



**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)
<b>Assets</b>				
<b>Non-current assets</b>				
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
<b>Total non-current assets</b>		<b>6,673,098,518</b>	<b>7,004,617,664</b>	<b>7,346,393,758</b>
<b>Current assets</b>				
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
<b>Total current assets</b>		<b>2,193,165,640</b>	<b>2,239,856,112</b>	<b>1,992,714,672</b>
<b>Total assets</b>		<b>8,866,264,158</b>	<b>9,244,473,776</b>	<b>9,339,108,430</b>
<b>Equity and liabilities</b>				
<b>Equities</b>				
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
<b>Total equity</b>		<b>7,178,990,289</b>	<b>7,484,021,682</b>	<b>7,389,260,169</b>
<b>Liabilities</b>				
<b>Long term liabilities</b>				
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
<b>Total long term liabilities</b>		<b>1,122,870,108</b>	<b>1,308,218,811</b>	<b>1,512,955,959</b>
<b>Current liabilities</b>				
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
<b>Total current liabilities</b>		<b>564,403,761</b>	<b>452,233,283</b>	<b>436,892,302</b>
<b>Total liabilities</b>		<b>1,687,273,869</b>	<b>1,760,452,094</b>	<b>1,949,848,261</b>
<b>Total equities and liabilities</b>		<b>8,866,264,158</b>	<b>9,244,473,776</b>	<b>9,339,108,430</b>

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**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.)*

		<b>2018</b>	<b>2017</b>
		<b>(audited)</b>	<b>(audited, restated)</b>
	<b>Note</b>		
<b>Incomes</b>			
Sales of electricity	<b>16</b>	2,116,984,201	1,884,740,511
Proceeds from electric power transmission		11,676,332	12,557,690
<b>Total revenues</b>		<b>2,128,660,533</b>	<b>1,897,298,201</b>
Other income	<b>17</b>	50,201,968	35,606,251
<b>Operating expenses</b>			
Depreciation and amortization		(552,964,849)	(545,800,132)
Personnel expenses	<b>18</b>	(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	<b>19</b>	(432,728,895)	(403,311,678)
<b>Total operating expenses</b>		<b>(1,642,333,345)</b>	<b>(1,554,912,157)</b>
<b>Operating profit</b>		<b>536,529,156</b>	<b>377,992,295</b>
Financial costs	<b>20</b>	(58,856,550)	(94,103,591)
Financial revenues	<b>20</b>	94,905,462	75,651,502
<b>Net financial result</b>		<b>36,048,912</b>	<b>(18,452,089)</b>
<b>Profit before income tax</b>		<b>572,578,068</b>	<b>359,540,206</b>
Net income tax expense	<b>14</b>	(162,012,099)	(53,002,126)
<b>Profit for the period</b>		<b>410,565,969</b>	<b>306,538,080</b>

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)*

	<b>Note</b>	<b>2018</b> <b>(audited)</b>	<b>2017</b> <b>(audited, restated)</b>
<b>Profit for the period</b>		<b>410,565,969</b>	<b>306,538,080</b>
<b>Other comprehensive income</b>			
<b>Items that will never be included in the profit and loss account</b>			
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
<b>Comprehensive income</b>		<b>41,202,404</b>	<b>703,726</b>
<b>Total comprehensive income</b>		<b>451,768,373</b>	<b>307,241,806</b>
<b>Earnings per share</b>			
Basic earnings per share (RON/share)	<b>23</b>	<b>1.36</b>	<b>1.02</b>
Diluted earnings per share (RON/share)	<b>23</b>	<b>1.36</b>	<b>1.02</b>

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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
<b>Balance as at January 1, 2018 (audited)</b>		<b>3,210,641,253</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>1,773,743,734</b>	<b>2,390,637,477</b>	<b>7,428,050,150</b>
Correction of accounting errors		-	-	-	-	(55,971,531)	(55,971,531)
<b>Balance as at January 1, 2018 (audited, restated)</b>		<b>3,210,641,253</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>1,773,743,734</b>	<b>2,446,609,008</b>	<b>7,484,021,681</b>
<b>Comprehensive income for the period</b>							
<i>Profitful of the fiscal year</i>		-	-	-	-	410,565,969	<b>410,565,969</b>
<i>Comprehensive income</i>		-	-	-	46,596,168	(5,393,764)	<b>41,202,404</b>
<b>Total comprehensive income for the period</b>		-	-	-	<b>46,596,168</b>	<b>405,172,205</b>	<b>451,768,373</b>
Dividends distributed	10	-	-	-	-	(756,799,766)	(756,799,766)
Other elements						-	-
<b>Balance as at December 31, 2018 (audited)</b>		<b>3,210,641,253</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>1,820,339,902</b>	<b>2,094,981,447</b>	<b>7,178,990,288</b>

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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
<b>Balance as at January 1, 2017 (audited)</b>		<b>3,210,641,253</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>1,773,743,734</b>	<b>2,469,110,336</b>	<b>7,506,523,009</b>
Correction of accounting errors		-	-	-	-	(117,262,841)	(117,262,841)
<b>Balance as at January 1, 2017 (audited, restated)</b>		<b>3,210,641,253</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>1,773,743,734</b>	<b>2,351,847,496</b>	<b>7,389,260,169</b>
<b>Comprehensive income for the period</b>							
<i>Profitul of the fiscal year</i>		-	-	-	-	306,538,080	<b>306,538,080</b>
<i>Comprehensive income</i>		-	-	-	-	703,726	<b>703,726</b>
<b>Total comprehensive income for the period</b>		-	-	-	-	<b>307,241,806</b>	<b>307,241,806</b>
Dividends distributed	10	-	-	-	-	(209,524,685)	(209,524,685)
Other elements						(2,955,609)	(2,955,609)
<b>Balance as at December 31, 2017 (audited)</b>		<b>3,210,641,253</b>	<b>31,474,149</b>	<b>21,553,537</b>	<b>1,773,743,734</b>	<b>2,466,609,009</b>	<b>7,484,021,682</b>

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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)*

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	<b>572,578,068</b>	<b>359,540,206</b>
<b>Adjustments for:</b>		
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
<b>Changes in:</b>		
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)
<b>Cash flows generated from operating activities</b>	<b>1,100,312,607</b>	<b>954,156,289</b>
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)
<b>Net cash flow from operating activities</b>	<b>1,023,858,046</b>	<b>893,951,156</b>
<b>Cash flows from investing activities</b>		
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)
<b>Cash flow used in investing activities</b>	<b>(163,432,959)</b>	<b>(207,308,352)</b>
<b>Cash flow from financing activities</b>		
Repayments of borrowings	(211,343,883)	(225,290,386)
Dividends	(750,956,541)	(207,667,737)
<b>Net cash flow from financing activities</b>	<b>(962,300,424)</b>	<b>(432,958,123)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(101,875,337)</b>	<b>253,684,682</b>
<b>Cash and cash equivalents as at 1 January (see Note 9)</b>	<b>1,713,834,079</b>	<b>1,460,149,397</b>
<b>Cash and cash equivalents as at 31 December (see Note 9)</b>	<b>1,611,958,742</b>	<b>1,713,834,079</b>

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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)*

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### **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).

*Notes 1 - 29 are an integral part of these consolidated financial statements.*

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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

	<b>31.12.2017 (audited)</b>	<b>IAS 16</b>	<b>31.12.2017 (audited, restated)</b>
<b>Items of the financial position</b>			
Tangible assets	6,809,730,694	55,971,531	6,865,702,225
<b>Total assets</b>	<b>9,188,502,245</b>	<b>55,971,531</b>	<b>9,244,473,776</b>
Retained earnings	2,390,637,477	55,971,531	2,446,609,008
<b>Total own equity</b>	<b>7,428,050,150</b>	<b>55,971,531</b>	<b>7,484,021,681</b>
	<b>31.12.2017 (audited)</b>	<b>IAS 16</b>	<b>31.12.2017 (audited, restated)</b>
<b>Items of profit and loss account</b>			
Repairs and maintenance	123,888,330	-51,281,688	72,606,642
Depreciation and amortization	497,185,088	48,615,044	545,800,132
<b>Profit of the fiscal year</b>	<b>303,871,436</b>	<b>2,666,644</b>	<b>306,538,080</b>

*Notes 1 - 29 are an integral part of these consolidated financial statements.*

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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:

	<b>31.12.2017 (audited)</b>	<b>Reallocations</b>	<b>31.12.2017 (audited, reallocated)</b>
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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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:

<b>Asset</b>	<b>Useful life in years</b>
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

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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".

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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.

*Notes 1 - 29 are an integral part of these consolidated financial statements.*

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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
<b>Cost</b>					
<b>Balance as at January 1, 2017 (audited)</b>	<b>31,534,439</b>	<b>5,579,800,416</b>	<b>1,857,404,026</b>	<b>1,001,158,742</b>	<b>8,469,897,624</b>
Effect of correction		99,016,196			99,016,196
<b>Balance as at January 1, 2017 (audited, restated)</b>	<b>31,534,439</b>	<b>5,678,816,612</b>	<b>1,857,404,026</b>	<b>1,001,158,742</b>	<b>8,568,913,820</b>
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)
<b>Balance as at December 31, 2017 (audited, restated)</b>	<b>31,534,439</b>	<b>5,698,230,344</b>	<b>1,947,064,756</b>	<b>1,002,091,910</b>	<b>8,678,921,451</b>
<b>Balance as at January 1, 2018 (audited)</b>	<b>31,534,439</b>	<b>5,594,239,417</b>	<b>1,947,064,756</b>	<b>1,002,091,910</b>	<b>8,574,930,523</b>
Effect of correction		103,990,927			103,990,927
<b>Balance as at January 1, 2018 (audited, restated)</b>	<b>31,534,439</b>	<b>5,698,230,344</b>	<b>1,947,064,756</b>	<b>1,002,091,910</b>	<b>8,678,921,450</b>
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)
<b>Balance as at December 31, 2018 (audited)</b>	<b>32,302,399</b>	<b>4,677,768,128</b>	<b>1,957,346,184</b>	<b>1,012,849,615</b>	<b>7,680,266,326</b>
<b>Depreciation and impairment losses</b>					
<b>Balance on January 1, 2017 (audited)</b>	<b>550,782</b>	<b>375,420,323</b>	<b>703,502,638</b>	<b>140,841,495</b>	<b>1,220,315,238</b>
Effect of correction	-	45,711,309	59,567,895	-	105,279,204
<b>Balance on January 1, 2017 (audited, restated)</b>	<b>550,782</b>	<b>421,131,632</b>	<b>763,070,533</b>	<b>140,841,495</b>	<b>1,325,594,442</b>
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
<b>Balance as at December 31, 2017 (audited, restated)</b>	<b>550,782</b>	<b>781,264,650</b>	<b>882,117,425</b>	<b>149,286,369</b>	<b>1,813,219,225</b>
<b>Balance as at January 1, 2018 (audited)</b>	<b>550,782</b>	<b>733,245,253</b>	<b>882,117,425</b>	<b>149,286,369</b>	<b>1,765,199,828</b>
Effect of correction	-	48,019,397	-	-	48,019,397
<b>Balance as at January 1, 2018 (audited, restated)</b>	<b>550,782</b>	<b>781,264,650</b>	<b>882,117,425</b>	<b>149,286,369</b>	<b>1,813,219,225</b>
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
<b>Balance as at December 31, 2018 (audited)</b>	<b>550,782</b>	<b>83,657,435</b>	<b>604,284,249</b>	<b>139,723,821</b>	<b>828,216,287</b>
<b>Carrying amount</b>					
<b>Balance as at January 1, 2017 (audited, restated)</b>	<b>30,983,658</b>	<b>5,257,684,980</b>	<b>1,094,333,493</b>	<b>860,317,247</b>	<b>7,243,319,377</b>
<b>Balance as at December 31, 2017 (audited, restated)</b>	<b>30,983,658</b>	<b>4,916,965,695</b>	<b>1,064,947,331</b>	<b>852,805,541</b>	<b>6,865,702,225</b>
<b>Balance as at December 31, 2018 (audited)</b>	<b>31,751,617</b>	<b>4,594,110,693</b>	<b>1,017,457,767</b>	<b>864,469,300</b>	<b>6,507,789,378</b>

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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 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
<b>Cost</b>			
<b>Balance as at January 1, 2017 (audited)</b>	<b>62,067,152</b>	<b>187,980,108</b>	<b>250,047,260</b>
Additions	40,037	61,668	101,705
Transfers and reallocations	2,411,282	(2,411,282)	-
Disposals	(301,817)	(3,490)	(305,307)
<b>Balance as at December 31, 2017 (audited)</b>	<b>64,216,654</b>	<b>185,627,004</b>	<b>249,843,658</b>
<b>Balance as at January 1, 2018 (audited)</b>	<b>64,216,654</b>	<b>185,627,004</b>	<b>249,843,658</b>
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)
<b>Balance as at December 31, 2018 (audited)</b>	<b>212,624,346</b>	<b>49,194,600</b>	<b>261,818,946</b>
<b>Accumulated amortization</b>			
<b>Balance as at January 1, 2017 (audited)</b>	<b>61,574,073</b>	<b>107,836,252</b>	<b>169,410,325</b>
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	-
<b>Balance as at December 31, 2017 (audited)</b>	<b>62,324,837</b>	<b>124,982,334</b>	<b>187,307,171</b>
<b>Balance as at January 1, 2018 (audited)</b>	<b>62,324,837</b>	<b>124,982,334</b>	<b>187,307,171</b>
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)
<b>Balance as at December 31, 2018 (audited)</b>	<b>177,903,692</b>	<b>29,080,673</b>	<b>206,984,365</b>
<b>Carrying amount</b>			
<b>Balance as at January 1, 2017 (audited)</b>	<b>493,079</b>	<b>80,143,857</b>	<b>80,636,934</b>
<b>Balance as at December 31, 2017 (audited)</b>	<b>1,891,817</b>	<b>60,644,669</b>	<b>62,536,487</b>
<b>Balance as at December 31, 2018 (audited)</b>	<b>34,720,654</b>	<b>20,113,927</b>	<b>54,834,581</b>

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:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>(audited)</b>	<b>(audited)</b>
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
<b>Total</b>	<b>368,741,789</b>	<b>332,348,007</b>

**8. TRADE RECEIVABLES AND OTHER RECEIVABLES**

As at December 31, 2018 and December 31, 2017, the trade receivables and other receivables are as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>(audited)</b>	<b>(audited)</b>
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
<b>Total</b>	<b>181,308,809</b>	<b>149,951,033</b>

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:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>(audited)</b>	<b>(audited)</b>
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
<b>Total cash and cash equivalents</b>	<b>1,611,958,742</b>	<b>1,713,834,079</b>

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.

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>(audited)</b>	<b>(audited)</b>
Bank deposits	<b>20,954,979</b>	<b>32,827,456</b>

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:

	<b>December 31, 2018 (audited)</b>	<b>December 31, 2017 (audited)</b>
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
<b>Share capital (restated value)</b>	<b>3,210,641,253</b>	<b>3,210,641,253</b>

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:

<b>Shareholders</b>	<b>Number of shares December 31, 2018</b>	<b>% of the share capital</b>	<b>Number of shares December 31, 2017</b>	<b>% of the share capital</b>
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%
<b>Total</b>	<b>301,513,851</b>	<b>100%</b>	<b>301,513,851</b>	<b>100%</b>

***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
<b>Balance as at January 1, 2018 (audited)</b>			<b>1,129,647,869</b>	
New issues				
<b>Reimbursements, out of which</b>			<b>(211,343,884)</b>	
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
<b>Exchange rate differences</b>			<b>(8,443,013)</b>	
<b>Balance as at December 31, 2018 (audited)</b>			<b>909,860,972</b>	

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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:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>(audited)</b>	<b>(audited)</b>
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
<b>Total long-term loans</b>	<b>909,860,973</b>	<b>1,129,647,869</b>
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)
<b>Total long-term loans net of the short-term portion</b>	<b>683,967,469</b>	<b>894,848,799</b>

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:

	<b>December 31, 2018</b> <b>(audited)</b>	<b>December 31, 2017</b> <b>(audited)</b>
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)
<b>Total short-term loans</b>	<b>203,393,860</b>	<b>205,655,302</b>

**12. TRADING AND OTHER LIABILITIES**

As at December 31, 2018 and December 31, 2017, the suppliers and other obligations are as follows:

	<b>December 31, 2018</b> <b>(audited)</b>	<b>December 31, 2017</b> <b>(audited, restated)</b>
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
<b>Total</b>	<b>197,307,460</b>	<b>180,681,905</b>

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":

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>(audited)</b>	<b>(audited)</b>
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
<b>Total</b>	<b>216,714,335</b>	<b>168,874,434</b>

On December 31, 2018, the provisions in the total amount of RON 216,714,335 represent long-term and short-term liabilities, as follows:

	<b>Long-term share</b>	<b>Current share</b>
	<b>(&gt; 1 year)</b>	<b>(&lt; 1 year)</b>
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	-
<b>Total</b>	<b>182,883,283</b>	<b>33,831,052</b>

"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:

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
Current income tax expense	182,146,565	73,687,453
Deferred tax release	(20,134,506)	(20,685,327)
<b>Total</b>	<b>171,617,934</b>	<b>53,002,126</b>

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:**

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
<b>Profit before income tax</b>	<b>572,578,068</b>	<b>359,540,206</b>
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)
<b>Income tax expense</b>	<b>162,012,099</b>	<b>53,002,126</b>

The deferred tax consists of:

<b>December 31, 2017</b>			
<b>(audited, restated)</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
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)
<b>Net tax (asset)/debt</b>	<b>-31,951,901</b>	<b>145,855,662</b>	<b>113,903,761</b>

  

<b>December 31, 2018</b>			
<b>(audited)</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
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)
<b>Net tax (asset)/debt</b>	<b>-39,378,797</b>	<b>142,023,512</b>	<b>102,644,715</b>

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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)
<b>Net tax (asset)/debt</b>	<b>131,608,366</b>	<b>(20,685,327)</b>	<b>2,980,722</b>	<b>113,903,761</b>	<b>(20,134,506)</b>	<b>8,875,461</b>	<b>102,644,715</b>

**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
<b>Total</b>	<b>38,617,348</b>	<b>33,328,029</b>

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.

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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
<b>Total</b>	<b>2,116,984,202</b>	<b>1,884,740,511</b>

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**(ii) The amount of energy sold**

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited)</b>
Quantity of electricity sold on regulated market (MWh)	-	609,458
Quantity of electricity sold on free market (MWh)	10,642,623	10,107,639
	<b>10,642,623</b>	<b>10,717,097</b>

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**

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited)</b>
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
<b>Total</b>	<b>50,201,968</b>	<b>35,606,250</b>

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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:

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited)</b>
Wages and salaries	359,086,900	251,512,052
Expenditure on social security and assimilated costs	29,760,283	73,258,868
<b>Total costs borne for employees</b>	<b>388,847,183</b>	<b>324,770,920</b>

In 2018, the breakdown by category of employees is as follows:

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited)</b>
Chief officers	178	174
Executive officers	1,887	1,867
<b>Total actual number of employees</b>	<b>2,065</b>	<b>2,041</b>

**19. OTHER OPERATING EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
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
<b>Total</b>	<b>432,728,894</b>	<b>403,311,678</b>

**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**

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited)</b>
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
<b>Total financial income</b>	<b>94,905,462</b>	<b>75,651,502</b>
Foreign exchange losses	(42,195,521)	(71,458,586)
Interest related expenses	(16,661,029)	(22,645,005)
<b>Total financial costs</b>	<b>(58,856,550)</b>	<b>(94,103,591)</b>
<b>Net financial income/(expense)</b>	<b>36,048,912</b>	<b>(18,452,089)</b>

**21. OTHER INCOMES**

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited)</b>
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
<b>Total</b>	<b>50,201,968</b>	<b>35,606,250</b>

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:

	<b>Sales</b>		<b>Receivables as at</b>	
	<b>2018</b> <b>(audited)</b>	<b>2017</b> <b>(audited)</b>	<b>December 31,</b> <b>2018</b> <b>(audited)</b>	<b>December 31,</b> <b>2017</b> <b>(audited)</b>
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	-	-
<b>Total</b>	<b>359,748,030</b>	<b>557,279,607</b>	<b>3,312,161</b>	<b>3,088,341</b>

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	<b>Purchases</b>		<b>Payables as at</b>	
	<b>2018</b>	<b>2017</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>(audited)</b>	<b>(audited)</b>	<b>2018</b>	<b>2017</b>
			<b>(audited)</b>	<b>(audited)</b>
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	-
<b>Total</b>	<b>253,287,752</b>	<b>238,757,457</b>	<b>37,697,333</b>	<b>34,191,187</b>

**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.

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited)</b>
Remuneration of the management of the Group (gross amounts)	9,291,601	6,544,837
	<b>9,291,601</b>	<b>6,544,837</b>

**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**

	<b>2018</b>	<b>2017</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
<b>Net profit for the year</b>	<b>410,565,969</b>	<b>306,538,080</b>
Number of the ordinary shares at the beginning of the year	301,513,851	301,513,851
<b>Weighted-average number of ordinary shares at 31 December</b>	<b>301,513,851</b>	<b>301,513,851</b>
<b>Basic earnings per share (RON/share)</b>	<b>1.36</b>	<b>1.02</b>

**(ii) Diluted earnings per share**

	<b>2017</b>	<b>2016</b>
	<b>(audited)</b>	<b>(audited, restated)</b>
<b>Net profit for the year</b>	<b>410,565,969</b>	<b>306,538,080</b>
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
<b>Weighted-average number of ordinary shares (diluted) on December, 31</b>	<b>301,513,851</b>	<b>301,513,851</b>
<b>Diluted earnings per share (RON/share)</b>	<b>1.36</b>	<b>1.02</b>

**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
<b>December 31, 2018</b>						
<b>Monetary assets</b>						
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	-
<b>Gross exposure</b>	<b>1,620,173,601</b>	<b>1,612,229,537</b>	<b>451,714</b>	<b>773,189</b>	<b>6,671,510</b>	<b>47,651</b>
<b>Monetary liabilities</b>						
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)	-
<b>Gross exposure</b>	<b>(985,723,445)</b>	<b>(62,077,848)</b>	<b>(683,341,080)</b>	<b>(7,318,282)</b>	<b>(232,942,522)</b>	<b>(43,714)</b>
<b>Net exposure in the statement of financial position (audited)</b>	<b>634,450,156</b>	<b>1,550,151,689</b>	<b>(682,889,366)</b>	<b>(6,545,093)</b>	<b>(226,271,012)</b>	<b>3,937</b>
	Carrying amount	RON	EUR	USD	CAD	GBP
<b>December 31, 2017</b>						
<b>Monetary assets</b>						
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	-	-	-	-
<b>Gross exposure</b>	<b>1,730,273,066</b>	<b>1,719,549,219</b>	<b>248,037</b>	<b>4,101,984</b>	<b>6,350,649</b>	<b>22,176</b>
<b>Monetary liabilities</b>						
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)	-
<b>Gross exposure</b>	<b>(1,226,589,576)</b>	<b>(85,224,848)</b>	<b>(827,307,605)</b>	<b>(1,479,037)</b>	<b>(311,473,310)</b>	<b>(1,104,777)</b>
<b>Net exposure in the statement of financial position (audited)</b>	<b>503,683,489</b>	<b>1,634,324,371</b>	<b>(827,059,567)</b>	<b>2,622,947</b>	<b>(305,122,660)</b>	<b>(1,081,601)</b>

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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*(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.

	<b>Profit 2018 (audited)</b>	<b>Profit 2017 (audited)</b>
EUR	68,288,937	82,705,957
USD	654,509	(262,295)
CAD	22,627,101	30,512,266
GBP	(394)	108,160
<b>Total</b>	<b>91,570,153</b>	<b>113,064,088</b>

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.

	<b>Profit 2018 (audited)</b>	<b>Loss 2017 (audited)</b>
EUR	(68,288,937)	(82,705,957)
USD	(654,509)	262,295
CAD	(22,627,101)	(30,512,266)
GBP	394	(108,160)
<b>Total</b>	<b>(91,570,153)</b>	<b>(113,064,088)</b>

**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:

	<b>Carrying amount (*)</b>	
	<b>December 31, 2018 (audited)</b>	<b>December 31, 2017 (audited)</b>
<b>Fixed rate instruments</b>		
Financial assets	1,565,104,490	1,272,478,488
	<b>1,565,104,490</b>	<b>1,272,478,488</b>
<b>Variable rate instruments</b>		
Financial liabilities	(909,860,972)	(1,129,647,869)
	<b>(909,860,972)</b>	<b>(1,129,647,869)</b>

(\*) 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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Notes to the consolidated financial statements prepared for the year ended on December 31, 2018

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

	<b>Profit and loss</b>	
	<b>100bp Increase</b>	<b>100bp Decrease</b>
<b>December 31, 2018</b>		
Variable rate instruments	(9,098,610)	9,098,610
<b>Cash flow sensitivity (net)</b>	<b>(9,098,610)</b>	<b>9,098,610</b>
<b>December 31, 2017</b>		
Variable rate instruments	(11,296,479)	11,296,479
<b>Cash flow sensitivity (net)</b>	<b>(11,296,479)</b>	<b>11,296,479</b>

**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:

	<b>December 31, 2018 (audited)</b>	<b>December 31, 2017 (audited)</b>
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
<b>Total cash, bank deposits and financial assets</b>	<b>1,738,332,249</b>	<b>1,823,017,387</b>

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

	<b>Net value</b>	
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>(audited)</b>	<b>(audited)</b>
<b>Financial assets</b>		
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
	<b>1,924,673,989</b>	<b>1,972,968,420</b>

The ageing of trade receivables on the reporting date was:

	<b>Gross value December 31, 2018 (audited)</b>	<b>Value adjustments as of December 31, 2018 (audited)</b>	<b>Gross value December 31, 2017 (audited)</b>	<b>Value adjustments as at December 31, 2017 (audited)</b>
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)
<b>Total</b>	<b>168,522,270</b>	<b>(10,858,933)</b>	<b>133,486,888</b>	<b>(13,427,586)</b>

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

	<b>Gross value December 31, 2018 (audited)</b>	<b>Value adjustments as of December 31, 2018 (audited)</b>	<b>Gross value December 31, 2017 (audited)</b>	<b>Value adjustments as of December 31, 2017 (audited)</b>
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)
<b>Total</b>	<b>29,219,277</b>	<b>(3,190,028)</b>	<b>33,462,313</b>	<b>(3,078,604)</b>

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

	<b>December 31, 2018</b> <b>(audited)</b>	<b>December 31, 2017</b> <b>(audited)</b>
<b>Balance on the beginning of the year</b>	(13,427,586)	(12,846,744)
Recognized impairment adjustments, net of resumptions	2,568,653	(580,842)
<b>Balance on the end of the year</b>	<b>(10,858,933)</b>	<b>(13,427,586)</b>

**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.

	<b>Carrying amount December 31, 2018</b>	<b>Contractual amount</b>	<b>&lt;12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>&gt; 5 years</b>	<b>Carrying amount December 31, 2017</b>
<b>December 31, 2018</b>							
<b>Financial liabilities</b>							
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
	<b>1,323,882,766</b>	<b>1,323,882,766</b>	<b>440,595,415</b>	<b>512,989,485</b>	<b>322,273,753</b>	<b>48,024,114</b>	<b>1,479,204,210</b>

**(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.

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>December 31, 2018 (audited)</b>			
<b>Financial assets</b>			
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
	<b>1,924,673,989</b>	<b>1,924,673,989</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>December 31, 2018 (audited)</b>			
<b>Long-term financial liabilities</b>			
Long-term financial borrowings	683,967,469	683,967,469	2
Provisions for risks and expenses	182,883,283	182,883,283	2
	<b>866,850,752</b>	<b>866,850,752</b>	
<b>Short-term financial liabilities</b>			
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
	<b>434,532,372</b>	<b>434,532,372</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>December 31, 2017 (audited)</b>			
<b>Financial assets</b>			
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
	<b>1,972,968,420</b>	<b>1,972,968,420</b>	

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

	Carrying amount	Fair value	Level
<b>December 31, 2017 (audited)</b>			
<b>Long-term financial liabilities</b>			
Long-term financial borrowings	894,848,799	894,848,799	2
Provisions for risks and expenses	137,036,268	137,036,268	2
	<b>1,031,885,067</b>	<b>1,031,885,067</b>	
<b>Short-term financial liabilities</b>			
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
	<b>418,175,374</b>	<b>418,175,374</b>	

**(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**

*Notes 1 - 29 are an integral part of these consolidated financial statements.*

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