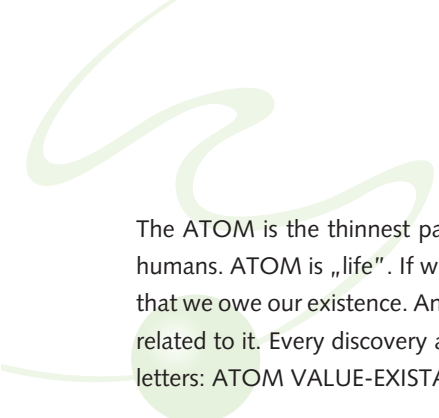


"NUCLEARELECTRICA" S.A.

ANNUAL REPORT 2004

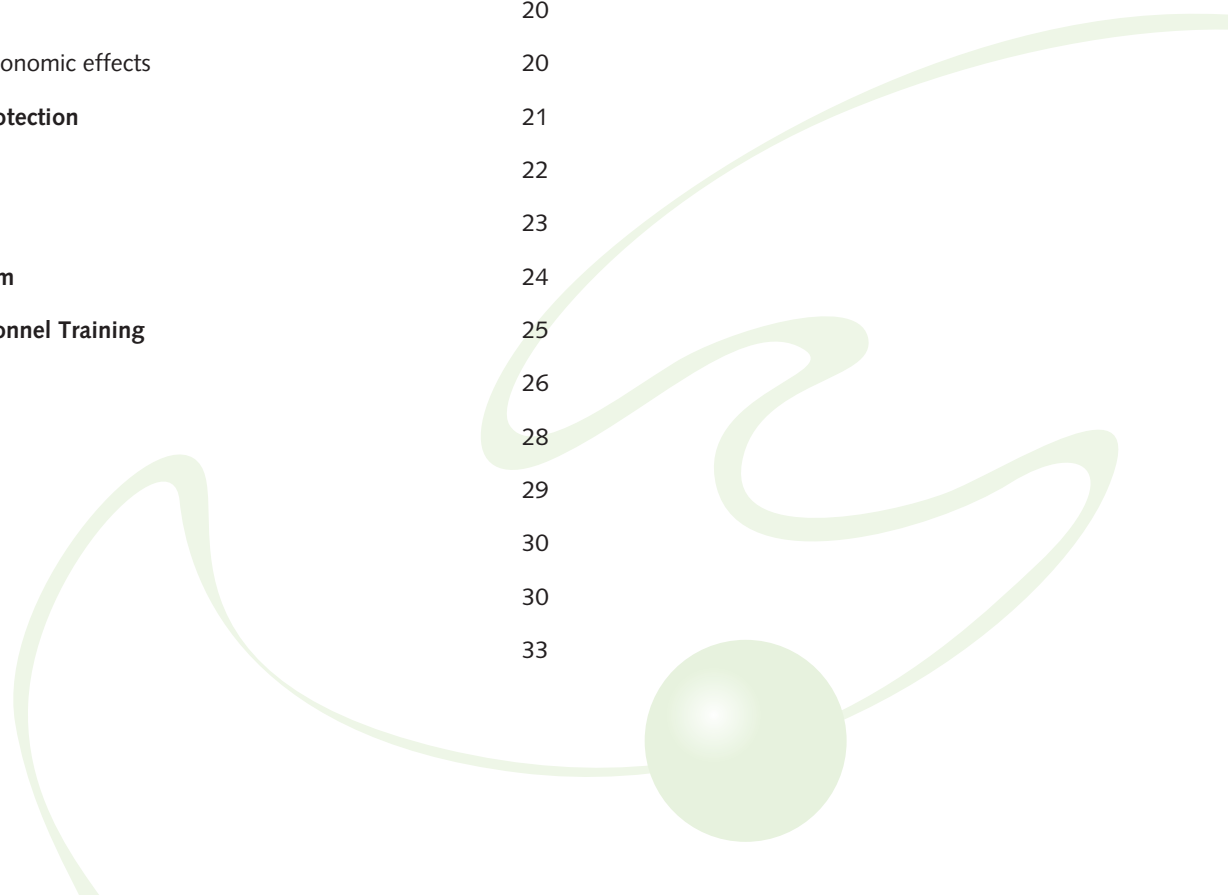


The ATOM is the thinnest particle of any substance. So, we can say that the atoms are the trees, the birds and last but not least the humans. ATOM is „life“. If we could materialize the word, thought and feeling, then the atom would be the perfection. It is to the atom that we owe our existence. And, consequently, thanks to it we can talk, think and feel, and all these help us understand life and everything related to it. Every discovery about the atom is in science books but also in everybody's conscience where time has written with golden letters: ATOM VALUE-EXISTANCE VALUE!

Oana Roxana Gabriela

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Foreword

The nuclear energy proved to be a valid option for Romania. The existing share of 10% provided by Societatea Nationala Nuclearelectrica (SNN) S.A. adds to the national grid a surplus of stability and efficiency. Its further development will improve the quality of the electrical sector services, ensuring a base load energy supply at stable prices, and it will reduce the level of greenhouse gases, improving the quality of the environment. Today, Romania with its nuclear program in progress, represents one of the few European countries building a new nuclear project. At present, nations representing two-thirds of world population use nuclear power to make 16% of the world's electricity. Both the number of nations using nuclear power and the intensity of use within many of those nations can be expected to rise. In some key cases like China and India, construction and use of nuclear power will rise quite sharply. For Europe, year 2004 brings good news for the nuclear community, considering the number five unit to be built in Finland, at Olkiluoto site, and sound decisions related to radioactive waste management, and especially for final disposal. New decisions are expected to be taken in France and Bulgaria related to new nuclear projects, in parallel with projects to be implemented by Russia and Ukraine.

Year 2004 proved the excellent operation of our Cernavoda NPP - Unit 1, delivering 5,142,300 MWh to the national grid, the best record during the 8 years of commercial operation, proving that nuclear power represents a safe and efficient technology able to produce clean energy. Accordingly, in 2004, the best Gross Capacity Factor of 89.71% was reached ever since Unit 1 in service. The Cernavoda NPP's operation has strictly complied with the nuclear safety requirements as well as with the requirements related to radioprotection of the public, environment and personnel. Meanwhile, through our Nuclear Fuel Plant sited near the city of Pitesti, we are producing high quality CANDU-6 type nuclear fuel, entirely covering the needs of Cernavoda Unit 1. On January 17, 2005, the nuclear fuel bundle #45,000 was produced. A modernization process was also completed, including the increasing of the nuclear fuel production, so that starting with the year 2006 the plant should cover the necessary fuel for two units at Cernavoda site.

At the end of the year 2004, the Cernavoda NPP Unit 2 Project reached more than 77% overall completion, and from October 2004 it started the first turnovers from construction to commissioning. We consider that all conditions are met to have this unit operational in 2007, contributing to the diversification of the energy sources of Romania, reducing vulnerability to conventional fuels price fluctuations and providing a strong security feeling with respect to energy supply at the national as well as at the European level.

In prospective, SNN S.A. is building its future, focusing on Cernavoda NPP-Unit 3 completion, based on an innovative approach for Romania, without the support of the Government. The target is to register a Project Company and to set-up the proper package of commercial and financial tools, involving foreign and Romanian private investors. Nuclearelectrica will play a minor shareholder role, but we are very well placed so that we may get the operation and maintenance contract with the Project Company, and to provide site services, including interim dry storage for high level radioactive waste.

For the year 2005, SNN S.A. identified the major challenges related to the evolution of our company, mentioning some of them:

- Opening partially our production for the electricity market, without affecting the proved nuclear safety level of Cernavoda NPP-Unit 1;
- Monitoring the progress of Cernavoda NPP-Unit 2 Project, focusing on schedule and budget, as well as on the qualitative level of the progress activities;
- Drafting the "twin-unit" organization chart at Cernavoda site, with the goal to have it operation after the turnover of Unit 2 from AECL-ANSALDO to our company;
- Finalizing all necessary preparatory conditions to register the Cernavoda Unit 3 Project Company, with the target to start construction-erection activities during the year 2007;
- Maintaining the high level of public and authorities' acceptance and confidence related to our activities.

Concluding, we consider the SNN S.A., through the activity performed during the year 2004, has an important contribution in reducing the dependence of Romania on external supplies of primary resources, in line with the European Union policy to increase the "Security of Energy Supply". Our company, through our Cernavoda NPP, based on CANDU 6 type reactor, represents a safe, efficient and clean source of electricity, as part of the sustainable development of our country.



Director General
Teodor Minodor Chirica



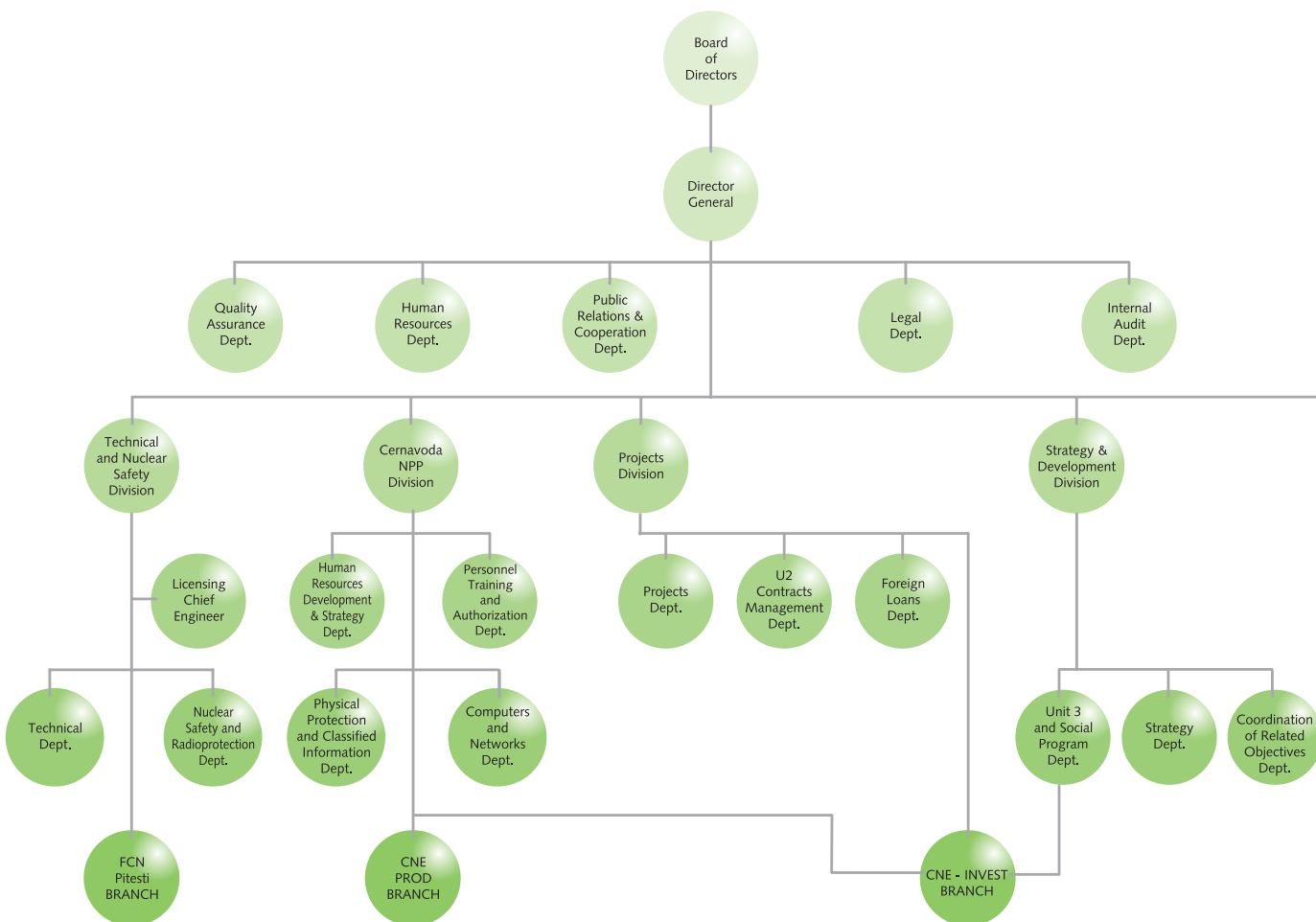
Company Profile

Since July 27, 1998 Societatea Nationala "NUCLEARELECTRICA" (SNN) S.A. is registered with the Register of Commerce, Chamber of Commerce and Industry. SNN S.A. is reporting to the Ministry of Economy and Commerce and the state owns 100% of the shares.

SNN S.A. has three branches, no legal entities:

- "CNE PROD", operating the Cernavoda NPP Unit 1 and auxiliary services;
- "CNE INVEST", including Units 2 to 5, actually in charge with the Unit 2 completion and U3-U5 preservation;
- "FCN Pitestii", the Nuclear Fuel Plant, qualified manufacturer for CANDU 6 type nuclear fuel that fully covers the needs for the Cernavoda NPP operation.

Organisation Chart



Company Structure

“NUCLEARELECTRICA” S.A. has three levels of coordination as follows:

- General Assembly of Shareholders (AGA), the highest level of coordination that analyses and approves the strategy and policy of the company;
- Board of Directors that has the responsibility of supervising the current activities and of taking decision at a high competence level;
- Executive Directing Committee whose main objective is reviewing and analysing the current activities;

At the level of SNN S.A. headquarters, there are six main divisions:

- Technical and Nuclear Safety;
- Cernavoda NPP;
- Projects;
- Strategy & Development;
- Business Development & Trade;
- Finance and Assets.



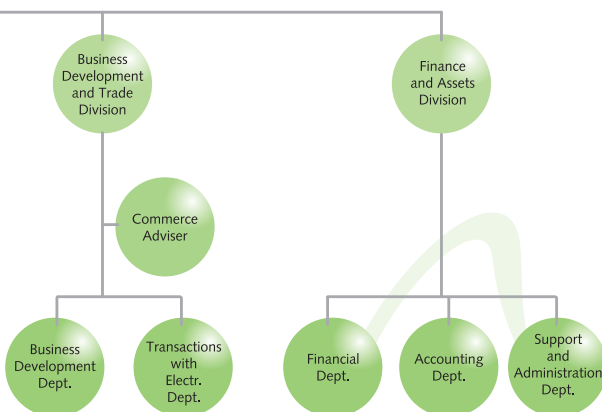
Business and Vision

“NUCLEARELECTRICA” S.A. is a state-owned company which produces nuclear-generated electricity, provides district heating and supplies CANDU 6 type nuclear fuel. The company has also an active participation in the Romanian power development program.

The main function of SNN S.A. is to operate the Cernavoda NPP Unit 1 in a competitive, safe and environmental friendly manner so that the production be optimized and the economic life time of the plant be as long as possible.

Goals:

- *to maintain the Cernavoda NPP Unit 1 in safe and good condition and to improve the personnel's skills and know-how*
- *to complete and put into operation the Cernavoda NPP Unit 2 and set-up a “multi-unit” organisation on site*
- *to register a Project Company and to restart the progress works for the Cernavoda NPP Unit 3*
- *to maintain a high quality level and continuous production of CANDU-6 type nuclear fuel.*



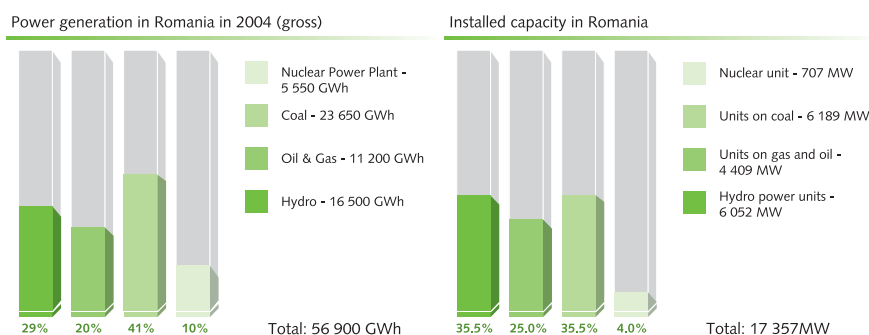
Company Operations

Nuclear Power Generation: Cernavoda NPP Unit 1

Mission:

Cernavoda Nuclear Power Plant is dedicated to produce electrical & thermal power in a safe and efficient manner for at least 30 years, from nuclear power using CANDU technology.

Yearly, "NUCLEARELECTRICA" S.A. delivers electricity to the national grid covering around 10% of the national demand:



Values:

- Promote the safety of public environment, personnel and equipment as a first priority in our organization
- Understand and exceed our customer's needs and expectations
- Treat people with trust, respect and dignity
- Optimize the use of material, financial and human resources
- Operate as a fully integrated team
- Promote our business as a model in a Romanian market economy

Generic goals:

- To maintain the plant at full power within the limits required by the licensing documents
- To maintain nuclear safety, industrial safety and personnel health at high standards
- To maintain configuration control of the plant at high standards
- To maintain material condition of the plant at high standards
- To maintain and improve the existing business process

- To learn from operation experience
- To continuously develop and motivate human resources
- To maintain good contacts in the industry and a good image of the plant

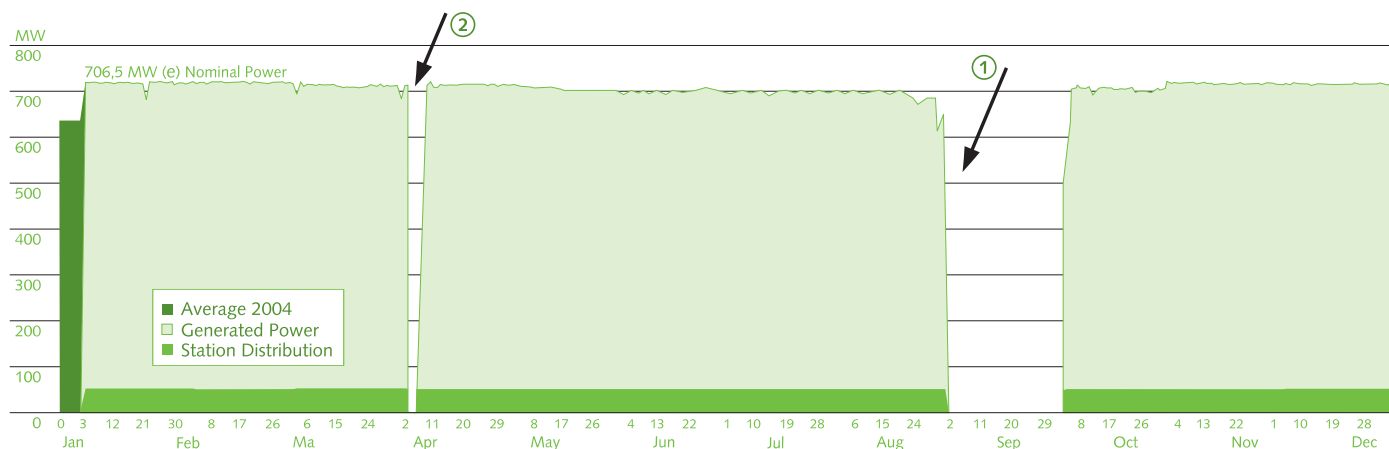
Prospects on the future:

- To become a reliable and clean supplier of electricity worldwide recognized
- To continue as a clean (non-polluting), efficient and competitive producer
- To meet the European Union requirements and conditions for nuclear industry
- To assure internal services for Unit 2, mainly for training, commissioning and licensing process
- To take over Unit 2 and create an organization with 2 units in operation



Cernavoda NPP Unit 1

Operation in 2004



2004, January 1st - December 31st

Legend

The number and the extent of planned and unplanned station shutdowns during 2004:

- 1 - 27.08.2004 - 30.09.2004, (34 days) - annual planned outage;
- 2 - 28.03.2004 - 31.03.2004, (75 hours) - unplanned outage; (failure of a main control computer card)

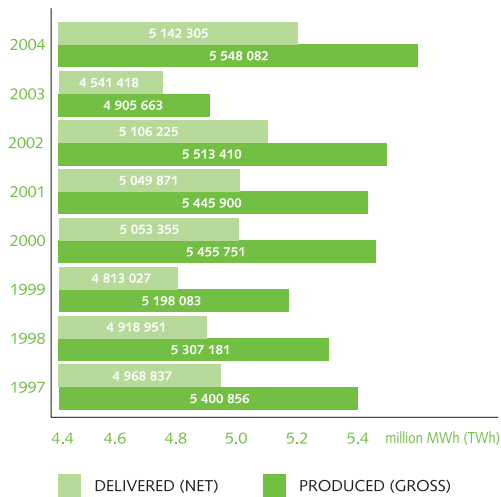
Commercial Operation in 2004

Month	Generated Power	Net Power to Grid	Gros Capacity Factor
	MWh	MWh	%
January	527,032	488,854	101.08
February	492,439	456,670	100.93
March	473,922	439,497	90.82
April	502,616	466,400	99.12
May	528,297	490,722	100.66
June	506,745	469,830	99.74
July	518,121	479,571	98.63
August	450,550	416,721	85.81
September	373	140	00.07
October	512,761	474,292	97.51
November	509,371	472,295	100.40
December	525,855	487,320	100.53
Total	5,548,082	5,142,305	89.71

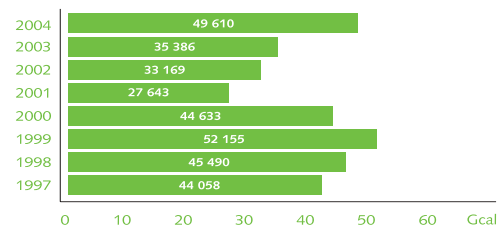
Cernavoda NPP Unit 1

Performances 1997-2004

Annual Electricity Production

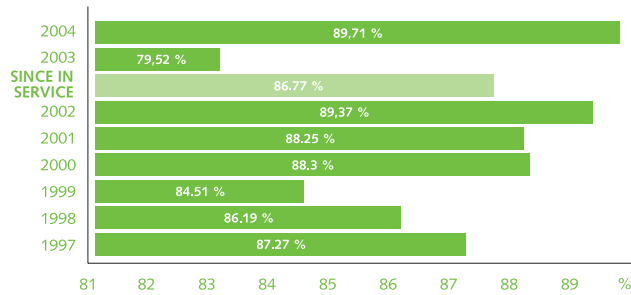


Thermal Power

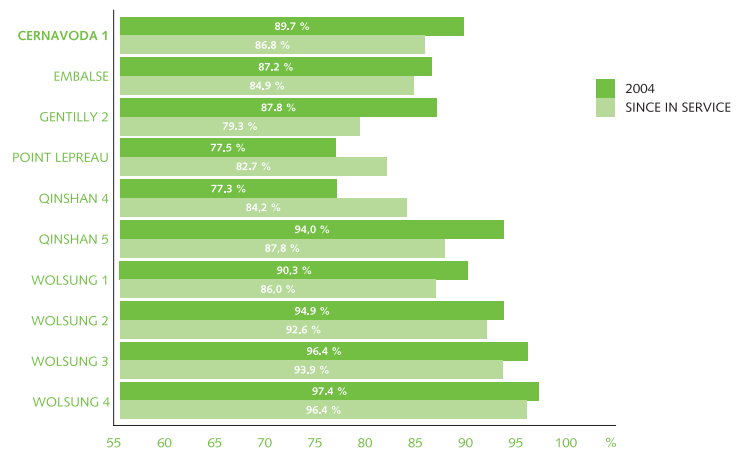


During 1997 - 2004 about 366 503 Gcal were supplied

Annual Gross Capacity Factor (GCF)



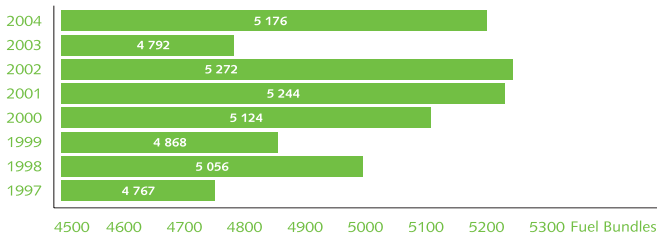
Comparison of CANDU 6 GCF (10 units)



At the end of 2004, average of GCF for 10 CANDU 6 units in service remained in the range of 88-89 %, like over the past four years. Average of GCF for all 34 CANDU [PHWR] units in service was 80.2%.

Cernavoda NPP Unit 1

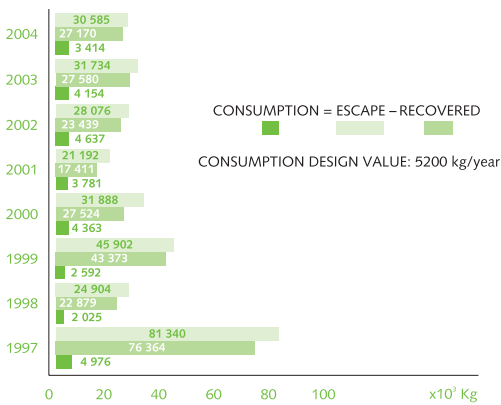
Fuel Consumption



Year	Tons "U"
2004	97.8
2003	90.6
2002	99.5
2001	99.2
2000	96.9
1999	92.0
1998	95.6
1997	90.4
1996	0.30
Total	664.5

Total Fuel Bundles Consumption since in service: 35 504

Heavy Water Consumption

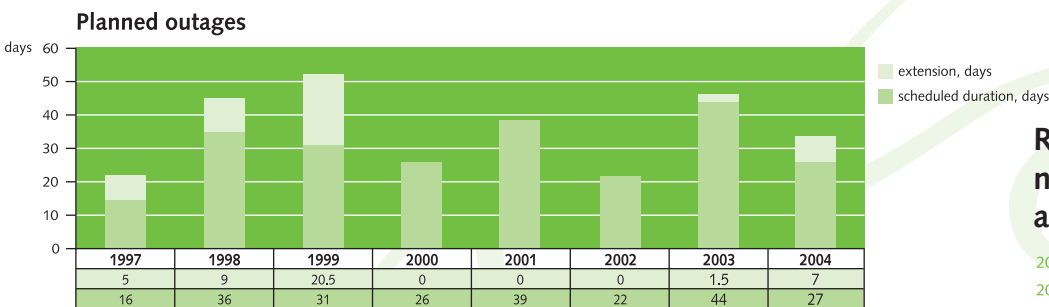


Outages

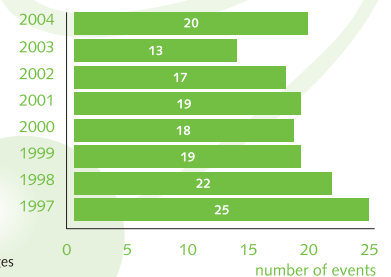
During the 2004 planned outage several works were performed such as: preventive and corrective maintenance works, works for the implementation of design modifications to the nuclear, electric, fuel supply and conventional systems of the plant.

The repair of the epoxy lining of the walls of the fuel unloading bay, replacement of the motor and tightening sealing of the bearing of the main pump #4 for heat transfer, eddy current based inspection performed on the pipes of the steam generator #2, replacement of three vertical flow detectors, replacement of the pressure control valve of the recirculated cooling water system are the main activities performed during the planned outage.

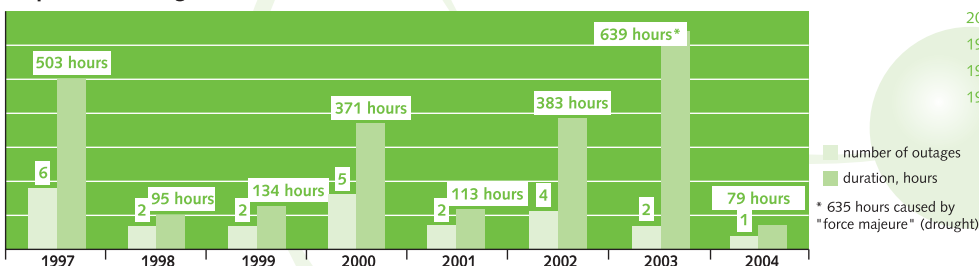
Annual planned /unplanned outages



Reportable events to nuclear regulatory authority (CNCAN)



Unplanned outages



Nuclear Fuel Production

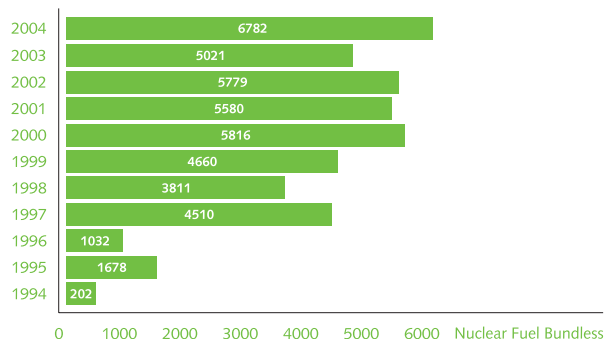
The Nuclear Fuel Plant-Pitești is qualified by AECL and ZIRCATEC as a CANDU 6 type fuel manufacturer.

The initial capacity of 90 tons per year and 23 bundles per day respectively provided the fuel necessary for the operation of Cernavoda NPP Unit 1.

In 2004, FCN-Pitești manufactured 6.782 nuclear fuel bundles, as follows:

- 5.472 natural uranium bundles for U1;
- 1.188 natural uranium bundles for U2;
- 122 depleted uranium bundles for Unit 2.

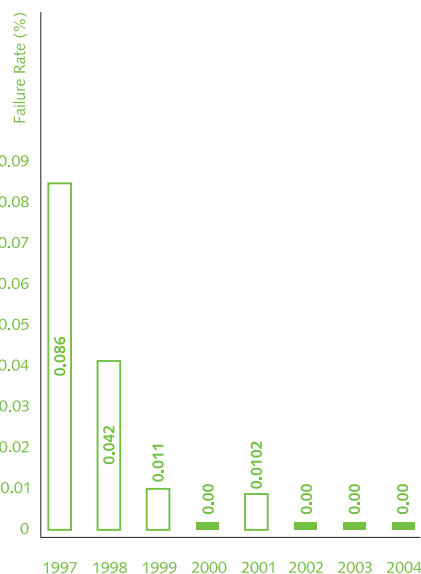
So, the total number of fuel bundles produced between 1994-2004 rose to 44.871, containing 845 tons of natural uranium.



Number	Reactor Channel	Refueling Date	(EBu-DBu) /DBu*(%)	Fuel Supplier
1	H19	January 21, 1997	-37.3	ZPI
2	D15	March 14, 1997	-20.3	ZPI
3	O17	April 21, 1997	+11.3	ZPI
4	E11	August 1, 1997	+13.4	ZPI
5	N4	October 6, 1997	0	FCN
6	L17	October 7, 1997	+42.7	ZPI
7	G14	November 21, 1997	+7.1	FCN
8	F6	November 24, 1997	+6.6	FCN
9	U10	January 27, 1998	+19	ZPI
10	J15	March 24, 1998	+26.9	FCN
11	D9	April 3, 1998	+10.6	FCN
12	L8	July 24, 1998	+23.3	FCN
13	E9	May 25, 1999	+8.7	FCN
14	C12	June 2, 2001	+14.6	FCN

* EBU - Exit Burnup
DBu - Designed Burnup

The high quality and performance of the domestic nuclear fuel have been proved during the power reactor operation. At an average burnup factor of 170 MWh/kgU, in 2004 the failure rate was 0.00%, like in 2000, 2002 and 2003, reaching the third consecutive year of operation without detecting any suspect to be defective nuclear fuel bundle.



Production Capacity Development

Over the first half of the year 2004, the Nuclear Fuel Plant - Pitesti completed its program dedicated to double the production capacity. During the second half of 2004, it was started the manufacturing of the first 1,340 fuel bundles of the initial fuel load for Cernavoda NPP Unit 2. This project amounts to 4 million US dollars, funds provided from SNN's own resources. The Romanian industry contributed greatly to this cost by supplying products and services. Accordingly, the first load of the Cernavoda NPP Unit 2 will be provided by FCN - Pitesti. Further, the annual production will be of 180 tons, in accordance with the quantity required by two CANDU units in service.



Environmental Protection

In 2004, all the re-licensing steps were completed. The documentation was submitted to the Romanian Government for approval.

Last year, the nitrate vapour neutralization and absorption system of the dissolution facility was rehabilitated by building and commissioning a new equipment.



Events in 2004

- 5 April The nuclear fuel bundle # 40,000 was manufactured
- 21 May The first nuclear fuel bundle having an increased uranium content was loaded at the Cernavoda NPP Unit 1
- 2 June Consecutive 3 years of Unit 1 operation without any suspect to be defective nuclear fuel bundle
- 21 September Starting the manufacturing of the nuclear fuel dedicated to the first load of the Cernavoda NPP Unit 2 Reactor
- December The first low uranium nuclear fuel bundles dedicated to the initial load of the Cernavoda NPP Unit 2 Reactor were manufactured



Project Development Activities

The total investment costs for 2004 amounted to around 10,413.803 billion lei (ROL) available from funds allocated from the state budget, special development fund, own resources, VAT recovery and other financing sources involved in the project.

The investment activities focused mainly on achieving progress of works at Cernavoda NPP Unit 2 .

Independent tools and equipment were procured in order to double the manufacturing capacity of the nuclear fuel plant at Pitesti.

In addition, support was given to local community development in Cernavodă town.

Cernavoda NPP Unit 2 Project

Cernavoda NPP Unit 2 Project is planned to be completed and put into commercial operation in the first quarter of 2007. Unit 2 will produce around 5.1 TWh/year, strengthening SN Nuclearelectrica SA position on the electricity market. For Romania, this will mean an increase of clean energy share in electricity generation and maintaining an acceptable degree of dependence on the import of primary energy resources.

At the end of 2004, Cernavoda NPP Unit 2 was built in proportion of 77.2%. The value of the activities performed represented 47.3% of the Project budget as per Unit 2 completion and commissioning contract, while the incurred cost for this Project was around 374 million EUR.

During the first half of the year, the major activities were focused on Engineering and Procurement while during the second half, the works continued mainly with Construction and Commissioning.

Some improvement was recorded in the productivity by engineering to ensure that the construction requirements were addressed by priority, enabling the site construction contractors to make good progress. With respect to procurement, highly expediting program was implemented in the first half of the year in order to have delivered on site as much outstanding material as was practical.



Thirteen systems were turned over to commissioning in the established sequence, which represents a significant achievement for the Project.

A refurbishment program was also implemented for materials and equipment procured before 1990. In this regard, different components (gaskets, relays etc.) were procured for replacement. The program also included the assessment of documents like History Documents, Safety and Licensing and Current Codes and Standards.

Cernavoda NPP Unit 2 Project is coordinated by a mixed team which as of December 31st, 2004, comprised 1399 Romanian and 203 expatriate filled positions (120 AECL employees and 83 ANSALDO employees).

On March 30, 2004 European Commission (EC) aproved an EUR 223.5 million EURATOM Loan to finance the completion and safety upgrde of Cernavoda NPP Unit 2. The Loan will be drawn in several tranches and shall be applied in priority to finance any measures resulted from the recommendations made in the Nuclear Safety Evaluation Report and Enviromental Impact Assessment Study carried out by independent consultants.

The EC has supported preparation at these studies through Community funds.

Following the ratification by the Romanian Parliament at the Guarantee Agreement and the fulfilment of contractual conditions, the Loan came into force on November 26, 2004.

Cernavoda NPP Unit 2 Project 2004 Completed Events

January - February 2004	Delivery of Standby Diesel Generators
June 2004	Delivery of Digital Control Computers
August 2004	Turnover of Main Transformer (T06) and Associated Switchgear (partial)
August 2004	Turnover of 10kV Distribution
August 2004	Delivery of Generator Rotor
September 2004	Energize T06 and Associated Switchgear
October 2004	Turnover of INERGEN Fire Protection Network
November 2004	Delivery of Generator Stator
December 2004	Turnover of Window Annunciation
December 2004	Turnover of DCS (Main Control Room)



Cernavoda NPP Unit 3 Project

Current Status

Unit 3 is under preservation, with no progress since 1992. The overall completion ratio: almost 15%, mainly civil works for Reactor Containment, Turbine Building and Service Buildings. Only few equipment and materials are already supplied. Cernavoda site continues to offer a good industrial environment and the required infrastructure to support large size projects.

Prospects

The Unit 3 Project will be similar to Unit 1 and Unit 2.

In compliance with the Romanian Government's decision Cernavoda NPP Unit 3 will be completed through a Project Company with private, local or foreign investors without state guarantees.

Within this Project Company, SNN S.A. will be a minor investor and the available assets of Unit 3 will represent its contribution to the nominal capital.

A banking feasibility study which should demonstrate the project viability under the conditions of the deregulated energy market of Romania will be performed by a financial adviser of SNN S.A. by the end of the year 2005.

The project was already presented to the potential investors in 2003-2004, and seven of them were selected: ENEL - Italy, CENG DEMIR - Turkey, ISPAT SIDEX - Romania, AECL - Canada, ANSALDO - Italy, KHNP - Republic of Korea and AFEN - Romania). The considered schedule provided that Unit 3 completion works should start by the end of 2007; some works (maintenance-repairs) are planned for the year 2005. Commissioning target for Unit 3 is by 2010-2011.



Spent Fuel Storage Facility

At Cernavoda NPP, the spent fuel management policy is the following:

- wet storage, in the reactor's Spent Fuel Bay for minimum 6 years
- interim storage, in the Dry Spent Fuel Storage Facility for 50 years.

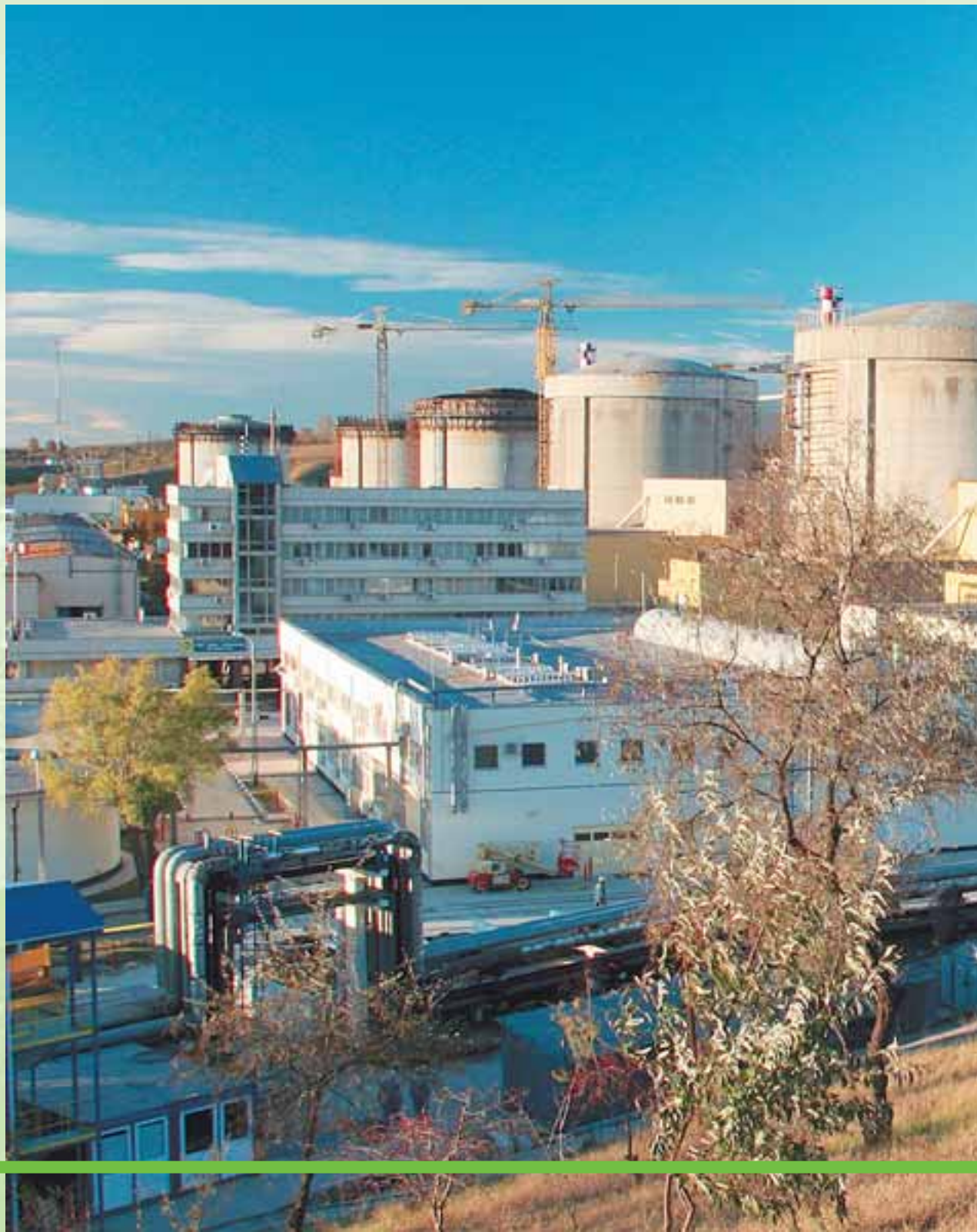
The first dry storage concrete module - MACSTOR's type - has a capacity of 2 years spent fuel plant production and was commissioned in May, 2003. The dry storage facility is located on the Cernavoda NPP site about 700 meters far from the operational unit and the transportation is through internal road that allows keeping an integrated security system. The first year of dry storage facility operation was performed in good conditions and no incidents were registered.



Nuclear Fuel Plant - Pitesti

In 2004 FCN's modernization program for doubling its manufacturing capacity has continued:

- All the technological equipment were installed and commissioned on the pellets manufacturing line and bundles assembling line in compliance with the investment program for twofold increasing the production capacity;
- In co-operation with the national industry following were achieved:
 - sheath chamfering machine;
 - end fuel element profiling machine;
 - end cap welding machine;
 - appendages tack welding machine.
- The compressed air storage capacity increased, the indoor power supply facilities were rehabilitated and upgraded and the safety hydrogen supply work was completed in order to provide the necessary utilities;
- Transportation facilities - modern trucks and trailers authorized by CNCAN were purchased for improving the transport conditions and safety for the uranium powder supply and for the fuel bundle transfer to the customer.





Local Community Support

The Local Community Support Act for Improving the living conditions in the town of Cernavoda started in 1991, including a number of 21 objectives related to the project of the Cernavoda NPP: urbanistic, social, cultural buildings for the town, as well as dwellings for the operation and executive staff of the nuclear power plant.

By the end of the year 2004, one objective was completed and one was under construction.

In November 2004, the works on the hostel having 150 accommodation units for the Cernavoda NPP Unit 2 staff were completed.

In October 2004 there started the works on the "Treatment plant for sewage and industrial effluents for the town of Cernavoda" scheduled to be completed in January 2006 and which represents a condition for getting the operation licence for the Cernavoda NPP Unit 2.

Other social & economic effects

- Provides over 1300 jobs
- Provides activities for 15 contractor companies (12 from Cernavoda)
- Provides accommodation for over 570 plant employees
- Provides heating for more than 60% of Cernavoda habitants at the lowest price in the country
- Brings an important financial contribution to the local and state budgets in 2004: equivalent of **693.300 USD** and respectively **12.676.750 USD**



Nuclear Safety and Radioprotection

The Cernavoda NPP Unit 1 has been operating safely throughout a period of eight years. The events reported in 2004 according to INES scale were in number of 20 (3 out of scale, 13 level 0 and 4 of level 1). Since in service, only 1 event occurred in 1999 rated 2 on the INES scale.

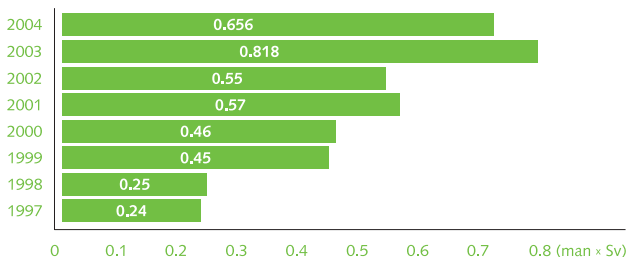
In 2004, the annual average dose received by workers was of 1.17 mSv, and the maximum dose was of 9.68 mSv. The legal limit for exposed workers is 20 mSv/yr.



Evolution of the annual average dose value for exposed workers (mSv/yr) for the last seven year

1996	1997	1998	1999	2000	2001	2002	2003	2004
0.40	3.81	0.76	1.29	1.25	1.26	1.12	1.26	1.17

Collective radiation exposure (man × Sv):



Occupational Safety and Health

SNN S.A. has permanently implemented a safety policy. Its major objective is to guarantee safety and healthy workplaces for each employee and contractor. Consequently, no professional illness has occurred during these years.

In 2004 no individual work-related accident at Cernavoda NPP Unit 1 was registered.

Number of work - related accidents within SNN S.A. Branches

1997	1998	1999	2000	2001	2002	2003	2004
5	1	4	2	10	7	1	0

Emergency Plan

So far, no CANDU nuclear power plants have been confronted with events or accidents menacing people health and safety. Despite the fact that these risks are minimised, as the plant is equipped with emergency systems designed to prevent and cope with such events, additional measures are also taken for people and environment protection.

Among them we mention the emergency preparedness, required by the national law as a prerequisite for licensing the operation of a nuclear power plant. Within the Cernavoda NPP, the emergency preparedness is verified and improved through drills performed every three months, annually, or through general drills which simulate various conditions of a nuclear accident. Important information are distributed free of charge to the inhabitants of the areas neighbouring the nuclear plant.

Starting with 1995, local, national and even international drills were performed at the Cernavoda NPP: "AXIOPOLIS'95", "SAFE POWER'96", "PHOENIX'97", "DOBROGEA'98", "DUNAREA '99", "MILLENIUM'00", "AXIOPOLIS'01", "EURO'02", "CHALLENGE '03" and "EUXIN'04".

The drills allowed testing the emergency plans, improving communication and activities involved in radiological emergency. Important information in case of an emergency were included in a booklet that has been distributed, free of charge, to the inhabitants of the areas neighbouring the nuclear plant.

In 2003-2004, SNN S.A. was the beneficiary of the project *On-site emergency operations centre assistance-Cernavoda NPP* supported by the Department of Trade and Industry (DTI) of UK Government. As a result, Cernavoda NPP in collaboration with experts of British Energy NNC International Consulting (BENIC) started *The Cernavoda On-site Emergency Control Centers (COSECC)* project. The main objectives of this project are to improve emergency preparedness and response in accordance with good practices in EU and to implement two on-site emergency centers (main and alternate), in the next 2 years. An important aspect is that the new centers will accommodate in very good conditions a Cernavoda multiunit NPP emergency response.

In autumn of 2004, new Romanian legislation was issued establishing new organizational structures at the national and local authorities' levels that have roles and responsibilities to manage all types of emergency situations. In line with this, SNN keeps a very good collaboration with the new national authorities in charge with and Cernavoda NPP with local authorities (Cernavoda Town and Constanta County) in order to preserve good common experience and adjust the emergency arrangements, if necessary.



Environment

Over the years, operation of Cernavoda NPP has strictly met the environment requirements. The environmental monitoring results have proved the conformity with the company's environmental policy and the environmental licence.

SN Nuclearelectrica SA by its subsidiary CNE PROD Cernavoda also developed and implemented an Environmental Management System. CNE PROD Cernavoda is certified ISO 14001, an environmental standard elaborated in compliance with the EU requirements in order to support environment protection and to prevent pollution.

It will be extended over Unit 2 at the moment of its commissioning.

Radiological environmental impact

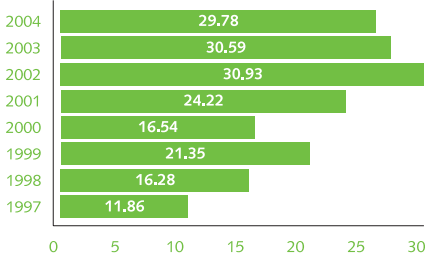
Radioactive discharges into water and air were well below the authorized levels. The annual effective dose received by a member of the public pertaining to a critical group (the most exposed) from radioactive emissions into the environment was of 0.00994 mSv in 2004 while the annual average dose received by a member of the public from the natural background in Romania is 2.4 mSv.

More detailed information on the radiological impact is provided by the SNN S.A. in the Report presenting the results of the radioactive environmental monitoring program which is implemented by the Environmental Monitoring Laboratory, located in Cernavoda town at 2 km from NPP site. The total volume of solid radioactive waste, since in service is of 175.5 m³. They are stored in a special concrete storage facility located within the fence of the plant.

The annual quantity of spent fuel was of about 97.8 tU. Since the commissioning, the entire cumulative quantity of spent fuel received was 762 tU. The spent fuel is stored for at least six years in the spent fuel bay of the Unit 1.

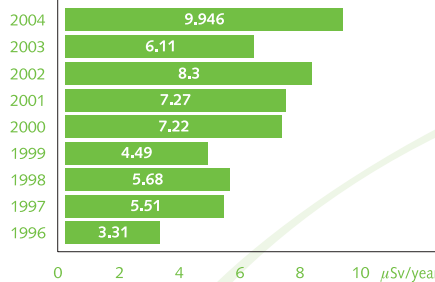


Volume of radioactive waste (m³)



Average annual design value: 30 m³
Total in 8 years of operation: 181.55 m³

**Impact on people & environment
Cumulated releases of radioactive effluents (μSv)**



Annual legal dose for population: 1000 μSv
In 2004, the average annual dose was only 0.99% from the legal dose.

Non-radiological environmental impact

Due to its technology the Cernavoda NPP Unit 1 prevents the release into the atmosphere of about 4 million tonnes of CO₂ annually.

Quality of air, soil or water in the surrounding area was not influenced by the Unit 1 operation since in service.

Non-radioactive discharges into water (Danube River and Danube - Black Sea Canal) were also below the authorized limits. The monitoring of specific pollutants, as hydrazine, morpholine and cyclohexylamine has indicated that the concentration of these chemicals is below detectable limits.

A non-radioactive chemical waste management program has been implemented for Unit 1 since commissioning. It is continuously updated according to the Romanian legislation regarding waste management. The program includes collection, temporary storage and disposal of chemical wastes. CNE-PROD policy in this area takes care of on-site adequate management of wastes in order to prevent an impact on the environment.



Quality Management System

“NUCLEARLECTRICA” S.A. has implemented a General Quality Management System (QMS) described in the Quality Management Manual, in compliance with the requirements of Law 111/1996 and as per the related Quality Management Norms. This program is meant to assure all the completion and operation phases of nuclear projects, the appropriate quality level for meeting the nuclear safety criteria, public and environmental protection requirements, as well as the requirements of nuclear facilities operation under economic efficiency conditions. The General QMS represents the concept of SNN S.A. management. SNN S.A. subsidiaries have their own QMS, documented as per specific Norms (since 2003 November, a new series of Quality Management Norms has been issued), answering to the above mentioned Manual.

The QMS deals with SNN S.A.’s policy concerning the management of nuclear projects quality and the ways this policy is fulfilled, defining the activity field, the role and responsibilities as well as the organization of the company. So, all the activities of implementing the nuclear development, concept, completion, commissioning and operation of nuclear projects managed by the company are defined and actually achieved, in a planned and systematic manner, in compliance with laws, requirements and standards applied to these activities, considering own experience as well as good practice proved worldwide.

“NUCLARELECTRICA” S.A. based on the documents of QMS, was authorized by the National Commission for the Nuclear Activities Control (CNCAN) and, as a legal person, holds all the authorizations issued by CNCAN for specific activities performed by its branches.

In 2004, an audit was conducted by CNCAN on the effectiveness of the Quality Assurance (QA) program issued by Management Team (CNE INVEST, AECL, ANSALDO) in accordance with contractual requirements. As a result of the audit the qualification was renewed and the Unit 2 QA certificate and license granted.



Human Resources and Personnel Training

The company is paying a permanent attention to the improvement of training, qualifications and know-how in order to ensure the stability and high specialization of the personnel.

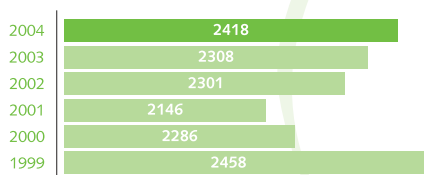
The efficiency of "Nuclearelectrica" S.A.'s activity increased starting with 1999 by implementing a restructuring program.

In 2004, action was taken following the main coordinates of the human resources strategy:

- Continuation of the company reorganization program aiming at the following main actions:
 - Externalization of some services together with 50 employees of CNE PROD which resulted in labour productivity increase by 4% as against the year 2003;
 - Doubling the production capacity of the Nuclear Fuel Plant- FCN Pitesti and hence, increasing labour productivity by 26%.
- Updating the procedures in the human resources field in order to comply with the provisions of the laws in force and with the new policies arising in this field.
- For commissioning the Cernavoda Unit 2, about 100 persons were hired and started being trained within the Cernavoda Training Center. In the year 2004, 216 employees of the Cernavoda Unit 2 were trained for the operation activity under different stages of training.
- Implementation of the Unit 2 organization chart. The commissioning area of the organization chart was filled up by transferring 212 experienced employees, out of which 63 were transferred from CNE PROD, and 149 employees from CNE INVEST, personnel instructed and trained within the Cernavoda Training Centre.
- Carrying out personnel training in the production field within the Cernavoda Training Center, abroad within the training programs organized by IAEA-Vienna, WANO-Atlanta Center and COG (Toronto) and by attending other international courses, conferences and workshops in the economic field, in Rome (European Companies Financing), in Lisbon, Madrid (International Accounting Standards), in the human resources field in Athens (Human Resources and Leadership for Romanian Professionals), in the technical field in Marshalltown/USA (Valve Technicians II), Cleveland-Ohio/USA (Technical Training concerning the *Ratmeters*) etc, and in Romania within the training courses contracted through specialized firms such as Formenerg, OK Service or through workshops and seminars attended by some experts in the energy field.
- Completion of the recruitment of the "Polytechnica" University of Bucharest (UPB) graduates for the Cernavoda Unit 2 by hiring and appointing them on positions in compliance with their training and with the company's needs; in 2004, 7 graduates were hired.
- Carrying on with the agreement with the "Ovidiu" University-Constanta which agreement set out the joint targets concerning the SNN S.A. personnel training, the industrial-academic partnership with the University of Pitesti, which provides lecturers from the university's qualified personnel for delivering courses on specific technology designed for nuclear power generation as well as the collaboration with the UPB - the Faculty of Mechanics and the Faculty of Power Engineering, co-operation that will last by the year 2007.



Average number of SNN S.A. personnel



Public Relations

Honesty, transparency, promptness, trust and respect are the main characteristics of the SNN S.A.'s public relations policy.

A considerable amount of printed materials such as brochures, leaflets, information materials have been issued and distributed to public, policy makers, opinion leaders, media and the non-governmental organizations.

Cernavoda NPP-Unit 1 published during 2004: "Kit Information" (English version), "Outage brochure 2004" (Romanian version) and monthly "INFOPLUS" bulletins.

A quarterly Cernavoda II Newsletter underlining the main aspects related to the Cernavoda NPP Unit 2 is provided by the Management Team.

In 2004 within the "Open doors" program initiated by the plant, 1287 persons visited the Cernavoda NPP Unit 1 and about 660 persons visited the Cernavoda NPP Unit 2 as well.

Personnel's motivation and information on the aspect related to the specific activity they perform, creating proper team working conditions, based on trust, respect and mutual assistance, represent one of the main aims of "SNN S.A. program for public information, promotion and image". Considering these aspects, « SNN S.A. program for public information, promotion and image for the year 2004 » provides a package of actions specific for the inside communication:

- Organizing a visit for SNN S.A. personnel's headquarters to the Cernavoda NPP;
- Organizing exhibitions including artistry works realized by the women within SNN' staff.

SNN S.A. paid great attention to the events dedicated to nuclear power promotion.

So, SNN S.A. was one of the main leaders in organizing the "Romanian Nuclear Energy Days", including exhibitions and contests of drawings made by children up to 17 years old.

SNN S.A. also contributed to the development of some projects and events, such as:

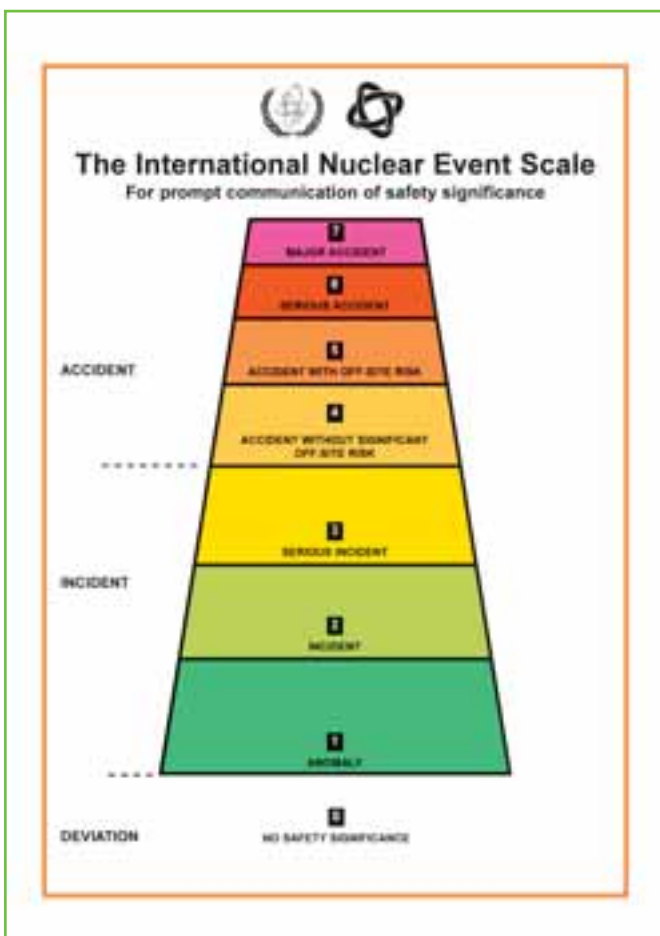
- The national phase of the School Physics Contest "Stefan Procopiu", Constantza 14-16 April 2004;
- The ecologic project called "Ecokindergarten" whose aim was to build and develop an ecologic spirit for pre-schoolers coming from Cernavoda;
- "Dobrogea's Day" organized in the framework of the traditional annual Festival "Callatis 2004" on which occasion SNN S.A. offered special prizes for 3 students from Constantza, the winners of NASA's Grand prize for the "Space Settlement Design Contest-Reach to the Stars", 14 August 2004.



Information about events occurred in SNN S.A. and its branches are provided to the media through press releases, press conferences, interviews and on our company internet website www.nuclearelectrica.ro. The International Nuclear Event Scale (INES) is used for prompt communication of safety significance.

SNN S.A. was one of the contributors to the third session of debates on "Primary power resources: energy policies and industrial policies" organized within the frame of "ORIZONT-2025" programme and listed by the Parliament Palace, on April 2nd 2004.

According to the SNN S.A.'s policy of transparency mainly regarding the Cernavoda NPP environmental policy in order to provide real and pertinent information on the nuclear power in Romania and to create an interface between the company and town's inhabitants, local administration and interested non-governmental organizations, a Public relations center was established in Cernavoda town.



Basic Structure of the Scale
*(Criteria given in matrix are broad indicators only)
(Detailed definitions are provided in the INES user's Manual)*

	CRITERIA OR SAFETY ATTRIBUTES		
	OFF-SITE EFFECT	ON-SITE EFFECT	EXTENT OF SOURCE DAMAGE
7 MAJOR ACCIDENT	WIDE RELEASE AND SPREAD HEALTH AND ENVIRONMENTAL EFFECTS		
6 SERIOUS ACCIDENT	SIGNIFICANT RELEASE LIKELY TO EXCEED THE INTERNATIONAL PLANNED SCENARIOS		
5 ACCIDENT WITH OFF-SITE RISK	LIMITED RELEASE LIKELY TO EXCEED PLANNED SCENARIOS FOR PLANNED CONDITIONS AVOIDED	SEVERE DAMAGE TO REACTOR CORE AND/OR CONTAINMENT BARRIERS	
4 ACCIDENT WITHOUT SIGNIFICANT OFF-SITE RISK	WIDE RELEASE PUBLIC EXPOSURE OF THE ORDER OF PROHIBITED LIMITS	SIGNIFICANT DAMAGE TO REACTOR CORE AND/OR CONTAINMENT BARRIERS EXPOSURE OF 4 WORKERS	
3 SERIOUS INCIDENT	WIDE RELEASE PUBLIC EXPOSURE AT A FRACTION OF PROHIBITED LIMITS	SEVERE SPREAD OF CONTAMINATION TO HEALTH EFFECTS TO 4 WORKERS	MAJOR ACCIDENT NO SAFETY FAILURE REMAINS
2 INCIDENT		SIGNIFICANT SPREAD OF CONTAMINATION TO SIGNIFICANCE OF A SOURCE	INCIDENTS WITH SIGNIFICANT FAILURE IN SAFETY PROVISIONS
1 NO SAFETY SIGNIFICANCE			MINORLY BEYOND THE AUTHORIZED OPERATING SCHEME
0 DEVIATION	NO	SAFETY	SIGNIFICANCE
OUT OF SCALE EVENT	NO SAFETY RELEVANCE		

International Cooperation

“NUCLEARLECTRICA” S.A. continues to be an active member of the international specialized organizations and entities, such as WANO - Atlanta Center (World Association of Nuclear Operators) and COG (CANDU Owners Group) benefiting from a continuous exchange of experience in the field. SNN S.A. is also a member of the World Nuclear Association (WNA) and Electric Power Research Institute (EPRI). The company developed an effective partnership within IAEA European regional co-operation programs.

The former international agreements concluded at governmental level, in which SNN S.A. is involved, with Japan (JEPIC), Argentina (CONEA), Canada (AECL) in the field of nuclear commissioning, operation and maintenance, nuclear fuel manufacturing and personnel training are efficiently performed.

Besides its traditional partners, such as AECL Canada, Ansaldo Italy, SNN S.A. has continued its co-operation with other partners and companies from Europe (Alstom and Nexans-France), and General Electric (United States) etc. in developing nuclear safety studies, SNN S.A. has developed its cooperation area with its new partners: Korean Hydro and Nuclear Power (KHNP) and Korean Engineering Company (KOPEC).

SNN S.A.'experts have been actively involved in the works of European professional organisations, such as EURELECTRIC and FORATOM.

In 2004, SNN S.A. was involved in organizing or co-organizing more international missions and seminars, such as:

- Visit of a large delegation of journalists from Serbia and Montenegro, together with representatives of Electric Power Industry of Serbia (EPS), 14-15 January 2004;
- Visit of a large delegation from Bulgaria, including nuclear experts and representatives of management team for “Completion of Belene NPP” Project, 8 April 2004;
- Cernavoda Unit 2 Underwriters Site Survey, 17-21 May 2004, to provide an objective based, detailed, independent report on the risk associated with the SNN S.A. Cernavoda Unit 2 Construction-Erection All Risk (CEAR) Project, as follow-up of inspections in 2001 and 2003;
- Initial visit of representatives from Narora Atomic Power Station (NAPS) - India to CNE PROD Cernavoda, 16-24 August 2004, in the frame of the agreement of the benchmarking exchange visits between Nuclear Power Corporation of India Limited (NPCIL) and SNN S.A. as CANDU Owners Group (COG) members, regarding in particular performance, maintenance, test facilities etc. of Fuel Handling systems;
- Nuclear Law Seminar “Droit du nucleaire et la protection de l’environnement” (in French), Cluj-Napoca, 5-9 July 2004, co-organized together OECD/NEA, CNCAN and University « Babes-Bolyai » of Cluj and Romanian Atomic Forum (ROMATOM);
- Promotion Seminar on Cernavoda NPP Unit 3 Project, London, 10 September 2004, co-organized together with Romanian Ministry of Economy and Commerce, Romanian Nuclear Agency and Deloitte & Touche, with the occasion of the World Nuclear Association (WNA) Annual Conference and Expo;
- Expo “Romania - Sustainable Development and Peaceful Use of Nuclear Energy”, co-organized together with Romanian Nuclear Agency, CNCAN and Romanian Reggie Autonome (own state company) for Nuclear Activities (RAAN), with the occasion of the the 48th Regular Session of the IAEA General Conference, Austria Center, Vienna, 18-25 September 2004 and participation to the Scientific Forum “Nuclear Fuel Cycle Issues and Challenges”;
- Round Table on the “Romanian-Canadian-Italian Co-operation in Nuclear”, Bucharest, 9 October 2004;
- NucNet Country Seminar Romania, on local activities of the international news agency in nuclear and Seminar “Nuclear Waste & Public Understanding - Communication Strategies”, 11 November 2004.

Foreign Technical Missions at Cernavoda NPP

2004	January	Pre-OSART IAEA (Operational Safety Review Team) visit
2004	March	WANO Technical Support Missions, corrective actions and department managers training
2004	May	International Probabilistic Assessment Review Team (IPSART)-IAEA Mission
2004	November	WANO Technical Mission - nuclear safety culture



Audit Report

According to the opinion of the PRICEWATERHOUSE COOPERS auditor, the financial statements present fairly the financial position of the company as at 31ST December 2004 and the results of its operations, changes in shareholders' equity and cash flows for the year then ended in accordance with the Orders of the Romanian Minister of Public Finances No. 1827/2003 and No.1775/2004 respectively.



Financial Statements

Balance sheet

K ROL

Caption	31.12.2003	31.12.2004
Assets		
Non-current Assets		
Intangible Assets		
Start up expenses		
Development costs	552,731	-
Concessions and other similar items	29,237,912	34,323,732
Goodwill		
Advances for intangible assets		
Total Intangible Assets	29,790,643	34,323,732
Tangible Fixed Assets		
Buildings and land	35,189,536,157	34,149,559,333
Technological equipment	756,179,527	890,997,264
Other tangible fixed assets	1,027,149,976	1,006,204,242
Construction in progress	13,571,127,411	22,780,076,783
Total Tangible Fixed Assets	50,543,993,071	58,826,837,622
Non-current Financial Assets		
Participation titles into group companies		
Loans receivable from group companies		
Participation titles	1,000	1,000
Loans receivable from participations		
Long term financial investments		
Other loans receivable	103,172	
Own shares, non-current		
Total Non-current Financial Assets	104,172	1,000
Total Non-current Assets	50,573,887,886	58,861,162,354
Current Assets		
Stocks		
Raw materials, materials, consumable & loose tools	2,609,826,202	2,667,763,460
Work in progress	80,762,849	59,084,124
Finished goods & merchandise	189,952,148	353,281,312
Advances for stoks purchase	45,859,994	74,338,879
Total Stocks	2,926,401,193	3,154,467,775

Balance sheet

K ROL

Caption	31.12.2003	31.12.2004
Accounts receivable		
Trade receivables	4,737,505,618	2,255,428,721
Receivables from group companies		
Receivables from participation		
Other receivables	211,287,711	269,108,477
Debts/claims with the associates regarding capital		
Total Accounts receivable	4,948,793,329	2,524,537,198
Current Financial Assets		
Shares into group companies		
Own shares, current		
Other short term financial investments		44,000
Total Current Financial Assets		44,000
Cash	78,552,651	1,245,175,075
Total Current Assets	7,953,747,173	6,924,224,048
Prepayments	95,863,860	80,893,535
Total Assets	58,623,498,919	65,866,279,937
Liabilities and Equity		
Current liabilities		
Debentures, current portion		
Loans, current portion	1,830,640,003	2,332,908,505
Advances from clients, current		
Trade payables, current	1,186,143,866	2,334,554,531
Trade bills, current	7,467,054	6,329,185
Payables to group companies, current		
Payables to participations, current		
Other liabilities (incl oth tax & empl rel), curr	4,689,510,846	3,128,790,013
Total Current liabilities	7,713,761,769	7,802,582,234
Non-current liabilities		
Debentures, non-current portion		
Loans, non-current portion	5,800,415,506	8,737,071,723
Advances from clients, non-current		
Trade payables, non-current		



Balance sheet

K ROL

Caption	31.12.2003	31.12.2004
Payable trade bills, non-current		
Payables to group companies, non-current		
Payables to participations, non-current		
Other liab (incl oth tax & empl rel), non-curr	2,500,000,000	2,493,003,239
Total Non-current liabilities	8,300,415,506	11,230,074,962
Provisions for Expenses		
Provisions for pensions and other similar	81,123,802	7,923,259,648
Other provisions for expenses		
Total Provisions for Expenses	81,123,802	7,923,259,648
Accrued income	349,222	220,311
Equity		
Share capital		
Unpaid in capital	21,839,688	21,839,688
Paid in capital	12,338,111,200	12,338,111,200
Regie's net worth		
Total Share capital	12,359,950,888	12,359,950,888
Share capital premiums		
Revaluation differences	28,356,488,870	28,356,488,870
Reserves		
Legal reserves	1,372,635	1,372,635
Reserves for own shares		
Statutory reserves		
Other reserves	6,302,498,611	9,750,141,540
Total Reserves	6,303,871,246	9,751,514,175
Retained earnings/loss	4,492,462,384	11,557,811,151
Net Income	3,301,720	115,852,598
Profit appropriation	3,301,720	115,852,598
Public patrimony		
Total Equity	42,527,848,620	38,910,142,782
Total Liabilities and Equity	58,623,498,919	65,866,279,937

Profit and Loss

K ROL

Caption	31.12.2003	31.12.2004
Profit and Loss		
Net Result After Tax		
Net Result Before Tax		
Result of continuing operations		
Operating result		
Operating revenues		
Turnover		
Production sold	3,886,264,791	5,278,376,853
Sale of merchandise	6,122,190	7,181,361
Subventions related to turnover		
Total Turnover	3,892,386,981	5,285,558,214
Increase/decrease in finished goods stock	20,669,306	132,878,507
Revenues from fixed assets production	946,356	5,758,478
Other operating revenues	30,685,361	16,899,818
Total Operating revenues	3,944,688,004	5,441,095,017
Operating Expenses		
Raw materials and consumables expenses	371,263,173	564,243,094
Other materials expenses	45,271,221	52,699,099
Utilities expenses	81,127,126	81,242,512
Merchandise expenses	5,766,639	6,409,669
Personnel expenses		
Salaries expenses	536,996,869	584,977,264
Social security expenses	219,521,880	222,230,594
Total Personnel expenses	756,518,749	807,207,858
Tangible non-current assets adjustment		
Tangible non-current assets adjustment, expenses	1,587,094,184	1,653,444,894
Tangible non-current assets adjustment, revenues		
Total Tangible non-current assets adjustment	1,587,094,184	1,653,444,894
Current assets adjustment		
Current assets adjustment, expenses	75,728,857	
Current assets adjustment, revenues	240,161,932	216,341,672
Total Current assets adjustment	(164,433,075)	(216,341,672)

Profit and Loss

K ROL

Caption	31.12.2003	31.12.2004
Other operating expenses		
Services rendered by third parties	778,875,648	1,246,767,306
Expenses with other taxes and assim. payments	28,263,514	31,101,206
Fines, donations and disposed assets	63,035,380	57,701,544
Total Other operating expenses	870,174,542	1,335,570,056
Provisions for expenses adjustments		
Provisions for expenses adjustments, expenses	28,636,389	29,428,825
Provisions for expenses adjustments, revenues		
Total Provisions for expenses adjustments	28,636,389	29,428,825
Total Operating Expenses	3,581,418,948	4,313,904,335
Total Operating result	363,269,056	1,127,190,682
Financial Result		
Financial Revenues		
Revenues from participations		
Revenues from other financial investments		
Interest revenues	2,318,917	83,297,995
Other financial revenues	109,764,729	735,915,442
Total Financial Revenues	112,083,646	819,213,437
Financial Expenses		
Financial investments adjustment		
Financial investments adjustment, expenses		
Financial investments adjustment, revenues		
Total Financial investments adjustment		
Interest expense	338,875,713	218,374,115
Other financial expenses	133,155,269	1,612,177,406
Total Financial Expenses	472,030,982	1,830,551,521
Total Financial Result	(359,947,336)	(1,011,338,084)

Profit and Loss

K ROL

Caption	31.12.2003	31.12.2004
Total Result of continuing operations	3,321,720	115,852,598
Extraordinary result		
Extraordinary revenues	8,000	
Extraordinary expenses	28,000	
Total Extraordinary result	(20,000)	-
Total Net Result Before Tax	3,321,720	115,852,598
Profit Tax		
Other tax expenses		
Total Net Result After Tax	3,321,720	115,852,598
Net Income	3,321,720	115,852,598

For National Romanian Bank exchange rates for EUR and USD are as follows:

1 EUR = 41,117 ROL valid for 31.12.2003

1 EUR = 39,663 ROL valid for 31.12.2004

1 USD = 32,595 ROL valid for 31.12.2003

1 USD = 29,067 ROL valid for 31.12.2004



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