



Report date: **08.11.2016**

Name of the issuing entity: **Societatea Nationala NUCLEARELECTRICA S.A.**

Registered office: **65, Polona street, District 1, Bucharest**

Phone/fax number: **021-203.82.00 / 021 – 316.94.00**

Sole Registration Code with the Trade Register Office: **10874881**

Order number in the Trade Register: **J40/7403/1998**

Subscribed and paid share capital: **RON 3.015.138.510 Lei**

Regulated market on which the issued securities are traded: **Bucharest Stock Exchange**

To: Bucharest Stock Exchange

Financial Supervisory Authority

Ref: Current Report in compliance with the provisions of art. 227, paragraph (1) of the Law no. 297/2004 and the Regulation No. 1/2006 of the Romanian National Securities Commission regarding the issuers and securities operations, as subsequently amended

Eveniment important de raportat:

Quarterly report for the nine month period ended at 30 September 2016

Societatea Nationala Nuclearelectrica S.A. (“SNN”) informs the shareholders and investors on the publication of the Activity Report for the nine month period ended on September 30, 2016, completed in compliance with art. 227 of Law no. 297/2004 and with C.N.V.M. Regulation no. 1/2006.

The Report comprises:

- The main events in the company’s activity during the reporting period;
- The interim condensed unaudited financial statements as at and for the period ended on September 30, 2016, completed in compliance with OMFP no. 1286/2012, based on the 34 “Interim Financial” International Accounting Standard adopted by the European Union;
- The Quarterly Report of the Board of Directors on the administration activity for the January 1-September 30, 2016 period.

I. The Financial result

Thousand LEI	Nine month period ended on 30.09.2016	Nine month period ended on 30.09.2015	Var.	July 01 – 30 September 30, 2016	July 01 – 30 September 30, 2015	Var.
Production (GWh)	7.589	7.854	-3%	2.785	2.751	1%
Operating revenues, out of which	1.194.443	1.304.898	-8%	452.196	446.506	1%
<i>Revenues from electricity sale</i>	1.157.741	1.219.931	-5%	433.977	428.139	1%
Operating expenses	(770.321)	(845.178)	-9%	(239.795)	(235.700)	2%
EBITDA	424.122	459.720	-8%	212.401	210.806	1%
Depreciation and amortization	(359.949)	(352.396)	2%	(121.544)	(118.554)	3%
EBIT	64.173	107.324	-40%	90.857	92.252	-2%

Societatea Nationala NUCLEARELECTRICA S.A.

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Capital social subscris si varsat: 3.015.138.510 Lei

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Net financial expenses	15.535	52.784	-71%	29.020	57.488	-50%
Expense with the income tax	(15.165)	(28.919)	-48%	(17.495)	(21.452)	-18%
(Net loss)/Net Profit	64.543	131.189	-51%	102.382	128.287	-20%

**) extract from the individual interim condensed unaudited financial statements as at and for the nine month period ended at 30 September 2016*

In Q3 2016, SNN has recovered the operational loss registered on June 30, 2016 and obtained on 30.09.2016 a net profit of 64.543 thousand lei. The following factors have contributed to this result:

1. The extension of the planned outage of Cernavoda NPP Unit 1

The electricity sales income has dropped 5%, mainly as a result of the 4% decrease in the quantity of sold energy (approximately 336 thousand MWh) due to the extension of the planned outage of Unit 1 this year. In 2015, the planned outage of Unit 2 lasted de 24,8 days, while the planned outage of Unit 1 lasted 51 days in 2016, fact that determined the decrease of the sold quantity on June 30, 2016 by 7,09%.

The decision to perform these additional workings was the result of an economic-technical analysis that took mainly into consideration the medium and long-term benefits associated to this extended planned outage. Thus, the management prioritized the improvement of the thermal cycle whose direct result is an increase in production by 1.5-2% compared to the estimated level should this investment had not been completed. The decision to extend the planned outage of Unit 1 sought the medium-term beneficial effects through an increase in production to generate additional revenues within a market context which does not announces significant changes in terms of price increase in the upcoming future.

The effects on the operational activity for the first semester of 2016 were anticipated in 2015 and budgeted accordingly in 2016, a result below the similar period of last year, but beneficial on long-term having been agreed upon by the Board of Directors and the management.

The impact of the decreased quantity of sold energy caused by the extension of the planned outage with the inclusion of the additional nuclear fuel extension which would have been necessary to achieve this production supplement is in value of 52.000 thousand lei, representing unexecuted operational profit, all the other conditions being considered unchanged.

2. Sale income and price evolution

The quantities of energy sold during January-September 2016 and the according income, on contract types are presented below:

Sales	9M 2016			9M 2015		
	Quantities GWh	%	Price *	Quantities GWh	%	Price *
Regulated Market	1.206	15,83%	166,01	1.657	20,79%	166,75
Free Market, out of which	6.395	83,90%	152,99	6.279	78,75%	160,11
Bilateral Contracts	3.839	50,36%	165,42	5.306	66,54%	163,34
The Day Ahead Market (PZU)	2.556	33,54%	134,32	974	12,21%	142,53
Positive imbalances	20	0,27%		37	0,46%	
Total	7.622	100%	155,05	7.974	100%	161,5

*Price – weighted average price (lei/MWh with TG included)

Sales	Quarter III 2016			Quarter III 2015		
	Quantities GWh	%	Price *	Quantities GWh	%	Price *
Regulated Market	340	12,15%	164,02	584	21,09%	162,68
Free market, out of which:	2.449	87,59%	155,7	2.173	78,49%	158,34
Bilateral contracts	1.434	51,30%	162,99	2.075	74,96%	157,41
The Day Ahead Market (PZU)	1.015	36,29%	145,4	98	3,53%	178,15
Positive imbalances	7	0,26%		12	0,42%	
Total	2.796	100%	156,72	2.769	100%	159,25

*Price – weighted average price (lei/MWh with TG included)

The quantity of energy sold on regulated contracts, on the free market and balancing market is 7.622 GWh, 1,46% above the sale program of 7.512 GWh.

The sale revenues for the energy deliveries during January-September 2016 are of 1.179.623.453 lei, 2,82% lower than the value proposed for the 2016 Budget (the January-September 2016 period) and 8% lower compared to the same period of last year result.

The weighted average sale price for the energy quantities sold (without the balancing market) has decreased by -4% (-2% in QIII 2016) from 161,5 lei/MWh in the first nine months of (Q III 2015: 159,25 lei/MWh) to 155,05 lei/MWh including T_G in the first nine months of 2016 (Q III 2016: 156,72 lei/MWh).

The decrease in the transportation tariff by 6,28 lei/MWh in S1 2016 compared to S1 2015 (from 10,32 lei/MWh to 4,04 lei/MWh) and the decrease by 2,7 lei/MWh in Q3 2016 compared to the similar period of last year (from 4,04 lei/MWh to 1,34 lei/MWh) contributed to this difference.

In the first nine months of 2016 the weighted average price of the contracts concluded by SNN on the centralized markets and price of the regulated contracts are almost equal. During January-September 2016 period, the weighted average price of the contracts concluded on the competitive market was 0,59 lei/MWh lower than the weighted average price of the regulated contracts.

In the first nine months of 2016, the PZU prices were in average lower than the prices of the contracts concluded by SNN, mainly during February-August 2016. PZU average price published by OPCOM, registered in the first nine months of 2016 decreased by 12,4% compared to the price registered in the same period of last year, while the average price on the PZU market achieved by SNN in the same period decreased by 2,79% compared to the same period of the previous year. Thus, SNN registered a smaller decrease on the PZU market compared to the decrease on the market.

The gradual decrease of the price on the market segment on which SNN sells most of its production has a significant impact on the revenues from electricity sales. Moreover, the traders' reluctance to enter medium and long term contracts on PCCB, due to the price volatility and the lack of predictability, determined an increase of the spot market segment, which reached 50% in September 2016, although the spot market is by definition a marginal market segment. The lack of demand on other markets, the reluctance to conclude long term contracts on PCCB determined the reorientation of the market participants, including SNN toward the PZU market, which in the third quarter of 2016 reached 33,54% of the sales of SNN, compared to 3,53% in the third quarter of 2015. PZU is characterized by high volatility of the price and offers and the decrease in the price influences the price on PCCB.

3. The negative influence of the net differences in currency exchange rates

The company is exposed to currency risk in relation to several currencies among which EUR, CAD and USD based on the credit contract for the completion of the construction of Cernavoda NPP Unit 2. The net currency

exchange rate differences had a positive impact on the company's net result but the evolution of the currency exchange rate in the third quarter of 2015 was more favorable than in the current period, thus the net financial revenues register a decrease of 71% compared to the same period of the previous year.

II. Financial position

Thousand Lei	30 September 2016	31 December 2015	Variation
Non-current assets	7.418.999	7.696.228	-4%
Current assets	1.885.505	1.861.187	1%
Total assets	9.304.504	9.557.415	-3%
Non-current liabilities	1.470.536	1.642.689	-10%
Current liabilities	375.774	421.003	-11%
Total liabilities	1.846.310	2.063.692	-11%
Shareholders' equity	7.458.194	7.493.723	0%
Total shareholders' equity and liabilities	9.304.504	9.557.415	-3%

Non-current Assets withheld at a similar level compared to the level recorded at 31.12.2015, especially due to the decrease of the net value of the non-current assets in the nine months period ended at 30.09.2016 compared to 31.12.2015. The impact of amortization during the period was offset by the investments in current projects related to Units 1 and 2.

Current Assets decreased by 1% compared to 31.12.2015, mainly due to increase by 5% of the cash available in the banks following the collection of the trade receivables, which decreased by 29%. Moreover, compared to the values registered at 31.12.2015, stocks decreased by 2%.

Non-current Liabilities decreased by payments of the loans contracted with the foreign banks Societe Generale and Euratom for the completion and commissioning of Cernavoda NPP Unit 2.

Datoriile pe termen lung s-au diminuat cu platile de rate bancare scadente aferente creditelor externe contractate cu Societe Generale si Euratom pentru realizarea si punerea in functiune a Unitatii 2 CNE Cernavoda.

At 30.09.2016, the decrease with 11% of the current liabilities is due, mainly, to the reduction of the trade debt by 39% partially offset by the increase of fixed assets suppliers by 34%.

III. The Investment program at 30.09.2016

The total value of the investment program for 2016 is of 255.394 thousand lei, approved by the resolution no. 1/30.03.2016 of the Ordinary General Meeting of Shareholders. The investment program of SNN is part of the Revenues and Expenses Budget.

The structure of SNN's investment program for 2016 as well as the degree of completion at 30.09.2016 are presented in the table below:

Ongoing investment [thousand lei]	New investment [thousand lei]	The investment in current assets (modernization) [thousand lei]	Debt [thousand lei]	Total [thousand lei]	Completion degree as at 30.06.2016 (%)
177.844	18.625	6.877	52.049	255.394	38,75%

As in the previous years, long term investment projects (on going) have the largest share in the investment program. This is due to the modernization/refurbishment necessities for certain systems, in terms of economical arguments (specific cost reductions, improvement of specific parameters of the related processes, with positive impact on efficiency), legal arguments – the need to implement safety, environment protection and labor security related improvements, representing legal requirements of the regulation authorities in the nuclear field (CNCAN and the Ministry of Environment), as well as in order to comply to the development needs of the energy sector in Romania.

Investments in the continuous maintaining and improvement of the nuclear safety level, in compliance with the latest international norms and standards, are a constant priority of SNN, an optimum level of nuclear safety being the warranty of all the company's processes and results.

The compared status of the investments achieved (value and percentage) in the third quarter of 2016 compared to the third quarter of 2015 reflect a completion degree of 5,25 pp above the level in the previous period:

Year	Value of the investment program [thousand lei]	Completed in the second quarter (April-June) [thousand lei]	Completion degree second quarter (April-June) (%)	Completed in the first semester [thousand lei]	Completion degree First semester (%)
2016	255.394	21.435	8,39%	98.959	38,75%
2015	282.705	36.565	12,93%	94.642	33,48%

As per the resolution no. 8/17.10.2016 of the Extraordinary General Meeting of Shareholders approved the the continuation of negotiations on the Investment Documents related to the Memorandum of Understanding regarding the development, construction, operation and decommisioning of Cernavoda NPP Units 3 and 4 („MoU”) under the same conditions until 20 December 2016, by applying all the provisions of the MoU.

IV. Degree of accomplishment of the performance indicators of the Board of Directors at 30.09.2016

The performance indicators were calculated on the basis of SNN's Revenues and Expenses Budget, of the interim financial statements and of the operational reports as well as on the basis of the updated appendixes to the administration contracts concluded between the administrators and the company, comprising the performance criteria and indicators for 2016.

The accomplishment degree of the overall performance indicators for the third quarter of 2016 is of 108,15% correlated with the determining factors of the financial result for the first nine months of 2016 and with the decision of the Board of Directors to prioritize the investments with long term positive impact.

Thus, the degree of accomplishment of the main performance indicators which contributed to this result are:

- Annual turnover (cumulated since the beginning of the year) – 97,16%

- Annual operating result (cumulated since the beginning of the year) – 194,46%
- Execution of the annual value of the investment plan cumulated since the beginning of the year (as per Chart 28 and the annual budgets) – 22%

The management is confident that the performance indicators of the management will be achieved as per the targets established at the beginning of the financial year.

The financial statements and the information related to the activity of the company during 1 January – 30 September 2016 are presented in the pdf document attached to the current report. Also, the report can be accessed on the company's website ([www.nuclearelectrica](http://www.nuclearelectrica.ro)), "Investors Relations section/ 2016 financial statements".

For any additional details please contact us at: investor.relations@nuclearelectrica.ro

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