



President of the Board of Directors,

Alexandru Sandulescu

Note regarding the update of the individual reports of the members of the Board of Directors in compliance with the financial results of SN Nuclearelectrica SA for the nine month period ended at 30 September 2016

I. Introduction

Within the General Meeting of SNN Shareholders scheduled for 09.12.2016, the shareholders will be called to vote on the renewal of the current mandates of the members of the SNN Board of Directors, starting with 25.04.2017, for an additional 4 year mandate for :

- Alexandru Sandulescu, as administrator
- Alexandru Alexe, as administrator
- Nicolae Bogdan Codrut Stanescu, as administrator
- Dan Popescu, as administrator
- Daniela Lulache, as administrator
- Carmen Radu, as administrator

As per the provisions of art 29 paragraph (14) of GED 109/2011, the members of the Board of Directors who request the renewal of the mandate have prepared individual activity reports for the mandate contract period 2013-2015 which were published on SNN's website in the *Investors Relations/GMS related information* section on 08.11.2016, together with the materials related to the General Meeting of Shareholders scheduled for 09.12.2016. Also, on 08.11.2016, SNN published the activity report for the nine month period ended at 30 September 2016. The quarterly report of the Board of Directors for the nine month period ended at 30 September 2016 and the interim condensed unaudited financial statements as at and for the period ended on September 30, 2016 are published on the company's website in *Investors Relations/Financial Results* section.

As per the current note, the Board of Directors updates the information presented in the activity reports of the members of the Board of Directors for the period 2013-2015 with the following information regarding the achievement of the performance indicators during the nine months of 2016 and the elements which

influenced the financial position of the company.

II. Degree of achievement of the performance indicators as at 30.09.2016

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

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

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

- Annual turnover (cumulated since the beginning of the year) – 97,16%
- Annual operating result (cumulated since the beginning of the year) – 194,46%
- Execution of the annual value of the investment plan cumulated since the beginning of the year (as per Chart 28 and the annual budgets) – 22%

Degree of achievement of the performance indicators of the members of the Board of Directors at 30.09.2016

Item	Objective/Performance indicators	MU	Estimated Q III *)	Actual Q III	Degree of accomplishment (%)	Weight coefficient	Degree of accomplishment of the performance indicators col. 5 * col. 6 (%)
0	1	2	3	4	5	6	7
Improvement of the indicators regarding the financial performance of the Company							
1	Turnover (cumulated since the beginning of the year)	Million RON	1.216,00	1.181,46	97,16%	0,20	19,43%
2	Operating result (cumulated since the beginning of the year)	Million RON	33,00	64,17	194,46%	0,20	38,89%
3	Overdue payments	Thousand RON	-	-	100,00%	0,10	10,00%
4	Labour productivity (cumulated since the beginning of the year)	Thousand RON/person	593,00	587,79	99,12%	0,10	9,91%
5	Operating expenses at 1.000 RON turnover (cumulated since the beginning of the year)	RON	999,00	956,67	104,42%	0,10	10,44%
Execution of the major investment objectives							
6	Execution of the annual value plan of investments cumulated since the beginning of the year (as per Figure 28 and the annual budgets)	%	50,00%	11,00%	22,00%	0,15	3,30%
Maintenance of the electricity production capacity above the average level in the industry							
7	Capacity factor (cumulated since the beginning of the year)	%	80,00%	89,45%	111,81%	0,10	11,18%
Operation of the nuclear units in safe conditions for the personnel, the population, the environment and the production assets							
8	No operating events above level 1 on the International Nuclear Event Scale, concerning the damage of the in depth defines barriers, onsite and off-site impact.		0 events above level 1 on INES scale	0 events above level 1 on INES scale	100,00%	0,05	5,00%
The degree of accomplishment of the performance indicators						1,00	108,15%

*) Values according to Budget revenues and expenditures for 2016, approved by GMS Decision no. 1/30.03.2016

III. The way of achieving the performance objectives and criteria

1. Improvement of indicators related to the financial performances of the Company

Thousand LEI	Nine month period ended on 30.09.2016	Nine month period ended on 30.09.2015	Var.	July 01 – 30 September 30, 2016	July 01 – 30 September 30, 2015	Var.
Production (GWh)	7.589	7.854	-3%	2.785	2.751	1%
Operating revenues, out of which	1.194.443	1.304.898	-8%	452.196	446.506	1%
<i>Revenues from electricity sale</i>	1.157.741	1.219.931	-5%	433.977	428.139	1%
Operating expenses	(770.321)	(845.178)	-9%	(239.795)	(235.700)	2%
EBITDA	424.122	459.720	-8%	212.401	210.806	1%
Depreciation and amortization	(359.949)	(352.396)	2%	(121.544)	(118.554)	3%
EBIT	64.173	107.324	- 40%	90.857	92.252	-2%
Net financial expenses	15.535	52.784	- 71%	29.020	57.488	- 50%
Expense with the income tax	(15.165)	(28.919)	- 48%	(17.495)	(21.452)	- 18%
(Net loss)/Net Profit	64.543	131.189	- 51%	102.382	128.287	- 20%

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

In Q3 2016, SNN has recovered the operational loss registered on June 30, 2016 and obtained on 30.09.2016 a net profit of 64.543 thousand lei.

Major elements that influenced the operational profit of the company during January-September 2016:

- The extension of the duration of the planned outage of Cernavoda NPP Unit 1 in the second quarter of 2016 – 51 days compared to 24,8 days in 2015, in order to perform additional maintenance works on the steam generators, works which are performed only once in the life time of a nuclear unit (30 years). The decision to perform these additional workings was the result of an economic-technical analysis that took mainly into consideration the medium and long-term benefits associated to this extended planned outage, and aimed at decreasing the risk of production downsize due to the reduction of the heat transfer caused by deposits of magnetite. Thus, the management prioritized the improvement of the thermal cycle whose direct result is an increase in production by 1.5-2% compared to the estimated level should this investment had not been completed. Despite this investment, the energy sold by SNN during the first nine months of 2016 is 1,46% above the sales program;
- The decrease in the Tg with 6,28 lei/MWh in the first semester of 2016 compared to the same period of 2015 and with 2,7 lei/Mwh in the third quarter compared to the similar period of the previous year;
- The levelling of the average weighted price of the contracts concluded by SNN on the centralized market for bilateral contracts, especially in the first 9 months of 2016 and the increase in the percentage of the energy sold by SNN on PZU which reached a quota of 33,45%;
- The net currency exchange differences had a positive impact on the company's net result but the evolution of the currency exchange rate in the third quarter of 2015 was more favourable than in

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the current period, thus the net financial revenues register a decrease of 71% compared to the same period of the previous year.

2. Evolution of the price during 2013 – September 2016

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

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

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

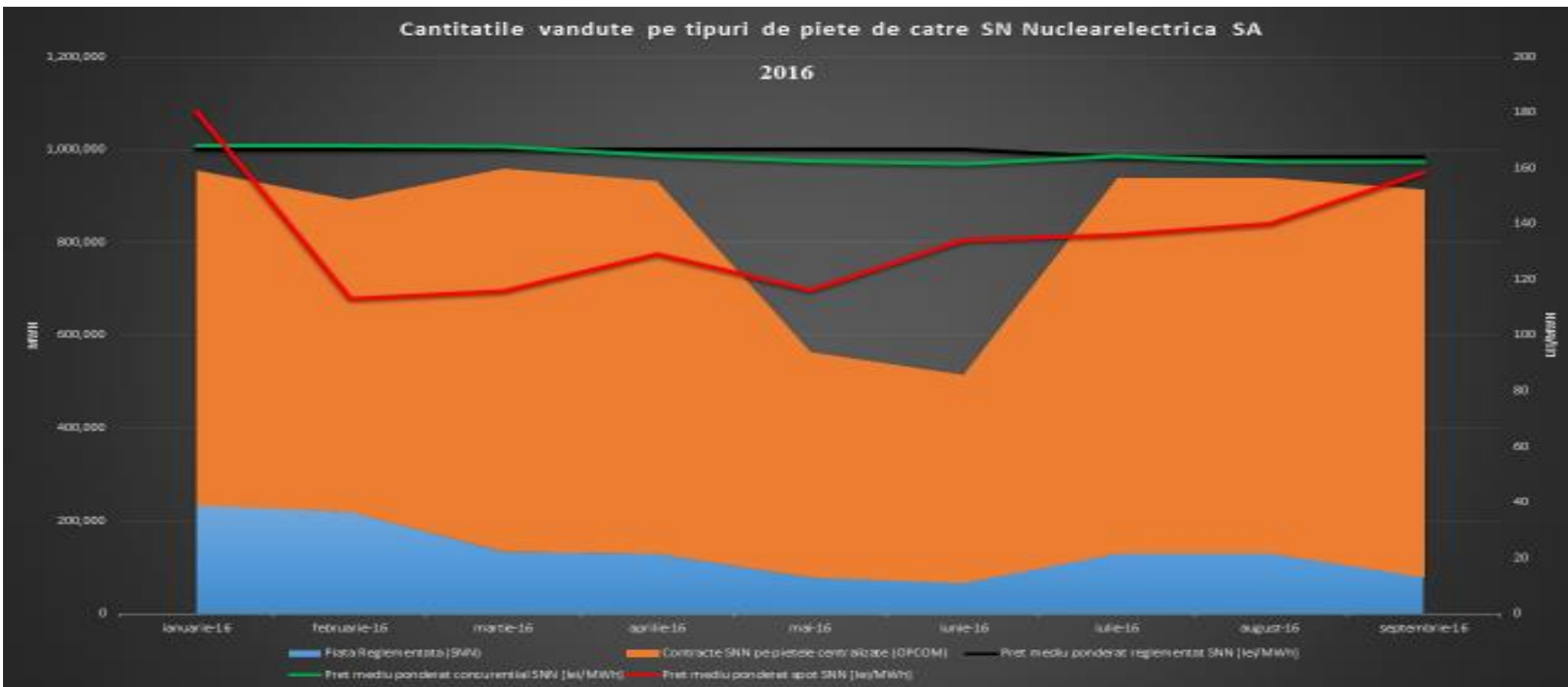
The sale revenues for the energy deliveries during January-September 2016 are of 1.179.623.453 lei, 2,82% lower than the value proposed for the 2016 Budget (the January-September 2016 period) and 8% lower compared to the same period of last year result.

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

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

This decrease was offset by the reduction of the operating costs with the same amount, based on energy transport costs.

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



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Curba preturilor forward pe platformele OPCOM (PCCB, LE, NC, OTC)



3. Achievement of the major investment objectives

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

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

The total value of the major investment objectives, namely PJ-05-016 Intermediate Spent Fuel Storage Facility, including SICA U # 2, PJ-04-001 Modernization and expansion of the physical protection system, PJ-11-006 Improvement of the Cernavoda NPP's response, respectively of the nuclear safety functions in case of events outside of the design base as a consequence of the nuclear accident that occurred at the Fukushima nuclear power plant, stipulated in the SNN investments program for the year 2016 is in amount of 53.724 thousand RON.

Project code	Project name/ Investment objective	2015		Level of completion (%)
		Planned BVC [ths RON]	Achieved at 30.09.2016 [ths RON]	
PJ-05-016	Intermediate storage of spent fuel (including SICA U2)	17.420	4.539	26,05%
PJ-04-001	Upgrading and expansion of the physical protection system	5.000	10	0,20%
PJ-11-006	Improvement of the Cernavoda NPP's response, namely the improvement of the nuclear safety functions in case of events beyond the design base as a consequence of the nuclear accident that occurred at the Fukushima 1 Nuclear Power Plant, Japan	31.304	1.362	4,35%
	Total	53.724	5.911	11,00%

The main reasons for achieving a completion level for the major investments under the target of 50%, established by the mandate contracts for the third quarter of 2016, are:

- extension of the acquisition procedure for “C+M works for module 8” for the project “Intermediate storage of spent fuel (including SICA U2)”, caused by change in regulations for acquisitions field which imposed that documentation related to this process to be remade;
- delays in obtaining notices/agreements/authorizations for preparing Unit 5 for the project “Upgrading and expansion of the physical protection system”. Starting the activities depends on obtaining the Industrial Security Certificate. The legal term for obtaining it is of 90 days, thus the execution works will be transferred to 2017.

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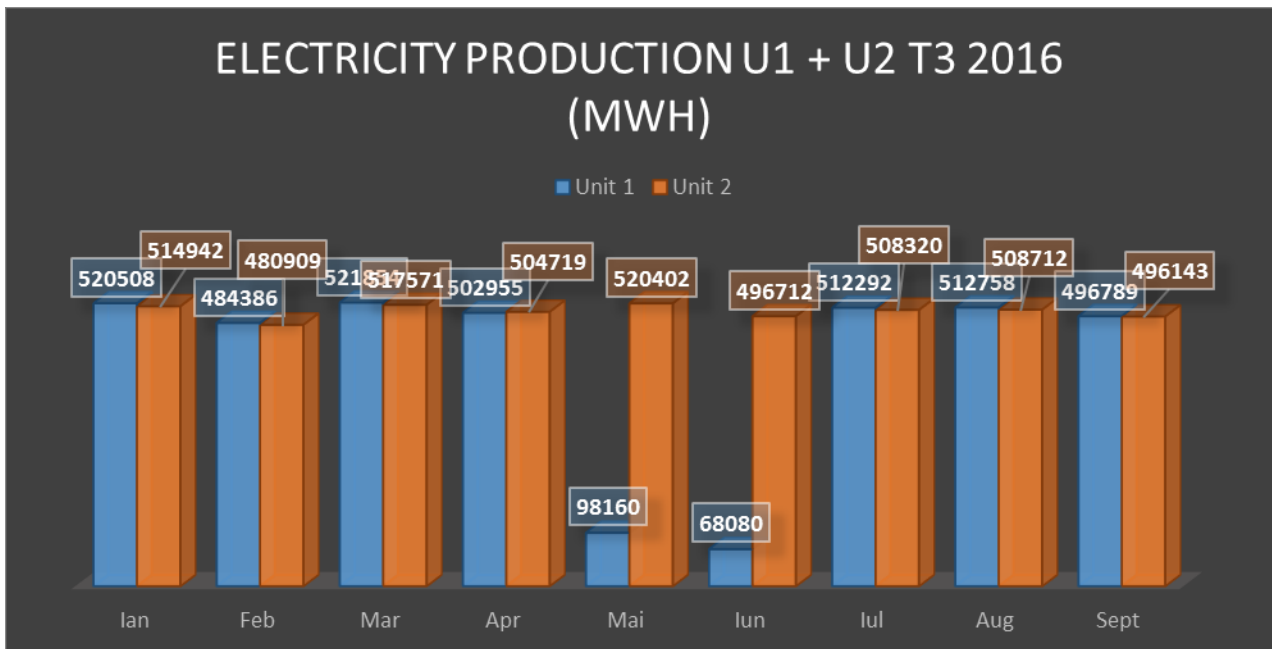
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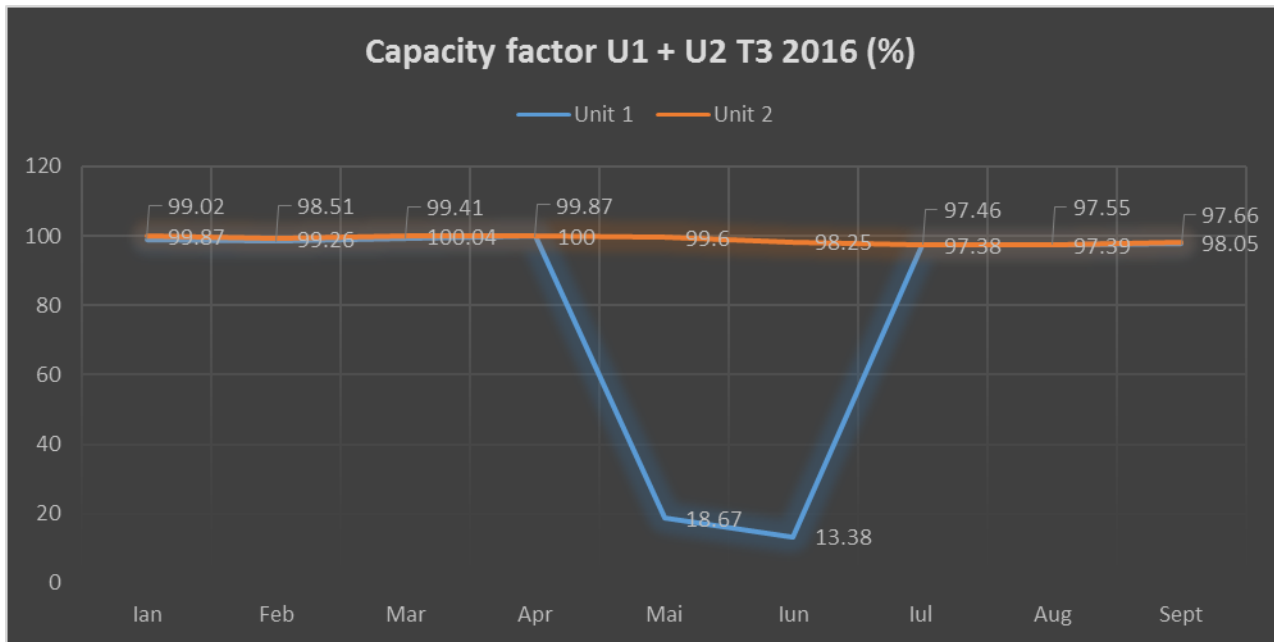
4. Operation of nuclear units under nuclear safe conditions for employees, population, environment and production assets and maintenance of the production capacity of electricity above the average level in industry and the duty coefficient of the installed power

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

During January-September 2016, there were no operation events exceeding level 1 on the international nuclear events scale, regarding the degradation of the in depth barriers, with impact on or off site (indicator 1).

The main indicators of the production activity are mentioned in the following graphics.





Nota: The capacity factor is lower in May-June 2016 due to the planned outage of Cernavoda NPP Unit 1.

IV. Attendance of the meetings of the Board of Directors

3rd Quarter 2016

Alexandru Sandulescu	Alexandru Alexe	Daniela Lulache	Carmen Radu	Popescu Dan	Nicolae Bogdan Codrut Stanescu
12	15	16	12	14	12

During the first nine months of 2016, 26 Board meetings took place out of which 16 plenary sessions and 10 electronic vote sessions, as per the provisions of art. 18 paragraph (19) of the Articles of Incorporation of SNN. The members of the Board of Directors who did not attend the plenary sessions gave mandate of representation to other Board members, as per the provisions of the articles of incorporation.

The activity reports of the member of the Board of Directors will be updated with the financial results related to the entire mandate period (April 2013 – April 2017) until 01.09.2017.