

**SN Nuclearelectrica SA**

Condensed Consolidated Interim Financial Statements  
as at and for the six month period ended  
**30 June 2014**

Prepared in accordance with  
**International Accounting Standard 34 – “Interim Financial Reporting”**  
*(free translation)*

**SN Nuclearelectrica SA**

Condensed Consolidated Statement of Financial Position as at 30 June 2014

*(All amounts are in RON, unless stated otherwise)*

	Note	30 June 2014 (reviewed)	31 December 2013 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	8,042,118,033	8,192,667,298
Intangible assets	5	94,824,387	97,861,128
<b>Total non-current assets</b>		<b>8,136,942,420</b>	<b>8,290,528,426</b>
<b>Current assets</b>			
Inventories	6	385,177,140	386,296,868
Trade and other receivables	7	164,546,088	197,366,645
Income tax receivable	12	11,025,791	-
Prepayments		20,164,041	10,865,840
Bank deposits		31,442,715	704,525,705
Cash and cash equivalents	8	1,081,835,958	751,247,612
<b>Subtotal, current assets</b>		<b>1,694,191,733</b>	<b>2,050,302,670</b>
Assets to be transferred	4	1,382,640,479	1,382,640,479
<b>Total current assets</b>		<b>3,076,832,212</b>	<b>3,432,943,149</b>
<b>Total assets</b>		<b>11,213,774,632</b>	<b>11,723,471,575</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	9	3,013,330,303	3,013,330,303
Share premium	9	31,474,149	31,474,149
Prepaid share reserve	9	217,855,742	215,930,237
Revaluation reserve	9	1,770,574,705	1,770,574,705
Retained earnings	9	2,390,566,759	2,667,598,242
<b>Equity attributable to owners of the Company</b>		<b>7,423,801,658</b>	<b>7,698,907,636</b>
Non-controlling interest		-	22,474,502
<b>Total equity</b>		<b>7,423,801,658</b>	<b>7,721,382,138</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term borrowings	10	1,543,252,542	1,675,427,622
Deferred income		179,308,270	186,480,601
Deferred tax liability	12	201,531,421	208,285,413
Employee benefits		26,207,527	26,207,527
<b>Total non-current liabilities</b>		<b>1,950,299,760</b>	<b>2,096,401,163</b>
<b>Current liabilities</b>			
Accounts payable and other liabilities	11	223,909,767	243,249,981
Current tax liability		-	35,004,719
Deferred income		29,840,654	32,007,582
Current portion of long term borrowings	10	203,282,314	212,785,513
<b>Subtotal current liabilities</b>		<b>457,032,735</b>	<b>523,047,795</b>
Liability related to assets to be transferred	4	1,382,640,479	1,382,640,479
<b>Total current liabilities</b>		<b>1,839,673,214</b>	<b>1,905,688,274</b>
<b>Total liabilities</b>		<b>3,789,972,974</b>	<b>4,002,089,437</b>
<b>Total equity and liabilities</b>		<b>11,213,774,632</b>	<b>11,723,471,575</b>

The accompanying notes 1-21 are an integral part of these condensed consolidated interim financial statements.

The above translation of the condensed consolidated interim IFRS financial statements of SN Nuclearelectrica SA is provided as a free translation from Romanian which is the official and binding version.

**SN Nuclearelectrica SA**

Condensed Consolidated Income Statement for the six month period ended 30 June 2014

*(All amounts are in RON, unless stated otherwise)*

	Note	6 month period ended 30 June 2014 (reviewed)	6 month period ended 30 June 2013 (not reviewed)
<b>Revenues</b>			
Sales of electricity	13	783,093,781	879,038,813
Electricity transmission revenues		51,554,378	50,377,375
<b>Total revenues</b>		<b>834,648,159</b>	<b>929,416,188</b>
Other income		19,299,146	56,088,274
<b>Operating expenses</b>			
Depreciation and amortisation		(222,458,983)	(207,084,607)
Personnel expenses		(141,895,946)	(144,056,082)
Cost of traded electricity		(10,920,689)	(21,592,067)
Repairs and maintenance		(75,594,275)	(72,088,522)
Electricity transmission expenses		(51,554,378)	(50,377,375)
Costs with spare parts		(21,375,664)	(16,910,661)
Cost of uranium fuel		(68,371,375)	(52,585,493)
Other operating expenses	14	(235,212,752)	(193,557,407)
<b>Total operating expenses</b>		<b>(827,384,062)</b>	<b>(758,252,214)</b>
<b>Operating result</b>		<b>26,563,243</b>	<b>227,252,248</b>
Finance costs		(36,142,758)	(117,094,038)
Finance income		78,517,816	132,588,261
<b>Net finance income</b>	15	<b>42,375,058</b>	<b>15,494,223</b>
<b>Profit before income tax</b>		<b>68,938,301</b>	<b>242,746,471</b>
Income tax expense	12	(9,539,565)	(42,552,790)
<b>Profit for the period</b>		<b>59,398,736</b>	<b>200,193,681</b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		59,398,736	200,292,682
Non-controlling interests		-	(99,001)
<b>Profit for the period</b>		<b>59,398,736</b>	<b>200,193,681</b>

The condensed consolidated interim financial statements on pages 1 to 27 were authorized for issue by the management on 11 August 2014 and were signed on its behalf by:

Daniela Lulache  
Chief Executive Officer

Mihai Darie  
Chief Financial Officer

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**SN Nuclearelectrica SA**

Condensed Consolidated Statement of Comprehensive Income for the six month period ended 30 June 2014

*(All amounts are in RON, unless stated otherwise)*

	Note	6 month period ended 30 June 2014 (reviewed)	6 month period ended 30 June 2013 (not reviewed)
<b>Profit for the period</b>		<b>59,398,736</b>	<b>200,193,681</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>59,398,736</b>	<b>200,193,681</b>
<b>Attributable to:</b>			
Owners of the Company		59,398,736	200,292,682
Non-controlling interests		-	(99,001)
<b>Total comprehensive income for the period</b>		<b>59,398,736</b>	<b>200,193,681</b>
<b>Earnings per share</b>			
Basic earnings per share (Ron/share)	<b>18</b>	<b>0.21</b>	<b>0.79</b>
Diluted earnings per share (Ron/share)	<b>18</b>	<b>0.20</b>	<b>0.73</b>

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**SN Nuclearelectrica SA**

Condensed Consolidated Statement of Changes in Equity for the six month period ended 30 June 2014

(All amounts are in RON, unless stated otherwise)

	Note	Share capital	Share premium	Prepaid share reserve	Revaluation reserve	Retained Earnings	Total	Non-controlling interest	Total equity
<b>Balance as at 1 January 2013 (audited)</b>		<b>2,732,326,353</b>	-	<b>1,617,236,040</b>	<b>1,477,149,783</b>	<b>2,250,194,318</b>	<b>8,076,906,494</b>	<b>22,666,798</b>	<b>8,099,573,292</b>
<b>Comprehensive income for the period</b>									
<i>Profit for the period</i>		-	-	-	-	200,292,682	<b>200,292,682</b>	(99,001)	<b>200,193,681</b>
<i>Other comprehensive income</i>		-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	-	-	<b>200,292,682</b>	<b>200,292,682</b>	<b>(99,001)</b>	<b>200,193,681</b>
Transfer of prepaid share reserve		-	-	(18,665,324)	-	18,665,324	-	-	-
Transfer of prepaid share reserve	<b>4</b>	-	-	(1,382,640,479)	-	-	<b>(1,382,640,479)</b>	-	<b>(1,382,640,479)</b>
Dividends declared	<b>9</b>	-	-	-	-	(28,490,598)	<b>(28,490,598)</b>	-	<b>(28,490,598)</b>
<b>Balance as at 30 June 2013 (not reviewed)</b>		<b>2,732,326,353</b>	-	<b>215,930,237</b>	<b>1,477,149,783</b>	<b>2,440,661,726</b>	<b>6,866,068,099</b>	<b>22,567,797</b>	<b>6,888,635,896</b>

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**SN Nuclearelectrica SA**

Condensed Consolidated Statement of Changes in Equity for the six month period ended 30 June 2014

(All amounts are in RON, unless stated otherwise)

	Note	Share capital	Share premium	Prepaid share reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance as at 1 January 2014 (audited)</b>		<b>3,013,330,303</b>	<b>31,474,149</b>	<b>215,930,237</b>	<b>1,770,574,705</b>	<b>2,667,598,242</b>	<b>7,698,907,636</b>	<b>22,474,502</b>	<b>7,721,382,138</b>
<b>Comprehensive income for the period</b>									
<i>Profit for the period</i>		-	-	-	-	59,398,736	<b>59,398,736</b>	-	<b>59,398,736</b>
<i>Other comprehensive income</i>		-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	-	-	<b>59,398,736</b>	<b>59,398,736</b>	-	<b>59,398,736</b>
Land for which title deeds were obtained	<b>9</b>	-	-	1,925,505	-	-	<b>1,925,505</b>	-	<b>1,925,505</b>
Acquisition of non-controlling interest	<b>16</b>	-	-	-	-	4,526,916	<b>4,526,916</b>	(22,474,502)	<b>(17,947,586)</b>
Dividends declared	<b>9</b>	-	-	-	-	(340,957,135)	<b>(340,957,135)</b>	-	<b>(340,957,135)</b>
<b>Balance as at 30 June 2014 (reviewed)</b>		<b>3,013,330,303</b>	<b>31,474,149</b>	<b>217,855,742</b>	<b>1,770,574,705</b>	<b>2,390,566,759</b>	<b>7,423,801,658</b>	-	<b>7,423,801,658</b>

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**SN Nuclearelectrica SA**

Condensed Consolidated Statement of Cash Flows for the six month period ended 30 June 2014

*(All amounts are in RON, unless stated otherwise)*

	<b>6 month period ended 30 June 2014 (reviewed)</b>	<b>6 month period ended 30 June 2013 (not reviewed)</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	<b>68,938,301</b>	<b>242,746,471</b>
<b>Adjustments for</b>		
Depreciation and amortization	222,458,983	207,084,607
Impairment loss on trade and other receivables	560,999	7,811,381
Provisions	846,299	94,155
Gain from the non-current assets sold	(109,896)	(158,608)
Net finance income	(42,506,529)	(16,047,380)
<b>Changes in:</b>		
Decrease/(Increase) in trade and other receivables	26,755,648	(17,363,169)
Decrease in inventories	1,140,480	3,576,596
Decrease in deferred income	(9,339,259)	(1,537,952)
Increase in prepayments	(9,298,201)	(6,841,258)
Decrease in accounts payable and other liabilities	(12,084,600)	(28,965,139)
<b>Cash generated from operating activities</b>	<b>247,362,225</b>	<b>390,399,704</b>
Income tax paid	(62,339,490)	(67,053,478)
Interest received	23,435,805	23,541,200
Interest paid	(8,586,219)	(13,083,326)
<b>Net cash from operating activities</b>	<b>199,872,321</b>	<b>333,804,100</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(5,703,263)	(13,083,958)
Purchase of property, plant, equipment	(96,703,379)	(127,796,644)
Proceeds from the sale of property, plant and equipment	213,293	1,328,472
Decrease in bank deposits	673,082,990	214,680,508
<b>Net cash from investing activities</b>	<b>570,889,641</b>	<b>75,128,378</b>
<b>Cash flow used in financing activities</b>		
Repayments of borrowings	(107,991,088)	(110,783,325)
Dividends paid	(314,234,942)	(28,490,598)
Acquisition of non-controlling interest	(17,947,586)	-
<b>Net cash used in financing activities</b>	<b>(440,173,616)</b>	<b>(139,273,923)</b>
<b>Net increase in cash and cash equivalents</b>	<b>330,588,346</b>	<b>269,658,555</b>
<b>Cash and cash equivalents as at 1 January (see Note 8)</b>	<b>751,247,612</b>	<b>708,779,111</b>
<b>Cash and cash equivalents as at 30 June (see Note 8)</b>	<b>1,081,835,958</b>	<b>978,437,666</b>

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**1. REPORTING ENTITY**

Societatea Nationala Nuclearelectrica SA (“the Company”) is a company established in Romania. The Company’s head office is located in Bucharest, 65 Polona Street. The condensed consolidated interim financial statements of the Company as at and for the six month period ended 30 June 2014 comprise the Company and its subsidiary, EnergoNuclear SA, (named together, “the Group”). As at 30 June 2014 the Company owns 100% of EnergoNuclear SA (84.65% as at 31 December 2013). The main operating location is in Cernavoda in the eastern part of Romania, where the Company has two operating nuclear reactors (Nuclear Power Plant Units 1 and 2) and three nuclear reactors at inception stage (Nuclear Power Plant Units 3-5). The construction of Units 3 and 4 is planned to be finalized by EnergoNuclear. The Company’s reactors are based on CANDU technology (Canada Deuterium Uranium reactor of PHWR type).

Unit 5 is impaired 100% as there are no plans to continue the construction. In March 2014, the shareholders of the Company have approved the use of Unit 5 to activities related to the operation of Units 1 and 2.

The main activity of the Company is to generate electricity using nuclear power plants Units 1 and 2. EnergoNuclear SA was established in March 2009, for the purpose of constructing and operating the two 720 MW CANDU 6 (Units 3 and 4) reactors at Cernavoda.

In accordance with the Electricity Law no. 123/2012, the electricity sector is regulated by the Romanian Energy Regulatory Authority (“ANRE”), an autonomous public institution. In accordance with Order no. 83/2013 and related amendments, ANRE establishes the tariffs to be used by the Company for selling electricity on regulated market. During the six month period ended 30 June 2014, the Company sold approximately 35% of the electricity on the regulated market (48% was sold on the regulated market during the six month period ended 30 June 2013). The total quantity of electricity sold during the six month period ended 30 June 2014 is of MWh 5,181,064 as compared to MWh 5,275,859 sold during the six month period ended 30 June 2013. The average price for electricity sales on the regulated market during the six month period ended 30 June 2014 is of RON/MWh 145.8 as compared to RON/MWh 142 during the six month period ended 30 June 2013, net of the tariff for transmission service paid to Transelectrica for using the electricity transmission network.

Starting with 4 November 2013, the Company’s shares are traded on the Bucharest Stock Exchange, under symbol SNN.

As described in Note 9, as at 30 June 2014 the shareholders of the Company are: the Romanian State through the Ministry of Economy – Energy Department which holds 229,006,139 shares, representing 81.2705% of the share capital, Fondul Proprietatea SA which holds 27,408,381 shares, representing 9.7270% of the share capital and other shareholders which hold together 25,368,236 shares, representing 9.0025% of the share capital.



## **2. BASIS OF PREPARATION**

### **a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

These condensed consolidated interim financial statements were authorized for issue on 11 August 2014.

### **b) Use of estimates and judgements**

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions that have a significant risk of resulting in a material adjustment within the next financial years are included in Note 16 i) (key assumptions relating to the continuance of the project developed by EnergoNuclear).

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2013. The following changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ended 31 December 2014.

### ***Changes in accounting policies***

The Group has adopted the following new standards and amendments to standards, with a date of initial application 1 January 2014:

- *IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities*

IFRS 10 provides a single control model that applies in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. IFRS 10 changes the definition of control such that an

**SN Nuclearelectrica SA**

Notes to the Condensed Consolidated Financial Statements for the six month period ended 30 June 2014

*(All amounts are in RON, unless stated otherwise)*

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investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To meet the definition of control in IFRS 10, all three criteria must be met, including:

- (a) an investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the consolidation of investments held by the Group, since the assessment of control over its current investees under the new standard does not change the previous conclusions regarding the Group's control over its investees.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

***New IFRS pronouncements effective for annual periods beginning 1 January 2014***

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 January 2014 and have not been applied in preparing these condensed consolidated interim financial statements. None of these new standards are expected to have a material impact on the condensed consolidated interim financial statements.

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Notes to the Condensed Consolidated Interim Financial Statements for the six months ended as at 30 June 2014

(All amounts are in RON, unless stated otherwise)

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land</b>	<b>Nuclear power plants</b>	<b>Machinery, equipment and other assets</b>
<b>Cost</b>			
<b>Balance as at 1 January 2013 (audited)</b>	<b>26,841,645</b>	<b>7,431,590,853</b>	<b>1,466,635,600</b>
Additions	105,649	-	8,668,370
Additions in Units 3&4	-	-	-
Transfers	-	57,424,016	164,616,308
Disposals	(148,906)	-	(15,729,420)
Transfer of spare parts	-	-	-
Revaluation of buildings	-	352,029,197	4,059,470
Heavy water which will be transferred to the state reserve	-	-	-
Offset of accumulated depreciation on revaluation	-	(1,963,548,888)	(6,893,485)
<b>Balance as at 31 December 2013 (audited)</b>	<b>26,798,388</b>	<b>5,877,495,178</b>	<b>1,621,356,843</b>
<b>Balance as at 1 January 2014 (audited)</b>	<b>26,798,388</b>	<b>5,877,495,178</b>	<b>1,621,356,843</b>
Additions	1,925,505	-	3,364,242
Additions in Units 3&4	-	-	-
Transfers	-	183,920,715	5,615,472
Disposals	(27,041)	-	(2,307,513)
<b>Balance as at 30 June 2014 (reviewed)</b>	<b>28,696,852</b>	<b>6,061,415,893</b>	<b>1,628,029,044</b>
<b>Depreciation and impairment losses</b>			
<b>Balance as at 1 January 2013 (audited)</b>	<b>77,758</b>	<b>1,665,688,723</b>	<b>395,484,494</b>
Depreciation charge	77,757	297,860,165	89,609,274
Accumulated depreciation of disposals	-	-	(5,644,388)
Impairment of assets in course of construction	-	-	1,201,100
Offset of accumulated depreciation on revaluation	-	(1,963,548,888)	(6,893,485)
<b>Balance as at 31 December 2013 (audited)</b>	<b>155,515</b>	<b>-</b>	<b>473,756,995</b>
<b>Balance as at 1 January 2014 (audited)</b>	<b>155,515</b>	<b>-</b>	<b>473,756,995</b>
Depreciation charge	38,878	165,405,116	48,274,986
Accumulated depreciation of disposals	-	-	(2,217,356)
<b>Balance as at 30 June 2014 (reviewed)</b>	<b>194,393</b>	<b>165,405,116</b>	<b>519,814,625</b>
<b>Carrying amounts</b>			
<b>At 1 January 2013 (audited)</b>	<b>26,763,887</b>	<b>5,765,902,130</b>	<b>1,071,151,106</b>
<b>At 31 December 2013 (audited)</b>	<b>26,642,873</b>	<b>5,877,495,178</b>	<b>1,147,599,848</b>
<b>At 30 June 2014 (reviewed)</b>	<b>28,502,459</b>	<b>5,896,010,777</b>	<b>1,108,214,419</b>

Machinery, equipment and other assets includes the first load of heavy water used for units 1 and 2, with a net book value as at 30 June 2014 of RON 434,270,513 (31 December 2013: RON 444,297,817) and buildings with a net book value as at 30 June 2014 of RON 333,667,787 (31 December 2013: RON 340,006,161).

As at 30 June 2014, the carrying amount of Units 3 and 4, recognized as assets in course of construction, is of RON 273,960,000 (31 December 2013: RON 273,960,000). Prior to 1991, the units 1, 2, 3, 4 and 5 were considered as a single project and therefore construction costs incurred were not allocated to every unit. Subsequently, the Group made the allocation of the construction costs to Nuclear Power Plant Units 3 and 4.

The carrying amount of the heavy water related to Units 3 and 4 is RON 158,470,146 (RON 158,470,146 at 31 December 2013). These items are presented under the caption "Assets in course of construction". The total quantity of heavy water to be needed for Units 3 and 4 is 1,100 tonnes.

The transfer free of charge of the heavy water related to Units 3 and 4, which was financed through budgetary allocations, to the State Reserve will take place when the Company and the National Administration of State Reserve will sign the transfer minute. Until the date of these condensed consolidated interim financial statements the transfer was not yet made. The heavy water of RON 1,382,640,479 that is going to be transferred to the State's reserve is part of the total heavy water related to units 3 and 4 of RON 1,541,110,626. In February 2014, the National Commission for Nuclear Activities Control (CNCAN) issued the authorization for the transfer of the heavy water to the National

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Notes to the Condensed Consolidated Interim Financial Statements for the six months ended as at 30 June 2014

*(All amounts are in RON, unless stated otherwise)*

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Administration of State Reserve (ANRSPS). As the support documentation for performing the transfer operations related to the factual separation of the heavy water was prepared and that the operations for the factual separation have started in May 2014 and are ongoing, the estimated completion time of the separation and transfer of heavy water is the end of the third quarter of 2014. Considering these facts, as at 30 June 2014 and 31 December 2013 the heavy water that is going to be transferred to the State's reserve was presented on the face of the condensed consolidated statement of financial position as assets to be transferred within current assets, while the related cash budgetary allocations were classified as a liability related to assets to be transferred within current liabilities as at 30 June 2014 and 31 December 2013. At 30 June 2014 and 31 December 2013, the heavy water related to units 3 and 4, financed through own funds is in the amount of RON 158,470,146, representing about 75 tones.

The main capital expenditure made by the Group during the six month period ended 30 June 2014 referring to assets in course of construction related to Units 1 and 2 includes:

- Construction of loading storage facilities for the spent nuclear fuel in amount of RON 14,450,235 (31 December 2013: RON 46,671,608);
- Modernization and expansion of physical protection at CNE Cernavoda in amount of RON 7,480,835 (31 December 2013: RON 21,161,133);
- Enhancement of the nuclear security functions in amount of RON 5,253,565 (31 December 2013: RON 82,889,239);
- D2O detritiation facility in amount of RON 4,835,371 (31 December 2013: RON 8,491,339).

The main investment put into function during the six month period ended 30 June 2014 refers to the enhancement of the nuclear security functions in amount of RON 183,920,715.

Investments made by EnergoNuclear refers to units 3 and 4. Units 3 and 4 are in the early stages of construction, and the continuance of the construction depends on subsequent investments made by the shareholders EnergoNuclear. As at 30 June 2014, the carrying amount of assets under construction which refers to units 3 and 4 is RON 661,314,985 (31 December 2013: RON 654,333,125), including investments made by EnergoNuclear. At 30 June 2014, the remaining difference up to RON 1,009,390,378 (31 December 2013: RON 1,140,929,399) represents assets in progress related to units 1 and 2, such as construction of loading storage facilities for the spent nuclear fuel of RON 108,754,551 (31 December 2013: RON 93,956,727), D2O detritiation facility of RON 48,445,254 (31 December 2013: RON 43,609,883), modernization and expansion of Cernavoda physical protection system worth RON 30,014,391 (31 December 2013: RON 17,208,528), enhancement of the nuclear security functions worth RON 9,094,592 (31 December 2013: RON 184,248,672) and advances to suppliers of property, plant and equipment in amount of RON 11,236,227 (31 December 2013: RON 11,567,493).

As at 30 June 2014, the Group acquired property, plant and equipment on suppliers' credit in amount of RON 18,682,481 (RON 66,315,533: 31 December 2013).

### *Decommissioning of nuclear power plants*

The nuclear power Unit 1 is scheduled to operate until 2026 and Unit 2 until 2037. The Group did not record provisions for decommissioning of these two units, due to the fact it is not responsible for the decommissioning. According to Government decision no. 1080/5 September 2007, the Nuclear Agency and Radioactive Waste (ANDR) is responsible for collecting the contributions paid by the Group for the remaining useful life of these units and assumes the responsibility for the management of the entire decommissioning process at the end of useful lives of the units, and also for the permanent storage of the resulting waste (see Note 14). The Group's expense regarding the contributions to ANDR for the six month period ended 30 June 2014 is of RON 44,609,535 (12 month period ended 31 December 2013: RON 94,795,297).

### *Assets pledged as security*

As at 30 June 2014 and 31 December 2013 the Group has no pledged or mortgaged assets.

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(All amounts are in RON, unless stated otherwise)

**5. INTANGIBLE ASSETS**

	<b>Licences and software</b>	<b>Power plant software</b>	<b>Intangible assets in progress</b>	<b>TOTAL</b>
<b>Cost</b>				
<b>Balance as at 1 January 2013 (audited)</b>	<b>46,540,212</b>	<b>83,396,194</b>	<b>52,902,462</b>	<b>182,838,867</b>
Additions	9,685,490	1,951,455	15,568,706	27,205,651
Transfers	-	434,504	(434,504)	-
Disposals	(55,096)	(15,821)	-	(70,917)
<b>Balance as at 31 December 2013 (audited)</b>	<b>56,170,606</b>	<b>85,766,332</b>	<b>68,036,664</b>	<b>209,973,601</b>
<b>Balance as at 1 January 2014 (audited)</b>	<b>56,170,606</b>	<b>85,766,332</b>	<b>68,036,664</b>	<b>209,973,601</b>
Additions	410,251	426,955	4,866,057	5,703,263
Disposals	-	-	-	-
<b>Balance as at 30 June 2014 (reviewed)</b>	<b>56,580,857</b>	<b>86,193,287</b>	<b>72,902,721</b>	<b>215,676,864</b>
<b>Accumulated amortisation</b>				
<b>Balance as at 1 January 2013 (audited)</b>	<b>42,457,062</b>	<b>51,203,444</b>	<b>-</b>	<b>93,660,506</b>
Amortisation for the period	6,081,947	12,440,757	-	18,522,704
Accumulated amortisation of disposals	(54,915)	(15,821)	-	(70,736)
<b>Balance as at 31 December 2013 (audited)</b>	<b>48,484,094</b>	<b>63,628,381</b>	<b>-</b>	<b>112,112,474</b>
<b>Balance as at 1 January 2014 (audited)</b>	<b>48,484,094</b>	<b>63,628,381</b>	<b>-</b>	<b>112,112,474</b>
Amortisation for the period	3,282,233	5,457,770	-	8,740,003
Accumulated amortisation of disposals	-	-	-	-
<b>Balance as at 30 June 2014 (reviewed)</b>	<b>51,766,327</b>	<b>69,086,151</b>	<b>-</b>	<b>120,852,477</b>
<b>Carrying amounts</b>				
<b>At 1 January 2013 (audited)</b>	<b>4,083,150</b>	<b>32,192,750</b>	<b>52,902,462</b>	<b>89,178,361</b>
<b>At 31 December 2013 (audited)</b>	<b>7,686,512</b>	<b>22,137,951</b>	<b>68,036,665</b>	<b>97,861,128</b>
<b>At 30 June 2014 (reviewed)</b>	<b>4,814,530</b>	<b>17,107,136</b>	<b>72,902,721</b>	<b>94,824,387</b>

Intangible assets in progress include integrated management software systems in amount of RON 70,223,829 as at 30 June 2014 (31 December 2013: RON 65,357,772).

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Notes to the Condensed Consolidated Interim Financial Statements for the six months ended as at 30 June 2014

*(All amounts are in RON, unless stated otherwise)***6. INVENTORIES**

As at 30 June 2014 and 31 December 2013 inventories are as follows:

	<b>30 June 2014</b> <b>(reviewed)</b>	<b>31 December 2013</b> <b>(audited)</b>
Spare parts	204,712,010	212,235,446
Materials and supplies	64,342,262	63,836,706
Nuclear fuel	96,285,068	84,972,997
Uranium	16,237,258	18,487,562
Other inventories	3,600,542	6,764,157
<b>TOTAL</b>	<b>385,177,140</b>	<b>386,296,868</b>

**7. TRADE AND OTHER RECEIVABLES**

As at 30 June 2014 and 31 December 2013 trade and other receivables are as follows:

	<b>30 June 2014</b> <b>(reviewed)</b>	<b>31 December 2013</b> <b>(audited)</b>
Trade receivables	91,195,905	100,178,753
Trade receivables allowance	(14,777,238)	(14,203,561)
Other receivables	66,574,199	64,151,574
Other receivables allowance	(2,500,647)	(2,500,647)
Taxes	24,053,869	49,740,526
<b>Total</b>	<b>164,546,088</b>	<b>197,366,645</b>

As at 30 June 2014, significant trade receivables are from: Electrica Furnizare SA – RON 31,553,270 (31 December 2013: RON 18,607,512), Enel Energie Muntenia SA – RON 14,724,861 (31 December 2013: RON 9,605,618), Enel Energie SA – RON 11,232,604 (31 December 2013: RON 21,902,808), EON Energie Romania SA – RON 8,281,287 (31 December 2013: RON 4,129,380) and CEZ Vanzare SA – RON 6,881,051 (31 December 2013: RON 19,166,438). The sales made during the six month period ended 30 June 2014 to Electrica Furnizare SA represented around 21% (27%: 2013) of the Group's total sales of electricity.

The Company has collected during the six month period ended 30 June 2014 the trade receivable of RON 11,249,674 it had as at 31 December 2013 from Hidroelectrica SA. As at 30 June 2014, the Company has no trade receivables from Hidroelectrica SA, however other receivables from Hidroelectrica SA amount to RON 35,046,775 (31 December 2013: RON 41,320,489). In June 2013, the Company and Hidroelectrica SA signed a reschedule agreement through which Hidroelectrica SA undertook to pay the entire debt in 24 equal instalments, the monthly instalment being of RON 2,920,564. Until the date of these condensed consolidated interim financial statements, the reschedule agreement has been respected by Hidroelectrica SA.

As at 30 June 2014 the present value of the discounted future cash flows from Hidroelectrica SA is of RON 34,401,441 (31 December 2013: RON 51,134,927). The difference of RON 645,334 up to the gross amount of RON 35,046,775 is recorded as receivables allowance as at 30 June 2014.

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(All amounts are in RON, unless stated otherwise)

The Group's management estimates that this receivable will be collected as Hidroelectrica SA paid until the date of these condensed consolidated interim financial statements all the instalments due according to the reschedule agreement. Also, the Romanian Government intends to list Hidroelectrica SA after its exit from insolvency having the interest to ensure to Hidroelectrica SA the necessary conditions to exit insolvency, as Hidroelectrica SA is one of the biggest Romanian energy producer. It has an installed capacity of 6,400 MWh and has the advantage of lower production costs by generating electricity from hydro sources. Also it has a potential revenue growth considering the full liberalization of the energy market by the end of 2017.

The Group's exposure to credit risk and allowance related to trade and other receivables are disclosed in Note 19.

### 8. CASH AND CASH EQUIVALENTS

As at 30 June 2014 and 31 December 2013 cash and cash equivalents are as follows:

	<u>30 June 2014</u> <u>(reviewed)</u>	<u>31 December 2013</u> <u>(audited)</u>
Cash at bank in RON	1,079,025,121	748,299,295
Cash at bank in foreign currencies	2,758,290	2,948,317
Cash equivalents	52,547	-
<b>Total cash and cash equivalents</b>	<b><u>1,081,835,958</u></b>	<b><u>751,247,612</u></b>

### 9. EQUITY

#### *Share capital*

The Company was formed through separation from the former RENEL. The share capital represents State's contribution at the formation of the Company on 30 June 1998 (restated for inflation to 31 December 2003) plus subsequent contributions.

As at 30 June 2014 and 31 December 2013, the share capital in amount of RON 3,013,330,303 includes the effects of restatements for hyperinflation relating to prior periods, required by the application of IAS 29 "Financial Reporting in Hyperinflationary Economies". The reconciliation of the share capital is as follows:

	<u>30 June 2014</u> <u>(reviewed)</u>	<u>31 December 2013</u> <u>(audited)</u>
Statutory share capital (nominal value)	2,817,827,560	2,817,827,560
Restatement difference in accordance with IAS 29	195,502,743	195,502,743
<b>Restated share capital balance</b>	<b><u>3,013,330,303</u></b>	<b><u>3,013,330,303</u></b>

As at 30 June 2014, respectively 31 December 2013, the statutory share capital is of RON 2,817,827,560, fully paid and consists of 281,782,756 ordinary shares each having a nominal value of RON 10. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the General Shareholders Meetings.

The shareholders' structure as at 30 June 2014 and 31 December 2013 was as follows:

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*(All amounts are in RON, unless stated otherwise)*

<b>Shareholders</b>	<b>No. of shares</b>	<b>% of the share capital</b>
The Romanian State through the Ministry of Economy – Energy Department	229,006,139	81.2705%
Fondul Proprietatea SA	27,408,381	9.7270%
Other investors	25,368,236	9.0025%
<b>TOTAL</b>	<b>281,782,756</b>	<b>100%</b>

*Share premium*

In November 2013, the Company issued 28,100,395 shares on the Bucharest Stock Exchange through an initial public offering and through the right of preference exercised by the shareholder Fondul Proprietatea S.A. The amount collected of RON 312,478,099 was made of share capital increase of RON 281,003,950 and a share premium of RON 31,474,149.

*Prepaid share reserve*

Prepaid share reserve of RON 217,855,742 as at 30 June 2014 (31 December 2013: RON 215,930,237) represents mainly cash contributions from the State Budget towards the Company for construction of nuclear Unit 2 in amount of RON 193,180,018. In accordance with GD no. 365/1998, these non-refundable amounts will be used in the future to increase the Company's share capital. During the six month period ended 30 June 2014, the Company obtained the title deeds for a plot of land received for free from the Ministry of Economy. The Company will issue new shares in order to increase the share capital with the value of the plot of land. The fair value of the plot of land is of RON 1,925,505 and the number of shares to be issued will be later established. The Extraordinary General Meeting of Shareholders held on 31 July 2014 approved the inception of the proceeding regarding the share capital increase with the value of the land.

*Revaluation reserves*

The revaluation reserve is in amount of RON 1,770,574,705 as at 30 June 2014 and 31 December 2013. The Group recorded starting with 1 April 2009 a deferred tax liability for the revaluation reserve.

*Retained earnings*

Retained earnings represent the accumulated results of the Group. The retained earnings are distributable based on the annual financial statements prepared in accordance with the Order of the Minister of Public Finance no. 1286/2012 and related amendments, applicable to companies of whose securities are traded on a regulated market.

During the six month period ended 30 June 2014, the Group has declared dividends in amount of RON 340,957,135 (30 June 2013: RON 28,490,598). The unpaid dividends as at 30 June 2014 amount to RON 26,722,193.

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Notes to the Condensed Consolidated Interim Financial Statements for the six months ended as at 30 June 2014

*(All amounts are in RON, unless stated otherwise)***10. BORROWINGS**

The repayment of borrowings during the six month period ended 30 June 2014 was as follows:

	<b>Currency</b>	<b>Interest rate</b>	<b>Carrying amount</b>	<b>Year of maturity</b>
<b>Balance at 1 January 2014</b>			<b>1,946,646,914</b>	
New issues			-	
<b>Repayments, out of which:</b>			<b>(107,991,088)</b>	
Societe Generale - ALSTOM BC	EUR	EURIBOR+0.450%	(2,344,597)	2017
Societe Generale - ANSALDO BC	EUR	EURIBOR+0.450%	(16,909,610)	2022
Societe Generale - AECL BC	CAD	CDOR+0.375%	(32,597,180)	2022
Societe Generale - NEXANS BC	EUR	EURIBOR+0.450%	(2,945,242)	2017
Societe Generale - GENERAL ELECTRIC	USD	LIBOR+0.070%	(4,807,123)	2017
EURATOM	EUR	EURIBOR+0.08%	(22,423,500)	2022
BCR	RON	BUBOR-1.1%	(25,963,836)	2014
<b>Exchange rate differences</b>			<b>(37,498,336)</b>	
<b>Balance at 30 June 2014</b>			<b>1,801,157,490</b>	

As at 30 June 2014 and 31 December 2013 the long term borrowings from credit institutions were as follows:

	<b>30 June 2014</b>	<b>31 December 2013</b>
	<b>(reviewed)</b>	<b>(audited)</b>
Societe Generale - ALSTOM BC	14,030,483	16,733,437
Societe Generale - ANSALDO BC	269,840,246	293,090,286
Societe Generale - AECL BC	525,785,660	567,934,833
Societe Generale - NEXANS BC	17,624,847	21,020,252
Societe Generale - GENERAL ELECTRIC	33,222,916	38,456,981
EURATOM	914,689,500	957,483,450
BCR	25,963,838	51,927,675
<b>Total long term loans from credit institutions</b>	<b>1,801,157,490</b>	<b>1,946,646,914</b>
<b>Less: Current portion of the long term loans</b>	<b>(209,072,614)</b>	<b>(210,644,364)</b>
<b>Less: Transaction cost for obtaining the loans (long term)</b>	<b>(48,832,334)</b>	<b>(60,574,928)</b>
<b>Total long term loans, net of current amounts</b>	<b>1,543,252,542</b>	<b>1,675,427,622</b>

The financial covenants required by the loan granted by Euratom are met as at 30 June 2014.

As at 30 June 2014 and 31 December 2013 the short term borrowings are as follows:

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*(All amounts are in RON, unless stated otherwise)*

	<b>30 June 2014</b> <b>(reviewed)</b>	<b>31 December 2013</b> <b>(audited)</b>
Current portion of the long term borrowings	209,072,614	210,644,364
Accrued interest on long term borrowings	2,038,096	2,141,149
Short term transaction costs	(7,828,396)	-
<b>Total short term borrowings</b>	<b>203,282,314</b>	<b>212,785,513</b>

**11. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

As at 30 June 2014 and 31 December 2013 trade and other liabilities are as follows:

	<b>30 June 2014</b> <b>(reviewed)</b>	<b>31 December 2013</b> <b>(audited)</b>
Property, plant and equipment suppliers	18,682,481	66,315,533
Trade payables	136,547,331	130,375,716
Employees benefits	21,361,394	12,779,571
Payables to State	18,485,633	22,375,536
Dividends payable	26,722,193	-
Other payables	2,110,735	11,403,625
<b>Total</b>	<b>223,909,767</b>	<b>243,249,981</b>

As at 30 June 2014, the main outstanding suppliers are: CN Transelectrica SA – RON 19,625,309 (31 December 2013: RON 33,977,666), General Electric – RON 19,615,693 (31 December 2013: RON 2,765,882) and CNU Sucursala Feldioara – RON 11,183,319 (31 December 2013: RON 172,321).

**12. INCOME TAXES**

The income tax recognized in the income statement is as follows:

	<b>6 month period ended</b> <b>30 June 2014</b> <b>(reviewed)</b>	<b>6 month period ended</b> <b>30 June 2013</b> <b>(not reviewed)</b>
Current tax expense	16,308,980	49,691,777
Deferred tax release	(6,769,415)	(7,138,987)
<b>Total</b>	<b>9,539,565</b>	<b>42,552,790</b>

Due to the high profit recorded during the first quarter of 2014, the Group has paid for the first quarter a higher income tax than for the entire six month period ended 30 June 2014. Thus, as at 30 June 2014, the income tax receivable is of RON 11,025,791.

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*(All amounts are in RON, unless stated otherwise)***13. SALES OF ELECTRICITY**

<i>(i)</i> <u>Revenues from electricity sales</u>	<u>6 month period ended 30 June 2014 (reviewed)</u>	<u>6 month period ended 30 June 2013 (not reviewed)</u>
Sales of electricity on the regulated market	265,581,253	357,875,208
Sales of electricity on the free market	517,277,093	521,139,368
Revenues from green certificates	235,435	24,237
<b>TOTAL</b>	<b>783,093,781</b>	<b>879,038,813</b>

  

<i>(ii)</i> <u>Quantity sold</u>	<u>6 month period ended 30 June 2014 (reviewed)</u>	<u>6 month period ended 30 June 2013 (not reviewed)</u>
Quantity of energy sold on the regulated market (MWh)	1,820,920	2,519,767
Quantity of energy sold on the free market (MWh)	3,360,144	2,756,092
<b>TOTAL</b>	<b>5,181,064</b>	<b>5,275,859</b>

In accordance with the Electricity Law no. 123/2012, the electricity sector is regulated by the National Agency for Electricity Sector Regulation (“ANRE”), an autonomous public institution. ANRE establishes the tariffs to be used by the Company for selling electricity on the regulated market and also the quantities to be sold on the regulated market.

During the six month period ended 30 June 2014, the Company sold approximately 35% of the electricity on the regulated market, while during the six month period ended 30 June 2013, 48% was sold on the regulated market. The remaining quantity was sold on the free market. The planned outage for Unit 1 took place during the period 10 May – 8 June 2014.

During the six month period ended 30 June 2013 several customers cancelled their electricity acquisition contracts concluded with the Company. Thus, during the six month period ended 30 June 2013, the Company recognized penalties in amount of RON 39,553,939 in relation to the cancelled contracts, which were disclosed as Other income on the face of the condensed consolidated income statement. However, this was not the case during the six month period ended 30 June 2014, when the penalties recognised were nil.

**14. OTHER OPERATING EXPENSES**

	<u>6 month period ended 30 June 2014 (reviewed)</u>	<u>6 month period ended 30 June 2013 (not reviewed)</u>
Third party services	55,532,485	53,078,702
Expenses with ANDR	44,609,535	44,163,691
Energy and water	35,909,657	38,225,174
Fuels, lubricants and other consumables	21,611,036	18,753,568
Insurance	6,008,640	6,143,801
Transportation and telecommunication	3,946,729	3,714,551
Tax on special constructions	44,699,285	-
Other operating expenses	22,895,385	29,477,920
<b>Total</b>	<b>235,212,752</b>	<b>193,557,407</b>

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“Other operating expenses” consist mainly of other taxes and provisions expenses.

Starting with 2007, following the Government Decision no. 1080/5 September 2007 regarding the safe management of the radioactive waste and the decommissioning of the nuclear installations, the Group is required to make two types of contributions to ANDR:

- Contribution for the decommissioning of each nuclear unit amounting to 0.6 EUR/MWh of electricity produced and injected in the system.
- Contribution for the permanent storage of radioactive waste amounting to 1.4 EUR/MWh of electricity produced and injected in the system.

According to this legislative act, the annual contribution for decommissioning is paid over the projected useful life of both nuclear units, and the direct annual contribution for permanent storage is paid over the operational period of the nuclear units and consequently, ANDR assumes responsibility for managing the entire decommissioning process at the end of the useful life of the nuclear plants and the storage of resulting waste. The Group’s expense regarding the contributions to ANDR for the six month period ended 30 June 2014 is of RON 44,609,535 (six month period ended 30 June 2013: RON 44,163,691).

Starting with 2014, companies have to declare and pay the tax on special constructions. This amounts to 1.5% of the value of the constructions in balance at 31 December of the preceding year. Nuclear power plants are included in the category of special constructions. The tax on special constructions due by the Group for the six month period ended 30 June 2014 is of RON 44,699,285.

### 15. FINANCE INCOME AND FINANCE COSTS

	<b>6 month period ended 30 June 2014 (reviewed)</b>	<b>6 month period ended 30 June 2013 (not reviewed)</b>
Interest income	17,931,895	20,629,908
Foreign exchange gains	60,585,921	111,958,353
<b>Finance income</b>	<b>78,517,816</b>	<b>132,588,261</b>
Foreign exchange losses	(23,745,394)	(101,385,163)
Interest expense	(12,397,364)	(15,708,875)
<b>Finance costs</b>	<b>(36,142,758)</b>	<b>(117,094,038)</b>
<b>Net finance income</b>	<b>42,375,058</b>	<b>15,494,223</b>

### 16. GROUP ENTITIES

The Group companies and the percentage of ownership exercised by the Company are as follows:

<b>Entity</b>	<b>Country of origin</b>	<b>30 June 2014 % of total shares</b>	<b>31 December 2013 % of total shares</b>
EnergONuclear	Romania	100	84.65

  

<b>Entity</b>	<b>Country of origin</b>	<b>30 June 2014 value of shares</b>	<b>31 December 2013 value of shares</b>
EnergONuclear	Romania	146,152,999	123,718,516

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As at 30 June 2014, the Company owns 100% of the share capital of EnergoNuclear SA. As at 31 December 2013, the % of ownership was of 84.65%. Other shareholders in EnergoNuclear SA as at 31 December 2013 were:

- Arcelor Mittal Galati S.A. – 6.20%;
- Enel Investment Holding BV – 9.15%;

In December 2013, the minority shareholders of EnergoNuclear - Enel Investment Holding B.V. and ArcelorMittal Galati S.A. holding together 15.35% of the share capital – decided to exercise their put option. Within 30 days from receipt of such notifications, Nuclearelectrica had the obligation to buy back the shares of the two minority shareholders at an amount equal with 80% of the nominal value of the shares as it was agreed through the Sixth Addendum to the Investment Agreement dated 30 August 2013. Nuclearelectrica bought these shares in January 2014 for a total amount of RON 17,947,586.

### *i) Continuance of EnergoNuclear*

The Company included in the approved budget for 2014 an amount of RON 40,019,000 to be invested in EnergoNuclear, out of which RON 17,947,586 were used in January 2014 in order to acquire the shares held by the non-controlling interest, as mentioned in the preceding paragraph.

As at 30 June 2014, there are uncertainties regarding the ability of EnergoNuclear SA to continue as a going concern. On 25 November 2013, Nuclearelectrica signed a letter of intention with China General Nuclear Power Group (CGN), through which CGN has expressed its interest to become the majority shareholder of EnergoNuclear provided that it is satisfied with the investment conditions. The letter of intention was valid for 180 days. EnergoNuclear's future operations in conjunction with nuclear units 3 and 4 is dependent upon obtaining adequate sources of financing. The overall objective of Nuclearelectrica and of the Romanian Government is to attract a strategic investor to become the main shareholder in EnergoNuclear and that can provide funding and assist in the completion of the project developed by EnergoNuclear.

On 25 April 2014, Nuclearelectrica and CGN signed an addendum to the initial letter of intention which states that as the necessary operations are expected to last longer than it was initially estimated by parties, for reasons independent of the parties, the parties have agreed to extend the duration of the letter of intention until 31 December 2014.

The support of the Romanian Government for the project developed by EnergoNuclear is reinforced by the two memorandums approved on 20 November 2013, namely the Memorandum of Understanding between the Romanian Ministry of Economy (Department of Energy) and the National Energy Administration from the People's Republic of China regarding cooperation in the nuclear power projects, as well as the memorandum on the topic: Measures for the cooperation with the People's Republic of China regarding the peaceful use of nuclear energy especially for the realization of units 3 and 4 from CNE Cernavoda.

On 2 July 2014, the Romanian Government approved the Memorandum on "Approval of the strategy for further actions regarding Project Units 3 and 4". Also, on 31 July 2014, the Romanian Government approved the Memorandum on "Approval of the strategy on further development of Cernavoda Units 3 and 4 by organizing a selection procedure of investors".

Considering all of the above, the Company's management is confident that the project developed by EnergoNuclear will continue in the future, as EnergoNuclear will raise the necessary funding, the project will be successfully

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completed and there will be a future demand for the energy that is going to be produced by EnergoNuclear. Therefore, the management of the Company considers that EnergoNuclear SA will continue to operate as a going concern in the foreseeable future.

### ii) The Company's contribution in EnergoNuclear

According to the Government Decision no. 1565/25.11.2008, the Company's contribution to EnergoNuclear will consist of the followings: Units 3 and 4 as existing structures and land, the heavy water referring to Units 3 and 4 acquired from own sources, the first load of nuclear fuel, own sources, loans contracted by the Company and guaranteed by the State etc. The estimated construction costs for Units 3 and 4 is around EUR 6.5 billion according to an updated feasibility study prepared by Ernst & Young in 2012.

## 17. RELATED PARTY TRANSACTIONS

### i) Transactions with state – owned companies

The Group operates in an economic environment dominated by entities directly controlled by the Romanian State through its government authorities and agencies, collectively referred to as state-owned companies.

The Group had significant transactions with other state-owned companies including: sales of electricity (Electrica Furnizare SA and OPCOM), purchase of energy transmission services and balancing services (CN Transelectrica SA), advances received for the electricity to be delivered in the next period (Electrica Furnizare SA), purchases of uranium (Compania Nationala a Uraniului), water utilization (Apele Romane Bucuresti, Apele Romane Constanta) etc.

The significant transactions with Group related parties during the six month periods ended 30 June 2014 and 30 June 2013 and balances as at 30 June 2014 and 31 December 2013 consist of the following:

	Sales for 6 month period ended		Receivables as at	
	30 June 2014	30 June 2013	30 June 2014	31 December 2013
Electrica Furnizare SA	169,159,165	251,404,155	30,201,815	18,607,512
OPCOM	120,085,510	90,563,591	4,023,154	267,803
CN Transelectrica SA	641,868	10,243,736	450,575	153,890
Electrica Distributie Muntenia Nord	-	16,370,958	-	-
Hidroelectricita SA	-	-	34,401,441	52,570,163
Regia Autonoma pentru Activitati Nucleare (RAAN)	-	-	-	7,825,064
<b>Total</b>	<b>289,886,543</b>	<b>368,582,440</b>	<b>69,076,985</b>	<b>79,424,432</b>

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	<b>Purchases for 6 month period ended</b>		<b>Payables as at</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
CN Transelectrica SA	60,110,402	70,371,171	19,625,309	33,977,666
Compania Nationala a Uraniului	56,589,640	47,150,596	11,183,319	172,321
ANDR	44,609,535	44,163,691	6,764,988	-
Apele Romane Bucuresti	27,219,299	28,653,747	10,484,856	6,270,494
Apele Romane Constanta	5,049,388	5,091,674	1,598,660	1,199,438
OPCOM	2,374,325	1,598,272	213,013	-
CNCAN	4,950,000	4,950,000	-	-
ICSI Ramnicu Valcea	6,799,171	536,997	5,118,602	-
Electrica Furnizare SA	-	-	5,313,410	-
<b>Total</b>	<b>207,701,760</b>	<b>202,516,148</b>	<b>60,302,157</b>	<b>41,619,919</b>

ii) *Compensation to key management personnel of the Group*

Compensation to key management personnel for their services is made up of a contractual salary and a performance bonus granted to directors and administrators based on operating results, according to the provisions of the mandate and administration contracts concluded with the Company and within the limits approved by the General Shareholders Meeting. Additional fees, compensation and allowances may be paid to management for their services in that capacity, and also for attending board meetings. Upon resignation at the Group's request, the key management personnel is entitled to termination benefits of up to 12 gross salaries, depending on the number of years of service within the energy sector.

	<b>6 month period ended 30 June 2014 (reviewed)</b>	<b>6 month period ended 30 June 2013 (not reviewed)</b>
Short-term benefits	2,412,740	1,782,784
	<b>2,412,740</b>	<b>1,782,784</b>

**18. EARNINGS PER SHARE**

As at 30 June 2014 and 30 June 2013, the earnings per share were as follows:

i) *Basic earnings per share*

	<b>6 month period ended 30 June 2014 (reviewed)</b>	<b>6 month period ended 30 June 2013 (not reviewed)</b>
<b>Net profit for the period attributable to the owners of the Company</b>	<b>59,398,736</b>	<b>200,292,682</b>
Number of ordinary shares at the beginning and at the end of the period	281,782,756	253,682,361
<b>Basic earnings per share (RON/share)</b>	<b>0.21</b>	<b>0.79</b>

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ii) <i>Diluted earnings per share</i>	<b>6 month period ended 30 June 2014 (reviewed)</b>	<b>6 month period ended 30 June 2013 (not reviewed)</b>
<b>Net profit for the period attributable to the owners of the Company</b>	<b>59,398,736</b>	<b>200,292,682</b>
Number of ordinary shares at the beginning and at the end of the period (a)	281,782,756	253,682,361
Number of shares corresponding to prepaid share reserve (b) (see Note 9)	19,630,221	19,437,670
<b>Weighted average number of ordinary (diluted) shares as at 30 June (a) + (b)</b>	<b>301,412,977</b>	<b>273,120,031</b>
<b>Diluted earnings per share (RON/share)</b>	<b>0.20</b>	<b>0.73</b>

**19. FINANCIAL RISK MANAGEMENT****a. Financial risk factors***Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Group's receivables from customers and investment securities.

Financial assets, which potentially subject this Group to credit risk, consist principally of trade receivables, cash and cash equivalents and bank deposits. The Group has policies in place to ensure that sales of electricity are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of allowance, represents the maximum amount exposed to credit risk.

As at 30 June 2014 the Group has significant concentration of credit risk, about 35% of the Group's trade receivables are from SC Electrica Furnizare SA (see Note 7).

Cash is placed at financial institutions, which are considered to have minimal risk of default, principally at Romanian Commercial Bank, Transilvania Bank and BRD - Groupe Societe Generale.

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

	<b>Carrying amount</b>	
	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Financial assets</b>		
Trade receivables	76,418,667	85,975,192
Other receivables	88,127,421	111,391,453
Bank deposits	31,442,715	704,525,705
Cash and cash equivalents	1,081,835,958	751,247,612
	<b>1,277,824,761</b>	<b>1,653,139,962</b>

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The ageing of trade receivables at the reporting date is:

	<u>Gross amount</u> <u>30 June 2014</u>	<u>Allowance</u> <u>30 June 2014</u>	<u>Gross amount</u> <u>31 December</u> <u>2013</u>	<u>Allowance</u> <u>31 December</u> <u>2013</u>
Neither past due nor impaired	75,746,515	-	82,642,745	-
Past due 1–30 days	671,981	-	267,052	-
Past due 31–90 days	171	-	132,427	-
Past due 91–180 days	-	-	72,733	-
Past due 181–270 days	-	-	781,708	-
Past due 271–365 days	-	-	38,116	-
Past due more than one year	14,777,238	(14,777,238)	16,243,973	(14,203,561)
<b>Total</b>	<b><u>91,195,905</u></b>	<b><u>(14,777,238)</u></b>	<b><u>100,178,754</u></b>	<b><u>(14,203,561)</u></b>

The movement in the trade receivables allowance during the period was as follows:

	<u>30 June 2014</u>	<u>31 December 2013</u>
<b>Balance at 1 January</b>	(14,203,561)	(7,312,781)
Allowance recognized, net	(573,677)	(6,890,780)
<b>Balance at period end</b>	<b><u>(14,777,238)</u></b>	<b><u>(14,203,561)</u></b>

The ageing of other receivables at reporting date is:

	<u>Gross amount</u> <u>30 June 2014</u>	<u>Allowance</u> <u>30 June 2014</u>	<u>Gross amount</u> <u>31 December</u> <u>2013</u>	<u>Allowance</u> <u>31 December</u> <u>2013</u>
Neither past due nor impaired	88,127,421	-	111,382,343	-
Past due more than one year	2,500,647	(2,500,647)	2,509,757	(2,500,647)
<b>Total</b>	<b><u>90,628,068</u></b>	<b><u>(2,500,647)</u></b>	<b><u>113,892,100</u></b>	<b><u>(2,500,647)</u></b>

**b. Carrying amount versus fair values**

A number of Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining the fair values of assets and liabilities, the Group uses at the extent possible the observable market values. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data

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As at 30 June 2014, management considers that the fair values of cash and cash equivalents, trade receivables and other receivables, trade payables, loans and other short term liabilities approximate their carrying value.

The fair values of financial assets and financial liabilities, together with the carrying amounts in the condensed consolidated statement of financial position are as follows:

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>30 June 2014</b>			
<b>Current financial assets</b>			
Trade receivables	76,418,667	76,418,667	-
Other receivables	88,127,421	88,127,421	-
Bank deposits	31,442,715	31,442,715	-
Cash and cash equivalents	1,081,835,958	1,081,835,958	-
	<b>1,277,824,761</b>	<b>1,277,824,761</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Level</b>
<b>30 June 2014</b>			
<b>Long term financial liabilities</b>			
Long term financial borrowings	1,543,252,542	1,543,252,542	2
	<b>1,543,252,542</b>	<b>1,543,252,542</b>	
<b>Current financial liabilities</b>			
Trade Payables, including Suppliers of PP&E	155,229,812	155,229,812	-
Borrowings	203,282,314	203,282,314	2
Dividends payable	26,722,193	26,722,193	-
Other payables	20,596,368	20,596,368	-
	<b>405,830,687</b>	<b>405,830,687</b>	

**20. CONTINGENCIES AND COMMITMENTS****(i) Legal proceedings**

During the six month period ended 30 June 2014, the Group was involved in a number of litigations arising in its normal course of activity. The management of the Group regularly analyses the ongoing litigations and, after consulting with its legal representatives and external lawyers, decides whether or not to create a provision or to disclose any litigation in the financial statements.

In the opinion of the Group's management, there are no litigations or disputes which may have a significant impact on the Group's financial result and position and which have not been disclosed in these condensed consolidated interim financial statements.

**(ii) Commitments**

As at 30 June 2014, the Group is committed to incur capital and operational expenditure of approximately RON 914 million.

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## **21. SUBSEQUENT EVENTS**

### *General Shareholders Meeting held on 31 July 2014*

On 31 July 2014, in the Ordinary General Shareholders Meeting has approved the Company's Expenses and Revenues Budget for the year 2014. In the same time, the Extraordinary General Shareholders Meeting approved the inception of the proceeding regarding the share capital increase with the value of the land located in Gen. Gh. Magheru Avenue, for which the title deeds were obtained in February 2014 (see Note 9).

### *EnergoNuclear S.A.*

On 2 July 2014, the Romanian Government approved the Memorandum on "Approval of the strategy for further actions regarding Project Units 3 and 4". On 31 July 2014, during the Extraordinary General Shareholders Meeting information on further development of Project Units 3 and 4 at Cernavoda and on attracting new investors through a competitive selection procedure was published and presented to shareholders.

Also, on 31 July 2014, the Government approved the Memorandum on "Approval of the strategy on further development of Cernavoda Units 3 and 4 by organizing a selection procedure of investors".

Daniela Lulache  
Chief Executive Officer

Mihai Darie  
Chief Financial Officer