



QUARTERLY REPORT

On the economic financial activity of S.N. Nuclearelectrica S.A. in compliance with art. 227 of Law no. 297/2004 on capital market and Appendix no. 30 to the CNVM Regulation no. 1/2006 on issuers and operations with securities for the 3rd 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 third quarter of the financial year 2014
Date of report:	14 November 2014
Company name:	S.N. Nuclearelectrica S.A.
Registered office:	Bucharest, 65 Polona Street, district 1
Phone/fax number:	+40 21 203 8200; +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 in share capital as at 30.09.2014:	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 4.11.2013.
Applicable Accounting Standards:	International Financial Reporting Standards (IFRS) adopted by the European Union (UE) – IFRS-UE, 34, condensed interim individual unaudited financial statement.
Currency of the report:	Romanian Leu (RON) – all amounts are in RON, unless stated otherwise
Reported period:	Third quarter of 2014

TIMETABLE

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1. FINANCIAL STATEMENT

1.1. STATEMENT OF FINANCIAL POSITION

	<u>30 September 2014</u> (unaudited)	<u>31 December 2013</u> (audited)
Assets		
Non-current assets		
Property, plant and equipment	7.819.469.318	8.057.978.024
Intangible assets	93.969.361	97.856.793
Financial instruments	141.686.201	123.718.616
Total non-current assets	8.055.124.880	8.279.553.433
Current assets		
Inventories	384.531.789	386.303.320
Trade and other receivables	196.852.527	197.044.598
Income tax receivable	864.645	-
Prepayments	42.009.952	10.865.840
Bank deposits	36.442.715	704.525.705
Cash and cash equivalents	1.076.058.543	739.280.253
Subtotal, current assets	1.736.760.171	2.038.019.716
Assets to be transferred	1.382.640.479	1.382.640.479
Total current assets	3.119.400.650	3.420.660.195
Total assets	11.174.525.530	11.700.213.628
Equity and liabilities		
Equity		
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	217.855.742	215.930.237
Revaluation reserve	319.259.856	337.713.566
Retained earnings	3.877.265.582	4.099.989.096
Total shareholder's equity	7.459.185.632	7.698.437.351
Liabilities		
Non-current liabilities		
Long term borrowings	1.545.791.757	1.675.427.622
Deferred income	175.722.104	186.480.601
Deferred tax liability	198.973.596	208.285.414
Employee benefits	26.207.527	26.207.527
Total non-current liabilities	1.946.694.984	2.096.401.164
Current liabilities		
Accounts payable and other liabilities	171.851.873	242.958.936
Current tax liability	-	34.982.603
Deferred income	29.927.712	32.007.582
Current portion of long term borrowings	184.224.850	212.785.513
Subtotal current liabilities	386.004.435	522.734.634
Liability related to assets to be transferred	1.382.640.479	1.382.640.479
Total current liabilities	1.768.644.914	1.905.375.113
Total liabilities	3.715.339.898	4.001.776.277
Total equity and liabilities	11.174.525.530	11.700.213.628

1.2. INDIVIDUAL INCOME STATEMENT FOR THE 9 MONTH PERIOD ENDED 30 SEPTEMBER 2014

	3 month period ended 30 September 2014 (unaudited)	3 month period ended 30 September 2013 (unaudited)	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2013 (unaudited)
Revenues				
Sales of electricity	442.918.548	469.046.958	1.226.012.329	1.348.085.771
Electricity transmission revenues	28.728.525	26.925.740	80.282.903	77.303.115
Total revenues	471.647.073	495.972.698	1.306.295.232	1.425.388.886
Other income	(3.959.952)	6.377.417	15.331.976	60.752.611
Operating expenses				
Depreciation and amortisation	(113.680.966)	(101.279.048)	(336.139.949)	(308.363.655)
Personnel expenses	(77.837.042)	(77.109.277)	(219.061.191)	(218.660.020)
Cost of traded electricity	(5.186.436)	(8.406.086)	(16.107.124)	(29.998.153)
Repairs and maintenance	(20.043.665)	(34.796.552)	(95.637.940)	(106.885.074)
Electricity transmission expenses	(28.728.525)	(26.925.740)	(80.282.903)	(77.303.115)
Costs with spare parts	(2.642.581)	(3.679.505)	(24.018.245)	(20.590.166)
Cost of uranium fuel	(36.730.331)	(28.526.575)	(105.101.706)	(81.112.068)
Other operating expenses	(102.129.280)	(92.330.771)	(337.326.570)	(285.876.043)
Total operating expenses	(386.978.826)	(373.053.554)	(1.213.675.628)	(1.128.788.294)
Operating result	80.708.295	129.296.561	107.951.580	357.353.203
Finance costs	(41.896.265)	(30.618.070)	(77.988.101)	(147.557.599)
Finance income	8.137.444	45.135.027	86.942.111	177.376.010
Net finance income	(33.758.821)	14.516.957	8.954.010	29.818.411
Profit before income tax	46.949.474	143.813.518	116.905.590	387.171.614
Income tax expense	(7.594.529)	(26.331.093)	(17.125.679)	(73.567.356)
Net profit for the period	39.354.945	117.482.425	99.779.911	313.604.258

2. SIGNIFICANT EVENTS

2.1 SIGNIFICANT EVENTS DURING THE THIRD QUARTER OF 2014

a) Resolutions of the Extraordinary General Meeting of Shareholders during the 3rd quarter of 2014

As per Resolution number 5/31.07.2014 of the Ordinary General Meeting of Shareholders, the following items were approved:

- (i) The budget of incomes and expenditures for the year 2014;
- (ii) The update of the appendix 1.1. and 1 to the contracts concluded between the administrators and the company;
- (iii) The amendment of the articles 7.19 and 7.21 of the contracts of administration concluded between the administrators and the company.

As per Resolution number 6/31.07.2014 of the Extraordinary General Meeting of Shareholders the following items were approved:

- (i) Initiation of SNN's share capital increase procedure by the value of the land for which the ownership certificate Series M03 No. 12900, issued by the Ministry of Economy, was obtained;
- (ii) Request to the Trade Register Office to appoint an expert to assess the land value for which the ownership certificate Series M03 No. 12900 was obtained, in compliance with the provisions under art. 215 of the Company Law No. 31/1990, as subsequently amended;
- (iii) Amendment to Art. 20 paragraph (1) under the Articles of Incorporation which will have the following content: *"The Board of Directors delegates the management of the company to a CEO. The CEO may be appointed from among the administrators, thus becoming executive director, or from outside the Board of Directors. Within the Board of Directors, only one administrator can be executive director. According to the meaning of the current Articles of Incorporation, the notion of "Director" means the person to whom management responsibilities have been delegated with respect to the company's management by decision of the Board of Directors and who signs a mandate contract with the Company, in accordance with the Company Law No. 31/1990, republished, as subsequently amended."*

As per Resolution number 7/22.08.2014 of the Extraordinary General Meeting of Shareholders, the following items were approved:

- (i) The strategy for the continuation of Cernavoda NPP Units 3 and 4 Project through the organization of a competitive selection procedure of a private investor;
- (ii) SNN's participation within a "Green/Brown Field" type Project, through the establishment of an IPP (Independent Power Producer) type company, to which SNN will contribute with movable and immovable assets the value of which will be determined by an independent evaluator as per the applicable legislation and/or cash contribution, based on necessities, but not exceeding 2.000.000 Euro, in compliance with the approved Budget of Income and Expenditures and the selected private investor will also contribute in cash.
- (iii) Initiation, unfolding and completion by SN Nuclearelectrica SA of a competitive selection procedure of a private investor in order to establish a mixed capital IPP (Independent Power Producer) type company, in view of implementing a "Green/Brown Field" type project with the purpose of completing Cernavoda NPP Units 3 and 4 Project.

- (iv) The setting, by the order of the Delegated Minister for Energy, of a Commission for Negotiation with potential investors, that will directly coordinate and lead the unfolding of the private investor selection procedure, as per the approved Strategy and the empowerment of the Board of Directors to take all necessary measures to appoint the members from the side of SNN
- (v) The bearing by SN Nuclearelectrica SA of the costs generated by the development of Cernavoda NPP Units 3 and 4 Project that fall under the responsibility of SN Nuclearelectrica SA, as per the provisions of the approved Strategy, in compliance with the approved Budget of Income and Expenditures, as per legal provisions.

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

In February 2014, CNCAN issued the authorization for transfer of the quantity of 786.715,78 kg heavy water financed from the state budget. The transfer procedure was initialized and on 12.09.2014, RAAN – ROMAG –PROD Subsidiary informed SNN that the factual separation of the quantity of heavy water purchased through budget allocations from the heavy water purchased through internal sources (as per the requirement of the National Administration for State Reserves and Special Issues – ANRSPS), was completed.

During 25-26.09.2014, following the information note from RAAN - ROMAG –PROD Subsidiary, the representatives of SNN together with the representatives of the National Administration for State Reserves and Special Issues (ANRSPS), verified on location the heavy water inventory in compliance with the statement regarding the heavy water transfer for the factual separation. Currently, the support documentation for the heavy water transfer minute is under preparation, as per the provisions of OUG 56/2013; the transfer protocol will be completed in the fourth quarter of the year 2014.

As per the provisions of art. 2, paragraph (3) of OUG 56/2013, upon signing the transfer minute, the quantity of 786.715,78 kg heavy water, purchased between 2006-2011 with exclusive financing from the state budget through budget allocations in the amount of 1 382.640.479,27 lei, will be transferred to the state reserve and will be discharged from the accounting statements and patrimony of SNN.

c) Units 3 and 4 Cernavoda NPP Project

On 02.07.2014, the Romanian Government approved the Memorandum with the topic “The approval of certain measures regarding the strategy for the continuation of the Units 3 and 4 Project”.

Within the Extraordinary General Meeting of Shareholders on 31.07.2014 an information on the further development of the Project „Units 3 and 4 Cernavoda NPP” and the attraction of new investors through a competitive selection procedure, was presented to the shareholders.

On 31.07.2014, the Romanian Government approved the Memorandum with the topic “Approval of the Strategy for the continuation of the Project Units 3 and 4 through the organization of an investor’s selection procedure”.

On 27.08.2014, the selection of the investor procedure was launched for the completion of the Project Units 3 and 4 Cernavoda NPP, in accordance with the Strategy for the continuation of the Project approved by the Extraordinary General Meeting of Shareholders on 22.08.2014. As per the instructions regarding the investors qualification process, on 08.09.2014, SNN received the Qualification Documentation submitted by the Chinese company China General Nuclear Power Corporation (CGN). Following the analysis of the qualification documentation by the Negotiation Commission, the Board of Directors and the Interministerial Commission, China General Nuclear Power Corporation was declared “Selected Investor”.

After the completion of the negotiations with CGN, the Memorandum of Understanding regarding the common implementation of the Project will be submitted for the endorsement of the Board of Directors of SNN and for the approval of the Interministerial Commission, respectively of the General Meeting of SNN Shareholders.

d) File 22456/3/2012 with the Bucharest Court of Law, debtor Hidroelectrica - insolvency

As per the Convention concluded on 17.06.2013 between SNN and Hidroelectrica through the judicial administrator and special administrator, the latter obliges to pay receivables in the total amount of 70.093.550,47 lei in 24 monthly instalments, starting with July 2013.

Up to present, Hidroelectrica has respected the provisions of the rescheduled agreement concluded with SNN.

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

On 24.07.2014, SNN was notified on the civil sentence number 3408/26.06.2014 by which Bucharest Court of Law rejects the claim registered by Fondul Proprietatea S.A., as shareholder of SNN owning 9,7268 % of the company's share capital, through which it requested the annulment of the EGMS Resolution number 1/11.03.2014. Fondul Proprietatea filled an appeal.

The file is under development with the Bucharest Court of Appeal, with the hearing scheduled for 08.12.2014.

2.2 IMPORTANT EVENTS AFTER 30 SEPTEMBER 2014

a) Resolutions of the General Meetings of Shareholders

As per Resolution number 9/06.10.2014 of the Ordinary General Meeting of Shareholders, the following items were approved:

- (i) The dismissal of Mr. Ionel Bucur from the position of administrator of SNN, by the agreement of the Parties as a result of changing Art. 20 of the SNN's Articles of Incorporation through the Resolution of the Extraordinary General Meeting of Shareholders no. 6 / 07.31.2014.
- (ii) The Report on the administration activity related to the first half of 2014 prepared in accordance with the provisions under Art. 7, items 7.19 and 7.21 of the Administration Contract signed by the members of the Board of Directors and the Company.

As per Resolution number 8/06.10.2014 of the Extraordinary General Meeting of Shareholders, the following items were approved:

- (i) Presentation by the Board of Directors of quarterly information on the purchase of goods, services and works of a value exceeding the amount of 500,000 Euro / purchase (for procurement of goods and works), and the amount of 100,000 Euro / purchase (for services) respectively, and on the implementation of a centralized system monitoring the public procurement within the company, expected to be in-service as of January 1st , 2015. Informations will be included in a report of the Board of Directors that will be quarterly published on the website of the company.
- (ii) Elaboration by the Board of Directors of an annual report on the sponsorship granted by the company and the publication on the Company's website, no later than the end of January, of the report for the previous year.
- (iii) Elaboration by the Board of Directors, by the end of 2014, of the Development Strategy for the period 2015-2025, in conjunction with the management plan prepared by the Board.
- (iv) SNN's share capital increase by cash contribution totalling a maximum amount of 239,172,630 lei, from the current value of 2,817,827,560 lei to the amount of 3,057,000,190 lei, by issuing a maximum number of

23,917,263 new, nominative, dematerialized shares, at a price of 10 lei / share, equal to the nominal value (without share premium) out of which:

- 19,437,670 new shares amounting to 194,376,700 lei representing the cash contribution of the Romanian State through the Ministry of Economy- the Department for Energy, namely the amount of budget allocations related to the period between 2006-2009 for the completion of the Cernavoda NPP's Unit 2 and for financing the works on the Cernavoda NPP's Units 3 -5;
 - A maximum number of 4,479,593 new shares in the amount of 44,795,930 lei will be granted, within the exercise of the pre-emption right, for subscription, in exchange for the cash contribution of the Romanian State through the Ministry of Economy, Department for Energy, to other SNN's shareholders, namely to persons who have the quality of shareholder on the registration date, in order to maintain the participation quota with respect to the shares held within SNN on the registration date.
- (v) The purchase of support services, legal advice and / or representation, as appropriate, in connection with a possible purchase by SNN SA of some assets owned by Enel group in Romania, as well as of other types of assistance and brokerage services related to the analysis and implementation of a transaction.

b) Units 3 and 4 Cernavoda NPP Project

On 15.10.2014, China General Nuclear Power Corporation ("CGN") was designated as Selected Investor for the development of the Project Units 3 and 4 Cernavoda NPP ("The Project") and on 17.10.2014 the Joint Letter on the Intention to Complete the Project was signed. The selection of the investor was based on the analysis of the Documentation of Intent (the experience of the investor in similar projects, the financial capability, the degree of adhesion of the Qualified Investors to the Project Implementation Memorandum proposed by SNN and to the Strategy).

On 17.10.2014, CGN submitted the Extended Participation Guarantee.

In compliance with the Updated Estimated Timetable for the implementation of the Process, the subsequent phases of the Project's development are:

- The negotiation and signing of the Memorandum of Understanding regarding the joint implementation of the Project
- The negotiation of the Articles of Incorporation and of the Investors Agreement for the new Project Company.

On 24.10.2014, the Negotiation Commission endorsed and the Board of Directors of SNN approved the draft for the Memorandum of Understanding regarding the joint implementation of the Project. The Memorandum of Understanding draft was submitted to CGN on 24.10.2014. Currently, negotiations are being held regarding the content of the Memorandum of Understanding.

c) The subscription rate related to the share capital increase approved by the Extraordinary General Meeting of Shareholders on 06.10.2014

The subscription rate will be of 0.08487837 and has been determined by the ratio between the maximum number of newly issued shares for the exercise of the pre-emption right (4,479,593 shares) and the number of shares held by the shareholders who can exercise the pre-emption right (52,776,617 shares). Thus, each existing shareholder recorded on the Registration Date, namely 22.10.2014, may subscribe, for each held share, 0.08487837 newly issued shares.

The actual number of shares that may be subscribed by each shareholder is determined by multiplying the subscription rate (0.08487837) by the held number of shares, and the result, unless it is not a whole number, will be rounded downward up to the nearest resulting whole number.

d) Legal action initiated by SNN against the Regulatory Authority for Energy

By the Resolution number 3906/20.12.2013, the Regulatory Authority for Energy approved the quantities of energy sold on the basis of regulated contracts and the regulated prices for the energy delivered in 2014 by SNN.

The petition to sue registered by SNN with the Bucharest Court of Appeal, under number 416/2/2014, against the Regulatory Authority for Energy (“ANRE”) claiming the partial annulment of the Decision of the president of ANRE number 3906/20.12.2013 regarding the approval of sold energy quantities based on regulated contracts and of the regulated prices for the energy delivered by SNN in 2014 as well the issuance of a amending Decision to include in the regulated tariff all the elements required and argued by SNN, which were not considered by ANRE, was overruled as ungrounded on 14.10.2014. The Decision of the Bucharest Court of Appeal can be appealed against within 15 days after the notification.

By the Resolution number 1408/18.06.2014, ANRE has modified, starting with July 1st, 2014, the applicable prices for the regulated contracts concluded by SNN. At the same time, based on the provisions of art. 11, letter c), item iii from the Methodology approved by the Order number 83/20.11.2013, with the subsequent amendments of the Order number 36/17.06.2014, SNN will request ANRE to acknowledge the uncovered costs during 2014 generated by the tax on constructions provided by OUG 102/2013.

e) The appointment of an interim administrator of Societatea Nationala Nuclearelectrica S.A.

Taking into account the provisions of art. 1372 of Law no. 31/1990, republished and subsequently amended, the provisions of the Articles of Incorporation of SNN and the Resolution of the Ordinary General Meeting of Shareholders dated 06.10.2014, regarding the revocation of a member from the administration position of SNN, by parties’ agreement, as a result of the amendment of art. 20 of the Articles of Incorporation of SNN, Ms. Ioana Alina Dragan was appointed interim administrator until the designation of a new selected administrator by the SNN Ordinary General Meeting of Shareholders in compliance with OUG 109/2011.

Ms. Ioana Alina Dragan is an economist, specialized in banks and capital markets, having relevant experience in financing, risk management, internal control and international relations.

3. ECONOMIC FINANCIAL INDICATORS

Indicator ^{**)}	Formula	M.U.	Result 30.09.2014
1. Current liquidity ratio	Current assets/ Current liabilities	x	1,76
2. The indebttness ratio			
2.1. The indebttness ratio (1)	Long term liability/ Shareholder’s equity x 100	%	20,7%
2.1. The indebttness ratio (2)	Long term liability/ Capital employed x 100	%	17,2%
3. Accounts receivable turnover	Average accounts receivable/ Turnover x 270	days	23
4. Non-current assets turnover^{*)}	Turnover/ Non-current assets	x	0,22

^{*)} Assets turnover is calculated by annualising the quarterly sales (360 days/180 days)

^{**)} based on the individual interim condensed financial statements

4. STATEMENTS AND SIGNATURES

Based on the most accurate available information, we hereby confirm that the interim individual condensed unaudited financial statements for the period of 9 months concluded on 30.09.2014 prepared in compliance with the applicable accounting standards (The International Accounting Standard 34 - „Interim Financial Reporting”) provide a correct and true image regarding the company’s financial position, financial performance and cash flow for the period ended on September 30, 2014 and that this report, prepared in compliance with art. 227 of Law no. 297/2004 on capital markets and Annex no. 31 of CNVM Regulation no. 1/2006 for the period ended on September 30, 2014, contains correct and true information regarding the development and performance of the company.

Alexandru SANDULESCU
President of the Board of Directors

Daniela Lulache
General Manager

Mihai Darie
Financial Manager

5. APPENDIXES

5.1. INDIVIDUAL INTERIM CONDENSED UNAUDITED FINANCIAL STATEMENTS as at and for the period ended 30 September 2014

5.2. QUARTERLY REPORT of the Board of Directors on the administration of S.N. NUCLEARELECTRICA S.A for the period 1 January – 30 September 2014