

## **QUARTERLY REPORT**

**of the Board of Directors on the administration of  
S.N. NUCLEARELECTRICA S. A.**

**for the period  
1<sup>st</sup> January-31<sup>st</sup> March 2014**

**1<sup>st</sup> Quarter 2014**

The information and the individual interim condensed financial statements presented in this report are not audited and have been prepared in accordance with Ministry of Finance Order no. 1286/2012 based on the International Accounting Standard 34 – *“Interim Financial Reporting”*

**May 2014**

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## 1. INTRODUCTION

The quarterly report of the administrators is prepared in compliance with Law No. 31/1990 republished as subsequently amended, with OUG no. 109/2011 regarding the corporate governance of public companies as subsequently amended and with the Administration Contracts concluded between the administrators and the Company. The information and the interim individual condensed financial statements presented in this report are not audited and have been prepared in compliance with the OMFP 1286/2012 for the approval of the accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose shares are traded on a regulated market and related amendments based on the International Accounting Standard 34 – “Interim Financial Reporting”.

## 2. ANALYSIS OF THE FINANCIAL STATEMENTS

### 2.1. Individual statement of the financial position as at 31 March 2014

The individual statement of the financial position as at 31 March 2014 is presented in **Appendix 1**.

As at 31 March 2013, the trade and other receivables are as follows:

Trade receivables	161.305.586
Trade receivables allowance	(14.214.364)
Other receivables	58.594.426
Other receivables allowance	(2.500.647)
<u>Taxes</u>	<u>64.688.471</u>
<b>Total</b>	<b>267.873.472</b>

The trade receivables consist of the amounts owed to the company by its clients, beneficiaries of electricity sold both on regulated market and on free market. The main debtors are Electrica Furnizare S.A., Enel Energie Muntenia S. A., Enel Energie S. A. and Arcelor Mittal S.A. The total trade receivables (clients) also include the overdue receivables. This category also includes, mainly, the overdue receivable to be recovered from Hidroelectrica S.A. representing 2.487.980 lei as at 31 March 2014 (11.249.647 lei as at 31 December 2013). The nominal value that needs to be recovered from Hidroelectrica was rescheduled for payment through the reorganization plan approved in judicial reorganization procedure of the debtor Hidroelectrica. The total amount owed by Hidroelectrica S.A. as at 31 March 2014 is of 43.808.468 lei (out of which 2.487.980 lei represent trade receivables and 41.320.478 lei represent other receivables).

The "Taxes" category includes mainly VAT receivable to be recovered by the Company that required its refund.

As at 31 March 2014, the current liabilities are as follows:

Trade payables and other liabilities	164.511.944
Current tax liability	25.317.564
Deferred income	46.317.553
<u>Current portion of long term borrowings</u>	<u>185.580.600</u>
<b>Total</b>	<b>421.727.661</b>

The current portion of long term borrowings is the short-term due quota from the balance of the foreign bank loans for the completion and commissioning of the Cernavoda NPP's Unit 2.

The item “Trade payables and other liabilities” includes, mainly, suppliers for production activity, equipment and services (76.471.307 lei) and fixed assets suppliers (22.445.764 lei) and debts to the State (41.904.083 lei). The debts to the State also include current liabilities of the month of March 2014 which were paid in the following month, in due time, as well as the amount of 22.000.000 lei representing the estimated special construction tax for the 1<sup>st</sup> quarter 2014.

As at 31 March 2014, the long-term borrowings, net of transaction costs are as follows:

Loans from foreign banks	1.775.091.625
<u>Loans from domestic banks</u>	<u>25.963.837</u>
	<b>1.801.055.462</b>
<u>Less current portion of long term borrowings</u>	<u>(181.049.162)</u>
<b>Total long term borrowings</b>	<b>1.620.006.300</b>

Long-term borrowings are the foreign loans granted by Societe Generale and EURATOM for the completion and commissioning of the Cernavoda NPP’s Unit 2, as well as the loan through BCR by the Ministry of Public Finances for SNN, the equivalent amount in lei of 80 million euro.

The amount due as at 31 March 2014 for the loan granted by BCR is of 25.963.837 lei and shall be paid in full during the year 2014.

The debt service to the foreign loans was duly paid on the due dates from own sources.

## 2.2. Individual profit or loss account for the period ended as at 31 March 2014

The individual profit or loss account for the period 1<sup>st</sup> January – 31<sup>st</sup> March 2014 is presented in **Appendix 2**. The Company has the following structure of revenues and expenses for the first three months of 2014 (lei):

Operating revenues	481.926.083
Operating expenses	392.866.175
<b>Operating result</b>	<b>89.059.908</b>
Finance income	49.545.192
Finance costs	12.725.899
<b>Net finance income</b>	<b>36.819.293</b>
Total revenues	531.471.275
Total expenses	405.592.074
<b>Profit before income tax</b>	<b>125.879.201</b>
Income tax expense	24.064.296
<b>Net profit</b>	<b>101.814.904</b>

The operating result as at 31 March 2014, in amount of 89.059.908 lei, is by 50% lower than the operating profit achieved during the same period of 2013. The main causes of this decrease are the following: the decrease of the operating revenues as a result of the decrease of the electricity sale prices, the increase of tax expenses and the increase of depreciation expenses.

The financial result achieved for the period ended as at 31 March 2014 is positively influenced by the net favourable exchange rate differences, especially those related to the revaluation of the outstanding loans

denominated in foreign currency (CAD, EUR and USD) in relation to which the company is exposed to currency risk.

The result of the period ended as at 31 March 2014 is reflected by a profit before income tax in amount of 125.879.201 lei and by a net profit in amount of 101.814.904 lei. So, at the end of the 1<sup>st</sup> quarter 2014, the achieved net profit was by 30% lower compared to the net profit achieved in the 1<sup>st</sup> quarter 2013.

### **2.3. Budget execution as at 31 March 2014**

The proposal regarding SNN's Budget ("BVC") for 2014 as well as the explanatory annexes was submitted to the Ministry of Economy, Department for Energy, by letter no. 150.316/31.01.2014. Afterwards, this budget proposal was submitted for approval to SNN's General Shareholders Meeting which took place on March 11, 2014 and April 29, 2014, respectively.

The Budget approval method is provided under Art. 4, paragraph (1), letter a) of the Ordinance No. 26/2013: "The economic operators' budgets are approved by Government decision....".

Till the date of this report, SNN's budget for 2014 was not approved by SNN's General Meeting of Shareholders and that is why the budget is going to be submitted for approval to a new General Meeting of Shareholders after the budget will be approved through the government decision; so, the budget execution shall be submitted after the approval of the budget draft.

## **3. OPERATIONAL ACTIVITIES**

### **3.1. Electric power generation**

In the 1<sup>st</sup> quarter 2014, the two units of the Cernavoda NPP produced a (gross) electricity quantity of 3.052.538 MWh and delivered 2.817.423 MWh to National Power System (the difference, that is 235 thousand MWh, represents the units' own consumption during operation).

The gross capacity factors, recorded by the Cernavoda NPP's Units in the 1<sup>st</sup> quarter 2014 and cumulatively, from the beginning of their commercial operation (Unit 1 - 2<sup>nd</sup> December 1996 and Unit 2 - 1<sup>st</sup> November 2007) till 31<sup>st</sup> March 2014 were:

	1st Quarter 2014	Since in-service
Unit 1	101,02%	90,48%
Unit 2	100,42%	94,15%

As it results from the gross capacity factors value, in the 1<sup>st</sup> Quarter 2014, no unplanned shutdowns of the two units took place.

In the 1<sup>st</sup> Quarter 2014, the amount of electricity produced and delivered by the Cernavoda NPP was higher by 1,4% compared to the same period of 2013.

### **3.2. Electricity sales**

In the 1<sup>st</sup> quarter, as in the previous periods, SNN's electricity sales were based on regulated contracts, contracts signed on free market, awarded on CMBC (Centralized Market for Bilateral Contracts) and one

supply contract negotiated on free market with Transelectrica (about 1.000 MWh/year) – as well as based on transactions on DAM (Day Ahead Market).

The income earned on the electricity market in the 1<sup>st</sup> Quarter 2014 represents 460.388.270 lei (lower by 10,3% compared to the achievements of the last year).

The average moderate sale price for the sold electricity quantities, resulting in the 1<sup>st</sup> quarter 2014 is of 162,92 lei/MWh (transmission tax - TG - included). In the 1<sup>st</sup> quarter 2013 the average moderate sale price was of 181,73 lei/MWh.

As for the receipts related to the sold electricity, in the 1<sup>st</sup> quarter 2014 no delays were recorded as compared to the due dates stipulated under the contracts.

The quantities of electricity sold in the 1<sup>st</sup> quarter 2014 and the related revenues by types of sale contracts are presented in the table below:

**SNN's electricity sales (quantities, prices and values) in the 1<sup>st</sup> quarter 2014:**

Sales by contract type	Quantity in MWh	% of total sales	Price	Amount (lei)
			(lei including TG/MWh)	
Regulated contracts	1.006.882	35,6	155,85	156.918.047
Sales on the free market (CMBC and DAM contracts) out of which:	1.817.839	64,4	166,83	303.277.493
- sales on CMBC contracts	1.448.066	51,3	171,99	249.049.457
- sales on DAM contracts	369.772	13,1	146,65	54.228.036
Revenues from the electricity surplus (positive imbalance) sold on the Balancing Market				192.730
<b>Total</b>	<b>2.824.720</b>	<b>100</b>	<b>-</b>	<b>460.388.270</b>

The electricity quantities sold based on contracts concluded on regulated market complied with ANRE's Decision no. 3906/2013 that also established the regulated price for SNN in 2014, with an average value of 145,88 lei/MWh; when selling electricity based on regulated contracts, besides this price, the TG regulated tariff of 10,02 lei/MWh, for the electricity injection into the transmission grid, is added. Compared to the year 2013, ANRE reduced the regulated quantities from 50% to 35% of the Cernavoda NPP's planned production and the regulated price was increased by 2.7%. With respect to the new value of the regulated price, SNN filed a suit against ANRE.

The energy trading activity in the 1<sup>st</sup> quarter 2014 was carried out in terms of price decrease on the electricity wholesale market both on Day Ahead Market (DAM) and on Centralized Market for Bilateral Contracts (CMBC) and in terms of the market orientation towards short-term contracts and in terms of DAM share increase in the total traded amounts. This situation occurred even in the first part of 2013 and is explained, besides the consumption decrease, by the ever higher volume of electric power from renewable sources sold on DAM based on very low price offers. So, due to the low average of the prices on the DAM (even though the daily prices are very volatile), the spot market has become much more appealing for transactions, compared to the signing of some relatively long-term and fixed price contracts, and the electricity amount traded on DAM increased by more than one third of the domestic electric power consumption. At the same time the low prices on DAM led to the decrease of the price of the contracts awarded through auctions on CMBC.

SNN's electric power quantities sold on the free market (CMBC) represented, in the first quarter of the year, 51,3% of the total sold volume of electric power. The average price of sale contracts concluded on CMBC for the contracts with delivery in the first quarter of the year 2014 was of 171,99 lei/MWh, recording a decrease of more than 16% compared to the average price of the CMBC contracts in 2013, of 205,78 lei/MWh.

In the first quarter 2014, SNN has carried out 68 energy sale contracts out of which 6 regulated contracts, 1 supply contract concluded with Transelectrica and 61 contracts on the free market.

The contract concluded with Arcelor Mittal, which was in progress including in the first quarter of the year 2014, was terminated by the buyer at the end of March, after 12 months of execution, with the explanation that the difference between the contract price and the market price of March 2014 can no longer be supported, given that Arcelor Mittal must pay a range of taxes and fees for consumed energy (state subsidies -green certificates, tax for cogeneration etc.).

On 20<sup>th</sup> March 2014, SNN signed a sale electricity contract through CMBC with GEN-I, Bucharest-Electricity Trading and Sales S.R.L, having as object the electric power supply between 28 March 2014 - 31 March 2016, at a constant power of 130 MW, with a total electricity volume of 2.293.070 MWh. The total value of the transaction is of 381.039.442 lei according to the auction closing price of 166,17 lei/MWh with transmission tax (TG) included, for the first year of the contract.

The amount of energy sold based on contracts and on the DAM was of 2.824.720 MWh, by 0,36% over the sales program, of 2,814,663 MWh (the difference between the energy sold and delivered by the Cernavoda NPP was compensated on the Balancing Market and emerged as a result of some negative deviations from the daily forecast).

On the DAM, in the first quarter of 2014, a quantity of energy accounting for 13,1% of the total sales volume was sold, compared to a percentage share of 1,5% recorded in the second half of 2013. The average energy sale price offered by SNN on DAM was of 146,65 lei/MWh, compared to 156,24 lei/MWh recorded in the same period in 2013.

### **3.3 Expenses on electricity market**

In the first quarter 2014, the total amount of expenses done by SNN on the electric power market (except those made on the Balancing Market) amounted to 28.505.066 lei. They covered the transmission service carried out by Transelectrica for the electric power injection into the Transmission Grid (TG), which is recovered through the tariff received from the customers, the equivalent value of the state subsidies for renewable energy (green certificates) required to be purchased for the supplied electric power, as well as the taxes for the transaction to be carried out on OPCOM trading platforms.

The expenses on the Balancing Market amounted to 3.588.758 lei. This amount represents the equivalent value of the electric power received from the Balancing Market for compensating the negative imbalances which emerged due to differences between actually delivered energy quantities and the quantities notified in the market as per forecast for each time interval.

In the first quarter of 2014, no expenses were made for purchasing energy from the market, because no unplanned outages occurred and all SNN's obligations to deliver energy were covered from the electricity produced by the Cernavoda NPP's units.

A comparison of the significant indicators achieved in the 1<sup>st</sup> quarter 2014 and those recorded in the same period of 2013 is presented below, highlighting the percentage variations.

Indicators	1 <sup>st</sup> quarter 2014	1 <sup>st</sup> quarter 2013	Variation %
Electricity produced and delivered by SNN's production units, MWh	2.817.423	2.778.363	1,4
Electricity sold by SNN (excluding the Balancing Market), MWh	2.824.720	2.822.301	0,1
Electricity sales revenues, lei	460.388.270	513.027.089	-10,3
Gross result (revenues minus expenses) on the Electric Power Market, lei	428.324.447	471.973.365	-9,2
Actual net price, lei/MWh	152,03	169,87	-10,5

### 3.4. Investment program for the first quarter 2014

The total value of the investment programme for 2014 was established to 341.580 thousand lei, recording an increase of 6,55% compared to the level of the investments scheduled for 2013. Until the date of this report, the Budget of SNN has not been approved by the General Meeting of Shareholders. As a result, the investment program for the year 2014 is just a draft.

The structure of the investment program (thousand lei) is presented in the table below:

No.	Organizational structure	Ongoing investments	New investments	Other investment expenses	Total	Completion as at 31 March 2014 (%)
1	SNN Executiv	40.983	25.225	3.225	69.433	26,13%
2	CNE Cernavoda	199.638	17.407	36.709	253.754	9,29%
3	FCN Pitesti	8.308	5.065	5.021	18.393	1,62%
	<b>TOTAL</b>				<b>341.580</b>	<b>12,31%</b>

Compared to the year 2013, the level of new investments represents approximately 14% of the total value of the investment programme for the year 2014. However, as in the previous years, the most investments are long-term investments due to specific activity, the ongoing investments still represent a significant proportion of the total amount proposed for 2014 (approx. 73%). For 2013, the ongoing investments accounted for 84% of the approved value of the investment program. At the same time, more than 70% of the total scheduled investments are related to the Cernavoda NPP's Units 1 and 2.

The completion degree of the investment program as at and for the period ended 31 March 2014 is of 12,31%.

#### *Analysis of the completion degree of the investment program as at 31 March 2014*



## **SNN Executive**

The premises which were at the basis of the dimensioning of the investment program related to SNN Executive were the following:

- For the chapter "Ongoing investments" the following amounts were provided:
  - ▶ 22.071 thousand lei representing the contribution of SNN (100%) to S.C. EnergoNuclear SA (EN) share capital increase.
  - ▶ 17.948 thousand lei, the estimated amount necessary to cover the purchasing cost of Enel and Arcelor Mittal shares held in EN, as a result of their decision made at the end of 2013 to leave the Cernavoda NPP's Units 3 & 4 Project
  - ▶ 964 thousand lei, the value dedicated to the services/activities related to Units 3 & 4
  
- For the chapter "New investments", the following amounts were provided:
  - ▶ 4.950 thousand lei for the investment objective "Security project for the information and communications system" aiming at implementing a complex data centre, capable to ensure and cover the entire storage and management requirements of the data volumes, under conditions of safety, availability and reliability, and to create the necessary premises for the implementation of a high performance computer system at the level of SNN-Headquarters and of its branches in accordance with the current communication requirements and information structure alignment with the requirements of the information security standard ISO27001.
  - ▶ 2.475 thousand lei for the investment objective "Implementation of software applications" which consists in extending ERP system (Enterprise Resource Planning) with the aim of facilitating the integration of all information within the organization in a unique platform.
  - ▶ 8.900 thousand lei-representing SNN's participation in the share capital increase of the company Hydro Tarnita S.A. through subscription of a total of 89,000 newly issued shares.
  - ▶ 8.900 thousand lei - representing SNN's participation in the set up of the project company HVDCC Romania-Turkey S.A. through the subscription of a total number of 2,000,000 shares.
  
- The chapter "Other investment expenses" provided an amount of 2,100 thousand lei representing the amount for the consolidation of the headquarters in 33 Magheru Blvd., in case that the owners of the building in 33 Magheru Blvd. make a decision on starting the consolidation works. The difference of 4,900 thousand lei, representing the difference of the quota incumbent on SNN for performing the consolidation works on the office building in 33 Magheru Blvd., was foreseen for 2015.

The completion degree for SNN Executive, as at the end of the 1<sup>st</sup> quarter 2014, is 26,13% representing the repurchase of shares held by ENEL and Arcelor Mittal Galati (17.947.585 lei), the carrying out of the evaluation services for the components related to the Cernavoda NPP's Unit 3 - Calandria System and Equipment Airlock, and the PD/29/2014 transfer authorization value, respectively.

## **Cernavoda NPP Branch**

The investment program of the Cernavoda NPP for the year 2014 amounts to 253.753 thousand lei. The completion index of the investment programme is of 9,30%.

As regards the major investment objectives of the management plan approved in July 2013 (Table 37- Management Plan -PJ-05-016 Intermediate Spent Fuel Storage Facility, including SICA U # 2, PJ-04-001 Modernization and expansion of the physical protection system, PJ-11-006 Improvement of the Cernavoda NPP's response, namely of the nuclear safety functions in case of events outside of the design base as a consequence of the nuclear accident that occurred at the Fukushima nuclear power plant) that provided for

these targets a total amount of 125.231 thousand lei, now it provides a total amount of 83.863 thousand lei.

The degree of implementation of the major investment objectives as at the end of the 1<sup>st</sup> quarter 2014:

Project code	Project name/ Investment objective	2014	
		Scheduled Administration Plan Year 2014 (thousand lei)	Implemented 1st quarter 2014 (thousand lei)
PJ-05-016	Interim spent fuel storage facility (including SICA U2)	48.563	7.786
PJ-04-001	Upgrading and expansion of the physical protection system	42.743	2.141
PJ-11-006	Improvement of the Cernavoda NPP's response, namely the improvement of the nuclear safety functions in case of events outside the design base as a consequence of the nuclear accident that occurred at the Fukushima 1 Nuclear Power Plant, Japonia	33.925	193
	<b>TOTAL</b>	<b>125.231</b>	<b>83.863</b>

### FCN (Nuclear Fuel Plant) Pitesti Branch

The implementation degree of the FCN investment programme is of 1.62%, recording achievements in terms of the ongoing investments:

- ▶ “Upgrading of the fuel bundle manufacturing line in order to optimise the manufacturing flow and to improve the quality of the finished product” - implementation degree 0,09%
- ▶ “Elevator for persons” - implementation degree 100%, namely under chapter “other investment expenses” – completion degree 4,1%.

### 3.5. Cernavoda NPP Branch

During the reporting period, the electric and thermal power production process was carried out in normal conditions. There were no unplanned shutdowns or power reductions.

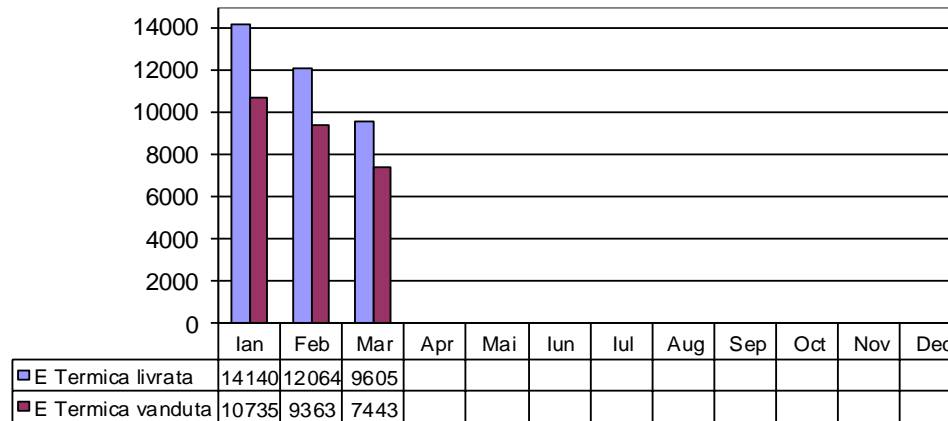
The operation activity was conducted without events that have an impact on nuclear safety, personnel, population or environment. The relationship with the regulators was conducted in compliance with the requirements and conditions in the operation licenses.

During January – March 2014, there were no operation events exceeding level 1 on the international nuclear events scale, regarding the degradation of the in depth barriers, with impact on or off site (indicator 1).

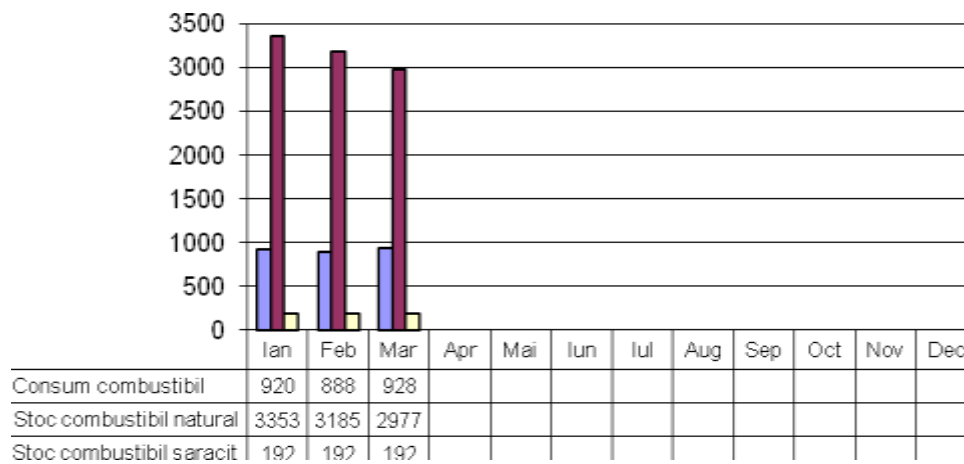
A range of Cernavoda NPP specific operation indicators are presented in graphic format:

### Thermal power delivered to the district heating system/sold (Gcal)

**(Delivered thermal power 2014: 35.508 Gcal, Sold thermal power 2014: 27.541 Gcal)**

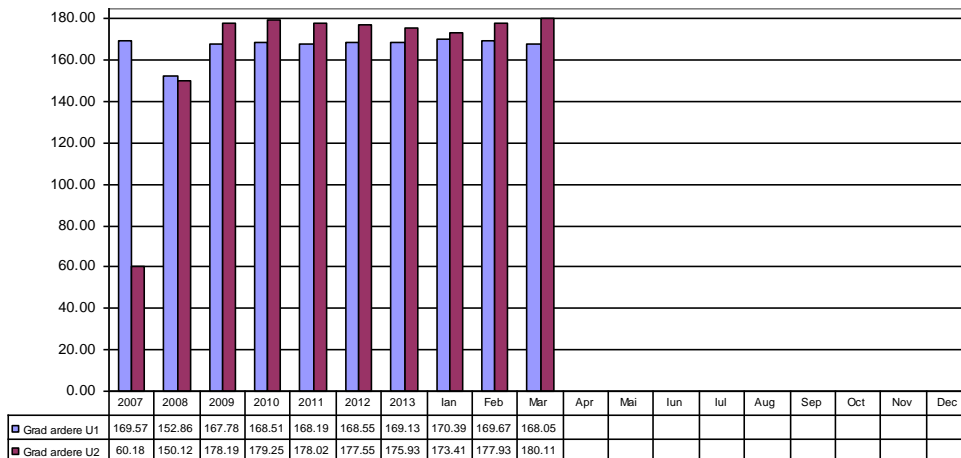


**U1 + U2 fuel consumption (bundles)  
(Cumulated consumption 2013: 2.736)**

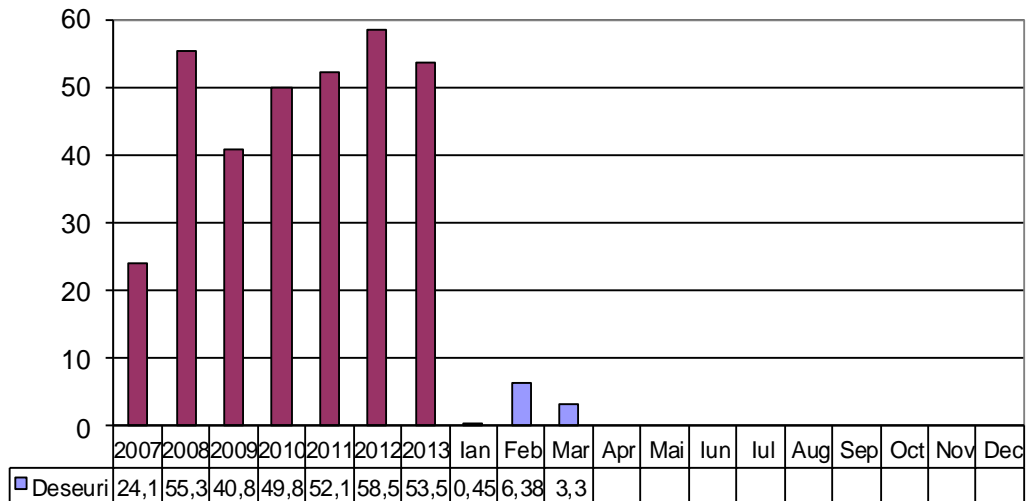


**Nuclear fuel burn up factor (MWh/ KgU)**

**(Cumulated 2014: 173,15 /Project provided: 156,00)**

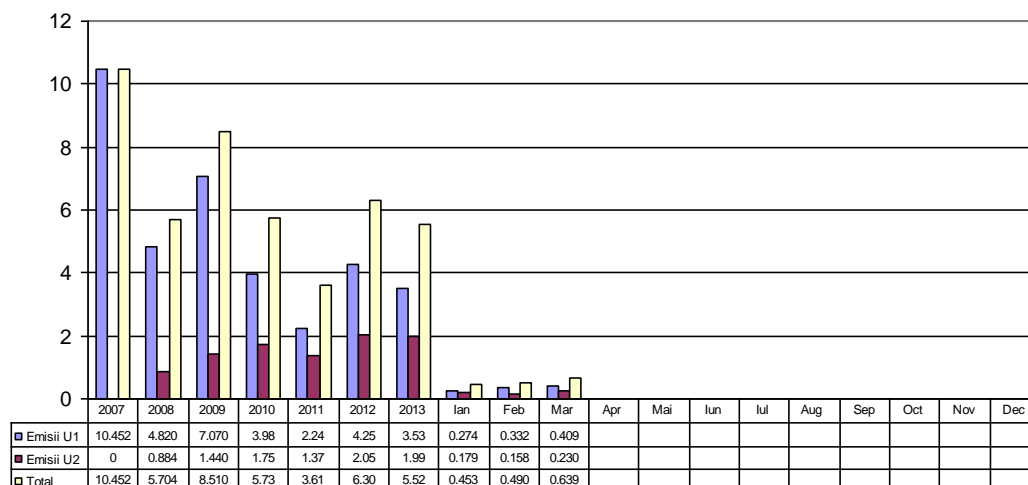


**Solid radioactive waste U1 + U2 (m3)**  
**(cumulated 2014:10,13/Project provided: 60,00)**



**U1 + U2 radioactive emissions to the environment (µSv)**

(Total 2014:1,58/annual limit: 18,00)



### 3.6. FCN Pitesti Branch

During the 1<sup>st</sup> quarter of 2014, a number of 3.254 nuclear fuel bundles were controlled and accepted, fitting into specifications. FCN Pitesti delivered a quantity of 2.160 nuclear fuel bundles to Cernavoda NPP, respecting the agreed delivery schedule.

During January – March 2014, FCN Pitesti manufactured a larger number of nuclear fuel bundles compared with the same period of 2013 (3.254 bundles by comparison to 3.030 bundles in the 1<sup>st</sup> quarter of 2013).

During the 1<sup>st</sup> quarter of 2014, the acquisition price of UO2 sintered powder rose from 441,83 lei/kg in the 1<sup>st</sup> quarter of 2013 to 460 lei/kg in the 1<sup>st</sup> quarter of 2014; the price of 460 lei/kg was lower than the average acquisition price of the year 2013.

The figure below presents the radioprotection and occupational safety indicators:

#### Radioprotection and occupational safety indicators

Indicator	Q1
Number of work accidents	0
Number of fires	0
Personnel dose exceeding	0
Abnormalities, radiological emergencies, nuclear incidents	0

## **4. OTHER SIGNIFICANT ASPECTS**

### **4.1. The purchase of uranium sintered powder**

#### **The contract for the supply of sintered UO<sub>2</sub> powder**

During the first part of January 2014:

- The Board of Directors (BoD) of SNN approved the results of the negotiations and the signing of the supply contract for UO<sub>2</sub> sintered powder with the National Uranium Company (CNU) under the following conditions: the acquisition price for the UO<sub>2</sub> sintered powder: 460 lei/kg; the duration of the contract: 4 months; the purchased quantity: 49.019,658 kg U UO<sub>2</sub>.
- The contract was signed by both parties, translated, legalized and sent to ESA in view of validation. After validation, the contract comes into force.

During March 2014, on the basis of the resolution of the BoD of SNN, the negotiations with CNU were restarted in order to establish the contract clauses valid after 2014. At the end of March 2014, the results of the negotiations were subjected to the approval of the BoD.

The new contract for the supply of UO<sub>2</sub> sintered powder was signed on 09.04.2014, under the following conditions: (i) the acquisition price for the UO<sub>2</sub> sintered powder: 475 lei/kg U in UO<sub>2</sub>, fixed price for the first year; (ii) the duration of the contract: 3 years; (iii) the purchased amount: 660 tons U in UO<sub>2</sub>. Following the signing of the contract by both parties, the contract was translated, legalized and sent to ESA for validation.

### **4.2 Cernavoda NPP Units 3 and 4 Projects**

In January 2014, the Company purchased the shares owned by Enel Investment Holding B.V. and Arcelor Mittal Galati S.A. in EnergoNuclear for the total amount of 17.947.585 RON following the application of the put option in December 2013.

Regarding the promotion of the project, an important part is played by the cooperation with China General Nuclear Power Group/ China Nuclear Power Engineering Company (CGN/CNPEC) which is carried out on the basis of the Memorandum of Understanding signed in May 2013.

On the basis of the Letter of Intent (LoI) signed by CGN at the end of November 2013, CGN started an extensive analysis and evaluation of the Cernavoda NPP Units 3 and 4 project in order to make an investment decision.

On April 25<sup>th</sup> 2014, the Chinese company China General Nuclear Power Corporation and Nuclearelectrica concluded an addendum which extends the deadline of the letter of intent signed in November 2013 until December 31<sup>st</sup> 2014.

### **4.3. Major litigations**

The situation of major litigations is presented in **Appendix 3**.

### **4.4 The status of activities related to the transfer of heavy water to the state reserve**

The representatives of ANRSPS (the State Reserve) and SNN met during 19-21.03.2014, at the headquarters of RAAN – ROMAG PROD Subsidiary in order to complete the transfer of the heavy water, on the basis of the transfer authorization issued by CNCAN. Following these meetings, ANRSPS requested the factual

break down of the amount of heavy water belonging to SNN, on financing sources taking into account the acquisition prices of the product, followed by the actual and factual transfer of the heavy water purchased by SNN financed by the state budget.

The storage of the heavy water taken over by SNN during 2006-2011 was conditioned by objective constraints, of ROMAG, during this time different quantities of heavy water with different prices, different prices and different financing sources were mixed in the same vessel (50 tons), although heavy water is fungible asset (with similar qualitative characteristics from different lots). This made it impossible to actually identify the quantities of heavy water purchased from state budget allocations from the quantities purchased by SNN from internal sources and to make the separation.

Currently, ROMAG carries out the necessary activities for the actual separation of the quantities of heavy water following that after the completion of this procedure, SNN will transfer the heavy water inventory from the state reserve to ANRSPS.

## 5. THE MAIN ECONOMICAL AND FINANCIAL INDICATORS AT 31.03.2014

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

\*)Assets turnover is calculated by annualising the quarterly sales (360 days/90)

## 6. DEGREE OF ACCOMPLISHMENT OF PERFORMANCE INDICATORS

The performance indicators and criteria included in the mandate contracts of the administrators and directors were established at the middle of 2013 on the basis of the local applicable accounting standards. Starting with the financial year 2013, SNN applied the International Financial Reporting Standards (IFRS).

During the General Meeting of Shareholders of April 29<sup>th</sup>, 2014, the Board of Directors of SNN proposed an update of the Appendix 1.1. to the mandate contract with the level of indicators and performance criteria for the year 2014 in accordance with the revenues and expenditures budget proposal, appendix which also contains the quarterly break down of the performance indicators and criteria.

The General Meeting of Shareholders did not approve the revenues and expenditures budget of the company for the year 2014 and neither the update of the performance indicators and criteria for the year 2014, thus, currently we are not able to present the degree of accomplishment of the performance indicators and criteria for the first quarter of 2014.

**Appendix 1 – Statement of individual financial position as at 31.03.2014**

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



**Appendix 2 – Individual profit or loss account for 3 months period ended as at 31 March 2014**

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

**Appendix 3 – Major litigations as at 31.03.2014**

NO.	PARTIES	COURT	FILE	VALUE	
1.	creditor: SNN debtor: S.C.Proconex Universal SRL	Constanta Law Court Division II civilian	3868/118/201 2	Simplified bankruptcy procedure. Receivable accepted after appeal  3.478.554,4 lei	Deadline for the continuation of the procedure 12.05.2014
2.	Creditor: SNN Debtor: Cet Energoterm Resita S.A.	Caras- Severn Court of Law	2183/115/201 0	Bankruptcy - receivable 580.974,21 lei	Deadline: 29.05.2014
3.	Plaintiff: SNN Defendant: CE Oltenia Craiova	Court of Law of Bucharest Court of Appeal of Bucharest. The high court of cassation and justice	59009/3/2011	17.087.881,16 lei	Admits the claim and obliges the defendant to pay to SNN the amount of 17.087.881,16 lei, representing penalties for the invoices paid with delays as per the contract number 1183/23.12.2008. Obliges the defendant to pay the plaintiff 175.585,27 lei. Rejects the appeal as ungrounded. Fully paid plus court costs: 175.585,27 lei. Appeal – Cancels as unstamped the appeal of the defendant against the civil decision number 144/2013 dated April 20, 2013 sentenced in Bucharest Court of Appeal – Irrevocable.
4.	creditor: SNN debtor:S.C. Eco Energy SRL	Dambovita Court of Law	7238/120/201 2 7238/120/201 2/Appeal of Eco Energy	Simplified procedure receivable statement 2.464.059,64 lei	Admits the receivable in the preliminary timetable. The debtor issued an appeal. Partially admits the appeal and rules to temporarily include the receivable in the definitive table until the settlement of the pending litigations. Deadline: 12.05.2014
5.	creditor: SNN debtor: RAAN	Mehedinti Court of Law	9089/101/201 3	Bankruptcy procedure Accepted receivable 7.828.405,48 lei	SNN will recover the receivable of 5.450.135,91 lei (namely 69,62%) within 2 years starting with the first quarter of next year. On the basis of art. 19, paragraph 2, article 11, letter d of the Law 85/2006. Confirms Tudor & Asociații SPRL as legal administrator of RAAN with a fixed fee of 30.000 E/month + VAT for the observation and reorganization period and a variable fee of 3% + VAT for the legal observation and reorganization period out of the amounts distributed towards the creditors, paid or compensated as per the approval of the General Meeting of Creditors dated on 14.02.2014. Deadline: 26.06.2014

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6.	Plaintiff: SNN Defendant: S.C. Eco Energy SRL	Bucharest Court of Law Division VI	52814/3/2011	Claims for termination compensations + legal interest 2.403.397,17 lei	Rejects the appeal of the defendant S.C. ECO ENERGY S.R.L. through the legal liquidator SCP AURORA INSOLVENCY I.P.U.R.L. against the civil decision number 422/2011 dated on November 10th 2011, ruled by CAB – Section V civilian, as ungrounded. Irrevocable. Sent to the Bucharest Court of Law – retrial on the head of accusation regarding the termination – establishes the rightful termination of the contract 1171/18.12.2008. Obliges the defendant to pay the plaintiff the amount of 30.563,40 lei, as court costs. With appeal in 15 days since sentence. The defendant through its liquidator has issued an appeal. Deadline to be established. Separates the cause. Issues file number 40950/3/2013 for the penalties. The court invokes the rightful suspension of article 36 of the insolvency Law. In thesis, article 36 of the Law number 85/2006 suspends the trial.
7.	Plaintiff: SNN Defendant: Court of Auditors	Bucharest Court of Appeal  ICCJ	6561/2/2012	litigation CC Lg.94/92	Rejects the appeal. Deadline for appeal: 10.06.2014
8.	Plaintiff: Greenpeace CEE Romania Defendants: Ministry of Environment and SNN	Court of Appeal of Bucharest legal ICCJ	3663/2/2013	Cancellation of the decision to issue the environment agreement for Projects Units 3 and 4.	Rejects the exception of the lack of active and passive procedural capacity of the defendant Nuclearelectrica as ungrounded. Admits the exception of lack of object of the claim to cancel the environment agreement as ungrounded. Rejects as ungrounded the exception of prematurity of the claim to cancel the environment agreement. Rejects the claim to cancel the environment decision as ungrounded. With appeal in 5 days. Decision number 2284/2013 12.07.2013. Deadline for appeal to be established.
9.	Plaintiff: Greenpeace CEE Romania Defendants: Ministry of Environment and SNN	Court of Appeal of Bucharest	3793/2/2013	The suspension of the decision to issue the environment agreement for Units 3 and 4 Project.	Rejects as ungrounded the exception of the lack of procedural capacity of the defendants. Rejects, as ungrounded, the exception of lack of passive procedural capacity of the defendant SNN. Rejects the inadmissibility exception of the claim as ungrounded for chapter I of the initial claim (the annulment of the environment agreement) as well as the additional claim (the annulment of HG nr. 737/2013). Admits the exception of lack of object of chapter II of the initial claim (the annulment of the environment agreement for the project “The continuation of construction and completion works at Cernavoda NPP Units 3 and 4”). Rejects, as ungrounded, the exception of lack of interest of the initial and additional claims. With appeal. Deadline 2.05.2014
10.	debtor: Termoficare	Court of Law of	873/1259/200 8	Bankruptcy receivable	Deadline for the procedure 6.05.2014

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	2000 creditor: SNN	Arges		2.713.986,71 lei	
11.	Debtor: CON-DEM SA Creditor: SNN	Court of Law of Bucharest Court of Appeal of Bucharest	18770/3/2007 Appeal 18770.1/3/2007	Bankruptcy 2.446.227,08 lei	Bankruptcy general procedure Liquidator RVA Insolvency 17.09.2014
12.	Plaintiff: Greenpeace CEE Romania Defendants: Ministry of Environment and SNN	Court of Appeal of Bucharest legal ICCJ	8184/2/2011 8184/2/2011*	Cancelation of the environment authorization of FCN Pitesti	<u>First instance trial:</u> Admits the inadmissibility exception from the count regarding the annulment of HG1061/2011 as well as the request for the suspension of the activity of FCN Pitesti. Rejects the exception of lateness of the complementary claim of the plaintiff. Rejects the claim as ungrounded. <u>APPEAL:</u> admits the appeal of Greenpeace CEE Romania against the civil sentence 2014/21.03.2012 of the Court of Appeal of Bucharest – Division VIII Legal Administrative and Fiscal. Quashes the attacked sentence and send the file for retrial to the same court of law. Irrevocable. Decision number 3414/15.03.2014 <u>Retrial:</u> Rejects the claim. Admits the inadmissibility exception from the count regarding the suspension of the activity of the factory due to its non compliance with the legislation regarding the environment impact and rejects, consequently, this count, as inadmissible. Rejects the rest of the claim, as filed, as ungrounded. AS per art 274, paragraph (3) from the Code of Civil Procedure, obliges the plaintiff to pay to the defendant SN Nuclearelectrica SA the amount of 15.000 lei as court costs, representing attorney fees. With appeal in 15 days. Decision number 2626/18.09.2013 Deadline for retrial appeal: 05.11.2014
13.	Plaintiff : Fondul Proprietatea Defendant : SNN	Bucharest Court of Law	11661/3/2014	Asserts the absolute nullity of the EGMS resolution number 1/11.03.2014 or the annulment	Deadline to be established
14.	Plaintiff : Fondul Proprietatea Defendant: SNN	Bucharest Court of Law	11666/3/2014	Request the suspension of the execution of the EGMS resolution 1/11.03.2014	In order to give the parties the possibility to take account of the content of the intervention request and the inscriptions of the file, grants the deadline : 8.05.2014. at this deadline, the request of interference in favour of the defendant was rejected as inadmissible in principle and the next deadline was established for 05.06.2014.
15.	intervener: Fondul	Bucharest Court of	9853/3/2014	Intervention request	

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	Proprietatea petitioner: SNN	Law		through which FP request the rejection of the recording at the Trade Registry of the resolution number 1/11.03.2014	Pronouncement on the intervener's application to intervene in support of the defendant
16.	Plaintiff: SNN Defendant: National Regulatory Authority in the Energy Field	Bucharest Court of Law	416/2/2014	Modification of the regulated tariff through the decision 3609/2013	Deadline:20.05.2014