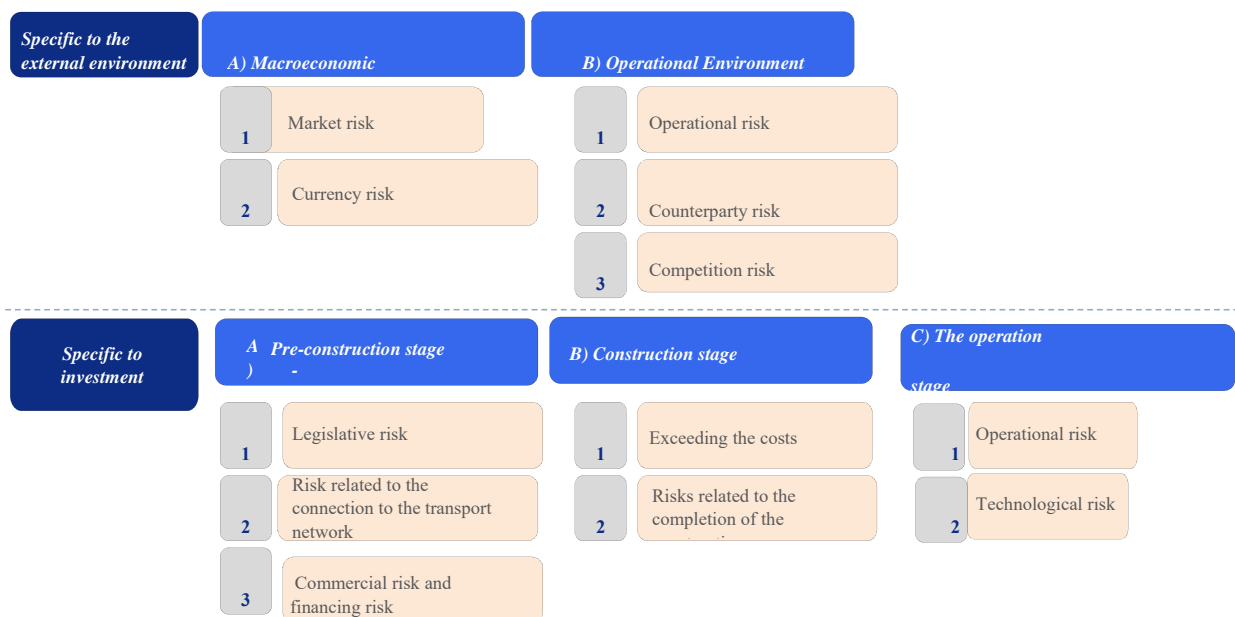
related to the contracting of engineering, procurement and construction (EPC) works, obtaining the necessary authorizations and approvals for the commencement of the works, including the support measures to be granted to the project under the conditions of the national and Community legislation and taking the final investment decision for the transition to the implementation phase of the Project and subsequently to the IPP stage.

2. The register of risks and the main trends and factors that may impact the development

SNN has established the main medium- and long-term strategies with the main focus on maintaining the nuclear safety, continuous growth and increasing its shareholders' profits, the analysis of the risks of the activity being important in this context.

In the medium and long term, SNN's activity will be influenced both by the evolution of electricity prices and by the investment projects that the Company will be developing: extending the lifetime of Unit 1, participating in the development of Units 3 and 4 and/or participating in the development of other strategic investment diversification projects.

Consequently, the main risks in terms of SNN's activity and goals (market-related risks and project development) were analyzed. The diagram below comprises the overview of the main goals, the critical elements in relation to the implementation of the strategies and the risks that the Company will be faced with.



Source: SNN Analysis

3. Due diligence policy and process

3.1.The unitary management of the company

Structure. Appointment of members. Eligibility criteria.

The executive body of the company is the Board of Directors and consists of 7 members, non-executive.

Following the termination of the provisional 4-month mandate, according to GEO no. 109 / 2011, by OGMS Resolution no. 5 / 25.04.2018, the General Meeting of Shareholders approved the extension of the mandate by two months starting with 29.04.2018 for the provisional members of the Board of Directors with initial mandates of 4 months: Iulian-Robert Tudorache, Cristian Gentea, Dragos Ionut Banescu, Cristian Dima, Mihai Anitei, Marcu Mirel Alexandru, Elena Popescu.

By the OGMS Resolution no. 6 / 28.06.2018, the aforementioned members of the Board of Directors were revoked given the expiry of their mandate on 29.06.2018 and were appointed as provisional members for a 4-month mandate as at 30.06.2018.

By the OGMS Resolution no. 12 / 28.09.2018, following the completion of the selection procedure according to the provisions of GEO 109/2011, the following persons were elected by the cumulative vote method: Dima Cristian, Iulian_Robert Tudorache, Elena Popescu, Vulpescu Dumitru Remus, Cristian Gentea, Cosmin Ghita and Anita Mihai Daniel, for a 4-year term.

Also, Marcu Mirel Alexandru and Banescu Dragos Ionut were revoked.

Considering the fact that the members of the Board of Directors were appointed for temporary mandates until 28.09.2018, in the interim period, according to the legal provisions, the Board of Directors did not submit to the approval of GMS an administration plan and was only paid a fixed component, in the absence of the indicators derived from the administration plan. An administration plan that shall also include the management and derived performance indicators components is to be adopted after the completion of the procedure for selecting the executive managers for a 4-year mandate according to GEO no. 109/2011.

The President of the Board is elected by the Board of Directors from among its members, in the person of Mr. Iulian-Robert Tudorache. The President of the Board is appointed for a period that may not exceed the duration of his/her mandate/term as administrator/director and can be dismissed any time by the Board of Directors.

The directors/administrators can be dismissed anytime by the Ordinary General Meeting of Shareholders. Each director/administrator has expressly accepted to fulfil the mandate. The company is obligated to conclude a D&O type insurance. During the mandate fulfillment, the directors/administrators may not conclude an employment contract with the company.

The members of the Board of Directors are obliged to exercise their mandate with prudence and diligence of a good administrator, with loyalty, on behalf of, and to the benefit of the company, and are not allowed to disclose confidential information and business secrets of the company.

Also, the Board of Directors members undertake to provide the avoidance of a direct or indirect conflict of interests with the Company, and in case such conflict occurs, to refrain from discussion and vote on the respective matters, according to the current legal provisions.

As at 31.12.2018, the directors of the Company are as follows:

Name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of mandate expiration
Iulian-Robert Tudorache	44 years old	Attorney-at-law	18 years old	Chairman of the Board of Directors (non-executive member)	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
Cristian Gentea	56 years old	Physician engineer	31 years old	Non-executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022. 2017
Elena Popescu	57 years old	Nuclear station engineer	35 years old	Non-executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
Cristian Dima	51 years old	Economist	27 years old	Non-executive independent member of the Board of Directors	28.12.2017 (temporary mandate according to OGSM Resolution 10/20.12.2017)	28.09.2022
Mihai Daniel Anitei	49 years old	Mechanical engineer	22 years	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
Cosmin Ghita	29 years old	Economist	10 years old	Executive member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022
Remus Vulpescu	47 years old	Legal Adviser	25 years old	Non-executive independent member of the Board of Directors	28.09.2018 (final mandate for 4 years according to OGMS resolution 12/28.09.2019)	28.09.2022

The members of the Board of Directors are appointed by the shareholders, during the Ordinary Meetings of the Shareholders. The company has no knowledge of any agreement, understanding or family connections between the administrators and/or other persons, due to whom the respective administrator was appointed.

According to criteria provided at point A4 of the Corporate Governance Code of BSE, the members of the Board of Directors with contractual relations with a shareholder owning over 10% of the voting rights, as at January 1, 2016 are: Iulian-Robert Tudorache (State Secretary within the Energy Ministry), Elena Popescu (Chief Executive Officer, General Division of Energy Policies within the Ministry of Energy), Cristian Gentea (Chief Executive Officer of the Administration of Technologies for Nuclear Energy, an entity 100% owned by the Romanian State, a majority shareholder of SNN).

As at 31.12.2018, the members of the Board of Directors have no shares in SNN.

3.2. Atributions of the Board of Directors

The Board of Directors appointed for temporary mandates, until 28.09.2018, did not adopt administration plans, and this was an obligation for the Boards of Directors appointed for 4 months according to the provisions of art. 30 of GEO 109/2011.

The Board of Directors has the following duties, that cannot be delegated to the Chief Executive Officer:

- Approval of the Company's main activity and development directions;
- Establishment of the accounting and financial audit system and approval of the financial planning;
- Appointment and revocation of the Managers, as well as the establishment of their remuneration;
- Oversight of the activity of the Chief Executive Officer and of the Managers;
- Preparation of the annual report, organization of the general meeting of shareholders and implementation of the GMS resolution;
- Filing the request for opening the insolvency procedure of the company, as per the Law 85/2006 regarding the insolvency procedure;
- Approval of changing the activity field of the company.

The Board of Directors has also the following responsibilities:

- Exercise control on the way the Chief Executive Officer and the other Managers govern the Company;
- Approves the revenues and expenses budget;
- Approves the management plan prepared by the Chief Executive Officer and/or other Directors;

- Verifies if the activity of the company is compliant with the Law, the Articles of Incorporation and any relevant resolution of the General Meeting of Shareholders;
- Presents to the General Meeting of Shareholders an annual activity report;
- Represents the company in relationship with the Chief Executive Officers and the appointed Managers;
- Checks and approves the quarterly, half-year and annual financial statements of the Company;
- Verifies and approves the Report of the Chief Executive Officer and the reports of the Managers;
- Proposes to the General Meeting of Shareholders the appointment and the revocation of the financial auditor, as well as the minimum duration of the audit contract;
- Approves the mandate contracts of the Chief Executive Officer and of the appointed Managers thus establishing the organization of the activity of the managers;
- Approves the empowered representatives to negotiate the collection work agreement with the unions and/or with the representatives of the employees as well as their negotiation mandate;
- Approves the Company's collective work agreement;
- Approves the Organization and Operation Regulations of the Board of Directors;
- Approves the activity programs (production, research– development, technological engineering, investment, etc.);
- Approves the energy transactions strategy of the Company;
- Approves any transaction of the company with any of the companies with which it has close relations whose value is equal to or higher than 5% of the net assets of the company (according to the latest financial report) following a mandatory opinion of the Audit Committee of the Board and correctly disclosed to shareholders and potential investors, insofar as such transactions fall into the category of events which are subject to reporting requirements.
- Approves the conclusion of any contract/document which raises legal obligations for the Company (acts of acquisition, sell, exchange and pledge as guarantee non-current assets of the Company), the value of which does not exceed, separately and cumulated, during one financial year, 20% of the total non-current assets of the Company less receivables, in compliance with the competence limits provided in the Annexes to the Articles of Incorporation;
- Approves the renting of tangible assets, for a period greater than a year, with an individual and cumulated value for the same contractor or entity involved with the company, which does not exceed 20% of the total value of non-current assets, less receivables at the date of the legal document, as well as the associations for periods greater than 1 year, which do not exceed the same value;
- Approves the mandate of Nuclearelectrica's representatives in the General Meeting of Shareholders of S.C. Energonuclear S.A. for the decisions which fall under the competence of S.C. Energonuclear S.A. with the exception of those for which a resolution of the Company's General

Meeting of Shareholders is necessary, in compliance with the provisions of the Articles of Incorporation.

The Board of Directors is responsible for the endorsement/approval of the contracts, credits and different operations at the level of the Company, in compliance with the competence limits provided by the Annexes to the Articles of Incorporation.

3.3. Advisory committees within the Board of Directors

The Advisory Committees have the task to develop analysis and draft recommendations for the Board of Directors, in specific fields, with the obligation to periodically forward activity reports of the Board of Directors members.

The main responsibilities of the Advisory Committees are provided in the Organization and operation Regulations approved by the Board of Directors and available on the SNN site.

As per the Articles of Incorporation and in compliance with GEO 109/2011, the Board of Directors established 4 advisory committees, made up of at least 2 board members of the Board of Directors.

The Advisory Committee for Nomination and Remuneration

This committee was established according to Art. 34 of the GEO no. 109/2011 regarding corporate governance of the public companies, by Decision no. 7 of the Board of Directors from 26.04.2013.

The Advisory Audit Committee

This committee was established according to Art. 34 of the GEO no. 109/2011 regarding corporate governance of the public companies, by Decision no. 8 of the Board of Directors from 30.04.2013.

The Advisory Committee for Nuclear Safety

This committee was established according to Art. 34 of the GEO no. 109/2011, by Decision no. 27 of the Board of Directors from 26.08.2013.

The Advisory Committee for strategy, development and large investment projects.

This committee was established according to Art. 34 of the GEO no. 109/2011, by Decision no. 27 of the Board of Directors from 26.08.2013.

Each Advisory Committee has appointed a secretary and a president.

The Presidents of the Advisory Committees are the following administrators:

I. By the Resolution of the Board of Directors no. 13/26.01.2018

The Advisory Committee for Nomination and Remuneration	Iulian-Robert Tudorache
The Advisory Audit Committee	Dragos Ionut Banescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

II. | By the Resolution of the Board of Directors no. 131/16.07.2018

The Advisory Committee for Nomination and Remuneration	Dragos Ionut Banescu
The Advisory Audit Committee	Dragos Ionut Banescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

III. | By the Resolution of the Board of Directors no. 166/02.10.2018

The Advisory Committee for Nomination and Remuneration	Cristian Dima
The Advisory Audit Committee	Remus Vulpescu
The Advisory Committee for Nuclear Safety	Cristian Gentea
The Advisory Committee for Strategy, Development and Large Investment Projects	Elena Popescu

The Advisory Audit Committee

The Advisory Audit Committee is formed of 3 members appointed from among the members of the Board of directors. In 2018, the Advisory Audit Committee was modified, and the most recent one, according to Resolution no. 166/02.10.2018, has the following members: Remus Vulpescu (member-Chairman), Cristian Dima (member), Mihai Anitei (member); all members have specialized training.

The role of the Advisory Audit Committee is to assist the BoD in performing its duties related to internal audit and to offer council regarding the strategy and policy of the Company related to the internal and external, control system, evaluation of the conflict of interests, as well as the control over the management of the significant risks.

From the functional point of view, the Advisory Audit Committee reports directly to the BoD. Within SNN, there is an Internal Audit Department responsible for managing the internal audit activity of the company, reporting to the BoD, from the functional point of view and to the Chief Executive Officer, from the management point of view.

3.4. Nuclear security policy

SNN developed a nuclear security policy that was approved by CNCAN, with the purpose of maintaining a high and constant level of nuclear security in all the phases of the commissioning and operation of nuclear facilities. The nuclear security policy of SNN ensures performance bonds for all the significant activities regarding nuclear security, in all the phases of installation and operation of nuclear facilities. This document confirms the fact that nuclear safety has the maximum priority.

The high level of nuclear security is ensured by the design, construction and operation of the nuclear installations. Nuclear security includes all technical and organizational measures, as well as the actions taken in a nuclear power plant in order to protect the population and the environment against emissions of radioactive substances.

After the Fukushima accident, the European Commission and the Group of European Regulators of the Nuclear Society decided that the nuclear security of nuclear plants in Europe should be reviewed based on transparent and extended risk assessments, called "Stress tests". The technical purpose of these stress tests was defined considering the risks pointed out by the events occurred at Fukushima. The focus was placed on triggering events, such as earthquakes or floods, the consequences of loss of the functions of ensuring the electricity or cooling water from any triggering event, as well as severe accident management difficulties.

Cernavoda NPP, together with AECL Canada and ANSALDO Italy issued "The reevaluation report of nuclear security margin". The evaluation performed proves the fact that Units 1 and 2 from Cernavoda NPP comply with the nuclear security requirements established by the project and that they can face severe earthquakes and floods, as well as the total loss of electrical energy and cooling water supply.

Moreover, methods and procedures were planned for managing possible serious accidents. Also, new methods were identified for preventing and limiting the consequences of serious accidents which may determine the melting of the active area.

In addition, a large number of employees take part in various training courses, evaluations, benchmarking, working groups, seminars both in the country and abroad, especially those of

international organizations such as IAEA, WANO, COG, FORATOM, and so on. At the same time, the Company is focusing on the continued development of its employees, especially in terms of nuclear security, risk management and quality assurance.

CANDU System

- Thermal power 2062 MW(t)
- Gross electric power 706.5 MW(e)
- Internal services consumption <8%
- Number of fuel channels 380
- Number of loops 2
- Number of steam generators 4
- Pressure (D2O) in the primary circuit 9.89 MPa
- Temperature at the outlet of the primary circuit 310°C
- Saturated steam (H2O) pressure 4.6 MPa
- Supply water temperature 187.20°C

The CANDU reactor consumes natural uranium, using heavy nuclear water (isotopic content over 99.75% D2O) as moderator and cooling agent, in two independent, separate, closed-circuit systems.

In the 4 steam generators, the heat in the primary circuit is taken over by the light water from the secondary circuit, by turning it into saturated steam. It expands in the turbine formed from a medium pressure body and 3 low pressure bodies, producing the mechanical energy required to actuate the electric generator.

On exiting the turbine, by extracting the residual heat with the help of cooling water taken from the Danube, the steam is condensed. The circuit is resumed by repumping the condensate in order to supply the steam generators.

3.5. The environmental protection activity

Currently, the Company owns certifications for environment protection system, as follows:

NPP Cernavoda Branch

(i) The Environment Authorization no. 1/26.05.2008 issued by the Ministry of Environment and Sustainable Development for the operation of NPP Cernavoda Units 1 and 2, valid as at January 05, 2019. The Authorization covers all the assets and activities related to the operation of NPP Cernavoda Units 1 and 2, including both the nuclear component of the plant and the classic one. The authorization was issued without a compliance program. On 28.11.2018, following the meeting of

the Technical Approval Committee of the Ministry of Environment, the Decision for the issuance of the Environmental Permit was published. In January 2019, the draft Government Decision and Environmental Permit (proposed annex) were published for public consultation (decisional transparency).

(ii) The Authorization regarding the greenhouse gas emissions no. 8 of 01.02.2013 issued by the National Agency for Environment Protection for the period 2013 - 2020, which states that the Startup Thermal plant, the Backup Diesel Groups and the Emergency Diesel Groups of each unit as well as the motor pump of the fire extinguishing system fall under the legislation regarding the reduction of greenhouse gas emissions; the authorization was revised in 2018, according to the legal requirement (compulsory revision every 5 years).

(iii) Water Management Authorization, amending Authorization no. 131/ 01.06.2016, no. 118 / 20.04.2018 on "Water supply and wastewater disposal for Units 1 and 2 of Cernavoda Nuclearelectrica Power Plant" valid until 31.05.2019;

(iv) Water Management Permit no. 275 of 05.12.2016 concerning: "Cernavoda Intermediary Used Fuel Storage (DICA)". By means of this permission, the National Administration "Romanian Waters" gave the Company the right to use hydraulic structures and receptors for drainage of rainwater from the surface Repository Spent Fuel and evacuate rainwater Valley Cismeiei, provided that quality indicators related to this element radioactive respect the limits set by CNCAN.

v) Water management permit no. 98 / 29.06.2016 on "Automatic monitoring system of flow rates, levels, volumes and temperatures of cooling water at Cernavoda NPP".

vi) Environmental permit for the objective "TEMPORARY STORAGE FACILITIES OF NON-ADDITIONAL CHEMICAL WASTE (hazardous and non-hazardous)" (by the new Environmental Permit of U1 and U2, this objective is also included, so it does not require renewal).

According to the Investors Agreement, SNN was responsible for obtaining the environmental approval for the investment "Continuation and completion of works at Units 3 and 4 of NPP Cernavoda". The procedure for obtaining the environmental approval was started in 2006 and ended in September 2013 when the environmental approval was issued. According to the specific environmental legislation for nuclear premises, the environmental approval was issued by Government Resolution no. 737/2013.

The total volume of solid radioactive waste, for both units of NPP Cernavoda, generated in 2018, was 53.08 m³. In total, until the present, in 1996 - 2018, the total volume of solid radioactive waste, for both units, is of 909.77 m³.

The waste is stored in controlled premises (within the protection fence of U1 and U2), inside the Intermediary Storage for Solid Radioactive Waste.

NFP Pitesti Branch

The Environment Agreement issued by the Ministry of Environment and Forests and approved by the Government's Decision no. 1061/2011, valid until February 28, 2015, issued with a compliance plan, the procedure of reauthorization is in progress. At the end of 2018 the Government Resolution draft for issuing the environment authorization was under inter-ministry approval.

SSNN-SA holds certificates for the environmental management system for Cernavoda NPP Branches and NFP Pitesti, as follows:

- EMAS Registration Certificate issued by the Ministry of the Environment according to the Minister's Order no. 2086/2011 for the approval of EMAS registration procedure [Regulation (EC) No. 1221/2009 on the voluntary participation of organizations in a Community eco-management and audit scheme (EMAS)]. Registration No.: RO-000017 of 15 October 2018, expiry date: October 15, 2021.
- Certificate no. 56/2016 revised on September 10, 2018 regarding the Environment Management System of SNN - NPP Cernavoda branch for the production of electrical and thermal energy, using nuclear sources and support and related activities, according to the conditions of the SR EN ISO 14001:2015 standard, issued by IQNet and SRAC as at July 19, 2016 (revision on 10.09.2018) and valid until April 25, 2019.
- Certificate no. 4309/2016 regarding the Environment Management System of SNN – NFP Pitesti branch for the nuclear fuel processing activity, according to the conditions from the EN ISO 14001:2015 standard, issued by IQNet and SRAC on October 25, 2016, and valid as at November 5, 2019.

The impact of the operation of the NPP on the environment is constantly monitored and reported in accordance with the requirements of the operation and environment authorizations. For both branches, the Company observed in 2018 the limits for pollutants set in environmental permits.

For both branches, the activities were carried out in compliance with the limits set for pollutants during the year 2018 in the environmental permits and, as the case may be, the applicable legislation.

In the period 01.01.2018 – 31.12.2018 at the level of SNN SA and of the branches, there were no events with impact on the environment, population and own and contracting personnel. There were no penalties for breaching the environmental protection requirements of the regulatory and control authorities in the field.

All the environment reports were drafted and sent until the agreed deadlines according to the provisions from authorizations, protocols and additional requests.

Re-authorization procedures were initiated and run in due time, there was a prompt response to the regulatory and control authorities' requests in order to prevent delays due to the authorization holder.

NFP Pitesti monitors the gaseous radioactive effluents in the atmosphere through the dispersion chimneys as well as the liquid effluents in accordance with the conditions stipulated in the authorizations. As per these conditions, NFP Pitesti may release a volume of maximum 109m³/year. The volume of gaseous radioactive effluents released in the atmosphere in 2018 represented 71.1% from the authorized volume.

NFP Pitesti transferred in 2018 a volume of 500 m³ of liquid radioactive effluents to the Cleaning Station of the Nuclear Research Institute (SE-ICN), which represented 25% of the maximum authorized volume.

A volume of 300 m³ of radioactive liquid waste was transferred for treatment to the Radioactive Waste Treatment Station of the Nuclear Research Institute (STDR-ICN), namely 37.5% of the limit value provided in the environment authorization (800 m³/year).

27,831.6 kg of non-burnable radioactive solid waste (DSRN) and 4,144.2 kg of burnable radioactive solid waste (DSRI) were generated. Four transfers of non-burnable radioactive solid waste (DSRN) were performed to the final disposal warehouse for low-level radioactive solid waste from CNU, Feldioara branch, of 24,183.4 kg of DSRN. 3,576.5 kg of burnable radioactive solid waste (DSRI) were transferred for treatment by incineration to STDR-ICN Pitesti.

Cernavoda NPP's policy for managing the fuel used

- (a) Wet storage in the used fuel pool of the unit for a period of minimum 6 years;
- (b) Dry storage for spent fuel in intermediate storage for a period of 50 years.

Spent Fuel Storage Facility ("DICA") is on the NPP Cernavoda site, transport being made on an internal road that allows maintenance of physical protection systems integrated.

The deposit is gradually built according to DICA Strategy for long term objective development. Until now, there are 9 MACSTOR 200 modules, with a capacity of 12,000 bundles per module.

In 2018, the annual used fuel transfer campaign from Unit 1 and Unit 2 to DICA, was carried out according to the authorization issued by CNCAN and without any abnormal events / conditions.

Radiation protection program

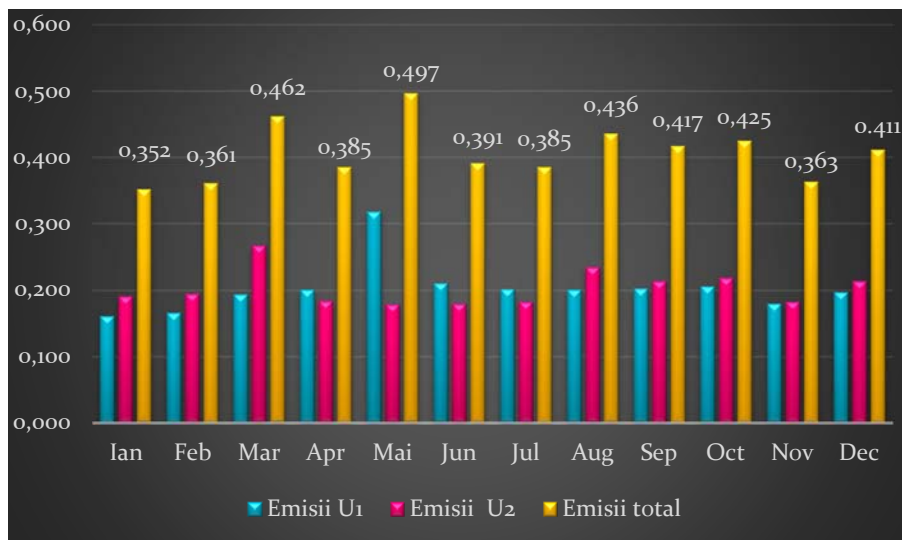
The main objective of SNN operational radiation protection program is to maintain professional exposure as low as reasonably achievable in compliance with the ALARA principle.

The efficiency of the NPP Cernavoda's policy regarding the ALARA principle is being monitored by determining, controlling and periodically reporting the performance indicators based on internal and external operational experience.

The Radiation Protection performance indicators show us the efficiency of the Radiation Protection programs in optimizing the personnel exposure to radiations.

The radioactive emissions into water and air were kept quite below the authorized limits for the Station. The actual annual dose for a person from the critical group, due to the radioactive emissions in the environment (Unit 1 and Unit 2) was 0.004885 mSv in 2018, while the annual average dose received by a member of the public is 2.4 mSv. More detailed information on the radiological impact will be provided by SNN - "Environment Report".

Radioactive emissions in the environment U1 + U2 in 2018 (microSv):



In 2018, the achieved collective dose was 494.03 mSv/employee, the annual average dose for employees with recordable doses was 0.59 mSv, and the individual maximum dose was at 5.84 mSv. The legal limit for the effective dose for the professionally exposed workers is 20 mSv/year, and the administrative level at NPP is 14 mSv/year. Neither of these limits was exceeded.

At the end of 2018 the internal collective dose was at 85.6 mSv/employee, representing 17.3% of the total dose on the level of the Power Plant.

The Radioprotection Department issues regular reports regarding the evolution of the collective doses and of the ALARA performance indicators, thus raising the involvement of the plant's personnel in the control and optimization process for the professional exposure to ionized radiation. The achievement of these objectives is monitored through the ALARA program and the ALARA committees carry on their activity with excellent results. With an average dose per unit of 247 mSv/employee, NPP Cernavoda remains, according to the information to date, one of the highest performing power plants in the CANDU group.

The radioprotection program of the NFP Pitesti branch has the objective to maintain a very low exposure to ionized radiation, individual radiological monitoring and of the work environment according to the current law and requirements from the operating permits issued by CNCAN.

For the external exposure to ionizing radiations, the entire personnel of NFP Pitesti is monitored by using Thermal-luminescent Dose-meters (TLDs) measured within the Personal Radiation Protection and Dose-meter Laboratory of NFP (LRDP-NFP), assigned by CNCAN as a certified dose-meter authority with assigning certificate NFP ODD06/2017 valid for the period October 24, 2017 – October 23, 2020.

In 2018 the collective dose of NFP was 545,890 mSv/employee, out of which the collective dose following the external exposure was 477,512 mSv/employee. The collective dose following the internal exposure (68,378 mSv/person) represented 12.5% of the collective dose of NFP for 2018. The individual average annual dose was 1.479 mSv/year, a dose which represents 9.9% of the administrative control limit for the actual individual annual dose of the professionally exposed personnel imposed by NFP Pitesti.

NFP Pitesti manufactured in 2018 a volume of 11,209 bundles with natural uranium dioxide. From it, 10,800 bundles were delivered to NPP Cernavoda, for the 2 units in operation, as follows: 5,400 bundles of nuclear fuel at Unit 1 and 5,400 bundles of nuclear fuel at Unit 2.

In 2018, a single defective fuel bundle was discharged from the Cernavoda NPP reactors, which was quarantined according to specific procedures. Thanks to the proper management of the power supply activity, the average burning rate of the fuel discharged from both reactors was superior to the project value of 154 MWh/kgU. Thus, the high quality and performance of the nuclear fuel produced were validated during the operation of the 2 reactors.

NFP Pitesti continued to monitor the personnel and the means of transportation, with the purpose of correlate the doses, and reported the findings to CNCAN, on an annual basis and filled a report after each transport.

3.6. | *Research and development activity*

Although the Company is not directly involved in any research and development activities, it is a member of various organizations and associations.

3.7. *Operating authorizations and licenses*

The company carries out its activity through its subsidiaries according to the following main categories of specific authorizations, special licenses and rights:

- Site authorization no. I/605/30.09.1978, issued by the State Committee for nuclear energy;
- Authorizations in the nuclear field issued by (CNCAN);
- Environmental permits issued by the Ministry of Environment and promulgated by Government Decision;
- Licenses issued by the National Energy Regulatory Authority (ANRE);
- Other authorizations.

Site authorization no. I/605/30.09.1978, issued by the State Committee for Nuclear Energy

The site authorization was issued for Cernavoda site for the construction of a CANDU-PHWR 4x660 MWe nuclear power plant, made up of 4 nuclear reactors. The authorization was issued according to Law no. 61/1974 and the Nuclear Safety Norms for “Nuclear reactors and nuclear power plants” dated in 1975 and provides the main technical characteristics of the nuclear power plant.

Authorizations in the nuclear field issued by CNCAN

As per Art. 8 para. (1) of the Law no. 111/1996, for the development of the activities and/or utilization of the resources that make the object of this law, the operators must obtain specific authorizations issued by CNCAN, by respecting the specific authorization procedure for every type of activity or resource. At the end of 2018, the following authorizations in the nuclear field were valid for SNN:

The main authorizations issued by CNCAN in the nuclear field for the NPP Cernavoda Subsidiary:

- Nuclear safety authorization for the operation and maintenance of the Nuclear Power Plant of Cernavoda, Unit 1, authorization no. SNN NPP Cernavoda U1 – 01/2013. The authorization was issued for a period of 10 years, starting with 01.05.2013 until 30.04.2023;
- Nuclear safety authorization for the operation and maintenance of the Nuclear Power Plant of Cernavoda, Unit 2, authorization no. SNN NPP Cernavoda U2 – 02/2013. The authorization was issued for a period of 7 years, starting with 01.05.2013 until 30.04.2020;
- Authorization to carry out nuclear activities - CNCAN authorizes SNN SA to build DICA modules 10 and 11 through the NPP Cernavoda Branch. The authorization is valid until 25.03.2021;
- Authorization for the operation and maintenance of Modules 1, 2, 3, 4, 5, 6, 7, 8 and 9 of the Intermediary Used Fuel Storage Facility. The authorization is valid until July 17, 2020;
- Authorization for the quality management system for the operation, design, supply, repair and maintenance and use of software products, in the nuclear field. Authorization no. SNN NPP Cernavoda – 01/2017 is issued for a period of 2 years, starting with 01.05.2017 until 30.04.2019.
- The certificate for appointing the Individual Dosimetry Laboratory of Cernavoda NPP as a Dosimetric Notified Body - NPP LDI ODN 07/2016, valid until 31.12.2019.
- The certificate for appointing the Environmental Control Laboratory no. NPP LCM ODN 07/2018, as a Dosimetric Notified Body, valid until 08.11.2021.
- The certificate for appointing Cernavoda NPP as a Staff Certification Notified Body NPP OCP - 08/2016, valid until December 20, 2019.

Authorizations issued by CNCAN in the nuclear field for the NPP Pitesti branch:

- The authorization for the Quality Management System in the nuclear field no. 16-041 issued according to Art. 24 of Law no. 111/1996, for production activities in the nuclear field, for 2 years, from September 18, 2016 to September 17, 2018;

- 9 authorizations for activities in the nuclear field:
 - i. Authorization DN/175/2017 for possession of ionized radiation sources, radiologic devices with ionized radiations, devices generating ionized radiations, nuclear devices for processing and producing nuclear fuel, raw nuclear material, nuclear fuel, radioactive waste, materials with nuclear purpose, equipment and devices provided by Government Decision no. 916/2002, valid starting from 01.09.2017 until 30.01.2018;
 - ii. Authorization DN/176/2017 for the use of sealed ionized radiation sources, ionizing radiological installations, equipment and devices, valid starting from 01.09.2017 until 30.01.2018;
 - iii. Authorization DN/177/2017 for the manipulation of sealed radiation sources, radiological installations with sealed sources and radioactive waste, valid starting with 01.09.2017 until 30.01.2018;
 - iv. Authorization DN/178/2017 for the processing of raw nuclear materials, valid starting with 01.09.2017 until 30.01.2018;
 - v. Authorization DN/179/2017 for the production of nuclear fuel valid, starting with 04.09.2017 until 30.01.2018;
 - vi. Authorization DN/180/2017 for the temporary storage of nuclear raw material, nuclear fuel and radioactive waste, valid starting with 07.09.2017 until 30.01.2018;
 - vii. Authorization DN/10/2016 for the supply of nuclear raw materials, nuclear fuel, radioactive waste, materials of nuclear interest and materials with double use, valid starting with 07.09.2017 until 30.01.2018;
 - viii. Authorization DN/181/2017 for the transport of radioactive materials, valid starting with 10.01.2014 until 09.01.2019;
- Authorization AN/287/2016 for ownership of unpublished information, valid starting with 29.11.2016 until 28.11.2021.

By Assignment Certificate no. NFP ODD06/2017, CNCAN updated the appointment of the Radiation Protection laboratory and dosimeter personnel within NFP Pitesti as Certified Dosimetry Body.

Authorizations in the nuclear field for the main office:

- Authorization for the quality management system for management activities in the nuclear field. Authorization no. SNN EX-01/2017 was issued for a period of 2 years, starting with 01.05.2017 until 30.04.2019;
- Authorization no. PD/222/2013 for ownership of heavy water for Units 3 and 4, valid from 18.10.2013 until 17.10.2018.

CNCAN authorized personnel. For Cernavoda NPP branch, the company holds 16 CNCAN permits for management personnel, 7 CNCAN permits for personnel with specific training positions and 54 CNCAN permits for operational staff in the control rooms of the two Units. For the NFP Pitesti branch, the company holds 14 permits for exercising activities in the nuclear field, of level 2.

Licenses issued by ANRE

According to the Regulation for the granting of licenses and authorizations in the electric power sector approved by the Government's Decision no. 540/2004, the supply of electric power, the production of electric and thermal power in cogeneration are performed according to certain licenses issued by ANRE in this respect.

On the date of the current report, the company holds the following licenses issued by ANRE:

- License no. 5/03.12.1999 for the production of electric power granted through ANRE Decision no. 80/03.12.1999;
- License no. 244/26.03.2001 for the production of thermal power granted by ANRE through the Decision no. 341/26.03.2001;
- License no. 962/21.10.2010 for the supply of electric power granted by ANRE through the Decision no. 2597/21.10.2010.

The company complied, both in previous years and in 2018, the provisions of the conditions associated to the aforementioned licenses.

License no. 5/03.12.1999 authorizes the company to produce electric power through the commercial operation of the power capacities related to the electric power production units. The license came into force on 03.12.1999 and is valid for 25 years. Through the resolution of ANRE no. 1683/01.11.2007, the license was modified to increase the installed capacity factor of the company from 706.5 MW to 1,413 MW and to approve other conditions associated to the license as well, after the commissioning of NPP Cernavoda Unit 2.

License no. 244/26.03.2001 authorizes the Company to perform the activity of generating thermal energy by the commercial operation of the power capacities related to the units of electrical and heating power generation consisting of two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The license came into force on 26.03.2001 and is valid for 25 years. Through the resolution of ANRE no. 1684/01.11.2007, the license was modified to approve the existing conditions related to the license. SNN delivers thermal power to the local heat distribution

company – Public Utilities SA Cernavoda, as well as to some end consumers in Cernavoda town – businesses, social and cultural institutions.

License no. 962/21.10.2010 for the supply of electric power authorizes the company to supply electricity on the energy retail market and come into force on 26.10.2010. By the ANRE Decision no. 2000/23.09.2015, the license was modified for the extension of the validity of the license till 21.10.2020.

Other authorizations

- ISCIR regulatory documents;
- Statements to the National Anti-Drugs Agency;
- Licenses issued by ANCOM. NPP Cernavoda obtained 3 licenses for the use of electrical radio frequencies from the National Communications Regulating Authority (ANCOM);
- Fire safety authorizations;
- Sanitary authorizations.

For environmental protection, the authorizations and certificates were distinctly presented in the report.

4. Integrated management system

SNN developed and maintains a General Management System, which complies with the provisions of Law no. 111/1996, the Quality Management Norms applicable in the nuclear field (“NMC”) issued by CNCAN. The Management System of SNN is authorized by CNCAN according to the Law no. 111/1996 by the Authorization of the Quality management system in the nuclear field for management activities; current authorization no. SNN EX - 01/2017 is valid until April 30, 2019.

The Quality Management System, described in the Manual of Quality Management System, identifies the directions of developing and implementing the management system within SNN Executive and its branches: the NPP Cernavoda and the Nuclear Fuel Plant - Pitesti. The development and evaluation of the Management System (MS) is coordinated by the Department for the Development and Evaluation of the Management Systems (DDESM).

The branches NPP Cernavoda and NFP Pitesti have developed and maintain management systems specific to their activities.

The NPP Cernavoda branch has developed and implemented an integrated Management System that complies with the provisions of Law no. 111/1996, the Norms for Quality Management Systems applicable in the nuclear field issued by CNCAN, the IAEA GS-R standard part 2 and international standards ISO 14001 – “Environment management systems. Usage guideline requirements”, ISO 45001 – “Occupational health and security management systems. Usage requirements and guidelines” (replacement standard OHSAS 18001) and ISO/CEI 27001:2005 – “Requirements for the informational security management system”. The legal and regulation requirements issued by CNCAN and those from the International Standards, voluntarily applied, are included in the documents of the Integrated Management System of NPP Cernavoda.

The quality management system of NPP Cernavoda is authorized by CNCAN according to the provisions of Law no. 111/1996 for “Activities of operation, design, supply, repair and maintenance, use and maintenance of software products in the nuclear field”; current authorization no. SNN NPP Cernavoda – 01/2017 is valid until April 30, 2019.

Compliance with the requirements of International Standards ISO 14001 and OHSAS 18001 was recertified by the certification body SRAC in 2016 (updated on 10.09.2018 for compliance with ISO 14001:2015 and valid through 25.04.2019 the same as for the certificate of compliance with OHSAS 18001:2007).

In 2018, Cernavoda NPP completed the process for obtaining the EMAS registration: EMAS Registration Certificate issued by the Ministry of the Environment according to the Minister's Order no. 2086/2011 for the approval of EMAS registration procedure [Regulation (EC) No. 1221/2009 on the voluntary participation of organizations in a Community eco-management and audit scheme (EMAS)]. Registration no.: RO-000017 of 15 October 2018, expiry date: October 15, 2021.

NFP Pitesti Branch has developed and implemented an Integrated Management System which complies with the provisions of Law no. 111/1996, Rules for Systems Management CNCAN, integrating and requirements of Canadian standard CAN 3-Z299.2. The component of the Quality Management System is authorized by CNCAN by Authorization no. 18-035 (valid until 17.09.2020).

The compliance with the requirements of International Standards ISO 14001 and OHSAS 18001 was recertified by the certification body SRAC in 2016 (validity until 15.09.2019 for the certificate of compliance with ISO 14001:2015 and 05.11.2019 for the certificate of compliance with OHSAS 18001:2007).

Besides, other components of the Integrated Management System are developed and implemented as well (for example Physical Protection, Radiological Safety, Nuclear warranties etc.). The development and implementation of the components of NFP Integrated Management System decisively contributed to the nuclear fuel quality proved by a very good combustion degree and zero failure rate.

Given the firm commitment of the company's management to promote an ethical behavior in professional activity and an impeccable business conduct, it is necessary to adapt the tools used up to now and to update/supplement them in accordance with the latest developments in the specific regulatory field.

In this respect, relatively recently, in 2016, the standard **ISO 37001** was prepared at international level - Anti-Bribery Management SYSTEM, designed and developed to support organizations to strengthen their safety measures on this segment at a higher level, so as to benefit in the long run from a number of advantages such as:

- promoting an "anti-bribery" organizational culture through staff awareness and ethical values within the organization;
- prevention, detection and resolution of bribery risks;
- avoiding the conflicts of interests;
- reducing the additional costs (financial, material, image) by introducing tools to identify possible deviations at an early stage so that corrective measures can be implemented in a timely manner and the negative effects generated by them are minimal;
- increasing the credibility of the organization in relation to owners, financiers, suppliers and clients;
- reducing the risk of drawing the company's liability in the event of investigations by investigative and prosecution bodies, in the context in which management can provide conclusive evidence that it has taken reasonable steps to prevent and discourage bribery in accordance with good practice at international level.

These efforts are justified mainly by the fact that most multinational companies and those representative as regards international turnover are extremely selective in terms of choosing their business partners, placing more and more the emphasis on requiring ethical and compliance safeguards to avoid image risks and related costs in case of potential integrity-related incidents.

The implementation of the ISO 37001 standard involves a number of complex activities, including the integration and harmonization of specific policies, procedures and instructions with those already applicable at the company level, so that the regulatory framework that will result from the

completion of the process is coherent, simple, easy to understand and apply by all employees and business partners.

5. Environmental management policy

The environment management process is developed and applied by the Cernavoda NPP to ensure the protection and control of the environment during the performance of activities with direct or indirect potential environmental impact.

Cernavoda NPP has established and implemented specific requirements leading to the mitigation/removal of any potentially negative impact on the environment, as a result of the performance of the activities of the plant.

The requirements set by the Cernavoda NPP derive both from the application of the regulations specific to the nuclear field and the applicable environmental legislation and from the voluntary adherence to the requirements of the ISO 14001: 2015 standard and to Regulation (EC) 1221/2009 on the voluntary participation of organizations in a Community eco-management and audit scheme (EMAS)].

The conclusions of the annual audits carried out by the certification body demonstrate that we have a functional environmental management that is part of the organization's integrated management system, which is continually improving and it is aligned with international environmental and population protection requirements. The management of Cernavoda NPP pays particular attention to the aspects of communication and transparency towards all stakeholders: staff, population, local authorities, national authorities, NGOs, media, aiming to create and maintain a realistic picture, based on facts and concrete data that will strengthen the positive characteristic of nuclear energy given the insignificant impact on the environment.

Risks associated with the conduct of activities are identified, evaluated, recorded, and measures are provided to prevent / minimize their occurrence by implementing a risk management process.

Cernavoda NPP implements and maintains a deep defense concept, which includes technical and procedural barriers to prevent and mitigate the effects of accidents, response to emergencies, taking into account equipment-related and human performance initiators, as well as credible severe external conditions (earthquakes, floods, bad weather, etc.) that may affect the operation of the plant.

Cernavoda NPP has established clear principles underlying the performance of activities that might have direct or indirect impact on the environment. Below are listed some of them:

- The preparation and performance of any activity will be analyzed in terms of:
 - Effects on ecosystems;
 - Efficient use of energy and resources;
 - Prevention of pollution.
- Cernavoda NPP ensures:
 - The implementation of environmental legislative requirements in all the processes and activities of the plant;
 - The preparation, encouragement and accountability of the entire personnel for the performance of all activities so as the impact on the environment is reduced as much as possible;
 - The assessment of environmental performance and the continuous and effective communication with the interested civil organizations, the local community and regulatory and control authorities in relation to the continuous improvement of environmental performances;
 - The impact on the environment is established according to the assessment of each activity and for each individual work.

The first certification of the environmental system was obtained in 2004, maintaining it through the annual approval following the audits and the recertification every 3 years. Maintaining the certification and the EMAS registration obtained in 2018 is the proof and guarantee that the commitments assumed by Cernavoda NPP have been complied with.

Cernavoda NPP promotes the rational use of energy and natural resources, ensuring a balance between environment, energy and economy. It prevents the impact on the environment and this relates both to its own operating activities and to those of its business partners.

This commitment is translated into:

- Integration of the sustainable development concept into projects and investments;
- Compliance with environmental legislation and conventions;
- Continuous improvement of environmental performance.

Partners are assisted in achieving their own environmental goals.

Environmental protection at Cernavoda NPP has been and is a permanent and responsible concern of all staff. Cernavoda NPP has established and implemented specific requirements leading to the

mitigation of the impact on the environment, as a result of the performance of the activities of the plant.

Details of activities and results/ environmental performance are contained in the document “Environmental Statement” available to the public on the SNN-SA website.

In 2018, the Level I and II Environmental Balance Sheet and the Balance Sheet Reports were drawn up, the results and conclusions drawn by the developer validating the compliance of Cernavoda NPP Branch with the environmental protection requirements.

5.1.Environmental monitoring program at NPP Cernavoda

The Cernavoda Nuclear Power Plant has been developing socio-demographic studies since the early 1980s and has implemented environmental radioactivity monitoring programs.

The choice of the nuclear power plant site was done in line with the specifications of the Republican Nuclear Safety Norms, which provide both the factors to be taken into consideration when establishing the site in terms of nuclear safety, as well as the demographic criteria regarding the areas of exclusion and reduced population.

The factors that have been considered include, on the one hand, the physical characteristics of the site (seismological, geological, meteorological and hydrological), the socio-demographic and land use characteristics, on the other hand, and the reactor design features and the proposed operating mode (the use and maximum power level, nature and radioactivity inventory, technical norms and standards applied to the reactor design, nuclear security characteristics considered in the technical calculations of the facility and existing barriers in the release of radioactive materials into the environment).

In order to protect the population against the risk of exposure to radiation, around each reactor an exclusion area, with a radius of 1 km and a reduced population area of 2 km have been established.

For the most accurate estimation of the impact of the operation of the power plant on the environment, during the period 1984 - 1994 the pre-operational environmental monitoring program was carried out at the Cernavoda NPP. The measurements made within this program detected the environmental radioactivity changes that occurred following the Chernobyl accident in 1986. Starting with 1990, the values of radionuclide concentrations in the environmental factors returned to the normal values before 1986.

The Nuclear Power Plant has implemented, starting with the commissioning of Unit 1, an environmental radioactivity monitoring program, based on the requirements of the national legislation and internationally validated practices in the nuclear industry. In compliance with international practices, the plant built and fitted its own Environmental Radioactivity Control Laboratory and established a network of sampling points or positioning continuous monitoring stations, in different locations within a radius of 30 km around the plant.

The routine environmental monitoring program elaborated at Cernavoda NPP was approved by CNCAN in 1995, after it was audited by IAEA. The implementation of this program commenced in March 1996.

The types of samples analyzed are the following: air (particles under the form of aerosols, iodine, carbon, water vapors), atmospheric deposits, surface water, drinking water, groundwater, rainwater, infiltration water, soil, spontaneous vegetation, soil, sediment, atmospheric deposits, food samples (milk, fish, pork, beef and chicken, vegetables, fruits, eggs, cereals) surface water, drinking water, groundwater, rainwater, infiltration water.

Measurements of the external gamma dose are also carried out. A network of 62 monitoring points with thermal-luminescent dosimeters for the measurement of the gamma dose has been established around the power plant and across an area with a radius of 30 Km. Gamma spectrometry analyzes, global alpha/beta analyzes and specific assays for the detection of tritium and carbon C-14 were carried out through liquid scintillation spectrometry. Food samples for the analyses are procured from local producers or from the agri-food market in Cernavoda, Seimeni, Medgidia, Satu Nou. The results of the environment's radiological monitoring are compared with the results of the pre-operational environmental monitoring program carried out in the period 1984 – 1996. Up to now no changes in the radioactivity of the environment in the area of Cernavoda city have been detected, in relation to the period prior to the commissioning of the nuclear unit. The Environmental Control Laboratory of Cernavoda SNN is notified by CNCAN through Appointment certificate no. NPP LCM ODN 07/2018 valid until 08.11.2021, as Dosimetric Notified Body and Appointment certificate no. NPP LCM LI – 02/ 2016 valid until 31.05.2019 as a Testing Laboratory on environmental sample measurements.

Inter-comparisons

For the validation of the working methods in compliance with ISO 17025 and the CNCAN norms and in order to demonstrate the credibility of the environment measurements, the Environmental Control Laboratory participates in international intercomparison exercises.

The Environmental Control Laboratory is a member of the PROCORAD Association of France (Association for Radiotoxicological Measurements) and has been participating with good and very good results in intercomparison exercises for radioactivity measurements since 2002.

In 2005, the Environmental Control Laboratory was nominated by CNCAN as a member of IAEA's ALMERA Network (Analytical Laboratories for the Measurement of Environmental Radioactivity) and since 2006 it has participated annually in the performance tests organized within the network.

Cernavoda NPP is authorized (through Water Management Permit) to use water from the Danube River as cooling water, through the Danube - Black Sea Canal, pool I. The hot water is usually returned to the Danube via the Seimeni Canal or, by way of exception, to the Danube-Black Sea Canal, pool II.

For the chemical control of water in the secondary circuit of NPP, U1 and U2 specific chemicals are being used: hydrazine, morpholine, cyclohexylamine for the chemical conditioning of systems, hydrochloric acid, sodium hydroxide, ferric chloride, lime, Praestol and Nalco in the technological process for obtaining demineralised water in the Chemical Water Treatment Plant and bioacid as control/removal agent for the microbiological load in the technological process water.

5.2.Liquid effluent physical – chemical monitoring program

This program was designed and applied to check and control the quality of the water discharged from Cernavoda NPP and to demonstrate the observance of the requirements of the Environment Authorization and Water Management Authorization.

- According to this program, all chemicals used for the chemical conditioning of the power plant systems are monitored in the liquid effluent.
- The treatments with control agent of the microbiological load are carried out locally, only on the technological process water circuit, having the purpose of limiting the fixation and growth of shells in pipelines and equipment.
- The chemicals used to obtain demineralised water are monitored and neutralized prior to the discharge into the effluent.

The concentrations of all these substances in the liquid effluent fall below the authorized discharge limit.

Studies have been conducted regarding the thermal impact of the discharge of hot water into the Danube and the Danube - Black Sea Canal and the temperature of the hot water discharged is measured so that it is within the limits set in the Water Management Authorization.

The non-radioactive gaseous effluent physical-chemical monitoring program is designed to allow for the determination of the concentrations of pollutants (other than radioactive ones) in environmental factors. This requirement is specific only to periods of continuous operation longer than 5 days for the Stoppage Thermal Power Plant (according to the ABADL Protocol). In the impact area of the emissions, the following pollutants are determined: carbon dioxide, sulfur oxides, nitrogen oxides, suspended particulates.

The purpose of this program is to provide accurate data on non-radioactive gaseous effluent quality to CTP chimneys to demonstrate compliance with applicable legal limits.

Emissions of carbon dioxide from EU-ETS facilities falling under the greenhouse gas emissions trading scheme, according to the GES Authorization and the related Measures Plan are determined by calculation according to the applicable regulations.

Emissions of pollutants from chimneys of combustion facilities (similar to EU-ETS facilities) are determined on a monthly basis to pay fees to the Environment Fund.

Radioactive effluent monitoring program at Cernavoda NPP

Independent of the Environment Radioactivity Monitoring Program, a Liquid and Gaseous Radioactive Effluent Monitoring Program is implemented at Cernavoda NPP, which ensures the control and monitoring of the radioactive emissions at the point of discharge by means of measuring systems: Liquid Effluent Monitor and Gaseous Effluent Monitor. These systems ensure the continuous monitoring of the potential radioactive effluent emissions and the provision of representative samples necessary to assess the radiological impact on the environment.

The results of the Liquid and Gaseous Radioactive Effluent Monitoring Program in the period 1996-2017 confirm a much lower emission level compared to the legal limits and the constraints set by the regulatory body (CNCAN).

5.3. Monitoring the potentially radioactive gaseous effluents

Any potentially contaminated air discharge is directed towards the discharge shaft, which disperses it into the environment. The air is monitored on an on-going basis and based on the results of the

analyzes, estimates of the additional dose that a person in the population could receive due to these discharges are made. Each year approximately 1500 filters are measured at every unit in order to determine the radioactive gas emissions.

The discharge of potentially radioactive water is done in the condenser cooling water canal, ensuring a dilution of minimum 1:2900 (generally the dilution is 1:7000). During the discharge, water is continuously monitored by the radioactive liquid effluent monitor, which stops the discharge in the event of an alarm. The radioactivity measurements performed on the potentially radioactive water samples are used to estimate the additional dose that a person in the population could receive as a result of these discharges. Annually, for the monitoring of potentially radioactive liquid effluents coming from a unit, about 1,500 samples of water from a unit are analyzed in the laboratory.

Throughout the 19 years of operation of Unit 1 and Unit 2, the annual effective radiation dose collected by a person in the critical group of the population from the area of Cernavoda, caused by radioactive emissions from the nuclear power plant, including tritium, have not exceed 10 microSv, being hundreds of times smaller than the dose produced by the natural radiation source, which, for Romania has an average value of 2400 microSv/year.

5.4. Monitoring the radioactivity of environmental samples

In terms of the content of radioactivity, the following samples are collected and analyzed:

- air (deposit on particle and iodine filters, water vapor in the air; carbon-14 in the air);
- water (water from the Danube, soil infiltration water, deep water, water from the Danube - Black Sea Canal, rainwater, drinking water);
- soil;
- spontaneous vegetation;
- fish sediment;
- meat (chicken, beef, pork);
- milk;
- vegetables (lettuce, spinach, radishes, cucumbers, tomatoes, green onions, peppers, cabbage, potatoes, green beans, aubergines);
- cereals (wheat, corn);
- fruits (strawberries, cherries, apricots, peaches, grapes);
- eggs;
- wet atmospheric deposits;
- DTLs (thermal-luminescent dosimeters that measure the integrated gamma dose for 3 months).

Approximately 1200 samples from 115 locations are collected annually, in order to determine the radioactivity of the environment in the Cernavoda NPP area.

The power plant has built and equipped its own Radioactivity Control Laboratory, the Dosimetry Laboratory, where radioactive effluent samples are measured, as well as a Radioactive Waste Characterization Laboratory. The laboratories carrying out radioactivity analyzes in the environmental samples are accredited by CNCAN (National Commission for Nuclear Activities Control), in compliance with the requirements of the law. In addition, the laboratories are included in inter-comparative programs organized by the IAEA or the European Commission and International Associations of accredited laboratories for those types of measurements.

Working in a radiation field

In order to control the work in a radiation field, procedures are developed to ensure the assessment and identification of radiological hazards and the adequate protection measures for the performance and management of the works.

- a) A radiation field work permit (authorization) system is in place to ensure that all the activities in a radiation field are checked and approved at an appropriate hierarchical level before they are carried out. The level of approval increases proportionally with the increase of hazards.
- b) For works in fields with high levels of radiation, a rigorous work planning process is established, which demonstrates that all necessary factors have been taken into consideration, and that the radiation doses will be consistent with the ALARA* principle.
- c) The personnel of the Radiation Protection Department is involved in the planning, approval and management of works with high radiological risk.

** ALARA = As Low As Reasonably Achievable – at the lowest possible value. This process includes measurements of radiation fields, protection equipment, contamination and irradiation control, use of special tools, work procedures, training facilities, worker qualification and training, as well as surveillance.*

Dose limits

The dose limits used at Cernavoda NPP are in line with the Rules on Radiological Safety Base Requirements (CNCAN Order 138/2018) and the recommendations of the International Commission on Radiological Protection (ICRP) set out in publication 60.

The targets for individual and collective doses are set on an annual basis. Dose-limiting objectives are set for certain works and teams of workers, depending on the existing situation, as a measure of intermediate control.

Furthermore, there is a system in place for controlling the collected doses, identifying problematic areas and taking corrective measures in due time.

Monitoring work premises. Contamination control.

The radiologically controlled area is an area subject to special rules with the purpose of protection against ionizing radiation and of preventing the dissemination of radioactive contamination, and where the access is controlled.

From this point of view, RD-01364-RP009 "Radiation Protection Policy, Principles and Regulations at Cernavoda NPP", together with RD-01364-RP002, the "Control of personnel radiation exposure" process cover a main element: they establish the work areas to be monitored, in order to provide information on the radiological hazards in the plant.

The nature and frequency of work premises monitoring are set so as to allow:

- the assessment of radiological conditions in all work premises;
- the estimation of exposures in the controlled area.

Routine monitoring of work premises has the purpose of confirming the satisfactory conditions of the working environment for the performance of activities and of underlining the changes that may require the review of work procedures.

The monitoring related to certain activities has the purpose of providing information about the radiological conditions in the areas in which they are to be carried out and is the basis for the immediate decisions that are being taken for their performance.

The following are being monitored:

- Radiological conditions in work premises;
- Contamination of the personnel;
- Contamination of materials and equipment.

The communication and recording of monitoring results are carried out in compliance with the procedures developed by the Radiation Protection Department.

Personnel training in the field of radiation protection

A key element in the safe operation of a nuclear power plant is its personnel. Employees and external workers are selected and trained with the purpose of ensuring their capacity to safely perform the tasks they have received.

The training program provides the theoretical and practical training in Radiation Protection for a sufficient number of employees within the Power Plant and external contractors, at a level that allows for their own radiation protection and their accountability for the protection of other people.

Personnel Dosimetry

Cernavoda NPP has the responsibility to ensure the radiological monitoring of the working environment for the professionally exposed workers and visitors during the performance of its authorized activities.

The correct measurement and recording of the doses collected by the professionally exposed staff of Cernavoda NPP and by contractors is a very important element of the “Control of personnel radiation exposure” process.

The dosimetry program of Cernavoda NPP is based on the requirements of the applicable national legislation and on the latest recommendations of the International Commission for Radiological Protection.

The dosimetry program, including the methods used and their technical justification, is developed by the Radiation Protection Department.

The doses collected by the personnel professionally exposed at Cernavoda NPP are due to the external and internal exposures characteristic of a CANDU-type reactor.

External exposure represents the exposure to radioactive sources located outside the human body.

The main source for external irradiation in a CANDU type power plant is gamma radiation. The measurement of the individual gamma dose is carried out using a thermal-luminescent detector dosimeter (TLD). Wearing the dosimeter is mandatory throughout the activity carried out in the radiologically controlled area.

Thermal-luminescent dosimeters are also used to measure the dose on the extremities, the thermal-luminescent pills being attached in the areas with the highest irradiation (fingers, wrists, ankles).

In a CANDU power plant, the neutron doses have a small contribution to external irradiation and are monitored in turn using a neutron flowmeter.

Internal exposure (contamination) is the process of penetration into the body of radioactive materials by means of inhalation, ingestion or through the skin.

The main source for indoor exposure in a CANDU-type power plant is heavy tritiated water vapors.

The internal dose due to this source is determined by analyzing urine samples based on the liquid scintillator detection technique. The frequency of sample measurement depends on the concentration of tritium in the urine from the last measured sample. The more the concentration of tritium in the urine increases, the interval between the supply of two biological samples decreases, ranging from monthly to daily.

Internal doses due to other sources are determined through direct measurement of the personnel at the Human Body Counter, with a frequency that depends on the nature of the activity performed. Measurements with the human body counter are carried out monthly, quarterly, annually, or once every three years.

Recording the doses

For the correct recording and retrieval of doses, a recording system in electronic format (database type) and on paper is in place. In addition to the evidence of the collected doses, the system also keeps records of the analytical results of all samples.

Maintaining the organization's commitment for the reduction of personnel exposure has led to top results regarding the collective doses collected, which have placed both units in the top 25% of power plants evaluated by WANO.

Inter-comparisons

For the validation of the working methods in compliance with ISO 17025 and the CNCAN NSR 06/2002 norms and in order to demonstrate the credibility of the dose measurements for the personnel and the population, the Individual Dosimetry Laboratory participates in international inter-comparison exercises.

The Individual Dosimetry Laboratory is a member of the French Association PROCORAD (Association for Radiotoxic Measurements) and participates in inter-comparison exercises on internal dosimetry measurements since 2001.

For external dosimetry measurements, the laboratory participated in 1999 in an exercise organized by IAEA, and, as of 2007 is participating in the inter-comparison exercises (Performance Tests for Dosimetry Systems with TLD used in CANDU power plants) organized by COG.

The results obtained in the inter-comparison exercises in the period 2001 - 2018 were good and very good. The results obtained in the "Tritium measurement in urine" category, where the dosimetry laboratory qualified as reference laboratory in the years 2004, 2006, 2007 and in the category "C-14 measurements in the urine" where it qualified in "Top 4" best performing laboratories of PROCORAD Association in the years 2001, 2004, 2006, 2007, 2008 and 2009, 2010, 2012, 2013 should be noted and in category "C14&H3 measurements in urine" where it qualified as a Reference laboratory in 2012 and 2018.

In the International Intercomparative Exercises organized by COG during 2007-2018 at Chalk River Laboratories in Canada, they have shown good and very good results for the Laboratory of Individual Dosimetry, successfully meeting the acceptance criteria imposed by national and international standards.

5.5.Radioactive waste management

Management policies and principles observe the national and international requirements regarding radioactive waste. Cernavoda NPP has the facilities required for the intermediate storage of radioactive waste, in secure installations for the personnel, as well as for the population and the environment.

Radioactive waste is the result of day-to-day maintenance activities, repairs, scheduled or unscheduled power plant outages, and is managed completely separately from conventional waste.

The radioactive waste generated as a result of these activities is represented by:

- solids (plastic, cellulose, glass, wood, purification filters, filters from ventilation systems etc.);
- organic liquids (oil, solvent, scintillator liquid);
- flammable solid-liquid mixtures.

Their collection and sorting are carried out by qualified personnel, following rules and criteria specified by procedures. The sorting activity applies to all types of radioactive waste.

For each type of radioactive waste (solids, organic liquids and flammable solid-liquid mixtures, different criteria are being followed:

- source of origin (service building, reactor building)
- type of material (plastic, cellulose, metal, wood, oil, solvents etc.)
- content of radionuclide (short, medium or long lifetime)
- contact dose rate (weak active, medium active).

After the sorting, radioactive waste is stored in special stainless-steel containers.

Organic liquid radioactive waste is stored in the service building and is subsequently solidified in order to eliminate potential flammability hazards.

Radioactive waste management aims at identifying and controlling all radioactive waste produced and maintaining the generation of radioactive waste at the minimum practicable level.

The reduction of the volume of waste produced is achieved by compaction (using a hydraulic press) by unconditionally releasing the waste from under the CNCAN authorization regime, by treating radioactive waste, on streams established on nuclear systems, by incinerating and melting some solid waste to authorized external operators.

The storage of solid or solidified radioactive waste is ensured throughout the period of operation of the power plant under optimum security and conservation conditions. The final disposal of these types of waste will only take place after the consolidation in solid, safe matrices, which would ensure that at least for 300 years these shall not have a negative impact on the environment.

Cernavoda NPP's policy for managing used fuel is as follows:

- wet storage in the used fuel pool of the reactor for a period of minimum 6 years;
- dry storage for used fuel in the intermediate dry storage for a period of 50 years.

The intermediary storage is located at the Cernavoda NPP site, at approx. 700 m away from Unit 1, the transport being carried out on an internal road that allows the maintenance of an integrated physical protection system.

The storage will be carried out in stages, including 27 storage modules with a capacity of 12000 bundles/module, which will ensure the storage of used fuel resulted from the operation of Cernavoda NPP, Units 1 and 2 for 50 years. To date, 9 modules have been built.

Environmental protection activity at NFP Pitesti

Within NFP-Pitesti there is a constant concern for the nuclear security policy to be in line with the context in which Romania has committed itself to observe the international documents to which it has adhered (treaties, agreements, conventions, arrangements etc.). For environmental protection, NFP-Pitesti has implemented its own program in compliance with the Romanian and European legislation. Environment management procedures are developed in compliance with the SR EN ISO 14001:2015 standard and are the result of applying within NFP the Environment Management System that is part of NFP's Integrated Management System.

The Environmental Policy is an integral part of *NFP's Policy on Nuclear Security, Quality, Environment, Safety and Health at Work*, and NFP has also set *its own Environmental Goals and Targets*.

The Environmental Authorization issued for the operation of the "Nuclear Fuel Plant" branch of Pitesti within the National Society "Nuclearelectrica" SA through Government Decision no. 1061/2011 and published in the Official Gazette no. 793 dated 09.11.2011 seeks to keep under control all the elements resulting from the activities carried out and which could have an impact on the environmental factors and the population.

NFP-Pitesti carries out the external communication with interested parties according to the legal requirements for reporting, situations, records, statistics, announcements, notifications, memos etc. to the environmental authorities (Ministry of Environment and Climate Change and the subordinated institutions, the National Commission for Nuclear Activities Control, the Nuclear Agency and Radioactive Waste etc.).

NFP-Pitesti has developed and implemented environmental monitoring programs providing measurements for the radioactivity of the environment and for non-radioactive elements on environmental factors: air, water, groundwater, soil, vegetation, dose and dose rates, noise, but also for emissions into the atmosphere of radioactive gaseous effluents and radioactive effluents from NFP at the Treatment Station of the Nuclear Research Institute in Pitesti. Following the monitoring operations, monitoring reports are being elaborated, which are submitted periodically to the Arges Environmental Protection Agency, the National Environmental Protection Agency and CNCAN in compliance with the Communication Protocol concluded between SNN SA and the Ministry of Environment and Climate Changes regarding the method for achieving the special conditions and other requirements included in the "Environmental Authorization for the Operation of the Nuclear Fuel Plant Branch of Pitesti". Furthermore, NFP-Pitesti is reporting online, in compliance with the

Integrated Monitoring System the emissions of noxious emissions from motor vehicles and used oil waste.

Within the waste management program set out in the Radiological Security Manual of NFP, periodic reports are being submitted to CNCAN, APM and ANDR for radioactive solid and liquid waste.

For investments in terms of environmental protection, packaging, radioactive and non-radioactive waste, recyclable waste and materials, environment fund etc. NFP-Pitesti drafts reports and situations on a periodic basis, which it submits to ANPM, GNM CJ Arges, APM Arges, ANDR, SNN SA.

The environmental monitoring for the NFP-ICN platform and in its vicinity is performed by ICN-Pitesti with the contribution of NFP, in compliance with the environment radioactivity monitoring program of the ICN-NFP Pitesti platform, approved by CNCAN.

NFP-Pitesti carries out the measurements and monitors all transports of radioactive materials in the form of UO₂ sintering powder, nuclear fuel bundles, weak active radioactive solid waste from/to CNU Feldioara and Cernavoda NPP, respectively.

The Environmental monitoring report and the Environment radioactivity monitoring report are being elaborated on an annual basis, reports that are posted on the site.

Radiological security activity at NFP Pitesti

The activity of protection against ionizing radiation (radiological protection and radiological security) in NFP is carried out according to Law 111/1996 on the safe deployment, regulation and control of nuclear activities, republished, the specific norms elaborated by the National Commission for Nuclear Activities Control (CNCAN) and the regulations imposed by the Ministry of Health and Family (MSF), as amended and supplemented. At the same time, the protection activity against ionizing radiation is designed according to the radiological risks' characteristic for a CANDU nuclear fuel plant based on natural and depleted uranium. Pursuant to them, within the NFP, as nuclear goal, only personnel professionally exposed to ionizing radiation is working, with the NFP managing establishing and maintaining a radiation protection program adequate for the specific nature of the plant. For the application of the radiation protection program, NFP has developed domain-specific documents: Radiological Security Manual, Radiation Protection Control Plans, Radiation Protection Procedures, Specific Programs, and obtained operating licenses every two years from CNCAN for all the activities that is performing in the nuclear field: possession, use,

handling, processing, production, temporary storage, supply, transport of radioactive materials etc. It has also obtained, once every two years, the sanitary authorization for operation in the nuclear field from the Arges Public Health Department.

For the measurement of individual external doses within NFP, the Laboratory of Radiation Protection and Personnel Dosimetry, appointed by CNCAN as a dosimetric body in 2017 (ODA06 / 2017) is operating. Dosimetric and Radiation Protection measurements are also being carried out in the Laboratory of Radiation Protection and Personnel Dosimetry, with apparatuses, equipment, devices, devices and sources of radiation included in the operating authorizations of NFP-Pitesti.

For the validation of the working methods in compliance with ISO 17025 and the CNCAN NSR 06/2002 norms and in order to demonstrate the credibility of the dose measurements for the personnel and the population, the Personnel Radioprotection and Dosimetry Laboratory participates in international inter-comparison exercises, with the latest taking place in 2018 (with EURADOS).

The radiological security activity takes place within the Radiation Protection, Nuclear Security and Environmental Protection Service, the Radiation Protection and Personnel Dosimetry Laboratory.

Radiation protection means within NFP

In order to achieve the protection of NFP personnel and to minimize to the extent possible the risk of ionizing radiation contamination and occupational exposure, employees are provided, free of charge, with a wide range of personal protective equipment and personal protective equipment against ionizing radiation. Furthermore, NFP has under its own endowment collective radiation protective equipment and a modern ventilation system.

In the same context, within NFP, appropriate measures have been taken in compliance with the law, for the protection against ionizing radiation during interventions, emergency situations, during pregnancy, or removal for medical reasons from working in a field of radiations.

Radiological monitoring of the working environment

❖ Monitoring airborne particulate matter with uranium/radioactive aerosols

It takes place in NFP areas where work with open radiation sources is being carried out: UO₂ powders, crude and sintered UO₂ pills. Daily air samples are taken with the Central Aerosol Sampling System or using manual pumps and are radiometrically measured in an automatic or manual system within the LRDP.

Monitoring the radioactive contamination of surfaces

Total surface contamination (fixed and unfixed) is measured by means of direct beta measurements and unfixed contamination by wiping the surface with special materials (smears) and measuring their alpha radioactivity in LRDP.

Monitoring the radiation fields (dose rates and doses)

The measurement of dose rates and doses is carried out in particular at workplaces where significant quantities of nuclear material (containers with UO₂ powder, crude and sintered pills of UO₂, nuclear fuel elements and bundles) are present, but also within the perimeter of NFP by means of direct measurements or by thermal-luminescent dosimetric (TLD) systems.

Individual radiological monitoring

❖ Measuring, assessing, recording and evidence of individual external doses

The entire personnel of NFP is systematically monitored with a monthly frequency for the *individual external dose* received, using the TLD as a means of individual monitoring. TLDs must be worn throughout the entire working time. TLDs are measured within the LRDP, where the interpretation and recording of the *individual external doses* measured takes place.

❖ Assessing, recording and evidence of individual internal doses

The individual internal dose is determined only for the personnel exposed directly to open sources of radiation, using the results of the Central Aerosol Sampling System. By summing up the *annual individual internal dose* with the *annual individual external dose*, the *total annual individual dose* is obtained.

The average annual total individual dose collected by NFP's professionally exposed personnel is around 1.2-1.5 mSv/year in relation to the maximum allowable dose limit of 20 mSv/year, according to the law and the limit of 15 mSv/year imposed by NFP as of 01.01.2015, according to the ALARA principle.

❖ Monitoring internal contamination

This is carried out for the personnel directly exposed to open sources of radiation, by analyzing the uranium and beryllium in urine based on an established program.

Reporting

The results of the radiological monitoring of the working environment and of the individual radiological monitoring are periodically reported to CNCAN and DSP Arges, according to the requirements set out under the authorizations. All monitoring records are maintained and archived in the Nuclear Security Document Archive for the periods provided for by the law. For the individual monitoring of employees, the records are kept in individual dossiers with exposure to ionizing radiation until the age of 75 but not less than 30 years after leaving NFP.

Training the personnel professionally exposed within NFP in the field of radiological security

The activity takes place in compliance with the provisions of the CNCAN norms based on a procedure-led system. The radiological security course takes place at the beginning of each year and is followed by the verification of the knowledge and the issuing of the activity exercise permit in the nuclear field of level 1, for the domain of Nuclear Raw Materials, specialist area Manufacture of Fuel Elements. The entire personnel of NFP holds Permits for exercising the activity in the nuclear field of level 1, issued by NFP. These are endorsed annually and renewed every 5 years.

A number of 13 employees hold permits to exercise activities in the nuclear field of level 2, issued by CNCAN in the domain of Nuclear Raw Materials, specialist area Manufacture of Fuel Elements, Activities with open and closed sources of radiation, Generators of radiation and Transport of Radioactive Materials. In accordance with NSR-07, 7 NFP employees have extended their Level 2 Nuclear Exploitation Permits to MPN-FEC, SD-AASD, SI-AASI, GR-AFX, and TM-MRN fields following the exam they took and passed at the CNCAN headquarters on 25.06.2018.

NFP-Pitesti provides the regular training of persons with responsibilities in the field of radiological security assurance by means of refreshing courses in the field of radioactive protection, held once every 5 years. The last two courses took place based on the approvals issued by CNCAN in the periods 12.05-16.05.2008 (13 persons) and 16-20.09.2013 (20 persons) at the registered office of NFP-Pitesti with lecturers from the National Center for Training and Specialization in the Nuclear Domain IFIN Magurele.

6. Results and key performance indicators

6.1. Production of electric and thermal energy

During the reporting period, the process of production of electricity and heat was carried out under normal conditions.

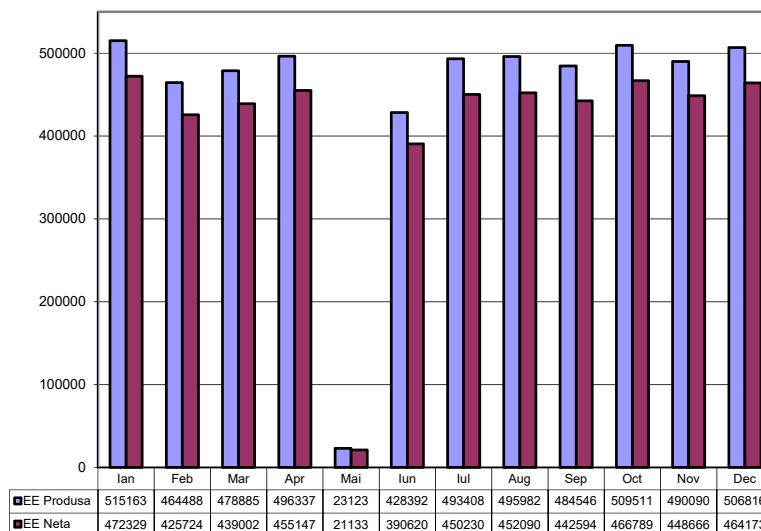
- ❖ At U1, the monthly capacity factor was 97.04%, with an annual average of 87.31% and 464,173 MWh were delivered, with a net annual total of 4,928,499 MWh.
- ❖ At U2, the monthly capacity factor was 99.78%, with an annual average of 97.43% and 481,024 MWh were delivered, with a net annual total of 5,530,839 MWh.

The refueling program at U1 was achieved 100% (58/58).

The refueling program at U2 was achieved 100% (55/55).

The main indicators of the production activity are shown in the following graphics.

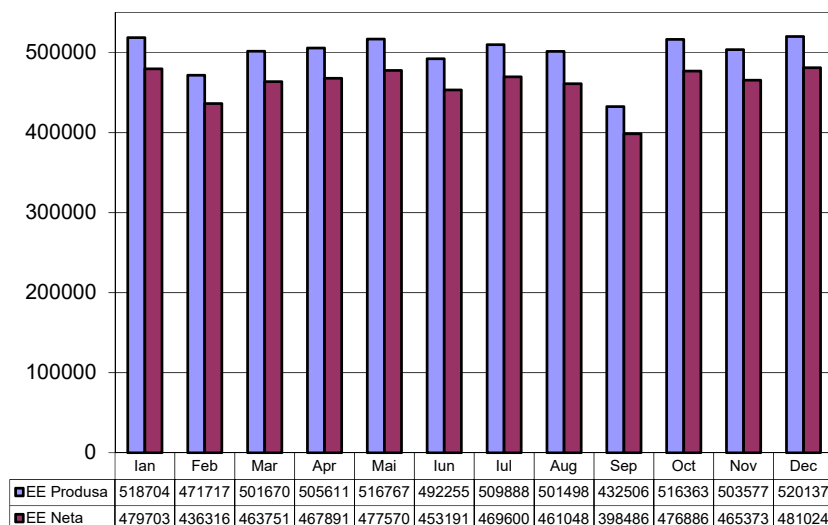
Produced/net electricity U1 (MWh)



Total 2018

E produced	E net
5,386,742	4,928,499
Own average technological consumption:	
8.52%	

Electricity produced/net U2 (MWh)



Total 2018

E produced

5,990,693

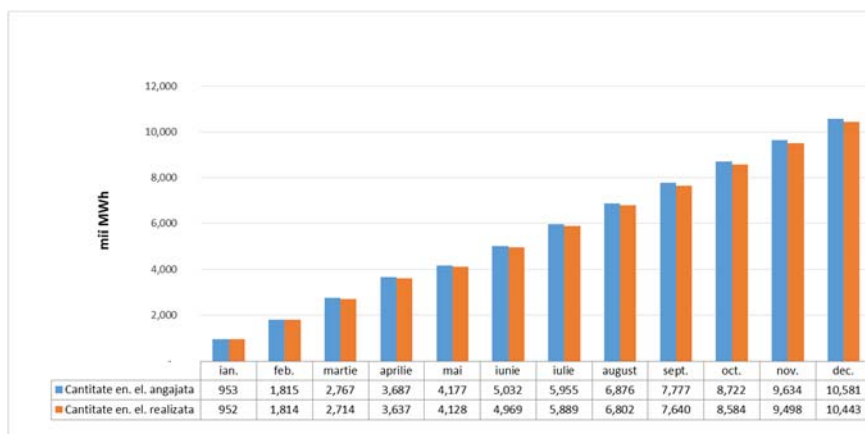
E net

5,530,839

Own average technological consumption:

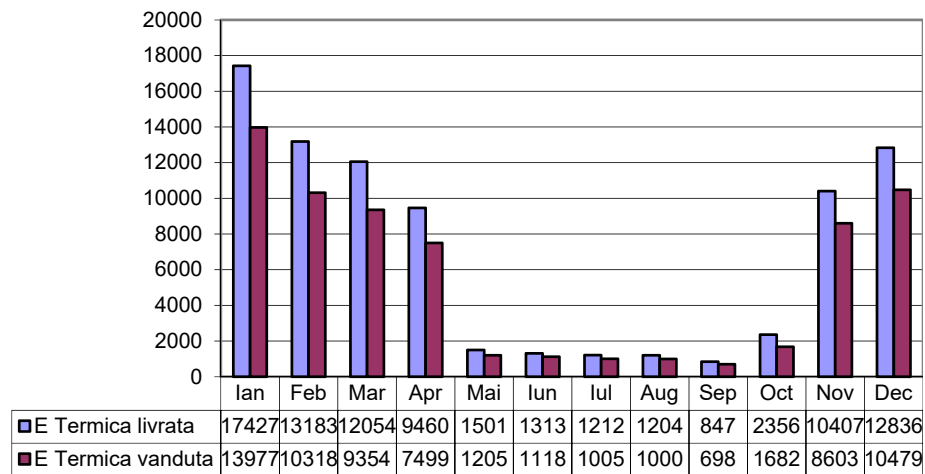
7.68%

Quantity of electricity programmed/produced (for sale) (thousands MWh)



Achievement percentage: 98.69%

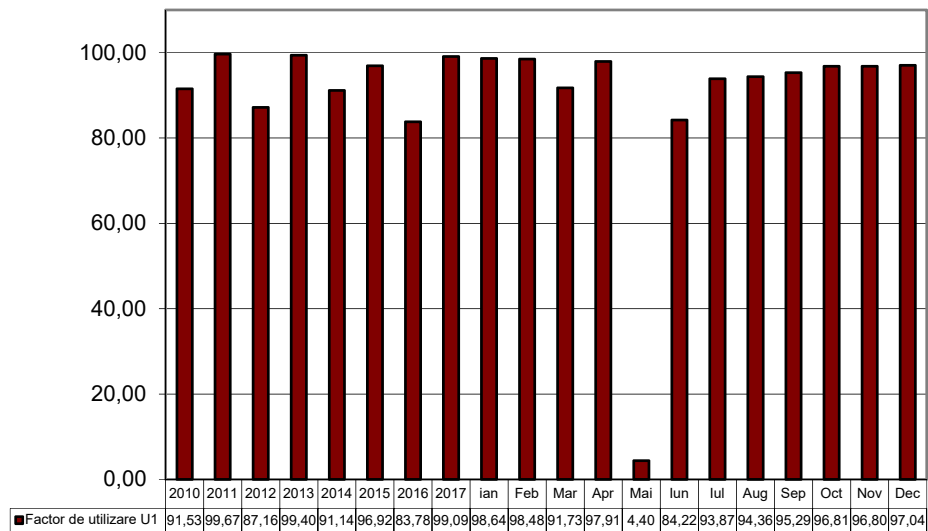
Thermal energy delivered for heating/sold (Gcal)



Total 2018

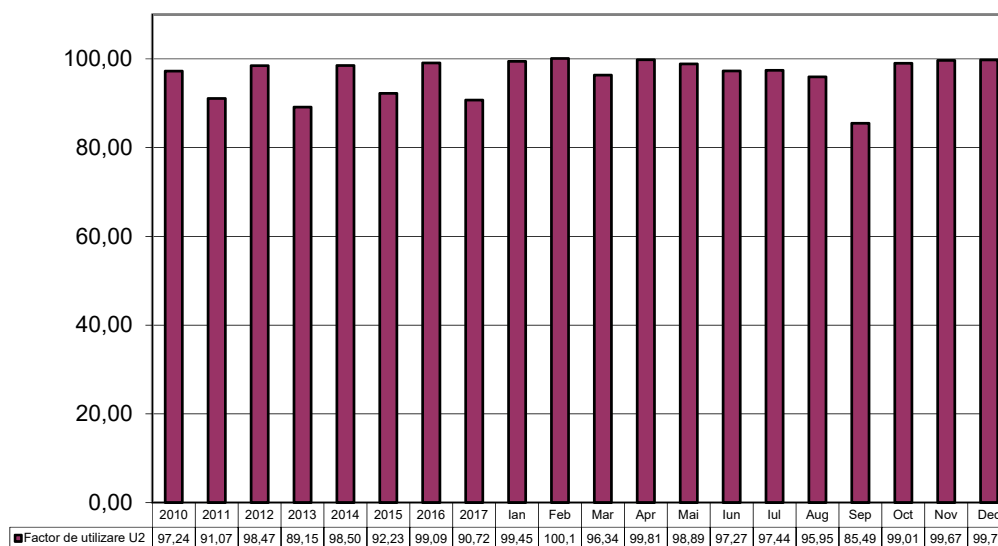
Thermal E delivered Thermal E sold
83,799 66,940

Installed capacity factor U1 (%)



Expected Cumulated 2018
87.4 U1
(internal NPP target) 87.31

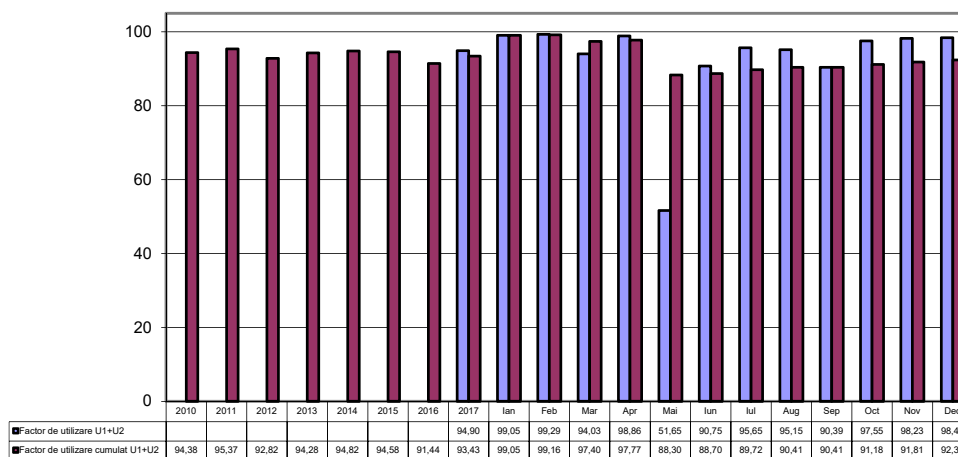
Installed capacity factor U2 (%)



Expected 99
(internal NPP target)

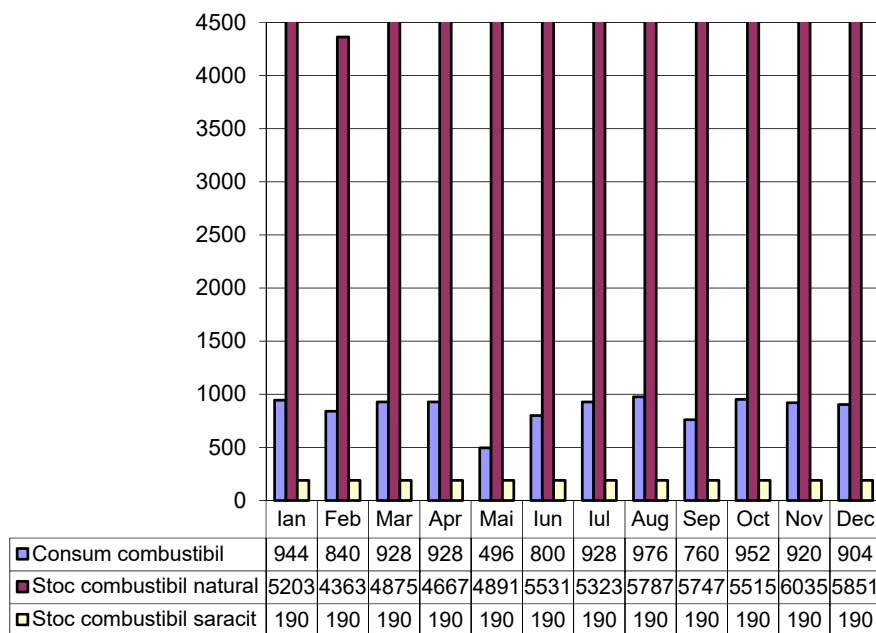
Cumulated 2018 U2
97.43

Installed capacity factor U1 + U2 (%)



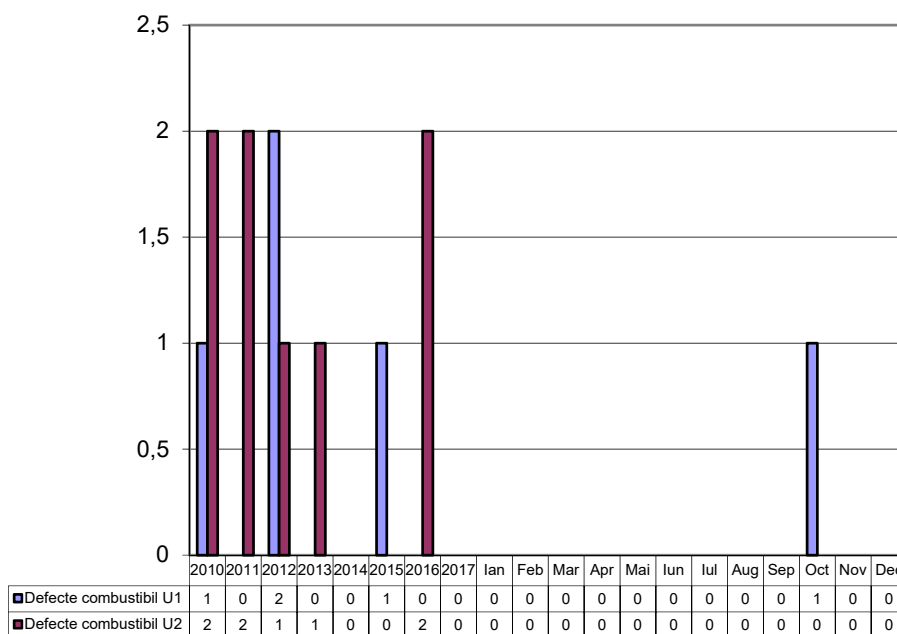
Cumulated 2018: 92.37 Expected 2018: 93

Fuel consumption U1 + U2/ Fuel stock (bundles)

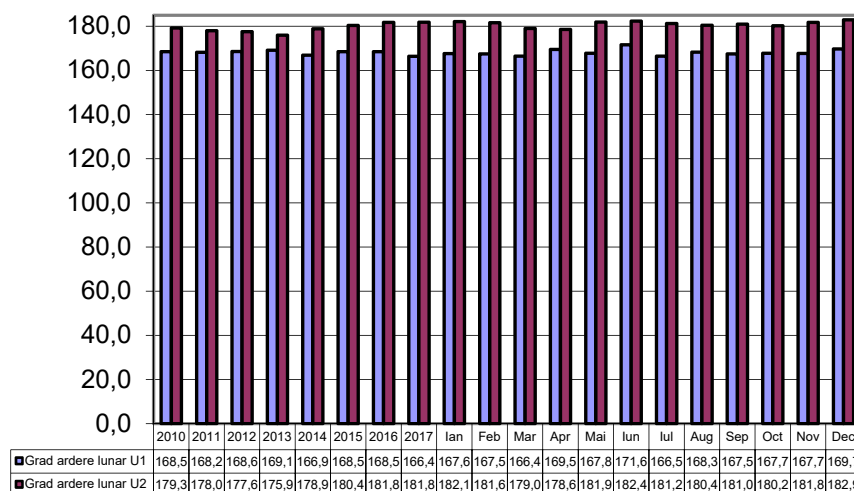


Cumulated consumption 2018: 10,376

Fuel defects confirmed U1/ U2 (#)



Nuclear fuel burn up degree (MWh/KgU)



Nuclear fuel burn up degree

Cumulated 2018:
174.6

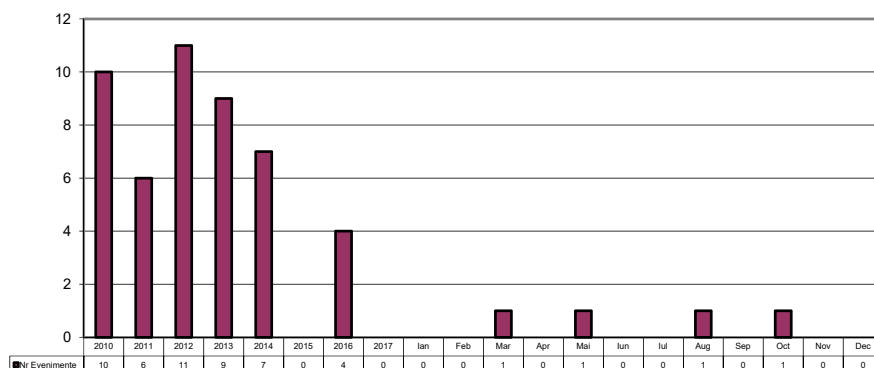
Provided in the project:
min 156.00

7. Nuclear security aspects

The operation activity was conducted without events with impact on the nuclear security, its own personnel, the population or the environment.

During the reporting period, no reportable operating event was recorded exceeding Level 1 on the international scale of nuclear events, regarding the degradation of deep defense barriers, impact on site or outside (indicator 1) and no human error leading to an event with consequences.

Number of reportable events



Classification on the ines scale (indicator 1):

Level 0: 0/ Level 1: 0 Limit 2018: 1

Radiation protection/Security and health at work/Fire safety aspects

Radiation protection of personnel, population and environment

No special events have been recorded regarding the radiation protection of personnel, the population and the environment.

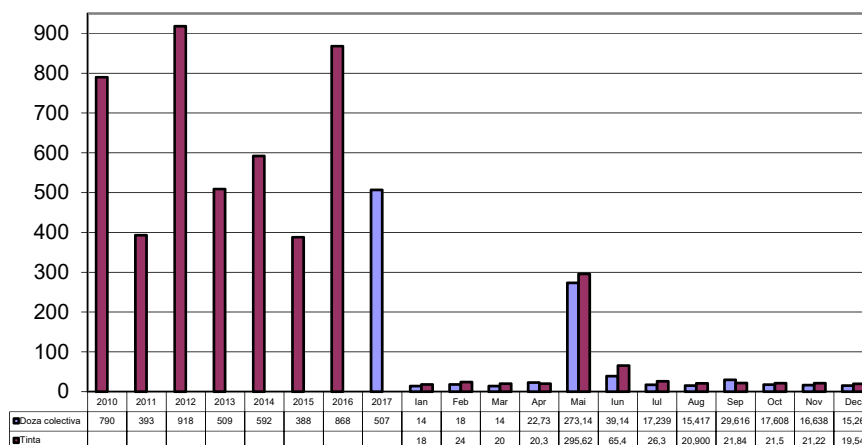
The dose for a representative person in the population, collected from the radioactive emissions is about 2,000 times lower than the legal dose limit.

During December 2018, the routine individual dosimetry surveillance was ensured for 2.137 professionally exposed workers (NPP employees and contractors) and 2,443 biological samples were analyzed

Information regarding the individual dose monitoring and control (for professionally exposed personnel)

Registration no.	ALARA Indicator	Measuring Unit	Value
1	The maximum legal limit of an individual dose	mSv/year	20
2	The maximum administrative limit of an individual dose	mSv/year	14
3	2018 target for the maximum individual dose	mSv/year	6.5
4	The maximum cumulated individual dose since the beginning of 2018	mSv	5.28

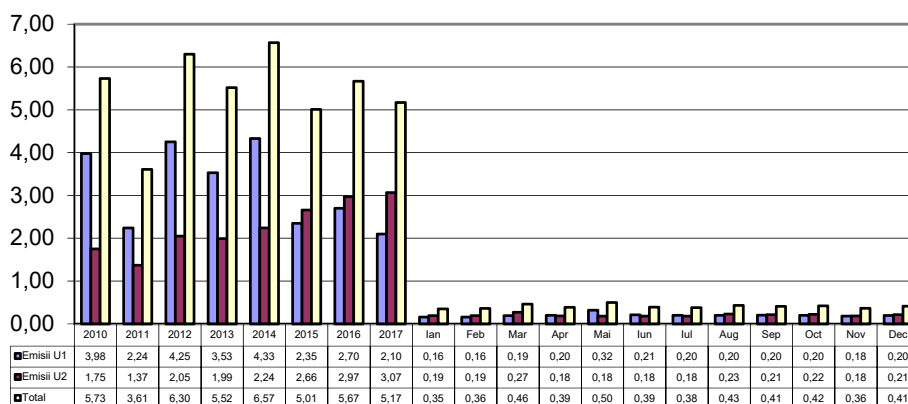
Collective dose per power plant, U1 + U2 (Om*mSv)



Cumulated 2018: Annual limit:
494.03 576

Note: The collective dose per the power plant, cumulated from the beginning of the year is calculated as the sum of individual doses.

Radioactive emissions in the environment U1+U2 (microSv)



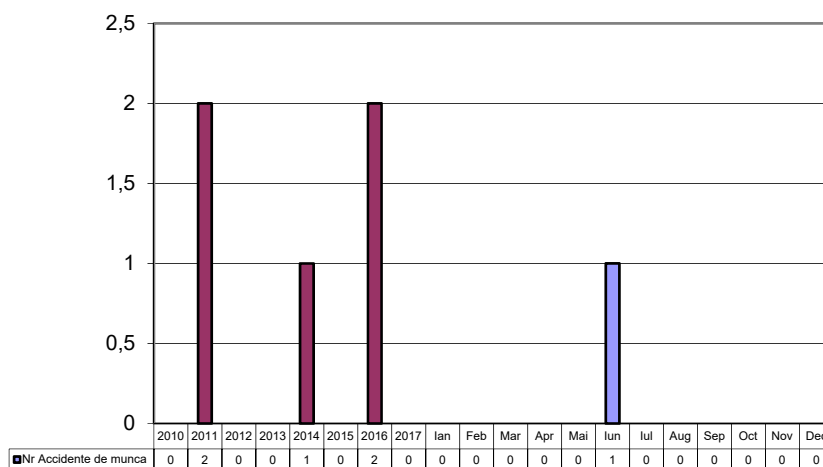
Total 2018: Annual limit:
4.88 8.5

Dose restriction for Cernavoda NPP = 100 microSv/year/unit + 50 microSv/year DICA

The legal limit for the population (according to the Fundamental Radiation Protection Norm NSR01) = 1,000 microSv / year

Security and Health at Work / Fire Safety Aspects

Work accidents (#)



Note: The cause for the occurrence of accidents is lack of attention while traveling.

No fires or beginnings of fires have been recorded from the beginning of 2018 and to date.

8. Main risks and their management

The main objectives of SNN on medium and long term are maintaining nuclear safety and increase company performance, risk management becoming an important activity in this context. By the complex nature of the activities undertaken (manufacturing of nuclear fuel, electricity and heat production by operating nuclear units, power sales, procurement, stock activity etc.), the Company is exposed to various risks for which the management take all necessary steps to minimize them at an acceptable level.

According to best practices and the requirements of OSGG 600/2018, SNN implements the model of "3 defense lines", where:

- The first line is represented by the operational management, responsible for the daily management of the activities and current inspections;
- The second line of defense is represented by the structures that have assessment and inspection attributions in ensuring that the first line of defense is adequate, implemented, and operates properly. These Departments have some degree of independence from the first line of defense, and can also intervene directly in modifying and developing the inspection and risk management systems;
- The third line of defense, ensuring internal independence - internal audit - must provide to the Board of Directors / the Audit Committee and the Executive Management with an independent and objective assurance on the operation of the internal inspection and risk management system within the Company.

The internal management inspection system is essentially an inspection of the obtained performance and it is adequate to best cover the interests pursued by the public entity in achieving its objectives.

Regarding and perceived as a management function, the internal management inspection is the responsibility of the managers of the public entities, who have the obligation to design, implement and develop it continuously.

The establishment of the internal management inspection system is under the responsibility of the public entity managers and must be based on internal inspection standards that are grouped into five components of internal management inspection:

- Inspection environment - groups the matters related to organization, human resources management, ethics, deontology and integrity;

- Performance and risk management - addresses management issues related to objective setting, planning (multi-annual planning), scheduling (management plan), performance (performance monitoring) and risk management;
- Inspection activities - refers to the drafting of procedures, the continuity of processes and activities, the separation of duties, supervision;
- Information and communication - this section groups matters related to the creation of an adequate informational system and a system of reports regarding the implementation of the management plan, the budget, the use of resources and the management of documents;
- The assessment of the internal management inspection system and internal audit - the issue addressed by this group of standards refers to the development of the capacity to assess the internal management inspection, in order to ensure the continuity of the process of its improvement.

In order to monitor, coordinate and methodologically guide the implementation and development of the internal management inspection system, the Chief Executive Officer of SN Nuclearelectrica SA ordered by a resolution the creation of a Monitoring Commission that coordinates the process of updating the general and specific objectives, the procedural activities, the risk management process, the performance monitoring system, the status of the procedures and of the monitoring and reporting system, respectively notifications to the manager of the public entity.

Risk management

The risk management process is under the responsibility of the Chairman of the Monitoring Committee, and considering the size, complexity and environment specific to nuclear activities, the responsibilities regarding risk management are performed / fulfilled by the Risk Management Service together with risk managers and the SNN staff.

In fulfilling its attributions, the Internal management inspection monitoring commission analyzes the risk management process based on the risk ratio and prioritizes the significant risks that may affect the achievement of the objectives, by establishing the risk profile and the risk tolerance limit, annually, approved by the managers of the company. It also analyzes the "Plan to implement inspection measures for significant risks on SNN level" in order to submit it to the Chief Executive Officer for approval.

Risk analysis regarding the current activities and business strategy

The general objective of the Energy Strategy of Romania is to "meet the energy needs both in the present and medium and long term, at a price that is as low as possible, adequate to a modern market economy and a civilized standard of living, under safe conditions, food safety, by complying

with the principles of durable development", consequently pursuing three strategic directions: energy security, durable development and competitiveness.

Consequently, SNN as a company of national importance whose shares are listed on the stock exchange, has defined a business strategy ("Strategy of Societatea Nationala Nuclearelectrica SA for 2015-2025"), in which business, corporate governance and social responsibility objectives are combined in order to fulfill the mission and goals mandated by AGA, as well as the role assumed in society.

SNN established, in the development strategy 2015-2025, the main medium- and long-term strategies with the main focus of maintaining nuclear safety, the continuous growth and increase of its shareholders' profits, and the analysis of the risks of the activity is important in this context.

Medium and long term, the activity of SNN will be influenced both by the evolution of electricity prices and by the investment projects that the Company will develop: extending the life cycle of Unit 1, participating in the development of Units 3 and 4, continuing the development of DICA, setting up the funds needed for the solutions for the final storage of burnt fuel and/or building a tritium removal installation (CTRF - Cernavoda Tritium Removal Facility).

Consequently, the main risks in terms of SNN's activity and goals (market-related risks and project development) were analyzed. The diagram below comprises the overview of the main objectives, the critical elements in relation to the implementation of the strategies and the risks SNN will be faced with.

Main specific risks of SNN

Macroeconomic Environment

The future profitability of the operations of the Company and the feasibility of its projects depend on the market conditions from Romania and those from the countries with which it performs most of its commercial operations, especially in the European Union. The main risk factors associated with the macroeconomic environment are grouped into the following three categories:

Market risk

The market risk category includes general market risks and risks associated with the Romanian electricity market. This risk combines the effects of macroeconomic performance, the evolution of the electricity market and the volatility of the electricity price, being generated by the fluctuation of the electricity price and the fluctuation of the prices of raw materials and materials, the reduced

number of suppliers or commercial partners and the lack of long-term contracts. The materialization of the market risk has a direct impact on the overall performance of the Company.

Legislative/regulation risk

Legislative risk is represented by changes that may occur in the legislative framework of Romania and/or the European Union with direct applicability, without the necessity of transposing it into the national legislation. Possible changes may refer to imposing new taxes or setting standards and/or requirements for nuclear security by community, local and central authorities, and/or by the authority that regulates the nuclear energy field. The effect of the legislative risk may be the unestimated increase of production costs, which may determine the drop of profit margins.

Besides the individual risk that can be generated by a single regulation (regulation, directives, law, ordinance, etc.), the Company is exposed to legislative / regulation risk and from the perspective of the high number of national and international regulation and / or inspection entities and / or professional associations, which address the activities of the Company, in this context there is the possibility that the regulations issued by various authorities are contradictory.

Currency risk

The currency risk is determined by the current activities of the Company considering that some of them involve transactions in foreign currency. These transactions include the repayment of loans contracted in order to fund Unit 2 (in EUR, USD and CAD), technical support and contributions for decommissioning the two units.

Operational environment

The Company's current operations are influenced by various additional risk factors that have a major impact on current profitability. The main categories of risks are the following:

Operational risk

Operational risk is associated with the risk of loss risk resulting either from the use of inadequate processes, people, or internal systems or which have not fulfilled their function properly, or from external events, and includes legal risk.

Operational risks are associated with the activities of the Company, with its capacity to generate revenues and maintain the competitive operational margin and are closely related to the market position, the identification and assessment of investments, generated profits / losses, potential fines,

penalties, sanctions, a deficient establishment or management of contractual obligations. These risks depend on the Company's capacity of providing the necessary quantities of electricity that it has undertaken to provide under the contracts concluded on the regulated market and competitive market, considering both planned and unplanned outages for Units 1 and 2.

The occurrence of operational risks can be materialized in equipment malfunctions, human errors, the defective operation of operational processes, which can ultimately lead to unplanned outages.

Similarly, prolonged and extreme drought or other external events (e.g. powerful storms, extreme cold, failure of the electricity transmission network of Transelectrica) may have a major impact on electricity production, following unplanned activity outages.

One of the measures that may mitigate these risks is to consider the negotiation of long-term contracts with predefined prices and specific commercial terms on liquidation and damages, in order to reduce the volatility of the collection period by providing the cash flow that is necessary for operations and investments. Other measures that may mitigate operational risk may be represented by the ability of the Company to plan activity interruptions in the periods when the price of electricity decreases or the ability of the Company to conclude contracts to compensate for unrealized production when the units do not produce enough electricity because of unplanned activity outages.

Counterparty risk

Counterparty risk is the risk of business partners not acting according to the terms and conditions specified in the concluded contracts, as a result of the failure, intentional (refusal to pay) or unintentional (inability to pay) to pay a debt to SNN, judicial reorganization, bankruptcy or the voluntary winding-up of a SNN counterparty.

SNN has commercial partners both as a seller and as a buyer of electricity, as well as a buyer of the goods, equipment and services that are necessary for performing its current activities.

In the context of market liberalization, SNN will seek to conclude predominantly long-term electricity sales contracts for most of its production capacity, this being a condition for ensuring the cash flow imposed by credit institutions, especially considering the additional funding that is needed to perform the investments. In order to mitigate this risk, the Company has a policy for selecting commercial partners based on their credit risk, seeking to conclude such contracts only with solvent traders.

Competitive risk

Competition risk must be analyzed in the context of aligning the day-ahead market (“PZU”) of Romania, in compliance with the price coupling mechanism of the markets from the Czech Republic, Slovakia and Hungary, and the Company is exposed to increased regional competition generated by future improvements, refurbishment, extensions and new constructions expected to be made by the manufacturers on the respective electricity markets. At the same time, renewable energy projects are very volatile in terms of production, due to the lack of forecasts on the availability of fuel sources (e.g. wind, solar energy).

Risk associated to investment/maintenance/refurbishment works

This risk is manifested in close connection to the funds of the Company, the procurement and maintenance plan, conducting studies and the analyses that are necessary for substantiating the plans, structure and training of the personnel, equipment / installations suppliers.

Risk associated to the absence of specialized workforce

This risk is manifested both in relation to the losses of specialized knowledge as a result of the retirement of the specialists of the Company, as well as in relation to specialists leaving for other better paid jobs, and also in the absence of programs for attracting qualified young people, to be trained and specialized both in the field of operation and maintenance, and in the fields related to the implementation of the proposed investment program.

Improving the risk management internal framework

In order to develop and improve its reporting, inspection and risk management capabilities, the Company intends to continuously improve its risk management framework, and the analysis measures include:

- Reducing the times for reporting risk information (risk management) and defining related performance indicators (KPI);
- Periodically revising the counterparty risk for the counterparties on the energy markets;
- Increasing the knowledge of the Company personnel regarding risk management by the participation in training courses and the acquisition of specialized materials, as well as qualification / training sessions for the personnel of the SNN Power Station, NPP Cernavoda and NPP Pitesti;

- Implementing a multi-annual risk self-assessment exercise and related inspection mechanisms, in order to identify and assess the specific risks on the level of each compartment, as well as risk owners and the owners of the inspection mechanisms;
- Revision and / or recalibration / periodic adjustment of risk management tools (e.g. internal procedures, algorithms and models, assessment scales, risk profile, risk tolerance limit, operational and informational flows).

Reinforcing the risk management system

- Reviewing internal financial-accounting inspections.
- Monitoring the adequacy of the Internal Inspection System focusing on the inspection environment, the managers' attitude and the management of the implemented inspections.
- Reviewing the compliance with internal regulations, the legal framework and the Code of Ethics assuring the Board of Directors that SNN implements inspection and support activities in order to maintain a compliant behavior.
- Reviewing SNN policies on fraud risk management, ensuring that fraud reporting and investigation systems are implemented.
- Granting the Board of Directors trust in the statement from the Annual Report regarding the adequacy of the internal inspection and the risk management framework.
- Regularly receiving reports on the results of the internal inspection system testing, conducted by internal and external auditors.
- Supervising, on request, certain transactions for which support from the Board of Directors is required by the executive management.
- Audit activity: involvement in scheduled and ad-hoc audit missions.

Starting with 2019, the prevention activity shall also be supported by a training program performed and implemented on the level of the Headquarters and of the Branches, whereby the SNN personnel shall be informed and trained on the compliance with specific procedures of ethics, integrity, anti-fraud and anti-corruption. Moreover, the improvement of the existing procedures with the best practices in the field, the lessons learnt and the adaptation to the requirements of the legislation in force shall be continued.

Also starting with 2019, SNN shall start implementing the anti-bribery standard, and shall become one of the first companies in Romania to have specific monitoring policies, procedures and methods in the field.

On SNN SA level, the managers shall continue to define and establish a set of principles and values that guide the daily activities of its employees. The results of SNN, the image we build and

consolidate within the business environment, the trust of our shareholders and partners and, last but not least, our well-being depend on the way the company succeeds in complying with these principles, and the way in which they are continually improved. We all must be aware of the fact that certain values we appreciate universally to those around us, like integrity, professionalism, responsibility, respect, loyalty, are surely requirements and expectations of our co-workers, partners and even of our community to in terms of how we perform our own activity.

The way we work, behave and interact with other persons is defining for establishing a healthy, responsible and efficient work environment. For this purpose, the Business Ethics and Code of Conduct was developed, and it is applicable to all management staff members, employees, advisors, the personnel of our partners who work in SNN, in order to present the basic values which must be observed and promote the adopting of a fair attitude, so that by complying with these criteria we are able to build a prosperous business, which relies on healthy, honest and transparent principles. The basic values that guide our business are universally valid principles of our company, and these must be known and unconditionally applied by all employees. They are meant to support and promote the vision and culture of our organization.



SNN SA has adhered to the basic values, principles, goals and monitoring mechanism of the National Anti-corruption Strategy for 2016-2020, to this end expressing its resolute decision to:

- condemn corruption in all its forms and to states its commitment to fight against this phenomenon by all legal means at its disposal;
- take corruption prevention actions as elements of the management plans and to assess them regularly as part of management performance in order to increase the institutional integrity;

- support and promote the implementation of anti-corruption legal framework which is mainly targeted at preventing corruption, increasing the level of anti-corruption awareness, fighting against corruption based on administrative actions, approving the integrity plans and developing the related monitoring and assessment system;
- strengthen the operational independence of internal inspection and audit structures and boost the implementation of internal/management inspection systems;
- perform a regular self-assessment of the level of mandatory prevention action implementation;
- adopting all the actions required to avoid the conflicts of interests and incompatibilities, as well as to put the public interest above any other interest, by complying with the transparency principle applied to the decision-making process and free access to public interest information.

With the help of the compliance activity, SNN employees shall be trained on how they should not use the attributions within the company in order to obtain undue patrimonial or non-patrimonial benefits for themselves, their families or other close persons, as well as the risks they face and assume if they get involved in such activities.

Risk insurance

Significant risk insurance policies on SNN level are as follows:

- 1) Property Insurance Policy - Units 1 and 2 NPP Cernavoda and NFP Pitesti - all types of risks, including mechanical and electrical destruction, for a cumulated liability limit (insured amount) of USD 1,560,000.
- 2) Third party liability insurance policy for nuclear damage with a liability limit (insured amount) of DST 300,000,000.
- 3) Civil / professional liability insurance policy for SNN directors and managers ("D&O") for a liability limit (insured amount of EUR 33,000,000).

Besides these insurances, the Company has concluded RCA policies, CASCO policies (voluntary motor insurance) and an insurance policy against work accidents and occupational diseases for employees.

Annual assessment of the internal management inspection system

By the resolution of the Chief Executive Officer no. 481/16.11.2018, the function of self-evaluation and assessing the degree of implementation of the internal management inspection standards was created on December 31, 2018, respectively, the Internal Management Inspection System Monitoring Committee debated, in order to determine the degree of compliance with the internal management inspection standards, the following:

- necessity of complying with the provisions of art. 4 par. (3) of Government Ordinance no. 119/1999 on internal inspection and preventive financial inspection, republished, as further amended and supplemented, and Order no. 600/2018, regarding the drafting of the annual report for assessing the internal management inspection system, as further amended and supplemented;
- the provisions of the aforementioned legal acts, regarding the performance of the annual evaluation of the internal management inspection system and the drafting of the report on assuming management responsibility, respectively the filling in by each compartment from the organizational chart of the company, based on the principle of truth, of the "Self-assessment questionnaire on the stage of implementing the internal management inspection standards";
- the provisions of art. 4 par. (3) of Government Ordinance no. 119/1999 on internal inspection and preventive financial inspection, republished, as further amended and supplemented;
- the provisions of the Order of the General Secretariat of the Government no. 600/2018 for the approval of the Code of internal managerial inspection of public entities, as further amended and supplemented, namely:
 - point 15.2.2. "The managers of the public entity perform, at least once a year, a verification and self-assessment of their own internal management inspection system, in order to determine its degree of compliance with the internal management inspection standards."
 - point 15.2.4 which provides: "The manager of the public entity annually drafts a report on the internal management inspection system, as the basis for an action plan containing the identified vulnerable areas, the inspection tools that need to be implemented, measures and action directions in order to increase the capacity of internal management inspection to achieve the objectives of the entity."
 - the provisions of art. 1.3. of Annex 4 - "1.3. In order to draft the report, the manager of the public entity orders the department managers to perform the self-assessment of the internal management inspection system."

Thus, according to OSGG no. 600 of May 7, 2018, by creating the function for the self-assessment of the internal management inspection, the following guidelines were established:

1. Filling in, based on the principle of truth, the form "Questionnaire for self-assessing the implementation stage of the internal/management inspection standards as at December 31, 2018" by the managers of the departments comprised in the organizational chart of SNN and the branches.
2. Drafting the reports on the internal/management inspection system on the level of branches NPP Cernavoda and NFP Pitesti, by assuming the responsibilities of managing the subunits, by annexing the Synthetic report of the assessment results.
3. Development of the updated development program for 2019 (according to OSGG No. 600 of May 07, 2018);

- the stage of complying with the specific objectives on the level of the headquarters compartments, respectively the objectives of the branches (established and monitored according to the NPP and NFP procedures), for 2018.

4. Drafting the consolidated synthetic report, on company level, and the Report on the internal/management inspection system.

Following the self-assessments based on a realistic, correct, complete and trustworthy assessment of the internal / management inspection system, formulated based on the principle of truth and assuming management responsibility, it resulted that the internal / management inspection system comprises inspection mechanisms, and the application of the measures for increasing its effectiveness is based on risk assessment.

Thus, on December 31, 2018, based on the results of the self-assessment of the internal / management inspection system of S.N. Nuclearelectrica S.A., it resulted that no standard remained unimplemented; out of the 16 standards comprised in the Code of internal / management inspection, 14 are implemented, and 2 standards are partially implemented, mentioning the following:

- The Commission for Monitoring the Internal Management System (CM-SCIM) is up-to-date and operational; in order to comply with the provisions of Order 600/2018 for the approval of the Code of internal / management inspection of public entities, the SNN Regulation of Organization and Operation was reviewed, by integrating and updating the responsibilities and attributions of the Monitoring Commission; consequently, the procedure regarding the organization and operation of CM-SCIM was also reviewed, and decisions were issued regarding the nomination of CM-SCIM members.
- The risk management process is organized and monitored, and in 2018 procedure MR-00-01 - Risk Management within SNN was reviewed and updated.
- The Internal Management Inspection System Development Program is updated annually. The Internal Management Inspection System Development Program in 2018 was implemented 89%, as follows: out of the total of 34 actions, 29 were implemented, one action was partially implemented, and 3 shares were not implemented, and were carried forward to 2019. An action was cancelled following legislative modifications.
- The performance monitoring system is established and assessed for the objectives and activities of the entity, by performance indicators.

In 2018, a project was started on setting key performance indicators on departmental and individual levels, and the following stages were implemented:

- understanding the business processes and information flows in the organization;

- assessing the existing performance measuring instruments;
- identifying performance indicators specific to each function, including measurement / monitoring targets and methods;
- aggregating and validating the final list of indicators on the level of the entire organization;
- assessment of current systems (salary grid, basic salary components, bonuses and premiums) within the company;
- assessing the existing criteria for assessing the personnel within the company;
- reviewing the existing remuneration system and proposing a variable performance-based payment mechanism;
- the correlation of the KPI-based performance assessment system with the other elements used in assessing performance on organization level.

Inventorying procedural activities and updating the procedures represent permanent activities, and a continuous process in which every functional structure of SNN is involved, as follows:

- Within the headquarters of SNN from Bucharest, the processes and activities are structured as follows:
 - 22 processes documented in process charts;
 - 130 procedures that describe specific, procedure-based activities.

The issued documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.

- Within the NFP Pitesti branch, the processes and activities are structured as follows:
 - 23 processes documented in process charts;
 - 66 system procedures;
 - 93 general procedures;
 - Other 672 documents representing: technical procedures, guarantee inspection, radioprotection, occupational health and safety, fire protection, etc., (radioprotection manual) that regulate operation, technological, inspection and control activities.

Documents are annually analyzed in order to determine the adequacy to work practices and / or the necessity to update them.

- Within the NPP Cernavoda branch, the processes and activities are structured as follows:
 - 31 RD procedures - also referred to as Reference Documents, describing the processes of the power plant;

- 156 SI procedures - also referred to as Instructions of the Power Plant detailing the sub-processes and activities defined in RD;
- 215 PSP procedures - specific process procedures that describe punctual activities within processes, define specific tasks and activities;
- Other documents: Department instructions - IDP, operation and maintenance manuals and procedures, training manual, etc.

Documents are analyzed with preset frequencies (every 3 or 5 years depending on the type of the document) in order to determine the adequacy to work practices and / or the necessity to update them.

Perspective elements

As it concerns the perspective of energy sales on medium and long term (up to 3 years) we consider, based on the data related to more developed European energy markets, that the price competitive market will not undergo any significant changes in terms of increasing or decreasing ample.

The new electricity market context leads to the necessity to identify new investment opportunities including by diversifying the activity portfolio in activities included in the electricity value chain, for reducing the business risk and assuring a proper efficiency adequate to the own capital.

Continuation and development of Project Units 3 and 4 NPP Cernavoda may create favorable perspectives on long term for SNN, both regarding the recovery of the assets already invested in the project and some additional incomes which may be obtained from services (operation), namely goods supply (supply of nuclear fuel bundles).

Equally, the project for the refurbishment of Unit 1 is an essential project on whose success maintaining the production capacity in the future at a level similar to that of today depends.

Factors that may influence liquidity

Among the factors that may affect the company's liquidity in the future, we mention:

- Energy prices on the competitive market sale;
- The price of the main raw materials used by the company in the current activity;
- Fluctuations in interest rates and the exchange;
- The volume of investments to maintain and those to develop;
- The level of taxation, including the introduction of new taxes.

There are many internal and external factors that may influence the company's liquidity, but on short and even medium term, the company has a very good liquidity.

Thematic aspects: environmental issues

Significant information regarding the prevention and control of pollution

Cernavoda NPP ensures the observance of the fundamental principles regarding the management of radioactive waste and radioactive emissions resulting from the operation of the plant.

Radioactive effluents are discharged into the environment only if:

- Radioactive emissions are within the limits authorized by CNCAN;
- The emissions are controlled;
- The control of radioactive emissions is optimized according to the ALARA principle.

The Radiation Protection Department identifies all radioactive effluent release routes. All significant routes of release of radioactive effluents are monitored based on approved procedures using appropriate measuring equipment and methods.

The effluent samples are analyzed within the Cernavoda NPP laboratories or the laboratories accredited by CNCAN in order to determine the quantities of radioactive materials discharged.

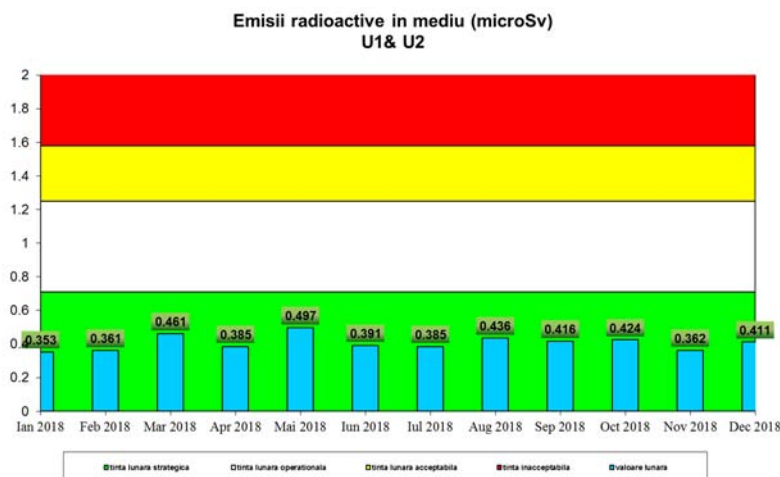
Actual discharges of liquid and gaseous effluents are controlled by careful operation of the power plant systems in compliance with the operating procedures.

The operating characteristics of the power plant systems are carefully checked by the responsible personnel according to the power plant processes, in order to ensure that the systems are operating according to the design.

The operation objectives are set so that the doses collected by the population as a result of gaseous and liquid effluent discharges comply with the limits and restrictions approved by CNCAN (200 microSv / year 100 microSv / year / unit) and the internal administrative limits (8.5 microSv/year 4.5 microSv/year/U1, 4 microSv/year/U2). As can be noted from the table and graph below, the performance indicator for the monitoring of the radiological impact on the environment and the population, the radioactive emissions from U1 and U2, expressed in dose units (microSv) for one person in the critical group were recorded a lot under the dose restriction approved by CNCAN.

Radioactive emissions in the environment (mSv) (U1 + U2):

Tinta 2018 (prag strategic)	Realizat 2018	Tinta 2019 (prag strategic)
8,5 μ Sv	4.884 μ Sv	8,5 μ Sv



The monitoring of the radioactivity of environmental factors is carried out in compliance with the requirements of the national and European legislation and the recommendations of international agencies, with the purpose of assessing the potential changes in the level of radioactivity in the environmental factors specific to the area and of confirming the minimal impact of the operation of the Cernavoda NPP on the population and the environment. By implementing the Environment Radioactivity Monitoring Program, in 2018, a total of 1226 samples were analyzed from around the plant, across an area with a radius of 30 km. In most cases, these measurements did not reveal the presence of CANDU radionuclides in the Cernavoda NPP environment, except for tritium detected in locations found in the immediate vicinity of the power plant. The concentration of tritium was maintained at levels comparable to those of previous years.

Waste Management Strategy at Cernavoda NPP

In compliance with the Law 111/1996 on the safe deployment, regulation, authorization and control of nuclear activities, and with the Fundamental Norms for the safe management of radioactive waste, issued by the Order of the President of CNCAN no. 56 of March 25, 2004, the Norms regarding the classification of radioactive waste, issued by the Order of the President of CNCAN no. 156/2005, the safety rules for radioactive waste pre-storage activities, used closed sources and spent nuclear fuel, issued through CNCAN Order no. 148/2017,

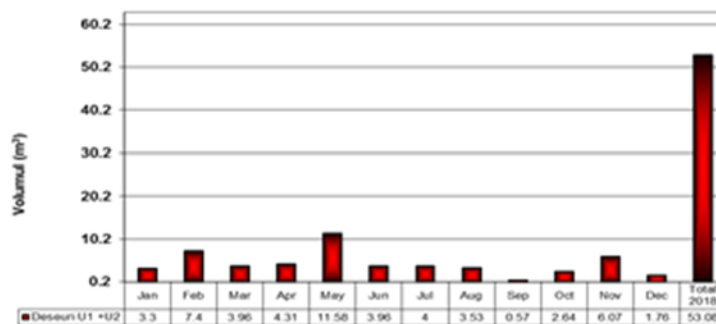
Cernavoda NPP is responsible for the management of radioactive waste generated by its own activity and has the following obligations:

- Collection, segregation, characterization, treatment and intermediate storage of radioactive waste under safe conditions;
- Treatment and conditioning of radioactive waste for final disposal in compliance with the acceptance criteria to be established issued by AN&DR and authorized by CNCAN;
- Release, under the CNCAN authorization regime, of the wastes meeting the release requirements in order to reduce the total volume of waste to be conditioned for final disposal;
- Monitoring the total radioactivity activity that accumulates in the Solid Radioactive Waste Intermediate Storage for falling within the limits of the operating authorization;
- Reporting of radioactive waste specific information regarding the volume produced and their characteristics to CNCAN and AN&DR according to the requirements of the mentioned norms, in force, for filling in the national database.

As can be seen below, the volume of radioactive waste produced in 2018 was under the target of excellence set forth.

Volumes of radioactive solid waste generated in 2018 in U1 + U2:

Annual target 2018 [m ³] - strategic	Achieved 2018 [m ³]
56,68	53,08



The production of energy through nuclear processes does not lead to the release of CO₂ emissions. On the contrary, through the operation of the two CANDU reactors at Cernavoda NPP, the release into the atmosphere of 12 million tons of CO₂ per year is avoided.

Thematic aspects: social and labour aspects

The rights and obligations of employees are stipulated in the Collective Employment Agreement ("CCM") of SNN, in individual employment contracts ("CIM") and Internal Regulations of the Company. The rights and obligations of employees stipulated in the CCM are formulated in full compliance with human rights, the right to work in accordance with applicable law, employees benefiting from equal treatment, without discrimination, corresponding to the international standards of the nuclear industry, in conjunction with the legislation and motivational packages tailored to the macro- and micro-economic specificity in Romania.

The employees carry on their activity in accordance with the established working schedule, the job description as well as the Rules for Organization and Operation ("ROF"). The main activities, attributions, responsibilities as well as the relationships between the departments of the company are presented in the rules for the organization and operation of the company. The manner of applying legal provisions and internal normative provisions regarding work discipline is set by the updated Internal Regulations, applicable as at November 09, 2018.

The normative act that governs the labor relationships in the Company is the Labor Code - Law no. 53/2003, as amended and supplemented, according to which, during 2018, between the Company's Board of Directors and its employees, represented by the Cernavoda NPP union - union which is representative at the unit level unit and is legal entity), a new Collective Labor Agreement was negotiated.

The company currently uses a standardized individual work agreement both for the employees hired for a determined period of time and for the employees hired on undetermined term, agreement implemented through CLA SNN. The standardized individual work agreement respects the provisions of the Order no. 64/2003, regarding the framework individual work agreement.

The company evaluates its employees according to an internal procedure, annually or periodically, at an interval of 3 - 6 months (in the case of some personnel members who are under observation).

The updated internal rules, in force on Company level as at November 09, 2018, contain all the provision categories provided by the Labor Code. The internal rules were made available to the employees on the Intranet page of the company and have full effect on the employees since the date of the publication.

Social and labor-related aspects are transposed into SNN's Collective Labor Agreement ("CLA") and SNN SA's Internal Regulations ("IR").

The Collective Labor Agreement within the organization includes all the rights and obligations of the parties, in compliance with the Internal Regulations, the Code of Conduct and are transposed into the Individual Labor Agreements concluded with no discrimination.

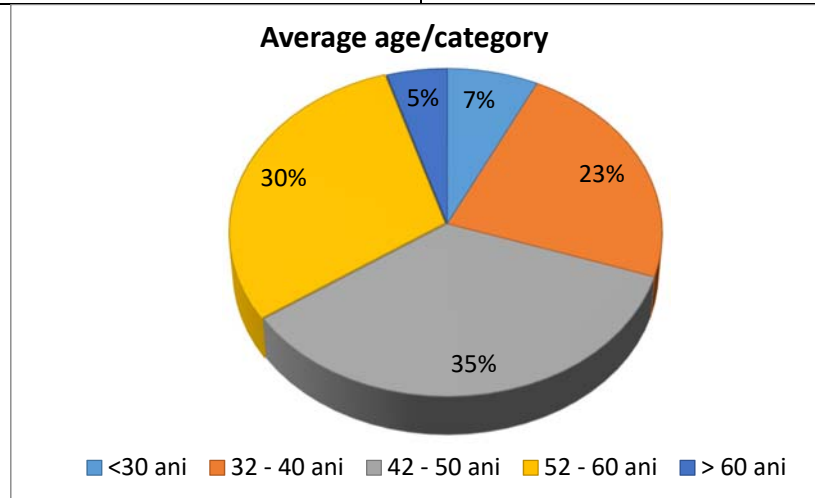
The employment is done following the selection and recruitment process, which is based on the provisions of the Labor Code, the Collective Labor Agreement negotiated between the representatives of the management and the representative trade unions according to Law no. 62/2011, Law on Social Dialogue and the internal procedures in force.

The relationship with the trade unions is permanent and consists in meetings/consultations with them, and the provisions of the SNN CLA are negotiated following permanent consultations of the Commission appointed by the management, as well as by the trade unions.

As far as the human capital management is concerned, the company is deeply interested and invests in the human factor through training and instruction - according to the Labor Code - at least once every 2 years a form of human training is being carried out.

9. Key Performance Indicators (KPIs) centralized within SNN

Staff structure	
Age groups	Average age/Category
<30 years	7.19%
31 – 40 years	22.98%
41 – 50 years	35.28%
51 – 60 years	29.79%
>60 years	4.76%

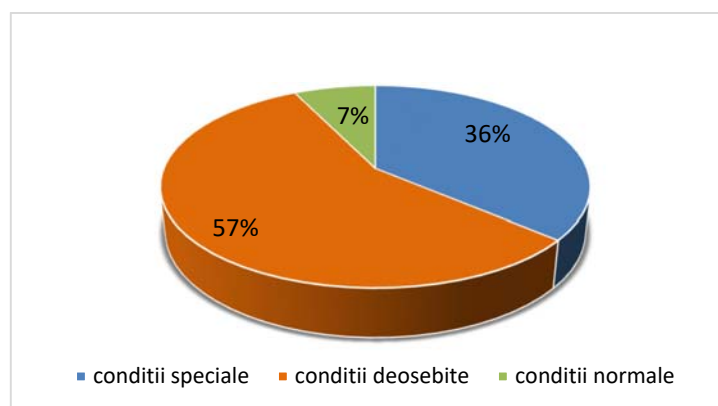


Employees entitled to parental leave, per gender

The average of those who are raising children/genders

NPP	NFP	SNN Headquarter	Average	
0.51%	0.56%	3.08%	0.68%	Women raising children.
0.13%	0.00%	0.00%	0.10%	Men raising children.

Employment based on working conditions



Personnel fluctuation rate - 6% on average.

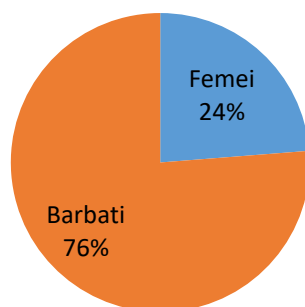
Share of employees working with temporary contracts, per gender - Very low =1 %.

The average number of training hours per year for each employee, per gender - The degree of continuous and initial training in a nuclear power plant is a mandatory requirement and reaches an average of 99.87 h/women and 128.87 h/men.

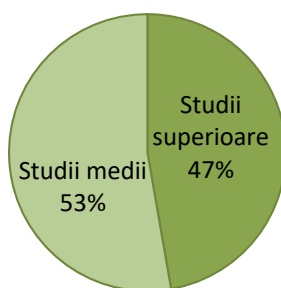
Employee consultation processes - Consultations with the trade unions on topics related to nuclear security (in CSSM).

Key performance indicators (KPI) – related to the Cernavoda NPP Branch

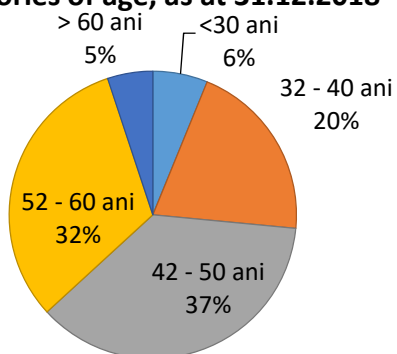
**Cernavoda NPP - Structure of the personnel,
per genders, as at 31.12.2018**



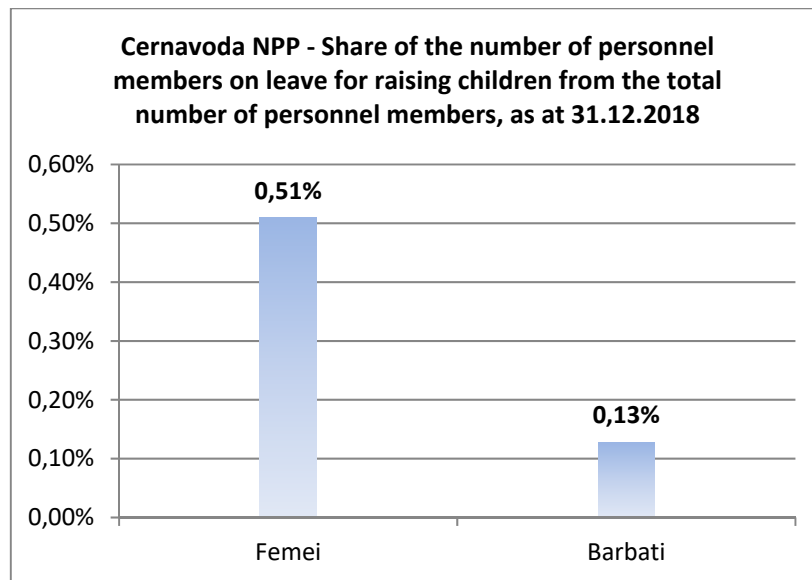
**Cernavoda NPP - Structure of the personnel,
per categories of studies, as at 31.12.2018**



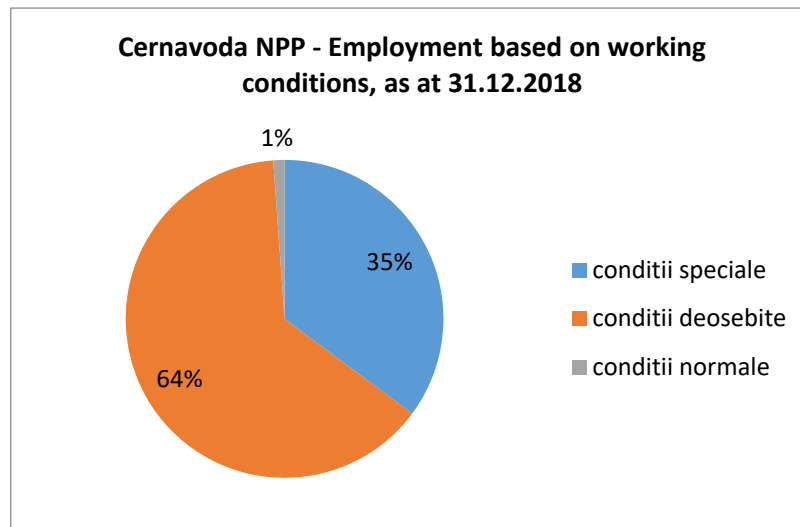
**Cernavoda NPP - Structure of the personnel, per
categories of age, as at 31.12.2018**



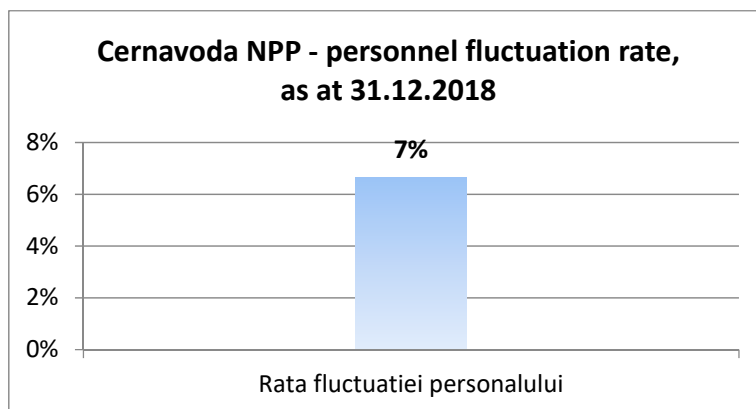
Employees entitled to parental leave, per gender.



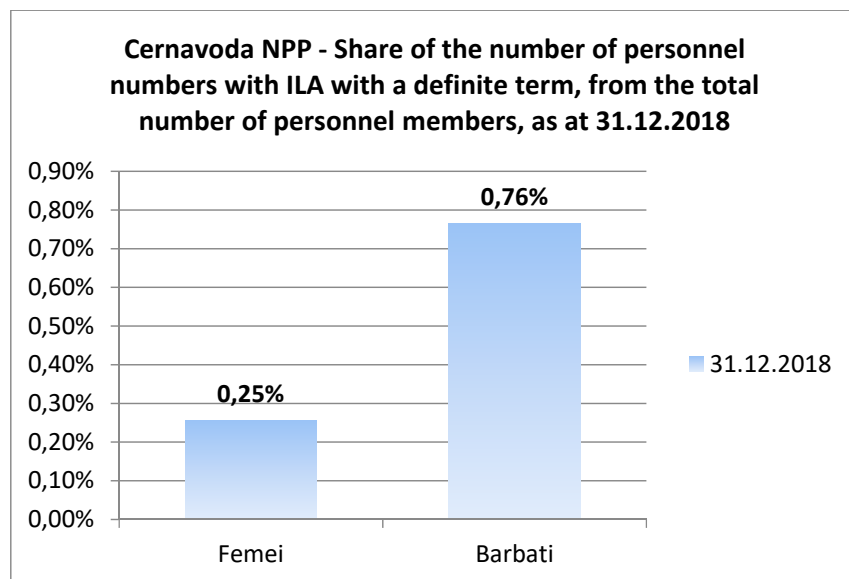
Workers participating in activities with a high risk of accidents or specific diseases.



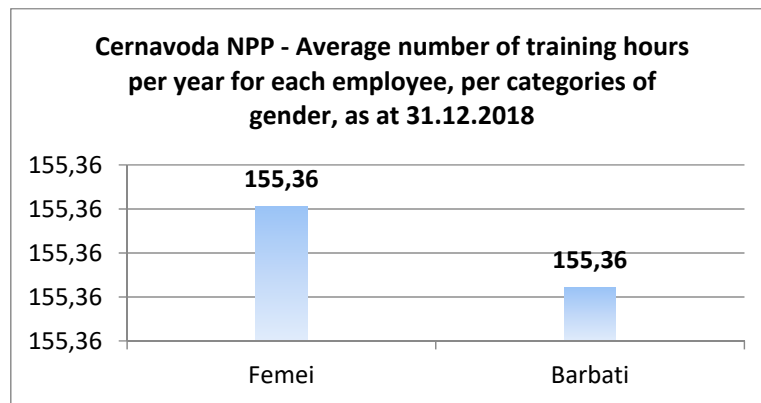
Personnel fluctuation rate



Share of employees working with temporary contracts, per gender.



Average number of training hours per year for each employee, per gender.



CSSM, Consultation with trade unions representing employees.

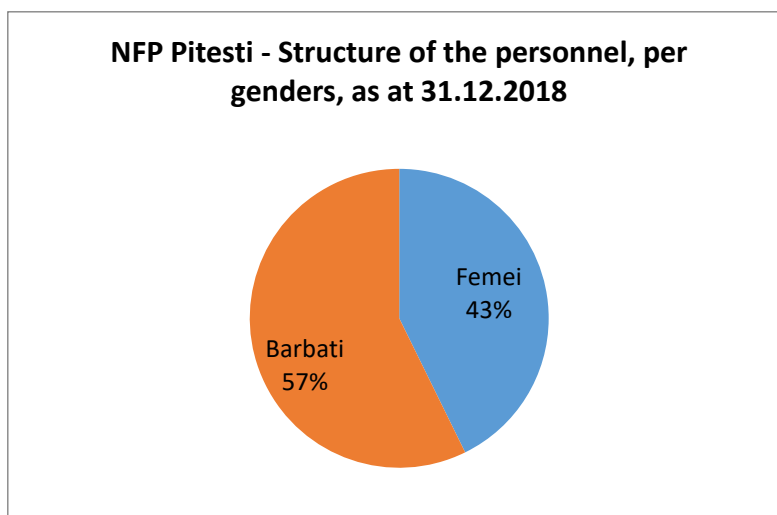
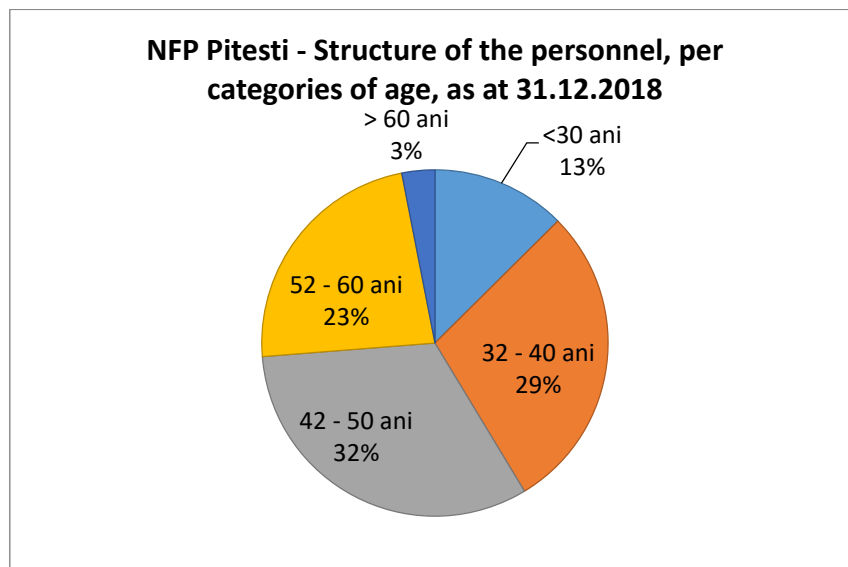
PSP-A008-011 Reporting the Staff's Concerns

On Nuclear Security

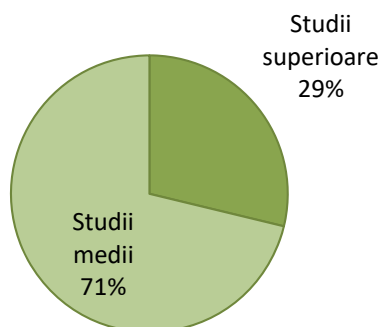
Number of people with disabilities employed 10

Key performance indicators (KPI) – related to FCN Pitesti Branch

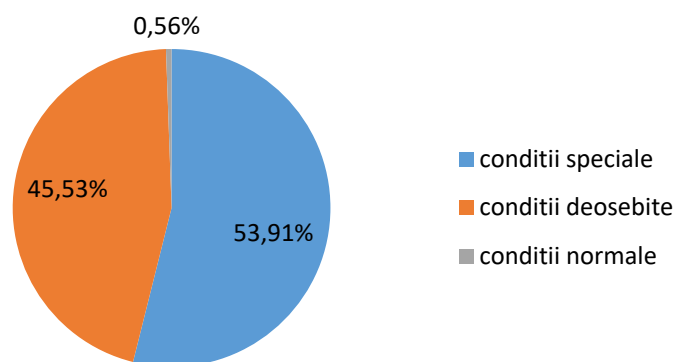
Gender diversity and other aspects related to diversity.

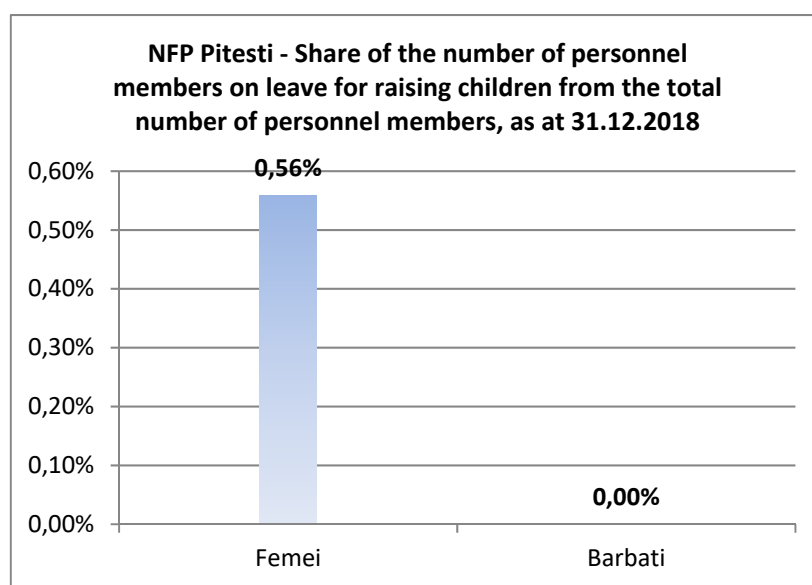
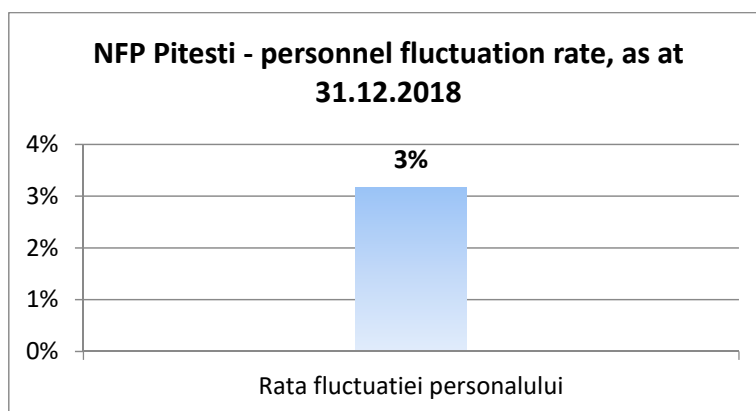


NFP Pitesti - Structure of the personnel, per categories of studies, as at 31.12.2018



NFP Pitesti - Employment based on working conditions, as at 31.12.2018





The number of work accidents, types of injuries or professional illnesses.

In 2018, NFP reported a work accident with temporary work incapacity. No professional illness has been recorded.

Personnel fluctuation rate 3%.

In 2018, 11 people left NFP and 30 people entered the organization.

Share of employees working with temporary contracts, per gender

Within NFP, the share of employees working with temporary labor contracts is low. As at this date, there is only one definite period contract.

NFP does not have any people with disabilities employed.

10. Human rights observance

The human resources strategies and policies, the action directions of the administrative and executive management, aim for the observance of human rights in compliance with the international and national legislation. In this regard, Nuclearelectrica pays attention through its policies and strategies to: the principle of equality of rights and equality of chances, the right to life, health protection and the right to a healthy environment, the right to defense and non-discriminatory access to justice, individual freedom and the right of free circulation, freedom of expression, freedom of information, the right to elect and be elected, the right to work and the right to strike, the right to association, the protection of people with disabilities, the right to petition, the right to legislative initiatives, the protection of children and youth.

SNN recorded no cases with a major impact on human rights in relation to the current activity or the decisions adopted. The admission and settlement of any complaints, the mitigation of cases of human rights breached and the adoption of settlement measures are carried out according to the Ethics Commission Regulations.

Through SNN's CLA, the Internal Regulations of SNN SA, Procedure RD-01364-HR001 Human Resources and Organizational Development, SNN manages issues that are related to the observance of human rights, including the freedom of association.

11. Fighting corruption and bribery

Compliance, ethics and integrity

SNN started and will continue the process of optimizing the internal procedural framework regarding the compliance, prevention and integrity warnings, by means of a sustained and formalized activity of familiarizing the entire personnel with the principles and provisions of the related procedural framework. For this purpose, the compliance and anti-fraud activity was organized on the level of the Audit and Risk Management Division (including by the creation of the Compliance Office) with a dual role, of prevention within the company (by developing specific procedures and teaching courses / training sessions to employees), and audit.

Until now, in 2018, the main activities performed by the compliance function were as follows:

- The prevention activity was materialized by developing the following procedures / policies:

- The benefit granting / receiving procedure, which establishes rules / interdictions and provides guidelines applicable to all SNN operations and branches, in order to protect the company from ethical deviations and any other non-compliance aspects related to accepting and granting benefits;
- Anti-fraud procedure, designed to facilitate the development of inspection activities in order to help detect and prevent fraud against Societatea Nationala Nuclearelectrica S.A. (SNN S.A.), and its branches;
- The irregularity reporting procedure, which introduced the concept of integrity alert, established methods for reporting and treating irregularities and addressing issues related to aspects of public interest that relate to the non-compliance with SNN policies, procedures, or applicable law;
- The sponsorship granting procedure, which sets the manner of processing this type of actions, according to the applicable legislation;
- The Business Ethics and Code of Conduct, applicable to all the members of management, employees, consultants, the personnel of the partners that operate within the company, defining and promoting the fundamental values that guide the current activity, namely universally valid principles that must be known and applied unconditionally by all employees.

Consolidated non-financial statement

Presentation of the group

SNN has one branch, namely Energonuclear S.A. (“EN”), with an interest in the share capital of 100% on December 31, 2018. It enters within the consolidation perimeter.

History and presentation

The establishment of Energonuclear S.A., company whose mission is the development of the execution project for the Units 3 and 4 from Cernavoda Nuclear Power Plant, was achieved by promoting a shareholding structure, where SNN holds a participation share of 51% of the share capital (according to the Government Resolution no. 643/2007, as it was amended by the Government Resolution no. 691/2008). According to the Investment Agreement, according to which the Energonuclear was founded, signed on December 25th, 2008 and approved by the Government Resolution no. 1565/2008, the shareholding initial structure was: SNN 51%, RWE, GDF Suez, ENEL and CEZ each with 9,15%, and ArcelorMittal and Iberdrola each with 6,2%.

After the withdrawal from the Project of the CEZ shareholders (as at December 30th, 2010) and RWE, GDF Suez and Iberdrola (as at February 28th, 2011), Enel (January 16th, 2014) and ArcelorMittal (January 17th, 2014), SNN acquired, by share transfer agreements, the cumulated

share held by them within EN, managing, as a result of these operations, to hold as at January 17, 2014 a share of 100% in the share capital of EN.

The share capital of the EN on December 31, 2018 is 146,152,998.73 lei, representing the equivalent of 35,000,000 euros. The share capital is divided into 37,105,029 ordinary nominative shares with a nominal value of 3.9389 lei per share.

The headquarters of the company EN is in Bucharest, 5-7 Vasile Lascar St., 3rd floor, District 2, offices no. 307, 315, 315A, 315B, 315C, 316, 317. The running number in the Trade Register is J40/3999/2009, and the Unique Registration Code is 25344972.

Articles of incorporation

The Articles of Incorporation of EN was amended, and the amendments were approved by Resolutions of the Extraordinary General Meeting of Shareholders, within the program for limiting the activities of Energonuclear S.A. initiated by HEGMS no. 1/30.01.2015, and accommodated successive reductions of personnel and successive reductions of premises, and the last amendment was ordered by the Resolution of the Extraordinary General Meeting of Shareholders no. 2 of January 18, 2017, which decided to relocate the registered office of EnergoNuclear to the aforementioned address.

Documents of appointment/revocation of directors

Energonuclear is managed in a unitary system. The Board of Directors consists of 3 directors appointed by the General Meeting of Shareholders for a period of 4 years. The Chairman of the Management Board is appointed with the unanimous consent of the shareholders, on the proposal of each shareholder, for a period of maximum 2 years.

The Board of Directors of EN had the following members at the end of 2018:

- Elena Popescu: Chairman;
- Ion Sarbulescu: Member;
- Liviu - George Fotache: Member.

The management of Energonuclear

In 2018, the executive management of EN was ensured by the following managers:

- Cristian Felician Talmazan: Technical Service Manager (Individual employment contract concluded for a definite term starting with October 16, 2017) by temporarily taking over the attributions of Chief Executive Officer according to HCA no. 8/13.10.2017.
- Nicolae Capatina: Technical Service Manager - as at November 16, 2018 (Individual Employment Contract concluded for an indeterminate period as chief engineer at the Technical Service, dated May 7, 2012) by temporarily taking over the duties of the Chief Executive Officer (as at November 16, 2018) according to HCA no. 8 / 11.16.2018.

Description of activity

In 2018, EN performed activities that targeted actions necessary for continuing the implementation of the project for Units 3 and 4 NPP Cernavoda, out of which the most important were:

- ❖ Obtaining the CNCAN authorization (in July 2018) for the nuclear quality management system no. 18-025, valid until July 2020, for the provision of services in the nuclear field (management of the reference documentation for Unit 3 and Unit 4; drafting and assessing the technical documentation; monitoring the introduction of project modifications from Unit 1 and Unit 2 applicable to Unit 3 and Unit 4; monitoring the status of the existing structures related to Unit 3 and Unit 4, performance of activities related to the preservation of the existing structures).
- ❖ Insurance of the assistance, mostly technical, for the Negotiation Committee ('CN'), as a part of the 'SNN Team' during the negotiations with the selected investor regarding the Investor Agreement and Articles of Incorporation of the new mixed company.
- ❖ Monitoring the state of the site and of the structures of Units 3 and 4 NPP Cernavoda and pursuing the corrective actions recommended by CNCAN.
- ❖ Drafting the EnergoNuclear informational report, code 83-15000-IR-004 Rev.0, on the state of the layouts of Units 3 and 4 NPP Cernavoda.
- ❖ Drafting regular information reports for the Ministry of Energy, the Ministry of Public Finance, the Board of Directors of EnergoNuclear, GMS EnergoNuclear, etc.
- ❖ Signing a protocol on the custody of the EnergoNuclear documentation from NPP Cernavoda with SNN - NPP Cernavoda Branch given that the technical documentation owned by Energonuclear related to Units 3 and 4 NPP Cernavoda resulted from the contracts implemented with third parties, as well as the technical documentation owned by Energonuclear related to Units 3 and 4 from NPP Cernavoda and drafted with its own personnel are handed over under custody to

SNN/NPP Cernavoda, it was agreed to approve a method of supervising the status of the documents and the access of the EnergoNuclear personnel to this documentation.

- ❖ Various activities within the inspection action of the economic - financial inspection team from the General Inspection Division of the Ministry of Public Finance.

- ❖ Drafting the public procurement documentation, implementing on SEAP / SICAP (Electronic System of Public Procurement) of the granting procedure, the signing and monitoring of the services of the contract with RATEN-CITON for the engineering service for performing independent expertise studies on structures and their permanent components in order to preserve the site of Units 3 and 4 NPP Cernavoda. Since May 2018, CITON has started providing services consisting of on-site observation and inspection activities, as well as documentation in the EnergoNuclear archive and at the RATEN-CITON headquarters. The service provision was completed in September 2018 by drafting and approving without comments the Final Expertise Report.

- ❖ Drafting the public procurement documentation, performing the tender procedure on SEAP/ SICAP, signing and monitoring the performance of services from the contract with NPP Cernavoda for the supply of electricity to Units 3 and 4 NPP Cernavoda, necessary for the performance by EnergoNuclear and its contractors of maintenance and preservation activities for the two units. The service provision started late, as the initial SEAP / SICAP tenders did not meet the price requirements imposed by EnergoNuclear. On May 31, 2018, the electricity supplier NPP Cernavoda and the Purchaser - EnergoNuclear performed the initial reading of the three electricity meters, and in August - October 2018 the periodical metrological verification was performed (10 years). Starting with September 1, 2018, electricity was supplied by another contract, with SNN, which also regulated the consumption of reactive (inductive) energy.

- ❖ Drafting the public procurement documentation, the implementation on SEAP / SICAP of the granting procedure, signing the contract and monitoring the performance of the services within the contract with Energotech for maintenance and operation services for the temporary electrical installation on the site of Units 3 and 4 NPP Cernavoda. The service provision started late, as the initial SEAP / SICAP tenders did not meet the technical and price requirements imposed by EnergoNuclear. Service provision started in June 2018. Actually, used installations are periodically checked and maintained from the work schedule agreed with the contractor.

- ❖ Drafting the public procurement documentation, the implementation on SEAP / SICAP of the granting procedure, signing the contract and monitoring the services within the contract with "PFA Florian Militaru - Site Inspector" for works / services supervision services, including QC / QS on the site of Units 3 and 4 NPP Cernavoda, related to the contracts concluded by EnergoNuclear and those from the processes of implementing public procurement procedures. Service provision started in September 2018. The contract is implemented under adequate conditions.

- ❖ Drafting the public procurement documentation, implementation on SEAP/SICAP of the granting procedure, signing the contract and monitoring the performance of works within the

contract with Stizo-Unify for fireproofing the technological platform for access to the ring structure of the Reactor Building of Unit 3. The service provision started late, as the initial SEAP / SICAP tenders did not meet the technical and price requirements imposed by EnergoNuclear. The work was completed under very good quality conditions in the first decade of December 2018.

❖ Drafting the public procurement documentation, implementation on SEAP / SICAP of the granting procedure, signing the contract and monitoring the services within the contract with Pegas-Impex SRL for clearance / sanitation services (including water drainage / discharge) for the structures outside and inside the buildings within the protected area on the site of Units 3 and 4 NPP Cernavoda. The service provision started late in the second decade of December 2018, as the initial SEAP / SICAP tenders did not meet the technical and price requirements imposed by EnergoNuclear. In addition, the contractor started late the mandatory formalities for the access to Units 3 and 4. Starting in December 2018, the services are performed with the periodicity from the work schedule agreed with the contractor.

❖ Drafting the public procurement documentation, the implementation on SEAP / SICAP of the granting procedure, signing the contract and monitoring the performance of the services within the contract with RATEN-CITON for drafting the tender books for increasing the occupational security on the site of Units 3 and 4 NPP Cernavoda. The service provision was completed in the second decade of December 2018 by the delivery and approval of the contractual documentation without objections.

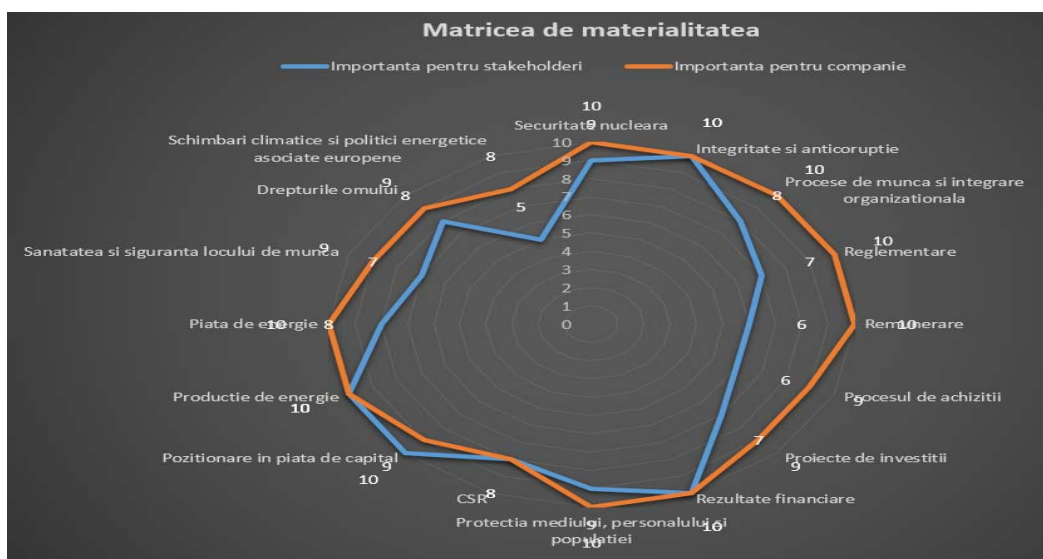
❖ Concluding contracts / monitoring the service provision for:

- External auditor
 - Accounting
 - Accounting expertise
 - Specialized assistance in the design, implementation, monitoring and improvement of the Internal Management Inspection System
 - Supplying spare / wear parts, consumables, fuel, etc.
 - Procuring accounting software, IT licenses
 - Communications (telephony, internet)
 - Banking services
 - Leasing of premises and furniture
- ❖ Current activities for administrative, financial-accounting, legal, etc. matters.

Energonuclear S.A. resources mainly come from:

- Draws from the shareholder loan contract concluded by SNN with Energonuclear S.A.;
- Cash contributions historically made by the shareholders.

On December 31, 2018, Energonuclear S.A. had 7 employees working up to 40 hours a week.





S.N. Nuclearelectrica S.A.

**Individual Financial Statements
as at and for the year ended on
December 31, 2018**

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

S.N. Nuclearelectrica S.A.

Statement of Individual financial position at December 31, 2018

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

	Note	December 31, 2018 (audited)	December 31, 2017 (audited, restated)	January 1, 2017 (audited, restated)
Assets				
Non-current assets				
Tangible assets	4	6,364,461,135	6,724,074,076	7,102,223,970
Intangible assets		54,834,052	62,535,958	80,636,405
Financial assets	8	110,451,459	76,355,852	22,414,346
Financial investments	5	141,689,201	141,689,201	141,689,201
Total non-current assets		6,671,435,847	7,004,655,087	7,346,963,922
Current assets				
Inventories	6	368,742,400	332,348,618	331,057,122
Trade receivables and other receivables	7	183,694,590	150,443,354	162,063,302
Payments made in advance		10,201,321	10,895,537	12,699,411
Bank deposits	8	20,954,979	32,827,456	26,709,812
Cash and cash equivalents	8	1,611,175,766	1,713,349,815	1,459,663,497
Total current assets		2,194,769,056	2,239,864,780	1,992,193,144
Total assets		8,866,204,903	9,244,519,867	9,339,157,066
Equity and liabilities				
Equities				
Share capital, out of which:	9	3,210,641,253	3,210,641,253	3,210,641,253
<i>Subscribed and paid in share capital</i>		<i>3,015,138,510</i>	<i>3,015,138,510</i>	<i>3,015,138,510</i>
<i>Inflation adjustments to the share capital</i>		<i>195,502,743</i>	<i>195,502,743</i>	<i>195,502,743</i>
Share premiums	9	31,474,149	31,474,149	31,474,149
Reserve paid in advance	9	21,553,537	21,553,537	21,553,537
Revaluation reserve	9	257,407,532	236,534,798	263,354,767
Retained earnings	9	3,658,054,141	3,983,913,022	3,862,326,708
Total own equity		7,179,130,612	7,484,116,759	7,389,350,414
Liabilities				
Long term liabilities				
Long term borrowings	10	683,967,469	894,848,799	1,087,961,815
Provisions for risks and expenses	11	182,883,283	137,036,268	118,032,110
Deferred revenues		114,757,293	129,101,954	143,446,616
Deferred tax liability		102,644,715	113,903,761	131,608,365
Obligations regarding employees benefits		38,617,348	33,328,029	31,907,053
Total long term liabilities		1,122,870,108	1,308,218,811	1,512,955,959
Current liabilities				
Accounts payable and other liabilities	12	197,107,880	180,632,919	178,645,222
The current share of provisions for risks and expenses	11	33,831,052	31,838,166	24,662,564
Current tax liability		98,958,158	21,726,375	6,431,972
Deferred revenues		30,913,233	12,331,535	6,181,408
Current portion of long-term loans	10	203,393,860	205,655,302	220,929,527
Total current liabilities		564,204,183	452,184,297	436,850,693
Total liabilities		1,687,074,291	1,760,403,108	1,949,806,652
Total equities and liabilities		8,866,204,903	9,244,519,867	9,339,157,066

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

S.N. Nuclearelectrica S.A.

Individual profit and loss account for the year ended on December 31, 2018

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

		2018	2017
		(audited)	(audited, restated)
	Note		
Incomes			
Proceeds from the sale of electric power	17	2,166,991,679	1,884,740,511
Proceeds from electric power transmission		11,676,332	12,557,690
Total revenues		2,128,668,011	1,897,298,201
Other income	21	50,205,424	35,602,416
Operating expenses			
Depreciation and amortization		(552,964,849)	(545,800,132)
Personnel expenses	18	(388,847,183)	(324,765,608)
Cost of traded electricity		(56,929,750)	(55,567,883)
Repairs and maintenance		(81,425,822)	(72,606,643)
Electricity transmission expenses		(11,676,332)	(12,557,690)
Cost of spare parts		(15,768,637)	(18,113,517)
Cost of nuclear fuel		(101,991,877)	(122,183,695)
Other operating expenses	19	(432,728,895)	(403,311,594)
Total operating expenses		(1,642,333,345)	(1,554,906,762)
Operating profit		536,540,090	377,993,855
Financial expenses	20	(58,855,609)	(94,102,348)
Financial revenues	20	94,938,793	75,653,531
Net financial result		36,083,184	(18,448,817)
Profit before income tax		572,623,274	359,545,038
Net income tax expense	15	(162,012,059)	(53,002,126)
Profit for the period		410,611,215	306,542,912

The Individual Financial Statements presented on page 1 to 54 have been signed on March 20, 2019 by:

Cosmin Ghita
Chief Executive Officer

Adrian Gabriel Dumitriu
Chief Financial Officer

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

S.N. Nuclearelectrica S.A.

Individual financial statement of the comprehensive income for the year ended on December 31, 2018

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

	Note	2018 (audited)	2017 (audited, restated)
Profit for the period		410,611,215	306,542,912
Comprehensive income			
Revenue from revaluation of buildings and land, net		55,471,628	-
Deferred tax related to the revaluation reserve		(8,875,461)	-
Actuarial gains (loss) on defined benefits plan		(5,393,764)	703,726
Comprehensive income		41,202,404	703,726
Total comprehensive income for the financial year		451,813,619	307,246,638
Earnings per share			
Basic earnings per share (RON/share)	23	1.36	1.02
Diluted earnings per share (RON/share)	23	1.36	1.02

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S.N. Nuclearelectrica S.A.

Individual financial statement of changes in equity for the financial year ended on December 31, 2018

(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, 2018 (audited)		3,210,641,253	31,474,149	21,553,537	236,534,798	3,927,941,491	7,428,145,228
Correction of accounting errors						55,971,531	55,971,531
Balance as at January 1, 2018 (audited, restated)		3,210,641,253	31,474,149	21,553,537	236,534,798	3,983,913,022	7,484,116,759
Comprehensive income of the financial year							-
Profitul of the fiscal year		-	-	-	-	410,611,215	410,611,215
Comprehensive income		-	-	-	46,596,168	(5,393,764)	41,202,404
Total comprehensive income for the financial year		-	-	-	46,596,168	405,217,451	451,813,619
Transfer of the revaluation reserve to the retained earnings	11	-	-	-	(25.723.433)	25,723,433	-
Dividends distributed	11	-	-	-	-	(756,799,766)	(756,799,766)
Balance as at December 31, 2018 (audited)		3,210,641,253	31,474,149	21,553,537	257,407,532	3,658,054,141	7,179,130,612

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S.N. Nuclearelectrica S.A.

Individual financial statement of changes in equity for the financial year ended on December 31, 2018

(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)	(114.775.148)	(120,228,142)
Balance as at January 1, 2017 (audited, restated)		3,210,641,253	31,474,149	21,553,537	263,354,767	3,862,326,708	7,386,385,114
Comprehensive income of the financial year							-
Profit of the fiscal year (restated)						306,542,912	306,542,912
Comprehensive income						703,726	703,726
Total comprehensive income for the financial year						307,246,638	307,246,638
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, restated)		3,210,641,253	31,474,149	21,553,537	236,534,798	3,983,913,022	7,484,116,759

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

S.N. Nuclearelectrica S.A.

Individual financial statement of cash flow for the financial year ended on December 31, 2018

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

	2018 (audited)	2017 (audited, restated)
Cash flows from operating activities		
Profit before income tax	572,623,274	359,545,038
Adjustments for:		
Depreciation and amortization	552,964,849	545,800,132
Impairment on trade and other receivables	(2,457,228)	190,481
Impairment on inventories	(2,768,747)	874,505
Provisions corresponding to operating liabilities, risks and expenses	45,566,833	21,482,572
Earnings/(Losses) from asset assignment	877,885	(38,333)
Net financial (revenues)/expenses	(37,671,061)	20,048,078
Changes in:		
(Increase)/Decrease in trade receivables and other receivables	(24,956,524)	11,353,969
Increase in inventories	(35,425,313)	(1,852,508)
Variation of deferred income	4,237,037	(8,194,535)
Variation of deferred expense	694,216	1,803,874
Increase/(Decrease) of trade liabilities and other liabilities	25,721,653	(5,963,047)
Cash flows generated from operating activities	1,099,406,874	945,050,227
Income tax paid	(104,914,782)	(58,393,050)
Interest received	39,328,049	13,448,329
Interest paid	(10,833,434)	(15,259,884)
Net cash flow from operating activities	1,022,986,707	884,845,622
Cash flows from investing activities		
Purchase of intangible assets	(4,542,282)	(132,250)
Purchases of tangible assets	(136,403,070)	(138,099,564)
Proceeds from sale of tangible assets	308,150	89,783
Increase in bank deposits and financial assets	(22,223,130)	(60,059,150)
Cash flow used in investing activities	(162,860,332)	(198,201,181)
Cash flow from financing activities		
Repayments of borrowings	(211,343,883)	(225,290,386)
Dividends	(750,956,541)	(207,667,737)
Net cash flow from financing activities	(962,300,424)	(432,958,123)
Net increase in cash and cash equivalents	(102,174,049)	253,686,318
Cash and cash equivalents as at 1 January (see Note 10)	1,713,349,815	1,459,663,497
Cash and cash equivalents as at 31 December (see Note 10)	1,611,175,766	1,713,349,815

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S.N. Nuclearelectrica S.A.

Notes to the individual financial statements prepared for the year ended on December 31, 2018

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

1. REPORTING ENTITY

Societatea Nationala Nuclearelectrica S.A. (the "Company" or "SNN") is a national joint-stock company, one-tier management system, having a head office and two branches without legal personality, CNE Cernavoda (Nuclear Power Plant) – 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 is planned to be completed by the Energonuclear S.A. subsidiary; at present, there is the revised form of the Strategy to continue Units 3 and 4 Project, endorsed by the Board of Directors of SNN and approved by the Extraordinary General Meeting of Shareholders by Decision no. 11 / 14.09.2018 (for more information, see Note 7).

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 Romanian electricity market was in a process of gradual liberalization until the end of 2017, during which the Company participated in the electricity market, both on the competitive market segment and on the regulated one, with ANRE establishing by annual decisions the quantities of electricity sold by the Company on the regulated market and the regulated prices to be practiced. In 2018, the Company participated in the electricity market only on the competitive segment.

As at December 31, 2018 the Company's shareholders are: The Romanian State via the Ministry of Energy which holds 248,736,619 shares, representing 82.4959% of the share capital, Fondul Proprietatea S.A. holding 21,268,355 shares, representing 7.0539% of the share capital and other individuals and legal entities shareholders holding together 31,508,877 shares, representing 10.4502% of the share capital.

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

Notes 1 - 29 are an integral part of these individual financial statements.

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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, 2018 were audited by an independent auditor.

These Individual Financial Statements were authorized for issue and signed on March 20, 2019 by the Company's management.

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 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).

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e) Correction of accounting errors*IAS 16 "Tangible assets"*

The Cernavoda nuclear power plant is a complex industrial establishment, including technological systems developed at the highest technical and quality assurance requirements, so as to minimize the potential risks of any failure with impact on nuclear security, safety and operational reliability.

Within Units 1 and 2 there are over 350 technological systems ensuring the operation of the Plant under conditions of safety and economic efficiency according to the policies and principles defined in the operating permit.

Maintaining the safety and operational reliability of CNE Cernavoda's technological systems is an obligation regulated under the operating permit issued by the Regulatory Authority CNCAN. In order to achieve this goal, CNE Cernavoda has developed and implemented a series of programs for the maintenance of the safety and reliability of the equipment, programs involving the performance of a significant number of activities carried out during the planned outages. The implementation of these programs may be done by providing the technologies, spare parts and the personnel prepared for their execution.

In order to ensure the continued operation of the Nuclear Units, it is necessary to that the main components are subject to inspections in order to detect malfunctions and obtain Reports on the diagnosis of the operating state. Each of the 2 Units, in turn, once every two years, goes into a planned outage, period during which the general periodic inspections and major repairs are being carried out. Thus, the general periodic inspections and major repairs were carried out at Unit 2 in 2017, and at Unit 1 in 2016, followed by the May-June 2018 period.

On June 30, 2018, the Company reconsidered the nature of these inspections and their recognition. Thus, in order to apply the provisions of the International Accounting Standard IAS 16 "Tangible Assets", the general periodic inspections carried out at CNE Cernavoda are capitalized under the category of tangible assets, being subsequently amortized on a linear basis, over a 2-year period. General periodic inspections mostly target the same components of the Units, so the amortization period considered is the 2-year period between two general periodic inspections carried out mostly on the same components, thus substituting each other.

The effect of correcting accounting errors on comparative amounts in the comparative financial statements prepared on and for the 12 month period ended on December 31, 2017 are summarized in the following tables:

The effect of corrections on the comparative financial statements related to 2017

	31.12.2017 (audited)	IAS 16	31.12.2017 (audited, restated)
Items of the financial position			
Tangible assets	6,668,102,545	55,971,531	6,724,074,076
Total assets	9,188,548,336	55,971,531	9,244,519,867
Retained earnings	3,927,941,491	55,971,531	3,983,913,022
Total own equity	7,428,145,228	55,971,531	7,484,116,759
	31.12.2017 (audited)	IAS 16	31.12.2017 (audited, restated)
Items of profit and loss account			
Repairs and maintenance	123,888,331	(51,281,688)	72,606,643
Depreciation and amortization	497,185,088	48,615,044	545,800,132
Profit of the fiscal year	303,876,268	2,666,644	306,542,912

Notes 1 - 29 are an integral part of these individual financial statements.

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S.N. Nuclearelectrica S.A.

Notes to the individual financial statements prepared for the year ended on December 31, 2018

*(All amounts are presented in RON, unless otherwise indicated)***f) Presentation items**

In 2018, the Company reconsidered the presentation of cash, cash equivalents and bank deposits items in the statement of financial position as follows:

- the "Bank deposits" position represents the collateral deposits related to bank guarantee letters issued by banks on behalf of the Company in favor of clients, with a maturity of between 3 and 12 months;
- "Cash and cash equivalents" includes, besides cash and other cash equivalents, collateral bank deposits related to maturity letters of guarantee up to 3 months, as well as common bank deposits without commitments, which can be accessed by the Company without restrictions and without significant losses as a result of their liquidation, irrespective of their maturity (see Note 10 and Note 3i).

Consequently, for the consistent reflection of financial position items, comparative values were reallocated in accordance with the rationale presented, as follows:

	31.12.2017 (audited)	Reallocations	31.12.2017 (audited, reallocated)
Cash and cash equivalents	573,903,315	1,139,446,500	1,713,349,815
Bank deposits	1,172,273,956	(1,139,446,500)	32,827,456

Collateral deposits related to bank guarantee letters issued by banks on behalf of the Company in favor of clients with a maturity of more than 1 year are reflected in the "Financial assets" position both on December 31, 2018 and December 31, 2017.

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 currency at the year-end are expressed in RON at the exchange rate displayed by the National Bank of Romania valid for the last banking day of the year. 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, 2018 and December 31, 2017 for the main currencies used by the Company in its transactions are as follows:

	Average rate		Reporting date spot rate	
	2018	2017	December 31, 2018	December 31, 2017
RON/ EUR	4.6535	4.5680	4.6639	4.6597
RON/USD	3.9433	4.0517	4.0736	3.8915
RON / CAD	3.0429	3.1221	2.9925	3.1051
RON/GBP	5.2597	5.2123	5.1931	5.2530

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Notes to the individual financial statements prepared for the year ended on December 31, 2018

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

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.

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Notes to the individual financial statements prepared for the year ended on December 31, 2018

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

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.

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. The decrease recognized in other comprehensive income reduces the amount accrued in equity to the "revaluation reserves" position.

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 and capital 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
Inspections and overhauls	2
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, 2018, the cumulated capacity factor achieved since the commissioning of Unit 1 is 90.54% and 94.60% 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.

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Notes to the individual financial statements prepared for the year ended on December 31, 2018

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

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 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. Following the study, a work plan was drawn up which sets out the analyzes and evaluations to be carried out to demonstrate the functionality of Unit 1 from Cernavoda NPP to 245,000 actual operating hours. These analyzes and assessments will be the basis for the extension of the Unit 1 operating permit.

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. Extending the number of hours of initial operation depends on the results of the analyzes and evaluations to be contracted in the third quarter of 2019, influenced predominantly by the technical status of Unit 1, as well as by the Regulator's decision (CNCAN) at the time of the request.

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". Inspections and overhauls, capitalized in accordance with IAS 16, are presented in Note 5 and are reflected in the book value of "Nuclear Power Plants".

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.

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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.

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Notes to the individual financial statements prepared for the year ended on December 31, 2018

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

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.

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Notes to the individual financial statements prepared for the year ended on December 31, 2018

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

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

The "Cash and cash equivalents" item includes petty cash, current accounts and bank deposits without commitments that are subject to an insignificant risk in changing the fair value. By bank deposits without commitments the Company understands the usual bank deposits, to which the Company has access at any time, irrespective of their initial maturity, and whose pre-maturity liquidation, in the event of occurrence of circumstances that determine this need, does not cause any losses.

The "Bank deposits" position in the statement of financial position refer to those bank deposits that have an initial maturity of between 3 and 12 months but have an associated commitment, i.e. they are collateral deposits related to bank guarantee letters issued by banks on behalf of the Company in favor of some clients.

The "Financial assets" position of the financial position statement means the collateral deposits related to warranty letters, but with a maturity of more than 12 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.

Notes 1 - 29 are an integral part of these individual financial statements.

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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 (e.g.: 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.

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.

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(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.

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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 the minimum funding requirements applicable to any plan within 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.

Notes 1 - 29 are an integral part of these individual financial statements.

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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 revenues and expenses

Financial revenues mainly includes the interest income on bank deposits and cash, as well as the foreign currency gain. Financial revenues are 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" (See Note 22).

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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, 2018, 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.

Tangible assets

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

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Notes to the individual financial statements prepared for the year ended on December 31, 2018

*(All amounts are presented in RON, unless otherwise indicated)***5. TANGIBLE ASSETS**

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	TOTAL
Cost					
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
Effect of correction		99,016,196			99,016,196
Balance as at January 1, 2017 (audited, restated)	31,534,439	5,678,816,612	1,521,800,413	860,063,334	8,092,214,798
Entries (restated)	-	-	26,475,334	122,461,398	148,936,731
Transfers (restated)	-	65,759,800	52,584,720	(118,344,520)	-
Transfers in inventories	-	-	-	(12,372,946)	(12,372,946)
Transfers from inventories	-	-	12,290,946	-	12,290,946
Derecognition of U2 inspections	-	(46,306,957)	-	-	(46,306,957)
Disposals (restated)	-	(39,111))	(1,690,269)	-	(1,729,380)
Balance as at December 31, 2017 (audited, restated)	31,534,439	5,698,230,344	1,611,461,143	851,807,266	8,193,033,192
Balance as at January 1, 2018 (audited)	31,534,439	5,594,239,417	1,611,461,143	851,807,266	8,089,042,265
Effect of correction		103,990,927			103,990,927
Balance as at January 1, 2018 (audited, restated)	31,534,439	5,698,230,344	1,611,461,143	851,807,266	8,193,033,192
Additions	-	-	13,818,163	115,752,495	129,570,658
Revaluation of buildings and land	767,960	20,172,017	35,259,740	-	56,199,716
Offset of accumulated depreciation upon revaluation	-	(1,059,894,917)	(60,605,906)	-	(1,120,500,824)
Transfers	-	71,734,118	24,051,133	(95,785,251)	-
Transfer from inventories	-	-	-	(1,800,278)	(1,800,278)
Transfer to intangible assets	-	-	-	(7,852,267)	(7,852,267)
Derecognition of U1 inspections	-	(52,473,435)	-	-	(52,473,435)
Disposals	-	-	(2,241,701)	(1,257,641)	(3,499,343)
Balance as at December 31, 2018 (audited)	32,302,399	4,677,768,128	1,621,742,571	860,864,324	7,192,677,421
Depreciation and impairment losses					
Balance on January 1, 2017 (audited)	550,782	375,420,323	367,899,023	140,841,495	884,711,623
Effect of correction	-	45,711,309	59,567,895	-	105,279,204
Balance on January 1, 2017 (audited, restated)	550,782	421,131,632	427,466,919	140,841,495	989,990,827
Depreciation charges (restated)	-	406,479,086	110,547,579	-	517,026,664
Offset of accumulated disposals (restated)	-	(39,111)	(1,638,855)	-	(1,677,966)
Cumulative depreciation of U2 inspections derecognized	-	(46,306,957)	-	-	(46,306,957)
Adjustments for impairment of intangible assets	-	-	10,138,169	(211,620)	9,926,549
Balance as at December 31, 2017 (audited, restated)	550,782	781,264,650	546,513,811	140,629,875	1,468,959,116
Balance as at January 1, 2018 (audited)	550,782	733,245,253	546,513,811	140,629,875	1,420,939,720
Effect of correction	-	48,019,397	-		48,019,397
Balance as at January 1, 2018 (audited, restated)	550,782	781,264,650	546,513,811	140,629,875	1,468,959,117
Depreciation charges		414,761,137	110,140,683		524,901,820
Offset of accumulated depreciation upon revaluation		(1,059,894,917)	(60,605,906)	-	(1,120,500,824)
Cumulative depreciation of U1 inspections derecognized		(52,473,435)			(52,473,435)
Offset of accumulated disposals			(1,841,771)		(1,841,771)
Impairment adjustments			10,077,433	(906,054)	9,171,379
Balance as at December 31, 2018 (audited)	550,782	83,657,435	604,284,249	139,723,821	828,216,287
Carrying amount					
Balance as at January 1, 2017 (audited, restated)	30,983,658	5,257,684,980	1,094,333,494	719,221,839	7,102,223,970
Balance as at December 31, 2017 (audited, restated)	30,983,658	4,916,965,695	1,064,947,333	711,177,390	6,724,074,076
Balance as at December 31, 2018 (audited)	31,751,617	4,594,110,693	1,017,458,322	721,140,502	6,364,461,135

Notes on pages 1-29 are an integral part of these individual financial statements.

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The position "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, 2018 amounting to RON 432,488,488 (December 31, 2017: RON 450,417,031) and administrative buildings with a net carrying amount on December 31, 2018 amounting to RON 277,883,541 (December 31, 2017: RON 267,160,515).

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, 2018 by an independent assessor, S.C. Primoval S.R.L, member of the National Association of Certified Assessors in Romania ("ANEVAR").

Revaluation results were accounted by using the net method and reflect an increase in net carrying amount of assets (land, buildings and constructions) amounting to RON 56,199,716 as at December 31, 2018.

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.

As at December 31, 2018, 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, 2017: RON 273,960,000). 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 group "Non-current assets in progress" also presents the heavy water purchased especially for Units 3 and 4, representing approximately 75 tons, whose book value on December 31, 2018 is RON 159,238,387 (December 31, 2017: RON 159,307,070).

As at December 31, 2018, the net carrying amount of the assets under construction related to Units 3 and 4 amounts to RON 506,035,734 (December 31, 2017: RON 506,561,052). As at December 31, 2018, the remaining difference up to RON 721,140,502 represents non-current assets in progress, related to Units 1 and 2, such as: D2O tritium removal installation amounting to RON 63,238,182, construction of facilities for storage and loading of the nuclear fuel used (DICA) amounting to RON 24,692,519, improvement of nuclear security systems after Fukushima amounting to RON 19,490,869.

On December 31, 2013 the Group recognized a depreciation adjustment of 100% of the Unit 5 since there were no plans to resume its construction. On December 31, 2018 the gross carrying amount for Unit 5 is RON 137 million (December 31, 2017: 137 million RON). In March 2014, the Company shareholders approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation the result of which will be an asset with a different use than the initial use of Unit 5.

In 2012 Energonuclear SA has contracted an independent assessor, Ernst & Young, to carry out an indicative assessment of Units 3 and 4. Ernst & Young conducted the assessment of assets in accordance with the International Assessment Standards indicating a value of Units 3 and 4 in the range 380 - 539 million EUR (i.e. range 1,772 – 2,514 million RON considering the exchange rate RON/EUR 4,6639 on December 31, 2018).

The main investments made by the Company during 2018 for projects in progress related to Units 1 and 2 include:

- Equipment and materials for ongoing investments amounting to RON 13,943,687 (December 31, 2017: RON 9,442,690);
- Construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to RON 8,772,512 (December 31, 2017: RON 17,567,359);
- Annual inspections conducted during the planned outage of the units, amounting to RON 66,015,629 (December 31, 2017: RON 51,281,688).

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The main investments commissioned during 2018 mainly refer to: the performance of annual inspections carried out during the planned outage of Unit 1, amounting to RON 66,015,629 and the building of storage and loading spaces of the used nuclear fuel (DICA) amounting to RON 11,090,347.

In 2018, the Company purchased 5,292.58 kilograms of heavy water from the National Administration of State Reserves and Special Issues ("ANRSPS") required for Units 1 and 2, amounting to RON 10,339,066 (over the comparative period, 11,909.52 kg amounting to RON 21,993,395 were purchased).

During 2018, the part of the annual inspection conducted in 2016 during the planned outage of Unit 1 was derecognized, replaced by the annual inspection conducted in 2018 during the planned shutdown of the same unit (RON 52,473,435). Thus, the cumulative depreciation of the annual Inspection of 2016 of Unit 1 was derecognized (RON 52,473,435). Similarly, during 2017, the part of the annual inspection conducted in 2015 during the planned shutdown of Unit 2 was derecognized, replaced by the annual inspection conducted in 2017 during the planned shutdown of the same unit (RON 46,306,957), and the cumulative depreciation thereof (RON 46,306,957).

As at December 31, 2018, the Company has fixed assets purchased based on credit from suppliers (commercial credit) amounting to RON 14,722,450 (December 31, 2017: RON 21,554,862).

Decommissioning of nuclear units

The nuclear power Unit 1 is scheduled to operate until 2026, and Unit 2 until 2037. The Company has not recorded a provision for the decommissioning of the two units because it is not responsible for the decommissioning works. According to Government Decision no. 1080/ 2007, the Nuclear Agency and Radioactive Waste ("ANDR") is responsible for collecting the contributions paid by the Company for the remaining useful life of these units and assume the responsibility for the management of the entire decommissioning process at the end of the useful life of the two units, as well as for the permanent storage of the resulting waste (see Note 15). The Company's contribution to ANDR during the year 2018 amounts to RON 97,237,719 (December 31, 2017: RON 96,721,769).

Assets pledged as security

As at December 31, 2018, and December 31, 2017 the Company has no pledged or mortgaged assets.

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6. INTANGIBLE ASSETS

	Licenses and software	Power plant software and other intangible assets	TOTAL
Cost			
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
Balance as at January 1, 2018 (audited)	63,908,923	185,630,128	249,539,051
Reallocations	122,135,570	(120,135,570)	-
Additions	546,221	3,996,061	4,542,282
Transfers	26,084,953	(26,084,953)	-
Transfer from tangible assets	25,934	7,826,332	7,852,267
Disposals	(384,987)	(34,274)	(419,261)
Balance as at December 31, 2018 (audited)	212,316,615	49,197,724	261,514,339
Accumulated amortization			
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
Balance as at January 1, 2018 (audited)	62,187,283	124,815,811	187,003,093
Reallocations	100,638,341	(100,638,341)	-
Depreciation charges	15,325,502	4,770,954	20,096,456
Amortization related to disposals	(384,988)	(34,274)	(419,262)
Balance as at December 31, 2018 (audited)	177,766,138	28,914,150	206,680,287
Carrying amount			
Balance as at January 1, 2017 (audited)	322,902	80,313,503	80,636,405
Balance as at December 31, 2017 (audited)	1,721,640	60,814,317	62,535,958
Balance as at December 31, 2018 (audited)	34,550,447	20,283,574	54,834,052

As at December 31, 2018, the position "Software for the nuclear power plant and other tangible assets" includes other intangible assets representing ongoing licenses and software amounting to RON 3,466,815 (December 31, 2017: RON 26,084,953). During 2018, the integrated management systems amounting to RON 26,084,953 were put into service, which, during the previous period were included under the category "Power plant software and other intangible assets", as they were under implementation.

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During 2018, the Company analyzed the intangible asset categories for the assignment within the "Licenses and software" and "Power plant software and other intangible assets" categories, both on cost and depreciation, resulting in a net reallocation of RON 21,479,229.

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 headquarters in Bucharest, District 2, 5-7 Vasile Lascar Street, 3rd floor and registered with the Trade Registry under the number J40/3999/25.03.2009, having sole registration number 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, 2018 and December 31, 2017, the Company owns 100% of the share capital of EnergoNuclear S.A. The value of participation as at December 31, 2018 and December 31, 2017 amounts to RON 141,666,101.

By the Resolution of the Extraordinary General Meeting of Shareholders of SNN no. 4/02.03.2018 the company 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.

In February - March 2018 there were negotiations regarding the undisputed aspects concerning the Investors' Agreement.

By letter of the General Department for Privatization and State Energy Interest Management (DGPAPSE) no. 261387/June 25, 2018, the Company was informed about the approval, during the Government meeting as of June 21, 2018, in the confidential section, of the Memorandum on the "Approval of the necessary measures to provide the continuity of Units 3 and 4 in CNE Cernavoda Project and the finalization of the negotiations with the selected investor". At the same time, DGPAPSE requested the Company to take the necessary steps in order to implement the provisions of the Government Memorandum.

On July 16, 2018, the Board of Directors of SNN approved the revised form of the Project Continuation Strategy, with the recognition of the milestones performed to date, including those performed pursuant to the provisions of the Government Memorandum no. 20/12683/MB as of July 13, 2017, and the subsequent mandate granted to the Board of Directors of SNN via the GMS Resolution no. 6/August 24, 2017. The revised form of the Strategy was approved by the Extraordinary General Meeting of Shareholders by Decision no. 11 / 14.09.2018.

The main amendments brought to the Strategy are the segregation of the rights and obligations of SNN and respectively of the Romanian State, intended to lead to the increase in the efficiency of the process by means of a 2-level approach: (1) B2B: SNN - CGN and (2) G2G: Government of Romania – Government of the Popular Republic of China. The new format of new negotiation committee creates the premises for the completion of the negotiations for the Preliminary Investors' Agreement by December 31, 2018, the signing of the Investment Documents (the Investors' Agreement and the Articles of Incorporation of JVCo) and the establishment and operation of the project-related joint venture (JVCo) on January 31, 2019.

At the meeting of October 8, 2018, the Board of Directors has appointed a new negotiation commission, granted to this new commission a reviewed mandate related to the terms and conditions on continuing the negotiations for the establishment of a new JVCo, approved the reviewed preliminary format of investor Agreement and Articles of Incorporation for JVCo, so these documents may be sent to CGN.

On November 22, 2018, the meeting between National Energy Administration (NEA)/ CGN (Chinese party) and the Ministry of Energy (ME)/SNN (Romanian party) was held at the Ministry of Energy seat. The main conclusions of

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NEA/CGN meeting included the establishment of a Joint Working Group to promote G2G and B2B negotiations, as well as the agreement of the parties on resuming the negotiations based on the documents exchanged until now at B2B level, between the Negotiation Commission (whose activity has ceased on the date when the reviewed Strategy was approved by EGMS of SNN) and CGN, (regarding AI) and, respectively, since the last IGA draft sent by the Ministry of Energy in year 2016.

By the Decision of the Prime Minister no. 318 of December 18, 2018, the Working Group was established for the negotiation of the Intergovernmental Agreement between Romania and the People's Republic of China on the cooperation for the implementation of the Unit 3 and 4 NPP Cernavoda Unit ("IGA").

Regarding Energonuclear S.A. activity:

- By the AGEA SNN Decision no. 4 / 11.07.2017, the shareholders of SNN approved the granting by SNN of a convertible loan in shares amounting to maximum RON 4,000,000 to Energonuclear S.A. ("EN") in order to finance the maintenance and conservation activities of the Units 3 and 4 NPP Cernavoda; on December 31, 2018, Energonuclear requested to grant tranches of a total amount of RON 2,500,000 out of the maximum amount, for which SNN had a capitalized interest of 35,503 RON.

Considering the above-mentioned issues and the stage of negotiations with the Selected Investor for the development of the Cernavoda 3 and 4 NPP Units 3, the management of the Company is confident that the project developed by Energonuclear and which is to be continued by the new project company will continue future and there will be a future demand for the electricity to be produced by Units 3 and 4. Thus, the management of the Company considers that the investment in Energonuclear SA will be recovered, according to the Strategy.

8. INVENTORIES

As at December 31, 2018 and December 31, 2017, the inventories are as follows:

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Spare parts	141,293,048	135,781,160
Consumables and other materials	40,636,148	40,523,280
Nuclear fuel	134,039,382	113,324,270
Uranium	38,490,987	38,309,045
Other inventories	14,282,835	4,410,863
Total	368,742,400	332,348,618

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

As at December 31, 2018 and December 31, 2017, the trade receivables and other receivables are as follows:

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Trade receivables	168,524,274	133,487,231
Adjustments for impairment of trade receivables	(10,858,933)	(13,427,586)
Other receivables	23,029,979	10,943,454
Adjustments for impairment of other receivables	(3,190,028)	(3,078,604)
Taxes and duties	6,189,298	22,518,859
Total	183,694,590	150,443,354

As at December 31, 2018, the main trade receivables in the balance are from: Electrica Furnizare S.A. – RON 21,322,519 (December 31, 2017 – RON 22,176,419), GEN-I d.o.o. – RON 18,411,098 (December 31, 2017 – RON 16,074,663), Alro S.A. – RON 12,650,998 (December 31, 2017 – 0 RON), Met Romania Energy S.A. – RON 12,627,912 (December 31, 2017

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– RON 7,600,518), E.ON Energie Romania S.A. – RON 11,176,963 (December 31, 2017 – RON 10,466,090), Enel Energie Muntenia S.A. – RON 10,413,619 (December 31, 2017 – RON 5,120,780), E-Distributie Muntenia S.A. – RON 10,168,050 RON (December 31, 2017 – 0 RON), Enel Energie S.A. – RON 7,368,390 (December 31, 2017 – RON 5,652,575), CEZ Vanzare S.A. – RON 3,260,654 (December 31, 2017 – RON 14,465,221).

The sales performed during 2018 to Company Operatorul Pieteii de Energie Electrica si de Gaze Naturale OPCOM" S.A. represented approximately 13% (2017: 25%), to Electrica Furnizare S.A. represented approximately 9% (2017: 11%) of all the Company's total revenues, while sales to Met Romania Energy S.A. accounted for about 8% (2017: 3%).

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

As at December 31, 2018, the "Trade receivables" and "Adjustments for impairment of trade receivables" include a net amount of RON 2,680,295 related to receivables from affiliated parties (December 31, 2017: RON 2,734,140). As at December 31, 2018, the positions "Other receivables" and "Adjustments for impairment of other receivables" include a net amount of RON 2,535,503 related to receivables from affiliated parties (December 31, 2017: RON 916,447), of which RON 2,535,503 represent the loan granted to the Energonuclear S.R.L. branch, including capitalized interest.

As at December 31, 2018 the "Duties and Taxes" position represents the VAT to be recovered amounting to RON 6,189,298 (December 31, 2017: RON 18,001,809).

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

On December 31, 2018 and December 31, 2017, the cash and cash equivalents are as follows:

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Cash and cash equivalents in RON	1,606,936,087	1,705,294,007
Cash and cash equivalents in foreign currencies	4,239,679	8,055,808
Total cash and cash equivalents	1,611,175,766	1,713,349,815

The "Cash and cash equivalents" position also includes bank deposits with an initial maturity of less than one year, amounting to RON 1,438,730,983 (December 31, 2017: RON 1,163,295,180), as well as the amount of RON 2,945,617 representing letters of credit issued in favor of providers of equipment, spare parts, services and technical support (December 31, 2017: RON 3,657,741).

On December 31, 2018 and December 31, 2017, all bank deposits presented under the "Bank deposits" position are in RON.

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Bank deposits	20,954,979	32,827,456

On December 31, 2018 the Company has reconsidered the classification method applied to bank deposits with maturity above 3 months, given that the Company enjoys unconditional access to the established deposits, and as such these are indicated under "Cash and cash equivalents" position for December 31, 2018, as well as for December 31, 2017. For the comparative interval, the amount of RON 1,139,446,500 was reclassified from "Bank deposits" position to "Cash and cash equivalents" position. Hence, the value of collateral deposits related to bank guarantee letters with maturity between 3 and 12 months was kept in the "Bank deposits" position.

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On December 31, 2018, the Company holds letters of guarantee issued by different banks at the request of the Company in favor of third parties, with a total value of RON 126,373,507 (December 31, 2017: RON 111,477,734), for which a cash collateral in the form of collateral deposits was established, divided as follows: RON 0 in the "Cash and cash equivalents" position (December 31, 2017: RON 2,294,426) related to letters of bank guarantee with maturity of less than 3 months, RON 20,954,979 under the "Bank deposits" position (December 31, 2017: RON 32,827,456) related to letters of bank guarantee with a maturity of up to one year and RON 105,418,528 under the "Financial assets" position for letters of bank guarantee with a maturity of over one year (December 31, 2017: RON 76,355,852). These letters of bank guarantee are related to the Company's participation on the electricity market, mostly representing the Company's sales of electricity.

As at December 31, 2018 the "Financial assets" position included the previously mentioned collateral deposits, as well as the amount of RON 5,032,931 representing the Company's contribution as new member of the European Liability Insurance for Nuclear Industry ("ELINI").

11. EQUITY**Share capital**

The Company was established through separation from the former Autonomous Electricity Administration ("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, 2018 is RON 3,015,138,510, under the authorized capital.

As at December 31, 2018 and December 31, 2017, 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, 2018	December 31, 2017
	(audited)	(audited)
Subscribed and paid in 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, 2018 and December 31, 2017, 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.

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

The shareholding structure on December 31, 2018 and December 31, 2017 is as follows:

Shareholders	Number of shares December 31, 2018	% of the share capital	Number of shares December 31, 2017	% of the share capital
The Romanian State - Ministry of Energy	248,736,619	82.4959%	248,736,619	82.4959%
Fondul Proprietatea S.A.	21,268,355	7.0539%	27,408,381	9.0903%
Other shareholders	31,508,877	10.4502%	25,368,851	8.4138%
Total	301,513,851	100%	301,513,851	100%

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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 preemptive 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.

Prepaid reserve

The prepaid reserves amount to RON 21,553,537 as at December 31, 2018 and December 31, 2017 and represent objectives of public utility at Cernavodă NPP (RON 5,439,321 as at December 31, 2018 and December 31, 2017), budgetary allocations for the period 2007-2011 for the construction of the Training and Recreation Center for Youth and Children in Cernavodă (RON 16,114,216 as at December 31, 2018 and December 31, 2017).

Revaluation reserves

As at December 31, 2018 the revaluation reserve amounts to RON 257,407,532 (December 31, 2017: RON 236,534,798), net of deferred tax related to the revaluation reserve. The last revaluation of lands, buildings and constructions took place on December 31, 2018 by an independent valuer, Primoval SRL, member of the National Association of Certified Assessors in Romania (“ANEVAR”). Following the revaluation, the Company recognized an increase in the revaluation reserve amounting to RON 55,471,628, of which the deferred tax debt of RON 8,875,461 was deducted.

During 2018, the Company recognized a decrease of the revaluation reserve amounting to RON 25,723,433 following its transfer into the reported result (2017: RON 26,819,969).

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 ended on December 31, 2018, the Company declared dividends amounting to RON 756,799,766 (December 31, 2017: RON 209,524,685), out of which RON 271,362,466 distributed from the net profit of the financial year of 2017, according to the OGMS Decision no. 5 /April 25, 2018 (December 31, 2017: RON 99,499,571 distributed from the net profit of the financial year of 2016, according to the AGM Decision no. 2 /April 24, 2017) and RON 485,437,300 distributed based on the provisions of Art. II and Art. III of Government Emergency Ordinance no. 29/2017, from the “Carried forward result”, according to the GMS Decision no. 13 / 10.12.2018 (December 31, 2017: RON 110,000,000 distributed based on the provisions of Art. II and Art. III of Government Emergency Ordinance no. 29/2017, from the “Carried forward result”, according to the GMS Decision no. 8 / 09.28.2017. Unpaid net dividends as at December 31, 2018 amounted to RON 684,121 (December 31, 2017: RON 110,826).

The impact of the correction of accounting errors as at December 31, 2018 on the "Result carried forward" position resulting from the application of IAS 16 on general inspections of nuclear plant units is shown in Note 2 (e).

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12. BORROWINGS

Reimbursements of borrowings during the year ended on December 31, 2018 were as follows:

	Currency	Interest rate	Value	Year of final maturity
Balance as at January 1, 2018 (audited)			1,129,647,869	
New issues				
Reimbursements, out of which			(211,343,884)	
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.45%	(35,769,441)	2022
Societe Generale - AECL BC	CAD	CDOR 6M + 0.375%	(65,503,143)	2022
EURATOM	EUR	EURIBOR 6M + 0.08%	(108,071,300)	2024
Exchange rate differences			(8,443,013)	
Balance as at December 31, 2018 (audited)			909,860,972	

(i) Long term borrowings

As at December 31, 2018 and December 31, 2017, the long-term borrowings are as follows:

	December 31, 2018 (audited)	December 31, 2017 (audited)
Societe Generale - ANSALDO BC	125,506,545	161,220,243
Societe Generale - AECL BC	228,883,938	305,352,316
EURATOM	555,470,490	663,075,310
Total long-term loans	909,860,973	1,129,647,869
Less: Current portion of long-term loans	(209,456,905)	(211,787,832)
Less: Balance of commitment and insurance fees (long term)	(16,436,599)	(23,011,238)
Total long-term loans net of the short-term portion	683,967,469	894,848,799

The long-term borrowings are detailed as follows:

a) 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, 2018 is EUR 26.91 million (December 31, 2017: EUR 34.60 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.

b) 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, 2018 is CAD 76.49 million (December 31, 2017: CAD 98.34 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.

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c) 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, 2018 is EUR 119.10 million (December 31, 2017: EUR 142.3 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 40 million (December 31, 2017: EUR 50 million); (ii) Second instalment with a balance of EUR 54 million (December 31, 2017: EUR 63 million) and (iii) Third instalment with a balance of EUR 25.1 million (December 31, 2017: EUR 29.3 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 0.080% margin for the first 2 instalments and a 0.079% for the third instalment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

The loan agreement includes certain financial clauses: (i) the coverage index for the debt service should be at least 1.5; (ii) indebtedness must not exceed the value 2; (iii) the Group's income should be sufficient to cover the operating and maintenance cost for Units 1 and 2, as well as the interests payments in relation to units 1 and 2.

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

As at December 31, 2018 and December 31, 2017, 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) and promissory notes are issued by the Company in favor of the creditor.

(ii) Short-term borrowings

As at December 31, 2018 and December 31, 2017, the short-term borrowings are as follows:

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Current portion of long-term loans	209,456,905	211,787,832
Interests related to the long-term borrowings	511,595	442,109
Short-term transaction costs	(6,574,640)	(6,574,639)
Total short-term loans	203,393,860	205,655,302

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*(All amounts are presented in RON, unless otherwise indicated)***13. TRADING AND OTHER LIABILITIES**

As at December 31, 2018 and December 31, 2017, trading and other liabilities are as follows:

	December 31, 2018 (audited)	December 31, 2017 (audited)
Non-current assets suppliers	14,722,450	21,554,862
Trade payables	60,462,083	74,668,365
Obligations related to employee liabilities	24,440,168	12,649,979
Payables to the State	89,292,102	70,528,622
Gross dividends payable	4,278,146	138,871
Other payables	3,912,931	1,092,220
Total	197,107,880	180,632,919

On December 31, 2018, the main balance suppliers, from the "Non-current assets suppliers" and "Suppliers" positions, are: Apele Romane Bucharest – RON 11,951,605 (December 31, 2017 – RON 11,957,517), General Concrete S.R.L. – RON 5,160,292 (December 31, 2017 – RON 2,215,539), General Electric USA – RON 4,959,751 (December 31, 2017 – RON 100,146), Titan Echipamente Nucleare S.A. – RON 4,832,186 (December 31, 2017 – RON 1,491,250).

As at December 31, 2018, "Accounts payable and other liabilities" include the amount of RON 29,081,865 (December 31, 2017: RON 34,180,278) related to liabilities to affiliated parties, of which, under the "Suppliers" and "Non-current assets suppliers" positions, the amount of RON 20,779,125 (December 31, 2017: RON 21,697,172) and under the position "Payables to the State" the amount of RON 8,302,740 (December 31, 2017: RON 10,069,885), representing the contribution to ANDR, for the decommissioning of nuclear facilities and the permanent storage of radioactive waste.

As at December 31, 2018, the "Payables to the State" position includes the debt related to local taxes and duties set by state authorities in 2018, amounting to RON 56,421,959 (December 31, 2017: RON 45,311,609), which, according to IFRIC 21 - Taxes, is recognized on 31 December. The maturity of these taxes and charges is during the financial year 2019.

14. PROVISIONS FOR RISKS AND EXPENSES

On December 31, 2018 and December 31, 2017, respectively, the Company confirmed 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, 2018 (audited)	December 31, 2017 (audited)
Obligations regarding the Intermediary Used Fuel Storage (DICA)	60,633,302	57,953,296
Obligations regarding the low and medium radioactive and non-radioactive waste	97,648,239	97,584,997
Salary increase litigation provision	34,937,153	-
Employees' participation to the profit	16,000,000	13,265,000
Provisions for litigations	7,495,641	71,141
Total	216,714,335	168,874,434

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On December 31, 2018, the provisions in the total amount of RON 216,714,335 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)	47,301,771	13,331,531
Obligations regarding the low and medium radioactive and non-radioactive waste	93,148,718	4,499,521
Salary increase litigation provision	34,937,153	-
Employees' participation to the profit	-	16,000,000
Provisions for litigations	7,495,641	-
Total	182,883,283	33,831,052

"Salary increase litigation provision" position represents the forecast of the effects of litigations initiated by Unions against the Company, CNE Cernavoda Union and Sindicatul Liber Energetica Nucleara '90 Union, with regard to the allowance for nuclear risk, as a salary increase.

15. INCOME TAX

The income tax recognized in the profit and loss account:

	2018 (audited)	2017 (audited, restated)
Current income tax expense	182,146,565	73,687,453
Deferred tax release	(20,134,506)	(20,685,327)
Total	162,012,059	53,002,126

Receivables and liabilities related to the deferred taxes are assessed on December 31, 2018 and December 31, 2017 at the 16% effective tax rate, representing the tax rate currently implemented.

Reconciliation of effective tax rate:

	2018 (audited)	2017 (audited, restated)
Profit before income tax	572,623,274	359,545,038
The effect of the difference between accounting depreciation and tax depreciation	(927,936)	(1,646,349)
Income tax at the statutory rate of 16%	91,619,724	57,527,206
The effect of non-deductible expenses	45,870,935	19,345,865
Taxed revaluation reserves	68,183,776	9,205,270
Effect of tax exempt income	(12,113,451)	(7,977,403)
Deferred tax release, net	(20,134,506)	(20,685,327)
Reinvested profit	(516,335)	(1,300,441)
Fiscal facility effect from applying VAT split	(9,605,836)	(934,094)
Effects of other differences	(364,312)	(532,600)
Income tax expense	162,012,059	53,002,126

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The deferred tax consists of:

December 31, 2017 (audited, restated)	Assets	Liabilities	Net
Tangible assets	-	141,884,364	141,884,364
Intangible assets	-	3,971,298	3,971,298
Inventories	(1,413,187)	-	(1,413,187)
Obligations on 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)	145,855,662	113,903,761

December 31, 2018 (audited)	Assets	Liabilities	Net
Tangible assets		139,493,073	139,493,073
Intangible assets		2,530,439	2,530,439
Inventories	(1,132,537)		(1,132,537)
Obligations on employee benefits	(5,133,123)		(5,133,123)
Salary increase provision	(5,589,944)		(5,589,944)
Employees' participation to the profit	(2,560,000)		(2,560,000)
Holiday leaves not taken	(512,778)		(512,778)
Taxes and duties	(8,826,698)		(8,826,698)
Radioactive and non-radioactive waste	(15,623,718)		(15,623,718)
Net tax (asset)/debt	(39,378,797)	142,023,512	102,644,715

The movement table regarding the deferred taxes debt in 2017 and 2018 is as follows:

	Balance as at January 1, 2017 (audited, restated)	Deferred tax recognized in profit and loss	The impact as at 31.12.2017 of correcting accounting errors with the retained earnings	Balance as at December 31, 2017 (audited, restated)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other comprehensive income	Balance as at December 31, 2018 (audited)
Tangible assets	155,872,622	(16,968,981)	2,980,722	141,884,364	(11,266,750)	8,875,461	139,493,073
Intangible assets	3,101,888	869,410	-	3,971,298	(1,440,860)	-	2,530,439
Inventories	(1,195,811)	(217,376)	-	(1,413,187)	280,651	-	(1,132,537)
Obligations on employee benefits	(4,809,882)	(339,952)	-	(5,149,834)	16,711	-	(5,133,123)
Salary increase provision	-	-	-	-	(5,589,944)	-	(5,589,944)
Employees' participation to the profit	(606,880)	(1,515,520)	-	(2,122,400)	(437,600)	-	(2,560,000)
Allowances for administrators	(176,721)	143,673	-	(33,048)	33,048	-	(0)
Holiday leaves not taken	(24,307)	(358,422)	-	(382,729)	(130,049)	-	(512,778)
Taxes and duties	(6,065,546)	(1,171,557)	-	(7,237,103)	(1,589,595)	-	(8,826,698)
Radioactive and non-radioactive waste	(14,486,997)	(1,126,602)	-	(15,613,600)	(10,119)	-	(15,623,718)
Net tax (asset)/debt	131,608,366	(20,685,327)	2,980,722	113,903,761	(20,134,506)	8,875,461	102,644,715

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16. EMPLOYEE BENEFITS

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Retirement benefits	24,806,444	20,201,084
Anniversary bonuses	5,047,533	4,624,496
Benefits in case of death	977,098	832,790
Retirement benefits in the energy field	7,786,273	7,669,659
Total	38,617,348	33,328,029

On December 31, 2018, 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, 2018 and December 31, 2017.

Assessment date	December 31, 2018	December 31, 2017
Number of employees	2,059	2,001
Rate of wage increase	SNN's management estimated an increase in the annual rate of increase in consumer prices communicated by the National Prognosis Commission. The evolution of the price increase estimated by the Winter Forecast 2018 is: 2.8% in 2019 2.5% in 2020 2.3% in 2021 2.2% in 2022 For 2023 and the following years: average salary increase with the annual inflation rate.	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.
Rate of kWh price increase	kWh price updated on 31.12.2018: RON 0.6629. For 2019-2030: estimates provided by SNN and development on the same trend for the years to come.	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	2.05%	2,2%
Mortality tables	Mortality rates in Romania in 2013	Mortality rates in Romania in 2013
Gross average wage	8,318	5,755

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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, 2018 and for the residual term to maturity of 1 - 10 years and 13 years.
- Mortality rate used is the one communicated by the National Institute of Statistics.
- A discount rate of 4.02%.

17. REVENUES FROM ELECTRICITY SALES

(i) *Revenues from electricity sales*

	2018	2017
	(audited)	(audited)
Sales of electricity on regulated market	-	96,738,415
Sales of electricity on free market	2,112,000,139	1,785,829,730
Sales of thermal energy	4,970,369	2,154,959
Revenues from green certificates	21,171	17,407
Total	2,116,991,679	1,884,740,511

(ii) *The amount of energy sold*

	2018	2017
	(audited)	(audited)
Quantity of electricity sold on regulated market (MWh)	-	609,458
Quantity of electricity sold on free market (MWh)	10,642,623	10,107,639
	10,642,623	10,717,097

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 33,556 MWh for the fiscal year ended on December 31, 2018 (28,059 MWh for the year ended on December 31, 2017).

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 2018 amount to RON 4,970,369 (December 31, 2017: RON 2,154,959).

In 2018, the Company did not sell energy on the regulated market (2017: 5.7%). The total quantity of electricity sold in 2018 was 10,642,623 MWh (2017: 10,717,097 MWh). In the competitive market, in 2018, the Company delivered 99.7% of the energy sold (2017: 94.1%). The average sale price of electricity sold by the Company on this market in 2018 was 198.45 RON/MWh (2017: 176.68 RON/MWh) value, which does not include Tg.

The electricity sector is regulated by the National Energy Regulatory Authority (“ANRE”), an autonomous public institution. In 2018, the Energy Regulation National Authority (“ANRE”) no longer set for manufacturers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the manufacturers based on regulated contracts and electricity quantities from the regulated contracts concluded by the manufacturers with last-instance suppliers, after completing the schedule for gradually removing regulated fees. Following the Government Emergency Ordinance no. 114 / 28.12.2018, amending and supplementing Electricity and natural gas law no. 123/2012, by establishing the supply of electricity under conditions regulated by ANRE for household clients, between March 01, 2019 and February 28, 2022 and introducing as an additional obligation of manufacturers to deliver t last-instance

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suppliers, between March 1, 2019 and February 28, 2022, the electricity that is necessary for ensuring the consumption of household consumers for which regulated fees are applied, ANRE issued Order 10 / February 01, 2019 for approving the Methodology for setting the prices for the electricity sold by the manufacturers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by the manufacturers with last-instance suppliers. ANRE sets for the manufacturers in the indicated period obligations to sell firm quantities of electricity based on regulated contracts. For 2019, the estimated quantity estimated to be attributed to SNN for regulated contracts is 1,377 GWh, and for the following years, the sale obligations based on the regulated contracts attributed to SNN shall be set on a maximum level of 65% of the delivered electricity quantity.

18. EMPLOYEES COSTS

In 2018, the employee's costs amounted to RON 388,847,183 (2017: RON 324,765,608), as follows:

	2018	2017
	(audited)	(audited)
Wages and salaries	359,086,900	251,507,727
Expenditure on social security and assimilated costs	29,760,283	73,257,881
Total costs borne for employees	388,847,183	324,765,608

In 2018, the breakdown by category of employees is as follows:

	2018	2017
	(audited)	(audited)
Chief officers	177	173
Executive officers	1,881	1,861
Total actual number of employees	2,058	2,034

19. OTHER OPERATING EXPENSES

	2018	2017
	(audited)	(audited)
Expenses with third parties services	80,872,954	93,617,443
Expenses with ANDR	97,237,719	96,721,769
Energy and water expenses	78,040,404	78,039,258
Fuel and other consumables expenses	32,351,528	31,090,933
Costs of insurance premiums	12,433,430	12,486,885
Transport and telecommunication expenses	6,616,390	6,185,561
Tax on buildings expenses	55,772,410	44,671,149
Expenses related to provisions and impairments, net	38,064,930	8,543,688
Other operating expenses	31,339,130	31,954,908
Total	432,728,895	403,311,594

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.

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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.

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 2018, the Company established provisions amounting to RON 60,795,053 (2017: RON 26,081,378) and reversed provisions amounting to RON 22,730,123 (2017: RON 17,537,699). Of the provisions constituted in 2018, RON 34,937,153 represent the prepayment of the wage provision, RON 11,154,521 account for the update of the provision for the Intermediary Used Fuel Storage ("DICA") (2017: RON 15,554,982) and RON 9,451,819 represent the update of the provision for low and medium radioactive waste (2017: RON 7,014,901).

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, 2017: RON 9,900,000), as well as other taxes and contributions paid to governmental and non-governmental organizations amounting to RON 2,906,417 (December 31, 2017: 3.579.064 RON).

20. FINANCIAL REVENUES AND EXPENSES

	2018	2017
	(audited)	(audited)
Income from interests	45,165,435	13,372,796
Foreign exchange gains	49,772,165	62,277,633
Income from dividends	1,193	3,102
Total financial revenues	94,938,793	75,653,531
Foreign exchange losses	(42,194,580)	(71,457,344)
Interest related expenses	(16,661,029)	(22,645,004)
Total financial expenses	(58,855,609)	(94,102,348)
Net financial expenses	36,083,184	(18,448,817)

21. OTHER INCOMES

	2018	2017
	(audited)	(audited)
Income from investment subsidies	14,376,189	14,383,111
Income from compensations, fines and penalties	19,613,132	1,714,181
Other income	16,216,103	19,505,124
Total	50,205,424	35,602,416

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.

The "Revenues from penalties and compensation" position includes the amount of 13,4 mil. RON representing compensation collected from S.C. Tess Conex S.A., following a final judgment passed pronounced in the month of January of 2018.

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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), acquisition of heavy water necessary to fill the reserve for Units 1 and 2 of Cernavoda NPP (Administratia Nationala a Rezervelor de Stat si Probleme Speciale), acquisition of electricity transmission and balancing services (CN Transelectrica S.A.), purchase of natural uranium in the form of sinterable powder by UO2 (Compania Nationala a Uraniului 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) .

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

	Sales		Receivables as at	
	2018 (audited)	2017 (audited)	December 31, 2018 (audited)	December 31, 2017 (audited)
Operatorul Pietei de Energie Electrica si de Gaze Naturale din Romania (OPCOM S.A.)	301,974,078	497,486,770	1,811,364	2,163,530
Societatea de Distributie A Energiei Electrice Muntenia Nord S.A.	20,546,411	42,550,988	-	-
C.N. Transelectrica S.A.	16,487,989	15,051,450	14,107	12,148
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	15,635,081	-	-	-
Utilitati Publice S.A. Cernavoda	5,040,662	2,163,027	1,484,528	911,379
Compania Nationala a Uraniului S.A.	53,577	20,990	-	-
Energonuclear S.A.	45,400	6,593	2,537,812	501,446
Compania Nationala Administratia Canalelor Navigabile S.A.	7,541	4,911	2,162	1,284
Regia Autonoma Tehnologii pentru Energia Nucleara - ICN	2,689	1,471	-	-
Total	359,793,430	557,286,200	5,849,973	3,589,787

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	Purchases		Payables as at	
	2018 (audited)	2017 (audited)	December 31, 2018 (audited)	December 31, 2017 (audited)
Agentia Nucleara si pentru Deseuri Radioactive	97,237,719	96,721,769	8,302,740	10,069,885
Apele Romane Bucuresti	59,451,817	59,898,126	11,951,605	11,957,517
Operatorul Pietei de Energie Electrica si de Gaze Naturale din Romania (OPCOM S.A.)	22,983,041	17,040,064	34,683	861,635
Compania Nationala a Uraniului S.A.	21,449,446	1,899,635	-	2,510,328
C.N. Transelectrica S.A.	11,804,071	12,586,884	6,895,972	3,691,904
Administratia Bazinala de Apa Dobrogea Litoral	10,835,017	10,922,375	2,526,881	1,278,390
Administratia Nationala a Rezervelor de Stat si Probleme Speciale	10,316,132	21,978,338	-	-
Comisia Nationala pentru Controlul Activitatilor Nucleare	9,228,265	9,329,506	-	-
Regia Autonoma Tehnologii pentru Energia Nucleara - ICN	4,446,773	3,951,151	975,441	1,057,168
Raja S.A.	3,332,766	2,574,192	563,274	505,125
Compania Nationala Administratia Canalelor Navigabile S.A.	1,416,620	1,113,464	512,887	188,077
Utilitati Publice S.A. Cernavoda	435,423	438,085	100,139	76,662
Inspectia de Stat pentru Controlul Cazanelor, Recipientelor sub Presiune si Instalatiilor de Ridicat	186,827	158,872	35,775	11,730
Centrul Meteorologic Dobrogea	100,507	90,000	24,947	17,850
Institutul National de Hidrologie si Gospodarierea Apelor	63,328	54,996	26,273	10,908
Administratia Nationala de Meteorologie	-	-	480,760	-
Societatea de distributie a energiei electrice Muntenia Nord S.A.	-	-	-	1,954,008
Societatea de distributie a energiei electrice Transilvania Sud S.A.	-	-	5,265,958	-
Total	253,287,752	238,757,457	37,697,333	34,191,187

The balance of debts to affiliated parties as at December 31, 2018 presented above included the advance payments received from customers, affiliated parties, amounting to RON 9,511,296 presented in the Individual Statement of the Financial Position as at December 31, 2018 within the group "Current Liabilities" under the position "Short-term Deferred Income" (December 31, 2017: 3.344.990 RON).

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

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

iii) Compensation to senior management of the Company

The management of the Company is made up of:

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

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

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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 remuneration. For the year 2018, the gross remuneration reflected below includes the increases due to the transfer of wage contributions from the employer to the employee, in accordance with the provisions of GEO 79/2017.

	2018	2017
	(audited)	(audited)
Remuneration of the management of the Company (gross amounts)	9,189,001	6,435,614
	9,189,001	6,435,614

23. EARNINGS PER SHARE

As at December 31, 2018 and December 31, 2017, the earnings per share were as follows:

(i) Basic earnings per share

	2018	2017
	(audited)	(audited, restated)
Net profit for the year	410,611,215	306,542,912
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 as at December 31	301,513,851	301,513,851
Basic earnings per share (RON/share)	1.36	1.02

(ii) Diluted earnings per share

	2018	2017
	(audited)	(audited, restated)
Net profit for the year	410,611,215	306,542,912
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)	1.36	1.02

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

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order to manage efficiently the risks and opportunities. The financial department prepares on a regular basis 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:

	Book value (*)	RON	EUR	USD	CAD	GBP
December 31, 2018						
Monetary assets						
Cash and cash equivalents	1,611,175,766	1,606,937,105	438,949	177,140	3,575,765	46,808
Payments made in advance	2,716,723	183,069	-	591,405	1,942,249	-
Tangible assets (prepayments)	5,498,136	4,348,026	-	-	1,150,111	-
Gross exposure	1,619,390,626	1,611,468,199	438,949	768,545	6,668,125	46,808
Monetary liabilities						
Trade payables and suppliers of non-current assets	(75,184,535)	(61,911,505)	(2,209,980)	(7,318,282)	(3,701,055)	(43,714)
Loans	(910,372,567)	-	(681,131,100)	-	(229,241,467)	-
Gross exposure	(985,557,102)	(61,911,505)	(683,341,080)	(7,318,282)	(232,942,522)	(43,714)
Net exposure in the statement of financial position (audited)	633,833,524	1,549,556,695	(682,902,131)	(6,549,737)	(226,274,397)	3,094
	Carrying amount (*)	RON	EUR	USD	CAD	GBP
December 31, 2017						
Monetary assets						
Cash and cash equivalents	1,713,349,815	1,703,739,753	120,259	3,532,579	5,934,901	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	1,729,788,802	1,719,086,604	235,190	4,097,547	6,347,137	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)	503,917,704	1,634,580,235	(827,072,414)	2,618,511	(305,126,173)	(1,082,454)

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

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The following exchange rates have been used:

	Average rate		Reporting date spot rate	
	2018	2017	December 31, 2018	December 31, 2017
RON/ EUR	4.6535	4.5680	4.6639	4.6597
RON/USD	3.9433	4.0517	4.0736	3.8915
RON / CAD	3.0429	3.1221	2.9925	3.1051
RON/GBP	5.2597	5.2123	5.1931	5.2530

Sensitivity analysis

A 10% strengthening of the national currency against these foreign currencies on December 31, 2018 and December 31, 2017 would have increased the gross profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit 2018 (audited)	Profit 2017 (audited)
EUR	68,290,213	82,707,241
USD	654,974	(261,851)
CAD	22,627,440	30,512,617
GBP	(309)	108,245
Total	91,572,317	113,066,253

A 10% depreciation of the national currency against the following foreign currencies on December 31, 2018 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 2018 (audited)	Loss 2017 (audited)
EUR	(68,290,213)	(82,707,241)
USD	(654,974)	261,851
CAD	(22,627,440)	(30,512,617)
GBP	309	(108,245)
Total	(91,572,317)	(113,066,253)

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, 2018 (audited)	December 31, 2017 (audited)
Fixed rate instruments		
Financial assets	1,565,104,490	1,272,478,488
	1,565,104,490	1,272,478,488
Variable rate instruments		
Financial liabilities	(909,860,972)	(1,129,647,869)
	(909,860,972)	(1,129,647,869)

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

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*(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, 2018		
Variable rate instruments	(9,098,610)	9,098,610
Cash flow sensitivity (net)	(9,098,610)	9,098,610
December 31, 2017		
Variable rate instruments	(11,296,479)	11,296,479
Cash flow sensitivity (net)	(11,296,479)	11,296,479

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 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.

As at December 31, 2018 the Company is exposed to a concentrated credit risk, considering the fact that approximately 22% of the trade receivables are in relation to the Romanian Electricity and Gas Market Operator (OPCOM) and in relation to Electrica Furnizare S.A. (see Note 9). The counterparty risk is limited considering the guarantees obtained from clients as bank guarantee letters.

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

	December 31, 2018 (audited)	December 31, 2017 (audited)
Banca Transilvania S.A.	305,472,272	263,916,540
Alpha Bank S.A.	281,760,118	124,788,371
Garanti Bank S.A.	247,868,716	225,868,115
Banca Comerciala Romana S.A.	221,100,290	418,382,211
Unicredit Bank S.A.	217,095,215	223,620,369
Credit Agricole Bank S.A.	134,390,000	-
EximBank S.A.	100,628,726	100,001,338
BRD Societe Generale S.A.	91,237,523	370,539,724
OTP Bank S.A.	65,128,619	59,745,352
Libra Internet Bank S.A.	45,156,274	-
Citi Bank Romania	25,095,889	2,013,506
Treasury of Bucharest Municipality	1,564,388	1,948,198
Patria Bank S.A.	168	31,531,473
Other	1,051,075	177,927
Total cash, bank deposits and financial assets	1,737,549,273	1,822,533,123

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

	Net value	
	December 31, 2018	December 31, 2017
	(audited)	(audited)
Financial assets		
Trade receivables	157,665,341	120,059,645
Bank deposits	20,954,979	32,827,456
Cash and cash equivalents	1,611,175,766	1,713,349,815
Other receivables	19,839,951	30,383,709
	1,809,636,037	1,896,620,625

The ageing of trade receivables on the reporting date was:

	Gross value	Value	Gross value	Value
	December 31, 2018	adjustments as at	December 31, 2017	adjustments as at
		December 31,	(audited)	December 31,
		2018		2017
Not past due	157,227,064	-	118,073,727	-
Past due 1-30 days	417,512	-	1,769,419	-
Past due 31-90 days	10,270	-	104,660	-
Past due 91-180 days	10,494	-	111,838	-
Past due 181-270 days	-	-	586,758	(586,758)
Past due 271-365 days	27,007	(27,007)	1,389	(1,389)
Past due more than one year	10,831,927	(10,831,927)	12,839,439	(12,839,439)
Total	168,524,274	(10,858,933)	133,487,231	(13,427,586)

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

	Gross value	Value	Gross value	Value
	December 31, 2018	adjustments as at	December 31, 2017	adjustments as at
		December 31,	(audited)	December 31,
		2018		2017
Not past due	24,554,140	-	30,337,924	-
Past due 1-30 days	1,467,610	-	-	-
Past due 31-90 days	3,592	-	20,965	-
Past due 91-180 days	1,946	-	-	-
Past due 181-270 days	1,961	-	-	-
Past due 271-365 days	-	-	-	-
Past due more than one year	3,190,028	(3,190,028)	3,103,425	(3,078,604)
Total	29,219,277	(3,190,028)	33,462,313	(3,078,604)

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

	December 31, 2018 (audited)	December 31, 2017 (audited)
Balance on the beginning of the year	(13,427,586)	(12,846,744)
Recognized impairment adjustments, net of resumptions	2,568,653	(580,842)
Balance on the end of the year	(10,858,933)	(13,427,586)

d) Liquidity risk

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

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

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

	Carrying amount December 31, 2018 (*)	Contractual amount	<12 months	1-2 years	2-5 years	> 5 years	Carrying amount December 31, 2017
December 31, 2018							
Financial liabilities							
Loans	909,860,973	909,860,973	209,456,905	418,913,810	281,490,259	-	1,129,647,869
Trade payables and suppliers of non-current assets	75,184,533	75,184,533	75,184,533	-	-	-	96,223,227
Provisions for risks and expenses	216,714,335	216,714,335	33,831,052	94,075,675	40,783,494	48,024,114	168,874,434
Other payables	121,923,347	121,923,347	121,923,347	-	-	-	84,409,692
	1,323,683,188	1,323,683,188	440,395,836	512,989,485	322,273,753	48,024,114	1,479,155,223

(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, 2018 and December 31, 2017, 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

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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, 2018 (audited)			
Financial assets			
Financial assets	110,451,459	110,451,459	2
Net trade receivables	157,665,341	157,665,341	2
Cash and cash equivalents	1,611,175,766	1,611,175,766	2
Bank deposits	20,954,979	20,954,979	2
Net other receivables	26,029,249	26,029,249	2
	1,926,276,794	1,926,276,794	

	Carrying amount	Fair value	Level
December 31, 2018 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	683,967,469	683,967,469	2
Provisions for risks and expenses	182,883,283	182,883,283	2
	866,850,752	866,850,752	

Short-term financial liabilities			
Suppliers, including suppliers of non-current assets	75,184,533	75,184,533	2
The current share of provisions for risks and expenses	33,831,052	33,831,052	2
Borrowings, short-term portion of long-term loans	203,393,860	203,393,860	2
Employee benefits and other payables	121,923,347	121,923,347	2
	434,332,792	434,332,792	

	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	1,713,349,815	1,713,349,815	2
Bank deposits	32,827,456	32,827,456	2
Net other receivables	30,383,709	30,383,709	2
	1,972,976,477	1,972,976,477	

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	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	31,838,166	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
	418,126,387	418,126,387	

(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.

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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 lodged partial objections to the preliminary inspection report.

On 17.11.2017 the Company received from ANAF - DGAMC 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 Lei 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-verification action ended with the fiscal inspection process F-MC 60 / 04.04.2018 and the decision regarding the modification of the tax base no. F-MC 117/04.04.2018, through which no value added tax obligations have been established.

(ii) Other check-ups

In the period 10.01.2018-04.05.2018 the Romanian Court of Accounts carried out a control on the topic "Control regarding the situation, evolution and manner of administration of the public and private patrimony of the state, as well as the legality of the income earned and the expenses incurred", finalized by the Control Report no. 5.445 / 04.05.2018 and issued the Decision no.5 / 08.06.2018. The Company filed a complaint against this decision as a result of which the Commission for the settlement of the appeals issued the Decision no. 29 / 31.07.2018. Currently, the Company is in litigation with the Court of Accounts on the measures ordered by the aforementioned decision.

Between 27.03.2018-24.08.2018 the Prime Minister's Control Body carried out a control with the following objectives: verification of compliance with the legal provisions regarding the organization and functioning of the entity, of the managerial activity regarding the operation of Cernavoda Nuclear Power Plant units 1 and 2, verification of compliance with corporate governance rules, verification of compliance with legal provisions regarding the award, execution and performance of contracts, verification of compliance with legal provisions regarding the income set and earned, and regarding the engagement and incurring of expenses, the status of the litigations pending before the courts of law. This control was finalized with the Inspection report no.127 / 04.01.2019 to which the Company formulated a point of view with Letter no. 1465 / 02.05.2019.

On the basis of the FMC Tax Inspection Notice 163 / 23.07.2018, on 23.08.2018, a control team came to the Company's headquarters to audit the income tax for the period 2012-2017, the tax on the income earned by non-resident persons in Romania, the income from dividends received in Romania by non-residents and the income from royalties obtained in Romania by non-residents for the period 2015-2017, VAT for the period 2013-2017, tax on interest income obtained in Romania by non-resident persons for the period 2015-2017. We mention that at the date of this tax inspection, it is ongoing.

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(iii) Insurance policies

As at December 31, 2018, 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)
- Civil / professional liability insurance policy for SNN directors and officers ("D&O") for a liability limit (insured amount of EUR 33 million).

(iv) Environmental issues

The Company recorded no liability as at December 31, 2018 and December 31, 2017 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, 2018 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.

(v) Ongoing litigations

During 2018, 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 and, 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.

(vi) Commitments

On December 31, 2018, the total amount of commitments is fully reflected under the position "*Trading and other liabilities*", representing capital and operating expenses.

(vii) 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, PCCB-LE - Centralized Market for Bilateral Contracts through Extended Auctions and PCSU - Centralized Market for Universal Service).

As at December 31, 2018, the total value of letters of bank guarantee issued in favor of customers for contracts concluded on

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PCCB-NC, PCCB-LE and PCSU amounts to RON 105.75 million, and in favor of OPCOM for the participation to DAM and IM amounted to RON 19.12 million .

Moreover, on December 31, 2018 the Company has established letters of guarantee issued in favor of Transelectrica S.A. and Ciga Energy S.A. amounting to RON 1.5 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.

For all these letters of guarantee, the Company established collateral deposits at banks issuing the letters of guarantee.

On December 31, 2018 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.

As at 31 December 2018, the value of the bank guarantee letters issued by clients in favor of the Company for the contracts concluded on PCCB-NC, PCCB-LE and PCSU is in amount of RON 611,9 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. The total fees (excluding VAT) for the year 2018 charged for all the services of limited review of the financial statements as at 30 June 2018, auditing of the financial statements as at 31.12.2017 and other audit services (analysis, verification and agreed procedures) in 2018 amount to RON 128,036.

The Company also benefited from tax consultancy services under the monthly subscription and transfer pricing services. 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, 2018 is in the amount of RON 104,881.

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

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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 2018 was 2,002 (2017: 1,975 employees). As at December 31, 2018 the actual number of employees is 2,058 (2017: 2.034 employees).

As at December 31, 2018, the company has 177 employees in leadership positions (2017: 173 employees) and 1,881 employees in executive positions (2017: 1,861 employees).

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 2018	410,611,215
Legal reserves	28,631,164
Other reserves representing tax facilities provided by law	3,065,741
Dividends	378,914,310
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 2018 and taking into account the average number of employees in 2018. The profit distribution proposal includes the amount of. The profit sharing obligation has been established by the income and expenditure budget approved for 2018 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 2018 includes a provision for employees participation in profits (derived from the accounting profit) in the amount of RON 16 million.

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 28,631,164.

Other reserves representing tax facilities provided by law (RON 3,065,741) are allocated based on art. 22 para. (1) 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%).

Notes on pages 1-29 are an integral part of these individual financial statements.

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

S.N. Nuclearelectrica S.A.

Notes to the individual financial statements prepared for the year ended on December 31, 2018

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

The proposed gross dividends (RON 378,914,310) were calculated as the difference between the net profit of the financial year (RON 410,611,215) and the amounts deducted as a legal reserve (RON 28,631,164) and the reserves accounting for fiscal facilities (RON 3,065,741) resulting in a 100% distribution.

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 23, 2019.

29. SUBSEQUENT EVENTS TO THE REPORTING DATE***Amendment of the Articles of Incorporation of the Company***

By Resolution no. 2/04.01.2019 of the Extraordinary General Assembly of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this topic on the agenda (item 2 of the EGMS agenda of January 4, 2019), was approved. The amendment is as follows: adding par. (7) to art. 8 which is specifying that the Board of Directors is authorized, for a period of three years, to increase the share capital by issuing new shares in exchange for the contributions of the shareholders up to an authorized capital value of Lei 3,015,427,983.

Activities approved for the increase of share capital

Resolution no. 2/04.01.2019 of the Extraordinary General Assembly of Shareholders approved the following activities for the increase of share capital:

1. The appointment by the Trade Registry Office attached to Bucharest Court of Law of an authorized assessor to appraise the land located on 23 Energia Street, Cernavoda, Constanta County, in order to increase the share capital of Nuclearelectrica S.A., as per the note forwarded to the shareholders with regard for this point of the agenda (item 3 of EGMS agenda from January 4, 2019);
2. Conferral of power to the Board of Directors for S.N. Nuclearelectrica S.A. share capital increase up to a maximum value of authorized registered capital of Lei 3,015,427,983 lei, according to the note forwarded to the shareholders in relation to this item of the agenda (item 4 of EGMS agenda from January 4, 2019).

Appraisal mission lead by the World Association of Nuclear Operators "WANO"

By the Current Report published on January 30, 2019, S.N. Nuclearelectrica S.A. is notifying the shareholders and investors on the appraisal mission lead by the World Association of Nuclear Operators "WANO" between 5 – 12 November 2018. This appraisal, carried out at the request of S.N. Nuclearelectrica S.A., by a team of 25 international experts sent by nuclear power plants from all over the world, concluded that the level of nuclear security at CNE Cernavoda is high.

Changes in the management of the Company

By Resolutions no. 2/04.02.2019 and no. 3/04.02.2019, SNN Board of Directors has approved the appointment of the Chief Executive Officer, Deputy Executive Officer and Chief Financial Officer for a period of 4 years, starting on February 11, 2019, as follows: Mr. Cosmin Ghita – as Chief Executive Officer; Mr. Dan Laurentiu Tudor – as Deputy Executive Officer and Mr. Adrian Gabriel Dumitriu – as Chief Financial Officer.

Date: March 20, 2019

Cosmin Ghita
Chief Executive Officer

Adrian Gabriel Dumitriu
Chief Financial Officer

Notes on pages 1-29 are an integral part of these individual financial statements.

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Independent Auditor's Report*

(*This represents a non-official English translation of the original audit report issued in Romanian language.)

To the shareholders of S.N. NUCLEARELECTRICA S.A.

Report on the Audit of the Separate Financial Statements

Qualified Opinion

1. We have audited the accompanying separate financial statements of **S.N. NUCLEARELECTRICA S.A.** ("the Company"), with registered office in 65 Polona Street, 1st district, Bucharest, Romania, registered with the Bucharest Trade Registry under no. J40/7403/1998 and having fiscal identification code RO10874881, which comprise the separate statement of financial position as at 31 December 2018, the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the financial year then ended, and explanatory notes to the separate financial statements, including a summary of significant accounting policies, presenting the following:
 - Net Assets / Total equity and reserves: RON 7,179,130,612
 - Net result of the year: RON 410,611,215 (profit)
2. In our opinion, except for the possible effect of the matter described in the below paragraph 3, the accompanying separate financial statements of the Company present fairly, in all material respects, the separate financial position of the Company as at 31 December 2018, and its separate financial performance and its separate cash flows for the year then ended, in accordance with the provisions of the Order of the Ministry of Public Finance 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, as subsequently amended ("OMFP 2844/2016") and as described in the accounting policies presented in the notes to the financial statements.

Basis for Qualified Opinion

3. As stated in the Note 5 to the accompanying separate financial statements, as at 31 December 2018, the Company has recorded tangible assets in progress with the book value of RON 273,960,000 (RON 273,960,000 as at 31 December 2017), comprising capitalized items for Units 3 and 4 of Cernavoda nuclear power plant. Before 1991, nuclear units 1, 2, 3, 4 and 5 were considered a single project and therefore, the realized constructions costs were not allocated at the level of each unit. Subsequently, the Company has done the allocation of the construction costs for the Units 3 and 4 of the nuclear power plant. We could not obtain sufficient and relevant evidence in relation with the accuracy of this split, which has effect on the valuation of these assets. These limitations have impact as well on the deferred tax liability allocated for the Units 3 and 4 as at 31 December 2018 in amount of RON 43,524,186 (RON 43,524,186 as at 31 December 2017). Consequently, we were not able to determine if adjustments are needed on the fixed assets, deferred tax liability and retained earnings as at 31 December 2018 and therefore on the depreciation and amortization, profit tax and net profit for the year then ended.
4. We conducted our audit in accordance with the International Standards on Auditing ("ISA"), the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 537/2014") and with the Law 162/2017 ("Law"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company

in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and in accordance with all other ethical requirements relevant for the audit of separate financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of matters

5. Without issuing additional reserves on our opinion, we draw attention to the Note 7 of the separate financial statements, which describe aspects with regard to the going concern of the subsidiary Energonuclear S.A and Units 3 and 4 Project. The total estimated recoverable amount of the investment in Units 3 and 4 of Cernavoda, including also all capitalized individual elements of the Company, was determined by the management based on certain assumptions, professional judgments, expectations regarding future events, which are believed to be reasonable under the circumstances, and other factors under the assumption that the current negotiations between the management of the Company and the selected investor will be successfully concluded. In the event that any of the assumptions, professional judgments, expectations of future events and other factors do not materialize, this may cause a material adjustment to the carrying amounts of the individual Company's assets, liabilities and results within the current or next financial exercise, the impact of which cannot be reasonably estimated as of the date of the issue of these separate financial statements.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Audit procedures performed to address the key audit matter
Correction of accounting errors	
<p>As disclosed in Note 2 e) to the separate financial statements, as at 30 June 2018 the Company has reconsidered the nature and recognition of regular general inspection costs and capital repairs performed alternately every two years, on Units 1 and 2. Therefore, in order to apply the provisions of International Accounting Standard IAS 16 "Property, Plant and Equipment", regular general inspection on Units 1 and 2, are capitalized in the tangible assets category, being subsequently depreciated over a 2-year period. Regular general inspections cover largely the same components of the Units, therefore the depreciation period considered is the 2-year period between two regular general inspections performed on the same components of the Units, thus substituting each other.</p> <p>Taking into account that this represents a change of approach during the audited year and the importance of the amounts involved, we consider that the analysis of this change is a key audit</p>	<p>In order to obtain reasonable assurance we have performed the following procedures:</p> <ul style="list-style-type: none"> • detailed understanding of the aspects mentioned and related corrections, • discussion of these aspects with the management of the Company, • assessing the compliance of these corrections with the provisions of OMFP 2844/2016, • assessing the reasonableness of the estimates and professional judgments used by the management of the Company, • reviewing the related documents needed to approve and record the corrections, • reviewing the computation performed by the Company,

Key audit matter	Audit procedures performed to address the key audit matter
matter for 2018.	<ul style="list-style-type: none"> analyzing how these corrections were recorded in the financial statements as at 31.12.2018. <p>Based on our tests performed, we have obtained sufficient and appropriate audit evidence to conclude that the regular general inspection costs and capital repairs on Units 1 and 2 recognized in the individual financial statements and the information in the notes to the individual financial statements are reasonable.</p>

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

7. The Management of the Company is responsible for the preparation and fair presentation of these separate financial statements in accordance with OMFP 2844/2016 and with the accounting policies presented in the notes to the separate financial statements, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
 14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Conformity of the Administrators' Report with the Separate Financial Statements

The Company's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is presented, as an Annual Report, and is not part of the Company's separate financial statements.

Our opinion on the accompanying separate financial statements does not cover the Administrators' Report.

In connection with our audit of the separate financial statements of the Company as at 31 December 2018, we have read the Administrators' Report attached to the separate financial statements and we report the following:

- a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements;

- b) the Administrators' Report identified above includes, in all material respects, the information required by articles 15-19 from the Accounting Regulations approved by OMFP 2844/2016;
- c) based on our knowledge and understanding acquired during the audit of the separate financial statements for the year ended 31 December 2018 regarding the Company and its environment, we have not identified in the Administrators' Report any information that would be significantly misstated.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Company through the Decision no. 3/11 July 2017 of the General Meeting of Shareholders ("GMS") to audit the separate and consolidated financial statements of the Company for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2017 until 31 December 2019.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 March 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No. 537/2014, were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate financial statements.

Bucharest, 20 March 2019

Ella Chilea

Auditor registered in the Public Electronic Register under no. 2190 / 2007

On behalf of **MAZARS ROMANIA S.R.L.**

Audit firm registered in the Public Electronic Register under no. 699/2007.



S.N. Nuclearelectrica S.A.

**Consolidated Financial Statements
as at and for the year ended on
December 31, 2018**

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

S.N. Nuclearelectrica S.A.

Statement of consolidated financial position as at December 31, 2018

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

	Note	December 31, 2018 (audited)	December 31, 2017 (audited, restated)	January 1, 2017 (audited, restated)
Assets				
Non-current assets				
Tangible assets	5	6,507,789,378	6,865,702,225	7,243,319,378
Intangible assets	6	54,834,581	62,536,487	80,636,934
Financial assets	9	110,451,459	76,355,852	22,414,346
Financial investments		23,100	23,100	23,100
Total non-current assets		6,673,098,518	7,004,617,664	7,346,393,758
Current assets				
Inventories	7	368,741,789	332,348,007	331,056,534
Trade receivables and other receivables	8	181,308,809	149,951,033	162,099,518
Payments made in advance		10,201,321	10,895,537	12,699,411
Bank deposits	9	20,954,979	32,827,456	26,709,812
Cash and cash equivalents	9	1,611,958,742	1,713,834,079	1,460,149,397
Total current assets		2,193,165,640	2,239,856,112	1,992,714,672
Total assets		8,866,264,158	9,244,473,776	9,339,108,430
Equity and liabilities				
Equities				
Share capital	10	3,210,641,253	3,210,641,253	3,210,641,253
Share premiums	10	31,474,149	31,474,149	31,474,149
Prepaid reserve	10	21,553,537	21,553,537	21,553,537
Revaluation reserve	10	1,820,339,902	1,773,743,734	1,773,743,734
Retained earnings	10	2,094,981,448	2,446,609,009	2,351,847,496
Total equity		7,178,990,289	7,484,021,682	7,389,260,169
Liabilities				
Long term liabilities				
Long term borrowings	11	683,967,469	894,848,799	1,087,961,815
Provisions for risks and expenses	13	182,883,283	137,036,268	118,032,110
Deferred revenues		114,757,293	129,101,954	143,446,616
Deferred tax liability	14	102,644,715	113,903,761	131,608,365
Obligations regarding employees benefits	15	38,617,348	33,328,029	31,907,053
Total long term liabilities		1,122,870,108	1,308,218,811	1,512,955,959
Current liabilities				
Accounts payable and other liabilities	12	197,307,458	180,681,905	178,686,733
The current share of provisions for risks and expenses	13	33,831,052	31,838,166	24,662,564
Current tax liability		98,958,158	21,726,375	6,432,070
Deferred revenues		30,913,233	12,331,535	6,181,408
Current portion of long-term loans	11	203,393,860	205,655,302	220,929,527
Total current liabilities		564,403,761	452,233,283	436,892,302
Total liabilities		1,687,273,869	1,760,452,094	1,949,848,261
Total equities and liabilities		8,866,264,158	9,244,473,776	9,339,108,430

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

S.N. Nuclearelectrica S.A.

Consolidated profit and loss account for the year ended on December 31, 2018

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

		2018	2017
		(audited)	(audited, restated)
	Note		
Incomes			
Sales of electricity	16	2,116,984,201	1,884,740,511
Proceeds from electric power transmission		11,676,332	12,557,690
Total revenues		2,128,660,533	1,897,298,201
Other income	17	50,201,968	35,606,251
Operating expenses			
Depreciation and amortization		(552,964,849)	(545,800,132)
Personnel expenses	18	(388,847,183)	(324,770,920)
Cost of traded electricity		(56,929,750)	(55,567,883)
Repairs and maintenance		(81,425,822)	(72,606,642)
Electricity transmission expenses		(11,676,332)	(12,557,690)
Cost of spare parts		(15,768,637)	(18,113,517)
Cost of nuclear fuel		(101,991,877)	(122,183,695)
Other operating expenses	19	(432,728,895)	(403,311,678)
Total operating expenses		(1,642,333,345)	(1,554,912,157)
Operating profit		536,529,156	377,992,295
Financial costs	20	(58,856,550)	(94,103,591)
Financial revenues	20	94,905,462	75,651,502
Net financial result		36,048,912	(18,452,089)
Profit before income tax		572,578,068	359,540,206
Net income tax expense	14	(162,012,099)	(53,002,126)
Profit for the period		410,565,969	306,538,080

The Consolidated Financial Statements presented from page 1 to 54 have been signed on March 20, 2019 by:

Cosmin Ghita
Chief Executive Officer

Adrian Gabriel Dumitriu
Chief Financial Officer

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S.N. Nuclearelectrica S.A.

Consolidated financial statement of the comprehensive income for the year ended on December 31, 2018

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

	Note	2018 (audited)	2017 (audited, restated)
Profit for the period		410,565,969	306,538,080
Other comprehensive income			
Items that will never be included in the profit and loss account			
Revenue from revaluation of buildings and land, net		55,471,628	-
Deferred tax related to the revaluation reserve		(8,875,461)	-
Actuarial gains (loss) on defined benefits plan		(5,393,764)	703,726
Comprehensive income		41,202,404	703,726
Total comprehensive income		451,768,373	307,241,806
Earnings per share			
Basic earnings per share (RON/share)	23	1.36	1.02
Diluted earnings per share (RON/share)	23	1.36	1.02

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S.N. Nuclearelectrica S.A.

Consolidated financial statement of changes in equity for the year ended on December 31, 2018

(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, 2018 (audited)		3,210,641,253	31,474,149	21,553,537	1,773,743,734	2,390,637,477	7,428,050,150
Correction of accounting errors		-	-	-	-	(55,971,531)	(55,971,531)
Balance as at January 1, 2018 (audited, restated)		3,210,641,253	31,474,149	21,553,537	1,773,743,734	2,446,609,008	7,484,021,681
Comprehensive income for the period							
<i>Profitful of the fiscal year</i>		-	-	-	-	410,565,969	410,565,969
<i>Comprehensive income</i>		-	-	-	46,596,168	(5,393,764)	41,202,404
Total comprehensive income for the period		-	-	-	46,596,168	405,172,205	451,768,373
Dividends distributed	10	-	-	-	-	(756,799,766)	(756,799,766)
Other elements						-	-
Balance as at December 31, 2018 (audited)		3,210,641,253	31,474,149	21,553,537	1,820,339,902	2,094,981,447	7,178,990,288

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S.N. Nuclearelectrica S.A.

Consolidated financial statement of changes in equity for the year ended on December 31, 2018

(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	1,773,743,734	2,469,110,336	7,506,523,009
Correction of accounting errors		-	-	-	-	(117,262,841)	(117,262,841)
Balance as at January 1, 2017 (audited, restated)		3,210,641,253	31,474,149	21,553,537	1,773,743,734	2,351,847,496	7,389,260,169
Comprehensive income for the period							
<i>Profitul of the fiscal year</i>		-	-	-	-	306,538,080	306,538,080
<i>Comprehensive income</i>		-	-	-	-	703,726	703,726
Total comprehensive income for the period		-	-	-	-	307,241,806	307,241,806
Dividends distributed	10	-	-	-	-	(209,524,685)	(209,524,685)
Other elements						(2,955,609)	(2,955,609)
Balance as at December 31, 2017 (audited)		3,210,641,253	31,474,149	21,553,537	1,773,743,734	2,466,609,009	7,484,021,682

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S.N. Nuclearelectrica S.A.

Consolidated financial statement of cash flow for the financial year ended on December 31, 2018

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

	2018 (audited)	2017 (audited, restated)
Cash flows from operating activities		
Profit before income tax	572,578,068	359,540,206
Adjustments for:		
Depreciation and amortization	552,964,849	545,800,132
Impairment on trade and other receivables	(2,457,228)	190,481
Impairment on inventories	(2,768,747)	874,505
Provisions corresponding to operating liabilities, risks and expenses	45,566,833	21,482,572
Earnings/(Losses) from asset assignment	877,885	(38,333)
Loss of value of tangible assets	-	8,664,860
Net financial income/(expenses)	(37,637,900)	20,048,033
Changes in:		
Decrease/(Increase) in trade receivables and other receivables	(23,063,064)	11,881,891
Increase in inventories	(35,425,313)	(1,852,483)
Variation of deferred income	4,237,037	(8,194,535)
Variation of deferred expense	694,216	1,803,874
Increase/(Decrease) of trade liabilities and other liabilities	24,745,971	(6,044,914)
Cash flows generated from operating activities	1,100,312,607	954,156,289
Income tax paid	(104,914,822)	(58,393,148)
Interest received	39,293,695	13,447,900
Interest paid	(10,833,434)	(15,259,885)
Net cash flow from operating activities	1,023,858,046	893,951,156
Cash flows from investing activities		
Purchase of intangible assets	(4,542,282)	(140,615)
Purchases of tangible assets	(136,975,697)	(147,198,370)
Proceeds from sale of tangible assets	308,150	89,783
Increase in bank deposits and financial assets	(22,223,130)	(60,059,150)
Cash flow used in investing activities	(163,432,959)	(207,308,352)
Cash flow from financing activities		
Repayments of borrowings	(211,343,883)	(225,290,386)
Dividends	(750,956,541)	(207,667,737)
Net cash flow from financing activities	(962,300,424)	(432,958,123)
Net increase in cash and cash equivalents	(101,875,337)	253,684,682
Cash and cash equivalents as at 1 January (see Note 9)	1,713,834,079	1,460,149,397
Cash and cash equivalents as at 31 December (see Note 9)	1,611,958,742	1,713,834,079

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S.N. Nuclearelectrica S.A.

Notes to the consolidated financial statements prepared for the year ended on December 31, 2018

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

1. REPORTING ENTITY

Societatea Nationala Nuclearelectrica S.A. (the “Company” or “SNN”) is a national joint-stock company, one-tier management system, having a head office and two branches without legal personality, CNE Cernavoda (Nuclear Power Plant) – 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.

As at December 31, 2018 and December 31, 2017, the Company held 100% of Energonuclear S.A. ("Energonuclear"); company with headquarters in Bucharest, District 2, 5-7 Vasile Lascar Street, 3rd floor and registered with the Trade Registry under the number J40/3999/2009, having sole registration number 25344972, tax attribute RO. The main business of Energonuclear consists in “Engineering activities and technical consultancy related to it” – NACE Code 7112.

These Consolidated Financial Statements prepared on and for the year ended on December 31, 2018 comprise the Financial Statements of the Company and its subsidiary Energonuclear, collectively referred to as the “Group”.

The Company’s main activity consists in electricity and thermal energy production by nuclear processes. The main place of business is within the Branch CNE Cernavoda, where the Company owns and operates two operational nuclear reactors (Unit 1 and Unit 2). The two nuclear operational reactors are based on CANDU technology (Canada Deuterium Uranium type PHWR). Besides, at Cernavoda the Company owns two nuclear reactors in the early stages of construction (Unit 3 and Unit 4). The construction of Units 3 and 4 is planned to be completed by the Energonuclear S.A. subsidiary; at present, there is the revised form of the Strategy to continue Units 3 and 4 Project, endorsed by the Board of Directors of SNN and approved by the Extraordinary General Meeting of Shareholders by Decision no. 11 / 14.09.2018 (for more information, see Note 21).

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 Romanian electricity market was in a process of gradual liberalization until the end of 2017, during which the Company participated in the electricity market, both on the competitive market segment and on the regulated one, with ANRE establishing by annual decisions the quantities of electricity sold by the Company on the regulated market and the regulated prices to be practiced. In 2018, the Company participated in the electricity market only on the competitive segment.

As at December 31, 2018 the Company's shareholders are: The Romanian State via the Ministry of Energy which holds 248,736,619 shares, representing 82.4959% of the share capital, Fondul Proprietatea S.A. holding 21,268,355 shares, representing 7.0539% of the share capital and other individuals and legal entities shareholders holding together 31,508,877 shares, representing 10.4502% of the share capital.

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

Notes 1 - 29 are an integral part of these consolidated financial statements.

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2. BASIS OF PREPARATION

a) Statement of compliance

The Group's Consolidated 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 Consolidated Financial Statements prepared on and for the financial year ended on December 31, 2018 were audited by an independent auditor.

These Consolidated Financial Statements were authorized for issue and signed on March 20, 2019 by the Company's management.

b) Basis of assessment

The Consolidated Financial Statements have been prepared under the historical cost, except for property, plant and equipment, which are measured at fair value, as shown in the accounting policies (see Note 3d).

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

c) Functional and presentation currency

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

d) Use of estimates and professional judgments

The preparation of the Consolidated Financial Statements in conformity with 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 3d), 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 8), assumptions regarding the net recoverable value of inventories (refer to Note 7), assumptions regarding the calculation of employee benefits (refer to Note 15), the period on which the governmental grants are transferred to the profit and loss account (refer to Note 3q and Note 14), estimates regarding the radioactive and non-radioactive waste management obligations (refer to Note 3t and Note 13). 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 21 (key assumptions relating to the continuance of the Project for Units 3 and 4).

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e) Correction of accounting errors

IAS 16 "Tangible assets"

The Cernavoda nuclear power plant is a complex industrial establishment, including technological systems developed at the highest technical and quality assurance requirements, so as to minimize the potential risks of any failure with impact on nuclear security, safety and operational reliability.

Within Units 1 and 2 there are over 350 technological systems ensuring the operation of the Plant under conditions of safety and economic efficiency according to the policies and principles defined in the operating permit.

Maintaining the safety and operational reliability of CNE Cernavoda's technological systems is an obligation regulated under the operating permit issued by the Regulatory Authority CNCAN. In order to achieve this goal, CNE Cernavoda has developed and implemented a series of programs for the maintenance of the safety and reliability of the equipment, programs involving the performance of a significant number of activities carried out during the planned outages. The implementation of these programs may be done by providing the technologies, spare parts and the personnel prepared for their execution.

In order to ensure the continued operation of the Nuclear Units, it is necessary to that the main components are subject to inspections in order to detect malfunctions and obtain Reports on the diagnosis of the operating state. Each of the 2 Units, in turn, once every two years, goes into a planned outage, period during which the general periodic inspections and major repairs are being carried out. Thus, the general periodic inspections and major repairs were carried out at Unit 2 in 2017, and at Unit 1 in 2016, followed by the May-June 2018 period.

On June 30, 2018, the Company reconsidered the nature of these inspections and their recognition. Thus, in order to apply the provisions of the International Accounting Standard IAS 16 "Tangible Assets", the general periodic inspections carried out at CNE Cernavoda are capitalized under the category of tangible assets, being subsequently amortized on a linear basis, over a 2-year period. General periodic inspections mostly target the same components of the Units, so the amortization period considered is the 2-year period between two general periodic inspections carried out mostly on the same components, thus substituting each other.

The effect of correcting accounting errors on comparative amounts in the comparative financial statements prepared on and for the 12 month period ended on December 31, 2017 are summarized in the following tables:

The effect of corrections on the comparative financial statements related to 2017

	31.12.2017 (audited)	IAS 16	31.12.2017 (audited, restated)
Items of the financial position			
Tangible assets	6,809,730,694	55,971,531	6,865,702,225
Total assets	9,188,502,245	55,971,531	9,244,473,776
Retained earnings	2,390,637,477	55,971,531	2,446,609,008
Total own equity	7,428,050,150	55,971,531	7,484,021,681
	31.12.2017 (audited)	IAS 16	31.12.2017 (audited, restated)
Items of profit and loss account			
Repairs and maintenance	123,888,330	-51,281,688	72,606,642
Depreciation and amortization	497,185,088	48,615,044	545,800,132
Profit of the fiscal year	303,871,436	2,666,644	306,538,080

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f) Presentation items

In 2018, the Company reconsidered the presentation of cash, cash equivalents and bank deposits items in the statement of financial position as follows:

- the "Bank deposits" position represents the collateral deposits related to bank guarantee letters issued by banks on behalf of the Company in favor of clients, with a maturity of between 3 and 12 months;
- "Cash and cash equivalents" includes, besides cash and other cash equivalents, collateral bank deposits related to maturity letters of guarantee up to 3 months, as well as common bank deposits without commitments, which can be accessed by the Company without restrictions and without significant losses as a result of their liquidation, irrespective of their maturity (see Note 9 and Note 3j).

Consequently, for the consistent reflection of financial position items, comparative values were reallocated in accordance with the rationale presented, as follows:

	31.12.2017 (audited)	Reallocations	31.12.2017 (audited, reallocated)
Cash and cash equivalents	574,387,579	1,139,446,500	1,713,834,079
Bank deposits	1,172,273,956	(1,139,446,500)	32,827,456

Collateral deposits related to bank guarantee letters issued by banks on behalf of the Company in favor of clients with a maturity of more than 1 year are reflected in the "Financial assets" position both on December 31, 2018 and December 31, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Consolidation basis**(i) Combination of enterprises**

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

The Group measures goodwill at the acquisition date as:

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

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

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

(ii) Acquisition of non-controlling interest

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

(iii) Subsidiaries

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

(iv) Loss of control

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

(v) Transactions eliminated upon consolidation

Balances and transactions within the Group, as well as any unrealized income or expense arising from transactions within the Group, are eliminated when preparing the consolidated financial statements. Unrealized profits related to transactions with affiliated entities accounted for as an equity-accounted investee are eliminated in counterparty with the investment within the affiliated entities to the extent of the Group's interest in the affiliated entities. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there are no impairment indices.

b) 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 currency at the year-end are expressed in RON at the exchange rate displayed by the National Bank of Romania valid for the last banking day of the year. Gains and losses from exchange rate differences, realized or unrealized, are included in the profit and loss of the year.

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Notes to the consolidated financial statements prepared for the year ended on December 31, 2018

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

The exchange rates on December 31, 2018 and December 31, 2017 for the major currencies the Group trades in are as follows:

	Average rate		Reporting date spot rate	
	2018	2017	December 31, 2018	December 31, 2017
RON/ EUR	4.6535	4.5680	4.6639	4.6597
RON/USD	3.9433	4.0517	4.0736	3.8915
RON / CAD	3.0429	3.1221	2.9925	3.1051
RON/GBP	5.2597	5.2123	5.1931	5.2530

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

c) Adjustment of hyperinflation effects

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

d) 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 Group include as follows:

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

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

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

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Notes to the consolidated financial statements prepared for the year ended on December 31, 2018

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

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

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

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

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

Units 1,2,3,4 and 5 were considered a single project and before 1990, the costs were accounted for separately for each unit. In 1991, the group performed a cost allocation for each unit. This reallocation represents the basis for the assets included in the property, plant and equipment under construction.

Elements such as spare parts, spare equipment and maintenance parts are recognized as property, plant and equipment as per IAS 16, when they meet the definition of property, plant and equipment. All other spare parts are recognized as inventories.

Subsequent expenditures

Subsequent costs are capitalized only when it is probable that future economic benefits associated with these expenditures will flow to the Group. The component accounting for inspection and overhaul is used only for major and capital 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
Inspections and overhauls	2
Other installations, equipment and machinery	3 - 20

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Notes to the consolidated financial statements prepared for the year ended on December 31, 2018

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

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 Group contracted specialized services for technical assistance to determine the possibility of extending the number of operating hours designed for Unit 1. Following the study, a work plan was drawn up which sets out the analyzes and evaluations to be carried out to demonstrate the functionality of Unit 1 from Cernavoda NPP to 245,000 actual operating hours. These analyzes and assessments will be the basis for the extension of the Unit 1 operating permit.

The Group's Management truly believes it is possible to successfully increase the number of running hours for Unit 1, by adding a number of hours over the operation hours designed (210.000 hours) which would ensure the operation of Unit 1 until 2026 and therefore would allow to maintain the remaining duration of the estimated life, the estimated useful life for the first cycle of operation being 30 years. Extending the number of hours of initial operation depends on the results of the analyzes and evaluations to be contracted in the third quarter of 2019, influenced predominantly by the technical status of Unit 1, as well as by the Regulator's decision (CNCAN) at the time of the request.

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". Inspections and overhauls, capitalized in accordance with IAS 16, are presented in Note 5 and are reflected in the book value of "Nuclear Power Plants".

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.

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e) 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 feasible technically and commercially, the future economic benefits are probable and the Company intends and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct personnel costs and administrative costs that are directly attributable to prepare the asset for its intended use and the capitalized loan costs. Other development costs are recognized in profit and loss when incurred.

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

Subsequent 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.

f) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there are indications of the existence of Depreciation. If any impairment indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

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

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

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

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g) Inventories

Inventories consist of consumables, spare parts that do not meet criteria as tangible assets (property, plant and equipment), safety stock, uranium and other inventories necessary for the activity of the Group. These are recorded as 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 Group used the FIFO method.

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

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

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

h) Recognition and derecognition of non-derivative financial instruments

Non-derivative financial instruments

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

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

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

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

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Non-derivative financial liabilities

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

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

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

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

i) Trade receivables and other receivables

Trade receivables are initially recorded at the invoiced value and subsequently measured by using the effective interest method less the impaired value. A provision for impairment is established when there is objective evidence that the Group will not be able to collect receivables on time. Significant financial difficulties of the debtor, probability that it enters bankruptcy or financial reorganization, late payments (over 360 days) are considered indicators that these claims may require value adjustments.

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

j) Cash and cash equivalents

The "Cash and cash equivalents" item includes petty cash, current accounts and bank deposits without commitments that are subject to an insignificant risk in changing the fair value. By bank deposits without commitments the Group understands the usual bank deposits, to which the Group has access at any time, irrespective of their initial maturity, and whose pre-maturity liquidation, in the event of occurrence of circumstances that determine this need, does not cause any losses.

The "Bank deposits" position in the statement of financial position refer to those bank deposits that have an initial maturity of between 3 and 12 months but have an associated commitment, i.e. they are collateral deposits related to bank guarantee letters issued by banks on behalf of the Group in favor of some clients.

The "Financial assets" position of the financial position statement means the collateral deposits related to warranty letters, but with a maturity of more than 12 months.

k) Share capital

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

l) Legal reserve

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

Notes 1 - 29 are an integral part of these consolidated financial statements.

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m) Prepaid reserve

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

n) Dividends

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

o) 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 Group 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 Group identified the tax on special constructions and local duties and taxes. The Group recognized the liability related to such duties and taxes at the time of the occurrence of the activity determining the payment, as it 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 (e.g.: IAS 12 Income Taxes), fines and other penalties for violating the law.

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

The Group considers that the acknowledging moment for the debt is determined by the existence of assets in its patrimony representing the base of taxes and 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 Group 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.

p) Loans

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

q) Government grants

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

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r) Income tax

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

(i) Current tax

The current tax is the expected tax 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of assets and liabilities.

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

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

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

(iii) Tax exposure

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

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s) Employee Benefits

(i) Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net liabilities in relation to the defined benefits plans are calculated separately for each single plan, by estimating the amount of future benefit that employees have earned in return for the services rendered in the current and prior periods; these benefits are discounted to the present value. Any costs of unrecognized prior services and the fair value of the benefits plan assets are deducted.

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

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

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

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

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

(ii) Other long-term benefits granted to employees

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

(iii) Short-term benefits granted to employees

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

t) Provisions

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

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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.

u) Revenues acknowledgement

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

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

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

v) Financial income and expenses

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

w) Fields of activity

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

- That engages in business activities, which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity;
- Whose operating results are regularly reviewed by the chief operating decision maker to allocate resources and assess its performances; and
- • For which separate financial information is available.

The management of the Group considers all activities as "a single segment".

x) Earnings per share

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

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

y) Related parties

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

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

Considering the status of majority state-owned company, the Group is subject to specific regulations, having reporting obligations regarding the transactions with affiliated parties. The Group presents in the Financial Statements the transactions with the affiliated parties in compliance with IAS 24 "Related Party Disclosures" (See Note 22).

z) Contingencies

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

aa) Comparative figures

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

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

During the current year, the Company has applied all new standards and amendments to the International Financial Reporting Standards (IFRS), which are relevant to its operations and are effective for the accounting periods beginning on January 1, 2018, approved by the European Union.

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

4. DETERMINATION OF FAIR VALUES

Some Group's accounting policies and disclosure require the measurement of the fair value for both financial and non-financial assets and liabilities. In determining the fair values of assets and liabilities, the Group uses as much as possible observable market values.

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

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

For classification in the fair value hierarchy Refer to Note 24e.

Tangible assets

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

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Notes to the consolidated financial statements prepared for the year ended on December 31, 2018

*(All amounts are presented in RON, unless otherwise indicated)***5. TANGIBLE ASSETS**

	Land	Nuclear power plants	Machinery, equipment and other assets	Non-current assets in progress	TOTAL
Cost					
Balance as at January 1, 2017 (audited)	31,534,439	5,579,800,416	1,857,404,026	1,001,158,742	8,469,897,624
Effect of correction	-	99,016,196	-	-	99,016,196
Balance as at January 1, 2017 (audited, restated)	31,534,439	5,678,816,612	1,857,404,026	1,001,158,742	8,568,913,820
Entries (restated)	-	-	26,475,334	131,650,634	158,125,968
Transfers (restated)	-	65,759,800	52,584,720	(118,344,520)	-
Transfers in inventories	-	-	-	(12,372,946)	(12,372,946)
Transfers from inventories	-	-	12,290,946	-	12,290,946
Derecognition of U2 inspections	-	(46,306,957)	-	-	(46,306,957)
Disposals (restated)	-	(39,111)	(1,690,269)	-	(1,729,380)
Balance as at December 31, 2017 (audited, restated)	31,534,439	5,698,230,344	1,947,064,756	1,002,091,910	8,678,921,451
Balance as at January 1, 2018 (audited)	31,534,439	5,594,239,417	1,947,064,756	1,002,091,910	8,574,930,523
Effect of correction	-	103,990,927	-	-	103,990,927
Balance as at January 1, 2018 (audited, restated)	31,534,439	5,698,230,344	1,947,064,756	1,002,091,910	8,678,921,450
Additions	-	-	13,818,163	117,453,141	131,271,305
Revaluation of buildings and land	767,960	20,172,017	35,259,740	-	56,199,716
Offset of accumulated depreciation upon revaluation	-	(1,059,894,917)	(60,605,906)	-	(1,120,500,824)
Transfers	-	71,734,118	24,051,133	(95,785,251)	-
Transfer from inventories	-	-	-	(1,800,278)	(1,800,278)
Transfer to intangible assets	-	-	-	(7,852,267)	(7,852,267)
Derecognition of U1 inspections	-	(52,473,435)	-	-	(52,473,435)
Disposals	-	-	(2,241,701)	(1,257,641)	(3,499,343)
Balance as at December 31, 2018 (audited)	32,302,399	4,677,768,128	1,957,346,184	1,012,849,615	7,680,266,326
Depreciation and impairment losses					
Balance on January 1, 2017 (audited)	550,782	375,420,323	703,502,638	140,841,495	1,220,315,238
Effect of correction	-	45,711,309	59,567,895	-	105,279,204
Balance on January 1, 2017 (audited, restated)	550,782	421,131,632	763,070,533	140,841,495	1,325,594,442
Depreciation charges (restated)	-	406,479,086	110,547,579	-	517,026,664
Offset of accumulated disposals (restated)	-	(39,111)	(1,638,855)	-	(1,677,966)
Cumulative depreciation of U2 inspections derecognized	-	(46,306,957)	-	-	(46,306,957)
Adjustments for impairment of intangible assets	-	-	10,138,169	8,444,874	18,583,043
Balance as at December 31, 2017 (audited, restated)	550,782	781,264,650	882,117,425	149,286,369	1,813,219,225
Balance as at January 1, 2018 (audited)	550,782	733,245,253	882,117,425	149,286,369	1,765,199,828
Effect of correction	-	48,019,397	-	-	48,019,397
Balance as at January 1, 2018 (audited, restated)	550,782	781,264,650	882,117,425	149,286,369	1,813,219,225
Depreciation charges	-	414,761,137	110,141,237	-	524,902,374
Offset of accumulated depreciation upon revaluation	-	(1,059,894,917)	(60,605,906)	-	(1,120,500,824)
Cumulative depreciation of U1 inspections derecognized	-	(52,473,435)	-	-	(52,473,435)
Offset of accumulated disposals	-	-	(1,841,771)	-	(1,841,771)
Impairment adjustments	-	-	10,077,433	(906,054)	9,171,379
Balance as at December 31, 2018 (audited)	550,782	83,657,435	604,284,249	139,723,821	828,216,287
Carrying amount					
Balance as at January 1, 2017 (audited, restated)	30,983,658	5,257,684,980	1,094,333,493	860,317,247	7,243,319,377
Balance as at December 31, 2017 (audited, restated)	30,983,658	4,916,965,695	1,064,947,331	852,805,541	6,865,702,225
Balance as at December 31, 2018 (audited)	31,751,617	4,594,110,693	1,017,457,767	864,469,300	6,507,789,378

Notes 1 - 29 are an integral part of these consolidated financial statements.

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

The position "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 June 31, 2018 amounting to RON 432,488,488 (December 31, 2017: RON 450,417,031) and administrative buildings with a net carrying amount on December 31, 2018 amounting to RON 277,883,541 (December 31, 2017: RON 267,160,515).

In accordance with the accounting policies in force applied by the Group, the land, buildings and constructions are stated at fair value. The assets were revaluated on December 31, 2018 by an independent assessor, S.C. Primoval S.R.L, member of the National Association of Certified Assessors in Romania ("ANEVAR").

Revaluation results were accounted by using the net method and reflect an increase in net carrying amount of assets (land, buildings and constructions) amounting to RON 56,199,716 as at December 31, 2018.

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.

As at December 31, 2018, 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, 2017: RON 273,960,000). 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 group "Non-current assets in progress" also presents the heavy water purchased especially for Units 3 and 4, representing approximately 75 tons, whose book value on September 31, 2018 is RON 159,238,387 (December 31, 2017: RON 159,307,070).

On December 31, 2018, the net carrying amount of the assets under construction related to Units 3 and 4 amounts to RON 649,408,975 (December 31, 2017: RON 648,186,582). On December 31, 2018, the remaining difference up to RON 864,469,300 represents non-current assets in progress, related to Units 1 and 2, such as: D2O tritium removal installation amounting to RON 63,238,182, construction of facilities for storage and loading of the nuclear fuel used (DICA) amounting to RON 26,101,867, improvement of nuclear security systems after Fukushima amounting to RON 19,490,869.

On December 31, 2013 the Group recognized a depreciation adjustment of 100% of the Unit 5 since there were no plans to resume its construction. On December 31, 2018 the gross carrying amount for Unit 5 is RON 137 million (December 31, 2017: 137 million RON). In March 2014, the Company shareholders approved the change of destination and use of Unit 5 for other activities of the Company, project under implementation the result of which will be an asset with a different use than the initial use of Unit 5.

In 2012 Energonuclear SA has contracted an independent assessor, Ernst & Young, to carry out an indicative assessment of Units 3 and 4. Ernst & Young conducted the assessment of assets in accordance with the International Assessment Standards indicating a value of Units 3 and 4 in the range 380 - 539 million EUR (i.e. range 1,772 – 2,514 million RON considering the exchange rate RON/EUR 4,6639 on December 31, 2018).

The main investments made by the Group during 2018 for projects in progress related to Units 1 and 2 include:

- Equipment and materials for ongoing investments amounting to RON 13,943,687 (December 31, 2017: RON 9,442,690);
- Construction of storage and loading facilities for spent nuclear fuel (DICA) amounting to RON 13,705,550 (December 31, 2017: RON 17,567,359);

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- Annual inspections conducted during the planned outage of the units, amounting to RON 66,015,629 (December 31, 2017: RON 51,281,688).

The main investments commissioned during 2018 mainly refer to: the performance of annual inspections carried out during the planned outage of Unit 1, amounting to RON 66,015,629 and the building of storage and loading spaces of the used nuclear fuel (DICA) amounting to RON 11,090,347.

In 2018, the Group purchased 5,292.58 kilograms of heavy water from the National Administration of State Reserves and Special Issues („ANRSPS”) required for Units 1 and 2, amounting to RON 10,339,066 (over the comparative period, 11,909.52 kg amounting to RON 21,993,395 were purchased).

During 2018, the part of the annual inspection conducted in 2016 during the planned outage of Unit 1 was derecognized, replaced by the annual inspection conducted in 2018 during the planned shutdown of the same unit (RON 52,473,435). Thus, the cumulative depreciation of the annual Inspection of 2016 of Unit 1 was derecognized (RON 52,473,435). Similarly, during 2017, the part of the annual inspection conducted in 2015 during the planned shutdown of Unit 2 was derecognized, replaced by the annual inspection conducted in 2017 during the planned shutdown of the same unit (RON 46,306,957), and the cumulative depreciation thereof (RON 46,306,957).

On December 31, 2018, the Group has fixed assets purchased based on credit from suppliers (commercial credit) amounting to RON 14,774,344 (December 31, 2017: RON 21,563,227).

Decommissioning of nuclear units

The nuclear power Unit 1 is scheduled to operate until 2026, and Unit 2 until 2037. The Group has not recorded a provision for the decommissioning of the two units because it is not responsible for the decommissioning works. According to Government Decision no. 1080/ 2007, the Nuclear Agency and Radioactive Waste (“ANDR”) is responsible for collecting the contributions paid by the Company for the remaining useful life of these units and assume the responsibility for the management of the entire decommissioning process at the end of the useful life of the two units, as well as for the permanent storage of the resulting waste (see Note 19). The Group's contribution to ANDR during the year 2018 amounts to RON 97,237,719 (31 December 2017: RON 96,721,769).

Assets pledged as security

As at 31 December 2018, and 31 December 2017, the Group has no pledged or mortgaged assets.

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6. INTANGIBLE ASSETS

	Licenses and software	Power plant software and other intangible assets	TOTAL
Cost			
Balance as at January 1, 2017 (audited)	62,067,152	187,980,108	250,047,260
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)	64,216,654	185,627,004	249,843,658
Balance as at January 1, 2018 (audited)	64,216,654	185,627,004	249,843,658
Reallocations	122,135,570	(120,135,570)	-
Additions	546,221	3,996,061	4,542,282
Transfers	26,084,953	(26,084,953)	-
Transfer from tangible assets	25,934	7,826,332	7,852,267
Disposals	(384,987)	(34,274)	(419,261)
Balance as at December 31, 2018 (audited)	212,624,346	49,194,600	261,818,946
Accumulated amortization			
Balance as at January 1, 2017 (audited)	61,574,073	107,836,252	169,410,325
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)	62,324,837	124,982,334	187,307,171
Balance as at January 1, 2018 (audited)	62,324,837	124,982,334	187,307,171
Reallocations	100,638,341	(100,638,341)	-
Depreciation charges	15,325,502	4,770,954	20,096,456
Amortization related to disposals	(384,988)	(34,274)	(419,262)
Balance as at December 31, 2018 (audited)	177,903,692	29,080,673	206,984,365
Carrying amount			
Balance as at January 1, 2017 (audited)	493,079	80,143,857	80,636,934
Balance as at December 31, 2017 (audited)	1,891,817	60,644,669	62,536,487
Balance as at December 31, 2018 (audited)	34,720,654	20,113,927	54,834,581

As at December 31, 2018, the position "Software for the nuclear power plant and other tangible assets" includes other intangible assets representing ongoing licenses and software amounting to RON 3,466,815 (December 31, 2017: RON 26,084,953). During 2018, the integrated management systems amounting to RON 26,084,953 were put into service, which, during the previous period were included under the category "Power plant software and other intangible assets", as they were under implementation.

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During 2018, the Group analyzed the intangible asset categories for the assignment within the "Licenses and software" and "Power plant software and other intangible assets" categories, both on cost and depreciation, resulting in a net reallocation of RON 21,479,229.

7. INVENTORIES

As at December 31, 2018 and December 31, 2017, the inventories are as follows:

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Spare parts	141,293,048	135,781,160
Consumables and other materials	40,636,148	40,523,280
Nuclear fuel	134,039,382	113,324,270
Uranium	38,490,987	38,309,045
Other inventories	14,282,224	4,410,252
Total	368,741,789	332,348,007

8. TRADE RECEIVABLES AND OTHER RECEIVABLES

As at December 31, 2018 and December 31, 2017, the trade receivables and other receivables are as follows:

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Trade receivables	168,522,269	133,486,888
Adjustments for impairment of trade receivables	(10,858,933)	(13,427,586)
Other receivables	20,628,177	10,443,318
Adjustments for impairment of other receivables	(3,190,028)	(3,078,604)
Taxes and duties	6,207,324	22,527,017
Total	181,308,809	149,951,033

As at December 31, 2018, the main trade receivables in the balance are from: Electrica Furnizare S.A. – RON 21,322,519 (December 31, 2017 – RON 22,176,419), GEN-I d.o.o. – RON 18,411,098 (December 31, 2017 – RON 16,074,663), Alro S.A. – RON 12,650,998 (December 31, 2017 – 0 RON), Met Romania Energy S.A. – RON 12,627,912 (December 31, 2017 – RON 7,600,518), E.ON Energie Romania S.A. – RON 11,176,963 (December 31, 2017 – RON 10,466,090), Enel Energie Muntenia S.A. – RON 10,413,619 (December 31, 2017 – RON 5,120,780), E-Distributie Muntenia S.A. – RON 10,168,050 RON (December 31, 2017 – 0 RON), Enel Energie S.A. – RON 7,368,390 (December 31, 2017 – RON 5,652,575), CEZ Vanzare S.A. – RON 3,260,654 (December 31, 2017 – RON 14,465,221).

The sales performed during 2018 to Company Operatorul Pietei de Energie Electrica si de Gaze Naturale OPCOM" S.A. represented approximately 13% (2017: 25%), to Electrica Furnizare S.A. represented approximately 9% (2017: 11%) of the Group's total revenues, while sales to Met Romania Energy S.A. accounted for about 8% (2017: 3%).

The Group's exposure to credit and market risks as well as the allowance for impairment in respect of trade receivables are presented in Note 24.

On December 31, 2018, the "Trade receivables" and "Adjustments for impairment of trade receivables" include a net amount of RON 2,677,987 related to receivables from affiliated parties (December 31, 2017: RON 2,733,797). As at December 31, 2018, the positions "Other receivables" and "Adjustments for impairment of other receivables" do not include an amount corresponding to affiliated parties (December 31, 2017: RON 413,333).

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As at December 31, 2018 the "Duties and Taxes" position represents the VAT to be recovered amounting to RON 6,207,324 (December 31, 2017: RON 18,009,158).

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

On December 31, 2018 and December 31, 2017, the cash and cash equivalents are as follows:

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Cash and cash equivalents in RON	1,607,697,425	1,705,756,622
Cash and cash equivalents in foreign currencies	4,261,317	8,077,457
Total cash and cash equivalents	1,611,958,742	1,713,834,079

The "Cash and cash equivalents" position also includes bank deposits with an initial maturity of less than one year, amounting to RON 1,438,730,983 (December 31, 2017: RON 1,163,295,180), as well as the amount of RON 2,945,617 representing letters of credit issued in favor of providers of equipment, spare parts, services and technical support (December 31, 2017: RON 3,657,741).

On December 31, 2018 and December 31, 2017, all bank deposits presented under the "Bank deposits" position are in RON.

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Bank deposits	20,954,979	32,827,456

On December 31, 2018 the Group has reconsidered the classification method applied to bank deposits with maturity above 3 months, given that it enjoys unconditional access to the established deposits, and as such these are indicated under "Cash and cash equivalents" position for December 31, 2018, as well as for December 31, 2017. For the comparative interval, the amount of RON 1,139,446,500 was reclassified from "Bank deposits" position to "Cash and cash equivalents" position. Hence, the value of collateral deposits related to bank guarantee letters with maturity between 3 and 12 months was kept in the "Bank deposits" position.

As at December 31, 2018, the Group is in possession of letters of guarantee issued by different banks at the request of the Group in favor of third parties, for a total value of RON 126,373,507 (December 31, 2017: RON 111,477,734), for which a cash collateral in the form of collateral deposits was established, divided as follows: RON 0 in the "Cash and cash equivalents" position (December 31, 2017: RON 2,294,426) related to letters of bank guarantee with maturity of less than 3 months, RON 20,954,979 under the "Bank deposits" position (December 31, 2017: RON 32,827,456) related to letters of bank guarantee with a maturity of up to one year and RON 105,418,528 under the "Financial assets" position for letters of bank guarantee with a maturity of over one year (December 31, 2017: RON 76,355,852). These letters of bank guarantee are related to the Group's participation on the electricity market, mostly representing the Group's sales of electricity.

As at December 31, 2018 the "Financial assets" position included the previously mentioned collateral deposits, as well as the amount of RON 5,032,931 representing the Company's contribution as new member of the European Liability Insurance for Nuclear Industry ("ELINI").

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*(All amounts are presented in RON, unless otherwise indicated)***10. EQUITY*****Share capital***

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

According to the articles of incorporation, the authorized capital of the Company is 3.016.200.000 RON. The subscribed and paid share capital as at December 31, 2017 is RON 3,015,138,510, under the authorized capital.

As at December 31, 2018 and December 31, 2017, 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, 2018 (audited)	December 31, 2017 (audited)
Subscribed and paid in 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, 2018 and December 31, 2017, 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.

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

The shareholding structure on December 31, 2018 and December 31, 2017 is as follows:

Shareholders	Number of shares December 31, 2018	% of the share capital	Number of shares December 31, 2017	% of the share capital
The Romanian State - Ministry of Energy	248,736,619	82.4959%	248,736,619	82.4959%
Fondul Proprietatea S.A.	21,268,355	7.0539%	27,408,381	9.0903%
Other shareholders	31,508,877	10.4502%	25,368,851	8.4138%
Total	301,513,851	100%	301,513,851	100%

Share premiums

In November 2013, the Company issued 28,100,395 shares on the Bucharest Stock Exchange through an initial public offering and the exercise of pre-emptive right by the shareholder Fondul Proprietatea S.A. The amount collected – amounting to 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.

Prepaid reserve

The prepaid reserves amount to RON 21,553,537 as at December 31, 2018 and December 31, 2017 and represent objectives of public utility at Cernavodă NPP (RON 5,439,321 as at December 31, 2018 and December 31, 2017), budgetary allocations

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for the period 2007-2011 for the construction of the Training and Recreation Center for Youth and Children in Cernavodă (RON 16,114,216 as at December 31, 2018 and December 31, 2017).

Revaluation reserves

As at December 31, 2018 the revaluation reserve amounts to RON 1,820,339,902 (December 31, 2017: RON 1,773,743,734), net of deferred tax related to the revaluation reserve. The last revaluation of lands, buildings and constructions took place on December 31, 2018 by an independent valuer, Primoval SRL, member of the National Association of Certified Assessors in Romania ("ANEVAR"). Following the revaluation, the Group recognized an increase in the revaluation reserve amounting to RON 55,471,628, of which the deferred tax debt of RON 8,875,461 was deducted.

Retained earnings

The retained earnings are the cumulated earnings of the Group. The retained earnings are distributed based on the annual financial statements prepared in accordance with 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 ended on December 31, 2018, the Group declared dividends amounting to RON 756,799,766 (December 31, 2017: RON 209,524,685), out of which RON 271,362,466 distributed from the net profit of the financial year of 2017, according to the OGMS Decision no. 5 / April 25, 2018 (December 31, 2017: RON 99,499,571 distributed from the net profit of the financial year of 2016, according to the AGM Decision no. 2 / April 24, 2017) and RON 485,437,300 distributed based on the provisions of Art. II and Art. III of Government Emergency Ordinance no. 29/2017, from the "Carried forward result", according to the GMS Decision no. 13 / 12.10.2018 (December 31, 2017: RON 110,000,000 distributed based on the provisions of Art. II and Art. III of Government Emergency Ordinance no. 29/2017, from the "Carried forward result", according to the GMS Decision no. 8 / 09.28.2017. Unpaid net dividends as at December 31, 2018 amounted to RON 684,121 (December 31, 2017: RON 110,826).

The impact of the correction of accounting errors as at December 31, 2018 on the "Result carried forward" position resulting from the application of IAS 16 on general inspections of nuclear plant units is shown in Note 2 (e).

11. BORROWINGS

Reimbursements of borrowings during the year ended on December 31, 2018 were as follows:

	Currency	Interest rate	Value	Year of final maturity
Balance as at January 1, 2018 (audited)			1,129,647,869	
New issues				
Reimbursements, out of which			(211,343,884)	
Societe Generale – ANSALDO BC	EUR	EURIBOR 6M + 0.45%	(35,769,441)	2022
Societe Generale - AECL BC	CAD	CDOR 6M + 0.375%	(65,503,143)	2022
EURATOM	EUR	EURIBOR 6M + 0.08%	(108,071,300)	2024
Exchange rate differences			(8,443,013)	
Balance as at December 31, 2018 (audited)			909,860,972	

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Notes to the consolidated financial statements prepared for the year ended on December 31, 2018

*(All amounts are presented in RON, unless otherwise indicated)***(i) Long term borrowings**

As at December 31, 2018 and December 31, 2017, the long-term borrowings are as follows:

	December 31, 2018	December 31, 2017
	(audited)	(audited)
Societe Generale - ANSALDO BC	125,506,545	161,220,243
Societe Generale - AECL BC	228,883,938	305,352,316
EURATOM	555,470,490	663,075,310
Total long-term loans	909,860,973	1,129,647,869
Less: Current portion of long-term loans	(209,456,905)	(211,787,832)
Less: Balance of commitment and insurance fees (long term)	(16,436,599)	(23,011,238)
Total long-term loans net of the short-term portion	683,967,469	894,848,799

The long-term borrowings are detailed as follows:

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, 2018 is EUR 26.91 million (December 31, 2017: EUR 34.60 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 0,45% 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, 2018 is CAD 76.49 million (December 31, 2017: CAD 98.34 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 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, 2018 is EUR 119.10 million (December 31, 2017: EUR 142.3 million), corresponding to the following instalments: (i) First instalment with a balance of EUR 40 million (December 31, 2017: EUR 50 million); (ii) Second instalment with a balance of EUR 54 million (December 31, 2017: EUR 63 million) and (iii) Third instalment with a balance of EUR 25.1 million (December 31, 2017: EUR 29.3 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 0.080% margin for the first 2 instalments and a 0.079% for the third instalment. The loan is guaranteed by the Romanian state through the Ministry of Public Finance.

The loan agreement includes certain financial clauses: (i) the coverage index for the debt service should be at least 1.5; (ii) indebtedness must not exceed the value 2; (iii) the Group's income should be sufficient to cover the operating and maintenance cost for Units 1 and 2, as well as the interests payments in relation to units 1 and 2.

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

As at December 31, 2018 and December 31, 2017, 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) and promissory notes are issued by the Company in favor of the creditor.

(ii) Short-term borrowings

As at December 31, 2018 and December 31, 2017, the short-term borrowings are as follows:

	December 31, 2018 (audited)	December 31, 2017 (audited)
Current portion of long-term loans	209,456,905	211,787,832
Interests related to the long-term borrowings	511,595	442,109
Short-term transaction costs	(6,574,640)	(6,574,639)
Total short-term loans	203,393,860	205,655,302

12. TRADING AND OTHER LIABILITIES

As at December 31, 2018 and December 31, 2017, the suppliers and other obligations are as follows:

	December 31, 2018 (audited)	December 31, 2017 (audited, restated)
Non-current assets suppliers	14,774,344	21,563,227
Trade payables	60,576,536	74,673,177
Obligations related to employee liabilities	24,450,054	12,662,552
Payables to the State	89,315,449	70,551,858
Dividends payables	4,278,146	138,871
Other payables	3,912,931	1,092,220
Total	197,307,460	180,681,905

On December 31, 2018, the main balance suppliers, from the "Non-current assets suppliers" and "Suppliers" positions, are: Apele Romane Bucharest – RON 11,951,605 (December 31, 2017 – RON 11,957,517), General Concrete S.R.L. – RON 5,160,292 (December 31, 2017 – RON 2,215,539), General Electric USA – RON 4,959,751 (December 31, 2017 – RON 100,146), Titan Echipamente Nucleare S.A. – RON 4,832,186 (December 31, 2017 – RON 1,491,250).

As at December 31, 2018, "Accounts payable and other liabilities" include the amount of RON 29,081,865 (December 31, 2017: RON 34,180,278) related to liabilities to affiliated parties, of which, under the "Suppliers" and "Non-current assets suppliers" positions, the amount of RON 20,779,125 (December 31, 2017: RON 21,697,172) and under the position "Payables

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to the State" the amount of RON 8,302,740 (December 31, 2017: RON 10,069,885), representing the contribution to ANDR, for the decommissioning of nuclear facilities and the permanent storage of radioactive waste.

As at December 31, 2018, the "Payables to the State" position includes the debt related to local taxes and duties set by state authorities in 2018, amounting to RON 56,421,959 (December 31, 2017: RON 45,311,609), which, according to IFRIC 21 - Taxes, is recognized on 31 December. The maturity of these taxes and charges is during the financial year 2019.

13. PROVISIONS FOR RISKS AND EXPENSES

As at December 31, 2018 and December 31, 2017, respectively, the Group 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, 2018	December 31, 2017
	(audited)	(audited)
Obligations regarding the Intermediary Used Fuel Storage (DICA)	60,633,302	57,953,296
Obligations regarding the low and medium radioactive and non-radioactive waste	97,648,239	97,584,997
Salary increase litigation provision	34,937,153	-
Employees' participation to the profit	16,000,000	13,265,000
Provisions for litigations	7,495,641	71,141
Total	216,714,335	168,874,434

On December 31, 2018, the provisions in the total amount of RON 216,714,335 represent long-term and short-term liabilities, as follows:

	Long-term share	Current share
	(> 1 year)	(< 1 year)
Obligations regarding the Intermediary Used Fuel Storage (DICA)	47,301,771	13,331,531
Obligations regarding the low and medium radioactive and non-radioactive waste	93,148,718	4,499,521
Salary increase litigation provision	34,937,153	-
Employees' participation to the profit	-	16,000,000
Provisions for litigations	7,495,641	-
Total	182,883,283	33,831,052

"Salary increase litigation provision" position represents the forecast of the effects of litigations initiated by Unions against the Company, CNE Cernavoda Union and Sindicatul Liber Energetica Nucleara '90 Union, with regard to the allowance for nuclear risk, as a salary increase.

14. INCOME TAX

The income tax recognized in the profit and loss account:

	2018	2017
	(audited)	(audited, restated)
Current income tax expense	182,146,565	73,687,453
Deferred tax release	(20,134,506)	(20,685,327)
Total	171,617,934	53,002,126

Receivables and liabilities related to the deferred taxes are assessed on December 31, 2018 and December 31, 2017 at the 16% effective tax rate, representing the tax rate currently implemented.

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*(All amounts are presented in RON, unless otherwise indicated)***Reconciliation of effective tax rate:**

	2018	2017
	(audited)	(audited, restated)
Profit before income tax	572,578,068	359,540,206
The effect of the difference between accounting depreciation and tax depreciation	(927,936)	(1,646,349)
Income tax at the statutory rate of 16%	91,612,491	57,527,206
The effect of non-deductible expenses	45,870,935	19,345,865
Taxed revaluation reserves	68,183,776	9,205,270
Effect of tax exempt income	(12,106,178)	(7,977,403)
Deferred tax release, net	(20,134,506)	(20,685,327)
Reinvested profit	(516,335)	(1,300,441)
Fiscal facility effect from applying VAT split	(9,605,836)	(934,094)
Effects of other differences	(364,312)	(532,600)
Income tax expense	162,012,099	53,002,126

The deferred tax consists of:

December 31, 2017			
(audited, restated)	Assets	Liabilities	Net
Tangible assets	-	141,884,364	141,884,364
Intangible assets	-	3,971,298	3,971,298
Inventories	(1,413,187)	-	(1,413,187)
Obligations on 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	145,855,662	113,903,761

December 31, 2018			
(audited)	Assets	Liabilities	Net
Tangible assets		139,493,073	139,493,073
Intangible assets		2,530,439	2,530,439
Inventories	(1,132,537)		(1,132,537)
Obligations on employee benefits	(5,133,123)		(5,133,123)
Salary increase provision	(5,589,944)		(5,589,944)
Employees' participation to the profit	(2,560,000)		(2,560,000)
Holiday leaves not taken	(512,778)		(512,778)
Taxes and duties	(8,826,698)		(8,826,698)
Radioactive and non-radioactive waste	(15,623,718)		(15,623,718)
Net tax (asset)/debt	-39,378,797	142,023,512	102,644,715

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The movement table regarding the deferred taxes debt in 2017 and 2018 is as follows:

	Balance as at January 1, 2017 (audited, restated)	Deferred tax recognized in profit and loss	The impact as at 31.12.2017 of correcting errors with the retained earnings	Balance as at December 31, 2017 (audited, restated)	Deferred tax recognized in profit and loss	Deferred tax directly recognized in other comprehensive income	Balance as at December 31, 2018 (audited)
Tangible assets	155,872,622	(16,968,981)	2,980,722	141,884,364	(11,266,750)	8,875,461	139,493,073
Intangible assets	3,101,888	869,410	-	3,971,298	(1,440,860)	-	2,530,439
Inventories	(1,195,811)	(217,376)	-	(1,413,187)	280,651	-	(1,132,537)
Obligations on employee benefits	(4,809,882)	(339,952)	-	(5,149,834)	16,711	-	(5,133,123)
Salary increase provision	-	-	-	-	(5,589,944)	-	(5,589,944)
Employees' participation to the profit	(606,880)	(1,515,520)	-	(2,122,400)	(437,600)	-	(2,560,000)
Allowances for administrators	(176,721)	143,673	-	(33,048)	33,048	-	(0)
Holiday leaves not taken	(24,307)	(358,422)	-	(382,729)	(130,049)	-	(512,778)
Taxes and duties	(6,065,546)	(1,171,557)	-	(7,237,103)	(1,589,595)	-	(8,826,698)
Radioactive and non- radioactive waste	(14,486,997)	(1,126,602)	-	(15,613,600)	(10,119)	-	(15,623,718)
Net tax (asset)/debt	131,608,366	(20,685,327)	2,980,722	113,903,761	(20,134,506)	8,875,461	102,644,715

15. OBLIGATIONS ON EMPLOYEE BENEFITS

	December 31, 2018 (audited)	December 31, 2017 (audited)
Retirement benefits	24,806,444	20,201,084
Anniversary bonuses	5,047,533	4,624,496
Benefits in case of death	977,098	832,790
Retirement benefits in the energy field	7,786,273	7,669,659
Total	38,617,348	33,328,029

On December 31, 2018, 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.

Notes 1 - 29 are an integral part of these consolidated financial statements.

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The following assumptions were taken into account for the application of IAS 19 "Employee Benefits" on December 31, 2018 and December 31, 2017.

Assessment date	December 31, 2018	December 31, 2017
Number of employees	2,059	2,001
Rate of wage increase	SNN's management estimated an increase in the annual rate of increase in consumer prices communicated by the National Prognosis Commission. The evolution of the price increase estimated by the Winter Forecast 2018 is: 2.8% in 2019 2.5% in 2020 2.3% in 2021 2.2% in 2022 For 2023 and the following years: average salary increase with the annual inflation rate.	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.
Rate of kWh price increase	kWh price updated on 31.12.2018: RON 0.6629. For 2019-2030: estimates provided by SNN and development on the same trend for the years to come.	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	2.05%	2,2%
Mortality tables	Mortality rates in Romania in 2013	Mortality rates in Romania in 2013
Gross average wage	8,318	5,755

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, 2018 and for the residual term to maturity of 1 - 10 years and 13 years.
- Mortality rate used is the one communicated by the National Institute of Statistics.
- A discount rate of 4.02%.

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

	2018 (audited)	2017 (audited)
Sales of electricity on regulated market	-	96,738,415
Sales of electricity on free market	2,111,993,904	1,785,829,730
Sales of thermal energy	4,970,369	2,154,959
Revenues from green certificates	19,929	17,407
Total	2,116,984,202	1,884,740,511

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(ii) The amount of energy sold

	2018	2017
	(audited)	(audited)
Quantity of electricity sold on regulated market (MWh)	-	609,458
Quantity of electricity sold on free market (MWh)	10,642,623	10,107,639
	10,642,623	10,717,097

The Group 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 Transeletrica 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 33,556 MWh for the fiscal year ended on December 31, 2018 (28,059 MWh for the year ended on December 31, 2017).

The Group 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 Group 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 2018 amount to RON 4,970,369 (December 31, 2017: RON 2,154,959).

In 2018, the Group did not sell energy on the regulated market (2017: 5.7%). The total quantity of electricity sold in 2018 was 10,642,623 MWh (2017: 10,717,097 MWh). In the competitive market, in 2018, the Group delivered 99.7% of the energy sold (2017: 94.1%). The average sale price of electricity sold by the Group on this market in 2018 was 198.45 RON/MWh (2017: 176.68 RON/MWh) value, which does not include Tg.

The electricity sector is regulated by the National Energy Regulatory Authority (“ANRE”), an autonomous public institution. In 2018, the Energy Regulation National Authority (“ANRE”) no longer set for manufacturers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the manufacturers based on regulated contracts and electricity quantities from the regulated contracts concluded by the manufacturers with last-instance suppliers, after completing the schedule for gradually removing regulated fees. Following the Government Emergency Ordinance no. 114 / 28.12.2018, amending and supplementing Electricity and natural gas law no. 123/2012, by establishing the supply of electricity under conditions regulated by ANRE for household clients, between March 01, 2019 and February 28, 2022 and introducing as an additional obligation of manufacturers to deliver to last-instance suppliers, between March 1, 2019 and February 28, 2022, the electricity that is necessary for ensuring the consumption of household consumers for which regulated fees are applied, ANRE issued Order 10 / February 01, 2019 for approving the Methodology for setting the prices for the electricity sold by the manufacturers based on regulated contracts and the quantities of electricity from the regulated contracts concluded by the manufacturers with last-instance suppliers. ANRE sets for the manufacturers in the indicated period obligations to sell firm quantities of electricity based on regulated contracts. For 2019, the estimated quantity estimated to be attributed to SNN for regulated contracts is 1,377 GWh, and for the following years, the sale obligations based on the regulated contracts attributed to SNN shall be set on a maximum level of 65% of the delivered electricity quantity.

17. OTHER INCOMES

	2018	2017
	(audited)	(audited)
Income from investment subsidies	14,376,189	14,383,111
Income from compensations, fines and penalties	19,613,133	1,714,181
Other income	16,212,646	19,508,958
Total	50,201,968	35,606,250

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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.

The "Revenues from penalties and compensation" position includes the amount of 13,4 mil. RON representing compensation collected from S.C. Tess Conex S.A., following a final judgment passed pronounced in the month of January of 2018.

18. EMPLOYEES COSTS

In 2018, the employee's costs amounted to RON 388,847,183 (2017: RON 324,770,920), as follows:

	2018	2017
	(audited)	(audited)
Wages and salaries	359,086,900	251,512,052
Expenditure on social security and assimilated costs	29,760,283	73,258,868
Total costs borne for employees	388,847,183	324,770,920

In 2018, the breakdown by category of employees is as follows:

	2018	2017
	(audited)	(audited)
Chief officers	178	174
Executive officers	1,887	1,867
Total actual number of employees	2,065	2,041

19. OTHER OPERATING EXPENSES

	2018	2017
	(audited)	(audited, restated)
Expenses with third parties services	80,872,952	93,617,443
Expenses with ANDR	97,237,720	96,721,769
Energy and water expenses	78,040,404	78,039,258
Fuel and other consumables expenses	32,351,528	31,090,933
Costs of insurance premiums	12,433,430	12,486,885
Transport and telecommunication expenses	6,616,390	6,185,561
Tax on buildings expenses	55,772,410	44,671,149
Expenses related to provisions and impairments, net	38,064,930	8,543,688
Other operating expenses	31,339,130	31,954,992
Total	432,728,894	403,311,678

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.

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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.

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 2018, the Group established provisions amounting to RON 60,795,053 (2017: RON 26,081,378) and reversed provisions amounting to RON 22,730,123 (2017: RON 17,537,699). Of the provisions constituted in 2018, RON 34,937,153 represent the prepayment of the wage provision, RON 11,154,521 account for the update of the provision for the Intermediary Used Fuel Storage ("DICA") (2017: RON 15,554,982) and RON 9,451,819 represent the update of the provision for low and medium radioactive waste (2017: RON 7,014,901).

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 2,906,417 (December 31, 2016: RON 3,579,064).

20. FINANCIAL INCOME AND EXPENSES

	2018	2017
	(audited)	(audited)
Income from interests	45,131,081	13,371,752
Foreign exchange gains	49,773,188	62,278,659
Income from dividends	1,193	1,091
Total financial income	94,905,462	75,651,502
Foreign exchange losses	(42,195,521)	(71,458,586)
Interest related expenses	(16,661,029)	(22,645,005)
Total financial costs	(58,856,550)	(94,103,591)
Net financial income/(expense)	36,048,912	(18,452,089)

21. OTHER INCOMES

	2018	2017
	(audited)	(audited)
Income from investment subsidies	14,376,189	14,383,111
Income from compensations, fines and penalties	19,613,133	1,714,181
Other income	16,212,646	19,508,958
Total	50,201,968	35,606,250

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.

The "Revenues from penalties and compensation" position includes the amount of 13,4 mil. RON representing compensation collected from S.C. Tess Conex S.A., following a final judgment passed pronounced in the month of January of 2018.

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22. GROUP ENTITIES

On December 31, 2018 and December 31, 2017, the Company owns 100% of the share capital of Energonuclear S.A. The value of participation as at December 31, 2018 and December 31, 2017 amounts to RON 141,666,101.

By the Resolution of the Extraordinary General Meeting of Shareholders of SNN no. 4/02.03.2018 the company 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.

In February - March 2018 there were negotiations regarding the undisputed aspects concerning the Investors' Agreement.

By letter of the General Department for Privatization and State Energy Interest Management (DGPAPSE) no. 261387/June 25, 2018, the Company was informed about the approval, during the Government meeting as of June 21, 2018, in the confidential section, of the Memorandum on the "Approval of the necessary measures to provide the continuity of Units 3 and 4 in CNE Cernavoda Project and the finalization of the negotiations with the selected investor". At the same time, DGPAPSE requested the Company to take the necessary steps in order to implement the provisions of the Government Memorandum.

On July 16, 2018, the Board of Directors of SNN approved the revised form of the Project Continuation Strategy, with the recognition of the milestones performed to date, including those performed pursuant to the provisions of the Government Memorandum no. 20/12683/MB as of July 13, 2017, and the subsequent mandate granted to the Board of Directors of SNN via the GMS Resolution no. 6/August 24, 2017. The revised form of the Strategy was approved by the Extraordinary General Meeting of Shareholders by Decision no. 11 / 14.09.2018.

The main amendments brought to the Strategy are the segregation of the rights and obligations of SNN and respectively of the Romanian State, intended to lead to the increase in the efficiency of the process by means of a 2-level approach: (1) B2B: SNN - CGN and (2) G2G: Government of Romania – Government of the Popular Republic of China. The new format of new negotiation committee creates the premises for the completion of the negotiations for the Preliminary Investors' Agreement by December 31, 2018, the signing of the Investment Documents (the Investors' Agreement and the Articles of Incorporation of JVCo) and the establishment and operation of the project-related joint venture (JVCo) on January 31, 2019.

At the meeting of October 8, 2018, the Board of Directors has appointed a new negotiation commission, granted to this new commission a reviewed mandate related to the terms and conditions on continuing the negotiations for the establishment of a new JVCo, approved the reviewed preliminary format of investor Agreement and Articles of Incorporation for JVCo, so these documents may be sent to CGN.

On November 22, 2018, the meeting between National Energy Administration (NEA)/ CGN (Chinese party) and the Ministry of Energy (ME)/SNN (Romanian party) was held at the Ministry of Energy seat. The main conclusions of NEA/CGN meeting included the establishment of a Joint Working Group to promote G2G and B2B negotiations, as well as the agreement of the parties on resuming the negotiations based on the documents exchanged until now at B2B level, between the Negotiation Commission (whose activity has ceased on the date when the reviewed Strategy was approved by AGEA SNN) and CGN, (regarding AI) and, respectively, since the last IGA draft sent by the Ministry of Energy in year 2016.

Regarding Energonuclear S.A. activity:

- By the AGEA SNN Decision no. 4 / 11.07.2017, the shareholders of SNN approved the granting by SNN of a convertible loan in shares amounting to maximum RON 4,000,000 to Energonuclear S.A. ("EN") in order to finance the maintenance and conservation activities of the Units 3 and 4 NPP Cernavoda; on December 31, 2018, Energonuclear requested to grant tranches of a total amount of RON 2,500,000 out of the maximum amount, for which SNN had a capitalized interest of 35,503 RON.

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Considering the above-mentioned issues and the stage of negotiations with the Selected Investor for the development of the Cernavoda 3 and 4 NPP Units 3, the management of the Company is confident that the project developed by Energonuclear and which is to be continued by the new project company will continue future and there will be a future demand for the electricity to be produced by Units 3 and 4. Thus, the management of the Company considers that the investment in Energonuclear SA will be recovered, according to the Strategy.

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

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

The Group 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) .

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

	Sales		Receivables as at	
	2018 (audited)	2017 (audited)	December 31, 2018 (audited)	December 31, 2017 (audited)
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	301,974,078	497,486,770	1,811,364	2,163,530
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	20,546,411	42,550,988	-	-
C.N. Transelectrica S.A.	16,487,989	15,051,450	14,107	12,148
Societatea de Distributie a Energiei Electrice Transilvania Sud S.A.	15,635,081	-	-	-
Utilitati Publice S.A. Cernavoda	5,040,662	2,163,027	1,484,528	911,379
Compania Nationala a Uraniului S.A.	53,577	20,990	-	-
Compania Nationala Administratia Canalelor Navigabile S.A.	7,541	4,911	2,162	1,284
Autonomous Administration of Technologies for Nuclear Energy - ICN	2,689	1,471	-	-
Total	359,748,030	557,279,607	3,312,161	3,088,341

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	Purchases		Payables as at	
	2018 (audited)	2017 (audited)	December 31, 2018 (audited)	December 31, 2017 (audited)
Nuclear and Radioactive Waste Agency	97,237,719	96,721,769	8,302,740	10,069,885
Romanian Waters Bucharest	59,451,817	59,898,126	11,951,605	11,957,517
Romanian Electricity and Gas Market Operator (OPCOM S.A.)	22,983,041	17,040,064	34,683	861,635
Compania Nationala a Uraniului S.A.	21,449,446	1,899,635	-	2,510,328
C.N. Transelectrica S.A.	11,804,071	12,586,884	6,895,972	3,691,904
Administratia Bazinala de Apa Dobrogea Litoral	10,835,017	10,922,375	2,526,881	1,278,390
Administratia Nationala a Rezervelor de Stat si Probleme Speciale	10,316,132	21,978,338	-	-
National Commission for Nuclear Activities Control	9,228,265	9,329,506	-	-
Autonomous Administration of Technologies for Nuclear Energy - ICN	4,446,773	3,951,151	975,441	1,057,168
Raja S.A.	3,332,766	2,574,192	563,274	505,125
Compania Nationala Administratia Canalelor Navigabile S.A.	1,416,620	1,113,464	512,887	188,077
Utilitati Publice S.A. Cernavoda	435,423	438,085	100,139	76,662
Inspectia de Stat pentru Controlul Cazanelor, Recipientelor sub Presiune si Instalatiilor de Ridicat	186,827	158,872	35,775	11,730
Dobrogea Meteorological Center	100,507	90,000	24,947	17,850
The National Institute of Hydrology and Water Management	63,328	54,996	26,273	10,908
National Meteorology Administration	-	-	480,760	-
Societatea de Distributie a Energiei Electrice Muntenia Nord S.A.	-	-	-	1,954,008
Societatea de distributie a energiei electrice Transilvania Sud S.A.	-	-	5,265,958	-
Total	253,287,752	238,757,457	37,697,333	34,191,187

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 11).

iii) Compensation to senior management of the Group

The management of the Group is made up of:

- The members of the Board of Directors of the company and the subsidiary Energonuclear who have concluded mandate contracts with the Group;
- The managers of the Group with mandate contracts within the Company;
- Other managers within the Group who have concluded the consolidated employment agreements, under the conditions provided in the collective labour agreements, as applicable.

The members of the Board of Directors have concluded administration contracts (mandate) with the Group, 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

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remuneration. For the year 2018, the gross remuneration reflected below includes the increases due to the transfer of wage contributions from the employer to the employee, in accordance with the provisions of GEO 79/2017.

	2018	2017
	(audited)	(audited)
Remuneration of the management of the Group (gross amounts)	9,291,601	6,544,837
	9,291,601	6,544,837

24. EARNINGS PER SHARE

As at December 31, 2018 and December 31, 2017, the earnings per share were as follows:

(i) Basic earnings per share

	2018	2017
	(audited)	(audited, restated)
Net profit for the year	410,565,969	306,538,080
Number of the ordinary shares at the beginning of the year	301,513,851	301,513,851
Weighted-average number of ordinary shares at 31 December	301,513,851	301,513,851
Basic earnings per share (RON/share)	1.36	1.02

(ii) Diluted earnings per share

	2017	2016
	(audited)	(audited, restated)
Net profit for the year	410,565,969	306,538,080
Number of the ordinary shares at the beginning of the year	301,513,851	301,513,851
Weighted-average number of ordinary shares at 31 December	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)	1.36	1.02

25. RISK MANAGEMENT**(i) Financial risk factors**

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

The Group does not have formal arrangements to mitigate financial risks. Despite the fact that no formal arrangements are in place, the financial risks are strictly monitored by the senior management given the financial needs of the Group in order to manage efficiently the risks and opportunities. The financial department prepares on a regular basis 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.

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a) Currency risk

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

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

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

	Value value	RON	EUR	USD	CAD	GBP
December 31, 2018						
Monetary assets						
Cash and cash equivalents	1,611,958,742	1,607,698,442	451,714	181,784	3,579,151	47,651
Payments made in advance	2,716,723	183,069	-	591,405	1,942,249	-
Tangible assets (prepayments)	5,498,136	4,348,026	-	-	1,150,111	-
Gross exposure	1,620,173,601	1,612,229,537	451,714	773,189	6,671,510	47,651
Monetary liabilities						
Trade payables and suppliers of non-current assets	(75,350,878)	(62,077,848)	(2,209,980)	(7,318,282)	(3,701,055)	(43,714)
Loans	(910,372,567)	-	(681,131,100)	-	(229,241,467)	-
Gross exposure	(985,723,445)	(62,077,848)	(683,341,080)	(7,318,282)	(232,942,522)	(43,714)
Net exposure in the statement of financial position (audited)	634,450,156	1,550,151,689	(682,889,366)	(6,545,093)	(226,271,012)	3,937
	Carrying amount	RON	EUR	USD	CAD	GBP
December 31, 2017						
Monetary assets						
Cash and cash equivalents	1,713,834,079	1,704,202,368	133,106	3,537,016	5,938,413	23,176
Prepayments	10,895,537	9,803,402	114,932	564,968	412,236	-
Tangible assets (prepayments)	5,543,450	5,543,450	-	-	-	-
Gross exposure	1,730,273,066	1,719,549,219	248,037	4,101,984	6,350,649	22,176
Monetary liabilities						
Trade payables and suppliers of non-current assets	(96,941,707)	(85,224,848)	(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	(1,226,589,576)	(85,224,848)	(827,307,605)	(1,479,037)	(311,473,310)	(1,104,777)
Net exposure in the statement of financial position (audited)	503,683,489	1,634,324,371	(827,059,567)	2,622,947	(305,122,660)	(1,081,601)

The following exchange rates have been used:

	Average rate		Reporting date spot rate	
	2018	2017	December 31, 2018	December 31, 2017
RON/ EUR	4.6535	4.5680	4.6639	4.6597
RON/USD	3.9433	4.0517	4.0736	3.8915
RON / CAD	3.0429	3.1221	2.9925	3.1051
RON/GBP	5.2597	5.2123	5.1931	5.2530

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Notes to the consolidated financial statements prepared for the year ended on December 31, 2018

*(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, 2018 and December 31, 2017 would have increased the gross profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit 2018 (audited)	Profit 2017 (audited)
EUR	68,288,937	82,705,957
USD	654,509	(262,295)
CAD	22,627,101	30,512,266
GBP	(394)	108,160
Total	91,570,153	113,064,088

A 10% depreciation of the national currency against the following foreign currencies on December 31, 2017 and December 31, 2018 would have had the equal but opposite effect on the amounts shown above, assuming that all other variables remained constant.

	Profit 2018 (audited)	Loss 2017 (audited)
EUR	(68,288,937)	(82,705,957)
USD	(654,509)	262,295
CAD	(22,627,101)	(30,512,266)
GBP	394	(108,160)
Total	(91,570,153)	(113,064,088)

b) Interest rate risk

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

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

	Carrying amount (*)	
	December 31, 2018 (audited)	December 31, 2017 (audited)
Fixed rate instruments		
Financial assets	1,565,104,490	1,272,478,488
	1,565,104,490	1,272,478,488
Variable rate instruments		
Financial liabilities	(909,860,972)	(1,129,647,869)
	(909,860,972)	(1,129,647,869)

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

Sensitivity analysis of cash flows for variable interest rate instruments

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

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

	Profit and loss	
	100bp Increase	100bp Decrease
December 31, 2018		
Variable rate instruments	(9,098,610)	9,098,610
Cash flow sensitivity (net)	(9,098,610)	9,098,610
December 31, 2017		
Variable rate instruments	(11,296,479)	11,296,479
Cash flow sensitivity (net)	(11,296,479)	11,296,479

c) Credit risk

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

Financial assets, which potentially subject the Group to credit risk, are mainly trade receivables, cash and cash equivalents and bank deposits. Sale of electricity to customers is done both on the 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.

As at December 31, 2018 the Group is exposed to a concentrated credit risk, considering the fact that approximately 22% of the trade receivables are in relation to the Romanian Electricity and Gas Market Operator (OPCOM) and in relation to Electrica Furnizare S.A. (see Note 9). The counterparty risk is limited considering the guarantees obtained from clients as bank guarantee letters.

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

	December 31, 2018 (audited)	December 31, 2017 (audited)
Banca Transilvania S.A.	305,472,272	263,916,540
Alpha Bank S.A.	281,760,118	124,788,371
Garanti Bank S.A.	247,868,716	225,868,115
Banca Comerciala Romana S.A.	221,100,290	418,382,211
Unicredit Bank S.A.	217,095,215	223,620,369
Credit Agricole Bank S.A.	134,390,000	-
EximBank S.A.	100,628,726	100,001,338
BRD Societe Generale S.A.	92,015,231	371,018,862
OTP Bank S.A.	65,128,619	59,745,352
Libra Internet Bank S.A.	45,156,274	-
Citi Bank Romania	25,095,889	2,013,506
Treasury of Bucharest Municipality	1,564,388	1,948,198
Patria Bank S.A.	168	31,531,473
Other	1,056,343	183,053
Total cash, bank deposits and financial assets	1,738,332,249	1,823,017,387

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

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

	Net value	
	December 31, 2018	December 31, 2017
	(audited)	(audited)
Financial assets		
Trade receivables	157,663,336	120,059,302
Bank deposits and financial assets	131,406,438	109,183,308
Cash and cash equivalents	1,611,958,742	1,713,834,079
Other receivables	23,645,473	29,891,731
	1,924,673,989	1,972,968,420

The ageing of trade receivables on the reporting date was:

	Gross value	Value	Gross value	Value adjustments
	December 31, 2018	adjustments as of	December 31, 2017	as at
	(audited)	December 31, 2018	(audited)	December 31,
		(audited)		2017
				(audited)
Not past due	157,225,060	-	118,073,385	-
Past due 1-30 days	417,512	-	1,769,419	-
Past due 31-90 days	10,270	-	104,660	-
Past due 91-180 days	10,494	-	111,838	-
Past due 181-270 days	-	-	586,758	(586,758)
Past due 271-365 days	27,007	(27,007)	1,389	(1,389)
Past due more than one year	10,831,927	(10,831,927)	12,839,439	(12,839,439)
Total	168,522,270	(10,858,933)	133,486,888	(13,427,586)

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

	Gross value	Value	Gross value	Value
	December 31, 2018	adjustments as of	December 31, 2017	adjustments as of
	(audited)	December 31, 2018	(audited)	December 31, 2017
		(audited)		(audited)
Not past due	22,170,365	-	30,337,924	-
Past due 1-30 days	1,467,610	-	-	-
Past due 31-90 days	3,592	-	20,965	-
Past due 91-180 days	1,946	-	-	-
Past due 181-270 days	1,961	-	-	-
Past due 271-365 days	-	-	-	-
Past due more than one year	3,190,028	(3,190,028)	3,103,425	(3,078,604)
Total	29,219,277	(3,190,028)	33,462,313	(3,078,604)

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

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

	December 31, 2018 (audited)	December 31, 2017 (audited)
Balance on the beginning of the year	(13,427,586)	(12,846,744)
Recognized impairment adjustments, net of resumptions	2,568,653	(580,842)
Balance on the end of the year	(10,858,933)	(13,427,586)

d) Liquidity risk

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

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

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

	Carrying amount December 31, 2018	Contractual amount	<12 months	1-2 years	2-5 years	> 5 years	Carrying amount December 31, 2017
December 31, 2018							
Financial liabilities							
Loans	909,860,973	909,860,973	209,456,905	418,913,810	281,490,259	-	1,129,647,869
Trade payables and suppliers of non-current assets	75,350,878	75,350,878	75,350,878	-	-	-	96,236,405
Provisions for risks and expenses	216,714,335	216,714,335	33,831,052	94,075,675	40,783,494	48,024,114	168,874,434
Other payables	121,956,580	121,956,580	121,956,580	-	-	-	84,445,501
	1,323,882,766	1,323,882,766	440,595,415	512,989,485	322,273,753	48,024,114	1,479,204,210

(ii) Capital management

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

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, 2018 and December 31, 2017, 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 Group operates, corroborated with the specific nature of the financed investments and of the structure of the guarantees, which include a government guarantee, as well as the variable interest rates, the Group's

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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, 2018 (audited)			
Financial assets			
Financial assets	110,451,459	110,451,459	2
Net trade receivables	157,663,336	157,663,336	2
Cash and cash equivalents	1,611,958,742	1,611,958,742	2
Bank deposits	20,954,979	20,954,979	2
Net other receivables	23,645,473	23,645,473	2
	1,924,673,989	1,924,673,989	
	Carrying amount	Fair value	Level
December 31, 2018 (audited)			
Long-term financial liabilities			
Long-term financial borrowings	683,967,469	683,967,469	2
Provisions for risks and expenses	182,883,283	182,883,283	2
	866,850,752	866,850,752	
Short-term financial liabilities			
Suppliers, including suppliers of non-current assets	75,350,880	75,350,880	2
The current share of provisions for risks and expenses	33,831,052	33,831,052	2
Borrowings, short-term portion of long-term loans	203,393,860	203,393,860	2
Employee benefits and other payables	121,956,580	121,956,580	2
	434,532,372	434,532,372	
	Carrying amount	Fair value	Level
December 31, 2017 (audited)			
Financial assets			
Financial assets	76,355,852	76,355,852	2
Net trade receivables	120,059,302	120,059,302	2
Cash and cash equivalents	1,713,834,079	1,713,834,079	2
Bank deposits	32,827,456	32,827,456	2
Net other receivables	29,891,731	29,891,731	2
	1,972,968,420	1,972,968,420	

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	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	96,236,405	96,236,405	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	84,445,501	84,445,501	2
	418,175,374	418,175,374	

(iii) Other risks**f) Operational risk**

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

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

g) Compliance risk

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

26. 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.

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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 lodged partial objections to the preliminary inspection report,

On 17.11.2017 the Company received from ANAF - DGAMC 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 Lei 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-verification action ended with the fiscal inspection process F-MC 60 / 04.04.2018 and the decision regarding the modification of the tax base no. F-MC 117/04.04.2018, through which no value added tax obligations have been established.

(ii) Other check-ups

In the period 10.01.2018-04.05.2018 the Romanian Court of Accounts carried out a control on the topic "Control regarding the situation, evolution and manner of administration of the public and private patrimony of the state, as well as the legality of the income earned and the expenses incurred", finalized by the Control Report no. 5.445 / 04.05.2018 and issued the Decision no.5 / 08.06.2018. The Company filed a complaint against this decision as a result of which the Commission for the settlement of the appeals issued the Decision no. 29 / 31.07.2018. Currently, the Company is in litigation with the Court of Accounts on the measures ordered by the aforementioned decision.

Between 27.03.2018-24.08.2018 the Prime Minister's Control Body carried out a control with the following objectives: verification of compliance with the legal provisions regarding the organization and functioning of the entity, of the managerial activity regarding the operation of Cernavoda Nuclear Power Plant units 1 and 2, verification of compliance with corporate governance rules, verification of compliance with legal provisions regarding the award, execution and performance of contracts, verification of compliance with legal provisions regarding the income set and earned, and regarding the engagement and incurring of expenses, the status of the litigations pending before the courts of law. This control was finalized with the Inspection report no.127 / 04.01.2019 to which the Company formulated a point of view with Letter no. 1465 / 02.05.2019.

On the basis of the FMC Tax Inspection Notice 163 / 23.07.2018, on 23.08.2018, a control team came to the Company's headquarters to audit the income tax for the period 2012-2017, the tax on the income earned by non-resident persons in Romania, the income from dividends received in Romania by non-residents and the income from royalties obtained in Romania by non-residents for the period 2015-2017, VAT for the period 2013-2017, tax on interest income obtained in Romania by non-resident persons for the period 2015-2017. We mention that at the date of this tax inspection, it is ongoing.

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(iii) Insurance policies

As at December 31, 2018, 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)
- Civil / professional liability insurance policy for SNN directors and officers ("D&O") for a liability limit (insured amount of EUR 33).

(iv) Environmental issues

The Group recorded no liability as at December 31, 2018 and December 31, 2017 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, 2018 are not significant. Furthermore, the Group is insured against the risk of nuclear accidents, up to the amount of DST 300 million, as described in section (ii) above.

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

(v) Ongoing litigations

During 2018, the Group 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 and, 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 Group'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 Group that has not been presented in these Financial Statements.

(vi) Commitments

On December 31, 2018, the total amount of commitments is fully reflected under the position *"Trading and other liabilities"*, representing capital and operating expenses.

(vii) 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, PCCB-LE - Centralized Market for Bilateral Contracts through Extended Auctions and PCSU - Centralized Market for Universal Service).

As at December 31, 2018, 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 105.75 million, and in favor of OPCOM for the participation to DAM and

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IM amounted to RON 19.12 million .

Moreover, on December 31, 2018 the Company has established letters of guarantee issued in favor of Transelectrica S.A. and Ciga Energy S.A. amounting to RON 1.5 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.

For all these letters of guarantee, the Company established collateral deposits at banks issuing the letters of guarantee.

On December 31, 2018 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.

As at 31 December 2018, the value of the bank guarantee letters issued by clients in favor of the Company for the contracts concluded on PCCB-NC, PCCB-LE and PCSU is in amount of RON 611,9 million. These guarantees cover the risk of unfulfilling the contractual obligations assumed by the clients through the energy sale contracts.

27. 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. The total fees (excluding VAT) for the year 2018 charged for all the services of limited review of the financial statements as at 30 June 2018, auditing of the financial statements as at 31.12.2017 and other audit services (analysis, verification and agreed procedures) in 2018 amount to RON 128,036.

The Company also benefited from tax consultancy services under the monthly subscription and transfer pricing services. 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, 2018 is in the amount of RON 104,881.

28. Miscellaneous***(i) Details of the group of companies***

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

(ii) Investments in associates

The Group holds participating interests in Bursa Romana de Marfuri SA: having the registered office in Bucharest, 50-52 Buzesti Street; number of shares owned as at 31 December 2018: 23 shares, nominal value of share capital owned: 23.000 RON, representing 0,29% of the number of issued shares.

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

(iii) The Company's Employees

The average number of employees of the Group during 2018 was 2,009 (2017: 1,982 employees). As at December 31, 2018 the actual number of employees is 2,065 (2017: 2,041 employees).

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As at December 31, 2018, the Group has 178 employees in leadership positions (2017: 174 employees) and 1,887 employees in executive positions (2017: 1,867 employees).

29. SUBSEQUENT EVENTS TO THE REPORTING DATE***Amendment of the Articles of Incorporation of the Company***

By Resolution no. 2/04.01.2019 of the Extraordinary General Assembly of Shareholders, the amendment of the Articles of Incorporation of SNN, according to the report submitted to the shareholders for this topic on the agenda (item 2 of the EGMS agenda of January 4, 2019), was approved. The amendment is as follows: adding par. (7) to art. 8 which is specifying that the Board of Directors is authorized, for a period of three years, to increase the share capital by issuing new shares in exchange for the contributions of the shareholders up to an authorized capital value of Lei 3,015,427,983.

Activities approved for the increase of share capital

Resolution no. 2/04.01.2019 of the Extraordinary General Assembly of Shareholders approved the following activities for the increase of share capital:

1. The appointment by the Trade Registry Office attached to Bucharest Court of Law of an authorized assessor to appraise the land located on 23 Energia Street, Cernavoda, Constanta County, in order to increase the share capital of Nuclearelectrica S.A., as per the note forwarded to the shareholders with regard for this point of the agenda (item 3 of EGMS agenda from January 4, 2019);
2. Conferral of power to the Board of Directors for S.N. Nuclearelectrica S.A. share capital increase up to a maximum value of authorized registered capital of Lei 3,015,427,983 lei, according to the note forwarded to the shareholders in relation to this item of the agenda (item 4 of EGMS agenda from January 4, 2019).

Appraisal mission lead by the World Association of Nuclear Operators "WANO"

By the Current Report published on January 30, 2019, S.N. Nuclearelectrica S.A. is notifying the shareholders and investors on the appraisal mission lead by the World Association of Nuclear Operators "WANO" between 5 – 12 November 2018. This appraisal, carried out at the request of S.N. Nuclearelectrica S.A., by a team of 25 international experts sent by nuclear power plants from all over the world, concluded that the level of nuclear security at CNE Cernavoda is high.

Changes in the management of the Company

By Resolutions no. 2/04.02.2019 and no. 3/04.02.2019, SNN Board of Directors has approved the appointment of the Chief Executive Officer, Deputy Executive Officer and Chief Financial Officer for a period of 4 years, starting on February 11, 2019, as follows: Mr. Cosmin Ghita – as Chief Executive Officer; Mr. I. Dan Laurentiu Tudor – as Deputy Executive Officer and Mr. Adrian Gabriel Dumitriu – as Chief Financial Officer.

Date: March 20, 2019

Cosmin Ghita
Chief Executive Officer

Adrian Gabriel Dumitriu
Chief Financial Officer

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Independent Auditor's Report*

(*This represents a non-official English translation of the original audit report issued in Romanian language)

To the shareholders of S.N. NUCLEARELECTRICA S.A.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

1. We have audited the accompanying consolidated financial statements of **S.N. NUCLEARELECTRICA S.A.** ("the Company") and its subsidiaries (together "the Group"), with registered office in 65 Polona Street, 1st district, Bucharest, Romania, registered with the Bucharest Trade Registry under no. J40/7403/1998 and having fiscal identification code RO10874881, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies, presenting the following:

- Net Assets / Total equity and reserves: RON 7,178,990,289
- Net result of the year: RON 410,565,969 (profit)

2. In our opinion, except for the possible effect of the matter described in the below paragraph 3, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the provisions of the Order of the Ministry of Public Finance 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, as subsequently amended ("OMFP 2844/2016") and as described in the accounting policies presented in the notes to the financial statements.

Basis for Qualified Opinion

3. As stated in the Note 5 to the accompanying consolidated financial statements, as at 31 December 2018, the Group has recorded tangible assets in progress with the book value of RON 273,960,000 (RON 273,960,000 as at 31 December 2017), comprising capitalized items for Units 3 and 4 of Cernavoda nuclear power plant. Before 1991, nuclear units 1, 2, 3, 4 and 5 were considered a single project and therefore, the realized constructions costs were not allocated at the level of each unit. Subsequently, the Group has done the allocation of the construction costs for the Units 3 and 4 of the nuclear power plant. We could not obtain sufficient and relevant evidence in relation with the accuracy of this split, which has effect on the valuation of these assets. These limitations have impact as well on the deferred tax liability allocated for the Units 3 and 4 as at 31 December 2018 in amount of RON 43,524,186 (RON 43,524,186 as at 31 December 2017). Consequently, we were not able to determine if adjustments are needed on the fixed assets, deferred tax liability and retained earnings as at 31 December 2018 and therefore on the depreciation and amortization, profit tax and net profit for the year then ended.
4. We conducted our audit in accordance with the International Standards on Auditing ("ISA"), the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 537/2014") and with the Law 162/2017 ("Law"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of*

the *Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and in accordance with all other ethical requirements relevant for the audit of the consolidated financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of matters

5. Without issuing additional reserves on our opinion, we draw attention to the Note 22 of the consolidated financial statements, which describe aspects with regard to the going concern of the subsidiary Energonuclear S.A and Units 3 and 4 Project. The total estimated recoverable amount of the investment in Units 3 and 4 of Cernavoda, including also all capitalized individual elements of the Group, was determined by the management based on certain assumptions, professional judgments, expectations regarding future events, which are believed to be reasonable under the circumstances, and other factors under the assumption that the current negotiations between the management of the Group and the selected investor will be successfully concluded. In the event that any of the assumptions, professional judgments, expectations of future events and other factors do not materialize, this may cause a material adjustment to the carrying amounts of the consolidated Group's assets, liabilities and results within the current or next financial exercise, the impact of which cannot be reasonably estimated as of the date of the issue of these consolidated financial statements.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Audit procedures performed to address the key audit matter
Correction of accounting errors	
<p>As disclosed in Note 2 e) to the consolidated financial statements, as at 30 June 2018 the Group has reconsidered the nature and recognition of regular general inspection costs and capital repairs performed alternately every two years, on Units 1 and 2. Therefore, in order to apply the provisions of International Accounting Standard IAS 16 "Property, Plant and Equipment", regular general inspection on Units 1 and 2, are capitalized in the tangible assets category, being subsequently depreciated over a 2-year period. Regular general inspections cover largely the same components of the Units, therefore the depreciation period considered is the 2-year period between two regular general inspections performed on the same components of the Units, thus substituting each other.</p> <p>Taking into account that this represents a change of approach during the audited year and</p>	<p>In order to obtain reasonable assurance we have performed the following procedures:</p> <ul style="list-style-type: none"> • detailed understanding of the aspects mentioned and related corrections, • discussion of these aspects with the management of the Group, • assessing the compliance of these corrections with the provisions of OMFP 2844/2016, • assessing the reasonableness of the estimates and professional judgments used by the management of the Group, • reviewing the related documents needed to approve and record the corrections, • reviewing the computation performed by the

Key audit matter	Audit procedures performed to address the key audit matter
the importance of the amounts involved, we consider that the analysis of this change is a key audit matter for 2018.	<p>Group,</p> <ul style="list-style-type: none"> analyzing how these corrections were recorded in the consolidated financial statements as at 31.12.2018. <p>Based on our tests performed, we have obtained sufficient and appropriate audit evidence to conclude that the regular general inspection costs and capital repairs on Units 1 and 2 recognized in the consolidated financial statements and the information in the notes to the consolidated financial statements are reasonable.</p>

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

7. The Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with OMFP 2844/2016 and with the accounting policies presented in the notes to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the consolidated financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or any of its subsidiaries' internal control;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern;
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
 14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Conformity of the Administrators' Report with the Consolidated Financial Statements

The Group's Administrators are responsible for the preparation and presentation, in accordance with the requirements of articles 26-27 from the Accounting Regulations approved by OMFP 2844/2016, of an Administrators' Report which is free from significant misstatements, and for such internal control as the Management considers necessary to enable the preparation of the Administrators' Report which shall be free from material inconsistencies, whether due to fraud or error.

The Administrators' Report is not part of the Group's consolidated financial statements. The Group decided to present as a one single report, entitled Annual Report, the consolidated Administrators' Report and Administrators' Report.

Our opinion on the accompanying consolidated financial statements does not cover the Administrators' Report.

In connection with our audit of the consolidated financial statements of the Company as at 31 December 2018, we have read the Administrators' Report attached to the consolidated financial statements and we report the following:

- a) we have not identified in the Administrators' Report any information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements;
- b) the Administrators' Report identified above includes, in all material respects, the information required by articles 26-27 from the Accounting Regulations approved by OMFP 2844/2016;
- c) based on our knowledge and understanding acquired during the audit of the consolidated financial statements for the year ended 31 December 2018 regarding the Group and its environment, we have not identified in the Administrators' Report any information that would be significantly misstated.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as auditors of the Company and of the Group through the Decision no. 3/11 July 2017 of the General Meeting of Shareholders ("GMS") of the Company to audit the separate and consolidated financial statements of the Company for the financial years 2017-2019. Our uninterrupted engagement is of 3 years, covering the financial years ended from 31 December 2017 until 31 December 2019.

Consistency with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 March 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services, as referred to in Article 5(1) of Regulation (EU) No. 537/2014, were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Group and which have not been disclosed in the financial statements.

Bucharest, 20 March 2019

Ella Chilea

Auditor registered in the Public Electronic Register under no. 2190/2007

On behalf of **MAZARS ROMANIA S.R.L.**

Audit firm registered in the Public Electronic Register under no. 699/2007.