



QUARTERLY REPORT

of the economic and financial activity of S.N. Nuclearelectrica S.A. according to the provisions of art. 227 of the Law no. 297/2004 on capital market and the Annex no. 30 to the CNVM Regulation no. 1/2006 on issuers and operations with securities for the 1st Quarter of the financial year 2014

Report according to:	Art. 227 of the Law no. 297/2004 on capital market and Annex no. 30 to the CNVM Regulation no. 1/2006 for the 1 st Quarter of the financial year 2014
Date of report:	May 14 th 2014
Company name:	S.N. Nuclearelectrica S.A.
Registered office:	Bucharest, 65 Polona Street, district 1
Phone/fax number:	+40 21 203 82 00; +40 21 316 94 00
Web/ Email:	www.nuclearelectrica.ro ; office@nuclearelectrica.ro
Sole Registration Code with the Trade Register Office:	10874881
Order number in the Trade Register:	J40/7403/1998
Subscribed and paid up share capital as at 31.12.2013:	2.817.827.560 lei
The regulated market on which the issued securities are traded:	Bucharest Stock Exchange (www.bvb.ro), 1 st Tier, symbol: SNN
The main characteristics of the issued securities:	281.782.756 shares with the nominal value of 10 lei/share, dematerialized, nominative, ordinary, indivisible and equally vote rights and freely negotiable on Bucharest Stock Exchange under SNN symbol starting November 11 th 2013
Applicable Accounting Standards:	International Financial Reporting Standards (IFRS) adopted by the European Union (UE) – IFRS-UE, <u>interim individual condensed unaudited financial statements</u>
Currency of the report:	Romanian Leu (RON) – all amounts are in RON, unless stated otherwise
Reported period:	1st Quarter 2014

This translation of the quarterly report of SN Nuclearelectrica SA is provided as a free translation from Romanian which is the official and binding version

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1. FINANCIAL STATEMENTS**1.1. STATEMENT OF INDIVIDUAL FINANCIAL POSITION**

	31 March 2014 (unaudited)	31 December 2013 (audited)
ASSETS		
Non-current assets		
Property plant and equipment (PP&E)	7.977.879.859	8.057.978.024
Intangible assets	94.987.151	97.856.793
Financial instruments	141.686.201	123.718.616
Total non-current assets	8.214.553.211	8.279.553.433
Current assets		
Inventories	378.171.320	386.303.320
Trade and other receivables	267.873.472	197.044.598
Prepayments	22.782.622	10.865.840
Bank deposits	33.525.705	704.525.705
Cash and cash equivalents	1.340.213.994	739.280.253
Subtotal, current assets	2.042.567.113	2.038.019.716
Assets to be transferred	1.382.640.479	1.382.640.479
Total current assets	3.425.207.592	3.420.660.195
Total assets	11.639.760.803	11.700.213.628
EQUITY		
Capital and reserves		
Share capital, out of which:	3.013.330.303	3.013.330.303
<i>Subscribed and paid in share capital</i>	<i>2.817.827.560</i>	<i>2.817.827.560</i>
<i>Inflation adjustment to share capital</i>	<i>195.502.743</i>	<i>195.502.743</i>
Share premium	31.474.149	31.474.149
Prepaid share reserve	215.930.237	215.930.237
Revaluation reserve	330.976.006	337.713.566
Retained earnings	4.208.526.137	4.099.989.096
Total shareholders's equity	7.800.236.832	7.698.437.351
LIABILITIES		
Non-current liabilities		
Long term borrowings	1.620.006.300	1.675.427.622
Deffered income long term	182.894.435	186.480.601
Deffered income tax liability	206.047.569	208.285.414
Employees' benefits obligations	26.207.527	26.207.527
Total non-current liabilities	2.035.155.831	2.096.401.164
Current liabilities		
Accounts payables and other liabilities	164.511.944	242.958.936
Current tax liability	25.317.564	34.982.603
Deffered income	46.317.553	32.007.582
Current portion of long term borrowings	185.580.600	212.785.513
Subtotal current liabilities	421.727.661	522.734.634
Liability related to assets to be transferred	1.382.640.479	1.382.640.479
Total current liabilities	1.804.368.140	1.905.375.113
Total liabilities	3.839.523.971	4.001.776.277
Total equity and liabilities	11.639.760.803	11.700.213.628

1.2. INDIVIDUAL PROFIT AND LOSS ACCOUNT FOR 3 MONTHS PERIOD ENDED AS AT MARCH 31ST 2014

	3 months period ended as at 31 March 2014 (unaudited)	3 months period ended as at 31 March 2013 (unaudited)
Revenues		
Sales of electricity	433.304.900	486.698.044
Electricity transmission revenues	28.227.966	26.905.628
Total revenues	461.532.866	513.603.671
Other income	20.393.217	30.361.723
Operation expenses		
Depreciation and amortization	(110.301.628)	(98.483.730)
Personnel expenses	(68.514.307)	(69.043.820)
Cost of traded electricity	(3.579.992)	(14.147.163)
Repairs and maintenance	(13.154.705)	(21.376.499)
Electricity transportation expenses	(28.227.966)	(26.905.628)
Costs with spare parts	(5.434.906)	(3.175.970)
Cost of uranium fuel	(36.034.089)	(33.068.467)
Other operating expenses	(127.618.583)	(99.303.853)
Total operating expenses	(392.866.175)	(365.505.130)
Operating result	89.059.908	178.460.264
Finance costs	(12.725.899)	(66.797.281)
Finance income	49.545.192	64.959.375
Net finance cost (gains)	36.819.293	(1.837.906)
Profit before income tax	125.879.201	176.622.359
Income tax expense	(24.064.296)	(31.284.383)
Net profit	101.814.904	145.337.976

2. IMPORTANT EVENTS

2.1. IMPORTANT EVENTS DURING 1st QUARTER OF THE YEAR 2014

a) Resolutions of the Extraordinary General Shareholders Meeting in the 1st Quarter of the year 2014

By the Resolution no. 1/11.03.2014 of the Extraordinary General Shareholders Meeting the following were approved:

- (i) Participation of SNN to the share capital increase of the company Hidro Tarnita S.A, through the subscription of 89.000 new issued shares at a nominal value of 1000 lei, issued by the company Hidro Tarnita S.A.
- (ii) The introduction to the revenues and expenses budget for 2014 of the amount necessary to the subscribed shares related payments;
- (iii) The agreement in principle for the completion of the “Romania-Turkey 400 kV Underwater Interconnection Cable” Project;
- (iv) Participation in the set up of the „HVDCC Romania – Turcia S.A.” Project Company by subscribing and paying the lei equivalent of a number of 2.000.000 shares with a nominal value of EUR 1;
- (v) The introduction to the revenues and expenses budget for 2014 of the amount necessary to the subscribed shares related payments;
- (vi) The ceasing of workings at Unit 5 within the “5x 700 MW Cernavoda Nuclear Power Plant” investment project and the change of purpose and use of the already completed structures and spaces, inherent to Unit 5, for other activities of SN Nuclearelectrica SA, in connection with the nuclear safety operation of Units 1 and 2;
- (vii) The financing from SN Nuclearelectrica SA own sources of all activities associated with ceasing Unit 5 investment and the change of purpose and use of the already completed structures and spaces, inherent to Unit 5.

b) The transfer to the State Reserve of the heavy water financed from the State Budget

In February 2014, CNCAN issued the transfer authorization for the quantity of 786.715,78 kg heavy water financed from the state budget. The transfer operation was initiated, however the physical segregation of heavy water quantities purchased with budget allocations from the heavy water quantity purchased with own sources (according to the request of the National Administration of State Reserves and Special Problems-ANRSPS), entails separation/transfusing procedures whose duration is estimated by the depositary (RAAN – ROMAG PROD) to last approximately 12-16 weeks. We mention that depositing the heavy water quantity overtaken by SNN during 2006-2011 underwent a dynamics conditioned by the objective constraints, at that time, of the depositary, during this period different heavy water quantities produced in different years, with different prices and different financial resources being mixed.

As provided by art. 2, paragraph (3) of GEO no. 56/2013, on the date of signing the delivery and receiving document, the quantity of 786.715,78 kg heavy water, purchased during 2006-2011 exclusively with state budget allocations in total amount of 1.382.640.479,27 lei will be transferred to the state reserve and will cease to exist in SNN's accounting register and patrimony.

c) Contract to supply sintered powder of uranium dioxide

In early January 2014, SNN Board of Directors approved the negotiation results and the contract signature for supplying sintered powder of uranium dioxide with the National Uranium Company in the following conditions: the procurement price of uranium dioxide powder: 460 lei/U kg in UO₂; duration of contract: 4 months; quantity to be purchased: 49.019,658 kg U in UO₂, the contract being signed by both parties.

d) Cernavoda NPP Units 3 and 4 Project

Energionuclear SA (EN) is the company whose mission is to develop Cernavoda NPP Units 3 and 4 Project. SNN had, in 2013, a 84,65% stake in the share capital, the other shareholders being ArcelorMittal with a 6,2% stake and Enel with a 9,15% stake.

In December 2013, ArcelorMittal and Enel notified SNN their intention to exercise the put option to sell the shares owned in EN. After the financial year 2013 closing, SNN signed the share transfer agreements by which ArcelorMittal Galati SA and Enel Investment Holding BV sold their shares in EnergoNuclear SA to SNN.

Thus, in January 2014, SNN purchased the shares of the two minority shareholders, SNN participation in EN increasing to 100%. The shares have been purchased to 80% of their nominal value, with a total amount of the transaction of 17.947.585,24 lei. Following these transactions, the directors Luca d'Agnese and Ionel Bors resigned from the Board of Directors of EN where they have been voted by the two minority shareholders.

By the selection of new investors, SNN has the intention to transfer part of its shares to the new investors in the Project. On November 25th, 2013 Nuclearelectrica signed a Letter of Intent (LoI) with China General Nuclear Power Group ("CGN") regarding the Chinese company's intention to be involved into the Project. The Letter of Intent has 180 days valability. If the requested investment conditions will be met, CGN could become the main shareholder in EN.

CGN started the due dilligence process, for an extensive analysis and assessment of the Project and for taking investment decision in the Project.

e) File no. 22456/3/2012 on Bucharest Court of Law, debtor Hidroelectrica – insolvency

According to the Convention closed on 17.06.2013 between SNN and Hidroelectrica through the judiciary and special administrators, the latter obliges to pay the total receivables in amount of 70.093.550,47 lei in 24 equal monthly instalments starting July 2013.

On 26.06.2013, the syndic judge approved the final activity report elaborated by the judiciary administrator EURO INSOL SPRL. As provided by art. 132 (1) of Law no. 85/2006, the court closed the procedure of judiciary reorganization intended against the debtor SC Hidroelectrica SA. Pending before Bucharest Court of Appeal, a series of challenges, formulated by the creditors of the debtor which were not awarded a solution until the closing term of the procedure, are filed.

Through the civil sentence no. 6482/26.06.2013 passed by Bucharest Court of Law, the 7th civil division ruled the closing of the judiciary reorganization procedure filed against Hidroelectrica. On February 25th, 2014, based on civil ruling no. 456, the Bucharest Court of Appeal ruled the cancellation of the mentioned civil sentence and the remanding of the merged causes for retrial to the same court.

As a result, in the Insolvency Procedure Bulletin no. 4563/06.03.2014, the notification of the judiciary administrator of the debtor regarding decision 456/2014 to cancel civil sentence no. 6482/26.06.2013 that ruled the closing of the judiciary reorganization procedure, was published. The record of evidence of the Extraordinary General Shareholders Meeting of the debtor through which a new special administrator and a representative of each shareholder to sign the mandate contract with the special administrator were appointed and the judiciary administrator Euro Insol SPRL was empowered to carry out all the procedures in order to comply with EGMS resolution, was also published.

Until now Hidroelectrica complied with the provisions of the rescheduling agreement signed with SNN.

f) The dispute initiated by SNN against the Romanian National Energy Regulatory Authority

As per Decision no. 3906/20.12.2013, the Romanian National Energy Regulatory Authority approved the electricity quantities sold based on regulated contracts and the regulated prices for electricity delivered by SNN in 2014. SNN filed on 23.01.2014 to Bucharest Court of Appeal a petition against the Romanian National Energy Regulatory Authority and required the partial cancelation of ANRE Decision no. 3906/20.12.2013 and the issuance of a decision to establish an average regulated price for 2014 at the value required by SNN, by recognizing certain justified cost elements in the calculation method. The first trial term in the file is 20.05.2014.

g) Litigations with the shareholder Fondul Proprietatea S.A.

Fondul Proprietatea filed an application to intervene subject to the file no. 9853/3/2014 (Bucharest Court of Law), by which requests the rejection of the application for registration to the Trade Register of the Resolution of the Extraordinary General Shareholders Meeting of SNN no.1/11.03.2014.

By the Resolution of the Extraordinary General Shareholders Meeting of 11.03.2014 the following were approved:

- (i) Participation of SNN to the share capital increase of the company Hidro Tarnita S.A, through the subscription of 89.000 new issued shares at a nominal value of 1000 lei, issued by the company Hidro Tarnita S.A.
- (ii) The introduction to the revenues and expenses budget for 2014 of the amount necessary to subscribe the shares;
- (iii) The agreement in principle for the completion of the “Romania-Turkey 400 kV Underwater Interconnection Cable” Project;
- (iv) Participation in the set up of the „HVDCC Romania – Turcia S.A.” Project Company by subscribing and paying the lei equivalent of a number of 2.000.000 shares with a nominal value of EUR 1.

The next trial term in the file is set for 13.05.2014.

Fondul Proprietatea S.A., as shareholder with a 9,7268% stake in the share capital of SNN, has filed to the Bucharest Court of Law the following actions:

- (i) Application of injunction for suspension of the Resolution of the Extraordinary General Shareholders Meeting of SNN no.1/11.03.2014, subject to the file no. 11666/3/2014 registered with the Bucharest Court of Law;
- (ii) Application for establishing absolute nullity and subsidiarily the cancelation of the Resolution of the Extraordinary General Shareholders Meeting of SNN no.1/11.03.2014, subject to the file no. 11661/3/2014 registered with the Bucharest Court of Law.

The Bucharest Court of Law has not set yet a term in the file no. 11661/3/2014. Regarding the file no. 11666/3/2014, this has the next trial term set on 05.06.2014.

h) Property right on the company’s tangible assets

On 31.12.2013, SNN did not own a certificate of property right for the 239 square meters land (the undivided quota) inherent to 5th and 6th floors of the building based in Bucharest, 33 Gheorghe Magheru St. This certificate of property right was obtained on 27.02.2014.

i) The approval of the Corporate Governance Regulation

SNN elaborated the Corporate Governance Regulation approved by the Board of Directors on 14.02.2014. The Corporate Governance Regulation is based on requirements of the BVB Code of Governance and the legal provisions applicable to SNN in the field of corporate governance. The corporate governance structures, functions, competence and responsibilities of the Board of Directors are defined in the Corporate Governance Regulation.

j) Organizational chart change

As per General Manager Decision no. 69/05.03.2014, the organizational chart of SNN was changed. The main changes refer to:

- Adjustment of the organizational structure to the requirements associated with the statute of listed company on the Bucharest Stock Exchange;
- Implementation of decision segregation principles with a view to improve internal control functions;
- Assurance of adequate reporting relations between the different structures;
- Implementation of a functional organizational structure for improvement and efficiency increase in the main core activities;
- Establishment of an internal control and risk management structures;
- Establishment of an investor's relation structure;
- Establishment of a structure to provide the legal support necessary to operations unfolded by SNN.

SNN established a specialized organizational structure for the management of the capital market related activities, namely - Investors Relations Department - structure whose activity will be dedicated to the relation with the investors and shareholders. The personnel will be constantly trained in matters regarding the company's relation with its shareholders, corporate governance principles and management.

j) Conclusion of a significant electricity sale-purchase contract

On March 20th 2014, SNN has concluded an electricity sale-purchase contract with GEN-I Bucharest-Electricity Trading and Sales S.R.L. The contract has been signed following an auction organized by OPCOM, on the Centralized Market of Bilateral Contracts-PCCB for the sales offer SN_NCL_ 427, laid down by SNN.

The object of the contract is the electricity sale by SNN and the purchase of this electricity by GEN-I Bucharest-Electricity Trading and Sales S.R.L. The delivery of the electricity is set to occur between 28.03.2014-31.03.2016, at a constant power of 130 MW, for a total volume of electricity of 2.293.070 MWh.

The total amount of the deal is of 381.039.442 lei, corresponding to the closing auction price of 166,17 lei/MWh including transmission tax, for the first year of the contract.

2.2. SUBSEQUENT IMPORTANT EVENTS AFTER MARCH 31ST 2014

a) Resolutions of the Extraordinary General Shareholders Meeting

By the Resolution no. 4/29.04.2014 of the Extraordinary General Shareholders Meeting the following were approved:

- (i) The amendment of the SNN Articles of Incorporation;
- (ii) The initiation of the selection process, based on competitive procedures, for consultancy services provided by a specialized company, authorized by ORNISS, in the technical, economical and legal field, in order to prepare a study on “The technical, economical and legal aspects of the reorganization of the exploitation, uranium ore processing and nuclear fuel production sector”. The sum necessary for the preparation of the study will be included in the revenues and expenses budget for the year 2014, approved in compliance with the legal requirements.

b) Contract to supply sintered powder of uranium dioxide

On April 9th, 2014 SNN signed the supply contract no. 434 with the National Uranium Company for supplying sintered powder of uranium dioxide (UO₂). The contract has a total amount of lei 313,5 thousands for a duration of 36 months; the contract stipulates the delivery of the total quantity of 660 tons sintered powder of uranium dioxide (UO₂).

c) Unilaterally termination of a significant electricity sales contract

ArcelorMittal Galati has notified SNN that starting April 1st, 2014 ArcelorMittal unilaterally terminated the energy sale-purchase contract no. 207/22.02.2013, before expiration date, respectively 30.09.2014. The electricity sales set for the period 01.04.2014 – 30.09.2014 based on the unilaterally terminated contract by ArcelorMittal, had as object the delivery of a total quantity of 592.920 MWh, with a total amount of 107.520.113 lei.

d) Cernavoda NPP Units 3 and 4 Project

On April 25th, 2014 the company China General Nuclear Power Corporation and Nuclearelectrica have signed an addendum to the Letter of Intent signed on November 2013, extending the validity till December 31st 2014.

By signing this Letter of Intent between the two parties it is agreed the co-operation framework regarding the development of the project.

3. FINANCIAL RATIOS

Ratio	Formula	u.m.	Result
			31.03.2014
1. The current liquidity ratio	Current assets/ Current debts	x	1,90
2. The indebttness ratio			
2.1. The indebttness ratio (1)	Borrowed capital/ Owner's equity x 100	%	20,8%
2.1. The indebttness ratio (2)	Borrowed capital/ Total capital x 100	%	17,2%
3. Accounts receivable turnover	Average accounts receivable/ Turnover x 90	days	25
4. Non-current assets turnover ^{*)}	Turnover/ Non current assets	x	0,22

**) The non-current assets turnover is calculated by annualizing the quarterly turnover (360 days/90)*

4. STATEMENTS AND SIGNATURES

Based on the most accurate available information, we confirm that the interim individual condensed financial statements for the period ended as at March 31st 2014 elaborated in compliance with the applicable accounting standards (International Financial Reporting Standards approved by the European Union) provide a correct and true image regarding the assets, liabilities, the financial position and the financial performance of the company and that the information presented in the current report provides a correct and true image of the main events that have been occurred during the first three months of the financial year 2014 and their impact on the interim individual condensed financial statements.

Alexandru SANDULESCU
President of the Board of Directors

Daniela Lulache
Chief Executive Officer

Mihai Darie
Chief Financial Officer

5. ANNEXES

5.1. THE INTERIM INDIVIDUAL CONDENSED FINANCIAL STATEMENTS as at and for the period ended March 31st 2014

5.2. QUARTERLY REPORT of the Board of Directors on the administration activity for the 1st Quarter of the year 2014