



**ANNUAL INDIVIDUAL REPORT OF THE
ADMINISTRATORS OF
S.N. NUCLEARELECTRICA S.A.**

For the financial year 2013

This is a free translation from the Romanian version.



TABLE OF CONTENT

1. STATEMENT OF THE GENERAL MANAGER.....	4
2. PRESENTATION OF THE COMPANY.....	5
2.1. Mission, vision, values, objectives.....	5
2.2. General information.....	6
2.3. Shareholding structure.....	6
2.4. Key indicators.....	7
2.5. Company's assets.....	7
2.6. Authorizations and operation licenses.....	8
2.7. Nuclear safety.....	13
2.8. Quality management.....	14
2.9. Relevant market.....	15
2.10. Corporate social responsibility.....	17
3. ANALYSIS OF THE COMPANY'S ACTIVITY.....	19
3.1. The production of electric power.....	19
3.2. Electric power sales and contracts.....	19
3.3. Investments.....	23
3.4. Investment financing sources.....	24
3.5. The supply activity.....	24
3.6. Human resources activities.....	27
3.8. Environment protection activities.....	32
3.9. Radioprotection program.....	34
3.10 Activity regarding Risk Management.....	35
By nature of performed activities, the company is exposed to various risks, hereinafter presented.....	35
4. ANALYSIS OF ECONOMIC-FINANCIAL AND OPERATION PERFORMANCE.....	39
4.1. Operation performance indicators.....	39
4.2. Economic-financial performance indicators.....	40
Information presented in chapter 4.2 are based on the individual financial statements.....	40
5. ANALYSIS OF THE ISSUER.....	43
5.1. Initial Public Offer.....	43
The Initial Public Offer to sell a number of 25.368.236 dematerialized, ordinary, indivisible and freely negotiable nominative shares, with a nominal value of lei 10/share, representing 10% of SN Nuclearelectrica SA share capital, was successfully completed in 2013. The unfolding period of the offer was 09.09.2013 – 20.09.2013. The closing price of the offer was Lei 11,2/share...	43
5.2. Transaction market.....	43
5.3. SNN activity on BVB.....	43
5.4. Index presence.....	43
5.5. Dividends policy.....	44
5.6. Communication with shareholders and investors.....	45
6. CORPORATE GOVERNANCE.....	46
6.1. The implementation of the corporate governance principles.....	46
6.2. The General Meeting of Shareholders.....	48



6.3. The Management of the Company	51
6.3.1 The Board of Directors (BoD).....	51
6.3.2 Executive management.....	54
6.4. Advisory committees	56
6.5. The rights of the shareholders	58
6.8. Internal audit.....	61
7. SUBSEQUENT EVENTS	62
8. PERSPECTIVE	65
9. STATEMENTS AND SIGNATURES	66
10. APPENDIX	67
Appendix 1 – Articles of Incorporation modified in 2013.....	68
Appendix 3 – Appointment/revocation documents in 2013.....	70
Mr. Dumitru Dina, manager of the Strategy Development Division, exercised the interim responsibilities of the General Manager of SNN starting with the 7 th of December 2011 until 25 th of April 2013, when the new General Manager of the company was appointed, in the person of Mrs. Daniela Lulache.....	70
Appendix 4 – List of headquarters.....	71
Appendix 5 – List of subsidiaries.....	72
Appendix 6 – List of the company’s branches.....	73
Appendix 7 – List of the entities affiliated to the company	74
Appendix 8 – List of litigations at 31.12.2013 with the subsequent modifications after the date of the current report.....	75
Appendix 9- The Annual Report of the Nomination and Remuneration Committee	83
Appendix 10 – Audited separate financial statements at 31.12.2013 prepared in accordance with IFRS – EU	92



1. STATEMENT OF THE GENERAL MANAGER

For Nuclearelectrica, the year 2013, represented the entrance into a new transformation and development phase through the implementation of a new form of management and the enlisting of 10% of its shares on the stock exchange market. The main objectives in the framework of the implementation of the private management and, implicitly, of the mandate were: the successful enlisting of the company on the stock exchange market, the efficient reorganization of the company on all levels, the increase of the company's profitability and the structuring of the financing for Units 3 and 4 Project.

The reconfiguration of the strategies for sustainable financial growth and implementation of the corporate governance standards allowed the company to confirm the expectations of the investors, expressed during the road-show for enlisting.

The successful enlisting on the stock exchange market represented an integration of Nuclearelectrica within the dynamics of the capital market, a concentration of the efforts towards a better positioning, a motivation for constant growth and the warranty of transparency of the management process.

The increase in profit and turnover represented a major component of the transformation and adaptation process to the requirements of the capital market, on the premises that a company with excellent operational results can apply strategical measures in order to obtain both financial and operating performance.

Nuclearelectrica concluded the year 2013 with a record net profit, although most of the challenges faced in 2012 extended to 2013 and with good operational results, under conditions of maximum nuclear safety, supported by a high capacity factors at Units 1 and 2 of Cernavoda NPP.

For the year 2014, the major challenge, for Nuclearelectrica as an energy producer, comes from the energy market context, as well as from the impact of legislation changes, especially fiscal ones. The continuation and support of the initially established objectives, on the grounds of the growth already started in 2013, impose a readaptation of the commercial strategy in order to increase income and to ensure predictability, as the only counter measure able to absorb, at least partially, these fluctuations.

The year 2013 demonstrated that strategical thinking alone can ensure profit and growth. We will apply the same principles in 2014 taking into account the changed paradigm for industrial performance and consumption, the competition, regulations and fiscal realities.

The efforts for financial growth in the conditions of the market, the continuation of the modernization process of the company and the consolidation of the investors' confidence, the internal reorganization for efficient growth and the reduction of the expenses that are not destined for strategical objectives, constantly and transparently communicates are the assumed objectives for 2014.

Daniela Lulache
CEO
S.N. Nuclearelectrica S.A.



2. PRESENTATION OF THE COMPANY

2.1. Mission, vision, values, objectives

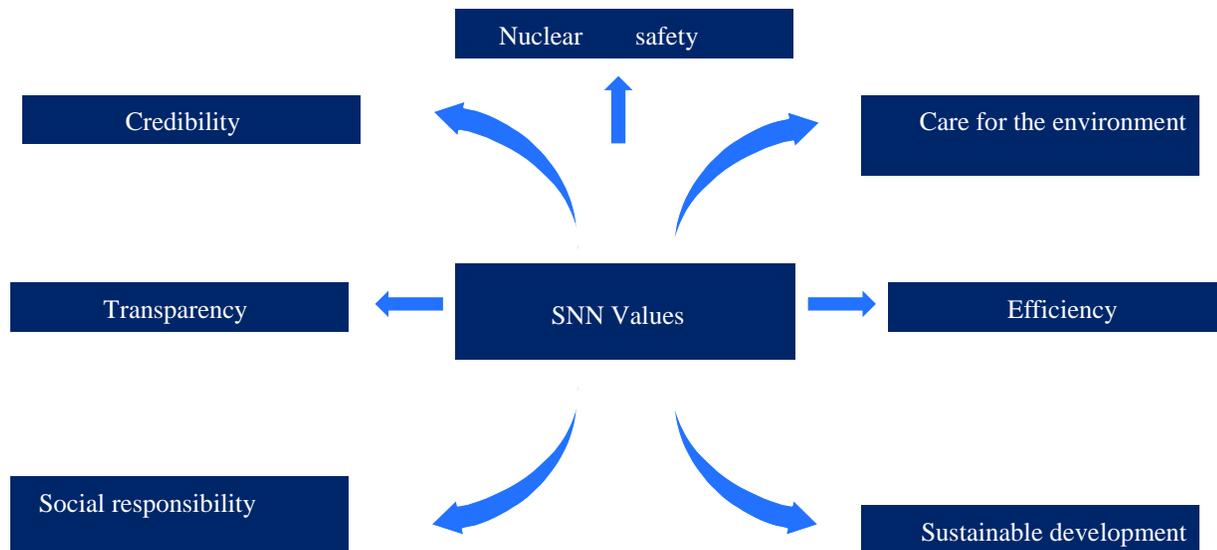
Mission

The mission of SNN is to produce electric and thermal power through the nuclear process, to develop the nuclear energy sector as well as to manufacture nuclear fuel, under conditions of maximum nuclear safety, economic efficiency, care for people and environment.

Vision

The vision of the company consists in its recognition as a valuable contributor to the ensuring of Romania's energy independence and to the covering of the energy demand, and as a consequence, its recognition as an economical stability factor.

Values



Objectives

- ✓ The operation of its nuclear units under safety conditions for its staff, population, environment and production assets
- ✓ Maintaining its energy production capacity above the average level of the industry
- ✓ The accomplishment of major investment objectives
- ✓ The improvement of the financial indicators of the Company



2.2. General information

Societatea Nationala Nuclearelectrica S.A. („SNN” or „The company”) was established on July 27th, 1998 through the Decision of the Government number 365/1998, following the restructuring process of the Romanian energy system. Before the restructuring process, the nuclear power plant belonged to RENEL, a vertically integrated national company, that was divided in more state owned companies.

The company owns two operational nuclear reactors (Cernavoda NPP Units 1 and 2). Unit 1 was commissioned in 1996 and Unit 2 at the end of 2007.

SNN is an important actor on the Romanian energy market, ensuring about 20% of the internal energy demand through the operation of Cernavoda NPP Units 1 and 2.

SNN has its headquarters in Bucharest and owns two subsidiaries:

- Cernavoda NPP Subsidiary based in Cernavoda that ensures the operation of the two nuclear units, using CANDU technology. The two units have an installed capacity of 700 MW each (725,09 MW Unit 1 and 706,5 MW Unit 2).
- FCN Pitesti Subsidiary (the nuclear fuel plant) that produces the CANDU type nuclear fuel bundles for the operation of Cernavoda NPP Units 1 and 2.

Since the conceptual design and until the start of operations, Cernavoda NPP went through a long journey, through the several construction stages, some not yet completed. In 1976 the “Romanian-Canadian feasibility study for the implementation of the CANDU type system in Romania” has been completed. In 1979 the first construction stage began, which expanded over several periods, also including the cease of the activities. The activities have developed taking into account the consistent relations between the national authorities, the companies in the field and the Canadian contractual partners – AECL (the Atomic Energy of Canada Ltd.). The initial site was designed for the construction of 5 CANDU type nuclear units, Units 3 and 4 being under preservation. SNN intends to use them as capital contribution to the project company Energonuclear owned by SNN, with the purpose of completing them. Unit 5, that is a reduced completion stage, will change its destination, following the decision of the general meeting of shareholders, as the investment has stopped.

Pitesti NPP has been founded in 1992 within the Nuclear Energy Group of the Authority for Electric Energy in Romania. In 1998, the plant became SNN’s branch. In 2006, the SNN carried out refurbishment and expansion activities at the Pitesti plant, in order to meet the fuel demand of Unit 2. Currently, the plant operates at full capacity.

2.3. Shareholding structure

The structure of the shareholding at 31.12.2013:

Shareholder	Number of shareholders	Number of shares owned	% of the share capital
Ministry of Economy	1	229.006.139	81,27%
Property Fund SA	1	27.408.381	9,73%
Other legal entities (shares under 1%), out of which:	169	21.469.444	7,62%
- from Romania	125	6.661.217	2,36%
- from abroad	44	14.808.227	5,26%



Natural persons (shares under 1%)	2.980	3.898.792	1,38%
TOTAL	3.151	281.782.756	100%

2.4. Key indicators

Financial indicators

Indicator (thousand lei)	31.12.2013	31.12.2012
Turnover	1.932.503	1.652.450
EBITDA (operating profit+amortization)	894.097	551.406
Operating profit	461.096	155.981
Net profit	423.391	18.845
Dividend/share (lei/share)	1,210	0,112

Non-financial indicators

Indicator	2013	2012	2011
Gross energy production [GWh]	11.618	11.466	11.747
Net energy production [GWh] – delivered to the national power system	10.696	10.564	10.811
Average capacity factor (%) – Unit 1	99,40	87,16 ^{*)}	99,67
Average capacity factor (%) – Unit s	89,15 ^{*)}	98,47	91,07 ^{*)}
Average number of employees	2.106	2.179	2.211

*) year with planned outage

2.5. Company's assets

Cernavoda nuclear power plant is located in Constanta county at about 2km South-East of Cernavoda, and at about 1,5 km North-East of the first flood-gate of the navigable Danube-Black Sea Canal. The site arranged for the construction of Cernavoda NPP buildings is limited to the North by Cismelei Valley and to the South-West by DJ 2223. To the South, the site is limited by a natural formation of hills.

The site for the construction of the 5 CANDU units of Cernavoda NPP has a surface of 72 hectares, obtained through the excavation and levelling of the former limestone quarry Ilie Barza.

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

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

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

The ceramic pellets, contained by a nuclear fuel element, have the property of retaining fission products within. The process of fuel loading and unloading is continuous, bidirectional and takes place on power. The reactor is provided with a heat transport system with two independent loops which transfer the heat produced by the



controlled chain fission reaction that takes place in the reactor to the four steam generators, in order to produce light water steam. The saturated steam from the steam generators expands into the turbine and puts it in motion and is then condensed by using cooling water takes from the Danube through an open intake canal and beef number 1 of the Danube-Black Sea Canal.

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

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

2.6. Authorizations and operation licenses

The company carries out its activity through its subsidiaries based on the following main categories of specific authorizations, special licenses and rights:

- a) Site authorization number I/605/30.09.1978, issued by the State Committee for nuclear energy;
- b) Authorizations in the nuclear field issued by CNCAN
- c) Licenses issued by ANRE;
- d) Other authorizations.

(a) Site authorization number I/605/30.09.1978, issued by the State Committee for Nuclear Energy

The site authorization was issued for Cernavoda site for the construction of a CANDU-PHW 4x660 MWe nuclear power plant, made up of 4 nuclear reactors. The authorization was issued on the basis of the Law 61/1974 and the Nuclear Safety Norms for “Nuclear reactors and nuclear power plants” dated in 1975 and provides the main technical characteristics of the nuclear power plant. Subsequently, the State Committee for Nuclear Energy decided to change and extend the authorization to an additional nuclear unit, Unit 5.

(b) Authorizations in the nuclear field issued by CNCAN

As per art. 8 paragraph (1) of the Law number 111/1996, for the development of the activities and/or utilization of the resources that make the object of this law, the operators must obtain specific authorizations issued by CNCAN, by respecting the specific authorization procedure for every type of activity or resource. During 2013, SNN obtained the following authorizations in the nuclear field:

(i) Authorizations issued by CNCAN during 2013, for the Cernavoda NPP Subsidiary:

- Nuclear safety authorization number SNN CNE Cernavoda U1 – 01/2013, for the operation and maintenance of Cernavoda NPP, Unit 1. The authorization was issued for a period of 10 years, starting with 01.05.2013 until 30.04.2023.
- Nuclear safety authorization number SNN CNE Cernavoda U2 – 02/2013, for the operation and maintenance of Cernavoda NPP, Unit 2. The authorization was issued for a period of 7 years, starting with 01.05.2013 until 30.04.2020;
- Nuclear safety authorization for the construction of modules 6 and 7 of the Intermediary Spent Fuel Repository, number SNN DICA 2/2013. The authorization came into force on 14.10.2013. All the construction and completion works for DICA modules 6 and 7 are contracted;



- Nuclear safety authorization for the operation and maintenance of modules 1,2,3,4 and 5 of the Intermediary Spent Fuel Repository, number SNN DICA – 01/2013. The authorization was issued for a period of 5 years, starting with 02.09.2013 until 01.09.2018;
- Authorization for the quality management system for the operation, design, supply, repair and maintenance and use of software products, in the nuclear field. The authorization number SNN CNE Cernavoda – 01/2013 is issued for a period of 2 years, starting with 01.05.2013 until 30.04.2015.

(ii) Authorizations issued by CNCAN during 2013, for the FCN Pitesti Subsidiary:

- Authorization for the quality management system in the nuclear field, number 12-043, issued based on article 24 of the Law number 111/1996, for manufacturing activities in the nuclear field, for a period of 2 years, starting with 18.09.2012, until 17.09.2014;
- 9 authorizations for activities in the nuclear field:
 - o Authorization DN/20/2012 for possession of ionized radiation sources, raw nuclear material, nuclear fuel, radioactive waste valid starting from 31.01.2012 until 30.01.2014;
 - o Authorization DN/21/2011 for the use of sealed ionized radiation sources, radiological installations, equipments and devices valid starting from 31.01.2012 until 30.01.2014;
 - o Authorization DN/22/2012 for the manipulation of sealed radiation sources valid starting with 31.01.2012 until 30.01.2014;
 - o Authorization DN/23/2012 for the processing of raw nuclear materials valid starting with 31.01.2012 until 30.01.2014;
 - o Authorization DN/24/2012 for the production of nuclear fuel valid starting with 31.01.2012 until 30.01.2014;
 - o Authorization DN/25/2012 for the temporary storage of nuclear raw material, nuclear fuel and radioactive waste valid starting with 31.01.2012 until 30.01.2014;
 - o Authorization DN/26/2012 for the supply of nuclear raw materials, fuels, waste valid starting with 31.01.2012 until 30.01.2014
 - o Authorization TF 10/2010 for the transport of radioactive materials valid starting with 14.04.2010 until 11.01.2014;
 - o Authorization PD/178/2011 for ownership of unpublished information valid starting with 21.11.2011 until 20.11.2016;

Seven out of eight authorizations which expired in January 2014 were renewed up to 2016 and one was renewed up to 2019.

- According to the Certificate of Designation number FCN ODA 04-2011, CNCAN designated the radioprotection and personnel dosimetry laboratory within FCN Pitesti as Authorized Dosimetry Organization.

(iii) Authorizations in the nuclear field for the headquarters:

- Authorization for the quality management system for management activities in the nuclear field. Authorization number SNN EX-01/2013 was issued for a period of 2 years, starting with 01.05.2013 until 30.04.2015;
- Authorization for ownership of heavy water number PD/222/2013 for Units 3 and 4.

(iv) CNCAN Authorized Personnel. For Cernavoda NPP Subsidiary, the company holds 12 CNCAN permits for management personnel and 2 CNCAN permits for personnel with specific training positions. For FCN Pitesti Subsidiary, the company holds 18 CNCAN permits. The company obtained CNCA authorizations for the employees responsible for the establishment, development and monitoring of the implementation of the management system, in accordance with the norms regarding the authorization of the quality management systems applied for the construction, operation and decommissioning of nuclear installations.



(c) Licenses issued by ANRE

As per the Regulation for the granting of licenses and authorizations in the electric power sector approved by the Government's Decision number 540/2004, the supply of electric power, the production of electric and thermal power in cogeneration are performed on the basis of certain licenses issued by ANRE in this respect.

At the date of the current report, the company holds the following licenses issued by ANRE:

- a) License number 5/03.12.1999 for the production of electric power granted through ANRE Decision number 80/03.12.1999;
- b) License number 244/26.03.2001 for the production of thermal power granted by ANRE through the Decision number 341/26.03.2001;
- c) License number 962/21.10.2010 for the supply of electric power granted by ANRE through the Decision number 2597/21.10.2010.

Up to the date of the present report, the company respected the provisions and the conditions associated to the above mentioned licenses.

License number 5/03.12.1999 authorizes the company to produce electric power through the operation of the electric power production units. The license came into force on 03.12.1999 and is valid for 25 years. Through the resolution of ANRE number 1683/01.11.2007, the license was modified to increase the installed capacity factor of the company from 706,5 MWe to 1.413 MWe and to approve other conditions associated to the license as well, after the commissioning of Cernavoda NPP Unit 2.

License number 244/26.03.2001 authorizes the company to produce thermal power through the operation of the thermal and electric power units consisting in two heat exchangers with a total thermal power of 40 Gcal/h and 46,51 Mwe. The license came into force on 26.03.2001 and is valid for 25 years. Through the resolution of ANRE number 1684/01.11.2007, the license was modified to approve the existing conditions related to the license. SNN delivers thermal power to the local heat distribution company – Public Utilities SA Cernavoda, as well as to some end consumers in Cernavoda town – businesses, social and cultural institutions.

License number 962/21.10.2010 for the supply of electric power authorizes the company to supply electricity on the energy retail market and come into force on 26.10.2010, being valid for 5 years. The company may request ANRE to extend the validity of the license to the extent of the limitations provided by the Regulation approved by the Government's Decision 540/2004 (i.e. 10 years).

(d) Other authorizations.

- a) ISCIR regulatory documents;
- b) Statements to the National Anti-Drugs Agency
- c) Licenses issued by ANCOM. Cernavoda NPP obtained 3 licenses for the use of electrical radio frequencies from the National Communications Regulating Authority (ANCOM);
- d) Fire safety authorizations
- e) Health authorizations – 6 for Cernavoda NPP and 2 authorizations and one permit for FCN Pitesti

In the field of environment protection, SNN owns the following authorizations:



A. For Cernavoda NPP Subsidiary:

(i) The Environment Authorization number 1/26.05.2008 issued by the Ministry of Environment and Sustainable Development for the operation of Cernavoda NPP Units 1 and 2, approved by the Government's Decision number 1515/2008, valid for 0 years since the date of the publication in the Official Gazette of Romania i.e. until 05.01.2019. The Environment Authorization number 1/2008 covers all the assets and activities related to the operation of Cernavoda NPP Units 1 and 2, including the nuclear component and the balance of the plant. The activity is carried out on the site of the company, that has a surface of 208.710 square meters. The Environment Authorization number 1/2008 was issued without a compliance program.

Regarding the management of radioactive effluents, the authorization provides, in addition to the annual release limits, limits of the releases for shorter periods of time, with the purpose of monitoring and optimization of the gaseous and liquid radioactive effluents. If these limits are exceeded, Cernavoda NPP has to notify CNCAN, to establish the reasons that led to the increase of effluents and to apply corrective measures for the reduction of the radioactive emissions. The monitoring of the liquid radioactive emissions is performed by Cernavoda NPP, on the basis of a monitoring program approved by CNCAN, in compliance with the requirements of the Norms for monitoring radioactive emissions from nuclear and radiological installations.

Concerning the management of non-radioactive effluents, as per the monthly and annual reports regarding the state of the environment in Constanta county issued by APM Constanta, there were no recorded exceeding of the legal limits. Moreover, there were no recorder exceeding of the legal limits in the case of radioactive effluents, as well.

The company uses a series of equipments which represent sources of noise and vibrations, namely: pumps and ventilators belonging to different equipments (provided with noise and vibration absorbers), the Diesel generator used periodically (provided with noise and vibration absorbers) and electric transformers from the trafo stations. The vibrations produced by the transformers are in line with the provisions of STAS 8393/19-89 included in the Environment Authorization number 1/2008, having a maxim amplitude of 50 mm and a speed of 10-15 mm/s.

As a consequence of the activity of the company, radioactive and non-radioactive industrial waste is produced (including dangerous waste and package waste). The radioactive waste is managed in compliance with the Law 111/1996 and the Norms issued by CNCAN. The company does not perform processing, disposal or incineration procedures on the nuclear waste. Cernavoda NPP delivers the waste in order for them to be disposed of, valorified or incinerated, case by case, depending on the type and the physical and chemical characteristics, to authorized companies, based on service contracts. The monitoring of the waste management is performed in compliance with the provisions of the Government's Decision number 856/2002 and of the Law number 211/2011. The company also uses in the course of its activity dangerous substances and mixtures, which draws a series of legal obligations for their management (packaging, transport, storage, use, trading, etc), provided by the legislation specific to each substance. The company respected these obligations.

(ii) The Authorization regarding the greenhouse gas emissions number 8/01.02.2013, issued by the National Agency for Environment Protection for the period 2013-2020 which states the Start up Thermal plant (CTP) which serves the two units, according to their necessities, the Backup Diesel Groups (SDG) and the Emergency Diesel Groups (EPS) of each unit as well as the motor pump for the fire extinguishing system fall under the legislation regarding the reduction of greenhouse gas.

(iii) Water management authorization number 305 /17.12.2013 issued by the National Water Administration of Romania regarding the "Water supply and residual water evacuation for Cernavoda NPP Units 1 and 2", valid until 31.05.2016, which provides that the company is responsible for installing the necessary automatic monitoring equipments of the parameters of the cooling water evacuated from Units 1 and 2 (temperature, flow). This process with be completed in 2014.

(iv) Water management authorization number 267/11.11.2013 issued by the National Water Administration of



Romania regarding the Intermediary Spent Fuel Repository (DICA), valid until 30.11.2016, by which the National Water Administration of Romania granted the company the right to use the hidrotechnical facilities and the tanks for the evacuation of rainwater from the surface of DICA and to discharge the rainwater in Cismelei Valley, under the condition that the indicators regarding the presence of radioactive elements are within the limits established by CNCAN. During 2013, there was no exceeding of the indicators of the water evacuated into Cismelei Valley.

B. For FCN Pitesti Subsidiary

The Environment Agreement issued by the Ministry of Environment and Forests and approved by the Government's Decision number 1061/2011, valid until February 28th, 2014, issued with a compliance plan.

Regarding the management of the non radioactive effluents, the Environment Agreement of FCN Pitesti does not establish specific limits, thus, the quality indicators of the spent industrial and household waters discharged in SE-SCN must comply with the maximum allowed concentrations. According to the half-yearly reports for 2013 subjected to the environment protection authority, the concentrations of the non radioactive emissions (powders, beryllium and beryllium compounds, toluene, acetone and alkyl alcohol) were within the legal limits provided by the Environment Authorisation of FCN Pitesti,

Also, the derived emission limits of the gaseous radioactive effluents in the atmosphere, resulted from the processing of nuclear raw material and the fabrication of nuclear fuel, are established by CNCAN through the authorizations for the processing of raw nuclear materials and the production of nuclear fuel.

The radioactive waste is managed in compliance with the Law 111/1996 and the Norms issued by CNCAN. The incinerable solid radioactive waste is transported to the radioactive treatment station (STDR) of SCN Pitesti and incinerated or transferred to CNU Feldioara in view of final storage. From the incineration process, uranium ash result which is transferred back to FCN Pitesti under nuclear warranty control. The uranium ash together with the uranium phosphate, the residue from the rectification process of sintered pellets and other non-compliant nuclear materials are transported to CNU Feldioara in view of their processing. The liquid radioactive waste is transported with the own tank to STDR-SCN.

FCN Pitesti does not perform treatment, disposal or incineration operations for the nuclear waste. Based on the service contracts concluded with authorized economic operators, FCN Pitesti transfers the waste in view of their disposal, valorification or incineration, depending on their type and physical and chemical characteristics.

FCN Pitesti carried out an extensive modernization process of the nuclear fuel manufacturing during 2010-2013. With this purpose, an additional production hall was commissioned. The construction of this hall was started in 2011 with the support of the European Commission. The cause number 2011/4188 regarding the failure to comply with the provisions of European Union right related to the evaluation of the effects of certain public projects on the environment is still under development.

The Certification of the Environment Management System within SNN

For the two subsidiaries, SNN owns certifications regarding the environment management system, as follows:

(a) Environment Management System Certification number 56/3 of SN Nuclearelectrica SA – Cernavoda NPP for the electric and thermal power production through the use of nuclear sources as well as support and connected activities, in accordance with the SR EN ISO 14001:2005 (ISO 14001:2004) standard, issued by IQNet and SRAC on 26.04.2013 and valid until 26.04.2016 following the recertification Audit Report dated on 19.04.2013.

(b) Environment Management System Certification number 4309 of SN Nuclearelectrica SA – FCN Pitesti Subsidiary for the manufacturing of nuclear fuel, in compliance with EN ISO 14001:2004 standard, issued by IQNet and SRAC dated 06.11.2013 and valid until 06.11.2016.



2.7. Nuclear safety

SNN developed a nuclear safety policy that was approved by CNCAN, with the purpose of maintaining a high and constant level of nuclear safety in all the phases of the commissioning and operation of nuclear installations. The nuclear safety policy ensures performance warranties for all the significant activities regarding nuclear safety, in all the phases of installation and operation of nuclear facilities. This document confirms the fact that nuclear safety is the maximum priority.

The high level of nuclear safety is ensured by the design, construction and operation of the nuclear installations. Nuclear safety comprises all the technical and organizational measure, as well as all the activities carried out in a nuclear power plant with the purpose of protecting the population and the environment against radioactive emissions. The risk generated by the nuclear fuel in the reactors is minim for the population and the environment, due to the facts that:

- The power of the reactor is under control
- The fuel is cooled
- The radiation is contained, all these taking place on a continuous base.

Up to present, no CANDU type NPP recorded events or accidents that pose a threat to the health and security of the population. Despite the fact that these risks are minimized, because the power plant is provided with safety systems designed to prevent and cope with such events, additional measures are taken for the protection of the population and the environment.

Among such measures, we mention the emergency preparedness, required by the national law as a pre-requisite for licensing the operation of a nuclear power plant. Within the Cernavoda NPP, the emergency preparedness is verified and improved through quarterly, annual or general drills and exercises (once every three-four years) which are simulating various conditions of a nuclear accident.

After the Fukushima accident, the European Commission and the Nuclear Society European Regulators Group decided that the nuclear safety of each nuclear power plant in Europe has to be revised based on transparent and extensive risk analysis – the so called “stress tests”. The technical purpose of these tests was conclusive taking into account the risks put forward by the events at Fukushima. The following aspects were taken into focus: triggering events such as earthquakes and floods, the consequences of the loss of the safety features and the sever difficulties in managing nuclear accidents.

Cernavoda NPP together with AEC Canada and ANSALDO Italy issued “The report on the re-evaluation of the nuclear safety margins”. The assessment performed proves that Units 1 and 2 fulfil the nuclear safety requirements established by the project and can withstand severe earthquakes and floods, as well as the total loss of the power supply and cooling water. Moreover, measures and procedures for the management of severe nuclear accidents were identified. Methods to prevent and limit the consequences of severe nuclear accidents that can melt the core were also identified.

The operating experience (Operation Experience Feedback, “OEF”) at Cernavoda NPP is ensured by a team of permanent employees who manage Units 1 and 2. A part of the team is made up of CNCAN experts. Internal events, that must be reported are revised and CNCAN performs its own analysis, with the purpose to determine the events which can have a significant impact on nuclear safety.

Moreover, a significant number of employees participate in national and international training courses, especially in the ones organized by IAEA and WANO. At the same time, the company focuses on the continuous development of



the employees, especially regarding nuclear safety, risk management and quality assurance.

In order to preserve the valuable, positive experience and to maintain the present emergency response arrangements with the Public Authorities properly qualified to address emergency response activities, SNN SA is promoting a very good co-operation with the national authorities in charge, while the Cernavoda NPP with local authorities (Cernavoda town and Constanta county). In this context, the Cernavoda NPP has prepared and arranged two important facilities for the town of Cernavoda: the Local Emergency Centre of the Cernavoda Town Hall at the Cernavoda NPP's Public Information Centre in the Cernavoda town and the Personnel Decontamination Area within the Cernavoda town hospital.

Decommissioning

As per GD 1080/2007, the Nuclear Agency for Radioactive Waste ("ANDR") is responsible for collection the contribution paid by SNN for the decommissioning of the two units for their remaining life time. ANDR takes responsibility for the management of the entire decommissioning process at the end of the life time for the two units and for the storage of the resulting waste.

During 2008-2013, SNN paid on an annual base the following contributions to ANDR:

- Contributions for the decommissioning of each nuclear reactor in the amount of 0,6 EUR/MWh of produced and delivered electricity;
- Contributions for the final storage of radioactive waste, in the amount of 1,4 EUR/MWh of produced and delivered electricity.

2.8. Quality management

Societatea Nationala Nuclearelectrica SA has developed and maintains an Overall Quality Management System that complies with the provisions in force of law 111/1996 and with the applicable Quality Management Requirements in the nuclear field issued by the National Commission for Nuclear Activities Control (CNCAN). SNN SA Executive is authorized by the National Commission for Nuclear Activities Control (CNCAN) to perform management activities in the nuclear field (Authorization No. SNN EX-01/2011).

The Quality Management System applied by SNN SA, described in the Manual of Quality Management System, identifies the directions of developing and implementing the management system within SNN Executive and its branches: the Cernavoda NPP and the Nuclear Fuel Plant-Pitesti. The development and evaluation of the Management System (MS) is coordinated by the Department for the Development and Evaluation of the Management Systems (DDESM).

The branches Cernavoda NPP and Nuclear Fuel Plant-Pitesti have developed and maintain management systems specific to their activities, as follows:

Cernavoda NPP subsidiary has developed and implemented an Integrated Management System which complies with the provisions in force of Law 111/1996 and with CNCAN's Management System Requirements, with IAEA's GS-R-3 Standard and with the international standards ISO 14001:2004, OHSAS 18001:2007 and ISO 27001:2005.



The Cernavoda NPP's management system is authorized by CNCAN in compliance with the provisions of law 111/1996 for operation, design, supply, repair and maintenance works in the nuclear field as well as the provisions of the Authorization for the quality management system in the nuclear field for operation, design, supply, repair and maintenance, use of software products (Authorization number 01/2013)

The requirements of the ISO 14001:2004 standard (for the Environment Management System) and of OHSAS 18001:2007 standard (for the Occupational Safety and Health Management System) are included in the documents of the Cernavoda NPP's Integrated Management System, while the compliance with these requirements is recertified by the certification authority – SRAC in 2013. Also, the requirements of the ISO 27001/2008 standard for the Management System of the Security of Information are included in the documents of the Integrated Management System of Cernavoda NPP, the compliance with these requirements being recertified by the certification authority DNC at the end of 2013.

In the year 2013, the Cernavoda NPP continued the modernization of the system, analyzing the latest requirements in the field as it is the NQML standard used by the USA power plants for comparing the achievements of the Management Systems. The structure of the Management System processes was revised and completed in order to ensure the transition from the Quality Management System to the Integrated Management System based on processes. The above mentioned issues are supported by the remarkable results achieved in the operation of Cernavoda NPP Units 1 and 2 during 2013.

FCN Pitesti has developed and implemented an Integrated Management System that complies with the provisions of law 111/1996 and CNCAN's Management Requirements also integrating the requirements of the Canadian standard CAN 3-Z299.2-8. The structure of the Quality Management System is authorized by CNCAN through the Authorization number 12-043 valid since 18.09.2012. The component "Environment Management System" developed in accordance with the requirements of ISO 14001:2004 standards was recertified by SRAC in 2013. The component "Occupational Health and Safety Management System" (SMSSO) was certified by SRAC in 2013.

Other components of the Integrated Management System are developed and implemented as well (for example Physical Protection, Radiological Safety, Nuclear warranties, etc) and the development of the components of the Internal Management control is continued in order to implement the standards required by OMFP 946/2005.

The development and implementation of the Integrated Management System at FCN Pitesti brought a significant contribution to the improvement of the quality of the nuclear fuel, which has proved by its performance and excellent behaviour within the reactor (burn up factor and failure rate).

2.9. Relevant market

The participants to the energy market in Romania, approved by the National Regulating Authority in the Energy Field ("ANRE"), are the following:

- Energy producers
- The Energy Transport Company, Transelectrica
- Energy distributors
- Energy suppliers

Electricity is supplied on two market segments:

- Regulated market;
- Competitive market.

The main energy producers in Romania are Hidroelectrica, Nuclearelectrica and the Oltenia Energy Complex; together the three producers owned a market share of about 75% in 2013.

Up to the date of the current report, ANRE did not publish data regarding the energy market in 2013, at 31.12.2013. According to the statistical data centralized by Transelectrica up to the present date, in 2013, SNN's production represented 19,8% of the total amount of electricity produced in Romania.

The structure of the gross energy production at national level:

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

Source: Transelectrica data

As the per Law of Energy and Natural Gas (Law number 123/2012), the removal of regulated prices started on September 1st 2012 for industrial consumers and respectively on July 1st 2013 for household consumers. Thus, in conformity with the calendar proposed for the removal of regulated tariffs published by ANRE, starting with January 1st 2014, the market is fully liberalized for non-household consumers while for household consumers the market in liberalized to the extent of 20%. Until the end of 2017, the market will be completely gradually liberalized (10% each half-year), following that regulated tariffs will disappear. Another anticipated effect in this period is the gradual decrease of energy quantities that must be delivered on the regulated market (if the consumption remains constant).

The structure of energy sales on the regulated market at national level:

Type of producer	Quantity (GWh)		
	2013	2012	2011
Producers who use fossil fuels*	2.460	12.450	12.994
Nuclear producers	5.308	7.500	6.685
Hydro producers	3.975	4.104	3.896
Other producers	3.595	124	2.194
Total energy sold on the regulated market	15.338	24.178	25.769
Total energy consumption	49.700	52.315	53.740
% regulated market out of consumption	31%	46%	48%

* including the electricity sold to Transelectrica to cover technological losses.

In 2013, the share of the electricity sold by SNN on the regulated market, in the total quantity of traded energy, was of 34,6% (information from ANRE). In 2013, the gradual liberalization of the energy market continued, and ANRE



reduced the share of SNN on the regulated market to about 50% of the company's production in 2013 and established a new regulated price. Thus, in 2013, SNN had a larger participation on the competitive market, which ensured a higher profit margin than in the previous year.

On the competitive energy market, the energy sold by SNN in 2013 represented approximately 15% of the total market (estimation done by SNN). The competitive markets on which SNN traded in 2013 are the following:

- The Centralized Market for Bilateral Contracts (through public actions organized by OPCOM);
- The Day Ahead Market
- Directly negotiated contracts (one contract with Transelectrica for the 400kV station at Cernavoda)
- The Balancing Market.

SNN sales a significant amount of energy on the balancing market. This is due to the technical aspects related to the operation of the plant (unplanned shutdowns) and to the economical. On one hand the company produces electricity at a relatively stable capacity factor with slight variations over extended periods of time and on the other hand the majority of the contracts are concluded taking into account the technical characteristics of the power plant, selling base load electricity at a constant power.

During 2013, SNN sold 10.988 GWh of electricity, while in 2012, the quantity was of 10.788 GWh, representing approximately 20% of the energy consumption of Romania.

2.10. Corporate social responsibility

SNN has a long term positive reputation regarding its corporate social responsibility programs, which have a significant impact on the community and the employees of the nuclear power plant. Starting with 1991, through GD 445/1991, "The Social Emergency Program for improving the social conditions and living standards of the Cernavoda people and of the NPP's execution and operation personnel" was approved with funding from state budget allocation. Subsequently, an appendix regarding the social and cultural projects which will be developed for the local community was approved.

An example of such a project that is currently being developed for the local community of Cernavoda is the Training and Recreational centre for youth.

The main projects aimed at developing the community and improving the living standards of the inhabitants of Cernavoda that the company completed are:

- The kinder garden completed in 1992 and transferred to the administration of the Local Council of Cernavoda
- The waste water treatment and pumping station for the supply of drinking water from the Danube to Cernavoda town (through the artificial Danube – Black Sea canal);
- The development of the road infrastructure, project which was developed until 1998;
- The development, modernization and extension of the centralized heating system. SNN built a connection between the old thermal stations of the town and the new ones to the electric stations, with the help of a thermal steam transfer system;
- The bridge over the Danube-Black Sea Canal completed in 2002, with the purpose of facilitating railway and road transport from Cernavoda to the national railways and highways, which also represents an evacuation path in case of a nuclear accident;
- The development of an educational system for the community, through the construction of the Industrial



high school which was equipped with all the necessary facilities;

- The construction of a hospital and a Clinique that ensures medical care for the population and the employees of SNN.



3. ANALYSIS OF THE COMPANY'S ACTIVITY

3.1. The production of electric power

Cernavoda NPP Units operated at a constant capacity factor during 2013, with mild influences caused by meteorological and hydrological conditions (the temperature of the cooling water from the Danube, the level of the intake pool, air temperature, etc) and sometimes, by the unplanned outages.

The annual output of Cernavoda NPP Units is around 10.5 TWh, taking into account the fact that both the units are operated at a high capacity factor. Up to present, the energy produced by SNN had a marked share of around 20% in the total energy production of Romania and it is likely that this level will be maintained. If the energy consumption increases in the coming years, a slight decrease of SNN's contribution to the energy market will be recorded.

Energy production over the previous two years:

Energy production	2013			2012		
	Unit 1	Unit 2	Total	Unit 1	Unit 2	Total
Gross production (GWh)	6.121	5.497	11.618	5.384	6.083	11.466
Net production (GWh)	5.622	5.074	10.696	4.948	5.615	10.564
Capacity factor (%)	99,4	89,15	94,28	87,16	98,47	92,82

The situation of planned and unplanned outages for each unit is presented below:

Event	2013		2012	
	Number of outages	Days of outages	Number of outages	Days of outages
U1 planned outages	-	-	1	39,1
U2 planned outages	1	24	-	-
U1 unplanned outages	1	3,29	4	8,2
U2 unplanned outages	6	11,56	2	3,41

The number of hours of unplanned outages was in line with the number estimated in accordance with the production schedule for the year 2013.

3.2. Electric power sales and contracts

Power sales contracts include the following:

(i) regulated contracts concluded on the regulated market with last resort suppliers in order supply electricity to their consumers at regulated prices, as well as with distributions companies in order to cover the internal consumption of the electric grids;

(ii) sale-purchase contracts on the competitive market, through energy sale-purchase contracts concluded on the markets administered by the market operator OPCOM, mainly in the Centralized Market for Bilateral Contracts (PCCB) but also on the Day Ahead Market (PZU).



(iii) sale-purchase contracts for thermal power. The thermal power produced and sold in 2013 by SNN, through Cernavoda NPP, was delivered to the local thermal power supplier and to a number of end consumers from Cernavoda site and Cernavoda area. In Cernavoda, SNN is the sole thermal power producer that delivers electricity in the centralized heating system. The thermal power sales are not significant in the total sales amount of SNN.

(iv) The negotiated energy sale-purchase contracts. SNN concluded only one such contract with Transelectrica as captive consumer for the consumption of the Cernavoda 400 Kv electric station owned by Transelectrica.

Contracts on the regulated market

The company concluded energy sale-purchase contracts with the suppliers established by ANRE, in order to supply pre determined energy/hour quantities to their captive consumers, in accordance with the regulations issued by ANRE.

The provisions of the above mentioned contracts were established in accordance with the provisions of the energy sale/purchase frame agreement, concluded between the energy producers and the suppliers of captive consumers, approved through the ANRE Order number 22/2005.

The company also concluded contracts with distribution companies, in order to cover the interval technological consumption of their distribution grids, by purchasing quantities of energy/hour in accordance with ANRE specific regulations.

The provisions of the contracts concluded with the distribution companies were agreed in compliance with the provisions of the energy sale/purchase frame agreement, for the covering of the internal technological consumption of their electric grids, concluded between the energy producers and the distribution companies and approved by the ANRE Order number 23/2005.

The company has the obligation to apply the regulated prices approved by ANRE periodically, in the regulated energy contracts that it concludes.

The regulated market represents a distinctive trading category, due to the fact that the buyers and the traded quantities as well as the prices are established by ANRE, on an annual bases. The contractual provisions are also strictly pre determined through the frame agreement for the regulated market, drafted by ANRE. The regulated contracts were concluded in 2010 for a period of 3 years, but at the end of 2013 they were extended by addendums with the supply and distribution companies (former and current subsidiaries of Electrica SA, including the privatised ones), with the purpose of supplying energy to the captive consumers and covering the internal technological consumption of the distribution grids.

In 2013, the amount of electricity sold on the basis of regulated contracts represented about 48% of the total sales, SNN reducing its dependency in regulated contracts in comparison to 2012, when the same percentage was 70. The income achieved on the regulated market in 2013 represented about 42% of the company's total income, while in 2012, it represented 60%.

The evolution of the quantities sold on the regulated market is presented below:

Indicator	2013	2012	2011
Energy sold by SNN (GWh)	10.988	10.787	10.973
Share sold on the regulated market	48%	70%	62%



Energy sold in the regulated market (at national level)	15.338	23.077	28.021
Quota of SNN on the total regulated market	35%	32%	24%

Energy sale contracts on the competitive market (bilateral contracts concluded on the PCCB market administered by OPCOM)

The bilateral contracts are concluded on the basis of the auctions organized in the OPCOM platform, in terms of transparency. The markets for bilateral contracts on which SNN participated are PCCB (the centralized market for bilateral contracts) and PCCB-NC (the centralized market for bilateral contracts with continuous negotiation).

In the first part of 2013, when the prices on PZU dropped under 140 lei/MWh, several energy sale contracts for the year 2013, concluded in the 4th quarter of 2012 with average prices around 230 lei/MWh were denounced by the buyers. Thus, a total number of 23 contracts were denounced or cancelled by the 13 buyers, which covered a base load output of 340 MW. In parallel, SNN managed to conclude 42 new contracts in PCCB, at reduced prices, ranging from 170 to 180 lei/ MWh. The situation became stable starting with July 2013, when no previously concluded contracts were denounced and the percentage of contracted energy reached 98-99% on the basis of bilateral contracts on OPCOM platform.

In 2013, SNN concluded a number of 84 energy sale contracts on the competitive market with 26 buyers (on occasions the same buyer won multiple contracts at the organized auctions). Out of the 26 buyers, only 10 bought energy quantities which exceed, for each, 1% of the total energy sales of SNN. The first 3 buyers, in order of the volume of purchased electricity, bought in total 25,6% of the energy sold; the first buyer received 12,8% and the second one – 8,9%. Due to the organization of the energy market and the exposure towards the clients on the competitive market, the company does not consider that there is a dependency on one client or a group of clients.

The average energy price on the centralized market for bilateral contracts decreased significantly in 2013, from 213,91 lei/MWh in January to 170,38 lei/MWh in December.

Energy sale contracts on the competitive market (Day Ahead Market – PZU administered by OPCOM)

The company can trade energy on the Centralized energy Market for the Day Ahead on the basis of convention concluded on 16.06.2008 with the operator of the energy market – OPCOM SA. On PZU, OPCOM plays the role of central counterparty, being the sole buyer for the energy sold by the company. The settlement of accounts for the transactions on PZU is concluded with OPCOM and is rapidly effective (in 2-3 days since the energy delivery).

PZU does not represent a primary market for SNN, as the amounts of energy sold are relatively small. On PZU, SNN trades the amounts of energy which are available for sale and which have not yet been contracted through regulated contracts or bilateral contracts concluded on OPCOM (PCCB or PCCB-NC).

Thus, the income from PZU are estimated at 6,6% of the total sales in 2013; a similar level was recorded in 2012 as well (6%).

In general, prices on PZU show an increased volatility, as they were significantly influenced by the renewable energy produced in 2013. At the same time, an increase in the share of PZU against PCCB is recorded.

This change in the structure of the market is connected to the preferences of the buyers for the spot market (PZU),



although it is characterized by uncertainties related to the amounts of available electricity and by a greater price risk.

At the same time, SNN participate in PZU as a buyer of electricity as well in order to purchase electricity during the outages of the two units. The amounts of purchased electricity are not significant.

The convention for participation on the green certificates market

The company has the right to participate to the centralized market for green certificates as well as to the centralized market for bilateral contracts with green certificates, on the basis of a Convention for participation concluded on 22.11.2010, for an undermined period of time, between the company, as participant, OPCOM, as administrator of the market for green certificates and Transelectrica, as system and transport operator.

The obligation to purchase green certificates depends on the volume of electricity supplied by the company to end consumers. Taking into account the fact that the company has only one supply contract with end consumers (the contract concluded with Transelectrica SA for about 1.000 MWh per year), the amount of green certificates that it needs to purchase is quite low.

Balancing market

The company is a participant on the balancing market as well as a party responsible for the balancing of the market, according to the convention with the system and transport operator – Transelectrica SA, concluded on 01.07.2005, for the sale and purchase of electricity between parties following production/consumption unbalances of the company which were compensated by Transelectrica SA on the balancing market in accordance with the applicable legislation.

The company sales a small amount of electricity on the balancing market. This is due to the company's technical aspects (unplanned outages) and economical ones. On one hand the company produces electricity at a relatively stable capacity factor with slight variations over extended periods of time and on the other hand the majority of the contracts are conclude taking into account the technical characteristics of the power plant, selling base load electricity at a constant power.

Electric power sales

The quantities of monthly sold energy, on the basis of contract, had small variations, because the signing of the contracts took into account the production forecasts. Thus, during the planned outage that took place at Unit 2 during 11.05 – 4.06.2013, the amount of electricity sold was smaller. In the case of unplanned outages the quantity of energy sold on PZU was afflicted, but the energy sold on the base of contract took place in accordance with the legal provisions, the deficit in production being covered through the purchase of electricity of the market.

The situation of the sales on the main markets is presented below:

Indicator (lei)	2013		2012	
	GWh	Value	GWh	value
		(thousand lei)		(thousand lei)
Electric power sales, out of which:	10.988	1.825.714	10.787	1.552.629
Regulated contracts	5.308	753.766	7.498	921.699
Contract on the competitive market	5.680	1.071.948	3.289	630.930

3.3. Investments

SNN's development program is structured on objectives established on the basis of the necessities of its subsidiaries (Cernavoda NPP and FCN Pitesti) to maintain their energy and fuel production capacities at the design parameters, in compliance with the regulations for nuclear safety, personnel, environment and population protection, so that it meets the needs for modernization/refurbishment of some systems, taking into account economical aspects (specific consumption reductions, improvement of specific parameters), as well as legal aspects – the necessity to implement improvements associated to nuclear safety, environment protection and occupational safety which represent the requirements of the regulatory bodies.

The main investment objectives included in the management plan of SNN for the period 2013 – 2017 are:

- ✓ The intermediate dry spent fuel storage, which is part of the company's spent fuel management policy. The storage will be developed in several stages and it is to finally include 27 storage modules, with a capacity of 12,000 bunches per module, that will provide the storage of the spent fuel for a 50 year period
- ✓ The modernization and extension of the physical protection system, for the facilities located both inside and outside the protected area and the implementation of the works resulted after the assessment regarding the operation of the critical infrastructure within the vital structures in case of beyond project base threats.
- ✓ The improvement of Cernavoda NPP's response, namely of the nuclear safety features to events beyond design basis, following the nuclear accident that took place at Fukushima NPP, Japan – implementation of an emergency filtered depressurization system for the containments of Units 1 and 2, implementation of a monitoring and control system of the H2 concentration in the atmosphere inside the containment of Units 1 and 2 through the installation of a hydrogen monitoring and control system type "HERMETIS" and the installation of passive autocatalytic recombination system type "FR1-380T", including the set up within the building of Unit 5 of the necessary space and logistics related to emergency activities in case of a severe accident.

The total value of the investment program for 2013 was adjusted to the amount of 320.562 thousand lei. The structure of the investment program for 2013 is described in the table below:

Organizational structure	Continuing investments (thousand lei)	New investments (thousand lei)	Other investment expenses (thousand lei)	Total (thousand lei)	Degree of completion at 31.12.2013 (%)
SNN Headquarters	38.889	920	21.761	61.569	6,92%
Cernavoda NPP	220.439	2.023	16.510	238.971	96,72%
FCN Pitesti	10.962	2.940	2.725	16.626	31,20%
Unfolded value	-	-	3.397	-	0%
TOTAL				320.562	73,85%

The degree of completion at 31.12.2013 of the value of the annual investment plan cumulated since the beginning of the year is of 73,85% (per total).

Regarding the major investment objectives within the program (Chart 37 – the Management Plan 0 PJ-05-016



Intermediary Spent Fuel Repository, including SICA Unit 2, PJ-04-001 the modernization and extension of the physical protection system, PJ-11-006 the improvement of Cernavoda NPP's response, namely the nuclear safety features in case of beyond design basis events, following the nuclear accident at Fukushima NPP), their completion should have been of minimum 90% (relative to their budget of 150.505 thousand lei), respectively the budget execution should have rose to 135.450 thousand lei. The budget execution associated with the major investment objectives raises to 152.428,3 thousand lei, at 31.12.2013, corresponding to a degree of completion of 101,28%.

The low global degree of completion of the value of the investment plan in 2013 is explicable by the share of the amounts initially estimated that were not spent due to objective reasons, respectively:

- Within the "Continuous investments" chapter the amount of 38.092,5 thousand lei was provided for the contribution of SNN (84,65%) to the share capital increase of EnergoNuclear SA (EN), amount which was not spent;
- Within the "Other investment expenses", the amount of 7.000 thousand lei was provided for the consolidation of the headquarters in 33 Magheru boulevard, where SNN owns o share of the existing building and pertaining land. This amount was not spent due to the fact that the majority shareholder of the building didn't make a decision regarding the consolidation of the building; in addition, during 2014 SNN obtained the ownership certificate for the pertaining land.
- The investment program of FCN Pitesti was reduced with the amount of 3.396,80 thousand lei, representing renunciations based on an independent study performed by Cameco. This amount was presented as unfolded value.

3.4. Investment financing sources

In 2013, the investment program was completely financed from SNN 's internal resources.

3.5. The supply activity

The supply of technical materials and products necessary for the activity of the company is ensured from internal as well as import sources.

SNN has secure supply sources for the development of its basic activity, and the raw material reserves are adequately adjusted for continuous operation.

SNN, as contracting authority, as per the definition of the Emergency Ordinance number 34/2006, regarding the public procurement acquisitions, the concession contracts and the services concession contracts with the subsequent modifications and amendments, has the obligation to purchase products, services and works necessary for its relevant activity, through the application of procedures stipulated in the above mentioned Ordinance, namely public auctions, negotiations with the publication in advance of a participation announcement and requests for bids.

In this context, in 2013, SNN SA initialized and unfolded 320 procurement procedures, with an extimated cumulated value of 499.216.609 lei, the equivalent of 110.937.024 EUR. Out of the purchase contracts, an estimated share of 60% is represented by service contracts, 33% by product contracts and 7% by work contracts.

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



The most important procedures concluded in 2013 are:

Supply contracts concluded by SNN in 2013

The supply with technical materials is correlated with the necessities of products resulting from the assessment of the preventive and corrective maintenance programs, and, as applicable, from the investment program, for Unit 1 and 2 of Cernavoda NPP, including the common objectives of the two units (for example the Intermediary Spent Fuel Repository – DICA). Regarding the acquisition for spare parts, components, materials and equipments, it is performed on the basis of the legal provisions applicable for supply contracts, as per OUG 34/2006.

An important focus is placed on the acquisition of critical spare parts. The critical spare parts are dedicated for the equipments the failure of which can lead to the reduction of the redundancy of the nuclear safety systems of the plant, to incidents that pose a threat to the environment and the health of the personnel, that can cause transients or power reductions, major equipment failure of the NPP. Thus, the spare parts reserves were refilled at the end of 2013.

In 2013, the company concluded a series of contracts for raw materials supply, spare parts, components and equipments, out of which the most important are:

- Contract number 996/02.10/2013, concluded with Cameco Fuel Manufacturing from Canada, for the purchase of 2.000.000 un welded Zircalloy-4 tubes, necessary for the fabrication of nuclear fuel. The price of the contract is 23.000.000 USD + VAT and import taxes. The contract is valid for 48 months;
- The frame agreement 1423/20.12.2013, concluded with Sulzer Pumps Inc Canada company, for the purchase of spare parts for the pumps of the main heat transport system of Cernavoda NPP. The maximum value of the contract is estimated at 9.500.000 USD for a period of 48 months;
- The contract number . 412/5.04.2013, concluded with the Romanian Chemical Services, for the purchase of 6 nuclear control valves with pneumatic actuation for Cernavoda NPP. The price of the contract is 1.110.000 USD;
- The frame agreement number 632/30.05.2013, concluded with Linde Gaz for the purchase of technical gases for Cernavoda NPP. The maximum estimated value of the frame agreement is 840.000 EUR, for a period of 48 months;
- The contract number 2/ 03.01.2013, concluded with Ansaldo Nucleare, for the purchase of components for the rehabilitation of the pneumatic command circuits related to the large level control valves of the boilers of U1 and U2 of Cernavoda NPP. The price of the contract is 660.000 EUR.

The acquisition of sintered uranium dioxide sintered powder was concluded with the National Uranium Company.

Service contracts concluded in 2013 by SNN

In 2013, the company concluded a series of service contracts, out of which a significant share is dedicated to the preventive and corrective maintenance services for the different equipments and systems of the NPP.

The company has two subscriptions concluded with the Romanian Water Administration, as sole supplier: subscription number 78/2012 for the use of the Danube waters for Cernavoda NPP and subscription number 82/2011,

which was amended with the addendum number 2 valid for the year 2013 (RUEC 121/ 2013) for the receipt of the waste waters. The two subscriptions in force respected the model of the frame agreement for the use of the water resources, approved through the Order of the Ministry of the Environment and Water Management, number 798/2005.

The most important service contract concluded in 2013 by SNN are:

- The contract number 947/20.09.2013, concluded with Mate Fin SRL, for radioprotection equipments and services for Cernavoda NPP – decontamination, hygenization and maintenance of the reusable radioprotection equipments as well as services for the transfer of the used equipments, characterization and treatment as radiological or non radiological waste. The price of the contract is 27.860.304 lei, the Euro equivalent of .191.178 EUR, and is valid for 48 months;
- The contract number 390/1.04.2013, concluded with Elcomex – Energotech Consortium for complete operation, maintenance and repair works of the heating system of Cernavoda. The price of the contract is 23.988.500 lei, the Euro equivalent of 5.330.000 EUR, for a period of 48 months;
- The contract number 663/10.06.2013, concluded with GMB Computers SRL for repairs and maintenance IT services for the Hewlett - Packard servers and equipments at Cernavoda NPP. The price of the contract is 3.028.110 EUR, for a period of 48 months;
- The contract number 1292/ 6.12.2013, concluded with Titan Echipamente SA for the repair of the airlocks of the Fuelling Machine (MID) at Cernavoda NPP, through the use of the nickel covering procedure. The price of the contract is 1.200.000 EUR, for a period of 48 months;
- The contract number 982/27.09.2013, concluded with Mirion Technologies (Rados),for preventive and corrective maintenance for the fixed contamination control monitors at Cernavoda NPP. The price of the contract is 1.142.869 EUR for a period of 48 months.
- The frame agreement number 816/24.07.2013, concluded with Roel SRL for the multiplication of documents and drawings, complete facsimile services, desktop publishing services and drawing administration and documents control services. The maximum estimated value is 30.126.000 lei.

Work contracts concluded by SNN in 2013

In 2013, Societatea concluded the following work execution contracts, out of which the most important are:

- The contract number 963/24.09.2013, concluded with Ager Business Tech- GMB Computers – Elcomex Consortium for the transfer of the applications and information security measures used at Cernavoda NPP on the current software and hardware platforms, replacement and modernization of the used work stations and ensuring the software technical support for the software products utilized. The price of the contract is 13.467.732 EUR, for a period of 72 months;
- The contract number 242/28.03.2013, concluded with Instronica company for works related to the implementation of the process computers monitoring system at Cernavoda NPP. The value of the contract is 328.251 EUR;
- The contract number 1086/2013 with RATEN ICN Pitesti, with the value of 714.000 EUR, for rehabilitation works for the TK1 and TK 2 moderator tanks of the Defected Fuel Localization System (SLCD) from Cernavoda NPP Unit 1;
- The contract number 490/2013, conclude with Pegas Impex, with the value of 1.183.000 EUR for connection works to the heating artery PT 36 (car garage) and PT 58 (SEIRU Warehouse).



3.6. Human resources activities

The rights and obligations of the employees are stipulated in the collective work agreement and in the internal rules of the Company.

The employees carry on their activity in accordance with the established working schedule, the job description as well as the internal rules of the company. The main activities, attributions, responsibilities as well as the relationships between the departments of the company are presented in the rules for the organization and operation of the company. The Internal rules establish the application, beginning with 01.02.2013, of certain legal provisions as well as the normative internal provisions of the company regarding work discipline.

The normative document which governs work relations within the company is the Labour Code – the Law number 53/2003, with the subsequent modifications and amendments, on the basis of which the Collective Work Agreement was negotiated between the Board of Directors of the company and the employees, represented by the Labour union Cernavoda NPP – the representative union with legal person. The Collective Work Agreement was approved by the Labour Ministry on 20.06.2013 and produces effects over 2 years starting with 01.07.2013. At the same time, the new collective work agreement includes the provisions stipulated in other normative documents which governs work relations, for example: the Law number 62/2011 regarding social dialogue, law number 319/2006 regarding occupational health and safety, etc.

The company currently uses a standardized individual work agreement, implemented through the collective work agreement and registered under the number 6940/15.12.2008, concluded at the level of the company (“CWA Nuclearelectrica”). The provisions of the CWA of Nuclearelectrica respect the applicable legislation.

The company uses the same individual work contract for the employees hired for a determined period of time as well as for the employees hired on undetermined term. The standardized individual work agreement respects the provisions of the Order 64/2003, regarding the individual work contract.

The company evaluates its employees on a constant basis in accordance with the internal procedures, annual or periodically, at an interval of 3-6 months in the case of some staff members who are under observation.

The internal rules of the company, in force since 1.02.2013 contain all the provision categories provided by the Labour Code. The internal rules were made available to the employees on the Intranet page of the company and has full effect on the employees since the date of the publication.

Within the company, there were no collective layoffs since the date of the establishment and no collective work related conflicts. Currently, there are no plans for personnel reduction/restructuring.

The human resources activity carried out in 2013 had the following objectives:

- To maintain the stability of the staff and increase its level of involvement through the use of adequate financial and non financial motivational instruments;
- To maintain an open and efficient dialogue between the administration and the social dialogue partners – the unions.

3 labour unions operate within SNN

- The „Cernavoda NPP” Labour Union, which is representative, as per the Decision number 60/12.10.2011 issued by the Court of Medgidia;
- The Free Union „Energetica Nucleara 90” Cernavoda (SLEN90)
- The „Nuclear Fuel Plant Pitesti” Labour Union



At 31.12.2013, around 82% of the number of employees were union members.

Within Cernavoda NPP subsidiary, the labour productivity “number of personnel/MWe installed capacity” was of 1,15 man/MWe in 2013, and of 1,16 man/MWe in 2012.

The personnel training programs of Cernavoda NPP were assessed by a team of WANO experts who appreciated the training facilities, knowledge and experience of the staff.

The average number of employees with individual work contract is presented below:

Indicator	2013	2012	2011
Average number of employees, out of which	2.106	2.179	2.211
- Undetermined period	2.099	2.167	2.195
- Determined period	7	12	16

The structure of the personnel as per their level of training (education):

Level of training/education	2013	2012	2011
Superior	910	938	949
Average	1.196	1.241	1.262
TOTAL	2.106	2.179	2.211

The company remains committed to promote occupational health and safety as the main instrument for maintaining the performance of the company at the top level among the best nuclear power plants in the world.

The WANO mission from November 2013 to Cernavoda NPP subsidiary did not record any “Area of improvement” related to occupational safety. This is the second mission (along with the one from 2010) which recognizes the progress the organization has made in this area, easily accessible to any evaluator. This result is a significant one, because the evaluation team took into account not only the evolution of the performance indicators, but also the way in which the indicators are supported by process and behaviours. The WANO team acknowledged the fact that occupational safety is strongly grounded on the following:

- The commitment of the management to promote safe working standards, demonstrated both in meetings and in the field;
- The strengthening of the oversight through the observation in the field of the works conducted;
- Maintaining the control on the working environment through the identification of unsafe conditions related to equipment or structures non conformities and also of project improvements;
- The capitalization of internal and external experience through the use of the information contained in the procedures or attained through the training courses.

As a consequence, in 2013, there were recorded work accidents or professional illnesses.

3.7. Legal activity / litigation

The company is involved in litigation in its capacity as a plaintiff in order to recover debts and cancel some administrative documents. At the same time, SNN represented a civil party in a criminal case. The status of the litigation involving the company is presented in Appendix 8 to this Report. On the reference date of 31.12.2013, the company is a party as plaintiff/defendant, in 35 actions in law, out of which 15 cases have the equivalent value of an amount of 50,000 lei, 1 criminal file and 4 cases for which the value has not been yet determined or whose object cannot be evaluated in terms of money, as follows:

Civil Litigation

- File no. 59009/3/2011, on the cause list of the Bucharest Court of Appeal, whereby the Company claims that the defendant CE Oltenia Craiova should be obliged to pay the amount of 17,087,881.16 lei representing penalties to invoices paid after the due dates as per contract no. 1183/23.12.1008 whose object is the electricity supply. The first instance accepted the action and ordered the defendant to pay to the plaintiff the amount of 17,087,881.16 and to pay as well the amount of 175,585 as court costs, and the Bucharest Court of Appeal upheld the solution of the first instance. The defendant appealed.

- File no. 52814/3/2011 whereby the Company demands the finding of cancellation and demands that the defendant, SC Eco Energy S.R.L., be obliged to pay the amount of 2,403,397.17 lei representing compensation for the damage caused by the termination of the contract no. 1171/2008, the equivalent of the electric power and legal interest applicable to the previous amounts for the period 22.02.2009 - 30.04.2011 and the finding of the contract termination. The file is on the cause list of the Bucharest Law Court in retrial after cassation, after the High Court of Cassation and Justice (ICCJ) dismissed the defendant's appeal with respect to the stamp duty. The Bucharest Law Court disjointed the cause in retrial and found the termination of the above mentioned contract. A new file No. 40950/3/2013 was created to oblige the defendant to the amount of 2,403,397.17 lei, file that is pending to be solved according to art. 36 of Law 85/2006 – suspension of the cause because the defendant, at his/her request, is in bankruptcy, the simplified procedure - file no. 7238/120/2012 on the cause list of the Dambovitza Law Court. In the case of insolvency file, the court admitted the provisional registration of the company's debt in the final table till the solution of pending litigation.

- File no. 27406/3/2012, before the Bucharest Court of Appeal, whereby the Company claims that the Bucharest Law Court order that the defendant, SC Ind Tinmar S. A., be obliged to pay the amount of 1,655,228.07 lei representing the equivalent value difference of the zone tariff for the transmission service for the electricity injection into the grid, the legal interest and the penalties related to the invoices paid after their due dates, invoices calculated according to the penalty clause in the electricity sale-purchase contract no. 1574/09.12.2009. The first instance partly admitted the demand for suing, obliging the defendant to pay the plaintiff the amount of 1,230,780.39 lei. The company appealed against this solution, and the Bucharest Court of Appeal partly changed the contested sentence, namely it obliged the defendant to pay the plaintiff the amount of 55,546.39 lei delay penalties as well as the amount of 555.47 lei as court costs plus the amounts the defendant was obliged to pay by the first instance, and maintained the other provisions of the contested sentence. SNN appealed the sentence for the amount of 363,211.11 lei.

- File no. 5120/3/2013, before the Bucharest Law Court by which the company demanded that SC Electrica Furnizare S. A. be obliged to pay the amount of 1,351,455.56 lei as penalties resulting from the performance of the contract between the parties. The first instance accepted the action and ordered the defendant to pay the plaintiff the claimed amount and the court costs in the amount of 17.630 lei. The defendant appealed.

- File no. 44480/3/2012 before Bucharest Law Court - debtor RAAN – The court obliges RAAN to pay the sum of 7,825,063.68 lei to SNN. According to GEO no. 85/2013 referring to the initiation of RAAN's procedure, it started the insolvency procedure on 18.09.2013, sentence delivered by the Mehedinti Law Court with respect to the file 9089/101/2013. The judicial administrator SPC Tudor & Associates SPRL drafted a preliminary table of the creditors, where SNN was recorded with all the demanded debt totalling 7,828,405.48 lei (including the stamp duties - court costs). SNN is an unsecured creditor.

- File no. 33659/3/2012, before the Bucharest Law Court, whereby the Company demanded that the defendant, the Cernavoda Hall, be obliged to pay the amount of 336,707.37 lei as court costs. The case was transferred to the Medgidia Law Court and is pending.

- File no. 19585/3/2013 before the Bucharest Law Court, the plaintiff is the Company that demanded that the defendant, SC Ennet Group SRL, be obliged to pay the amount of 1,142,898.52 lei representing unpaid invoices and delay penalties. During the trial the defendant paid the amount of 600,000 lei, the court admitting the company's claim for the payment of the remaining value plus the court costs of 618,924.02 lei.

- File no. 35455/3/2013 before the Bucharest Law Court, the plaintiff is Transelectrica SA demanding that the Company be obliged to pay some penalties for overdue invoices on the balancing market, invoices amounting to 646,270.87 lei. The file is pending.

Litigation concerning the judicial reorganization and bankruptcy procedure

- File no. 22456/3/2012, before the Bucharest Law Court, whereby the Company claimed the registration on the table of creditors of the debtor, SC Hydropower S. A., with the amount of 69,936,482.46, lei out of which (i) 22,507,821.02 lei represent penalties as per the penalties clause under the electricity sale-purchase contract no. 144/03.02.2011; (ii) 28,773,061.96 lei as per the civil sentence no. 6037/07.05.2012 delivered by the Bucharest Law Court, (iii) 18,655,479.18 lei representing penalties calculated as per the penalties clause under the electricity sale-purchase contract no. 821/01.10.2007 and (iv) 120.3 lei representing the stamp duty and judicial stamp. The judicial administrator registered Nuclearelectrica on the preliminary table of debts with the amount of 28,773,061.96 lei (unsecured debt), for the remaining of the amount the claim was not accepted. Against these mentions in the preliminary table, the Company filed an appeal, for the admission of the whole debt, which was the object of the file no. 37059/3/2012, registered on the cause list of the Bucharest Law Court. The court dismissed the appeal as unfounded. The company appealed. The appeal was admitted, the court obliging the judicial administrator to register the debt of 69,936,482.46 lei in the preliminary table of debts. The decision is irrevocable.

File no. 3868/118/2012, before the Constanta Law Court, whereby the Company demanded that the debtor, SC PROCONEX Universal S.R.L., be registered on the table of creditors with the amount of 3,727,833.10 lei. The judicial liquidator registered the company in the preliminary table only with the amount of 92,695 lei. Following the appeal irrevocable solution, the debt of 3,524,138.98 lei is registered in the final table. The debtor is under the simplified bankruptcy procedure.

- File no. 873/1259/2008, before the Arges Law Court, whereby the Company demanded the registration on the table of creditors of the debtor, SC Termoficare 2000 S. A., with the sum of 2,713,986.71lei representing: (i) 1,272,756.33 lei debit left after two partial payments, (ii) 729,108.17 lei penalties as per commercial sentence no. 624/16.01.2008; (iii) 712,036.61lei penalties calculated until the commencement

of the insolvency procedure as per Appendix no. 1 of the Convention referring to the participation in the day-ahead market and (iv) 85.6 lei court costs. The judicial administrator of Nuclearelectrica admitted SNN's debt for the amount of 2,001,950.10 lei. The Company filed an appeal against the preliminary table, resolved by sentence no. 685/F/30.06.2009 admitting SNN's demand for the registration on the table of creditors with a total amount of 2,713,896.71 lei. By the decision/closing of 23.10.2012 the court set a new deadline for the sale of goods and debt recovery and ordered the distribution plan display. The debtor, S.C. Termoficare 2000 S. A., appealed against this decision. The case is pending.

- File no. 18770/3/2007, before the Bucharest Court of Appeal, whereby the Company claimed the registration on the table of creditors of the debtor, S.C. Con Dem S. A., with the amount of 2,446,227.08 lei registered in the final table. The defendant is in bankruptcy. The case is pending.

- File no. 2183/115/2010, before the Caras Severin Law Court, whereby the Company claimed the registration on the table of creditors of the debtor, SC CET Energoterm Resita S. A., with the amount of 580,974.21 lei, recorded in the final table. Through the passed sentence, the court ordered the switch to the bankruptcy simplified procedure, appointing the liquidator. The case is pending.

- File no. 1867/90/2010, before the Valcea Law Court, whereby the Company claimed the registration on the table of creditors of the debtor, S.C. Total Electric Oltenia S. A., with the amount of 198,602.5 lei representing the value of the delay penalties for the overdue invoice no. 1881695/30.06.2006 issued as per the electricity sale-purchase contract no. 378/2006 and of a total number of 66 invoices related to the provisions under the Convention referring to the participation in the day-ahead market no. 5857/2005. The debt registration was contested by the debtor – the case is pending -file no. 1867/90/2010. The court admitted in the first instance and in principle, the debtor's appeal sending the case back to the Valcea Law Court for retrial. The court ordered the application of the bankruptcy general procedure, appointing a liquidator. The files are pending.

- File no. 7238/120/2012, before the Dambovita Law Court, whereby the Company claimed the registration on the table of creditors of the debtor, SC Eco Energy S.R.L., with the sum of 2,464,059.64 lei. Through the passed sentence, the court registered the company in the preliminary table with the full amount. Against the mentions in the preliminary table, the debtor filed an appeal, and the court dismissed the appeal and ordered the provisional registration of the company's debt in the final table of debts until the dispute resolution. The case is pending.

Administrative Litigation

- File no. 6561/2/2012, before the High Court of Cassation and Justice, whereby SNN requested the court (i) the partial cancellation of decision/conclusion no. 89 dated 02.08.2012 of the Litigation Settlement Commission of Romania's Court of Accounts that partially dismissed the appeal no. 6562/04.07.2012 filed by the Company against the Decision no. 14 dated 15.06.2012, issued by Romania's Court of Accounts, (ii) the partial annulment of Decision No. 14 of 15.06.2012, issued by Romania's Court of Accounts, for the implementation of the measures of turning to good account the findings of the inspection no. 4739 of 16.05.2012, (iii) partial cancellation of the control report no. 4739 of 16.05.2012, (iii) the partial annulment of the Audit Report no. 4739 of 16.05.2012 concluded as a result of the control action of the Court of Accounts, carried out at the Company during 08.01.2012 - 16.05.2012 on the subject matter "The status, evolution and the management of the state public and private patrimony within SNN ". The court dismissed



the action brought by the Company, and the latter filed an appeal. The case is pending.

- File no. 8184/2/2011 on the cancellation of the environment authorization for the FCN-Pitesti branch (Nuclear Fuel Plant); the plaintiff is Greenpeace CEE Romania, the defendants are the Company and the Ministry of Environment. In the first instance the plaintiff's claim was dismissed and it appealed. In appeal, the court sent for retrial. In the first instance, in retrial, the plaintiff's action was dismissed and it filed an appeal. The file is pending on the cause list of the High Court of Cassation and Justice.

- File no. 3663/2/2013 before the Bucharest Court of Appeal, whereby the plaintiff Greenpeace CEE Romania demanded the suspension of the decision regarding the issuing of the environmental agreement and the annulment of the environmental agreement for the Cernavoda NPP's Units 3 & 4 Project, the defendants being the Company, the Ministry of Environment, the Government of Romania. The first instance dismissed the cancellation demand. The plaintiff appealed. The file is pending on the cause list of the High Court of Cassation and Justice.

- File no. 3793/2/2013 before the Bucharest Court Court of Appeal, whereby the plaintiff Greenpeace CEE Romania demanded the annulment of the decision referring to the issuing the environmental agreement and the annulment of the environmental agreement for the Cernavoda NPP's Units 3 & 4 Project, the defendants being the Company, the Ministry of Environment, the Government of Romania. The file is pending.

Criminal Litigation

- File no. 48031/299/2010, before the Bucharest Law Court 1st District. The Company was established as a civil party in this case whose object is the committing of corruption offenses by Ioan Rotaru, Irimie Traian Caesar, Ispas Gheorghe, Prisecariu Tereza, Nemtanu Raducu, Angheliescu Andrei Tudor as a result of failing to comply with the legal provisions referring to public procurement for some contracts award whose payment was made from the loans guaranteed by the state, causing the Company a damage of 12,629,551 lei. The party civilly responsible in this cause is the trading company Tess Conex S.A. Iasi. The trial is pending.

3.8. Environment protection activities

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

(a) The certificate regarding the Environment Management System number 56/3 owned by SN Nuclearelectrica SA – Cernavoda NPP for the electric and thermal power production activity using nuclear sources as well as for connected activities, as per the provisions of the SR EN ISO 14001:2005 (ISO 14001:2004) standard, issued by IQNet and SRAC on 26.04.2013 and valid until 26.04.2016, on the basis of the Audit report for recertification prepared at 19.04.2013.

(b) The certificate regarding the Environment Management System number 4309 of SN Nuclearelectrica SA – the Nuclear Fuel Plant Pitesti subsidiary for the nuclear fuel manufacturing process, in accordance with the conditions of



the EN ISO 14001:2004 standard, issued by IQNet and SRAC at 06.11.2013 and valid until 06.11.2016.

The impact of the operation of the NPP on the environment is constantly monitored and reported in accordance with the requirements of the operation and environment authorizations.

The certification of the Management System based on ISO 14001:2005 standard was maintained in 2013, fact demonstrated by the results of the recertification audit which took place in July 2013, performed by the Romanian Quality Assurance Authority (SRAC).

The positive results recorded in 2013, in field of environment protection field include:

- The lack of events with impact on the environment, the population and the staff;
- The timely report to the environment authorities (102 reports);
- The lack of penalties and non conformities from local authorities, external independent auditors, following the control activities performed at Cernavoda NPP.

In 2013 the following licenses were renewed:

- The authorization for water management for Cernavoda NPP Units 1 and 2;
- The authorization for water management number 267 from November 2013 for DICA;
- The authorization for greenhouse gas emissions for the period 2013 – 2020.

The total volume of solid radioactive waste, for both units, is of 570, 59 m³. The waste is stored within the protection fence of Cernavoda NPP, inside the Intermediary Repository for Solid Radioactive Waste. In 2013, the total volume of low and intermediary level waste, for Units 1 and 2, was of 53, 47 m³ (except spent resins). Cernavoda NPP's policy for managing spent fuel is the following:

- Wet storage in the spent fuel pool of the unit for a period of minimum 6 years;
- Dry storage inside the intermediary spent fuel repository for a period of 50 years.

The intermediary spent fuel repository is located on Cernavoda NPP site, at approximately 700 m from Unit 1, the fuel being transported on internal roads which guarantee the maintenance of an integrated physical safety system.

The repository is gradually built, with a final profile of 27 storage modules with the capacity of 12.000 bundles/module, which will ensure the storage for 50 years of the spent fuel resulted from the operation of Cernavoda NPP Units 1 and 2 for their entire life span. Currently, there are 6 modules completed.

In 2013, a number of 5400 fuel bundles were transferred from Unit 1 to the Intermediary Spent Fuel Repository. Thus, an additional 9 cylinders were filled in Module 5, along with the first 2 cylinders which here filled in this module in 2012. The storage capacity of one module is 20 liters.

FCN Pitesti monitors the gaseous radioactive effluents in the atmosphere through the dispersion horns as well as the liquid effluents in accordance with the conditions stipulated in the authorizations. As per these conditions, FCN Pitesti may release a volume of maximum 10⁹ m³/year of gaseous radioactive effluents, with a maximum concentration of 5 µgU/m³.

The volume of gaseous radioactive effluents released in the atmosphere in 2013 represented 66,9% from the authorized volume and had a concentration of uranium representing 8,1% of the maximum allowed concentration.

FCN Pitesti transferred in 2013 a volume of 450 m³ liquid radioactive effluents to the Cleaning Station of the Nuclear Research Institute which represented 22,5% of the maximum authorized volume, with an average concentration of ,37 mgU/L, and representing 37% of the imposed limit.



As per the evaluation reports requested by CNCAN, FCN Pitesti reduced by 10% the administrative control limits for the evacuation of liquid radioactive effluents for the uranium and beryllium concentration parameters, in accordance with ALARA principle, starting with 01.01.2013.

3.9. Radioprotection program

The main objective of SNN SA's operational radiation protection program is to maintain professional exposure as low as reasonably achievable in compliance with the ALARA principle. The efficiency of the Cernavoda NPP's policy regarding the ALARA principle is being monitored by determining, controlling and periodically reporting the performance indicators based on internal and external operational experience.

The radioprotection performance indicators show us the efficiency of the radioprotection programs in optimizing the personnel exposure to radiations.

The radioactive effluents and emissions into water and air were kept quite below the authorized limits. The annual average dose received by a member of the critical group, due to the radioactive emissions of Units 1 and 2 was of 0,00545 mSv in 2013, while the annual average dose received by a member of the general public from the natural radiation background is of 2,4 mSv. More detailed information on the radiological impact are provided by SNN SA's "Environment Report".

In 2013, the achieved collective dose was of 509,1 man/mSv, the annual average dose for works with recordable doses was of 0,53 mSv and the individual maximum dose was of 5,81 mSv. The legal limit for the effective dose for the professionally exposed workers is 20 mSv/year, and the administrative level at Cernavoda NPP is 14 mSv/year. Neither of these limits was exceeded.

At the end of 2013, the internal collective dose was of 92,3 man/mSv, representing 18,1% of the total dose at the level of the power plant.

The Radioprotection Department issues regular reports regarding the evolution of the collective doses and of the ALARA performance indicators, thus raising the involvement of the plant's personnel in the control and optimization process for the professional exposure to ionized radiation. The achievement of these objectives is monitored through the ALARA process and the ALARA committees carry on their activity with excellent results. With an average dose per unit of 254,44 man/mSv Cernavoda NPP maintains its position as one of the best NPPs in the world.

The main objectives of FCN Pitesti operational radiation protection program is to maintain professional exposure to ionized radiation as low as reasonably achievable, to monitor individual radiation doses and the working environment as per the legislation in force and the requirements from the authorizations owned by CNCAN.

For external exposure to ionized radiation, the entire personnel of FCN Pitesti is monitored using a system of Thermo luminescent Dosimeters (TLD) measured within the Personnel Radioprotection and Dosimetry Laboratory of FCN Pitesti (LRDP-FCN), which represents a dosimetry authority approved by CNCAN, as per the certificate ODA04/2011.

Starting with January 1st 2013. FCN Pitesti reduced its Administrative Control Limit for the individual effective dose of the professionally exposed personnel from 20 mSv/year to 18 mSv/year. Moreover, CNCAN was notified regarding the decrease of the recording level of LRDP-FCN from 0,17 mSv/TLD to 0,1 mSv/TLD. Individual and collective protection measures against ionized radiation were taken and efficient periodical trainings were organized in order to strengthen the nuclear safety culture; these lead to the decrease of the total collective dose and of the



annual average dose per employee. The total collective dose decreased by 37,11% in 2013 by comparison to 2012, and the annual average dose per employee decreased with 35,76 %.

In 2013, FCN Pitesti manufactured a quantity of 10.800 nuclear fuel bundles that were delivered to Cernavoda NPP for the 2 units in operation:

- 5.760 fuel bundles produced and delivered to Unit 1;
- 5.040 fuel bundles produced and delivered to Unit 2.

The failure rate of the nuclear fuel produced in 2013 was 0% for Unit 1 and 0,019% for Unit 2. The high performance of the nuclear fuel was demonstrated during the operation of the two nuclear reactors. At an average burn up factor of 172 MWh/KgU, the failure rate for both units was of 0,0093% in 2013 and 0,074% since in service.

In 2013, a total of 11.520 nuclear fuel bundles was transferred to Cernavoda NPP. FCN Pitesti continued to monitor the personnel and the means of transportation, with the purpose of correlate the doses, and reported the findings to CNCAN, on an annual basis and filled a report after each transport.

In 2013, a number of 13 employees obtained level 2 practice permits in the nuclear field (PEADN), and 20 employees attended the course on recycling in the field of radioprotection with the title “Radiological safety at the nuclear fuel plant”, organized by the National Nuclear Training Centre – IFIN Magurele.

3.10 Activity regarding Risk Management

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

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

a) Price risk

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

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

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

The company is still forced to sell a significant percent of its production on the regulated market. Prices for the regulated market are established by ANRE based on its own cost plus regulated profit margin type methodology;



nevertheless, not all costs required by the companies to be acknowledged by ANRE are taken into consideration when establishing the regulated price, so that the price risk for the regulated market is accentuated. Given the gradual liberalization calendar for the free market, until the end of 2017, this risk will cease to exist.

b) Credit and counterparty risk

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

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

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

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

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

c) Liquidity and cash-flow risk

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

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

d) Currency risk

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

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



costs and benefits perspective.

e) Interest rate risk

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

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

f) Competition risk

The competition risk must be analyzed in the context of continuous liberalization of the market which facilitates access for the company to sell its production at higher existing prices on the free market. As well, the regional integration is taken into consideration. SNN will be exposed to an increase in regional competition and to future improvements, reconditioning, expansions and new constructions estimated to be done by producers on the national electricity market. In the same time, at least on the short term, there is an increase in number and transactions closed on the spot market (PZU) paralleled by a decrease on PCCB, whose effect is the increase in price volatility, predictability and income stability. However, as a specific feature of nuclear energy, for the time to come, the cost of nuclear energy is expected to remain lower than the cost of coal and gas based production facilities, which are very sensitive to fuel price and environment protection regulation compliance costs increase (for example carbon dioxide emissions). Simultaneously, renewable energy projects are very volatile in terms of production due to lack of forecast on fuel resources availability (for example wind, solar energy). Hydro energy, even though it is cheaper, and currently represents 25-30% of Romania's electricity production, depends on water availability. As a conclusion, of all energy sources whose fuel is available, predictable and stable, nuclear energy has the most reduced production costs.

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

g) Macroeconomic risk

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

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

h) Operational risk

Operational risks are associated with the company's activity, with its capacity to generate income and maintain a competitive operational margin. This risk depends on the company's capacity to ensure the necessary electricity volumes committed to be supplied by contracts on the regulated and free markets, taking into consideration both planned and unplanned outages of Units 1 and 2. Given the nature of production, nuclear energy is generally less exposed to operational risk than natural gas, coal, hydro and renewable based production. Given the dependence on



certain suppliers for the procurement of main raw materials, the risk that these production costs vary exists. However, this variation has a moderate impact because of the reduced percent of these costs (excluding amortization) in the total of operation costs of a nuclear power plant.

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

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

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

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

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

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

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

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

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

j) Insurance

The main insurance policies, in force, of SN Nuclearelectrica SA are:



-Insurance policy of property (Cernavoda NPP Units 1 and 2 and FCN Pitesti) for all risk types, mechanical and electrical damage, having a compensation limit (insured amount) of USD million 1.560

- Civil liability insurance for nuclear damage to third parties, having a compensation limit of DST million 300.
- SNN Directors and Administrators liability insurance policy.
- SNN workplace personnel injury and professional diseases insurance policy

In addition to the above mentioned main insurance policies, insurance policies for the auto park are also closed.

4. ANALYSIS OF ECONOMIC-FINANCIAL AND OPERATION PERFORMANCE

4.1. Operation performance indicators

In 2013, the gross annual capacity factor (GCF) of Unit 1 was 99.40% and of Unit 2 was 89.15%. At the end of 2013, the capacity factor since in service (GCF) was 90.31% for Unit 1 and 93.88% for Unit 2.

COG ranking (Candu Owners Group – CANDU power plant type) at the end of 2013

Rank	Power plant	Gross capacity factor (%) (12 months)-at the end of 2013	Rank	Power plant	Gross capacity factor (%) (since in service)-at the end of 2013
1	Qinshan-5	102.16%	1	Wolsong-4	95.69%
2	Cernavoda-1	99.40%	2	Wolsong-3	94.76%
3	Bruce-7	97.93%	3	Cernavoda-2	93.88%
4	Darlington-1	97.27%	4	Wolsong-2	93.48%
5	Darlington-3	95.76%	5	Qinshan-5	92.27%
6	Pickering-7	95.12%	6	Qinshan-4	91.17%
7	Wolsong-3	92.58%	7	Cernavoda-1	90.31%
8	Qinshan-4	92.19%	8	Bruce-2	87.11%
9	Wolsong-4	90.25%	9	Darlington-3	87.00%
10	Bruce-5	89.66%	10	Darlington-4	85.90%
11	Cernavoda-2	89.15%	11	Darlington-1	85.60%
12	Bruce-2	87.69%	12	Bruce-7	84.99%
13	Bruce-3	86.57%	13	Bruce-5	84.56%
14	Pickering-8	86.42%	14	Embalse	83.07%
15	Pickering-4	86.20%	15	Bruce-8	82.51%
16	Wolsong-2	83.69%	16	Bruce-6	81.41%
17	Bruce-1	82.06%	17	Darlington-2	78.80%
18	Bruce-6	79.50%	18	Pickering-7	78.50%
19	Bruce-8	78.98%	19	Pickering-6	78.20%
20	Pt. Lepreau	72.55%	20	Pickering-8	76.80%
21	Darlington-4	68.40%	21	Bruce-1	75.45%
22	Pickering-6	67.59%	22	Pickering-5	73.50%
23	Darlington-2	67.20%	23	Pt. Lepreau	70.91%
24	Bruce-4	65.05%	24	Pickering-4	66.30%
25	Embalse	63.30%	25	Bruce-3	64.63%
26	Pickering-5	58.14%	26	Bruce-4	64.39%



27	Pickering-1	46.23%	27	Pickering-1	63.70%
28	Wolsong-1	0.00%	28	Wolsong-1	50.20%

As it can be noticed in the above figure, Cernavoda Units 1 and 2 have very good operation performance (Unit 2 ranks 3rd and Unit 1 ranks 7th, since in service).

4.2. Economic-financial performance indicators

Information presented in chapter 4.2 are based on the individual financial statements

Statement of financial position (excerpt)

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

Statement of comprehensive income (excerpt)

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

Statement of cash flows (excerpt)

Indicator (Lei thousand)	2013	2012
Profit before income tax	517.690	65.311

Adjustments	241.495	659.614
Operating cash flow	759.185	724.925
Operating net cash flow	670.179	708.150
Investment net cash flow	(689.574)	(429.258)
Financing net cash flow	63.799	(183.870)
Net increase in cash flow and cash flow equivalents	44.404	95.022
Cash flow and cash flow equivalents at the beginning of the period	694.877	599.854
Cash flow and cash flow equivalents at the end of the period	739.280	694.877

Budget execution (excerpt)

No.	Indicator (Lei thousand)	Executed 2013	Budget 2013*	Executed 2012	Index (x times)	
					col. 5=2/3	col. 6=2/4
0	1	2	3	4		
1	Operating revenues	2.059.022	1.913.764	1.684.450	1,08	1,22
2	Operating expenses	(1.597.926)	(1.686.301)	(1.528.469)	0,95	1,05
3	Operating profit	461.096	227.463	155.981	2,03	2,96
4	Financial expenses	(172.420)	(281.196)	(316.860)	0,61	0,54
5	Financial revenues	229.014	180.300	226.190	1,27	1,01
6	Net financial expenses	56.594	(100.896)	(90.670)		
7	Profit before income tax	517.690	126.567	65.311	4,1	7,9
8	Net income tax	(94.299)	(26.171)	(46.467)		
	Financial year profit	423.391	100.396	18.845	4,2	22,5

Financial indicators

Indicator (Lei thousand)	Calculation formula	m. u.	2013	2012
Profit indicators				
a) EBITDA to sales ratio	EBITDA/Turnover	%	46,3%	33,4%
b) EBITDA return on equity ratio	EBITDA/Equity	%	11,6%	6,9%
c) Net profit ratio	Gross profit/Turnover	%	26,8%	4,0%
d) Return on capital	Net profit/Equity	%	5,5%	0,2%
e) Return on assets	Net profit/Total assets	%	3,6%	0,2%
Liquidity and solvability indicators				
a) Current liquidity ratio	Current assets/ Long term debt	x	1,80	2,34
b) Immediate liquidity ratio	Current assets-Stocks/ Long term debt	x	1,59	1,75
c) Patrimonial solvency	Equity /Total debt	x	1,92	2,75
Risk indicators				
a) Indebtedness	Borrowed capital / Equity	x	0,25	0,27
b) Interest coverage ratio	EBIT/Interest expenses	x	15,62	2,16
Activity indicators				



a) The rotation speed of debits-clients	Adjusted average balance clients VAT x 365/ Turnover	days	21	33
b) The rotation speed of credits-suppliers	Adjusted average balance suppliers VAT x 365/ Turnover	days	32	32



5. ANALYSIS OF THE ISSUER

5.1. Initial Public Offer

The Initial Public Offer to sell a number of 25.368.236 dematerialized, ordinary, indivisible and freely negotiable nominative shares, with a nominal value of lei 10/share, representing 10% of SN Nuclearelectrica SA share capital, was successfully completed in 2013. The unfolding period of the offer was 09.09.2013 – 20.09.2013. The closing price of the offer was Lei 11,2/share.

Throughout October 4th-October 28th, 2013, the allocation rights inherent to SNN shares, symbol SNNRO, were transacted on Bucharest Stock Exchange, category III. The shares were admitted to transaction on Bucharest Stock Exchange, category I, on 04.11.2013, with the issuing symbol „SNN” (code ISIN ROSNNEACNOR8).

As a result of the share capital increase by issuing new shares which were sold through the Initial Public Offer, to which the shares issued following Fondul Proprietatea exercise of its preference right were added, the total number of shares issued by SNN reached 281.782.756.

The evidence of shares is held by Depozitarul Central, in its quality of independent register company authorized by the Financial Supervisory Authority (ASF)..

5.2. Transaction market

SNN shares are transacted on the regulated market administered by the Bucharest Stock Exchange since 04.11.2013, at category I, having as issuing symbol “SNN” and ISIN ROSNNEACNOR8 code.

5.3. SNN activity on BVB

The activity unfolded by SNN in 2013, in its quality of security issuer on the Romanian capital market, is as follows:

- During the 42-day transaction period, a total number of 6.849 SNN share transactions occurred, with an average daily number of 163 transactions.
- The total volume of the transacted shares was 2.977.304, a number of 1.868.246 shares being transacted in November and 1.109.058 shares in December.
- The value of SNN share transactions was of Lei 46.944.724,27 in 2013.
- The price of a SNN share varied between the maximum value of Lei 11,8 and minimum value of Lei 10,95 throughout 2013.
- The stock market capitalization on the last transaction day of 2013 reached Lei 3.153.149.040.

5.4. Index presence

Starting with the transaction meeting dated December 23rd, 2013, the new structures of BVB index came into force (the percent of symbols within the index competence); thus, SNN shares were included in the structure of Bucharest Stock Exchange (BVB) index with the following percents:

- 1,99% in BET index (Bucharest Exchange Trading –the reference index of the capital market, a **free-float capitalization-weighted index of the 10 most liquid companies listed on the BVB regulated market**)
- 4,7% in BET-BK index (Bucharest Exchange Trading Benchmark Index calculated as a **free-float capitalization-weighted index of the 25 most transacted companies listed on the BVB regulated market**);
- 5,36% in BET-C index (Bucharest Exchange Trading – Composite Index, the composite index of BVB market, it reflects price evolution of all companies listed on the BVB regulated market, category I and II, with the exception of SIFs, a capitalization pre-weighted index of the comprised companies);
- 1,53% in BET-XT index (Bucharest Exchange Trading Extended Index, a blue-chip index, it reflects the price



evolution of the 25 most liquid companies transacted on the regulated market, including SIFs, the maximum weight of a symbol in the index being of 16,64%;

- 6,06% in BET-NG index (Bucharest Exchange Trading Energy & Related Utilities – a sectorial index that monitors the price movement of the shares of the companies whose main activity domain is associated with “energy and utilities” sector, the maximum weight of a symbol in the index being of 14.96%).

5.5. Dividends policy

SNN is a majority-state owned national company. Thus, profit distribution is done according to GEO no. 64/2001 regarding the distribution of profit of national companies, majority or fully state-owned companies, as well as of authorities, with the subsequent amendments. Thus, as provided by GEO no. 64/2001, the minimum distribution quota of dividends is of 50% of the net profit after applying the distribution as provided by art. 1 (1) letter a)-e), to which the amounts proposed to be distributed as employee participation to profit are added.

The company does not have a stable dividend policy. The profit quota that will be distributed annually by the company as dividends is subject to approval within the general meeting of shareholders, where the Romanian State is the majority shareholder. Thus, SNN registers and pays dividends from the net profit only after the approval of the annual financial statements by the General Meeting of the Shareholders and of the profit distribution proposals.

In 2011, the company did not distribute dividends, given the fact that the profit was directed to cover the reported loss. In 2012, a 85% distribution quota of the net profit was approved for dividends. For 2013, the same 85% distribution quota is proposed.

Dividends due and paid in the last free years:

Indicator (lei)	2013*)	2012	2011
Net profit	423.391.480	34.469.000	95.036.272
Distribution to the legal reserve	(26.335.766)	(4.288.466)	(5.981.035)
Accounting loss coverage	-	-	(89.055.237)
Net profit distributed to dividends	397.055.714	30.180.534	-
Employees participation to profit	(3.312.000)	(3.337.816)	-
Net profit calculation base for dividends distribution	400.367.714	33.518.350	-
Proposed dividends	340.957.135	28.490.598	-
Allocated dividends	-	28.490.598	-
Dividends paid until 31.12.2013	-	28.490.598	n/a
Profit distribution ratio (%)	85,16%	85,00%	n/a

*) for 2013, the presented indicators represent the profit distribution proposal

For 2011 and 2012 financial years, data on the dividends and net profit are based on the financial statements done in accordance with OMFP 3055/2009 which represents the statutory accounting base for SNN.

Profit distribution ratio is determined as the ratio between dividends quantum and the net profit calculation base for dividends distribution. More information on profit distribution related to the 2013 financial year can be accessed on the company’s web page, relations with investors/GMS section.



5.6. Communication with shareholders and investors

Communication and Investors Relations are done in accordance with the legal stipulations in force as provided by Law 31/1990, updated for companies, Law 297/2004 (art. 224, paragraph 5 regarding the nature of the privileged information that needs to be communicated to the shareholders and investors) and with the regulations of the Financial Supervisory Authority (ASF).

At internal level, the company seeks the efficient integration of financial, legislative, corporate and social responsibility related information, of interest to the investors and shareholders and the communication of the information either as a request complying with the reporting requirements of a company listed on the stock exchange market, or at the request of the shareholders, investors or third parties interested in the status quo or evolution of the company.

Communication is done in a symmetric bidirectional system, with emphasis on feedback and, implicitly, on the constant development of relations with the investors and considers: meetings with the shareholders and investors, press conferences and press briefings, private meetings with the shareholders, videoconferences, management of the special section dedicated to investors relations on the company's website, access easing to relevant information on the company's activity and its elaborated reports, communication of the company's corporate governance policies, communication of information with impact on the company, shareholders and investors.

The purpose is to develop an efficient communication, adjusted based on feedback from the market, which allows shareholders to understand and assess, based on objective information, transmitted in due time, the changes occurred within the transaction patterns, development directions of the company, information with impact upon the risk management strategies.

Since the admittance to transaction of the allocation rights inherent to a volume of 10% of SNN shares (October 4th, 2013), communication activities have materialized in press meetings, information based on shareholders request, General Meeting of Shareholders organizing, publication of current reports on the company's website and in the media.



6. CORPORATE GOVERNANCE

6.1. The implementation of the corporate governance principles

During 2013, SNN entered a new stage of development from the perspective of the implementation of the best practices regarding corporate governance in order to comply with the new requirements of a company listed on the Stock Exchange Market.

SNN place a great importance on corporate governance and adopts the principles provided by the Code of Corporate Governance issued by the Bucharest Stock Exchange Market. The implementation of the corporate governance rules ensures a transparent decision making process, based on clear and objective rules and increases the confidence of the shareholders in the company.

SNN adopts the code of Corporate Governance of the Bucharest Stock Exchange and will apply or explain the recommendations of this code, in compliance with the Declaration regarding the conformity or non conformity with the provisions of the Code of Corporate Governance (The “Apply or Explain” Declaration).

The main steps taken by the company related to corporate governance during 2013 are presented below.

The Management Plan of the Board of Directors of SNN SA, approved through the Resolution of the General Meeting of Shareholders number 19/24.07.2013 provides the following objectives related to corporate governance after the enlisting of the company on the stock exchange market: the necessity to increase transparency and efficiency in the reports towards investors and to establish new structures and specific committees. At the same time, in view of implementing the best practices in the field of corporate governance, the Board of Directors established the following objectives in the Management Plan:

- The alignment with the best practices of corporate governance through the update of the articles of incorporation;
- The implementation of the provisions of OUG 109/2011 and the corporate governance standards through the establishment of advisory committees and the increase of transparency

The management plan approved by the Board of Directors provides the establishment of an internal corporate governance policy. The management plan assumes the corporate governance objectives from the Administration plan of the Board of Directors, namely the alignment to the best corporate governance practices through the update of the articles of incorporation of the company and the implementation of the provisions of OUG 109/2011 and of the corporate governance standards.

Thus, the management bodies of SNN assume before the shareholders the obligation to implement new structures in order to comply to the transparency and efficiency requirements imposed by the position of an open company listed on the Bucharest Stock Exchange Market.

In order to implement the corporate governance principles, SNN made a series of decisions in 2013 related to corporate governance which focused on the following issues:

- The selection and appointment of the new members of the Board of Directors, of the General Manager and of the Manager of Cernavoda NPP subsidiary through the application of the provisions of OUG 109/2011;
- The establishment of an internal reporting procedure based on the provisions of art. 52 of OUG 109/2011;
- At the same time, as per the provisions of art. 113, letter G, paragraphs 3 and 4 of the Regulations 1/2006 regarding the issuers of securities, SNN send current reports to BVB and ASF, within maximum 5 days since the conclusion of legal documents with the administrators, the employees, the shareholders that have control over the company, as well as the implicated persons with the cumulated value of at least



50.000 Euro, in lei equivalent (art. 225, paragraph 1 of the Law number 297/2004 regarding the capital market). The current reports are also published on the website of the company and contain the following information: the parties of the legal document, the conclusion date and the nature of the document, the description of the subject, the value of the legal document, mutual receivables, warranties, penalties, deadlines and payment methods.

- SNN send current reports to BVB and ASF in order to inform the shareholders regarding any event that modifies the assets of the company or its financial situation, by complying with the deadlines provided by the applicable legislation for the issuers that trade shares on the stock exchange.
- SNN publishes on its website the quarterly, half-yearly reports as well as the annual reports, in Romanian and English together with the notification to BVB.
- Measures regarding the transparency of the company:
 - o Creation of an “Investors relations” section on the company’s webpage
 - o Within the “Investors relations “section on the website of the company, there is information regarding each GMS, the resolution drafts of the GMS, the special powers of attorney and the correspondence voting bulletins for legal and individual shareholders, as well as the resolutions of the GMS with the results of the votes. Also, on the website of SNN a series of other information is published in order to keep the shareholders informed;
 - o The resolutions of the GMS are published within 48 hours from the date of the meeting on the webpage of the company;
 - o SNN published the annual financial statements for the years 2010, 2011, 2012 on the website of the company;
 - o SNN published the reports of the Board of Directors on the website of the company;
 - o SNN published the consolidated version of the Articles of Incorporation on the website of the company;
 - o The publication of the administration plan of the Board of Directors on the website of the company;
 - o The publication of the list of the management bodies of SNN as well as the CVs of the managing staff;
 - o The dissemination of the quarterly financial reports to BVB and ASF and on the website of SNN;
 - o the publication of the remuneration policy of the members of the managing bodies of SNN on the website as well as the format of the administration contract concluded by the members of the Board of Directors;
 - o The creation of a dedicated section on the website for current reports;
 - o The publication of the remuneration policy of the management as per the requirements of OUG 109/2011.
- The Board of Directors of SNN established two specialized advisory committees, that are mandatory as per OUG 109/2011, made up of three non executive members of the Board, out of which one is an independent member. The Nomination and Remuneration Committee established as per article 34 of OUG 109.2011 regarding the corporate governance of public enterprises, created based on the Decision number 7 of the Board of Directors dated 26.04.2013; the Audit Committee – established as per article 34 of OUG 109/2011 regarding the corporate governance of public enterprises , created based on the Decision number 8 of the Board of Directors dated 30.04.2013.
- The Advisory Committee for Strategy, Development and Large Investment Projects, was established on the basis of resolution of the BoD number 27/26.08.2013;
- The Advisory Committee for Nuclear Safety was established on the basis of resolution of the BoD number



27/26.08.2013;

- All the committee have an internal rules of organization and operation approved by the Board of Directors. These regulations are published on the website of the company, in the Investors relations section, Corporate Governance, Advisory committees
- The General Manager issued internal decisions in order to regulate the regime of “privileged information”, informed the employed regarding these aspects and established obligations regarding the dissemination of these rules to the public and the investors;
- The establishment of an internal flow for the preparation, signing and dissemination of the current report to the Bucharest Stock Exchange and the Authority for Financial Oversight;
- The participation of the employees to corporate governance training courses organized by the Institute for Corporate Governance of BVB;
- The approval of the regulations regarding the organization and unfolding of the General Meetings of Shareholders of SNN through a decision of the BoD;
- The adequate conditions were created so that the investors can exercise their voting rights through correspondence or electronically means, before the date of the meeting, in compliance with the provisions of art. 45 (6) of OUG 109/2011. Thus, the Regulations of the organization and unfolding of the GMS provides the vote by correspondence, as a method to exercise the voting right of the shareholders
- The Board of Directors decided to select a specialized company, namely Quest Advisors, that (i) will manage the recruitment process of the Financial Manager of SNN and (ii) will prepare an analysis regarding the revision of the organizational chart of SNN and will formulate recommendations.

6.2. The General Meeting of Shareholders

The corporate bodies of SNN are structures as follows: the general meeting of shareholders, which represents the highest decision making fora and the Board of Directors. SNN is managed within an unitary system.

The general meeting of shareholders (GMS)

The General Meeting of Shareholders is the main corporate governance body of the company, which decides on the economic and business policy and activity of the company.

SNN has established and implemented solid internal procedures governing the organization and development of GMS, as well as rules governing the latter’s legal and statutory activity, in accordance with the Articles of Incorporation and the applicable laws.

In terms of its structure, depending on the items which require the approval of the shareholders, the General Meeting of Shareholders may be ordinary or extraordinary.

The Ordinary General Meeting of Shareholders (OGSM)

The Ordinary General Meeting of Shareholders (OGMS) includes among its functions/responsibilities the following:

- a) elects and dismisses the members of the Board of Directors;
- b) appoints and dismisses the financial auditor and appoints the minimum duration of the financial audit contract;
- c) approves the pledging or leasing of one or more sub-units of the company;
- d) establishes the level of remuneration and any other due amounts and benefits, for the current financial year, for the members of the Board of Directors (including its President), and establishes the general limits and conditions of the remuneration of the Chief Executive Officer (CEO);
- e) approves the incomes and expenses budget and, if the case may be, the activity program for the next financial year;



- f) examines, discusses, approves or modifies the annual financial statements after having analyzed the reports of the Board of Directors and of the financial auditor, and approves profit distribution in compliance with the laws in force;
- g) approves and establishes the dividends and decides on the use of the dividends related to the managed shares, for restructuring and development;
- h) analyzes the reports of the Board of Directors on the status and prospects of the company, with respect to profit and dividends;
- i) declares its opinion on the directors' management and on the method of recovering from them the damages they have caused to the company;
- j) analyzes and solves other issues submitted by the Board of Directors.

The Extraordinary General Meeting of Shareholders (EGMS)

The main responsibilities of the Extraordinary General Meeting of Shareholders (EGMS) are:

- a) approves the change of the company's legal condition;
- b) approves the change of the company's headquarters location;
- c) approves the change of the company's object of activity;
- d) approves the increase, decrease or the reintegration of the share capital;
- e) approves the merger with other companies or the split up of the company;
- f) approves the anticipated dissolution of the company;
- g) approves the issuance of bonds;
- h) approves the conversion of nominative shares, issued in dematerialized form, in nominative shares issued in materialized/physical form and vice versa;
- i) approves the conversion of the preferred shares, with priority dividend, without the right to vote, into ordinary shares and vice versa;
- j) authorizes the acquisition by the company of its own shares, and establishes the means of obtaining the maximum number of shares to be acquired, their minimum and maximum equivalent amount and operation period, in compliance with the law; it also establishes the method of alienation of own shares acquired by the company;
- k) approves the conclusion of legal documents related to the company, documents whose value exceeds half of the accounting value of the company's assets;
- l) approves the annual percentage from the company's profit that will be taken over for the formation of the reserve fund, in compliance with the legal provisions, as well as the participation in the company's profit of the directors/managers, CEO, as appropriate, as well as of the company's employees, setting out, for each financial year, the participation conditions;
- m) approves any other change to the By-Laws or any other decision that needs the approval of the Extraordinary General Meeting of Shareholders.
- n) approves the mandate of S.N.NUCLEARELECTRICA S.A. representatives in the General Meeting of Shareholders of S.C.ENERGONUCLEAR S.A. for:
 - the modification of the share capital of S.C. ENERGONUCLEAR S.A.;
 - changing the participation quota of S.N.NUCLEARELECTRICA S.A. in the share capital of S.C.ENERGONUCLEAR S.A.;
 - the actions for whose approval is necessary to issue one /some laws/requirements;
 - the dissolution and liquidation of S.C.ENERGONUCLEAR S.A.;
 - any investment made by S.C.ENERGONUCLEAR S.A. that exceeds 5,000,000 euro (five million euro) with respect to a single transaction and/or any investment that exceeds 10,000,000 euro (ten million euro) cumulated with other transactions in any financial year;
 - the conclusion by S.C.ENERGONUCLEAR S.A. of any contract that involves expenses or binding by any significant obligations by the S.C. ENERGONUCLEAR, exceeding 5,000,000 euro (five million euro), individually or cumulatively, in one single financial year;
 - any important change to the organization chart of S.C.ENERGONUCLEAR S.A. or to the way how it operates, the ceasing of the activity by S.C. ENERGONUCLEAR S.A. or carrying out the activity at a substantially reduced level;
 - any actual or proposed sale or any other alienation of any assets or rights of S.C. ENERGONUCLEAR S.A., or any actual or proposed acquisition of any assets or rights by S.C.ENERGONUCLEAR S.A. exceeding the cumulative amount of 5,000,000 euro (five million euro) in any financial year.



Extraordinary General Meeting of Shareholders commits to the Board of Directors the following responsibilities/functions:

- a) change of the company's headquarters location;
- b) change the activity object, without affecting the field and the main activity of the company

Quorum and majority requirements

(a) OGMS

For the first convocation of the meeting, the quorum requirements shall be met provided that the shareholders, representing at least 1/4 of the company's share capital, are attending the meeting. The resolutions can be validly adopted only when the shareholders representing the majority of the cast votes are voting "for".

For the second convocation, the meeting can validly adopt resolutions regardless of the attending number of shareholders, simply through the vote cast by the shareholders representing the majority of the cast votes.

(b) EGMS

For the first convocation of the meeting, the quorum requirements shall be met provided that the shareholders, representing at least 1/4 of the company's share capital, are attending the meeting. The resolutions can be validly adopted only when the shareholders representing the majority of the cast votes are voting "for".

For the second convocation, the meeting can validly adopt resolutions provided that the shareholders, representing at least 1/5 of the company's share capital, are attending the meeting. The resolutions can be validly adopted only when these shareholders or their legal representatives representing the majority of the cast votes are voting "for".

The resolutions meant to amend the main object of activity of the company, the resolutions meant to increase or reduce the capital, to change of legal form of the company, or referring to mergers, split up or dissolution of the company shall be adopted by a majority of at least 2/3 of the voting rights held by the shareholders or their proper representatives attending the meeting.

GMS Convening process

The General Meeting of Shareholders may be convoked in the following situations:

- a) as a result of the resolution of the SNN's Board of Directors, of the President of the Board of Directors or of one of its members, based on the power of attorney given by the President;
- b) as a result of the request of a shareholder or of some shareholders who individually or jointly hold 5% of the share capital, if the request contains dispositions included in the meeting's responsibilities/functions.

The Ordinary General Meetings of Shareholders are held at least once a year, within maximum 4 (four) months after the end of the financial year, for the examination of the previous year's financial statements and for establishing the activity program and the budget for the current year.

The meeting cannot be appointed earlier than thirty days after the publication of the convening notice in the Official Gazette of Romania, Part IV (the term is calculated by excluding the day of publication of the convening notice and the day when the meeting takes place). The convening notice shall include the place and date of the general meeting (both of the first convocation and of the second convocation, if applicable), as well as the agenda, explicitly mentioning all the problems to be debated. When the agenda includes proposals for the amendment of the Articles of Incorporation, the convening notice shall include the full text of the proposals.

The Convening Notice of the General Meeting of Shareholders must be approved by the Board of Directors, signed by the President of the Board, published, at least 30 days prior to the GMS, in the Official Gazette, Part IV-a, in a national daily newspaper and on the website of SNN.

The shareholders representing at least 5% of the share capital of the company may require the Board of Directors to add new items on the agenda, within maximum 15 days after the publication of the convening notice. The agenda completed with the new items proposed by the shareholders shall be published at least 10 days before the General Meeting of Shareholders, on the date mentioned in the initial convening notice.



In accordance with the capital market regulations, the resolution drafts submitted to GMS for approval, together with the other supporting documents are published on the company's website starting with the convening notice publication date.

GMS organization procedure

SNN has established and implements internal rules for the organization and carrying out of the GMSs, which require specific competence and responsibilities for various organization structures and departments of the company within GMS organization. These regulations are intended to regulate the entire internal stream of documents and information, procedures and logistics as well as the external process which consists in properly informing the company's shareholders about the aspects related to the convoked meetings.

The shareholders may participate and vote in the General Meeting of Shareholders through representation based on a power of attorney for that specific General Meeting of Shareholders. The legal persons may be represented by their legal representatives who, in their turn, may give a power of attorney to other persons for that specific General Meeting of Shareholders. When the State is involved, the proper Minister may designate their permanent representatives in the General Meeting of Shareholders, in compliance with the above mentioned legal requirements and conditions.

In addition to the organization regulation of the GMSs, SNN fully complies with the laws regulating and governing the organization process of GMS of the listed companies.

Within 48 hours after the date when the GMS took place, the company draws up a current report in which it will briefly present how the GMS is organized and the resolutions adopted. The report will be disseminated to the capital market institutions, namely the BSE, and will be published on the company's website.

6.3. The Management of the Company

6.3.1 The Board of Directors (BoD)

Structure. Appointment of the members of the Board of Directors. Eligibility criteria

The executive body of the company is the Board of Directors and consists of 7 members. The members of the Board of Directors are elected by the Ordinary General Meeting of Shareholders for a term of four years and can be re-elected or, in case of failure of fulfilling their main objectives, they can be dismissed by the Ordinary General Meeting of Shareholders.

The President of the Board is elected by the Board of Directors from among its members. This function cannot be carried out by the CEO even if he/she is a member of the Board of Directors. The President of the Board is appointed for a period that may not exceed the duration of his/her mandate/term as administrator/director and can be dismissed any time by the Board of Directors.

The directors/administrators can be dismissed anytime by the Ordinary General Meeting of Shareholders. Each director/administrator must expressly accept to fulfil the mandate. The company is obligated to conclude a D&O type insurance. During the mandate fulfilment, the directors/administrators may not conclude an employment contract with the company. In case the directors/administrators were appointed from among the company's employees, the concluded employment contract shall legally terminate on the date she/he has accepted the mandate.

The structure of the Board of Directors complies with the provisions of Law No. 31/1990 on companies in terms of the number of independent members of the Board.

The members of the Board of Directors are appointed by the General Meeting of Shareholders, at the proposal of the Board of Directors or of the shareholders. The candidates proposed by the Board of Directors are selected/evaluated in advance and recommend by the Nominating Committee of the Board of Directors. By resolution, the Board of



Directors may stipulate that in the evaluation process, the Nominating Committee is assisted by an independent expert, the natural person or a legal person expert in recruiting human resources.

The members of the Board of Directors are obliged to exercise their mandate with prudence and diligence of a good administrator, with loyalty, on behalf of, and to the benefit of the company, and are not allowed to disclose confidential information and business secrets of the company.

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

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

^{*)} appointed on the basis of OUG 109/2011; ^{**)} appointed by cumulative vote at the proposal of Fondul Proprietatea S.A.

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

Name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of revocation
Dragos Paul Popescu ^{*)}	60	Engineer	36	Non executive member	25.04.2013	23.12.2013 ^{*)}
Calin Marius Oprea	32	Engineer	8	Administrator	10.03.2011	25.04.2013 ^{**)}
Cezar Flavian Patriche	52	Economist	23	Administrator	14.02.2011	25.04.2013 ^{**)}
Ion Dumitru	64	Economist	41	Temporary administrator	16.05.2012	25.04.2013 ^{**)}
Paul Gheorghiu	26	Economist	7	Temporary administrator	02.04.2012	25.04.2013 ^{**)}
Dan Valentin Gheorghe	30	Economist	7	Administrator	10.03.2011	25.04.2013 ^{**)}

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

The members of the Board of Directors are appointed by the shareholders, during the Ordinary Meetings of the Shareholders. The company has no knowledge of any agreement, understanding or family connections between the administrators and/or other persons, due to whom the respective administrator was appointed.



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

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

The main responsibilities of the Board of Directors

The Board of Directors has the following responsibilities, that cannot be delegated to the General Manager:

- Approval of the proposals regarding the global strategy for development, refurbishment, upgrade and the financial and economical restructuring of the commercial company;
- Establishment of the main activity and development directions of the company;
- Establishment of the accounting and financial audit system and approval of the financial planning;
- Appointment and revocation of the General Manager and of the Executive Managers, and, as applicable, of the Subsidiary Managers, as well as the establishment of the remuneration of the General Manager
- Drafting the annual report, organization of the General Meetings of the Shareholders and implementing their resolutions;
- Dissolving of the existing subsidiaries as well as moving their headquarters;
- Establishment of dissolving of subunits (subsidiaries, agencies, offices, work points, regional offices and other types of subunits without legal personality), as well as branches, based in the same city or in other cities in the country or abroad;
- Approval of long term bank loans, including external loans and establishment of the competencies and level of bank loans engagement on the internal and external market, of commercial credits and warranties, including by pledging shares, as per the law;
- Filing the request for opening the insolvency procedure of the company, as per the Law 85/2006 regarding the insolvency procedure;
- Approval of participation to the establishment of new legal entities or to the share capital increase of other economical agents or associations with other national or international legal or physical entities;
- Approval of the internal Organization and Operation Rules;
- Approval of changing/moving the headquarters;
- Approval of changing the activity field of the company, without affecting the main area of activity of the company.

The Board of Directors has also the following responsibilities:

- Approval of the persons empowered to negotiate the collective work agreement with the representative unions and/or with the representatives of the employees, as per legal provisions;
- Approval of the empowerment of the General Manager in view of carrying out the activities of the



commercial company;

- Approval of conclusion and/or annulment of any contracts from its area of competence and for which it did not delegate competence;
- Endorsement of legal documents by which the company receives, alienates, lends, exchanges or constitute as warranty the assets of the commercial company, the value of which exceeds half of the accounting value of the company's assets at the date of the conclusion of the legal document, following that the conclusion of these legal documents be carried out only with the approval of the Extraordinary General Meeting of the Shareholders, as per the law;
- Establishment of competences and of the level of engaging current bank loans, short and medium term commercial credits and approval of warranty release;
- Endorsement of all the materials that are to be subjected to the approval of the General Meeting of Shareholders;
- Endorsement of the mandate of the representatives of SN Nuclearelectrica SA within the General Meeting of Shareholders of SC Energonuclear SA, for:
 - Modification of the share capital of SC Energonuclear SA;
 - Modification of the participation quota of SN Nuclearelectrica SA to the share capital of SC Energonuclear SA
 - Approval of activities for which a legal documents is required
 - Dissolution and liquidation of SC Energonuclear SA
 - Any investment of SC Energonuclear SA which exceeds 5.000.000 Euro (five million Euro) for one transaction and/or which exceeds 10.000.000 euro (ten million Euro) cumulated with other transactions during a financial year;
 - Conclusion of any contract by SC Energonuclear SA which implies expenses or obligations that exceed 5.000.000 Euro (five million Euro), individually or cumulated, during a financial year;
 - Any important change in the organization of SC Energonuclear SA or in the way it carries out its activities, the ceasing of activity of SC Energonuclear SA or its substantial reduction;
 - The effective or proposed sale or estrangement of the company's assets or of the rights of SC Energonuclear SA or any effective or proposed acquiring of assets or rights by SC Energonuclear SA which exceed the cumulated value of 5.000.000 Euro (five million Euro) during any financial year.

6.3.2 Executive management

The Board of Directors delegates the management of the company to one or more managers, appointing one of them as General Manager. The managers can be appointed from among the administrators and thus become executive administrators or from outside of the BoD. The majority of the members of the Board of Directors is made up of non executive administrators.

The company is represented in its relationships to third parties as well as in the Court of Law by the General Manager, who acts within the limits of the company's scope and in accordance with the exclusive components provided by the Law or by the Articles of Incorporation. The Board of Directors represents the company in its relationship with the Managers and can delegate to the General Manager one or more of its responsibilities.

The current members of the Board of Directors, the General Manager and The Manager of Cernavoda NPP who are currently empowered to manage the company, have been selected through the application of a selection procedure as per OUG 109/2011 regarding the corporate governance of public enterprises.



The General Manager leads, organizes and manages the current activities of the company and is responsible for taking all the necessary measures related to the management of the company, within the limits of the scope of the company and by respecting the exclusive competences provided by the law or by the Articles of Incorporation to the Board of Directors or to the General Meeting of Shareholders.

The General Manager has the following main responsibilities:

- a) applies the company's development strategy and policy which are established by the Board of Directors;
- b) selects, employs, promotes and dismisses personnel
- c) appoints, suspends or revokes the management of the subsidiaries and also establishes their remuneration;
- d) negotiations, in the conditions specified by the law, the individual work agreements;
- e) concludes legal documents, on behalf of the company, within the limitations of the empowerment granted by the Board of Directors;
- f) establishes the duties and responsibilities of the staff, by compartments;
- g) approves the cash in and payment operations, as per the legal competences and the Statute of the company;
- h) approves the sale and purchase of goods, as per the legal competences and the Statute of the company;
- i) empowers the Executive Managers and any other person to exercise any responsibility from his field of competence;
- j) approves the delegation of competence for the Executive Managers and for the management staff of the subsidiaries, in view of performing the operations of the company;
- k) approves the competences and responsibilities of the subsidiaries of the company;
- l) approves the organizational structure of the company and the number of positions, the formation of operational and production compartments, as well as the Organization and Operation Rules;
- m) approves the activity programs (production, research – development, technological engineering, investments, etc);
- n) establishes and approves environment protection policies and occupational safety policies, as per the legal regulations;
- o) approves legal documents and rules which regulate the activity of the company;
- p) establishes the marketing tactics and strategy;
- q) solves any other matter that the Board of Directors commissions to him

The manager of Cernavoda NPP Subsidiary has the duties delegated to him by the Board of Directors through the mandate contract concluded with SNN and is responsible for the management, organization and administration of the current activities of the company related to the operation of Cernavoda NPP through the Cernavoda NPP subsidiary, as well as for the administration of the assets of Cernavoda NPP, within the limits of his delegated attributions, under conditions of nuclear safety, without affecting the population, the personnel or the environment and through the observation of the requirements provided in the authorizations of the plant. Also, the manager of Cernavoda NPP coordinates the implementation of the nuclear safety policy of Cernavoda NPP.

Executive management staff

Name and surname	Position	Start date (in 2013)	End date (in 2013)
Daniela Lulache	CEO	29.04.2013	31.12.2013



Elena Negulici	CFO	01.01.2013	31.12.2013
Ionel Bucur	Manager of Cernavoda NPP subsidiary	01.01.2013	31.12.2013
Andrei Gheorghe	Manager of FCN Pitesti subsidiary	01.01.2013	31.12.2013
Dumitru Dina	Interim CEO	01.01.2013	29.04.2013

The company has no knowledge of any agreement, understanding or family connections between the administrators and/or other persons, due to whom the respective administrator was appointed.

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

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

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

6.4. Advisory committees

The advisory committees are established, through the decision of the Board of Directors, as per the provisions of art. 140 of the companies Law number 31/1990, republished with the subsequent modifications and amendments and of the art. 34 of the Government's Emergency Ordinance number 109/2011 regarding the corporate governance of public enterprises, in conjunction with the provisions of art 18, paragraph A, line 3 from the updates Articles of Incorporation of the Company.

The advisory committees carry out investigations and make recommendations for the BoD, related to their specific field of activity.

At 31.12.2013, the following advisory committees were established through the decision of the BoD:

- Advisory committee for strategy, development and large investment projects, established through the decision of the BoD number 27/26.08.2013
- Advisory committee on nuclear safety, established through the decision of the BoD number 27/26.08.2013
- Advisory committee for nomination and remuneration, established through the decision of the BoD number 7/26.04.2013
- Audit advisory committee, established through the decision of the BoD number 8/30.04.2013



The advisory committees are charged with carrying out investigations and drafting recommendations for the Board of Directors, in their specific field, and will file regular reports on their activity to the BoD.

The main responsibilities of the Nuclear Safety Committee and of the Strategy, Development and large investment projects Committee are provided in the Organization and Operation Rules approved by the Board of Directors and posted on SNN's webpage.

The activity of the nomination and remuneration committee is presented in detail in the Annual Report of the committee in Appendix 9 to the current report.

The Audit advisory committee

The audit committee is formed of 3 members appointed from among the members of the Board of directors: Alexandru Sandulescu, Alexandru Alexe and Carmen Radu.

The role of the Audit committee is to assist the BoD in performing its duties related to internal audit and to offer council regarding the strategy and policy of the Company related to the internal control system, internal and external audit as well as the control over the management of the significant risks.

The Audit committee assists the Bod in fulfilling its responsibilities regarding financial reporting, internal control and risk management.

The Audit committee constantly evaluated the efficiency of the financial reports, internal control and the risk management system adopted by the Company. The Audit committee makes sure that the audit analysis as well as the audit reports are prepared in accordance with the audit plan.

During 2013, the main recommendations formulated by the Audit committee focused on the internal audit reports, the quarterly and half-yearly reports, the appointment of the financial auditor of the company.

The advisory committee for nuclear safety

The advisory committee for nuclear safety ensures assistance for the BoD and an independent evaluation of the nuclear safety and environment control, drafting recommendations in this regard.

The advisory committee for nuclear safety is made up of 5 members appointed from among the members of the BoD: Ionel Bucur, Dan Popescu, Daniela Lulache, Alexandru Sandulescu. At least one of the members has to have experience in the nuclear safety field with direct application at Cernavoda NPP.

The main duty of the advisory committee for nuclear safety is to ensure assistance and/or independent evaluation in the nuclear field and environment protection to the BoD. The advisory committee for nuclear safety has an advisory role, the direct responsibility for nuclear safety and environment protection falls under the managers of the company.

In 2013, the main recommendations issued by the advisory committee for nuclear safety focused on Cernavoda NPP Units 3 and 4 project and on Unit 5 from the Investment program "Cernavoda NPP 5x700 MW".

The advisory committee for strategy, development and large investment projects



The advisory committee for strategy, development and large investment projects is made up of 3 members appointed from among the members of the BoD: Daniela Lulache, Alexandru Sandulescu. The advisory committee for strategy, development and large investment projects issues recommendations regarding the development strategy of the company and large investment projects.

During 2013, the main recommendations of the committee focused on Cernavoda NPP Units 3 and 4 project and on Unit 5 from the Investment program “Cernavoda NPP 5x700 MW”.

The activity of the nomination and remuneration committee is presented in detail in the Annual Report of the committee in Appendix 9 of the current report, in accordance with the provisions of OUG 109/2011.

6.5. The rights of the shareholders

All the owners of financial instruments of the same type and class of titles issued by SNN, are entitled to equal treatment, and the company constantly makes efforts towards achieving an effective, active and transparent communication in view of the equitable exercise of rights.

All the shareholders of SNN will be treated equally. All the issued shares grant the shareholders equal rights; any change in the conveyed rights will be subjected to the approval of the shareholders who are directly affected during the special meetings of the shareholders.

SNN carries out all due diligence in order to facilitate the participation of the shareholders to the general shareholders meetings, the dialogue between shareholders and the members of the Board of Directors and/or the management of the company, as well as to facilitate the full exercise of the shareholders' rights. The participation of the shareholders to the General Meetings of Shareholders is fully encouraged and for the shareholders who cannot attend the meetings, the company makes available the vote in absence – on the basis of a special power of attorney or by correspondence.

The company has created a special section for Investors Relations on its website, where relevant information regarding the procedures related to the access and participation of the shareholders to the General Meeting of Shareholders (GMS), the convening notices for the GMS, the addendums to the agenda of the GMS, answers of the Board of Directors to the questions of the shareholders, current reports, financial statement of the company, exercise of the voting rights in the GMS, materials on the agenda of the GMS, example of special powers of attorney, financial calendar, corporate governance of the company are constantly updated and accessible, contributing to the transparent and equal information of all the interested parties.

The main rights of the shareholders related to the General Meeting of Shareholders are:

- (a) The right to a minimum notification period: The shareholders of the company are notified about an upcoming meeting of the shareholders through a convening notice which is published in the Official Gazette of Romania and in a national circulation newspaper with at least 30 days before the date of the meeting; also, the convening notice is published on the website of the company, within the Investors relations section and is submitted to the National Securities Commission and to the Bucharest Stock Exchange in the shape of a current report;
- (b) The right to access to information: SNN publishes the necessary documents and information on its website so that all the shareholders may exercise their rights, in an informed manner.
- (c) The right to supplement the agenda of the meeting: The shareholders of SNN who individually or jointly represent at least 5% of the share capital of the company may request the addition of items on the agenda of the meeting, within the limits and in accordance with the applicable legislation;
- (d) The right to attend the meeting: The shareholders registered in the register of shareholders at the reference date have the right to attend the General Meetings of the Shareholders, in person or through a representative;



(e) Voting rights: The share capital of the company is represented by the ordinary shares which grant a voting right for each share registered in the name of the shareholder at the reference date;

(f) The right to ask questions: Any shareholder of the company may ask questions in writing related to the items on the agenda of the General Meeting of Shareholders and has the right to receive answers from SNN.

The shareholders have the right to effectively participate and vote within the GMS and to be informed regarding the rules, including the voting procedures which govern the GMS. Each share represents a voting right, a dividend. There are no preferential shares without voting rights and no shares that entitle to owner to more than one vote.

6.6. Transparency, financial reporting, internal control and risk management

Transparency

As a listed company, SNN subjects to the information requirements regulated by the capital market rules, through the drafting of periodical and continual reports regarding the important events of the company, including, without limited to, the financial situation, performance, assets and management.

SNN ensures the drafting of appropriate periodical and continuous reports on all the important events, including the financial situation, performance, assets and management. The company will prepare and disseminate relevant periodical and continuo information, in accordance with the International Financial Reporting Standards (IFRS). The information is disseminated both in Romanian and in English. The company will organize, at least once a year, meetings with financial analysts, brokers, market specialists and investors, on the occasion of the dissemination of the annual and/or quarterly financial statements which represent important documents in investment decisions.

In order to make the information process more efficient and accessible for investors, SNN has created on its website (www.nuclearelectrica.ro) a special section (Investors relations) where any investor may easily access information about: (i) the company's strategy, (ii) news, information and events, (iii) corporate governance, (iv) shareholders rights, (v) reports.

Moreover, SNN will establish strict internal rules and procedures and will create a department dedicated to investors relations. Thus, the company elaborates and applies an efficient and transparent policy in its relations to the investors.

Financial reporting, internal control and risk management

SNN submits to the Bucharest Stock Exchange, within 120 days since the conclusion of the reporting period, the Annual Report prepared in accordance with the relevant regulations, issued by the Financial Supervisory Authority (ASF), including all the documents provided by the ASF regulations. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

SNN submits to BVB, within 45 days since the conclusion of the reporting period, the half-year report prepared in accordance with the relevant regulations issued by ASF, and the financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

SNN submits to BVB, within 45 days since the conclusion of the reporting period, the quarterly report for the first and third quarter, prepared in accordance with the regulations issued by ASF, including both the reporting documents



provided in the ASF regulations as well as the financial balance and the profit and loss account, prepared in accordance with the applicable regulations.

The Audit advisory committee supports the members of the Board of Directors by regular evaluation of the efficiency of the financial reports, of the internal control and of the risk management system applied by the company.

In 2013, the internal financial control bodies within SNN scheduled and performed a number of 16 internal financial control activities at SNN headquarters and its subsidiaries.

From the quantitative analysis of the internal financial control program applied in 2013, the following facts were noticed:

- All the 16 internal financial control activities were performed;
- The selection of the internal financial control activities was done taking into account the half-yearly financial control activities performed in the previous years;
- By comparison to 2012, an increased number of financial and assets control activities was achieved.

From the qualitative analysis of the internal financial control program applied in 2013, the following facts were noticed:

- Following the financial and assets control activities, observations and also recommendations were made ;
- During the control, a series of deadlines and problem solving responsibilities was established, some problems being solved during the control and some are still in progress.

The activity regarding risk management including the policy and objectives of the company in this field are presented in the previous sections of the current report.

6.7. The conflict of interests and transactions with the involved persons

The members of the Board of Directors will make decisions exclusively in the interests of the company and will not take part in the debates or decisions that create a conflict between their personal interests and those of the company. Each member of the Board of Directors makes sure to avoid a direct or indirect conflict of interests with the company and in the case that such a conflict arises, will refrain from debates and vote of the specific issue, in accordance with the legal provisions.

In order to ensure the fairness of the procedures related to transactions with the involved parties, the members of the Board of Directors apply the following criteria, without being limited to them:

- Maintaining the competence of the BoD and the GMS, respectively, to approve the most important transactions;
- Requesting in advance the opinion of the internal control structures on the most important transactions;
- Delegating negotiations regarding these transactions to one or more independent administrators or to the administrators who don't have connections with the implicated parties;
- Appeal to independent experts.

In addition to respecting the general legal provisions, SNN has established and implemented internal policies that regulate in detail the internal procedure regarding the disclosure of transactions between affiliates.

Thus, the Board of Directors will inform the shareholders, during the first GMS after the conclusion of the legal document, about any transaction with the administrators or directors, with the employees, with the shareholders who have control over the company or with a company controlled by them, by making available to the shareholders the



documents which reflect the essential data and information related to these transactions. Moreover, the Board of Directors will inform the shareholders, during the first GMS after the conclusion of the legal document, about any transaction concluded by SNN, as a public enterprise, with another public enterprise or with a public supervisory body, if the transaction has a value, individually or cumulated in a series of transactions of at least the in lei of 100.000 Euro.

6.8. Internal audit

In 2013, the internal audit activity of SNN took place thorough the internal audit structure, namely the Internal Audit Compartment, made up of three employees, subordinated to the General Manager of the company.

During 2013, there were no issues regarding the independence and jurisdiction of the internal auditors and no situations of non compliance to the rules and principles provided by the ethical code of the internal auditor occurred. The subsidiaries, Cernavoda NPP and FCN Pitesti do not have internal audit structures and the audit activity is performed by the Audit Compartment at the central level.

The Internal Audit Compartment carries out its activity based on its internal procedures, which are updated when necessary. At the level of the Internal Audit Compartment, the Program for quality assurance and improvement was elaborated which focuses on the following:

- Offering an adequate degree of assurance by the internal auditors offers added valued and contributes to the improvement of the processes and operations of SNN;
- Providing assurance that the activity is carried out in compliance with the applicable legislation and the Ethical code of the internal auditor.

The internal audit activity was carried out on the basis of the annual plan, approved by the General Manager of the company.

During 2013, The Internal Audit Compartment carried out 4 planned missions and an ad-hoc mission. All the missions were concluded at the deadlines established in the audit plan. The Internal Audit Compartment constantly monitors the status of the implementation of the recommendations formulated during the internal audit missions; the internal auditors requested upon deadline the status and where possible, the proof of the implementation. After the expiration of the implementation deadline, the auditors visit the audited entity to verify the conformity of the information received and to establish new deadlines for implementation, if needed.

Regarding the professional training of the internal auditors, during 2013, the provisions of article 21, letter 8 of the Law 672/2002, republished, and were respected through the participation of the employees to training courses and individual study.



7. SUBSEQUENT EVENTS

Cernavoda NPP Units 3 and 4 Project

Energionuclear SA (EN) is the company whose mission is to develop Cernavoda NPP Units 3 and 4 Project. SNN had, in 2013, a share capital participation of 84,65%, the other shareholders being ArcelorMittal with a 6,2% participation and Enel with a 9,15% participation. In December 2013, ArcelorMittal and Enel notified SNN their intention to exercise the put option to sell the shares owned in EN. Thus, in January 2014, SNN purchased the shares of the two minority shareholders, SNN participation in EN increasing to 100%.

Contract to supply sintered powder of uranium dioxide

In early January 2014:

- SNN Board of Directors approved the negotiation results and contract to supply sintered powder of uranium dioxide with the National Uranium Company in the following conditions: the procurement price of uranium dioxide powder: 460 lei/U kg in UO₂; duration of contract: 4 months; quantity to be purchased: 49.019,658 kg U in UO₂;
- The contract was signed by both parties, translated, legalized and transmitted to ESA for validation.

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

In February 2014, CNCAN issued a transfer authorization for the quantity of 786.715,78 kg heavy water, financed from the state budget. The transfer operation was initiated, however, the factual separation of heavy water quantities purchased with budget allocations from the heavy water quantity purchased with own sources (according to the request of the National Administration of State Reserves and Special Problems-ANRSPS), entails separation/transforming procedures whose duration is estimated by the depositary (RAAN – ROMAG PROD) to last approximately 12-16 weeks. We mention that depositing the heavy water quantity overtaken by SNN during 2006-2011 underwent a dynamics conditioned by the objective constraints, at that time, of the depositary, during this period different heavy water quantities produced in different years, with different prices and different financial resources being mixed.

As provided by Art. 2, paragraph (3) of GEO no. 56/2013, on the date of signing the delivery and receiving document, the quantity of 786.715,78 kg heavy water, purchased during 2006-2011 exclusively with state budget allocations in total amount of lei 1 382.640.479,27, will be transferred to the state reserve and will cease to exist in SNN's accounting register and patrimony.

Resolutions of the Extraordinary General Meeting of Shareholders in 2014

Based on Resolution no. 1/11.03.2014 of the Extraordinary General Meeting of Shareholders the following were approved:

- (i) SNN participation in the share capital increase of Hidro Tarnita SA company by subscribing a number of 89.000 newly issued shares with a nominal value of lei 100, issued by Hidro Tarnita SA company.
- (ii) The introduction in the 2014 Budget of the amounts necessary to the subscribed shares related payments;
- (iii) The agreement in principle for the completion of the "Romania-Turkey 400 kV Underwater Interconnection Cable" Project;
- (iv) Participation in the set up of the „HVDCC Romania – Turcia S.A.” Project Company by subscribing and paying the lei equivalent of a number of 2.000.000 shares with a nominal value of EUR 1;

- (v) The introduction in the 2014 Budget of the amounts necessary to the subscribed shares related payments;
- (vi) The ceasing of workings at Unit 5 within the “5x 700 MW Cernavoda Nuclear Power Plant” investment project and the change of purpose and use of the already completed structures and spaces, inherent to Unit 5, for other activities of SN Nuclearelectrica SA, in connection with the nuclear safety operation of Units 1 and 2;
- (vii) The financing from SN Nuclearelectrica SA own sources of all activities associated with ceasing Unit 5 investment and the change of purpose and use of the already completed structures and spaces, inherent to Unit 5.

File 22456/3/2012 Bucharest Court House, Debtor Hidroelectrica- insolvency

The company requested the registration of receivables in value of lei 69.936.482,46 and receivables in value of lei 28.773.061,96 were admitted in the preliminary table. SNN contested (file no. 37059/3/2012) and, at first instance, the court overruled the legal challenge. Bucharest Court of Appeal admitted the appeal formulated by SNN and ruled the registration of receivables in value of lei 69.936.482,46 in the preliminary table of receivables.

According to the Convention closed on 17.06.2013 between SNN and Hidroelectrica through the judiciary and special administrators, the latter obliges to acquit the total receivables in amount of lei 70.093.550,47 comprising lei 69.936.482,46 plus the amount of lei 157.063,01 stamp duty and lei 5 judiciary stamp in equal instalments starting July 2013. This amount is also mentioned in the Insolvency Procedures Bulletin (BPI) no. 10888/ 20.06.2013 (payment as per the 6239/17.06.2013 convention).

According to the reorganization plan approved for the debtor Hidroelectrica, “the receivables registered in the definitive table which are the object of the conventions closed with Hidroelectrica will be acquitted according to the agreed instalments, in the conditions and dates established in the mentioned instalment conventions. After procedure closing, Hidroelectrica will continue the payment of receivables according to the instalment conventions closed in the currency and dates established by the parties”. (BPI 10443/12.06.2013). Thus, the convention signed between Nuclearelectrica and Hidroelectrica circumscribes to this situation.

On 26.06.2013, the syndic judge approved the final activity report elaborated by the judiciary administrator EURO INSOL SPRL. As provided by art. 132 (1) of Law no. 85/2006, the court closed the procedure of judiciary reorganization intended against the debtor SC Hidroelectrica SA. Pending before Bucharest Court of Appeal, a series of challenges formulated by the creditors of the debtor which were not awarded a solution until the closing term of the procedure are filed.

Through the civil sentence no. 6482/26.06.2013 passed by Bucharest Court of Law, the 7th civil division ruled the closing of the judiciary reorganization procedure filed against Hidroelectrica. On February 25th, 2014, based on civil ruling no. 456, the Bucharest Court of Appeal ruled the cancellation of the mentioned civil sentence and the remanding of the merged causes for retrial to the same court.

As a result, in the Insolvency Procedure Bulletin no. 4563/06.03.2014, the notification of the judiciary administrator of the debtor regarding decision 456/2014 to cancel civil sentence no. 6482/26.06.2013 that ruled the closing of the judiciary reorganization procedure, was published. The record of evidence of the Extraordinary General Meeting of Shareholders of the debtor through which a new special administrator and a representative of each shareholder to sign the mandate contract with the special administrator were appointed and the judiciary administrator Euro Insol SPRL was empowered to carry out all the procedures in order to comply with EGMS resolution, was also published.

On 21.03.2014, Hidroelectrica paid in due time 9 out of the 24 installments established by the instalment convention, namely the amount of lei 26.285.081, 40, the equivalent of approximately 37% of the acknowledged value of receivables; the last paid instalment corresponds to March 2014 and it was paid on 21.03.2014. SNN sent an official address to both the judiciary and special administrators with a view to obtain clarifications regarding Hidroelectrica’s capacity to continue the assumed payments. Currently, Hidroelectrica still has to pay Nuclearelectrica the amount of lei million 43,8 in equal monthly instalments during April 2014-June 2015. The management estimates that there are



real chances to recover the unpaid amount as a result of assessing the debtor, the payments done thus far and the answer of the judiciary administrator.

The dispute initiated by SNN against the Romanian National Energy Regulatory Authority

As per Decision no. 3906/20.12.2013, the Romanian National Energy Regulatory Authority approved the electricity quantities sold based on regulated contracts and the regulated prices for electricity delivered by SNN in 2014. SNN filed on 23.01.2014 to Bucharest Court of Appeal a petition against the Romanian National Energy Regulatory Authority and required the partial annulment of ANRE Decision no. 3906/20.12.2013 and the issuance of a decision to establish an average regulated price for 2014 at the value required by SNN, by recognizing certain justified cost elements in the calculation method. Thus far, the Court has not established the first trial term.

Property right on the company's tangible assets

On 31.12.2013, SNN did not own a certificate of property right for the SM 239 land (the undivided quota) inherent to 5th and 6th floors of the building based in Bucharest, 33 Gheorghe Magheru St. This certificate of property right was obtained on 27.02.2014.

The approval of the Corporate Governance Regulation

SNN elaborated the Corporate Governance Regulation approved by the Board of Directors on 14.02.2014. The Corporate Governance Regulation is based on requirements of the BVB Code of Governance and the legal provisions applicable to SNN in the field of corporate governance. The corporate governance structures, functions, competence and responsibilities of the Board of Directors are defined in the Corporate Governance Regulation.

The appointment of the CEO of the company in compliance with the provisions of GEO no. 109/2011

The company finalized the selection and recruitment process of the CEO in compliance with the provisions of art. 2, paragraph 5 and art. 35 of the Emergency Ordinance 109/2011 regarding corporate governance and art. 143 of Law 31/1990. According to art. 35, paragraph 4 of the Emergency Ordinance 109/2011, SNN Nomination Committee was assisted in the selection and recruitment process by an independent expert, Quest Advisors. On the recommendation of the Nomination Committee, the Board of Directors decided the appointment of Mr. Mihai Darie for the CEO position starting February 1st, 2014.

Organizational Structure change

As per General Manager Decision no. 69/05.03.2014, the organizational structure of SNN was changed. The main changes refer to:

- Adjustment of the organizational structure to the requirements associated with the statute of listed company on the Bucharest Stock Exchange;
- Implementation of decision segregation principles with a view to improve internal control functions;
- Assurance of adequate reporting relations between the different structures;
- Implementation of a functional organizational structure for improvement and efficiency increase in the main core activities;
- Establishment of an internal control and risk management structures;
- Establishment of an investors relation structure;
- Establishment of a structure to provide the legal support necessary to operations unfolded by SNN.

SNN established a specialized organizational structure for the management of the capital market related activities,



namely –Investors Relations Department-structure whose activity will be dedicated to the relation with the investors and shareholders. The personnel will be constantly trained in matters regarding the company’s relation with its shareholders, corporate governance principles and management.

The organizational chart is published on the company’s web page, www.nuclearelectrica.ro, Section About us/Public Interest Information.

8. PERSPECTIVE

As it concerns the perspective of energy sales on medium and long term (up to three years) we consider, based on the data related to more developed European energy markets, that the price on the free market will not undergo major changes. The estimated price level is able to cover SNN costs and ensure a profit margin. On the other hand, the influence of renewable energy, which enters the whole sale market with reduced price offers (compensated by the support of the “green certificates”), will maintain conditions for the spot market prices to reach very low levels during certain periods of time. This causes the volume of energy transacted on PZU to remain large and, implicitly, the appetite of the buyers to close medium/long term contracts remains low. According to the energy market liberalization calendar, since early 2017 sales will only unfold on the free market, and regulated contracts will no longer be valid. As it concerns the obligation to deliver based on regulated contracts, the quantity of energy contracted by SNN will gradually be more reduced, in accordance with the liberalization policy applied by ANRE. The regulated price is expected to register slight increases in order to add certain new costs of the producers, which have occurred or are to occur (for example the tax on special constructions).

The new electricity market context (decrease in domestic consumption and free market price) leads to the necessity to re-evaluate SNN’s strategic position by identifying investment opportunities (including by diversifying the activity portfolio) which to counteract the counterparty risk (discharge of electricity produced by Cernavoda NPP Units 1 and 2 and, in the future, Cernavoda NPP Units 3 and 4), price risk (such as capitalization of price difference among markets in the case of the underwater cable project), and the possibility of achieving operation synergies.

SNN involvement, in an early stage, in project companies, would represent an opportunity from the perspective of a future expected amenity, a change of the entry conditions in the project when updated information becomes available being anticipated (updating the feasibility studies, changing the legal framework applicable to the projects, etc.) which would allow a final investment decision-making.

The company may take into consideration in the upcoming period the participation as shareholder (mainly minority shareholder) in different project companies for the development of the energy sector-CHEAP Tarnita Lapustesti and Romania-Turkey 400kV underwater interconnection cable, in tight correlation with the objectives and financial and human resources available to SNN, but also in correlation with SNN participation in the development and operation of Units 3 and 4.

Regarding Cernavoda NPP Units 3 and 4, at this time, the main constraint that conditions the continuation of the Project is finance. Therefore, actions that promote the Project to potential investors are taken. In late November 2013, SNN signed with China General Nuclear Power Group a Letter of Intent (LoI) which establishes the framework for the Chinese partner to unfold extensive analysis and assessment of the Project to base its decision of becoming investor and main shareholder in EnergoNuclear (EN), a company which is currently 100% owned by SNN and destined to the development of the project, as well as becoming involved in completing the project as general contractor.



9. STATEMENTS AND SIGNATURES

Based on the most accurate available information, we confirm that the individual financial statements elaborated in compliance with the applicable accounting standards (International Financial Reporting Standards approved by the European Union) provide a correct and true image regarding the financial position of the company and group, financial performance and cash flow for the 2013 financial year and that the individual annual report of the administrators provides a correct and true image regarding the development and performance of the company, as well as a description of the main risks and uncertainties specific to the unfolded activity.

Alexandru SANDULESCU
President of the Board of Directors

Daniela Lulache
Chief Executive Officer

Mihai Darie
Chief Financial Officer



10. APPENDIX



Appendix 1 – Articles of Incorporation modified in 2013

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

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



Appendix 2.2 – The main contracts concluded by the company in 2013

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



Appendix 3 – Appointment/revocation documents in 2013

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

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

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

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

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

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

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



Appendix 4 – List of headquarters

SN Nuclearelectrica S.A. had the headquarters in Bucharest 65 Polona street, District 1



Appendix 5 – List of subsidiaries

SN Nuclearelectrica SA has two subsidiaries without legal person, as follows:

- Cernavoda NPP Subsidiary based in Cernavoda, 2 Medgidiei street, Constanta county, registered at the Trade Registry with the number J13/3442/11.10.2007, which operated Cernavoda NPP Units 1 and 2 as well as the auxiliary structures
- FCN Pitesti Subsidiary based in Mioveni, 1 Campului street, Arges county, registered at the Trade Registry with the number J03/457/24.08.1998, which manufactures nuclear fuel bundles necessary for the operation of Cernavoda NPP Units 1 and 2.



Appendix 6 – List of the company’s branches

At 31.12.2013, SNN owns participation rights within a single enterprise (branch), with a percentage of 84,65%, which was established for the development and implementation of the Project “Cernavoda NPP – Units 3 and 4”.

Energonuclear SA is registered at the Trade Registry under the number J40/3999/25.03.2009, with the sole registration code 25344972; the main activity of Energonuclear SA consists in engineering and technical consultancy services – CAEN Code 7112.



Appendix 7 – List of the entities affiliated to the company

The entities affiliated to the company are

- a) Energonuclear SA Branch

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

Appendix 8 – List of litigations at 31.12.2013 with the subsequent modifications after the date of the current report

No	PARTIES	COURT OF LAW	FILE	VALUE	OBSERVATIONS
1.	Debtor: S.C. PROCONEX UNIVERSAL SRL Creditor: SNN	Constanta Law Court Division II civilian	3868/118/2012	3.478.554,4 lei	Simplified bankruptcy procedure. The judicial liquidator registered the company in the preliminary table only with the amount of 92,695 lei. Following the appeal irrevocable solution, the debt of 3,524,138.98 lei is registered in the final table Deadline for the continuation of the procedure: 24.03.2014
2.	Plaintiff: SNN Defendant: ENERGY FINANCING TEAM ROMANIA SRL	The Court of Law of District 1. Court of Law of Bucharest, Court of Appeal of Bucharest	31151/299/2012	390.360,36 lei	Rejects the charge as ungrounded. Rejects the counterclaim as superfluous. Partially admits the request to oblige the plaintiff to pay the court expenses. Obliges the plaintiff to pay the defendant the court costs in total amount of 6000 lei. With right to appeal in 15 days. Rejects the appeal as ungrounded, Obliges the plaintiff to pay the defendant the appeal court costs of 10.961,6 lei. Rejects the appeal as ungrounded. Irrevocable. Disposes the amendment of the civilian decision number 2304/27.11.2013 with the following: obliges the plaintiff to pay court costs in the amount of 22.101,76 lei, representing attorney fee. Irrevocable. Ruled in public hearing on 05.02.2014.

3.	Plaintiff: SNN Defendant :TINMAR IND S.A.	Bucharest Law Court Division VI-a Civilian Court of Appeal of Bucharest The high court of cassation and justice Section II civilian	27406/3/2012	1.649.537,89 lei	Partially admits the summoning. Obliges the defendant to pay the plaintiff 1.230.780, 39 lei representing penalties for delays related to the issued invoices based on the contracts 1547/20.11.2009 and 1574/09.12.2009. Rejects the rest of the claims as ungrounded. Obliges the defendant to the payment of court costs in the amount of 16.423,80 lei. Admits the appeal. Partially changes the sentence so that it obliges the defendant to pay 55.546,39 lei as delay penalties and the amount of 555,47 lei as court costs, which add to the initial sums that the defendants was obliged to pay. Maintains all the other dispositions of the initial sentence. Obliges the respondent to pay the appellant 1365, 96 lei as appeal judgement costs. SNN issued an appeal. Deadline: 26.03.2014
4	Plaintiff: SNN Defendant :Cernavoda City Hall	Court of Law of Bucharest Division VIII – legal, administrative, fiscal. Court of Law of Medgidia.	33659/3/2012	336.707,37 lei	Admits the exception of material non component claimed by the defendant - Cernavoda City Hall through its Mayor. Declines the competence to solve the cause. Deadline: 23.04.2014
5	Creditor: SNN Debtor:CET Energoterm Resita	Court of Law of Caras-Severin	2183/115/2010	580.974,21 lei	Bankruptcy Deadline: 29.05.2014
6	Creditor: SNN Debtor:Total Electric Oltenia SA	Court of Law of Valcea	D 1867/90/2010	198.602,5 lei	Bankruptcy Deadline: 23.04.2014
7.	Creditor: SNN Debtor: Total Electric Oltenia	Court of Law of Valcea	1867/90/2010*	Creditor appeal	Retrial based on the appeal of the debtor against the receivable of SNN. Deadline: 21.05.2014

8.	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. Cancels as unstamped the appeal of the defendant SC COMPLEXUL ENERGETIC OLTENIA SA Targu Jiu against the civilian decision number 144/2013 dated on April 10th 2013 ruled by the Court of Appeal of Bucharest – Section V Civilian. Irrevocable. Fully paid plus court costs: 175.585,27 lei.
9.	Debtor: HIDROCORA SRL creditor SNN	Court of Law of Constanta Civilian Division	3260/118/2007	6.641,91 lei	Bankruptcy – receivable for VAT rectification collected as per the decision of ANAF; definitive consolidated table; reorganization plan distributions. 3 rd share was paid: 267,87 Deadline: 5.05.2014
10.	Defendants: Rotaru Ioan, Ispas Gheorghe, Irimie Traian Civilian party- SNN Civilian responsible party - TESS	Court of Law of Bucharest District 1 Criminal Division	48031/299/2010	13.493.080,3 lei	Corruption charges – abuse of office Deadline: 14.05.2014
11.	Plaintiff: Hudrea Constantin Defendant: SNN	Court of Law of Bucharest Division IX-a	2865/3/2013	The communication of public information Law 544/2001	Partially admits the claim, as it is filled. Obliges the defendant to communicate to the plaintiff the information requested at items 1-18, 20-22 and 25 of the plaintiff's request number 11682/27.11.2012. Rejects the rest of the claim as ungrounded. Appeal in 15 days. Ruled in the hearing on 31.05.2013. Document: Decision 3162/2013 31.05.2013 . Appeal.

12.	Plaintiff: SNN Defendant: ECO Energy SRL	Court of Law of Bucharest Division VI Civilian Court of Appeal of Bucharest	52814/3/2011	Legal termination of the contract 1171/18.12.2008 and claims for termination compensation	Rejects and ungrounded the appeal of the defendant .C. ECO ENERGY S.R.L. During first instance trial admits the claim of SNN consisting of the legal termination of the contract number 1171/18.12.2008 with Eco Energy SRL, in insolvency through liquidator SCP Aurora Insolvency IPURL. Obliges the defendant to pay 30.563,40 lei, as court costs. With appeal in 15 days. Ruled in public hearing on 20.12.2013. document: Decision 7374/2013 20.12.2013 Orders to establishment of a new file for compensation claims 40950/3/2013.
13.	Plaintiff: SNN Defendant: ECO Energy	Court of Law of Bucharest Division VI	40950/3/2013 52814/3/2011	Compensation claims for termination + legal interest 2.403.397,17 lei	Ruling in the first instance: adjourns the trial regarding the compensations claims for termination on the basis of art. 36 of the Law 85/2006. With appeal during the duration of the adjournment.
14.	Creditor: SNN Debtor: Eco Energy	Court of Law of Dambovita	7238/120/2012 7238/120/2012 /a1 Contestatie adm.special ECo Energy	Simplified procedure receivable statement 2.464.059,64 lei	Bankruptcy simplified procedure. Partially admits the appeal of the debtor and orders the preliminary receivable in the receivables table. Procedure deadline: 31.03.2014
15.	Plaintiff :SNN Defendant: Greenpeace	Court of Law of District 1	4658/299/2013	12.400 lei	Claims for the recovery of the court costs in the file 8184/2/2011 Deadline: 06.05.2014
16.	Plaintiff: SNN defendant: Cernavoda City Hall	Court of Law of Medgidia	7344/256/2013	13.020 lei	Recovery of fee in the file 5545/1/2011 appeal issued by Cernavoda Town Hall rejected by ICCJ Document: Decision 199/2014 10.02.2014 Completed request with court costs 756 lei. The deadline will be established.

15.	Plaintiff:SNN Defendant:S.C.ENN ET GRUP SRL	Court of Law of Bucharest Division VI	19585/3/2013	597.600,24 lei	Claims for output and penalties. Admits the claim as formulated. Obliges the defendant to pay the plaintiff the following amounts: 378.860,80 lei for output differences, 164.037,72 lei for delay penalties calculated until 27.05.2013 and 54.701,72 lei representing delay penalties calculated for 28.05.2013-06.11.2013. Obliges the defendant to pay the plaintiff the amount of 21.323,78 lei, as court costs. With appeal in 30 days. The appeal is filed at the Court of Law of Bucharest, Division VI Civilian. Ruled in public hearing on 11.11.2013. Document: Decision 6528/2013 11.11.2013
16.	Plaintiff:Electrica Furnizare Defendant: SNN	Court of Law District 1	26211/299/2013	18.000 lei	Partially admits the claim for attorney fee. Obliges SNN to pay 15.000 lei as court costs in the file number 47215/3/2009 and 1016 lei as court costs. With appeal. Document: Decision 1715/2014/06.02.2014
17.	Plaintiff: Transelectrica SA defendant: SNN	Court of Law of Bucharest Division VI Civilian	35455/3/2013	646.270,87 lei	Penalties claims for invoices Deadline: 15.04.2014
18.	Plaintiff:SNN Defendant: Electrica SA	Court of Law of District 1 Court of Law of Bucharest Division VI Civilian	39218/299/2012	1.978,81 lei	Admits the claim for the difference of TG tariff. With the right to appeal in 15 days – Solution: obliges Electrica SA to pay 1713,6 lei+265,21 lei+172,3 lei tj + legal interest until the payment of the debit. Admits the appeal. Modifies the civil sentence: rejects the summoning to court, as ungrounded. Obliges the appellant to pay the respondent 92,53 lei as court costs. Irrevocable. Decision: 747/2014 18.02.2014
19.	Creditor: SNN Debtor: RAAN	Court of Law of Mehedinti	9089/101/2013	7.828.405,48 lei	Bankruptcy procedure 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. Procedure deadline: 23.01.2014

20.	Plaintiff:SNN Defendant: court of Accounts	Court of Appeal of Bucharest Division VIII ICCJ	6561/2/2012	Litigation with the Court of Accounts as per the Law 94/1992	Rejects the appeal of SNN SNN filed an appeal. Deadline: 10.06.2014
21.	Plaintiff:IVASCU TIBERIU. Defendant: SNN	Court of Law of Bucharest Division VIII Work conflicts and social insurance Court of Appeal of Bucharest	27102/3/2012	Appeal of the layoff decision	Rejects the claim as ungrounded. Admits the appeal. Modified the attacked sentence and admits the case of it was filed. Orders the annulment of the decisions number 177/08.06.2012 and 227/11.07.2012 issued by the defendant. Orders the reinstatement of the plaintiff on the position formerly owned. Obliges the defendant to pay the plaintiff compensations equal to the indexed salaries and other salary rights from the date of the layoff to the reinstatement date. Obliges the defendant to pay 5729,42 lei as court costs to the plaintiff. Irrevocable. Ruled on 13.03.2014.
22.	Plaintiff:SNN Defendent:Electrica Furnizare SA	Court of Law of Bucharest Division VI Civilian	5120/3/2013	1.351.455,56 lei	Penalties claims: Admits the summoning to court. Rejects the counterclaim as ungrounded. Obliges the defendant Electrica Furnizare to pay the plaintiff 1 351 455,56 lei, as delay penalties. Obliges the defendant to pay 17 630 lei as court costs. With appeal in 15 days. Decision number 6439/2013 01.11.2013 Deadline: 11.04.2014
23.	Plaintiff: Greenpeace CEE Romania Defendants: Ministry of Environment and SNN	Court of Appeal of Bucharest Division VIII legal, administrative and fiscal ICCJ	3663/2/2013	The suspension of the decision to issue the environment agreement for Units 3 and 4 Project.	Rejects the exception of the lack of procedural capacity of the defendant Nuclearelectrica as ungrounded. Admits the exception of the lack of object of the claim to suspend the environment agreement and rejects the claim as ungrounded. Rejects the inadmissibility exception of the claim as ungrounded. Rejects the prematurity exception of the claim as ungrounded. Rejects the claim to suspend the environment agreement as ungrounded. With appeal in 5 days. Decision 2284/2013 12.07.2013 Sentenced. Appeal.

24.	Plaintiff: Greenpeace CEE Romania Defendants: Ministry of Environment and SNN	Court of Appeal of Bucharest Division VIII legal, administrative and fiscal	3793/2/2013	The suspension of the decision to issue the environment agreement for Units 3 and 4 Project.	Rejects the exception of the lack of active and passive procedural capacity of the defendant Nuclearelectrica as ungrounded. 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. Ruled in public hearing on 14.03.2014. Deadline: 11.04.2014
25	Plaintiff (Appeal for contravention verbal notice): SNN Defendant: Cernavoda Town Hall	Court of Law of Medgidia Court of Appeal of Constanta.	937/256/2010 1123/36/10 ICCJ 5545/1/2011 appeal in cancelation	Appeal for contravention verbal notice for the fine of 100.000 lei	Resumes first instance trial on term. Solution: Admits the claim. Cancels the contravention verbal notice number 2/28.01.2010 issued by Cernavoda Town Hall. Obliges the respondent to pay the claimer the amount of 5.950 lei, as court costs. Rejects as ungrounded the respondents' claim to oblige the petitioner to pay court costs. With appeal.
26	Plaintiff: SNN Defendant: Cernavoda Town Hall	Court of Law of Medgidia	3452/256/2013	4960 lei	Admits the claim through the sentence number 2156/14.10.2013; obliges the payment of 4960 lei +407,80 lei. With appeal.
27	Debtor: Termoficare 2000 SA Creditor: SNN	Court of Law of Arges	873/1259/2008	2.713.986,71 lei	Bankruptcy: orders the display at the entrance to the court of the report on the funds obtained through the liquidation and receivable payment and from the distribution plan. Establishes the deadline for the continuation of the procedure: 06.05.0214.
28.	Debtor: CON-DEM SA Creditor: SNN	Court of Law of Bucharest Court of Appeal of Bucharest	D.18770/3/2007 appeal 18770.1/3/2007	2.446.227,08 lei	Bankruptcy general procedure Liquidator RVA Deadline: 17.09.2014

29.	Plaintiff: TRANSELECTRIC A SA Defendant: SNN	Court of Law of Bucharest Division VI Civilian Court of Appeal of Bucharest ICCJ	D 44859/3/2011	penalties 1.620.834,10 lei	Admits the claim as filed. Obliges the defendant to pay the plaintiff 1.600.607, 27 representing penalties and 20.122 lei, court costs. Rejects the appeal as ungrounded. With appeal in 15 days. Rejects the appeal of SNN against the civil decision 494/26.11.202 as ungrounded. Irrevocable.
30.	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: 05.11.2015

31.	Plaintiff: Cernavoda City Hall Defendants: SNN,CNCAN	Court of Appeal of Constanta Legal Administrative Division ICCJ	1313/36/2011	Cancellation of the construction permit issued by CNCAN for the construction of DICA modules 5,6,7	Rejects the claim as ungrounded. Obliges the plaintiff to pay 5.000 RON as court costs to the ofendant. With appeal. Decision number 7401/22.11.2013. Rejects the appeal declared by Cernavoda City Hall against the civil sentence number 139/CA of 14.03.2014 issued by The Court of Law of Constanta – Division II Civilian, as late. Irrevocable. Court costs: 6200 lei
-----	---	---	--------------	--	--

Appendix 9- The Annual Report of the Nomination and Remuneration Committee

I. Introduction

The Nomination and Remuneration Committee (hereinafter called “CNR”) within the Board of Directors of the National Company SN Nuclearelectrica SA (hereinafter called “SNN”) was set up by Board of Directors Resolution no. 7/26.04.2013, as provided by art. 140² of Law no. 31/1990 of companies, republished, with updated amendments and as provided by art. 34 of GEO no. 109/2011 regarding the corporate governance of public companies („GEO no. 109/2011), corroborated with the provisions of art. 18, paragraph A3-the introductory thesis of SNN updated Articles of Incorporation.

CNR is a permanent committee with consulting function, coordinated directly by SNN Board of Directors.

CNR has responsibility to assess, consult and propose in the field of nominating the members of the Board of Directors and company managers to whom management responsibilities are delegated, as well as to remunerate them in compliance to the regulations in force. CNR unfolds investigations and elaborates recommendations for the BoD regarding the remuneration of the administrators, managers and personnel or regarding candidate nominations for the different management positions.

According to provisions of art. 55, paragraph 2 and 3 of GEO no. 109/2011, CNR has the obligation to present the General Meeting of Shareholders an annual report regarding remuneration and other advantages granted to the administrators and managers during the financial year.

II. Organization

CNR is composed of three members designated from the non-executive members of the Board of Directors, namely: Alexandru Sandulescu, Carmen Radu, Alexandru Alexe. The mandate of the members of this committee is valid for the period when they have the quality of non-executive administrators within SNN Board of Directors.

With a view to properly fulfil their duties and have good organization, in compliance with the Functioning and Organization Regulation of CNR, a President and a Secretary were designated. The duties inherent to the Secretary position are carried out by the Human Resources Department within SNN.

Decisions within CNR are made with the simple majority of the participating members (or representatives) and have, for the Board of Directors, recommendation value, without being compulsory, Each member of CNR expresses a vote, namely “for”, “against” or “sustained”. For each CNR meeting, a resolution is made containing at least the following:



the recommendation for the Board of Directors, arguments that the recommendation is based on, expressed votes; the resolution is signed by the President and the Secretary of the Committee.

CNR meets periodically, at least once every three months, at the request of the BoD or every time the President deems necessary.

When a position becomes vacant in CNR, a new member is appointed by BoD decision. The BoD members who are revoked automatically lose the member quality in different committees.

At the proposal of the presidents or members of the consulting Committees, the BoD can approve the co-optation of permanent external independent experts, natural or legal persons, specialised in the domain of the committees, to assist the members in their activity, and establish the remuneration of these experts.

III. CNR Duties

The main duties of the Nomination and Remuneration Committee:

- (i) Makes proposals for the position of administrator;
- (ii) Recommends candidates for the manager position and other management positions to the BoD;
- (iii) Elaborates recommendations regarding the level of the variable component of the BoD member remuneration, thoroughly motivated, formulated based on a compared study on the remuneration conditions for similar positions in other companies, in the same activity field, fully or majority owned by the Romanian and other European states; if case be, the Nomination and Remuneration Committee can contract the services of a human resource recruitment expert, in compliance with the provisions of GEO no. 109/2011 regarding the corporate governance of public companies;
- (iv) Coordinates the process of appointing the BoD members, in case the proposals to the General Meeting of Shareholders for the administrator position are made by the members of the Board of Directors;
- (v) Recommends the BoD and/or the General Meeting of Shareholders the candidates proposed for the administrator position as well as for occupying the vacant administrator positions;
- (vi) Proposes to the BoD the selection procedure of the candidates for the position of manager and/or, accordingly, for other management positions;
- (vii) Makes proposals regarding the remuneration of managers and other management positions appointed by the BoD;
- (viii) Assesses the professional competence, knowledge and expertise at the BoD level;
- (ix) Establishes the requirements for occupying certain management positions;
- (x) Constantly updates the professional competence of the BoD members, coordinating the improvement of knowledge with a view to apply the best practices of corporate governance;
- (xi) Subjects to approval of the BoD/General Meeting of Shareholders the remuneration policy for the administrators and managers of the company;
- (xii) When establishing the remuneration of the non-executive administrators, the principle of proportion of remuneration to responsibility and time dedicated to fulfilling their responsibilities will be applied;
- (xiii) Presents the BoD an annual report on the total amount of remuneration for administrators and managers, separately on both the fixed and variable component of the remuneration as well as other advantages granted to them; The annual Report of the Nomination and Remuneration Committee comprises, at least, information on:
 - Structure of remuneration, with explanations about the quota of fixed and variable component;
 - Performance criteria that justifies the variable component of the remuneration, the report between achieved results and remuneration;
 - Reasons that justify any annual bonus scheme or non-monetary advantages;
 - Potential schemes of supplementary or anticipated pension;
 - Information on contract duration, negotiated notice period, damage quantum –interest to revoke



without just cause.

IV. 2013 CNR meetings

In 2013, CNR had eight meetings in which recommendations for the BoD of SNN were made, regarding themes that fall in its area of duties, such as:

- Elaboration and approval of the CNR Functioning and Organization Regulation;
- Proposals regarding the appointment of SNN managers who will have the quality of executive administrators;
- Elaboration of a recommendation for the BoD regarding the limits of the fixed monthly remuneration of the non-executive administrators, executive administrators and managers given the provisions of GEO no. 51/29.05.2013 with amendments to GEO no. 109/2011;
- Elaboration of recommendation regarding the remuneration policy of the administrators and managers with mandate contract;
- Elaboration of a study on the remuneration policy of administrators and managers of SNN in order to respond to the requirements of art.37, paragraph 5 of GEO no. 109/2011;
- Elaboration of recommendation regarding the general limits of remuneration for the executive and non-executive members of the BOD (monthly fixed remuneration and the variable component);
- Elaboration of recommendation regarding the selection procedure of the CFO of SNN in compliance with GEO no. 109/2011;
- Approval of the announcement to recruit the CFO of the company;
- Approval of the long list of candidates for the CFO position proposed by the expert in human resource recruitment, Quest Advisers;
- Interview unfolding and assessment of the short-listed candidates for the CFO position proposed by the expert in human resource recruitment, Quest Advisers;
- Elaboration of recommendation regarding the appointment of the CFO of SNN;
- Elaboration of recommendation regarding the Mandate Contract of the CFO.

V. Information as provided by art. 55, paragraph 2 and 3 of GEO no. 109/2011

As provided by art. 55, paragraph 2 and 3 of GEO no. 109/2011, CNR has the obligation to present the General Meeting of Shareholders an annual report on remunerations and other advantages granted to the administrators and managers during the financial year. CNR annual report contains, at least, information on:

- (i) Structure of remuneration, with explanations on the quota of the fixed and variable components;
- (ii) Performance criteria that justify the variable component of remuneration, the ratio between achieved performance and remuneration;
- (iii) Arguments that justify any annual bonus scheme or non-monetary advantages;
- (iv) Potential supplementary or anticipated pension schemes;
- (v) Information on contract duration, negotiated notice period, damage quantum –interest to revoke without just cause.

(i) The structure of remuneration, with explanations on the quota of fixed and variable components

SNN administrators and managers receive for the unfolded activity a fixed monthly remuneration and a variable one. The variable remuneration is payable depending on the degree of fulfilment of the indicators and performance criteria



established by the mandate/administration contracts as overtaken from the management/administration plan. The fixed monthly remuneration is limited in compliance to the legal stipulations, namely GEO 109/2011. The fixed and variable remuneration for the BoD members is approved by SNN General Meeting of Shareholders.

The general limits of the managers remuneration (manager in the sense provided by art 143 of Law no.31/1990) are approved by the General Meeting of Shareholders; based on these general limits, the Board of Directors establishes the value of the managers remuneration.

The policy and criteria for the remuneration of administrators and managers are published on the company's internet page.

Remuneration of the non-executive administrators

The non-executive members of SNN BoD are entitled to receive a fixed monthly remuneration and a variable one.

The gross fixed monthly remuneration of the BoD members is limited to maximum one (1) gross average salary per activity field, namely the gross monthly amount of lei 4.028.

The gross fixed monthly remuneration of the non-executive BoD members varies according to the participation in the consulting committees organized at BoD level, as follows:

- The President of the BoD and the members of the BoD who take part in their quality of members in at least two (2) consulting committees organized at BoD level benefit from a gross fixed monthly remuneration in the maximum legal sum, namely the gross monthly amount of lei 4.028.
- The members of the BoD who take part in their quality of members in at least one (1) consulting committee organized at BoD level benefit from a gross fixed monthly remuneration of 90% of the maximum legal sum, namely a gross monthly amount of lei 3.625.
- The members of the BoD who do not take part in their quality of members in any consulting committee organized at BoD level benefit from a gross fixed monthly remuneration of 85% of the maximum legal sum, namely the gross monthly amount of lei 3.424.

The non-executive members of the BoD also benefit from a variable remuneration, which has two subcomponents:

1. The variable subcomponent 1 will have a maximum gross annual value equal to the annual value of the gross average salary per energy field for the period this variable subcomponent is paid. The payment is done quarterly based on the degree of fulfilment of the performance indicators and criteria as established by the administration plan and contracts. The adjustment of the quarterly payments based on the Annual Indicator for performance indicators and criteria fulfilment is done on an annual basis.
As it concerns the monthly equivalent, the variable subcomponent 1 has a maximum gross monthly value equal to one (1) gross average monthly salary for the relevant calculation period (a month as per the administration contract), and payment is done according to contract provisions based on the degree of fulfilment of the performance indicators and criteria, appendix to the administration contract.
2. The variable subcomponent 2 will have a maximum gross annual value of 0.4% applied to the difference between the effective realized profit and the estimated net profit for each financial year, but no larger than the value of the fixed annual remuneration determined according to the administration contract. This subcomponent will also be granted based on the Annual Indicator for the fulfilment of the performance indicators and criteria.
As it concerns the monthly equivalent, the variable subcomponent 2 has a maximum gross monthly value equal to the gross fixed monthly remuneration, namely the gross monthly amount of lei 4.028.



The remuneration of the executive managers

The executive managers of the Board of Directors of SNN SA are entitled to a fixed monthly indemnity and a variable one.

The executive members of the Board of Directors have concluded:

- An administration contract for the quality of members of the Board of directors (administrator);
- A mandate contract for the quality of manager in the terms of article 143 of the Law 31/1990 („Manager”/”Managers”)

The managers who are also members of the Board of Directors are executive administrators. During the period the managers are also members of the Board of Directors, they are entitled only to the payment of the indemnity provided in their mandate contracts, without receiving payment for the position of members of the Board.

As per the provisions of OUG 109/2011, the fixed monthly gross indemnity of the managers may have a maximum quantum of 6 times the average gross salary per branch, namely in the case of SNN, the electric energy branch, communicated by the National Institute for Statistics before the appointment. Taking into account the average gross monthly salary of the electric energy branch before the date of the appointment of the executive managers, namely 4.028 lei monthly gross, it results that the maximum gross monthly indemnity cap is 24.168 lei monthly gross.

As per the resolution of the GMS of SNN dated 22.08.2013 which establishes the limits of the fixed indemnity of the executive managers, the Board of Directors of SNN established the following cantus of the fixed gross monthly indemnity for the executive managers:

- 24.150 lei monthly gross for the General Manager
- 22.950 lei monthly gross for the manager of Cernavoda NPP Subsidiary, namely 95% of the indemnity of the General Manager.

At the same time, as per the resolution of the GMS of 23.08.2013 which establishes the limits of the variable indemnity of the executive managers, the Board of Directors established the following variable components of the variable indemnity:

1. Variable subcomponent number 1 will have a maximum annual quantum of 12 fixed gross monthly indemnities. The payment will be made quarterly based on the degree of achievement of the performance indicators and criteria provided in the administration plan and administration contracts. Annual regulation of the quarterly shared will be made based on the Annual Indicator of achievement of the performance indicators and criteria.

In monthly equivalent, the variable subcomponent number 1 has a quantum of maximum one monthly gross indemnity, and the payment will be made in accordance with the contractual provisions depending on the fulfilment of the performance criteria and indicators, annexed to the administration contracts.

2. Variable subcomponent number 2 will have a maximum annual quantum of 0,4% applied to the difference between the achieved profit and the net estimated profit for each financial year, but not more than the value of the fixed annual indemnity determined in accordance with the administration contract. This subcomponent will be awarded also depending on the Annual Indicator of the achievement of the performance indicators and criteria.

In monthly equivalent, variable subcomponent number 2 has a maximum gross monthly quantum equal to the value of the fixed gross monthly indemnity.

(ii) Performance criteria which substantiate the variable component of the remuneration, the ratio



between the achieved performance and the remuneration

Nonexecutive administrators

The variable components is determined depending on the achievement of the objectives, namely the achievement of the target level of the performance indicators approved through the Management Plan and has two subcomponents. In order to grant the first subcomponent of the variable component, the level of achievement of the performance criteria will be evaluated quarterly, taking into consideration the weight of each indicators and the variation in comparison with the established level. The sum corresponding to the first subcomponent is awarded in 4 (four) quarterly shares under the following conditions:

Thus, on the basis of the established indicators and their weight, a global IT quarterly indicator will be calculated after the following formula:

$$I_{TA} = \sum_{i=1}^n I_i \times W_i$$

where

- I_T – global quarterly indicator
- I_i – individual indicator (Level of achievement-%)
- W_i – Weighting coefficient
- I_A – Annual global indicator

The value of the quarterly share of the first variable subcomponent which will be granted to nonexecutive shareholders is equal to the sum of monthly gross average salaries in the branch, communicated by the National Institute for Statistics for the respective period, thus the total annual value of the first subcomponent is equal to the total annual value of the monthly gross average salary in the branch.

If the global quarterly IY indicator is achieved at 100% or above, for the period of the calculation, an amount equal to 100% of the first quarterly share will be awarded as the first subcomponent of the variable component. If the IT global quarterly indicator is achieve under 100%, for the period of the calculation, an amount equal to 75% of the quarterly share will be awarded as the first subcomponent of the variable component. If in total, at the end of the year, the annual global indicator AI is achieved at 100% or above, the difference of the retained shares of the variable subcomponent during the periods when the global quarterly coefficient was under 100% is paid to the administrator.

The second subcomponent of the variable component which will be awarded to the non executive administrators, is determined depending on the fulfilment of the objectives, namely, the achievement of the annual target level of the performance indicators, that is the degree of achievement of the global annual indicator AI and is established at 0,4% of the amount representing the difference between the achieved net profit and the estimated profit for the financial year, but not more than the fixed annual indemnity established as per the article 16 of the current contract.

Executive administrators – The General Manager and the Manager of Cernavoda NPP Subsidiary („Directors”)

The variable component for the Directors is determined based on the achievement of the objectives, namely the fulfilment of target levels of the performance indicators approved in the management plan and has two subcomponents.

For the awarding of the first subcomponent of the variable component, the level of achievement of the performance criteria will be determined on a quarterly basis, taking into consideration the weight of each indicator and the variation in comparison with the established target level. The amount corresponding to the first subcomponent is awarded in 4 (four) quarterly shares, payable until the 26th of the first month of the quarter, for the previous quarter, in the provided conditions, as follows:

Thus, on the basis of the established indicators and their weight, a global quarterly performance indicator (I_T) will be calculated, after the following formula:

$$I_{T,A} = \sum_{i=1}^n I_i \times W_i$$

where

- I_T – global quarterly indicator
- I_i – individual indicator (Level of achievement-%)
- W_i – Weighting coefficient
- I_A – Annual global indicator

The value of the quarterly share of the first subcomponent of the variable component which will be awarded to the General Manager is equal to 3 (three) fixed gross monthly indemnities, thus the total annual value of the first subcomponent is equal to 12 (twelve) fixed monthly gross indemnities.

If the global quarterly IY indicator is achieved at 100% or above, for the period of the calculation, an amount equal to 100% of the first quarterly share will be awarded as the first subcomponent of the variable component. If the IT global quarterly indicator is achieved under 100%, for the period of the calculation, an amount equal to 75% of the quarterly share will be awarded as the first subcomponent of the variable component. If in total, at the end of the year, the annual global indicator AI is achieved at 100% or above, the difference of the retained shares of the variable subcomponent during the periods when the global quarterly coefficient was under 100% is paid to the manager.

The second subcomponent of the variable component which will be awarded to the General Manager, is determined depending on the fulfilment of the objectives, namely, the achievement of the annual target level of the performance indicators, that is the degree of achievement of the global annual indicator AI and is established at 0,4% of the amount representing the difference between the achieved net profit and the estimated profit for the financial year, but not more than 12 (twelve) fixed gross monthly indemnities (“annual calculation of the second variable subcomponent”).

(iii) Considerations that justify any annual premium and non financial advantages

The annual bonus which is awarded to the non executive Administrators and to the Managers is represented within the second variable subcomponent of the variable remuneration. Details regarding this subcomponent were presented at item (ii) above. The considerations which justify the annual awarding of this bonus are the following:

1. The provisions of art. 37, paragraph 2 and article 38, paragraph 2 of OUG 109/2011 according to which the remuneration of the members of the Board of Directors is made up of a fixed monthly indemnity and a variable component which can consist of a participation quota to the net profit of the company, a pension scheme or another form of remuneration based on the performance indicators;
2. The provisions of art. 37, paragraph 5 and art. 38, paragraph 3 of OUG 109/2011 according to which “the level of the variable component is established based of strongly motivated recommendations, formulated on the basis of the results of a comparison study regarding remuneration conditions in other similar companies, from the safe field of activity, with major or entire state owned capital from Romania or other European countries, by the remuneration committee or..”;
3. The study regarding the remuneration policy of the administrators and managers of SNN prepared by CNR in order to comply with the requirements of art. 37, paragraph 5 of OUG 109/2011. On the basis of this study, CNR issued recommendations regarding the variable component of the remuneration of the Administrators and Managers;
4. The remuneration study was based on the following elements:



- a. The level of remuneration from similar Romanian and European companies, taking into account both state owned and private companies;
- b. The level of remuneration in other countries (Canada), taking into account the CANDU type NPPs;
- c. The level of the salaries of some employees with management responsibilities within SNN;
- d. Other companies with the major shareholders-the Romanian state from other fields of activity.

At the same time, the managers benefit of the following non financial advantages:

1. Directors&Office type liability policy
2. The right to be reimbursed for business travels;
3. the right to consider as seniority in the nuclear and thermal energy sector the period for which he/she acts as manager within SNN;
4. The right to a company car (the costs of which will be beard by SNN), office phone, laptop, desktop, stationary, faxes, logistic, etc as well as other equipment which is necessary for representation at the management level;
5. The right to an office space, adequate for the position of manager, with all the necessary facilities and equipments;
6. the right to an occupational insurance for work related accidents and professional illness, on the expense of the company;
7. the right to have a secretariat, the cost of which will be beard by the company;
8. The right to request mediation and/or other protection measures from the Board of Directors, the GMS, the confederation, federation or patron organization, in order to solve conflict situations with the unions or representatives of the employees, as well as other organizations, having the right to benefits in these cases of legal consultancy, on the expense of SNN;
9. The right to a protocol fund from the protocol funds of the company approved by the Board of Directors;
10. The right to an employment in correspondence with his training and professional experience (on the basis of an individual work contract for an undetermined period of time, concluded in accordance with the law) as well as all the right derived from the employment, as per the legal provisions and/or those of the collective work agreement of the company, after the termination, of any reasons of the current contract, namely the revocation based on reasons independent of his person.

The administrators benefit of the following non financial advantages:

1. Directors&Office type liability policy, up to the ensured amount of 3 million Euro;
2. The right to be reimbursed for business travels;

(iv) Potential alimonies or anticipated pensions– Not applicable

(v) Information regarding the duration of the contract, the negotiated notification period, the quantum of losses – interests for revocation without just cause

Non executive administrators

The mandate/administration contracts concluded by the members of the Board of Directors with SNN have duration of 4 years, starting with the date of the appointment and can be renewed through a resolution of the General Meeting of Shareholders/Decision of the Board of Directors only if case of the adequate achievement of the assumed attributions/obligations. The administration/mandate contracts do not provided a negotiated notification period, the administrators/managers having the right to renounce their positions without allowing SNN a notification period.

In case the administrators/managers are revoked unexpectedly or unjustified, they have the right to receive from SNN a compensation for the unexecuted period of the their administration/mandate contract, regardless of the date the



revocation occurs, but not more than 12 fixed monthly indemnities, thus determined:

- a) in case the revocation occurs at any time before the last year of the mandate contract, the administrator/manager will receive a compensation representing 12 fixed monthly indemnities;
- b) In case the revocation occurs during the last year of the mandate contract, a compensation corresponding the number of months left until the end of the term will be paid, but not in excess of 6 fixed monthly indemnities.

The payment of this compensation is made in 30 working days from the date of the termination of the Administration/mandate contract. This form of compensation is unique and represents the only form of damages paid in case of unjustified revocation. In case of revocation for just reasons, SNN does not owe to the administrators/manager any compensation for the unexecuted period of his term.

The members of the nomination and remuneration committee are

- Alexandru Sandulescu
- Carmen Radu
- Alexandru Alexe

The performance indicators and criteria for the members of the Board of Directors and for the executive administrators (general manager and manager of Cernavoda NPP Subsidiary) as well as the level of their achievement are presented in the “Report of the administrators for the 4th quarter of 2013, prepared in accordance with the provisions of art. 7. point 7.19 of the administration contracts”, which is subjected to the approval of the GMS.



Appendix 10 – Audited separate financial statements at 31.12.2013 prepared in accordance with IFRS – EU

The audited separate financial statements at 31.12.2013 prepared in accordance with the International Financial Reporting Standards approved by the European Union (IFRS-EU) are published on the website of the company, Investors relations section (www.nuclearelectrica.ro) and are accompanied by the independent auditor's report on the separate financial statements.