



ANNUAL REPORT

On the economic-financial activity of SN Nuclearelectrica SA in compliance with art. 227 of Law no. 297/2004 of capital market and Appendix no. 32 to CNVM Regulation no. 1/2006 for the financial statement ended on December 31st, 2013

Legal base	Art. 227 of Law no. 297/2004 on capital market and Appendix no. 32 to CNVM Regulation no.1 2006 for the financial statements ended on December 31 st , 2013
Date of the report	March 25 th , 2014
Issuer's name	S.N. Nuclearelectrica S.A.
Social Headquarters	65 Polona St., District 1, Bucharest
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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 share capital at 31.12.2013	2.817.827.560 lei
Regulated market on which the issued securities are traded	Bucharest Stock Exchange (www.bvb.ro), category I
Main features of the issued securities	281.782.756 shares with a nominal value of 10 lei/share, dematerialized, nominative, ordinary, indivisible, with equal voting rights, freely transactionable on Bucharest Stock Exchange under SNN symbol starting 04.10.2013
Applicable Accounting Standards	International Financial Reporting Standards (IFRS) adopted by the European Union (EU)-IFRS-EU, unaudited financial statements



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Mr. Dumitru Dina, manager of the Strategy Development Division, exercised the interim responsibilities of the General Manager of SNN starting with the 7 th of December 2011 until 25 th of April 2013, when the new General Manager of the company was appointed, in the person of Mrs. Daniela Lulache.	35
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1. ASSESSMENT OF THE COMPANY’S ACTIVITY

1.1 Company presentation

a) Main activity of the company

Nuclearelectrica is a national company which has as main object of activity the production of electricity and it is, currently, the only nuclear energy producer in Romania. Nuclearelectrica is also a nuclear fuel producer, producing nuclear bundles used for the operation of its own nuclear reactors. According to the company’s Bylaws, the main object of activity is the production of electricity-CAEN Code 3511.

Nuclearelectrica’s mission is the production electricity and thermal energy by nuclear means, development of nuclear energy, as well as production of nuclear fuel under maximum safety, economic efficiency and concern for people and environment conditions.

Societatea Nationala Nuclearelectrica SA (hereinafter called “SNN” or “The Company”) has two subsidiaries registered in Romania, namely “Cernavoda NPP”, based in Cernavoda, 2 Medgidiei St. , registration code with the Trade Register Office J13/3442/11.10.2007, which operates Units 1 and 2 of Cernavoda NPP and auxiliary services, and “FCN Pitesti” subsidiary, based in Mioveni, 1 Campului St., registration code with the Trade Register Office J03/457/24.08.1998. FCN’s activity is “ Nuclear Fuel Processing”, CAEN code 2446. The company is headquartered in Bucharest, 65 Polona St., District 1.

Cernavoda NPP was designed in the 80s with five nuclear reactors. The construction of the first reactor started in 1980, and in 1982 of the other fours units, but after 1989 the construction was focused on completing Unit 1, which was commissioned in 1996. Currently, Cernavoda NPP operates two reactors, Unit 2 being commissioned in 2007. The two units ensure nearly 1/5 of the total electricity consumption in Romania. The nuclear reactors of the two units are CANDU 6 type, developed in Canada, by the Atomic Energy of Canada ltd. Such reactors use heavy water as cooler and moderator and natural uranium as fuel.

Units 1 and 2 use on an annual basis approximately 11.000 nuclear fuel bundles, each containing roughly 19 kg of uranium. In order to produce the necessary fuel bundles, FCN Pitesti functions at maximum capacity. The fuel bundles are transferred from Pitesti subsidiary to Cernavoda NPP at cost.

I 2013, FCN Pitesti subsidiary produced and delivered to Cernavoda NPP 10.800 fuel bundles, as per the production and delivery plan, being within the limits of budged expenses.

The performance of the units within Nuclearelectrica’s portfolio can be appreciated objectively given the statistics presented by agencies or international profile publications.

According to the rankings done by „Nuclear Engineering International” (2013 October issue), based on the “total capacity factor” indicator, since in service, Cernavoda NPP Units rank among the first 20 nuclear units out of a total of 436 worldwide operating units, as follows:

- Unit 2 with a total capacity factor of 92,4% ranks 5th;
- Unit 1 with a total capacity factor of 88,8% ranks 16th.



Based on the same indicator, Romania ranks 1st worldwide with a total capacity factor since in service of the two Cernavoda NPP nuclear units of 90,6%.

As a result of the technology used by the power plant, the volumes of energy produced and sold have had no significant fluctuations in the historic period (less than 2%), the decrease being influenced by the duration of the planned outage.

SN Nuclearelectrica SA is a stability factor on the Romanian electricity market, due both to base load delivery of electricity and low production costs (the second after that of hydro energy production). Although, it is neither supported, nor promoted by compensatory schemes, part of the energy delivered by Nuclearelectrica has represented one of the main quotas within the regulated basket established by ANRE for both 2012 and 2013.

Main values of Nuclearelectrica:

- ✓ SAFETY: Nuclear safety is a constant concern of the company;
- ✓ CONCERN FOR THE ENVIRONMENT: Respect for the environment and concern for the future generations;
- ✓ EFFICIENCY: Major performance for the support of the national economy;
- ✓ CREDIBILITY: We are a trustworthy company, an honest partner, open to dialogue, actively involved in the life of the local community;
- ✓ SUSTAINABLE DEVELOPMENT: Viable energy source which can ensure current and future energy needs;
- ✓ TRANSPARENCY: We believe in constant communication, openly and transparently with the population and investors, directly or through mass-media

SNN Executive has developed and maintains a General System of Quality Management (SMC) which complies with the stipulations of Law no. 111/1996 regarding the safety unfolding, regulation, authorization and control of nuclear activities and with the Quality Management Norms in the nuclear field (NMC) issued by the National Commission for the Control of Nuclear Activities (CNCAN).

Cernavoda NPP's Management System is developed based on the requirements of Law no. 111/1996 and Quality Management Norms of the NMC series issued by CNCAN, also incorporating the requirements from the voluntary standards ISO 14001, ISO 27001 and OHS&S 18001 and the applicable requirements of Order 946/2005. The Integrated Management System established by Cernavoda NPP has been assessed by both the authority for regulation in the nuclear field (CNCAN) and certification authorities in Romania such as SRAC (for ISO-14001 and OHS&S 18001) or DNV the Netherlands (for ISO 27001) as well as by experts of the Agency in Wien (IAEA). The conformity of the management system with the applicable norms and standards, issued by the National Commission for the Control of Nuclear Activities, has been reported following the assessment.

FCN has developed and implemented an Integrated Management System in compliance with the stipulations of Law no. 111/1996 and the Norms of Quality Management issued by CNCAN. The development Management System conserves all the requirements of CAN3-Z299.2-85 standard, based on which FCN obtained the certification as CANDU 6 nuclear fuel supplier by AECL (the design authority of CANDU type nuclear power plants).

The Management System of FCN integrates the requirements of CNCAN norms NMC-01, NMC-02, NMC-07 and NMC-13, of the voluntary standard SR EN ISO 14001:2005 and ensures the integration of other



standards and norms applicable to the activity field of FCN (SR EN ISO 9001:2008, SR OHSAS 18001:2008).

The Integrated Management System of FCN Pitesti is authorized by CNCAN in compliance with Law no. 111.1996 and the applicable above mentioned norms. The Environment Management System component (ISO -14001) and that for Health and Occupational Safety Management System (OHS&S 18001) were certified and recertified by SRAC in 2013.

Information on Energonuclear branch is presented in Appendix 8.i

b) Set up date of the company

SNN was set up on July 27th, 1998 based on GD no. 365/1998, following the restructuring of the Romanian energy system. Previous to this restructuring, the nuclear power plant was part of RENEL, a vertically integrated national company which was divided in several companies owned by the state. The company unfolds its activities in compliance with the Romanian laws and the Articles of Incorporation.

c) Significant mergers or reorganization of the company, its branches or controlled companies, during the financial year.

During the 2013 financial year, no significant mergers or reorganization of SNN or its controlled companies occurred. The company is not part of a group of companies, except the group of companies generically under the common control of the Romanian State through different entities.

d) Acquisitions and/or Transfer of Assets

During the 2013 financial year, no acquisitions of assets occurred, except those necessary to unfolding and developing the activity, reflected in the investment plan and the budget specifically approved. The total expenses for investments were in value of million Lei 236,74 in 2013.

As well, no transfer of assets occurred, except those that became obsolete as stipulated by law and the program to sell Cernavoda NPP employees' housing service with payment in installments. The total revenue from the transfer of assets was in quantum of million Lei 2,5 in 2013.

e) The main results following the assessment of the company's activities

The total volume of electricity delivered by SNN in 2013 was of 10.988 GWh, 1,85% larger than in 2012 (10.788 GWh).

The main results of the activity:

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No	Indicator (Lei thousand)	Executed2013	Budget2013*)	Executed2012	Index (x times)	
0	1	2	3	4	col.5=2/3	col.6=2/4
1	Operating revenues	2.059.022	1.913.764	1.684.450	1,08	1,22
2	Operating expenses	(1.597.926)	(1.686.301)	(1.528.469)	0,95	1,05



3	Operating profit	461.096	227.463	155.981	2,03	2,96
4	Financial expenses	(172.420)	(281.196)	(316.860)	0,61	0,54
5	Financial revenues	229.014	180.300	226.190	1,27	1,01
6	Net financial expenses	56.594	(100.896)	(90.670)		
7	Profit before income tax	517.690	126.567	65.311	4,1	7,9
8	Net income tax	(94.299)	(26.171)	(46.467)		
	Financial year profit	423.391	100.396	18.845	4,2	22,5

1.1.1. Elements of general assessment

Indicator (Lei thousand) –Separate financial statements	2013	2012	% 2013 vs. 2012
1	2	3	4
Net Profit	423.391	18.845	2146,7%
Gross operating profit	461.096	155.981	195,6%
Turnover	1.932.503	1.652.450	16,9%
Operating expenses	1.597.926	1.528.469	4,5%
Liquidity (cash and cash equivalents plus bank deposits)	1.443.806	929.381	55,4%
% market share ^{*)}	19,8%	19,4%	2,0%
Export ^{**)}	-	-	-

^{*)} Market share determined based on Transelectrica's available data, for 2013 the data is preliminary

^{**) SNN did not export energy neither in 2013, nor 2012.}

1.1.2. Assessment of the technical level of the company

a) main products or delivered services

SNN is an electricity and thermal energy producer, the main activity being the production of electricity. The thermal energy sales related income represents an insignificant quota in the operating revenues total.

b) main markets for each product or service and the distribution methods

SNN operates only on the Romanian market, being the only energy producer by nuclear means in the country.

Electricity is sold based on production license, as follows:

- On the regulated market through contracts closed with suppliers of last resort with a view to deliver electricity for their consumers at regulated tariffs, as well with distribution operators to cover its own technological consumption;



- On the free market, through sale-purchase electricity contracts on the markets administered by the market operator OPCOM, mainly PCCB (the centralized market for bilateral markets), but also PZU (The Day Ahead Market);
- On the Balancing Market administered by Transelectrica, in case of positive unbalancing;\
- Through negotiated sale-purchase contracts. Nuclearelectrica has only one such contract with Transelectrica in its quality of captive consumer for the consumption of Cernavoda 400 kV power station, belonging to Transelectrica.

The thermal energy produced and sold in 2013 by SNN, through Cernavoda NPP, was delivered to the local thermal energy supplier and to several end consumers on Cernavoda NPP site and Cernavoda area. In the Cernavoda area, SNN is the only producer which delivers thermal energy to the centralized system for heat supply.

c) the percentage of category of products or services in the revenues and total turnover of the company for the last three years

Indicator (Lei thousand)	2013		2012		2011	
	Lei thousand	%	Lei thousand	%	Lei thousand	%
Turnover, out of which:	1.932.503	93,9%	1.652.450	98,1%	1.592.994	98,1%
Revenues from sold production ^{*)}	1.825.714	94,5%	1.552.629	94,0%	1.499.330	94,1%
Revenues from cogeneration contribution	2.026	0,1%	5.622	0,3%	2.085	0,1%
Revenues from the sale of green certificates	1.447	0,1%	6.533	0,4%	1.720	0,1%
Revenues from electricity transmission	103.316	5,3%	87.666	5,3%	89.860	5,6%
Other operating revenues	126.519	6,1%	32.000	1,9%	30.409	1,9%
TOTAL operating revenues	2.059.022	100%	1.684.450	100%	1.623.403	100%

**)It also includes revenues from thermal energy sales in value of: Lei thousand 1.649 for 2013, Lei thousand 1.466 for 2012 and Lei thousand 1.546 for 2011.*

d) new products/services for which a substantial volume of assets will be allocated in the next financial year and the development status of these products.

Not applicable.

1.1.3. The assessment of the technical-material supply activity (domestic sources, import sources)

Technical-material supply regarding materials and products necessary to unfolding the activities is done with both domestic and import sources.



SNN has ensured its supply sources in order to carry out its main activity in good conditions, and the stocks of raw materials and materials are accordingly dimensioned for continuity in operation. A special importance is placed on the critical spare parts stocks which are destined for equipments whose malfunction may cause a reduction in the redundancy of the nuclear safety systems, incidents that jeopardize the environment or personnel health, can cause operation transients or the need to reduce power, can cause major malfunction of key equipment of the power plant.

The technical-material supply activity is correlated with the products necessary resulted from the assessment of the preventive and corrective maintenance programs or, accordingly, from the investment program, for Units 1 and 2 of Cernavoda NPP, including for objectives common to both Units.

SNN, in its quality of Contracting Authority defined according to the stipulations of Emergency Ordinance no. 34/2006, regarding the awarding of public acquisition contracts, concession contracts for public workings and services, with subsequent amendments, has the obligation to purchase the products, services or workings necessary to unfold its relevant activities through awarding procedures under the conditions regulated by the aforementioned normative act, usually open bid, negotiation with the previous publication of attendance notice or offer request.

In this context, throughout 2013, SNN SA initiated and unfolded a number of 320 awarding procedures, with an estimated cumulated value of Lei 499.216.609, the equivalent of EUR 110.937.024. Of all acquisition procedures, approximately 60% were for services, 33% for products and 7% for workings.

In total, in 2013, at the level of the headquarters and subsidiaries, a total of 959 contracts were concluded, on the basis of public procurement procedures, as well as through direct purchase orders and acquisitions exempted from OUG 34/2006.

1.1.4. Assessment of sales activity

a) The evolution of sales on the domestic and/or external market and the sales perspective on medium and long-run

The capacity of the Cernavoda NPP Units was relatively constant, being slightly influenced by the meteorological and hydrological conditions (temperature of the cooling water from the Danube, level of the intake tank, air temperature etc.) and, occasionally, by the unplanned outages. As consequence, the volumes of electricity sold monthly, by contracts, had little variations, production estimation being taken into account when contracting.

The evolution of sales on the main markets in the last two years, quantities and values, as follows:

Indicator (Lei)	2013		2012	
	GWh	Value (Lei thousand)	GWh	Value (Lei thousand)
Electricity sales, out of which:	10.988	1.825.714	10.787	1.552.629
Regulated contracts	5.308	753.766	7.498	921.699
Contracts on the free market	5.680	1.071.948	3.289	630.930

As it concerns energy sales on medium and long term, we appreciate based on the data related to more developed European markets that the free market price will not suffer major changes. The influence of renewable energy will create the conditions so that on the spot market (The Day Ahead Market) the price



will reach very low levels during certain periods of time, with impact on maintaining large transacted volumes on the spot market.

As it concerns the obligation to deliver energy based on regulated contracts, the expectations point to a reduction of the energy quantity that SNN has to deliver, according to the gradual liberalization policy of the market applied by ANRE until the end of 2017. The regulated price is expected to register a slight increase in order to include certain new costs added by energy producers, which occurred or will occur (for example the tax on special constructions), in compliance with ANRE methodology; there is no certainty regarding the way ANRE acknowledges or not certain costs when establishing the regulated price.

b) The free market context in the activity field of the company, market share of the company's products or services and the main competitors

The annual energy quantity that SNN can produce at Cernavoda NPP will maintain around the current volume, approximately 10.500 GWh (net), given the fact that both Units are operated at high capacity factor. The energy produced by SNN had so far a market share of 20% of the total electricity quantity produced in Romania and it is likely that this share will be maintained. If an increase in consumption is registered in the years to come, a slight decrease in SNN's market share will occur. Up to the date of the present Report, there is no data published by ANRE regarding the electricity market in 2013, on December 31st 2013. According to the statistical data centralized by Transelectrica up to this date, in 2013, SNN production represented 19,81% of the total electricity quantity produced in Romania.

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

Production structure	2013		2012	
	GWh	%	GWh	%
Nuclear	11.619	19,81%	11.466	19,42%
Hydro	15.102	25,75%	12.381	20,97%
Coal	17.390	29,65%	23.821	40,35%
Liquid fuel (hydrocarbons)	9.094	15,50%	8.344	14,13%
Wind	4.721	8,05%	2.794	4,73%
Biomass	319	0,54%	228	0,39%
Photovoltaic	413	0,70%	8	0,01%
TOTAL	58.658	100%	59.042	100%

Source: Transelectrica data

The main electricity producers in Romania are Hidroelectrica, Nuclearelectrica and Complexul Energetic Oltenia, together the three producers having a market share of approximately 75% in 2013.

c) Significant dependency of the company on a single client or group of clients whose loss would have a negative impact upon the company's revenues.



In 2013, the energy volume sold by regulated contracts represented 48% of SNN's total sales. This represents a specific category of sales because buyers and quantities are established annually by ANRE, together with the selling price. As well, contract clauses are strictly established according to the framework contract for the regulated market, elaborated by ANRE. According to market liberalization calendar, starting with 2017 sales will unfold only on the free market, and the regulated contracts will cease to exist.

In 2014, the quantity of energy that is to be sold by SNN on regulated contracts is significantly lower than in 2013, approximately 36% of the net production. In 2013, roughly 48% of the energy was delivered by SNN on regulated contracts, in compliance with ANRE decision.

Thus, although, currently, there is no major dependence on regulated contracts, it will gradually reduce in the years to come until the end of 2017 when the market is fully liberalized.

With the exception of the regulated contracts, SNN does not have a significant dependency on a single client or group of clients. In 2013, SNN closed 84 electricity selling contracts on the free market, with 26 buyers (there were cases when the same buyer won more bids), to which adds the Convention for PZU based on which sales to OPCOM were made.

SNN sold, in 2013, to OPCOM, which acts as main part on PZU, purchasing energy for all buyers accepted on this market, a quantity of energy that represents 6,64% of the total volume of energy sold by SNN. Out of the 26 buyers on the free market, only 10 bought quantities which exceed, for each of them, 1% of the total sales volume of SNN. The first three buyers, ranked based on the volumes purchased from SNN, purchased together a total of 25.6% of the sold energy; the first buyer overtook 12,8%, the second one 8,9%.

1.1.5. Assessment of aspects related to the company's employees/personnel

a) Number and level of education of the employees and the degree of union membership of the labor force

The average number of employees with individual labor contract is:

Indicator	2013	2012	2011
Average number of employees, out of which:	2.106	2.179	2.211
- Indefinite duration	2.099	2.167	2.195
- Definite duration	7	12	16

The structure of personnel based on education level is:

Education level	2013	2012	2011
University degree	910	938	949
High school diploma	1.196	1.241	1.262
TOTAL	2.106	2.179	2.211

3 trade unions activate within SNN:

- „CNE Cernavoda” trade union, representative trade union, as per Decree no. 60/ 12 October 2011 issued by Medgidia Court House;



- Free trade union „Energetica Nucleara ,90” Cernavoda (SLEN’90), and
- „Fabricatie Combustibil Nuclear” Pitesti trade union

On 31.12.2013, approximately 82% of the employees were trade union members.

b) The relationship between management and employees and conflicting elements that characterize this relationship

The rights and obligations of the employees are stipulated by the collective labour contract, individual labour contract and the company’s internal regulations. Currently, the company uses a standard individual labour contract, implemented through the Collective labour contract applicable to the company. The company uses the same contract model for both definite duration and indefinite duration employed personnel.

SNN’s collective labour contract was closed following the negotiation process carried out by the Company and Centrala Nuclearelectrica Cernavoda trade union; the contract is closed for the period 01.07.2013 – 30.06.2015 and it has been effective since 01.07.2013.

The activity of the employees unfolds according to the established working programme, job description and the internal organization and functioning Regulations. The main activities, responsibilities, tasks as well as relations between the functional departments within the company’s organizational structure are established by the Organization and Functioning Regulations of the company. The implementation method of certain legal dispositions, internal normative dispositions regarding labor discipline is established by the Internal Regulations, applicable since February 1st, 2013.

Throughout 2013 there were no conflicts between the management and the employees.

The Normative Act that governs labour relations within the company is the Labour Code-Law 53/2003, with the subsequent amendments, based on which, in 2013, the company’s Board of Directors and the employees, represented by CNE Cernavoda trade union-representative trade union with legal personality-negotiated a new Collective Labour Contract, registered with the Ministry of Labour on 20.06.2013, effective for a two-year period starting 01.07.2013. As well, within the new CLC, stipulations from other normative acts that govern labour relations, such as Law no. 62/2011 on Social Dialogue, Law no. 319/2006 on health and labour security were integrated.

1.1.6. Assessment of aspects related to the impact of the issuer’s main activity on the environment

Constantly maintaining a high level of nuclear safety in all stages of completion and operation of the nuclear facilities and installations is of vital importance and a top priority for SNN. The high degree of nuclear safety is ensured by the design, construction, commissioning and operation of the nuclear facilities and installations.

Currently, the company owns a series of authorizations in the field of environment protection, as follows:



a) For Cernavoda NPP subsidiary

(i) **Environmental Authorization no. 1/26.05.2008** issued by the Ministry of Environment and Sustainable Environment for the operation of Units 1 and 2 of Cernavoda NPP, valid until 05.01.2019. The authorization covers all assets and activities related to Cernavoda NPP Units 1 and 2 operation, including both the nuclear and conventional part of the power plant. The Environmental Authorization no. 1/2008 was issued without compliance requirements.

(ii) **Authorization regarding greenhouse gas emissions no. 8/01.02.2013** issued by the National Agency for Environmental Protection for 2013-2020, according to which the start up thermal plant, stand by diesel units, emergency diesel units of each reactor, as well as the motopump of the firefighting water supply system fall under the law regarding the reduction of greenhouse gas emissions.

(iii) **Authorization for Water Management no. 305/17.12.2013** issued by the National Administration „Apele Romane” regarding „Water supply and discharge of residual water for Cernavoda NPP Units 1 and 2”, valid until 31.05.2016, that requires the company to set up the equipment necessary to monitor the parameters of cooling water discharged by Units 1 and 2 (temperature gradient, flow). This is to be completed in 2014.

(iv) **Authorization for Water Management no. 267/11.11.2013** issued by the National Administration „Apele Romane” regarding „Cernavoda Intermediary Repository for Spent Fuel (DICA)”, valid until 30.11.2016, through which The National Administration „Apele Romane” granted the company the right to use the hydrotechnical constructions and the rain water discharge tanks on the surface of the Intermediary Repository for Spent Fuel and to discharge rain water in Valea Cismelei provided that the quality indicators regarding the presence of radioactive elements comply with the limits imposed by CNCAN. Throughout 2013, no exceeding of the quality indicators of the water discharged in Valea Cismelei was registered.

b) For FCN Pitesti subsidiary

The Environmental Authorization issued by the Ministry of Environment and Woods and approved through Governmental Decree no. 1061/2011, valid until February 28, 2015, issued with compliance requirements.

FCN Pitesti underwent during 2010-2013 an ample process of modernization and efficiency increase of nuclear fuel fabrication, fuel destined for the two Units of Cernavoda NPP. Within this context, the construction of a supplementary hall, Hall V, was initiated. However, the construction of this hall represents the object of an action initiated in 2011 by the European Commission. Cause 2011/4188, having as object the act to notice failure to comply with the obligations stipulated by UE rights in terms of assessing the effects of certain public and private projects on the environment, is ongoing.

The impact of power plant operation on the environment is constantly monitored and reported according to the requirements from the operation and environmental authorizations. The volume of radioactive gas



effluents released into the atmosphere by FCN Pitesti in 2013 represented 66,9 of the authorized volume and had an uranium concentration of 8,1% of the maximum approved concentration.

The positive results of 2013 in the field of environment protection include:

- The lack of events with impact on environment, population or personnel;
- Reports on time for the environment authorities (a total of 102 reports);
- The lack of penalties and non-conformities from the local and central environment authorities, external auditors, following control missions at Cernavoda NPP;

In 2013, the following were renewed:

- Authorization for Water Management for Cernavoda NPP Units 1 and 2;
- Authorization for Water Management no. 267 for DICA, dated November 2013;
- Authorization for Greengouse Gas Emissions for the period 2013-2020.

The company owns certifications for the environment management system, as follows:

- (a) Certificate regarding the Environment Management System no. 56/3 of SN Nuclearelectrica SA-Cernavoda NPP for the production of electricity and thermal energy by means of nuclear sources and support and connex activities, according to the conditions of standard SR EN ISO 14001:2005 (ISO 14001:2004), issued by IQNet and SRAC on 26.04.2013, valid until 26.04.2016, as a result of the Recertification Audit Report performed on 19.04.2013.

- (b) Certificate regarding the Environment Management System no. 4309 of SN Nuclearelectrica Sa-Nuclear Fuel Plant Pitesti subsidiary for processing nuclear fuel, according to the conditions of standard EN ISO 14001:2004, issued by IQNet and SRAC on 06.11.2013 and valid until 06.11.2016.

According to the provisions of the Investors Agrrement, SNN was responsible for obtaining the environment agreement for the investment „Continuation and completion of Cernavoda NPP Units 3 and 4 workings”. The procedure to obtain the environment agreement was initiated in 2006 and ended in September 2013 with the issuance of the environment agreement. As provided by the specific legislation on environment for nuclear facilities, the environment agreement was issued by Government Decree (GD 737/2013).

1.1.7. Assessment of the research-development activity

SNN is not involved in research and development activities.

1.1.8. Assessment of the company’s risk management related activities

By nature of performed activities, the company is exposed to various risks, hereinafter presented.

The management of the company seeks the reduction of the potential negative effects associated to these risks on company performance.

a) Price risk



Price risk is a market risk. On medium term, the electricity sale activity will be influenced by the evolution of electricity price and gradual deregulation of the market. On medium and long term, SNN activity will be influenced by both the evolution of the electricity price and investment projects that the company will develop: extension of Unit 1 life span, participation in the development of Units 3 and 4, participation in the development of CHEAP Tarnita-Lapustesti or development of the underwater cable Romania-Turcia.

Price on the free market is influenced by a multitude of factors, such as: consumption evolution on the local and regional market, energy market structure and the competitive capacity of the main producers, renewable sources production evolution and related support schemes, the increase in the interconnecting capacities etc. The company is exposed to the free market price risk given the structure of costs and the percent of the fixed costs in the total costs, which can affect profitability if low prices are maintained on a long period of time.

Price risk also manifests if a pronounced decrease in price on the free market occurs, which can determine the existing clients who the company closed contracts with to denounce those contracts in order to benefit from more favourable prices; however, this risk is diminished by the existence of contract penalties which are required to the clients for the unilateral denouncing of the contract before termination.

The company is still forced to sell a significant percent of its production on the regulated market. Prices for the regulated market are established by ANRE based on its own cost plus regulated profit margin type methodology; nevertheless, not all costs required by the companies to be acknowledged by ANRE are taken into consideration when establishing the regulated price, so that the price risk for the regulated market is accentuated. Given the gradual liberalization calendar for the regulated market, until the end of 2017, this risk will cease to exist.

b) Credit and counterparty risk

The counterparty risk represents the risk of the business partners not to act in accordance with the terms and conditions stipulated in the closed contracts. In the conditions of the current financial crisis, this risk can cause important financial difficulties for the clients, which will reflect in the extension of the debts cash in periods, or in the worst case scenario, in bankruptcy.

However, historically, the company closed in the last three years more than half of its contracts on the regulated market. In the context of market liberalization, SNN will seek to close sale contracts, long term ones included, for a large part of its production capacity, this being a condition to ensure the cash flow imposed by the credit institutions, especially given the supplementary financing necessary to investments.

In order to diminish this risk, the company has a client selection policy based on their credit risk, seeking to close such contracts only with solvable commercial agents. Last but not least, the counterparty risk is diminished by the existing contract clauses such as: downpayment of an energy quantity, requirement of bank guarantees, so that in case of payment failure delivery of electricity to bad payer clients can be ceased. Commercial contracts on the free market generally stipulate penalty clauses in case of unilateral termination of the contracts by the clients.

The company monitors cashing in due time of its debts and adopts the adequate measures in case of payment failure, including legal measures by means of disputes.



As well, the company is exposed to credit risk associated with financial instruments owned by third parties (current accounts, deposits etc.), given the fact that these are not guaranteed. This risk will be diminished by dispersion (diversifying and increasing the number of banks the company works with, internal counterparty limits, etc.)

c) Liquidity and cash-flow risk

The liquidity and cash flow risks are associated with the company's ability to fulfil its obligations to third parties. The company applies a cautious liquidity risk management by maintaining an adequate proportion of cash and cash equivalents in current accounts and bank deposits according to due dates.

The company has enough resources to fulfil its current obligations to third parties: banks, suppliers, state, employees, etc.

d) Currency risk

Currency risk is a market risk. The functional currency of the company is Leu (RON). The currency risk is determined by the current activities of the company since part of these activities involves currency transactions. These transactions include reimbursement of loans contracted for financing Unit 2 (EUR, USD, CAD), technical assistance and contributions for the decommissioning of the two units, investments and acquisitions from external suppliers which are denominated in foreign currency.

Revenue and loss due to currency differences, executed and non-executed, are registered in the profit and loss account. Currently, no financial instruments are employed to diminish this risk, but these will be analyzed based on costs and benefits perspective.

e) Interest rate risk

Interest rate risk is a market risk. The company's cash flow is affected by the variations of the interest rate mainly due to long term loans. These loans have a variable interest rate determined on the basis of the reference index and fixed interest rate margin.

Interest rate risk is also associated with short term investments in financial instruments such as bank deposits, however these are limited to short due dates of up to three months. Currently, no financial instruments to protect against fluctuations of the interest rate are employed.

f) Competition risk

The competition risk must be analyzed in the context of continuous liberalization of the market which facilitates access for the company to sell its production at higher existing prices on the free market. As well, the regional integration is taken into consideration. SNN will be exposed to an increase in regional competition and to future improvements, reconditioning, expansions and new constructions estimated to be done by producers on the national electricity market. In the same time, at least on the short term, there is an increase in number and transactions closed on the spot market (PZU) paralleled by a decrease on PCCB, whose effect is the increase in price volatility, predictability and income stability. However, as a specific feature of nuclear energy, for the time to come, the cost of nuclear energy is expected to remain lower than the cost of coal and gas based production facilities, which are very sensitive to fuel price and environment protection regulation compliance costs increase (for example carbon dioxide emissions). Simultaneously,



renewable energy projects are very volatile in terms of production due to lack of forecast on fuel resources availability (for example wind, solar energy). Hydro energy, even though it is cheaper, and currently represents 25-30% of Romania's electricity production, depends on water availability. As a conclusion, of all energy sources whose fuel is available, predictable and stable, nuclear energy has the most reduced production costs.

One of the factors that can diminish these risks is to take into consideration the negotiation of long-term contracts, with pre-established prices and specific commercial clauses regarding contract liquidation and penalties with a view to reduce the volatility of the collecting period by ensuring the cash flow necessary to operations and investments.

g) Macroeconomic risk

Even if Romania is a member of the European Union since January 1st, 2007, Romania's economy still has the characteristics of an emerging market, namely a relatively undeveloped financial market and occasionally significant currency fluctuations.

The legislative risk is represented by the changes that can occur in Romania's legislative framework. The possible changes may refer to imposing new taxes by the local/central authorities and/or by the authority that regulates nuclear industry. The effect of the legislative risk can be the unforecast increase in production costs, which could cause a decrease in profit margins. Such an example is the tax on special constructions which has a significant effect on the company's costs; such costs cannot always and on the short term be transferred to the clients for recovery.

h) Operational risk

Operational risks are associated with the company's activity, with its capacity to generate income and maintain a competitive operational margin. This risk depends on the company's capacity to ensure the necessary electricity volumes committed to be supplied by contracts on the regulated and free markets, taking into consideration both planned and unplanned outages of Units 1 and 2. Given the nature of production, nuclear energy is generally less exposed to operational risk than natural gas, coal, hydro and renewable based production. Given the dependence on certain suppliers for the procurement of main raw materials, the risk that these production costs vary exists. However, this variation has a moderate impact because of the reduced percent of these costs (excluding amortization) in the total of operation costs of a nuclear power plant.

Operational risk also includes the potential cancellation of contracts closed on the free market due to a reduction in the activity of the current clients that will determine a decrease in the electricity necessary produced by Units 1 and 2. In addition, prolonged drought and unforeseen technical problems may have a major impact on electricity production as a result of unplanned outages of the company.

The management of these risks relies on a good planning and unfolding of preventive and corrective maintenance activities in order to reduce the numbers of hours of unplanned outages. As well, the company seeks to have and maintain long-term commercial relations with increased reliability clients so that the risk of free market contract cancellation is as low as possible.



Other factors that diminish the operational risk reside in the company's ability to plan outages during periods when electricity price decreases or in the company's ability to close contracts to support the production when the units do not produce enough electricity due to unplanned outages.

i) The company's policy and objectives regarding risk management

The company manages risks within an integrated risk management system in compliance with the stipulations of OMFP no. 946/2005 for the approval of the internal/managerial control code, comprising the standards of internal/managerial control for public entities and for the development of the internal/managerial control systems.

At both the level of SNN Executive and its subsidiaries, procedures for the identification, classification and integrated control of planning associated risks, as well as specific procedures to allow control room operators to make decisions based on probabilistic assessment of risks associated with an operation configuration of the plant were established.

To ensure an integrated approach of the risk management process, at SNN's top management level the following stages have been completed:

- The Risk Oversight Committee was appointed, having the competence and responsibilities stipulated by MR-00-01 "Risk management within SN Nuclearelectrica SA" Procedure;
- The risk registers for departments within SNN Executive, Cernavoda NPP and FCN Pitesti subsidiaries were established, in compliance with the requirements of the procedure, based on department or subsidiary's objectives, derived from the main objectives of the Board of Directors, established through the Management Plan approved by AGEA SNN no. 19/24.07.2013 Resolution;
- The Preliminary Risk Register at SN Nuclearelectrica Level was established.

Currently, an ample assessment process of the development level of the existing risk management process is unfolding. The estimated deadline to complete the report and the plan/calendar to implement the improvement recommendations is the end of May 2014. Furthermore, within the revised organizational structure, in full implementation process, a distinct structure related to internal control and risk management was established.

1.1.9. Elements of perspective regarding the company's activity

a) Factors that can influence the liquidity of the company

Among the factors that can influence the activity of the company, we mention:

- Electricity sale price on the free market;
- Price on the regulated market;
- Price of main raw materials and materials used by the company for its activity;
- Fluctuations of interest rate and currency;



- The volume of investments for maintenance and development, including the participation in Units 3 and 4 Project, or in Tarnita-Lapustesti and Romania-Turkey underwater cable investment projects
- The level of taxation, including the introduction of new taxes.

There is a great number of factors, internal and external, that can influence the liquidity of the company, however on short and medium term, the company benefits from a very good liquidity.

b) Capital expenses, current or anticipated

The investment programme for the last three years:

Investments (Lei thousand)	2013	2012	2011
Investment programme, out of which:	320.562	344.849	615.738
- Cernavoda NPP	238.971	247.648	185 478,1
- FCN Pitesti	16.626	27 246	40.000,0
- SNN Executive	61.569	69.955	390.260 ^{*)}
Unfolded value	3.399	-	-
Execution of the investment programme	236.742	286.864	544.314

**)It includes budget allocations in value of Lei thousand 255.370, out of which Lei thousand 241.885 to purchase heavy water for Cernavoda NPP Units 3 and 4 and Lei thousand 13.485 for the Training and Recreation Center in Cernavoda city.*

The main investments achieved in 2013 (ongoing) were:

- Intermediary Repository for Spent Fuel (including SICA U2), part of SNN's policy to manage spent fuel. The repository will be completed in stages, including all together 27 repository modules with a capacity of 12.000 bundles per module that will ensure the storage of the resulted spent fuel for 50 years.
- Modernization and expansion of the physical protection system, for both the objectives on the protected interior area and outside this area and implementation of the workings as a result of the study regarding the maintenance of the critical installations functioning within the vital structures in case of threats beyond design basis.
- The improvement of Cernavoda NPP readiness, respectively of the safety nuclear functions in case of events beyond design basis following the Fukushima power plant accident.

The main investments for 2014-2016 are:

- Intermediary Repository for Spent Fuel (including SICA U#2)
- Modernization and expansion of the physical protection system
- The improvement of Cernavoda NPP readiness, respectively of the safety nuclear functions in case of events beyond design basis following the Fukushima power plant accident.
- Software programmes for the integrated management of the power plant (Work Management System)
- Tritium removal facility D2O (U1+U2)
- Extension of Unit 1 life span by retubing the reactor and refurbishment of the main systems.



The Investment programme for 2014-2017:

Investments (Lei thousand)	2014	2015	2016
Investment programme, out of which:	341.580	480.321	631.435
- Cernavoda NPP	253.754	406.158	568.755
- FCN Pitesti	18.393	11.651	8.781
- SNN Executive	69. 433	62 512	53.900

c) Events, transactions and economic changes that significantly affect core activity income

Core activity income is affected by:

- Electricity production of Cernavoda NPP, closely correlated to the operation performance of the two units;
- Respecting the calendar for the gradual liberalization of the market and the company's contribution to the regulated basket during 2014-2017;
- The regulated price established by ANRE
- The evolution of price on the free market and the company's ability to compete successfully conditioned by those prices.



2. TANGIBLE ASSETS OF THE COMPANY

2.1. The location and characteristics of the main production units owned by the company

Cernaboda nuclear power plant is located in Contanta county at about 2 km South-East of Cernavoda town and at about 1,5 km North-East from the first flood gate of the navigable Danube – Black Sea Canal. The platform designed for the construction of Cernavoda NPP is limited to the North by Cismelei Valley and to the South-East by county road 223. To the South and East the boundaries are represented by natural hill formations.

For the sitting of the Cernavoda nuclear power plant with 5 CANDU 600 units, a surface of 72 hectares was prepared through the excavation and levelling of the former Ilie Barza limestone quarry. The platform has an elevation of +16,00 mdMB (Level of the Baltic Sea).

On the site, 2 nuclear units are operational (Units 1 and 2) and the intermediary spent fuel repository. The structures for other 3 authorized nuclear units on site are in preservation.

The power plant is designed to operate at base load and has a turbo generator which provides a gross electric power of 725,090 Mwe (U1) , respectively 706,5 Mwe (U2) by using the steam produced through the nuclear process in the reactor type CANDU-PHWR-6 (Canadian Deuterium Uranium – Pressurized Heavy Water Reactor).

This reactor type uses heavy water as moderator and cooling agent, in two separate systems. The fuel is natural uranium in the shape of sintered uranium dioxide pellets, sheathed in Zircaloy and assembled in a fuel bundle which contains 37 fuel elements each.

The ceramic pellets, contained by a nuclear fuel element, have the property of retaining fission products within.

The process of fuel loading and unloading is continuous, bidirectional and takes place on power. The reactor is provided with a heat transport system with two independent loops which transfer the heat produced by the controlled chain fission reaction that takes place in the reactor to the four steam generators, in order to produce light water steam. The saturated steam from the steam generators expands into the turbine and puts it in motion and is then condensed by using cooling water taken from the Danube through an open intake canal and bief number 1 of the Danube-Black Sea Canal.

The produced electric power is discharged in the National Energy System through the Cernavoda 400 Kv station, belonging to Transelectrica.

Within the company, the subsidiary for the fabrication of the nuclear fuel (FCN Pitesti) also operates with its headquarters in Mioveni. FCN owns a site of 23.273 square meters, out of which 8.458 square meters are occupied by production lines, warehouses and offices and the rest of it is clear. FCN Pitesti produces the nuclear fuel bundles, by using sintered uranium dioxide powder as raw material.



2.2. The rate of wear of the company's assets

The two nuclear units of Cernavoda NPP have an initial life span of 30 years, period which can be extended with an additional 35 years after a refurbishment process. Unit 1 was commissioned in 1996 while Unit 2 was commissioned in 2007. At every 2 years, the units are stopped for maintenance works in the frame of the planned outages program.

The Pitesti nuclear fuel plant was established in 1992, and the first batch of nuclear fuel bundles was produced in 1994.

2.3. Potential problems related to the property rights of the tangible assets of the company

At 31.12.2013, SNN did not own an ownership certificate for the land of aprox., 239 square meters (undividable share) related to the floors 5 and 6 of the building located in Bucharest, Gheorghe Magheru Boulevard, nr. 33. The ownership certificate was obtained at 27.02.2014.



3. THE MARKET FOR SECURITIES ISSUED BY THE COMPANY

3.1. The markets in Romania and other countries that trade securities issued by the company

SNN's shares are traded on the regulated market administered by the Bucharest Stock Exchange starting from the 4th of November 2013, in category 1, with the symbol "SNN" and the ISIN ROSNNEACNOR8 code.

3.2. The company's policy regarding dividends

SNN is a national company with major state owned share capital. Thus, the distribution of profit is made in accordance with the provisions of OG 64/2001 regarding the distribution of profit for national companies, companies with major state owned share capital and autonomous authorities, with the subsequent modifications and amendments.

Thus, in accordance with the provisions of OG 64/2001, the minimum distribution quota is of 50% of the net profit resulted after the distributions provided at art. 1, paragraph (1), letter a) – e) to which is added the amounts proposed to be allocated in the form of employee participation to profit.

The company has a stable dividend policy. The profit quota that will be distributed annually by the company in the shape of dividends is subjected to the approval of the general meeting of shareholders in which the state is the major shareholder. Thus, SNN records and distributed dividends distributed from the net profit, only after the approval of the financial statement and the proposals for profit allocation by the General Meeting of Shareholders.

In 2011, the company didn't distribute dividends, taken into account the fact that the profit was used in order to cover the reported losses. In 2012, a distribution quota of 85% for dividends out of the net profit was approved. For the year 2013 a distribution quota of 85% for dividends out of the net profit is proposed.

The due and paid dividends over the previous 3 years:

Indicator (lei)	2013*)	2012	2011
Net profit	423.391.480	34.469.000	95.036.272
Redistribution to the legal reserve	(26.335.766)	(4.288.466)	(5.981.035)
Coverage of accounting loss	-	-	(89.055.237)
Net profit distributable for dividends	397.055.714	30.180.534	-
Employees participation to profit	(3.312.000)	(3.337.816)	-
Net profit for the calculation of dividends redistribution	400.367.714	33.518.350	-
Proposed dividends	340.957.135	28.490.598	-
Paid dividends	-	28.490.598	-
Dividends paid until 31.12.2013	-	28.490.598	n/a



Profit distribution rate (%)	85,16%	85%	n/a
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*) for 2013, the indicators represent a proposal for the redistribution of profit

For the financial years 2011 and 2012, the information regarding dividends and net profit is based on the financial statements prepared in accordance with OMFP 3055/2009 which represented the accounting bases for SNN.

The profit distribution rate is determined as a ratio between the dividends amount and the net profit at the basis of the calculations for the distribution of dividends. More information regarding the distribution of the profit for the financial year 2013 can be found on the web page of the company, Investors relations section/ General Meeting of Shareholders.

3.3. Actions by the company to purchase its own shares

Not applicable

3.4. The number and value of the shares issued by the mother company and owned by the branches

Energonuclear S.A. branch does not own shares issued by Nuclearelectrica S.A.

3.5. The method in which the company pays its obligations towards the owners of bonds and/or other receivable titles issued by the company

Not applicable



4. THE MANAGEMENT OF THE COMPANY

4.1. The administrators of the company

The company is administered within an unitary system by the Board of Directors made up of 7 members. At 31.12.2013 the administrators of the company are the following:

Name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of revocation
Alexandru Sandulescu	54	Engineer PhD	29	President of the Board of Directors	25.04.2013 ^{*)}	n/a
Alexandru Alexe	61	Engineer	36	Vice-president of the Board of Directors	25.04.2013 ^{*)}	n/a
Daniela Lulache	46	Economist	20	Executive member	25.04.2013 ^{*)}	n/a
Ionel Bucur	60	Engineer PhD	35	Executive member	25.04.2013 ^{*)}	n/a
Carmen Radu	53	Economist PhD	34	Non executive member	25.04.2013 ^{*)}	n/a
Dan Popescu	55	Engineer	30	Non executive member	25.04.2013 ^{*)}	n/a
Sebastian Tcaciuc	38	Economist	14	Non executive member	23.12.2013 ^{***)}	n/a

^{*)} appointed on the basis of OUG 109/2011; ^{***)} appointed by cumulative vote at the proposal of the Property Fund SA.

In 2013, the company also had the following administrators whose terms ended during the year:

Name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of revocation
Dragos Popescu ^{*)} Paul	60	Engineer	36	Non executive member	25.04.2013	23.12.2013 ^{*)}

Calin Marius Oprea	32	Engineer	8	Administrator	10.03.2011	25.04.2013 ^{*)}
Cezar Flavian Patriche	52	Economist	23	Administrator	14.02.2011	25.04.2013 ^{*)}
Ion Dumitru	64	Economist	41	Temporary administrator	16.05.2012	25.04.2013 ^{*)}
Paul Gheorghiu	26	Economist	7	Temporary administrator	02.04.2012	25.04.2013 ^{*)}
Dan Valentin Gheorghe	30	Economist	7	Administrator	10.03.2011	25.04.2013 ^{*)}

^{*)} revocation by the application of the cumulative voting; ^{**) following the appointment of the new administrators on the basis of OUG 109/2011}

c) any agreement, understanding or family connection between the respective administrator and another person due to whom the administrator was appointed

The members of the Board of Directors are appointed by the shareholders, within the Ordinary General Meeting of Shareholders. The company does not poses knowledge regarding an agreement, understanding or family connection between the administrators and another person, due to whom the respective administrator was appointed.

c) the participation of the administrators to the company's capital

At 31.12.2013, the members of the Board of Directors owned the following shares issued by SNN:

Name and surname	Shares owned at 31.12.2013 (number)
Alexandru Sandulescu	n/a
Alexandru Alexe	n/a
Daniela Lulache	886
Ionel Bucur	n/a
Carmen Radu	n/a
Dan Popescu	n/a
Sebastian Tcaciuc	n/a

d) list of persons affiliated with the company

The list is included in Appendix 8.e.

4.2. executive management

a) staff of the executive management



Name and surname	Position	Start date (in 2013)	End date (in 2013)
Daniela Lulache	CEO	29.04.2013	31.12.2013
Elena Negulici	CFO	01.01.2013	31.12.2013
Ionel Bucur	Manager of Cernavoda subsidiary NPP	01.01.2013	31.12.2013
Andrei Gheorghe	Manager of FCN Pitesti subsidiary	01.01.2013	31.12.2013
Dumitru Dina	Interim CEO	01.01.2013	29.04.2013

b) any agreement, understanding or family connection between the respective member of the management and another person due to whom the manager was appointed

The company does not possess knowledge regarding an agreement, understanding or family connection between the management staff and another person, due to whom the respective manager was appointed.

c) the participation of the managers to the company's capital

At 31.12.2013, the managers owned the following shares issued by SNN:

Name and surname	Shares owned at 31.12.2013 (number)
Daniela Lulache	886
Elena Negulici	n/a
Ionel Bucur	n/a
Andrei Gheorghe	35

4.3. Eventual litigations or administrative procedures in which the persons nominated at 4.1. – 4.2. have been involved over the last 5 years

At the current date, the Company does not possess knowledge regarding the existence of litigations or administrative procedures against the members of the Board of Directors and/or managers, related to their activity within Nuclearelectrica or to their capacity to fulfil their duties within the Company.



5. SEPARATE FINANCIAL STATEMENTS AT 31.12.2013

The separate financial statements are presented in detail, in Appendix 8.e. Excerpts are further presented:

a) Financial position situation

Indicator (thousand lei)	2013	2012	2011
Fixes assets	8.279.553	9.503.019	9.557.837
Current assets	3.420.660	1.470.994	1.331.348
Total assets	11.700.214	10.974.012	10.889.185
Equity	7.698.437	8.047.025	8.015.791
Total debt, out of which	4.001.776	2.926.988	2.873.394
Long term debt	2.096.401	2.298.744	2.454.233
Short term debt	1.905.375	628.243	419.161
Total equity and debts	11.700.214	10.974.012	10.889.185

b) Profit and loss account and the situation of the global result

Indicator (thousand lei)	2013	2012
Operating revenues	2.059.022	1.684.450
Operating expenses	(1.597.926)	(1.528.469)
Operating profit	461.096	155.981
Financial revenues	229.014	226.190
Financial expenses	(172.420)	(316.860)
Net financial expenses	56.594	(90.670)
Profit before income tax	517.690	65.311
Net income tax	(94.299)	(46.467)
Net profit for the period	423.391	18.845
Other elements of the global result	326.674	12.424
Global result	750.066	31.269
Share based result (lei/share)	1,64	0,07
Diluted result per share (lei/share)	1,52	0,05



c) The situation of cash flows

Indicator (thousand lei)	2013	2012
Profit before income tax	517.690	65.311
Adjustments	241.495	659.614
Cash flows related to the operating activity	759.185	724.925
Net cash related to the operating activity	670.179	708.150
Net cash related to investments	(689.574)	(429.258)
Net cash related to financing activities	63.799	(183.870)
Net increase of cash and cash equivalents	44.404	95.022
Cash and cash equivalents at the beginning of the period	694.877	599.854
Cash and cash equivalents at the end of the period	739.280	694.877



6. CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2013

The consolidated financial statements are presented in Appendix 8.g; the consolidated statements include the branch Energonuclear SA owned by Nuclearelectrica. Excerpts are further presented.

a) Financial position situation

Indicator (thousand lei)	2013	2012
Fixed assets	8.290.528	9.543.068
Current assets	3.432.943	1.485.110
Total assets	11.723.472	11.028.178
Equity	7.698.908	8.076.906
Interests without control	22.475	22.667
Total debt, out of which	4.002.089	2.928.605
Long term debt	2.096.401	2.303.469
Short term debt	1.905.688	625.136
Total equity and debt	11.723.472	11.028.178

a) Profit and loss account and the situation of the global result

Indicator (thousand lei)	2013	2012
Operating revenues	2.062.190	1.691.304
Operating expenses	(1.602.862)	(1.534.852)
Operating profit	459.328	156.452
Financial revenues	229.727	229.885
Financial expenses	(172.539)	(320.151)
Net financial expenses	57.187	(90.266)
Profit before income tax	516.515	66.186
Net income tax	(89.659)	(46.308)
Net profit for the period	426.856	19.878
Other elements of the global result	293.606	9.938
Global result	720.462	29.816
Share based result (lei/share)	1,65	0,08
Diluted result per share (lei/share)	1,54	0,05



a) The situation of cash flows

Indicator (thousand lei)	2013	2012
Profit before income tax	516.515	66.186
Adjustments	246.199	658.367
Cash flows related to the operating activity	762.714	724.553
Net cash related to the operating activity	673.684	707.850
Net cash related to investments	(695.014)	(426.776)
Net cash related to financing activities	63.799	(184.277)
Net increase of cash and cash equivalents	42.469	96.796
Cash and cash equivalents at the beginning of the period	708.779	611.983
Cash and cash equivalents at the end of the period	751.248	708.779



7. STATEMENTS AND SIGNATURES

On the basis of the best information available, we hereby confirm that the separate financial statements as well as the consolidated ones are prepared in accordance with the applicable accounting standards (International Financial Reporting Standards approved by the European Union) and they provide a clear and correct image of the financial situation of the company and of the group, and of the financial performance and cash flows for the year 2013. We also confirm that this report is prepared in accordance with the provisions of art. 227 of the Law number 297/2004 regarding the capital market and Appendix number 32 to the CNVM regulations number 1/2006 for the financial year concluded at 31.12.2013 and that it contains correct information regarding the development and performance of the company and the group, as well as a description of the main specific activity related risks and uncertainties.

Alexandru SANDULESCU
President of the Board of Directors

Daniela Lulache
CEO

Mihai Darie
CFO



8. Appendix



Appendix 8.a – Articles of Incorporation modified in 2013

In 2013, the Articles of Incorporation of SNN SA was modified as follows:

- (i) By the Resolution of the Extraordinary General Meeting of Shareholders number 10/09.05.2013, the Articles of Incorporation of SNN were modified based on the discharge from the scope of the company's activity of certain secondary activities which are conditioned by the legislation and should represent sole activity scope or main activity. On the same occasion, corrections were made regarding the CAEN code attributed to a certain activity. Another modification to the Articles of Incorporation was the renaming the major shareholder after the change of the name of the Ministry of Economy;
- (ii) By the Resolution of the Extraordinary General Meeting of Shareholders number 13/30.05.2013, the Articles of Incorporation of the company were modified on the following issues: the shares issued by the company, the assignment of shares, the responsibilities of the Extraordinary General Meeting of Shareholders, delegation of the company's management, the organization of the meetings of the Board of Directors;
- (iii) The Articles of Incorporation were modified as a consequence of the company's capital increase through private cash contribution to the capital, as per the Resolution of the Board of Directors number 39/08.10.2013 issued on the basis of the Resolution of the Extraordinary General Meeting of Shareholders number 16/27.06.2013 which gave mandate to the BoD to take all necessary measures in order to finalize the capital increase operations; as per the Resolution of the Extraordinary General Meeting of Shareholders number 25/21.11.2013, the modification of the article related to the share capital of the company was validated.



Appendix 8.b – The main contracts concluded by the company in 2013

Since the beginning of the transaction of the allocation rights of the company (04.10.2013) respectively, since the beginning of the transaction of the shares of SNN (4.10.2013) up to 31.12.2013, the company did not report significant contracts through current reports, because it was not the case.

The contract with affiliated parties were reported through current reports.

Appendix 8.c – Appointment/revocation documents in 2013

Mr. Dumitru Dina, manager of the Strategy Development Division, exercised the interim responsibilities of the General Manager of SNN starting with the 7th of December 2011 until 25th of April 2013, when the new General Manager of the company was appointed, in the person of Mrs. Daniela Lulache.

Mr. Ionel Bucur exercised the position of Manager of Cernavoda NPP Subsidiary, without being a member of SNN management until 25.04.2013. Starting with 25.04.2013, Mr. Ionel Bucur became a member of the Board of Directors of SNN.

As per the GMS resolution number 8/25.04.2013, the composition of the Board of Directors of SNN changed as follows:

Name and surname	Position	Date of appointment	Date of revocation
Calin Marius Oprea	Administrator	10.03.2011	25.04.2013 [*])
Cezar Flavian Patriche	Administrator	14.02.2011	25.04.2013 [*])
Ion Dumitru	Temporary administrator	16.05.2012	25.04.2013 [*])
Paul Gheorghiu	Temporary administrator	02.04.2012	25.04.2013 [*])
Dan Valentin Gheorghe	Administrator	10.03.2011	25.04.2013 [*])
Alexandru Sandulescu	President of the Board of Directors	25.04.2013 ^{**)}	n/a
Alexandru Alexe	Vice President of the Board of Directors	25.04.2013 ^{**)}	n/a
Daniela Lulache	Executive member	25.04.2013 ^{**)}	n/a
Ionel Bucur	Executive member	25.04.2013 ^{**)}	n/a
Carmen Radu	Executive member	25.04.2013 ^{**)}	n/a
Dan Popescu	Executive member	25.04.2013 ^{**)}	n/a
Dragos Paul Popescu	Executive member	25.04.2013 ^{**)}	23.12.2013 ^{**)}

^{*}) following the appointment of the new administrators on the basis of OUG 109/2011; ^{**)} appointed on the basis of OUG 109/2011; ^{***)} revoked by the application of the cumulative vote

During the Ordinary General Meeting of Shareholders convened on December 23rd 2013, as per item 3 on the agenda, namely the appointment of the members of the Board of Directors of the company by the application of the cumulative voting method, following the vote of the shareholders, the following changes were produced in the list of the members of the Board of Directors of SNN:

- Mr. Sebastian Gabriel Tcaciuc was elected as the new member of the Board of Directors
- Mr. Dragos Paul Popescu was revoked from his position as member of the Board of Directors



Appendix 8.d – List of the entities affiliated to the company

The entities affiliated to the company are

- a) Energonuclear SA Branch

- b) All the companies and entities (institutes, authorities, etc) with major state owned capital with whom SNN has commercial relations



Appendix 8.e – Separate financial statements at 31.12.2013

The audited separate financial statements at 31.12.2013, prepared in accordance with the International Financial Reporting Standards approved by the European union (IFRS – UE) and are published on the Internet page of Nuclearelectrica, Investors Relations section (www.nuclearelectrica.ro) and are accompanied by the independent auditor's report on the separate financial statements.



Appendix 8.f – Consolidated financial statements at 31.12.2013

The audited consolidated financial statements at 31.12.2013, prepared in accordance with the International Financial Reporting Standards approved by the European union (IFRS – UE) and are published on the Internet page of Nuclearelectrica, Investors Relations section (www.nuclearelectrica.ro) and are accompanied by the independent auditor's report on the consolidated financial statements.



Appendix 8.g – Corporate governance statement “Apply or Explain”

Principle/ Recommendation	Question	YES	NO	If NO, EXPLAIN
P19	The issues is administered on the basis of a dualist system?		NO	Societatea Nationala Nuclearelectrica S.A. (“SNN”) has a unitary administration system, as it is administered by a Board of Directors made up of 7 members.
P1	R1	The issues drafted a Bylaws/Corporate Governance Regulations that describe the main aspects of corporate governance?	YES	
		The Bylaws/ Corporate Governance Regulations is published on the company’s webpage, with reference to the date of the most recent modification?	YES	
	R2	The Bylaws/ Corporate Governance Regulations provides definitions of the corporate governance structures, positions, components and responsibilities of the Board of Directors (BoD) and of the executive management?	YES	
	R3	The Annual Report of the issues provides a chapter dedicated to corporate governance which describes all the relevant events related to corporate governance, recorded during the previous financial year?	YES	
		The issuer distributes information related to the following aspects regarding the corporate governance policy on	YES	

		the company's website: a) Description of its corporate governance structures?			
		b) Updated Articles of Incorporation?	YES		
		c) Internal rules/significant aspects for each specialized commission/committee?	YES		
		d) „Apply or Explain” Statement	YES		
		e) List of BoD members, mentioning the independent and/or non executive members, the executive members and the members of each specialised committee/commission?	YES		
		f) A brief CV for each member of the BoD and of the executive management?	YES		
P2		The issuer respects the rights of the share owners, ensuring their equal treatment and subjecting to vote any modification of the conferred rights within the frame of the special shareholders meetings?	YES		
P3	R4	The issuer publishes within a dedicated section on its webpage details regarding the General Meeting of Shareholders (GMS)? a) GMS convening notices?	YES		
		b) materials/documents related to the agenda as well as any other information regarding the items on the agenda?	YES		
		c) Special power of attorney forms?	YES		

	R6	The issuer prepared and proposed to the GMS procedures for the orderly and efficient organization of the GMS, without prejudicing the right of each shareholder to freely express his/her opinion on the debated subjects?	YES		
	R8	The issuer distributes within a dedicated section on its website, information related to the shareholders' rights as well as to the rules and principles regarding the participation in the GMS?	YES		
		The issuer ensures timely information (immediately after the GMS) of all the shareholders through the dedicated section on its webpage: a) Regarding the decisions made during the GMS?	YES		
		b) Regarding the detailed result of the vote?	YES		
		The issuers distribute through an easily identifiable and accessible section on the company's webpage: a) Current reports/press releases?	YES		
		b) the financial calendar, current reports, annual, half-yearly and quarterly reports?	YES		
	R9	Is there a specialized department/person within the issuer's company dedicated to investors relations?	YES		
P4, P5	R10	The BoD meets at least once per quarter in order to monitor the development of the company's activity?	YES		
	R12	The issuer owns a set of rules		NO	Currently, the reporting is

		regarding the behaviour and reporting obligations for the transactions of shares and other financial instruments issued by the company („company’s securities”) performed by the administrators and other implicated persons?			performed in accordance with the legal regulations in force. SNN aims to adopt a procedure regarding the regime of the privileged information that will include reporting obligations, by 31.05.2014.
		If a member of the BoD or of the executive management or another implicated person performs a transaction in its own interest, is the transaction reported on the company’s website, as per the relevant Rules?	YES		
P6		The structure of the Board of Directors of the issuer ensures a balance between the executive and non executive members (and especially the independent non executive members) so that the decision making process of the BoD is not dominated by one person or a group of persons?	YES		
P7		The structure of the Board of Directors of the issuer ensures a sufficient number of independent members?	YES		
P8	R15	In its activity, is the BoD supported and advised by advisory committees/commissions for the inspection of specific subjects, selected by the BoD?	YES		
		Do the advisory committees/commissions submit activity reports to the BoD regarding the assigned subjects?	YES		
	R16	Does the BoD use the evaluation criteria specified in	YES		

		Recommendation 16 in order to evaluate the independence of its non executive members?			
	R17	Do the members of the BoD constantly improve their knowledge by training courses in the field of corporate governance?	YES		
P9		Is the election of the BoD members based on a transparent procedure (objective criteria regarding personal and professional qualification, etc.)?	YES		
P10		Is there a Nomination Committee within the company?	YES		
P11	R21	Does the BoD analyze at least one a year the necessity to establish a remuneration/remuneration policy committee for the administrators and the members of the executive management?	YES		
		Is the remuneration policy approved by the GMS?	YES		
	R22	Is there a Remuneration committee exclusively formed by non executive administrators?	YES		
	R24	Is the remuneration policy of the company presented in the Bylaws/Corporate Governance Regulations?		NO	The Corporate Governance Regulations does not include the remuneration policy of SNN, this being a separate document presented on the webpage of the company.
P12, P13	R25	The issuer disseminated in English the information which represents the subject of the	YES		

	reporting requirements: a) periodical information?			
	b) continuous information (the continuous supply of information)?	YES		
	The issuer prepares and disseminated the financial statements in accordance with the IFRS?	YES		
R26	The issuer organizes at least once a year meetings with financial analysts, brokers, rating agents and other capital market specialists, in order to present the financial elements relevant to investment decisions?	YES		
R27	Is there an Audit Committee within the company?	YES		
R28	Do the BoD and the Audit Committee, if applicable, constantly evaluate the efficiency of the financial reporting, the internal control and the risk management system implemented by the company?	YES		
R29	Is the Audit Committee formed exclusively by non executive administrators and has a sufficient number of independent administrators?	YES		
R30	Does the Audit Committee meet at least twice a year with the purpose of preparing and disseminating to the shareholders and the public the half-year and annual results?	YES		
R32	Does the Audit Committee make recommendations to the BoD regarding the selection,	YES		

		appointment, reappointment and replacement of the financial auditor as well as the terms and conditions for its remuneration?			
P14		Did the BoD adopt a procedure with the purpose to identify and solve potential conflict of interest situations?	YES		
P15	R33	Do the administrators inform the BoD regarding the conflict of interest situations as they appear and sustain from debates and votes on the respective items, in accordance with the legal provisions?	YES		
P16	R34/ R35	Did the BoD adopt specific procedures with the purpose of ensuring procedural fairness (criteria for the identification of transactions with significant impact, transparency criteria, objectiveness criteria, non competition criteria, etc) in order to identify transactions with implicated parties?	YES		
P17	R36	Did the BoD adopt a procedure regarding the internal circuit and disclosure procedure for the documents and information related to the issuer, granting a special importance to the information that can influence the evolution of the market price of the securities issued by the company?	DA		
P18	R37/ R38	Does the issuer conduct Corporate Social and Environment Responsibility activities?	YES		



Appendix 8.h –Energonuclear Branch

SN Nuclearelectrica SA (“SNN”) owns a single branch, with a participation quota to its share capital of 84,65% at 31.12.2013; the rest of the shares were owned by ArcelorMittal SA (6,2%) and Enel Investment Holding BV (9,15%).

Currently, SNN owns 100% of the share capital of EN following the acquisition of the shares previously owned by the minority shareholders during January 2014.

History and presentation

The establishment of Energonuclear SA, the mission of which is to develop the project “Cernavoda NPP Units 3 and 4”, was performed by promoting a shareholding structure in which SNN owns a participation quota of 51% of the capital (as per GD number 643/2007, as modified by GD number 691/2008). As per the Articles of Association which represents the foundation of EN, signed on December 25th and approved through GD 1565/2008, the initial structure of the shareholding was the following: SNN 51%, RWE, GDF Suez, ENEL and CEZ each 9,15% and ArcelorMittal and Iberdrola each 6,2%.

After the withdrawal from the project of CEZ (on December 30th 2010) and RWE, GDF Suez and Iberdrola (on February 28th 2011), SNN obtained, through share transfer contracts, the cumulated quota owned by the above mentioned investors within EN, thus reaching a percentage of 84,65% of the shares of Energonuclear, on January 1st 2013.

On December 31 2013, the capital of EN is fully paid and the shareholding structure recorded at the Romanian Trade Registry is the following:

No.	Shareholders	Number of shares	Percentage (%)
1.	Societatea Nationala Nuclearelectrica SA	31.409.408	84,65
2.	ArcelorMittal Galati SA	2.300.511	6.2
5.	Enel Investment Holding BV	3.395.110	9.15

The capital of EN at 31.12.2013 is of 146.152.998,73 lei, representing the equivalent of 35.000.000 Euro. The capital is divided in 37.105.029 nominative shares with the nominal value of 3,9389 RON/share.

The social headquarters is located in Bucharest, 5-7 Vasile Lascar street, 3rd floor, district 2. The registration number at the Romanian Trade Registry is J40/3999/2009 and the sole registration number is 25344972.



Articles of Incorporation

The Articles of incorporation of EN was modified by the resolution of the General Meeting of Shareholders number 9 dated on 21.11.2013, following the conclusion of the addendum number 6 to the Investors Agreement signed between the shareholders of EN and mainly consisted in changing the convening rules and the voting method within the GMS and BoD meetings.

Administrators appointment/revocation documents

Energionuclear is administered within an unitary system. The Board of Directors is formed of 5 administrators appointed by the General Meeting of Shareholders for a term of 4 years. The President of the Board of Directors is appointed by unanimous vote of the shareholders at the proposal of each shareholders for a term of maximum 2 years, without the possibility of being re-elected as president.

During 01.01.2013 – 04.11.2013, the administrators of the company were:

- Ionel Bucur - President
- Alexandru Sandulescu
- Ionel Bors
- Elena Marilena Negulici
- Luca D'Agnese

During 04.11.2013-31.12.2013, the Board of Directors had the following composition:

- Elena Popescu - President
- Alexandru Sandulescu
- Ionel Bors
- Minodor Teodor Chirica
- Luca D'Agnese

The management of the company

The executive management of EN was ensured, during 2013, by the following managers:

- Dragos Paul Popescu, general manager (mandate contract valid until 16.11.2013)
- Minodor Teodor Chirica, general manager (mandate contract during 16.11.2013 - 31.12.2013)
- Mircea Gheorghe, technical manager (work agreement during 2013)
- Ecaterina Nitu, chief accountant (work agreement during 2013)

Description of activity

The scope of EN is to accomplish the project consisting of developing, constructing and commissioning of Cernavoda NPP Units 3 and 4.

During 2013, the Investors Agreement was extended through the Addendum number 5 dated on 28 June 2013 and through the Addendum 6 dated on 30 August 2013, until the end of 2013.

As per the provisions of the Investors Agreement, Nuclearelectrica was responsible for obtaining the environment agreement for the investment „Continuation and completion of works on Cernavoda NPP Units 3 and 4”. The procedure for obtaining the environment agreement started in 2006 and was successfully



completed in September 2013, through the issuing of the environment permit. In accordance with the specific environment legislation applicable for nuclear objectives, the environment agreement was issued by a Government's Decision (GD number 737/2013).

During 2013, the company carried out activities necessary for the continuation of Cernavoda NPP Units 3 and 4 project, out of which the most significant were:

- The approval of the technical and economical indicators of the project;
- The analysis of the availability of state warranties for loans estimated to be contracted for the project, especially export credits;
- The modification of the legislation regarding the waste and decommissioning funds management, in order to ensure the financial security of the funds which are to be collected during the lifetime of the units;
- The regulation of the in kind contribution, to the share capital of EN, of the heavy water reserve which will enter the property of the Romanian state (by transfer to the state reserve)
- The breakdown of the market mechanism aimed at making the project more attractive for private investors (capacity tax, contracts for difference, subsidies, certificates), and the analysis in cooperation with the Romanian authorities of the ways in which these can be implemented;
- The procedure for the selection of the EPC contractor (Engineering, Procurement, Construction) (holding multiple rounds of negotiations with the bidder regarding the technical bid and the commercial contract);
- The preparation of the documentation for the nuclear safety authorization for the construction phase;
- Maintaining the site and the existing structures in an adequate technical state;
- The promotion of the Project (seminars, presentations, meetings with potential investors);

Subsequent events

In December 2013, ArcelorMittal and ENEL notified SNN about their intention to exercise their put option for their shares in EN.

After the end of the financial year 2013, share transfer contracts were concluded with ArcelorMittal Galati SA and ENEL Investment Holding BV through which they transferred their shares in EN to Nuclearelectrica SA.

Thus, in January 2014, SNN purchased the shares of the minority shareholders, the participation of SNN in EN increasing to 100%. The shares were purchased at 80% of their nominal value, the total value of the transaction being 17.947.585,24 lei. The administrators Luca d'Agnese and Ionel Bors, proposed by the two minority shareholders, resigned from the Board of Directors of EN after the completion of the transaction,

In the file number 38252/3/2012 between Energonuclear and Metinstal SRL, the legal action of Energonuclear was definitively approved at the beginning of 2014 and Energonuclear cashed in penalties in the amount of 64.629.9 lei as well as court expenses in the amount of 2.908,6 lei.

In the file number 2935/300/2012 between Energonuclear and Dan Ionescu (former general manager of EN), the legal action of Energonuclear was definitively rejected, EN being obliged to pay court expenses in the amount of 11.160 lei.



Perspectives

It is intended to attract new investors by transferring shares from Nuclearelectrica to the new investors in the project. On 25.11.2013, Nuclearelectrica signed a letter of intention with China General Nuclear Power („CGN”) related to the intention of the Chinese company to participate in the Project. The letter of intent is valid for 180 days. CGN may become an investor in the EN if the investment conditions are fulfilled.

Currently CGN performs due diligence activities in order to analyze the project and make the investment decision.