



NUCLEARELECTRICA

*Translation from Romanian*

**REPORT ON THE ACTIVITY CONDUCTED DURING THE MANDATE  
2013-2015**

**DANIELA LULACHE  
MEMBER OF THE BOARD OF DIRECTORS**

**GENERAL MANAGER**

Daniela Lulache – member of the BoD and CEO of the Company. Prior to the appointment of CEO of Nuclearelectrica, in 2013, I have been employed in leadership positions in the banking field, in investment and investment funds banks. These positions involved responsibilities including start-up, creating a corporate structure and a corporate governance, of the investment strategy model and implementation, respectively the portfolio management. During my professional activity I have been actively involved in introducing corporate governance principles in companies which were previously state companies and I have negotiated with international financial institutions (FMI - International Monetary Fund, World Bank). I have graduated from the Academy of Economic Studies and many management, brokerage and capital market, corporate finances classes.

## 1. Executive Summary

The present Activity Report covers the period April 2013 - December 2015 when I was a member of the Board of Directors and General Manager of Societatea Națională Nuclearelectrică S.A. ("SNN" or the "Company") under the Contract of Administration no. 02/01.08.2013, and the Mandate Agreement no. 8/26.08.2013 concluded with the Company. This Activity Report aims to support the shareholders to renew the Directors Service Agreement in accordance with GEO no. 109/2011 regarding the corporate governance of public companies as amended and supplemented ("GEO no. 109/2011"), given that the director's mandate expires on 25.04.2017. The renewal decision is based solely on the successful fulfillment of the mandate and on the performance indicators, aspects identified by the decisions of the shareholders and reports of independent auditors. Additionally to the objective criteria intended to support the renewal of the mandate for the Board of Directors' members, it is also necessary to maintain the good practice at international level in the nuclear industry, namely that of ensuring stability and continuity of the management of an operator of nuclear power plants for an optimal operational activity. The international assessments made at the nuclear operators are considering the lack of managerial continuity in the nuclear industry as a complex risk.

Therefore, the SNN Board of Directors members whose term of mandate expires on 25.04.2017, in accordance with the provisions of GEO 109/2011 and Decision no. 722 of 28<sup>th</sup> of September 2016 approving the Methodological Norms for the application of certain provisions of the Government Emergency Ordinance no. 109/2011 regarding corporate governance of public companies ("Methodological Norms GEO no. 109/2011") put to the vote in the General Meeting of Shareholders the renewal of the Directors' Mandate Agreements.

Acting in a diligent and prudent way, SNN Board of Directors decided to submit to the General Assembly of Shareholders the renewal of mandates of the directors, expiring on 25.04.2017, 5 months before the expiry of such mandates so that in case the shareholders do not agree to renew the mandates, to be enough time to organize a selection procedure in accordance with GEO no. 109/2011 to be conducted by the tutelary public authority or by the Company, as determined by the shareholders on this issue.

We emphasize that carrying out a selection procedure requires a minimum of five months considering all the deadlines to be respected, provided by GEO no. 109/2011. Moreover, Article 64<sup>4</sup> par. 3 of GEO no. 109/2011 provides expressly that the selection procedure for the Board of Directors' members ends no later than 150 days after its initiation. Thus, it is important that current members of the Board of Directors to submit this issue to the shareholders in a timely manner and not wait until their mandate expires on 25.04.2017. We believe that it is not in the interest of the company the mandates to expire on 24.04.2017, nor the appointment of provisory administrators who can avoid taking major decisions, which can be extremely important for the company. The appointment of provisory administrators can have negative consequences on the company's activities.

Article 28 paragraph (7) GEO 109/2011 provides: *"The mandate of the directors is set in the Articles of Incorporation and it may not exceed four years. Appointments of the directors who have properly fulfilled their duties **may be renewed following an evaluation process, if the Articles of Incorporation do not provide otherwise.** The mandate of the directors appointed following the termination of any form of the mandate of initial directors coincides with the remainder of the mandate of the director who has been replaced."* At the same time, Article 18 (1) of the Articles of Incorporation of SNN specifies the following: *"The Company is managed in an integrated system. The executive body of the company is the Board of Directors which consists of 7 members. **The members of the Board of Directors shall be elected for a term of four years and they can be re-elected.**"*

Article 29 paragraph (14) of GEO 109/2011 establishes the following: *"If the candidates proposed by the Board of Directors are currently directors, the application for renewal is addressed to the general meeting of shareholders under Article 28 paragraph (7) the candidate having the obligation to submit an activity report for the term already performed."*

According to the above legal provisions for the renewal of the mandate, this report provides a comprehensive assessment of the activity as a member of the Board of SNN during the mandate performed between April 2013 and December 2015. The activity report was presented to the Board of Appointment and Remuneration and the Board of Directors and will be presented to the SNN shareholders at the SNN General Assembly of Shareholders that will take place on 09.12.2016.

The activity report shows: the degree of fulfillment of the performance indicators established and assumed under the Directors Service Agreement correlated with the targets set in the Management Plan in 2013, the fulfillment of indicators related to objectives, relevant achievements associated to the measures implemented, work in the committees established by the Board of Directors, the application of the principles of transparency and corporate governance from its IPO to date, dividend policy, presence at the Board of Directors meetings.

The activities and results presented in the report are centralized for each year of the term, namely for 2013, 2014, 2015, following that in accordance with the capital market legislation, after reporting the company results to the capital market institutions of the Company's results for the period until 30.09.2016, the present report shall be therefore be supplemented with this information.

In this context, the evaluation process mentioned in Article 28 paragraph (7) of GEO 109/2011 will be made public by the selection committee established at the level of the tutelary public authority undertaking the assessment of the current directors if there is a request for their mandate renewal. In accordance with Article 1 point 12 of the Methodological Norms, evaluation of the activity of the board's members asking for their term to be renewed represents the systematic, rigorous, transparent and best practices-related assessment of the board's members asking for their term to be renewed, assessment which is conducted by the selection committee.

## **2. The selection method for the Board of Directors**

SNN is administered in unitary system, the Board of Directors consisting of 7 members, of which six are non-executive members, in accordance with the provisions of GEO 109/2011. The structure of the Board of Directors complies with the provisions of the Companies Law no. 31/1990 regarding the number of the independent members in the Board.

Thus, prior to April 25, 2013, the Office of State Ownership and Privatization in Industry (OPSPI) had selected the association formed by S.C. Quest Advisors S.R.L. and S.C. Transearch Internațional S.R.L. to assist the Ministry of Economy, through OPSPI, in recruiting the candidates - members of the Board of Directors of **S.N. Nuclearelectrica S.A.**

**The recruitment and selection criteria applied were the following ones:**

- Minimum 10 years of professional experience, of which at least 5 years in administration/management;
- Graduate of higher education;
- Knowledge of Romanian or a main foreign language;
- Legal entities will be specialized in business administration in the energy sector, with a minimum 5 year experience;
- Experience for natural or legal persons/entities in positions of administration/management in companies with a minimum turnover of EUR 100 million or 1,000 employees.

**Benefits:**

- For natural persons/representatives of Romanian legal entities knowledge of English is an advantage;
- For natural persons/representatives of foreign legal entities knowledge of Romanian language is an advantage;
- Graduate of specialization/master in the fields of management/marketing/law/economics/engineering;
- Knowledge of the legislation related to the activity conducted by public companies;
- Knowledge of the capital markets and the relationship with the investors;
- Experience in both local and international companies;
- Relevant experience within public or private legal entities;
- Experience in dealing with the public authorities, regulators and supervisors;
- Knowledge of corporate governance;
- Strategic vision demonstrated;
- Excellent interpersonal skills;
- Professionalism.

**Other rules regarding the selection process were the following ones:**

- No more than two (2) persons being civil clerks or other employees of the Ministry of Economy - as tutelary public authority – or employees of other public authorities or institutions may be selected.
- Among the members of the new Board of Directors, at most 2 (two) persons shall be appointed as executive directors.
- At least one of those selected must have a minimum 5 year experience in the field of electricity.
- At least one of the Board members must have economic studies and experience in economics, accounting, auditing or financing (at least 5 year experience).
- A natural person may exercise no more than 5 concurrent terms as director and/or member of the Supervisory Board in joint stock companies/public companies whose registered offices are in Romania.
- Necessarily, in the selection of candidates will be taken into account avoiding conflicts of interest or incompatibilities.
- Most board members selected must be non-executive and independent members within the meaning of Article 138<sup>2</sup> of Law 31/1990.

### **3. Objectives of the Management Plan and Performance Indicators**

The objectives established and taken within the Administration Plan and the Management Plan were determined based on the opportunities, risks and forecast economy and energetic market evolution considering certain specific aspects at that time, as follows:

#### **1. From the commercial point of view:**

- The electrical energy market is a gradual de-regulation process estimated to be finalized by complete liberalization until the end of 2017, which shall ease the sale of larger quantities of electrical energy on the competitive market, at higher prices comparative to the regulated prices;

#### **2. From the operational and financial point of view**

- The production process is based on a modern technology, internationally certified with a high nuclear security degree, and the SNN personnel has experience in the CANDU nuclear energy production of over 20 years;
- Units 1 and 2 operate with a capacity factor exceeding the average at an international level in the nuclear industry (79%);
- Raw material sources are certain, the fuel dependency is reduced and the balance of nuclear fuel costs is relatively low and steady in the total costs;
- The financial costs (following the fluctuation of exchange rates), taxes, as well as certain exploitation costs (as well as those regarding the Uranium acquisition, the technological cooling water), are not controllable by SNN;

**3. From the corporate governance point of view**, following the listing of SNN shares was necessary the transparency increase, efficiency in reports to the investors and creating of certain internal structures and specific committees.

In this way, reported to these variables, the main objectives of the Board of Directors for the mandate period were the following:

- 1. The operation of nuclear units safely and under Nuclear Safety for the employees, population, environment and production assets**
- 2. Keeping the electricity production capacity above the current average level in industry**
- 3. The fulfillment of the major Investment objectives**
- 4. Improvement of the financial performance indicators of the Company**

In connection to these objectives the performance indicators of the Board of Directors have been set so as to reflect the activities and measures of the Board of Directors members in an objective and coherent way and to allow a qualitative and quantitative measurement of these measures and actions:

Pos.	Objective/Performance Indicators	Measurement	MU
<b>Improvement of indicators regarding the financial performance of Company</b>			
1	Turnover per year	Line 01 form 20 Balance sheet	Million RON
2	Operational profit per year	Line 36 form 20 Balance sheet	Million RON
3	Arrears	Line 04 Code 30 Balance sheet	Thousand RON
4	Work productivity	Turnover/average number of employees	Thousand RON/person
5	Operational costs per RON 1000 turnover	(Operational costs/turnover) * 1000	RON
<b>Fulfillment of major Investment objectives</b>			
6	Achievement of annual investment value plan (According to Table 28 and the Annual Budgets)	Value of achieved investments/Value of scheduled investments	%
<b>Maintaining of the production capacity of electricity above the average level in industry</b>			
7	Duty coefficient of installed power	Achieved production MWh/Maximal theoretic production MWh	%
8	No event exceeding the operating level 1 on the International Scale of Nuclear Events relating to the degradation of in-depth defense barriers, impact on the site or outdoors	CNE Cernavodă	

#### **4. The annual achievement degree for the performance indicators within the period 2013-2015 calculated based on the IFRS**

The performance indicators and criteria included in the directors' service agreement have been stipulated in mid-2013 based on local accounting standards applicable. By the fiscal year 2013 SNN has been applied the International Financial Reporting Standards (IFRS).

The performance indicators were calculated based on the annual income and expenditure budgets of SNN, approved by the General Assembly of Shareholders or by government decisions, as appropriate, and based on the financial statements, the operational reports and Annexes 1 and 1.1 in the directors' agreements signed between the company directors and annually updated in accordance with the approved income and expenditures budget for each year.

In order to calculate the degree of fulfillment of the investment annual value plan, there are calculated also the major investments mentioned in table 37 from the management plan, and, respectively, table 28 of the management plan, and the achievement degree is limited to a maximum of 100% (actual versus planned).

Regarding the compliance of the indicators mentioned in the contract with EURATOM, valid as indicator for the mandate contract of the CEO, the calculation is performed based on data of the consolidated financial statements.

The calculation of the compliance degree of management performance indicators is checked by the financial auditor.

The performance indicators of the managers are aligned with the performance indicators of the BoD. As CEO of SNN, it is followed the compliance degree of performance indicators established by the administration contract, as well as the performance indicators established by the mandate contract.



## Performance indicators achievement as on 31.12.2013 - Board member

Pos.	Objective/Performance indicators	MU	Estimated value Quarter IV	Achieved value Quarter IV	Achievement level (%)	Weighting coefficient	Achievement level of performance indicators col. 5 * col. 6 (%)
	1	2	3	4	5	6	col.5xcol.6 - (%)
<b>Improvement of indicators related to the financial performances of the Company</b>							
1	Turnover per year (cumulated since the beginning of the year)	Million lei	1,892.00	1,933.11	102.17%	0.20	20.43%
2	Operational profit per year (cumulated since the beginning of the year)	Million lei	227.00	461.10	203.13%	0.20	40.63%
3	Arrears	Million lei	0.10	0.02	500.00%	0.10	50.00%
4	Work productivity (cumulated since the beginning of the year)	Thousand lei/ pers.	876.00	918.34	104.83%	0.10	10.48%
5	Operational costs per 1,000 lei turnover (cumulated since the beginning of the year)	lei	891.00	826.61	107.79%	0.10	10.78%
<b>Achievement of major Investment objectives</b>							
6	Achievement of annual value plan cumulated since the beginning of the year (according to Table 28 and Annual Budgets)	%	90.00%	100.00%	111.11%	0.15	16.67%
<b>Maintaining of the production capacity of electricity above the average level in industry</b>							
7	Duty coefficient of installed power	%	80.00%	94.28%	117.85%	0.10	11.79%
<b>Operation of nuclear units under nuclear safe conditions for employees, population, environment and production assets</b>							
8	No event exceeding the operating level 1 on the International Scale of Nuclear Events relating to the degradation of in-depth defense barriers, impact on the site or outdoors	-	0	0	100.00%	0.05	5.00%
Achievement level of performance indicators						<b>1.00</b>	<b>165.78%</b>

## Performance indicators achievement as on 31.12.2014 - Board member

Pos.	Objective/Performance indicators	MU	Estimated value Quarter IV	Achieved value Quarter IV	Achievement level (%)	Weighting coefficient	Achievement level of performance indicators col. 5 * col. 6 (%)
							col.5 x col.6 - (%)
	1	2	3	4	5	6	7
<b>Improvement of indicators related to the financial performances of the Company</b>							
1	Turnover per year (cumulated since the beginning of the year)	Million lei	1,733.00	1,796.12	103.64%	0.20	20.73%
2	Operational profit per year (cumulated since the beginning of the year)	Million lei	38.00	175.21	461.08%	0.20	92.22%
3	Arrears	Million lei	23,00	0.02	100.00%	0.10	10.00%
4	Work productivity (cumulated since the beginning of the year)	Thousand lei/pers.	802.00	831.54	103.68%	0.10	10.37%
5	Operational costs per 1,000 lei turnover (cumulated since the beginning of the year)	lei	986.00	912.55	108.05%	0.10	10.80%
<b>Achievement of major Investment objectives</b>							
6	Achievement of annual value plan cumulated since the beginning of the year (according to Table 28 and Annual Budgets)	%	90.00%	85.81%	95.34%	0.15	14.30%
<b>Maintaining of the production capacity of electricity above the average level in industry</b>							
7	Duty coefficient of installed power	%	80.00%	94.82%	118.53%	0.10	11.85%
<b>Operation of nuclear units under nuclear safe conditions for employees, population, environment and production assets</b>							
8	No event exceeding the operating level 1 on the International Scale of Nuclear Events relating to the degradation of in-depth defense barriers, impact on the site or outdoors	-	0	0	100.00%	0.05	5.00%
Achievement level of performance indicators						<b>1.00</b>	175.27%

## Performance indicators achievement as on 31.12.2015 - Board member

Pos.	Objective/Performance indicators	MU	Estimated value Quarter IV	Achieved value Quarter IV	Achievement level (%)	Weighting coefficient	Achievement level of performance indicators col. 5 * col. 6 (%)
0	1	2	3	4	5	6	7
<b>Improvement of indicators related to the financial performances of the Company</b>							
1	Turnover per year (cumulated since the beginning of the year)	Million RON	1,750.00	1,749.91	99.99%	0.20	20.00%
2	Operational profit per year (cumulated since the beginning of the year)	Million RON	74.00	160.14	216.40%	0.20	43.28%
3	Arrears	Thousand RON	-	-	100.00%	0.10	10.00%
4	Work productivity (cumulated since the beginning of the year)	Thousand RON/person	833.00	860.33	103.28%	0.10	10.33%
5	Operational costs per 1,000 lei turnover (cumulated since the beginning of the year)	RON	966.00	927.39	104.16%	0.10	10.42%
<b>Achievement of major Investment objectives</b>							
6	Achievement of annual value plan cumulated since the beginning of the year (according to Table 28 and Annual Budgets)	%	90.00%	23.70%	26.33%	0.15	3.95%
<b>Maintenance of the production capacity of electricity above the average level in industry</b>							
7	Duty coefficient of installed power (cumulated since the beginning of the year)	%	80.00%	94.58%	118.23%	0.10	11.82%
<b>Operation of nuclear units under nuclear safe conditions for employees, population, environment and production assets</b>							
8	No event exceeding the operating level 1 on the International Scale of Nuclear Events relating to the degradation of in-depth defense barriers, impact on the site or outdoors		0 events exceeding the level 1 on INES scale	0 events exceeding the level 1 on INES scale	100.00%	0.05	5.00%
Achievement level of performance indicators						<b>1.00</b>	<b>114.80%</b>

## 5. The way of achieving the performance objectives and criteria

### 5.1. Improvement of indicators related to the financial performances of the Company

The Board of Directors analyzed and approved trade policies to ensure revenue stability based on maintaining a stable and constant production. These trade policies were accompanied by a more efficient procurement process through pro-active approach to the needs and the quantities involved. Besides, the Board took into account costs' efficiency by rethinking and prioritize the procurement processes or by implementation of the integrated management. Operating and maintenance expenses were also prioritized according to the needs and impact without affecting nuclear safety, the latter remaining the absolute priority.

Although the measures approved and implemented have resulted in more efficient costs and improvement of internal processes related to the internal control, the market context characterized at the beginning of 2013 by a significant energy prices decrease had a significant impact on the financial results after the historical net profit recorded in 2013.

Specifically, in the period 2013-2015 the following items became more efficient:

- The political and commercial strategy, by reference to lower selling price of electricity, predictability and stability of income in order to sustain the production and the ability to finance current investment projects;
- The system of internal control, including compliance with the OMFP 946/2005;
- The integrated management model with direct results on cost efficiency;
- The procurement process of products, services and works through dynamic planning and prioritization, timely delivery and strict quantity of goods and services by signing long-term contracts for the continuity of activities;
- The operation and maintenance costs;
- Reduced outstanding debts and obligations.

RON '000	2013	2014	2015	Var (%) 2014 vs 2013	Var (%) 2015 vs 2014
<b>Sold quantity of energy (Mwh)</b>	11,012,999	10,875,650	10,824,150	-1%	0%
<b>Total income, of which:</b>	<b>2,059,022</b>	<b>1,814,253</b>	<b>1,782,998</b>	<b>-12%</b>	<b>-2%</b>
<i>Income from electrical energy sale</i>	1,829,187	1,685,350	1,673,422	-8%	-1%
<b>Exploitation costs</b>	(1,164,925)	(1,213,170)	(1,129,096)	4%	-7%

<b>EBITDA</b>	<b>894,097</b>	<b>601,082</b>	<b>653,902</b>	<b>33%</b>	<b>9%</b>
<b>Depreciation and amortization</b>	(433,001)	(425,873)	(493,762)	-2%	16%
<b>EBIT</b>	461,096	<b>175,209</b>	<b>160,139</b>	<b>-62%</b>	<b>-9%</b>
<b>Net financial result</b>	56,594	(20,882)	18,185	-	-187%
<b>Gross profit</b>	<b>517,690</b>	<b>154,327</b>	<b>178,324</b>	<b>70%</b>	<b>16%</b>
<b>Income tax</b>	(94,299)	(21,262)	(29,180)	77%	37%
<b>Net profit</b>	<b>423,391</b>	<b>133,065</b>	<b>149,144</b>	<b>69%</b>	<b>12%</b>

In 2014, the evolution of the financial profit (EBITDA) depended on:

- The exploitation income decrease caused by the drop of sale prices for the electrical energy on the competitive market (-16%) not compensating the decrease of the quantities sold by the regulated market (-29%);
- The lack of income out of significant penalties (in 2013 those were in the amount of 86,317 thousand lei);
- Starting January, 1<sup>st</sup> 2014 was introduced the special building tax which lead to an increase of exploitation costs by 89,399 thousand lei during the analyzed period, in comparison to 2013. The tax on special buildings was acknowledged by ANRE in the regulated price starting July 2014, but only for the portion corresponding to Q2 of 2014.

In 2015 the operational profit (EBITDA) was increased by 9% compared to 2014, following these factors:

- The exploitation income easily dropped compared to 2014, as the total amount of sold energy did not vary significantly. On the regulated market, the amount of energy sold in 2015 dropped by 40% compared to the same period of 2014, but this difference was reflected in a 20% increase of the amount of energy sold on the free market in 2014. This change of the sales structure did not lead to an increase, due to the fact that, while on the regulated market the price of energy registered an increase (5.67% compared to 2014), on the competitive market of bilateral contracts, the prices dropped by 2.41% compared to the same period of 2014.
- The positive evolution of the exploitation costs, following the drop of tax on special buildings from 1.5% in 2014 to 1% for 2015, as well as the drop of maintenance and spare parts costs, the drop of costs regarding technical assistance services, engineering regarding the operation of nuclear plants.

The amortization costs were increased by 16% compared to 2014, due to the operation of certain investment in Q IV of 2014, respectively in 2015, and due to the fact that on 31.12.2015 the depreciation and amortization include costs resulted from the decrease of the net accounting value of asset re-evaluated on 31.12.2015 as well as adjustments for the depreciation of immobilizations proposed for discarding following the annual inventory.

The company's performance is directly influenced by the fluctuations of the exchange rate for the cash and cash equivalents, long-term acquisitions and loans. The currency exposing the Company to these risks is mainly, EUR, USD, CAD.

In 2014 the net exchange rate differences negatively influenced the company's net result, the loss of the financial activity being in the amount of 20,882 thousand lei, compared to 2013 when a profit was performed from the financial activity of 56,594 thousand lei.

In 2015, the evolution of the exchange rate for EUR and CAD had a significant positive impact on the company's net result, compensating the negative impact of the USD exchange rate. Therefore, in 2015 profit was registered from the financial activity, of lei 18,185 thousand.

Major elements that impacted on the operating profit in the period 2013-2015:

- Decreasing of the selling prices of electricity on the competitive market (-16%) which did not compensate the decrease of volumes sold on the regulated market (-29%);
- Introduction by January 1, 2014 of a special construction tax which led to an increase in operating expenses (in 2014 they increased by 89,399 thousand lei compared to 2013);
- The amortization expense increased due to commissioning of some investments;
- The performance of the company is directly influenced by the fluctuations in currency exchange rates, cash and cash equivalents, long-term procurements and loans. The currencies which expose the Company to this risk are primarily EUR, USD, CAD.

## 5.2 Energy Market

As a producer on the domestic electricity market SNN sells on two main market segments:

- The competitive market operated by OPCOM (according to the law the company must sell its whole production in Romania);
- And the regulated market, a market that will be gradually eliminated by the end of 2017 according to the market liberalization schedule undertaken by the authorities.

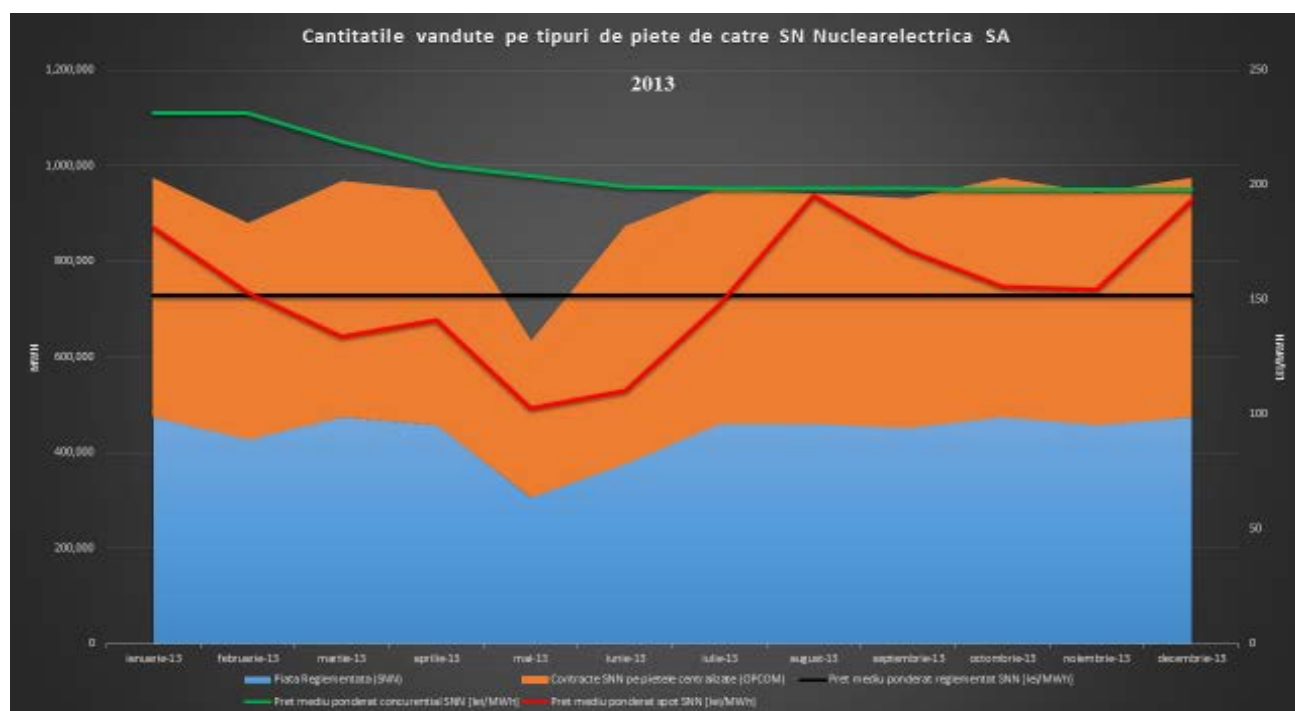
Thus, the percentage of energy Nuclearelectrica sold on the regulated market has declined in recent years from 70% in 2012, 50% in 2013, 35% in 2014, and 21% in 2015 to 14% in 2016. Nuclearelectrica will sell the whole production on the free market after the energy market liberalization scheduled for late 2017 will be completed.

For the regulated segment of the market, both the price and quantity are established by ANRE at the end of the year for the next year.

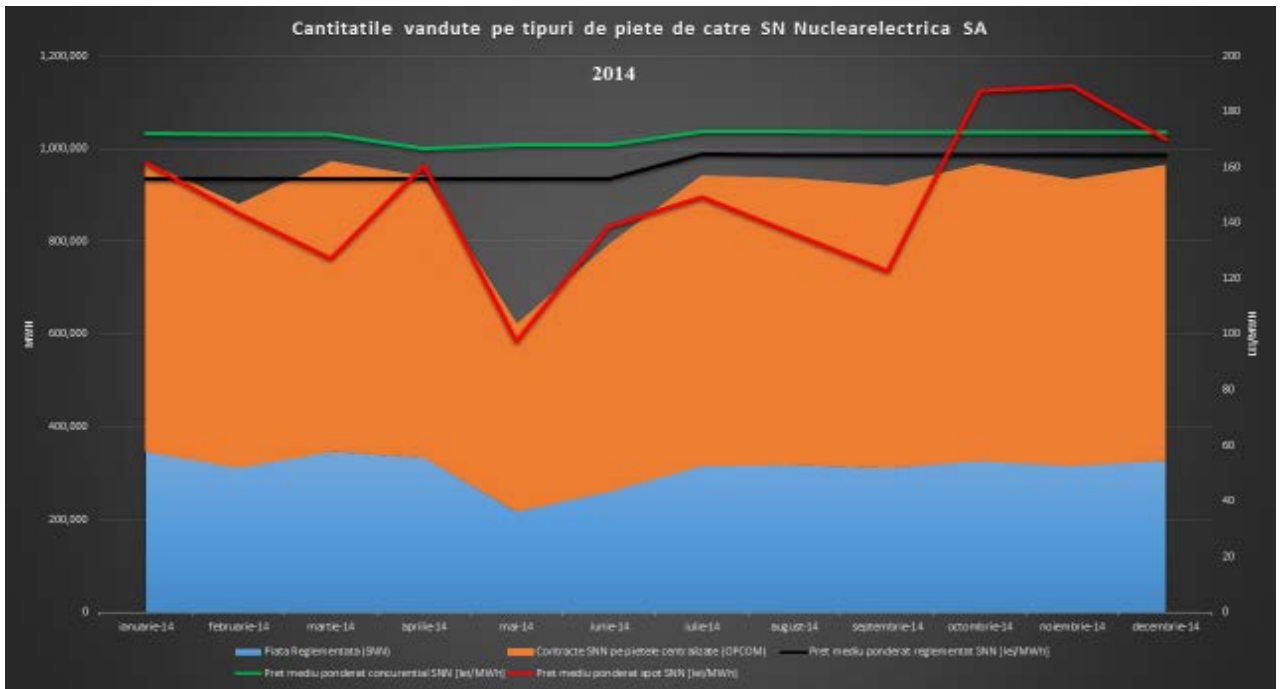
Currently, the energy free market managed by OPCOM is registering a significant involution of price, the majority impact coming from the green certificate schemes provided for the manufacturers from renewable sources.

Compared to the initial context from 2013, based on creating certain unbalances in the energy market caused by the major subvention impact of renewable resources, the net financial result of each financial year is significantly impacted by the price evolution on the market. During the period 2013-2015, the price situation, on market segments significant for SNN, the evolution was as follows:

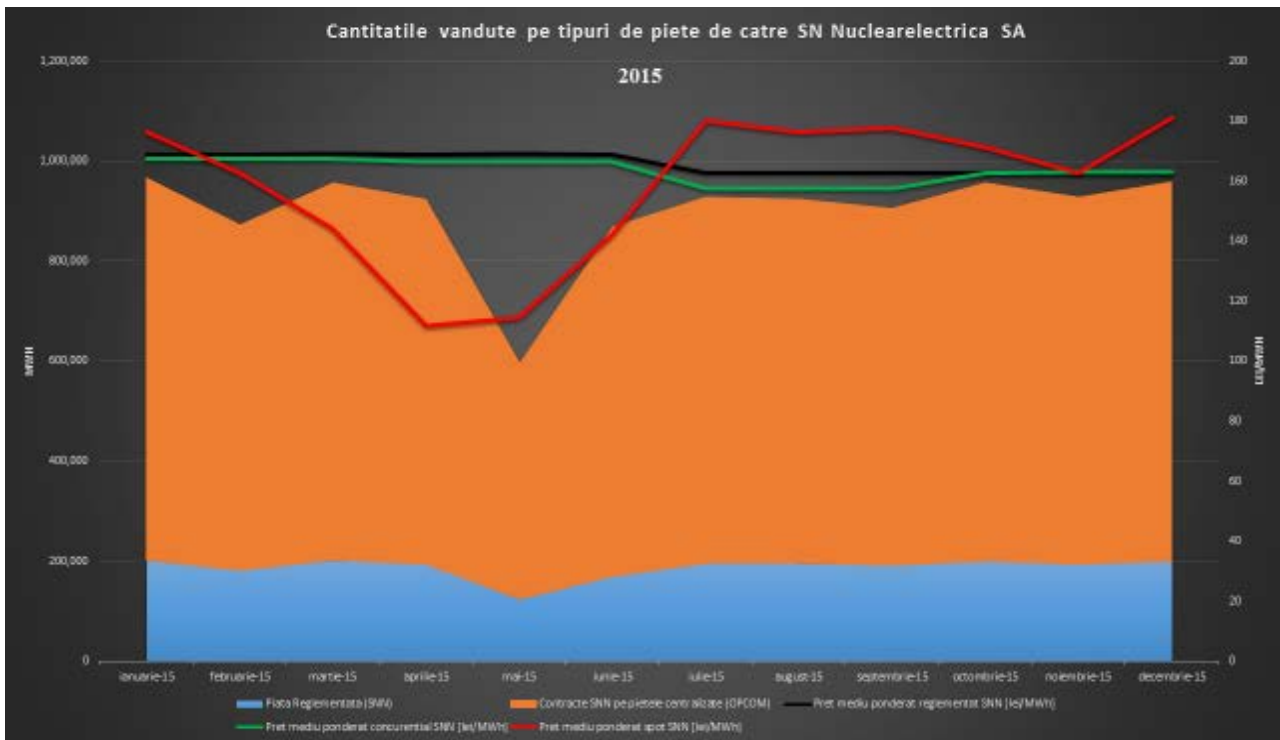
*The quantities sold on the types of markets by SN Nuclearelectrica SA  
2013*



*Quantities sold on the types of markets by SN Nuclearelectrica SA  
2014*

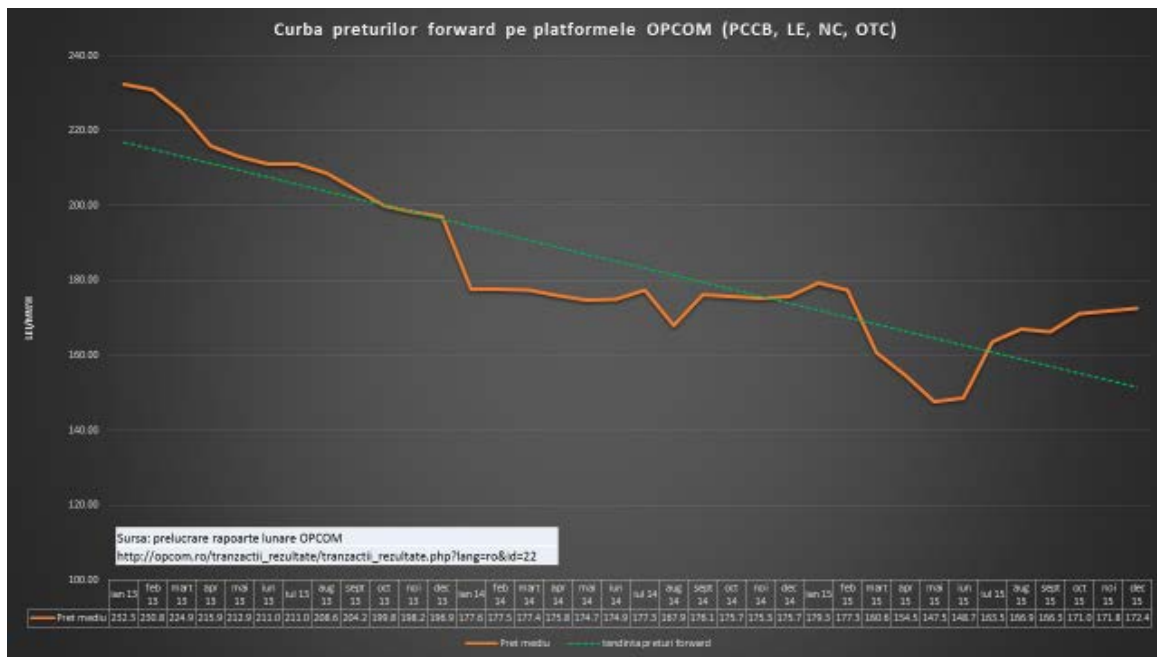


*The quantities sold on the types of markets by SN Nuclearelectrica SA  
2015*





*The forward price curve on the OPCOM platforms (PCCB, LE, NC, OTC)*



The leadership of SNN drafted and implemented this strategy in order to counteract, as much as possible, the negative impact determined by the massive drop of the energy price starting 2013.

The major objectives aimed are the following:

A – the increase of flexibility degree of sales through diversification in order to meet the demands of the market, the aim being adaptation to the current market context.

B – the cost efficiency with balancing.

Due to the sales strategy adapted to the market context and the diversification measures adopted and applied, SNN has maintained a consistently good performance of price at a very good level compared to the price of the electricity market, as shown in graphs above.

According to the data above mentioned, the results of the measures related to the fundamental objectives are significant, although in the period 2013-2015 the company faced a number of market related, legal and fiscal constraints impacted on all major areas of activity. The Board of Directors effort was bidirectional: a short term effort in order to counter the effects determined by external factors, and medium and long term effort by adopting measures and strategies adapted to the context. Besides, the efforts were channeled for the determination of changes in the legislation in order to correct the market failures, legal and fiscal coercions, the object being to facilitate the positioning of the company in a legal and fiscal context similar to the private companies to obtain similar outcomes by reducing specific differences.

Given the uniqueness of the nuclear industry, the Board of Directors has maintained its investments priorities in the benefit of the company even if the achievement of such an investment had a negative impact due to energy prices and fiscal factors already existing, as financial result of period.

In 2015 SNN announced that in the first semester of 2016, Unit 1 CNE Cernavodă will enter an extended planned shutdown involving the realization of additional maintenance works of the steam generator, works that are done only once during the initial life (30 years) of a nuclear unit.

The decision to undertake this additional work within the planned shutdown of Unit I occurred in the second quarter of 2016, came as a result of technical and economic analysis, analysis that firstly considered calculating the medium and long term benefits associated to this prolonged planned shutdown. The result consisted in reducing the risk of decreased production of electricity of Unit 1 due to the reduced heat transfer efficiency associated to the magnetite deposits. Thus, the SNN management staff has prioritized the improving of efficiency of the heat cycle which direct result is to stabilize medium-term power production related to Unit 1, avoid the consequence of the capacity factor declining resulting in the production growth estimation by about 1.5-2% compared to the forecasted level to be achieved in the absence of performing this significant work.

The negative effects on the operational activity for the first half of 2016 were anticipated since 2015 and accordingly budgeted for 2016, an apparent short-term negative impact but beneficial over the medium and long time being assumed by the Board of Directors and the executive management.

In addition to the major evolution challenges of the market price, at the level of the energy market and primary and secondary legislation, there is a series of challenges with a negative impact on the manufacturers increase, predictability and competitiveness:

- The impossibility to conclude long-term contracts with the partners (compliant from the financial risk point of view) to create long-term predictabilities.
- The inadequate operation of the energy market. The Day Ahead Market (PZU) has a quota exceeding 50% of the estimated total consumption, and the prices at the end users are under 10 lei compared to the en gross price of the electrical energy.
- The mechanisms and platforms by which a manufacturer undertakes to transaction energy have an extremely high flexibility degree, affecting the market liquidity
- The interdiction to export energy is positioning the Romanian manufacturers and Romania on a discriminatory position compared to the competition from nearby countries and the traders. It is impossible to value the production in the most efficient way if we are talking about an European common market, but in Romania we maintain regulations limiting the companies' activity on an European level. In order to have strong companies, it is necessary to develop a common legal ground with the one of the more evolved European states.
- The transport fee differentiated on geographic areas and its highest cost situate us on a discriminatory position compared to all the other manufacturers from other geographic areas.
- SN Nuclearelectrica SA is licensed in delivery and production, but has also issues regarding the interpretable law, in regards to providing electrical energy to the end-users. On one hand (as producer), Nuclearelectrica undertakes to sell the entire amount available in a centralized and non-discriminatory way, and on the other hand (as a provider) Nuclearelectrica has the right to deliver. The delivery implies also customized offers for end users, which contradicts with the obligations we have as producer.

- Excessive regulations make it impossible to ensure the continuity of sales for the periods with un-planned break-downs and for creating an energetic mix with other cheaper manufacturers in order to stay competitive on the market.

### 5.3 Achievement of Major Investment Objectives

The SNN development program that has been set, is structured by objectives that are defined in relation to the production level and are intended to maintain both the electricity production capacity and the nuclear fuel capacity at the designed parameters level by complying with the requirements for nuclear safety and protection of the operation staff, environment and population so as to meet the requirement for modernization/upgrading of some systems, both for economic reasons (decrease of specific consumptions, improvement of some parameters characteristic to the operated processes, with a positive impact on the efficiency) and for legal reasons – the necessity of implementing some improvements related to the nuclear safety, protection of environment and employees representing imperative requirements imposed by the authorities regulating the field.

The major Investment objective, also mentioned in the SNN management plan for the period 2013-2017 are the following ones:

- ✓ The Burned fuel Intermediary Storage Facility (including SICA U#2), part of the policy applied by SNN in order to manage the burned fuel. The Burned fuel Intermediary Storage Facility will be built by stages, finally including a number of 27 storage modules with 12,000 de bundles per module able to store the burned fuel for 50 years.
- ✓ Modernization and extension of the Physical Protection System both for the objectives located inside the protected perimeter and for the ones located outside such perimeter and for implementing the works resulted after analyzing the critical installations and vital structures in case of threats outside the designed parameters.
- ✓ Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan – implementation of a system for emergency filtrated depressurization of the envelope at Units 1 and 2 CNE Cernavodă, implementation of a system consisting in the bursting disc and of a system for water addition in the calandria caisson at U1 and U2, implementation of a system for monitoring and controlling the H2 concentration in the atmosphere in the envelope at U1 and U2, by installing a system for monitoring the hydrogen in atmosphere in the envelope "HERMETIS" type and by installing a system consisting in passive autocatalytic recombination devices "FR1-380T" type, including the arrangement, inside U5, of the areas related to the logistics required in order to perform the actions needed in case of severe accident.

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*2013*

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**2013**

**Achievement level**

Project code	Name of project/Investment objective	Planned BVC [thousand lei]	Achieved [thousand lei]	(%)
PJ-05-016	Burned fuel Intermediary Storage Facility (including SICA U#2)	47,104	56,213	119.3%
PJ-04-001	Modernization and extension of the Physical Protection System	21,504	13,876	64.5%
PJ-11-006	Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan	75,786	82,340	108.6%
	Total	144,394	152,428	105.6%

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## 2014

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The SNN investment program for 2014 provided 75,881 thousand lei for the major Investment objectives, the achievement level at the end of 2014 being 85.8%, according to the table below:

Project code	Name of project/Investment objective	2014		Achievement level
		Planned BVC [thousand lei]	Achieved [thousand lei]	(%)
PJ-05-016	Burned fuel Intermediary Storage Facility (including SICA U#2)	30,752	27,520	89.50%
PJ-04-001	Modernization and extension of the Physical Protection System	28,213	24,867	88.10%
PJ-11-006	Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan	16,916	12,730	75.30%
	Total	75,881	65,117	85.80%

If we take into account the savings made during the year 2014, savings resulting from exchange rates more favorable than those used in preparing the budget, contracts signed at values lower than the budgeted ones, the effect of reducing CAS by 5%, the level of achievement of major objectives in relation to the planned value is 91.6%, which means a level of achievement of 101.77% of the minimum targeted value of 90%.

The actions performed and the difficulties encountered in developing the major Investment objectives for 2014 are the ones below identified:

- *The Burned fuel Intermediary Storage Facility (including SICA U#2):* SICA U2 was completed and commissioned, the construction and installation works related to modules 6 and 7 DICA were completed, the containers required for storing the burned fuel were provided, the works for module 6 physical protection were completed and the ones related to module 7 were in progress.
- *Modernization and extension of the Physical Protection System:* the access control point at CFR gate was completed and accepted (building, equipment and installation completed), the works for physical protection, 1st priority, 1st stage, resulted after analyzing the critical installations and vital structures in case of threats outside the design parameters were in progress.
- *Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan:* the works for implementing a filtration system for the atmosphere inside the reactor building (U1&U2) were completed and commissioned; the 2<sup>nd</sup> level Probabilistic Safety Assessment for both CNE units was done, the works intended to change the destination of the buildings located inside Unit 5 and their use during the entire life of operating are delayed due to some contracting issues.

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2015

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The SNN investment program for 2015 provided 69,245 thousand lei for the major Investment objectives, the achievement level at the end of 2015 being 23.70%, according to the table below:

Project code	Name of project/Investment objective	2015		Achievement level (%)
		Planned BVC approved by GD no. 468/24.06.2015 [thousand lei]	Achieved [thousand lei]	
PJ-05-016	Burned fuel Intermediary Storage Facility (including SICA U#2)	9,411	7,294	77.51%
PJ-04-001	Modernization and extension of the Physical Protection System	15,040	4,117	27.37%
PJ-11-006	Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan	44,794	5,001	11.16%
	Total	69,245	16,412	23.70%

The actions performed and the difficulties encountered in developing the major Investment objectives for 2015 are the ones identified below:

- *The Burned fuel Intermediary Storage Facility (including SICA U#2):* the works related to the implementation of physical protection system at module 7 DICA were completed, the designing services for extension of the Burned fuel Intermediary Storage Facility and replacement of MACSTOR 200 type modules by MACSTOR 400 type modules (beginning with module no. 10) were contracted; the provision of the containers required for storage of intermediary burned fuel are going on according to the activities schedule.
- The contracting of the environment documentations related to the current stage of assessment for the project "CTRF and DICA Extension" integrated with the activities currently developed on the CNE Cernavodă platform was not completed in 2015. Thus, the activities approved for 2015 were rescheduled for 2016; the procurement procedure „Performance works for module 8 and 9, MACSTOR 200 type, preparation of the foundation rock and casting of completion concrete for module no. 10, related to the Burned fuel Intermediary Storage Facility was in progress at the end of 2015. Revisions of the descriptive documentation were required as asked by ANAP (ex ANRMAP);
- *Modernization and extension of the Physical Protection System:* the works for physical protection, 1st priority, 1st stage (preparation, approval and authorization of the execution documentation, equipment procurement, installation and PIF) were completed.

The execution of the 2<sup>nd</sup> priority Works for completing the physical protection system of CNE Cernavodă identified in the document "Analysis on maintaining uninterrupted the operation of the critical installations contained in the vital structures", works with budgeted amount of about 20 million Euro were provided to take place in 2015, but during 2014 the procurement procedure for this objective was suspended and the project was divided in two stages. The 2<sup>nd</sup> priority, 1<sup>st</sup> stage Works are valued at about 6.7 million EUR compared to the approximate 20 million EUR included in both stages. In 2015 the procurement procedure for 2<sup>nd</sup> priority, 1<sup>st</sup> stage Works were initiated but it was delayed since its implementation was depending upon obtaining the Industrial Security Authorization by the bidder such authorization being issued by the National Registry Office for Classified Information. Thus, the works provided to take place in 2015 were postponed to 2016. There were also delays in developing the procedure for the works and services required in order to change the destination of the buildings existing inside U5, due to a blockage in the procurement process.

- Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan: the services for conducting the safety analysis for updating EPSN Level 1 and EPSN Level 3, the works scheduled for implementation during the 2015 planned shutdown at U2 (works for qualification of the loops used for measuring the security critical parameters to the environment (CSP) and the extension of the measure field to U2.

- On 30.12.2015 the works and services required for changing the destination of the buildings existing inside U5 were contracted with a delay of 12 months as initially planned. The delay was generated by successive rounds of clarifications arising after publication in SEAP of the documentation that determined inclusively the changing of the specifications already prepared. These delays have led to the postponement for 2016 of all activities and their related expenses (about 35.8 million Lei), originally scheduled to be done in 2015. The implementation of the projects Modification of 0.4 and 6KV of ½-52900 6KV-DG1/DG2 distribution system configuration for connecting the mobile Diesels in case of accident “Station Black-out” and Works for sealing the penetrations resistant to floods and steam U1/U2 were postponed to 2016 due to operational constraints.

### **5.3.1 Refurbishment of Unit 1 CNE Cernavoda**

According to the project, Units 1 and 2 from Cernavoda have an initial lifespan of 30 years which may be extended by another 25-30 years following a complex refurbishment process. Unit 1 from CNE Cernavoda started the commercial commissioning in 1996, and Unit 2 in 2007.

The refurbishment project of Unit 1 CNE Cernavoda is delegated by the leadership and approved by shareholders, by the GEMS no. 27/23.12.2013 allowing the employment and performance of certain costs estimated to 80 million lei associated to drafting the technical-economical studies and nuclear security, the certification documents and performance of activities to obtain certificates, approvals and authorizations required by the current law, action initiated in the summer of 2014. It is considered the use of this amount also for: finishing the purpose of the project based on the mentioned studies, both in regards to the training phase, and the effective implementing phase, therefore the completion of the feasibility study establishing the necessary budget, the performance graphic and all the other necessary resources for the successful project development until the end of 2017.

The technical complex analysis of the pieces of equipment shall determine the exact period to shutdown Unit 1 in order to initiate the refurbishment process. Currently, based on the inter-comparing method, benchmarking with other international nuclear units and based on the capacity factor according to the project, SNN estimates that Unit 1 shall be effectively shut down around 2025-2026. The effective interruption shall take 1.5-2 years and the expenses, also estimated by benchmarking, are in between EUR 1.2 - 1.5 billion.

The financing structure shall consider internal and external sources (loans), the contracting capacity of some external financing sources being provided around 2020 by the reimbursing of credits contracted for the building of Unit 2.



### 5.3.2. The strategy for continuing Unit 3 and 4 Project CNE Cernavoda

On July 31, 2014 the Romanian Government approved, by Memorandum, *The Strategy to continue the Units 3 and 4 Project CNE Cernavoda by organizing an investors' selection procedure* (“**the Strategy**”), the Strategy being also approved by the GEMS of S.N. Nuclearelectrica S.A. (“**SNN**”) on August 22<sup>nd</sup>, 2014.

The strategy provides the creation of a joint company according to art. 50 of the Law no. 137/2002, between SNN and a privately selected investor, respectively a Project Company (“Joint Venture” or “JVCo”), to which shall be transferred the amount invested by SNN in the S.C. EnergoNuclear S.A. (“EN”) Branch. According to the provisions of art. 2 of the G.O. no. 664/31.07.2014, “the method to continue the activity and the term of the company "EnergoNuclear" S.A., a company incorporated following the development of the investors' selection procedure for Units 3 and 4 from CNE Cernavoda, is established, according to the law, by the GEMS of Societatii Nationale "Nuclearelectrica" - S.A. and by complying with the provisions of the articles of incorporation of the two companies”.

The project company represents the company predecessor to the company type IPP (Independent energy manufacturer), incorporated for a period of 2 years, period which can be changed with the agreement of the parties, for the purpose of re-checking the project's feasibility, asset evaluation and taking the final investment decision for passing to the Project implementing step, respectively the IPP step.

#### **Steps within the selection procedure of investors for the Units 3 and 4 Project CNE Cernavoda**

The development of the selection procedure of investors for the Units 3 and 4 Project CNE Cernavoda (“**the Project**”) – initiated on August 22<sup>nd</sup>, 2014 by publishing the international notice of intent – is coordinated by the Inter-ministry Commission for the Project Units 3 and 4 CNE Cernavoda, (“**Inter-ministry Commission**”) appointed by the decision of the Romanian Prime-Minister no. 254 from August 21<sup>st</sup>, 2014, with subsequent amendments and additions - and, respectively developed by the Negotiation Commission for the Project Units 3 and 4 CNE Cernavoda (“**the Negotiation Commission**”), appointed by the order of the minister delegated for energy no. 719 from august 22<sup>nd</sup>, 2014, with subsequent amendments and additions.

The main steps taken during the selection procedure:

- Only one investor - China General Nuclear Power Corporation (“CGN”) – submitted the qualification documentation and subsequently the Documentation of Intent;
- October 14<sup>th</sup>, 2014, CGN was nominated Selected Investor;
- October 17<sup>th</sup>, 2014 the Joint letter regarding the Intent to Perform the Project was signed by SNN and CGN;
- During the period November 2014 - May 2015 negotiations occurred between the Negotiation Commission and CGN on the MoU regarding the development, building, operating and decommissioning of Units 3 and 4 from CNE Cernavoda (“MoU”);
- September 2<sup>nd</sup>, 2015 – the Romanian Government approved the Memorandum with the theme: *Approval of the MoU regarding the development, building, operation and decommissioning of Units 3 and 4 from CNE Cernavoda*;
- October 22<sup>nd</sup>, 2015 – the SNN GEMS approved the MoU;
- November 9<sup>th</sup>, 2015 – the MoU signing by SNN and CGN;



- November 23<sup>rd</sup>, 2015 – sending to CGN the proposal of the Investment Documents and namely the Investors’ Approval (“AI”) and the Project Company Articles of Incorporation;
- January 19<sup>th</sup>, 2016 – the Romanian Government issuing the Support Letter for the Units 3 and 4 Project CNE Cernavoda;
- January 27<sup>th</sup>, 2016 – transmission by CGN of the amended Investors’ Agreement;
- During the period January-May 2016 several negotiation rounds took place between the Negotiation Commission and CGN on the Investment Documents, without reaching their final stage.
- Following the request of the Chinese party from May 5<sup>th</sup>, 2016, on June 2<sup>nd</sup>, 2016 the Romanian Government approved the Memorandum with the theme “Continuation of negotiations on the Investment Documents regarding the development, building, operation and decommissioning of Units 3 and 4 from CNE Cernavoda”, being approved the continuation of negotiations on the Investment documents under the same conditions of the MoU, for a period of 4 months, starting May 9<sup>th</sup>, 2016, respectively until September 9<sup>th</sup>, 2016, applying all the other provisions of the MoU, including the possibility of any party to terminate the MoU without any compensation by a simple written notification to the other Party, in case an agreement wasn’t reached on the Investment Documents and as the delay was not caused by the respective Party.
- On July 19<sup>th</sup>, 2016 the continuation of negotiations was also approved by the SN Nuclearelectrica S.A. GMS under the abovementioned conditions.
- During the period June-August 2016 the fourth and fifth round of negotiations took place, reaching a basic principle for a part of the subjects under divergence, and on August 26<sup>th</sup>, 2016 the Negotiation Commission sent to CGN the re-drafting of the Investment Documents regarding these subjects.
- On August 29<sup>th</sup>, 2016 the discussions with CGN restarted, which proposed the continuation of negotiations on the Investment Documents after September 8<sup>th</sup>, 2016. In this regard, on August 30<sup>th</sup>, 2016, CGN sent the CGNR-0112/30.08.2016 letter, by which: (i) CGN considers the additional extension of the negotiation graphic until November 30<sup>th</sup>, 2016, term until which the Parties should finish negotiations on the Investors’ Agreement, including clarification of aspects under divergence and obtaining the internal approvals in order to initiate and sign the IA; (ii) confirms the availability to agree upon a negotiation graphic in order to sign the Support Approval for implementing the project to be concluded with the Romanian Government.
- During the period August 29<sup>th</sup> – September 8<sup>th</sup>, 2016 were re-discussed and agreed, on a basic level, a great part of the subjects remained under divergence, being necessary the re-drafting of clauses from the Investment’s Documents, according to the carried discussions.

By the SNN GEMS Decision no. 8/17.10.2016 was approved the negotiations on the Investment’s Documents under the same conditions of the MoU for the development, building, operation and decommissioning of Units 3 and 4 from CNE Cernavoda (“MoU”), until December 20<sup>th</sup>, 2016, by applying all the other provisions of the MoU. During October-November are scheduled negotiation sessions in order to finish the Investment’s Documents.

#### **5.4 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 of the CNE Cernavodă units 1 and 2 under nuclear safe conditions for employees, population and environment simultaneously involved multiple conditions, such as:

- maintaining a maximum availability level of the technological and safety-related systems by applying proactive and perfectly adapted programs for maintenance, repairs and specific investment;
- strict control of radioactivity volume released in air and water below the regulated level;
- Developing and implementing a plan to maintain/improve the professional training of staff who performs the operation of the two units both by providing continuous internal training, and by participating in international experience exchanges;
- the constitution of the Nuclear Safety Internal Body, which acts at the level of the Board of Directors and reports directly to it; the Nuclear Safety Internal Body is intended to exhaustively assess all nuclear safety functions, to manage the risks by a pro-active and permanent control upon the Nuclear Safety activities and processes.

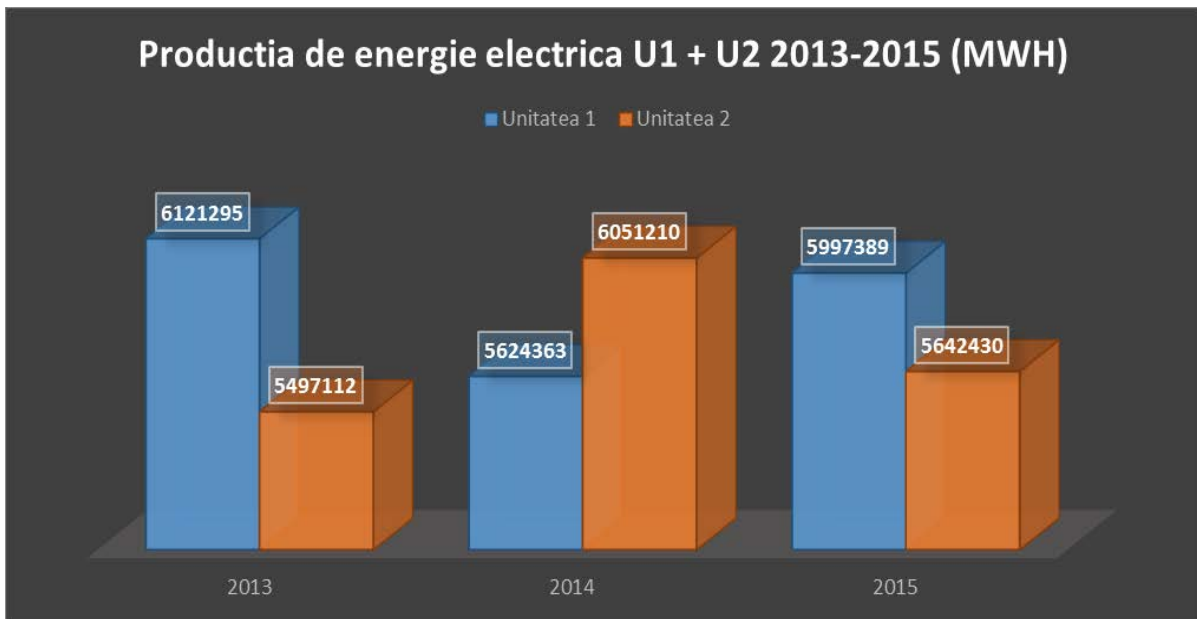
Besides, maintaining a high standard of nuclear safety is also the result of maintaining and developing international relations with international bodies and institutions with a role in the fields of regulation, control, research and exchange of experience and know-how.

In conjunction with the operating under full Nuclear Safety conditions, the activity conducted by the Board of Directors has equally focused on maintaining the production capacity of electricity above the average level in industry, derived objective involving during the term of the mandate the following core activities:

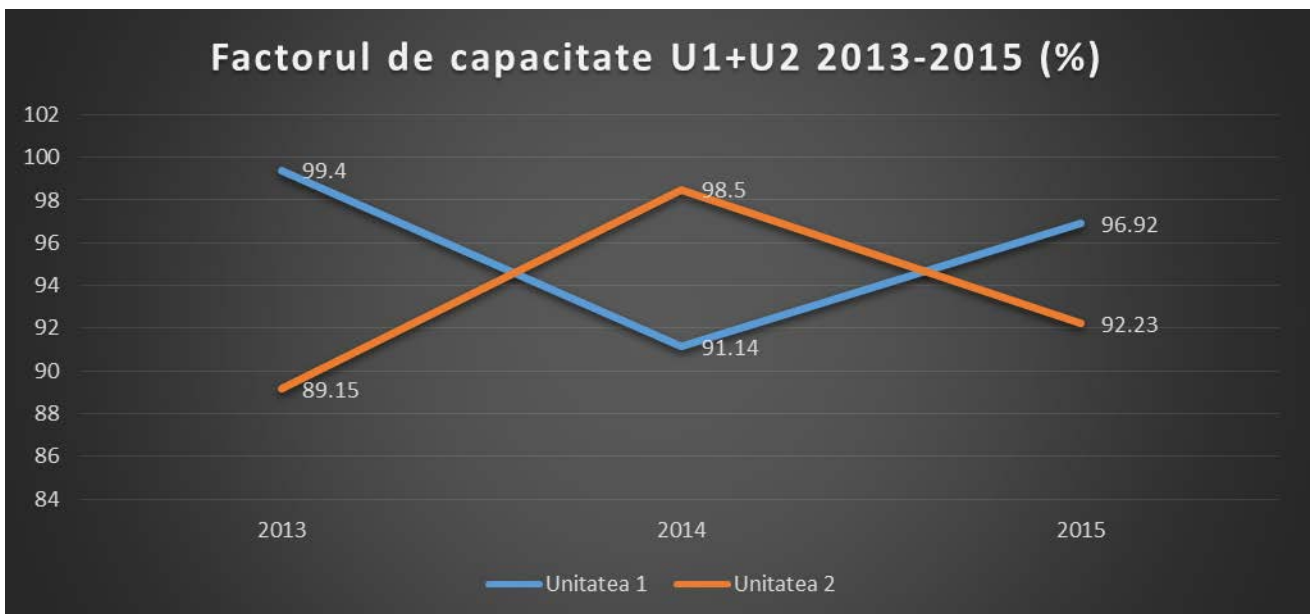
- Carrying out of maintenance and repair plans for increased reliability of equipment and systems and operation of nuclear units under conditions of safety and security;
- Developing of management programs for the lifetime of Cernavodă CNE components and systems;
- Continuation of replacement of components and equipment used and removed from production;
- Maintenance of the duty coefficient of installed power above the average level in the nuclear industry;
- Carrying out on time and with maximum quality of the scheduled and mandatory annual inspections of nuclear vital components (fuel channels, heat exchangers, etc.).

In terms of operating and production data, the results achieved by Nuclearelectrica during 2013-2015 attest the rigorous implementation of the above operating measures. According to the international statistics, made independently with reference to all operators of nuclear power plants worldwide, the duty coefficient of the installed power in the commissioning of Units 1 and 2 of Cernavodă CNE in the period 2013-2015 has ranked Romania as being the first in the world in this respect.

The power production U1 + U2 2013-2015 (MWH)



The capacity factor U1 + U2 2013-2015 (%)



*Note: Alternative annual reducing of the production namely of the capacity coefficient between those units are due to planned shutdowns*

SNN has developed and observed a nuclear safety policy that was approved by CNCAN in order to maintain a constant high level of nuclear safety in all phases of commissioning and operation of nuclear facilities. Application of the nuclear safety policy provides performance bonds for all important activities on nuclear safety in all phases of implementation and operation of nuclear facilities.

In the period 2013-2015 there was no operating event exceeding the level 1 on the International Scale of Nuclear Events, related to the degradation of in depth defense barriers, impact on site and outdoors.



***According to international statistics, performed independently reported to all nuclear units operators globally, the use coefficient of the power installed from the commissioning of Units 1 and 2 CNE Cernavoda during the period 2013-2015 located Romania on the first place in the world.***

According to international standards globally, for the nuclear industry, SN Nuclearelectrica SA, by affiliation to World Association of Nuclear Operators (“WANO”) is evaluated once every two years by a team of international experts. The purpose of this evaluation is to provide a high level of nuclear security. During the period November 2-20<sup>th</sup>, 2015, SNN hosted an international mission of evaluation of World Association of Nuclear Operators (“WANO”). The evaluation, performed at the request of SN Nuclearelectrica SA by an international team of experts in the nuclear field, revealed a high level of nuclear security at CNE Cernavoda, the conclusions referring to the compliance of the highest nuclear security standards correlated with a solid security culture, efficient control and maintenance programs, investment programs adapted to the unit’s needs to develop and maintain the nuclear security level, personnel training programs and a highly specialized personnel in the operating area, as well as in the related and support sectors. The activity areas of the units were evaluated as being among the best at the global level based on evaluation standards at the international nuclear industry level.

Also, subsequently to the Fukushima accident, WANO decided to implement additional evaluation measures, with an emphasis on the informational and operational flow functionality between the corporate structure and the unit, the so-called corporate evaluation missions. SN Nuclearelectrica SA was evaluated from this point of view in April 2016, the mission’s conclusions being that SNN has implemented such flow, between the head office and the CNE Cernavoda branch existing functional correspondence allowing the monitoring and control of nuclear security aspects.

## 5.5 The radioprotection program

The radiation protection program is an essential component of operating under conditions of maximum security nuclear. Thus, the specific activities and their control involve maintaining the releases of radioactivity in air and water below the regulated level.

The main objective of the control process of the SNN SA personnel exposure to radiation is to maintain the occupational exposures as low as reasonably achieved (ALARA principle). The efficiency of ALARA policy at Cernavodă CNE is tracked through performance indicators, based on the internal and external operating experience, and by their periodic reporting and analysis.

The radioprotection performance indicators measure actually the radioprotection programs efficiency in the optimization of the exposure to radiations of the employees working in the nuclear plant. The Department for Radiation Protection periodically elaborates and submits reports on the evolution of the collective doses and the ALARA performance indicators, increasing the involvement of the nuclear plant's employees in the control and optimization of occupational exposure to ionizing radiation process. Achievement of these objectives is tracked by the ALARA process. The ALARA committees operate with excellent results.

According to the internal data, the measurements for 2013, 2014, 2015 registered the following values:

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*2013*

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At CNE Cernavoda, radioactive emissions in the air and water were much under the authorized limits. The annual effective dose for a person from the critical group, due to radioactive emissions in the environment (Unit 1 and Unit 2) were 0.00545 mSv in 2013, while the average annual dose received from a public member from the natural fund is 2.4 mSv.

In 2013 the collective dose performed was 509.1 om mSv, the annual average dose for workers with registering doses was 0.53 mSv, and the individual maximum dose was 5.81 mSv. The legal limit for the effective dose, for workers professionally exposed is 20 mSv/year, and the administrative limit at CNE is 14 mSv/year. None of these limits was exceeded.

At the end of 2013 was registered a value of 92.3 om mSv of the internal collective dose, representing 18.1% of the total dose at the unit's level. The average dose per unit was 254.55 om mSv.

Starting January 1<sup>st</sup>, 2013, FCN Pitesti reduced the Administrative Control Limit for an individual effective dose of the personnel professionally exposed from 20 mSv/yea to 18 mSv/year. Also, was communicated to CNCAN the decrease of the registering level of LRDP-FCN from 0.17 mSv/TL D to 0.1 mSv/TL D. Collective and individual protection measures were taken for ionizing radiations and efficient periodical trainings were provided for enhancing the Nuclear Security culture, and this lead to a drop of the total collective dose and average annual dose per employee. The total collective dose dropped in 2013 by 37.11% compared to 2012, and the average annual dose per employee dropped by 35.76%.

In 2013, a number of 13 employees obtained permits for performing activity in the nuclear field (PEADN) for level 2, and 20 employees attended the refreshers course in the radioprotection field with the title "Radiologic security for manufacturing nuclear fuel", at the National Training and Specialization Center in the Nuclear Field IFIN Magurele.

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## 2014

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According to CNE Cernavoda data, radioactive emissions in the air and water were much under the authorized limits. The annual effective dose for a person in the critical group, due to the environment radioactive emissions (Unit 1 and Unit 2) was 0.006567 mSv in 2014, while the average annual dose received from a member of the public from the natural fund is 2.4 mSv.

In 2014, the performed collective dose was 592.3 om mSv, the annual average dose for workers with registered doses was 0.59 mSv, and the individual maximum dose was 7.511 mSv. The legal limit for the effective dose, for professionally exposed workers is 20 mSv/year, and the administrative limit at CNE is 14 mSv/year. None of these limits was exceeded.

At the end of 2014 was registered a value of 160.3 om mSv of the internal collective dose, representing 27% of the total dose at the unit's level. The average dose per unit was 296.2 om mSv.

Starting January 1<sup>st</sup>, 2013, FCN Pitesti reduced the Administrative Control Limit for the individual effective dose of the professionally exposed personnel from 20 mSv/year to 18 mSv/year, and from January 1<sup>st</sup>, 2015 there is a new decrease of 15 mSv/year and a derivate monthly limit of 1.25 mSv/month. Also, was communicated to CNCAN the decrease of the registration level of LRDP-FCN from 0.17 mSv/TLD to 0.1 mSv/TLD.

Collective and individual protection measures were taken for ionizing radiations and efficient periodical trainings were performed for the purpose of enhancing the Nuclear Security culture, and it lead to a drop of the collective total dose and annual average dose per employee. The total collective dose dropped in 2014 by 1.45% compared to 2013, and the average annual dose per employee was increased by 0.5%.

In November 2014, the operating personnel involved in handling large quantities of sintered UO<sub>2</sub> tablets was individually monitored for the crystalline dose, using special TLDs for this type of measurement, provided by SC DOZIMED SRL. The individual maximum dose registered represented 9.6% from the maximum limit currently accepted.

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## 2015

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At CNE Cernavoda, radioactive emissions in the air and water were much under the authorized limits. The annual effective dose for a person in the critical group, due to the environment radioactive emissions (Unit 1 and Unit 2) was 0.005017 mSv in 2015, while the average annual dose received from a member of the public from the natural fund is 2.4 mSv

In 2014, the performed collective dose was 388.1 om mSv, the annual average dose for workers with registered doses was 0.43 mSv, and the individual maximum dose was 6.632 mSv. The legal limit for the effective dose, for professionally exposed workers is 20 mSv/an, and the administrative limit at CNE is 14 mSv/year. None of these limits was exceeded.

At the end of 2015 was registered a value of 36.4 om mSv of the internal collective dose, representing 9.37% of the total dose at the unit's level. The average dose per unit was 296.2 om mSv.

The continued engagement of the organization for reducing the personnel exposure lead to obtaining top results regarding the collective doses registered, which located both units in the first 25% of the units evaluated by WANO.

After 2011, when the collective dose registered a value of 393 om mSv, 2015 is the second year when the average per unit of this indicator is situated under 200 om mSv (194 om mSv).

FCN Pitesti reduced the Administrative Control Limit for the annual effective individual dose of professionally exposed personnel from 18 mSv/year to 15 mSv/year and also with this monthly derived limit from 1.5 mSv/month to 1.25 mSv/month.

In 2015 the FCN collective dose was 597 om mSv, of which the collective dose, following the external exposure was 526 om mSv the collective dose following the internal exposure (71 om mSv) represented 11.9% of the collective dose of FCN for 2015. The individual annual average dose was 1.481 mSv/year, representing 9.87% of the Administrative Control Limit for the individual annual effective dose of the professionally exposed personnel asserted by FCN Pitesti.

Due to the average doses per unit registered between 2013 – 2015, CNE Cernavoda was maintained between one of the most effective in the world.

FCN Pitesti continued to monitor both the attending personnel, and the transport methods, for the purpose of correlated dose evaluation, annually reporting to CNCAN their situation, and after each transport drafted a report on its method of development.

#### **5.6. Activity within the Technical-Economical and Scientific Committee of SNN – working special advisory authority of the SNN leadership**

CTES SNN, as advisory authority, has as object of activity the analysis and authorization of technical-economic documentation before being approved by the CEO.

The CEO is the CTES president and according to the CTES responsibilities, the Committee's activity was materialized in the analysis and issuance of points of view on documentations submitted for the approval regarding the following subjects:



- The company's strategies;
- Technical-economical documentation (feasibility or pre-feasibility studies) or any other document, including their reviews, which were at the base of promoting the investment projects which have a net value exceeding EUR 130,000.
- The annual and multi-annual programs of the company.
- Affiliations to national and international organizations as well as the themes and designing works or research-development within these organizations.

During the certification meetings, the CTES members checked if the documentation provides:

- The correct and coherent justification of the need and opportunity;
- The exhaustive economic analysis made for pointing about the impact on the budget;
- The compliance of the requirements provided by the current law, applicable to the activity prescribed in the analyzed documentation;
- The compliance with the conditions in the certificates and notices which holder is SNN;
- Compliance of the requirements deriving from the Quality Management System (SMC);
- The existence of CTE ,CTA certificates (for the documentation forwarded to the Branches).

### **5.7. Activity within the Oversight Committee**

The Oversight Committee was incorporated in 2014 and is an authority at the level of SNN leadership with a supervision and control function on the specific activities of nuclear security at CNE Cernavoda. The oversight activity became a good practice at the international level in the nuclear industry.

The activity in the Oversight Committee implied:

Monitoring activities:

- Evaluation of the Nuclear Security culture level
- Processes for making operational decisions
- Management analysis of reactivity
- Technical operational evaluation (TOE)
- Analysis and evaluation of Performance indicators
- Managing corrective/ preventive/ improvement actions
- Periodical analysis of nuclear security (PSOC)
- Preparation evaluation (TOC)
- Analysis of health status programs SHMP/ CHMP
- Auto-evaluation

Internal oversight activity is an efficient method for the analysis and auto-analysis of Nuclear security aspects, of pro-active intervention and therefore of continued maintenance and improvement of the high level of nuclear security.



## 6. Dividend policy

SNN is a majority State-owned national company. As such, the allocation of the profit is made as provided for in Government Decree No. 64/2001, regarding profit allocation to national companies, majority State-owned national companies, publicly owned companies, as well as autonomous companies, including subsequent amendments and additions. As such, as provided for in Government Decree No. 64/2001, the minimum allocation quota at dividends is of 50% of the net profit remaining after the allocations provided for in Art. 1(1) a)-e)) of Government Decree No. 64/2001. The regulatory framework could be modified in the future by amendments to the current legislation, so that the minimum allocation quota at dividends to be altered.

The provisions of Government Decree No. 64/2001 establish a compulsory minimum allocation quota for dividends. So, as long as the provisions of Government Decree No. 64/2001 remain unmodified, the company may propose to its shareholders an allocation quota at dividends between 50% and 100% from the distributable profit. The profit quota which will be annually distributed by the Company under the form of dividends is subject to approval within the General Meeting of Shareholders.

In formulating proposals to *the General Meeting of Shareholders* regarding the future allocation quota of dividends, the Management considered the following criteria:

- Compliance with the requirements stipulated in Government Decree No. 64/2001, including a minimum allocation quota of 50% from the distributable profit;
- The preservation of a balance between the need for the shareholders' compensation through dividends and the financing needs through the company's own sources, including the financing for investment projects;
- The correlation between the distributable profit to dividends and the monetary correspondence of the distributable profit, respectively that part of the distributable profit which possesses monetary correspondence, after adjusting for non-monetary items; this is intended to avoid the company' de-capitalizing in case of a disengagement between the distributable profit to dividends and the monetary counterpart of the profit;
- The possibility to ensure a dividend yield correlated with other similar listed companies, and a correlation of dividend per share in absolute value to that of the previous period.

The incumbent and, respectively paid dividends in the past three years were as follows:

Indicator (thousands lei)	2015	2014*)	2013
Net profit	<b>149,143,729</b>	<b>133,064,655</b>	<b>423,391,480</b>
Allocation to legal reserve	(9,590,178)	(8,250,662)	(26,335,766)
Other reserves representing tax incentives provided by law	(1,168,929)	(516,049)	
Net profit distributable to dividends	<b>138,384,622</b>	<b>124,297,944</b>	<b>397,055,714</b>
Employees' participation in profit	(3,563,000)	(2,592,400)	(3,311,817)
Net profit calculation base for dividend allocation	<b>141,947,622</b>	<b>126,890,344</b>	<b>400,367,531</b>
Proposed dividends	99,499,571	90,366,312	340,957,135
Allotted dividends	-	90,366,312	340,957,135

Dividends paid until December 31, 2015	-	90,349,952	340,685,426
Distribution rate of profit (%)	<b>70.10%</b>	<b>71.22%</b>	<b>85.16%</b>

*\*) for 2015 the highlighted indicators represent the proposal for profit allocation.*

## **7. SN Nuclearelectrica SA on the capital market**

Following the Initial Basic Public Offering of sale for a number of 25,368,236 actions, representing 10% of the share capital of SN Nuclearelectrica SA, offering held between 09.09.2013 – 20.09.2013, SNN's shares are traded on the regulated market managed by the Bucharest Stock Exchange (BSE), on November 4, 2013, at category I, with the issuer symbol "SNN", and code ISIN ROSNNEACNOR8; beginning with January 5, 2015, SNN shares are traded at Premium Category of BSE.

The selection of the issuers within the analysis for promotion in Premium category is performed based on the following alternative criteria:

- a) the shares are among the most liquid 25 titles, based on the liquidity ratio;
- b) the average free-float capitalization in the last 3 months exceeds 40 million Euro.

On the date of December 31, 2015, the total share number issued by SNN is of 301,513,851 shares.

The evidence of shares is held by the Central Depository, in its quality of independent registry company, authorized by the Financial Supervisory Authority.

The current shareholding structure of Nuclearelectrica is: the Romanian State, through Ministry of Energy: 82.49%; the investment fund Fondul Proprietatea 9.09% and other shareholders 8.41%.

SNN listing on the stock market was a success, the growth forecasts of the company before listing being conducted in a stable market and taxation context, in which the energy prices on the competitive market were much higher, and the medium term growth took into account that market price in conjunction with the timetable of the market liberalization; in year 2013, SNN had been selling 50% of its production on the regulated market.

After the company's listing on the stock market, fiscal changes have added to the impact of the decrease in energy prices, changes non-existent and non-anticipated at the listing moment), such as the tax on special constructions and subsequently, the tax on buildings. Against the background of such major factors, which do not depend on the management control unless there is a repeated request from SNN's management to eliminate those factors, SNN's profit decreased. Cost control measures plus a sales strategy very well adapted to the new market environment led to profit growth, but major differences in market price and the fiscal impact do not allow the historical profit to be reached again in 2013.

Based on its installed capacity, the company cannot produce more, the only way to maintain and even increase the current performance remaining to identify complementary solutions for financial growth and diversification of activities, aspect on which the company constantly works.

Besides external market and taxation factors, the 10% of the shares is a low percentage, so in terms of capital market criteria, both the capitalization and the free-float are diminished, which negatively impact the interests of institutional investors and investment funds, most of which exhibiting very high thresholds that guide the investment aspect.

Nuclearelectrica's share price fell more than 50% from the moment of its listing until now, the causes being: the low interest of high-scale investors because Nuclearelectrica has a low market capitalization and free-float, the changing of the context during its listing and, implicitly, of the growth prospects of the company, due to the adoption of legislative and fiscal changes with major impacts (the tax on special constructions, the tax on buildings), the mitigation of the revenues due to the sharp decrease in energy prices, lack of revenues or growth predictability against the background of the market constraints.

## **8. Human Resources**

The human resources activity during 2013-2015 had the following objectives: (i) maintaining personnel stability and involvement by using a series of financial and nonfinancial instruments; (ii) maintaining an open and constructive dialogue between the management team and the stakeholders – unions; (iii) internal reorganization and restructuring measures necessary for the creation/development of key functions in the company such as: nuclear safety, internal audit, internal control, risk management, investors relations, legal counsel and representation, financial reporting and budgeting.

The company remains firmly engaged in promoting occupational health and security, as a priority instrument for maintaining the performance of the company in the top of nuclear power plants in the world.

Following the WANO mission of November 2013 and November 2015 at Cernavoda NPP subsidiaries, no improvement area was identified regarding occupational health. These results have a great significance since the evaluation team measured not only the evolution of the performance indicators but the way in which the results are supported by process and behaviours as well. WANO assessment team established that the occupational health is grounded on:

- The engagement of the management to promote safe work practices, manifested both in meetings as well as in the field;
- Improvement of oversight by extension of field observation of the workings;
- Maintaining control of the work environment configuration by encouraging the identification of unsafe conditions regarding equipment and structural non conformities, but also needs for project improvement;
- Capitalization of the internal and external work conditions by implementing useful practices and information in the content of the procedures and training courses;

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

## **9. Public perception**

SNN carries out public opinion polls- representative at national level - at intervals not exceeding 3 years, to assess the population's attitude regarding the Company, its investment objectives and projects, the contribution of the Company in the energy mix, as perceived by Romanians, the Company's management. The latest three surveys were conducted in March 2011 (prior to listing on the stock exchange and implementation of corporate governance standards), 2014 (the first year after listing on Stock Exchange) and 2016. Poll results are

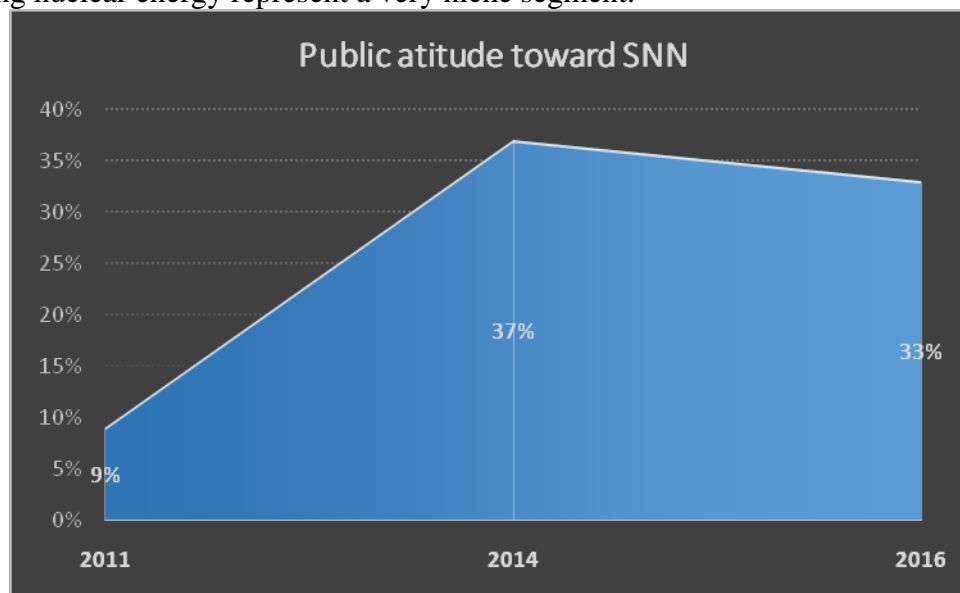
used to guide the communication activities and the public information, but also to create the context for future projects of the company, arguments for and against (pros and cons), population concerns and perceptions that should be addressed.

Correlated with the legal obligations of reporting and transparency SNN, as a listed company, complies with, the indicators analyzed within the opinion polls also reflect SNN's efforts toward external communication, information, complex and accurate transmission of messages about the company, natural steps for any company operating in the public sphere.

Pursued Indicators:

### 9.1. Public attitude towards SNN

Compared with this indicator's level in 2011, prior to company's listing on the Stock Exchange and the implementation of the professional management, only 9% of respondents were informed about the existence SNN. The percentage of persons who were aware of SNN's existence and activity, but also the level of confidence in the company have significantly increased during 2013-2016 period, despite the fact that SNN and the activity of producing nuclear energy represent a very niche segment.

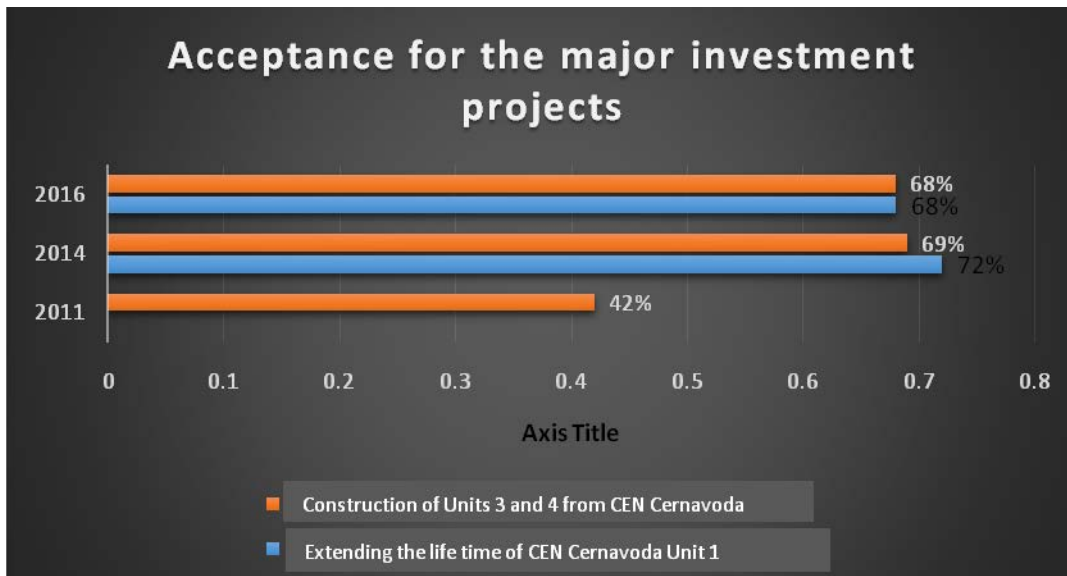


### 9.2. Supporting investment projects of SNN

SNN's main investment projects with long-term impact are: retrofitting of Unit 1 and the prolongation of its life time with 30 years and the implementation of "CNE Cernavoda Units 3 and 4" project. Given their importance for ensuring the security in energy supply in Romania, but also the impact on the energy mix and finally, on the energy prices at the level of the final consumer, SNN believes that the public support for these projects is particularly important.

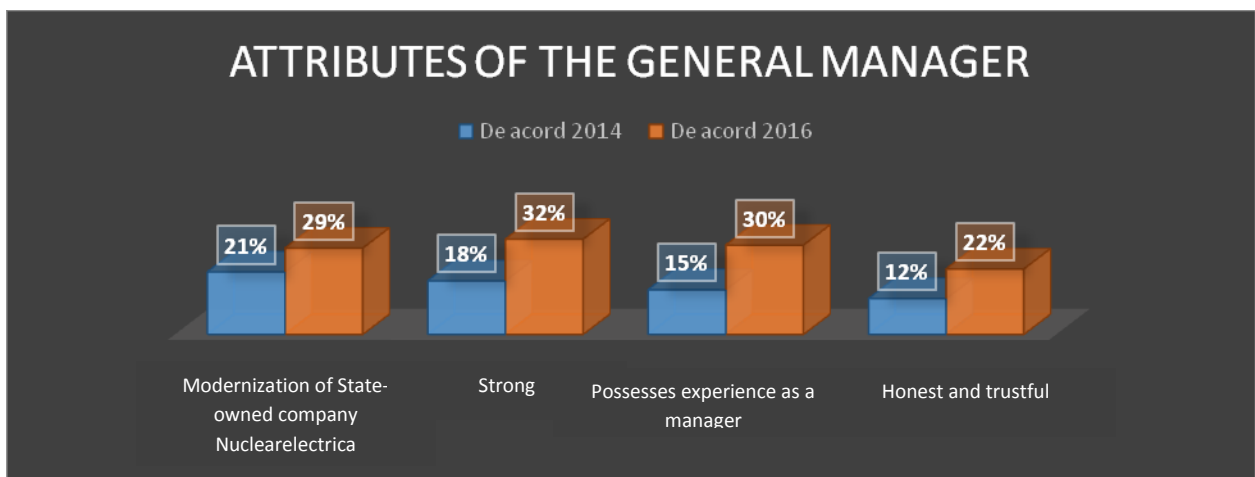
Most Romanians agree with extending the life of Unit 1, the percentage being at a similar level in 2014 and 2016. The public support for Units 3 and 4 also exhibits high levels of favourability. Moreover, 33% of Romanians consider that in order to ensure the energy independence of Romania Units 3 and 4 must be built vs. 30% who do not believe that they

are necessary. In year 2016, 53% of respondents believe that investments in nuclear energy are important because they help boost the economy after the crisis and assist in creating more jobs.



The most frequently mentioned arguments in favour of continuing the Romanian nuclear program are:

Correlated with the growth in percentage of the favourability towards the company and its investment projects, we can noticed a positive evolution of SNN’s management’s image, compared to the baseline - 2014, first year in office and the present moment. Currently, the General Manager is perceived as a specialist with a significant contribution to the modernization of the state company



Diminished price for the electric energy produced – 45%
Energetic independence – 30%
Absence of greenhouse-emission gases – 14%

Also, the population has increased confidence in SNN's General Manager for a number of achievements such as the hiring of young specialists (67% confidence vs. 11% lack of confidence), maintaining the company among the most powerful and stable companies in Romania (49% confidence vs. 21% lack of confidence), the pursuing of opportunities to diversify the business in order to increase the short/ medium/ long term revenues (48% confidence vs 23% lack of confidence), promoting the implementation of CNE Cernavoda Units 3 and 4 Project (47% confidence vs 26% lack of confidence). Among the responsibilities of a private manager to a state company, the respondents to the surveys conducted by SNN consider that the main are: promotion of young specialists, attracting and retaining them in the organization, implementation of measures that will bring profit and attracting foreign investments in the company, responsibilities met by the General manager during her/his mandate.

## **10. Risk Management**

### **Development of the Integrated System for Company Risk Management**

#### **10.1 Global context**

In recent years the risk landscape has changed rapidly worldwide, climate change, geopolitical developments, including involuntary migrations caused by local conflicts, and the increasing digitalization changing the risk hierarchy each year, as shown in Global Risk Reports of World Economic Forum 2007-2016.

In this context, the nuclear industry is under increasing pressure, being forced to face and surmount challenges such as:

- Changes in the structure and configuration of the energy markets,
- Higher volatility of energy prices
- Deregulation of markets and increased competition,
- Announced /intentional massive investments in energetic infrastructure programs through the EU Energy Strategy (Energy 2020 – A strategy for competitive, sustainable and secure energy),
- Negative attitude at global level as a result of the accident at the nuclear plant in Fukushima,
- The increased number of terrorist threats,
- The increase in the incidence and impact of cyber-attacks in an increasingly interconnected, automated and complex environment, and
- The interdependence of economic factors with the strategic, geopolitical and military ones.

#### **10.2. Development stages of risk management activity**

##### **10.2.1. Before 2013**

For many years, starting with the initiation of the project for a nuclear power plant in Romania, the economic framework in which SNN has evolved and the risk universe which challenged the organization were of a remarkable stability, which, considering the main objective of building the plant, namely increasing the energy security of the country, has focused the organization mainly on managing operational aspects and technological risks. During this period the organization has ensured the compliance especially with:

- Conditions for plant's authorization, the national legislation relevant for its activity, issued by CNCAN (National Commission for Nuclear Activities Control) and ANRE (National Regulatory Authority for Energy), and
- Standards, practices and recommendations of institutions and regulatory bodies in the field of nuclear energy and relevant professional bodies (e.g. IAEA – International Atomic Energy Association, WANO – World Association of Nuclear Operators, INPO – Institute of Nuclear Power Operations).

As a result, risk assessment efforts have been focused on the analysis of deterministic and probabilistic operational risks and the natural hazard risks, and the treatment / management risks assessed:

- Operation of nuclear power plant and nuclear fuel facility (e.g. project risks, maintenance activity and the activity of modifying design bases), and
- Risk transfer (especially the nuclear risks) by means of insurance.

### **10.2.2. 2013-2014 Period**

Beginning with 2013, SNN implemented, to a degree increasingly higher year by year, components of an integrated management of activities, modernization of internal structures and related processes, principles of corporate governance in order to improve the company's activity, with consideration of both nuclear safety and operational and technological factors, and the objective achievement (management by objectives), considerations of economic efficiency and risk management, of its role, nationally and regionally, in the context of EU energy objectives (e.g. increased energy security and interconnection), identifying and pursuing opportunities for diversification, which provide alternative organizational growth.

Year 2014 highlighted:

- Greater attention to markets for selling the produced energy, with the objective of sales planning depending on their profitability
- the evaluation of technical-material supply activities and of sales activities from the perspective of economic reasons,
- the assessment of the risks influence on the organization's activity in terms of the impact upon liquidity and of fulfilling the investment objectives,
- Consideration of risks outside the operational and technological frame, respectively
  - o risk of concentration/ dependency on a single counterparty,
  - o price risk,
  - o counterparty credit risk,
  - o liquidity cash flow risk and,
  - o currency risk (FX),
  - o interest rate risk,
  - o competitive risk,
  - o macroeconomic risks, and
  - o operational risks.

To ensure an integrated approach to risk management process, in year 2013 the following stages were assumed, in the next years the frame initiated in 2013 being developed:

- The Risk Supervisory Committee was appointed
- Procedure MR-00-01 - "Risks management within S.N. Nuclearelectrica S.A." – was issued,
- Risks registries related to the departments and at the level of S.N. Nuclearelectrica S.A. were developed.

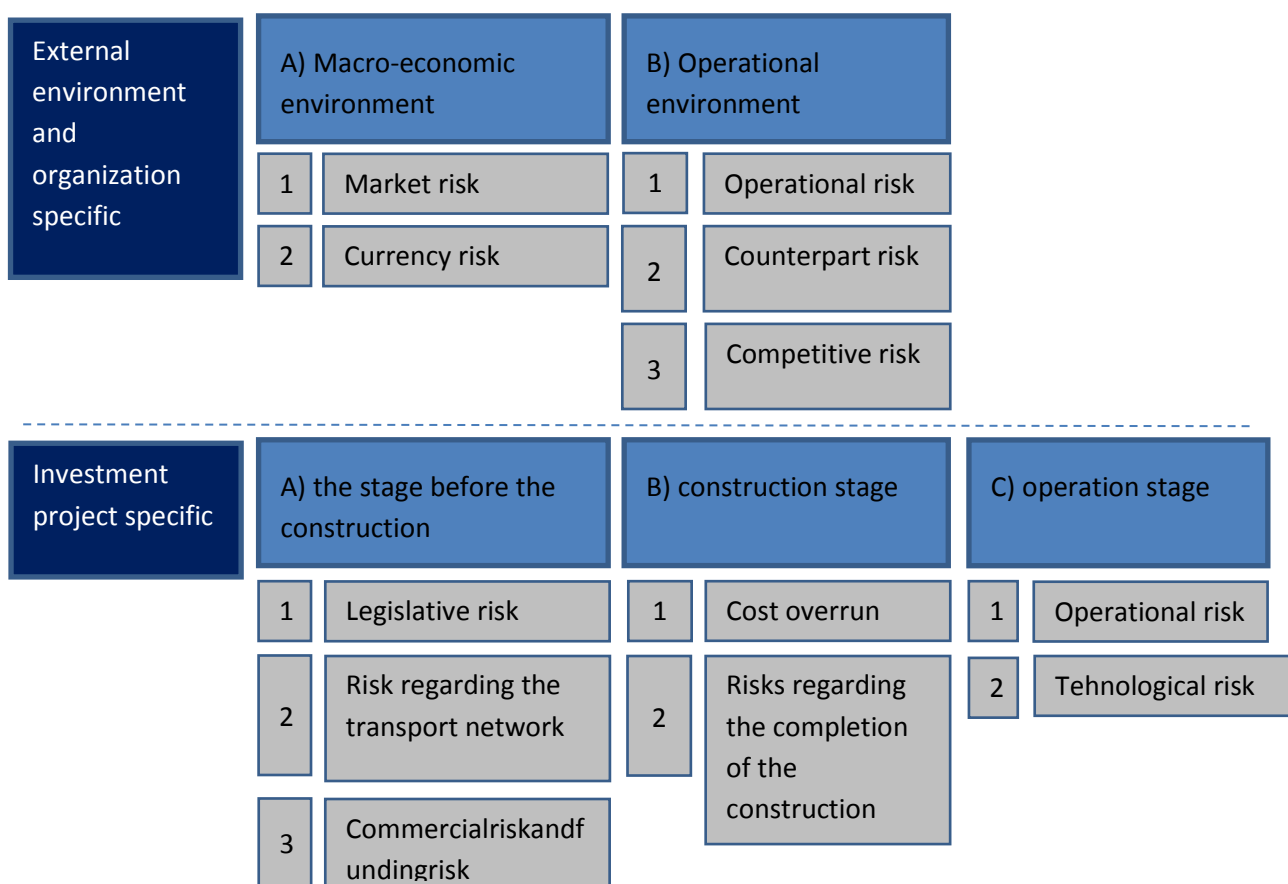


### 10.2.3. 2015-2016 Period

In this period, the management begins to acknowledge an elevated number of risks the company was already exposed to, the management list of those risks growing year by year:

- Legislative risk (regulatory risk),
- Risk treatment techniques (insurances),
- Political risks,
- Cybernetic risks,
- Security risks,
- Human resources risks,
- Systemic risks (at macro-economic level),
- Climate risks, and
- Maintenance risks related to the plant’s systems.

Currently these risks are embedded in an integrated risk management framework, rendered in SNN’s Strategy of Development 2015-2025:



### 10.3. Description of the current stage of the system

In terms of risk management, year 2016 marks the initiation of the implementation of the concept/system ERM (Enterprise Risk Management – risks management in an integrated system at organizational level), which builds the transition from an approach oriented on the compliance with the provisions of Order of the General Secretariat of the Government No. 400/2015 for the approval of the Code regarding the internal/managerial control of the public entities, and the Methodology for implementing the internal control standard „Risk Management” from the structure of this Order, at the proactive application of fundamental principles and ideas for risk management contained in COSO document “Enterprise Risk



Management – Integrated Framework” (risks management in an integrated system at organizational level – an integrated framework), and in the international standards and good practices in risk management field (ISO 31000) and nuclear field (WANO PL 2013-2, IAEA-TECDOC-1209).

The essential specific characteristic of ERM approach resides in the integrated treatment of the risks, each risk being as much as possible managed in correlation and interdependency with the other risks the organization is exposed to.

Another important feature that SNN is trying to achieve in terms of risk management is the predictive and anticipatory guidance, directed towards:

- Identifying and anticipating risks that might occur within the organization,
- Quantification / estimation of potential impact and probability of their incidence, and
- Reducing the probability of occurrence and / or reducing the impact they might have, by appropriate means.

The main objectives of ERM system are:

- Capital allocation depending on the objectives and their related risks;
- Increasing the investors’ and financiers’ trust in the organization for securing the financing for refurbishment and development projects;
- Alignment of perceptions upon risks for FCN, CNE, SNN and the establishment of an integrated quotation, aggregation and risk rating;
- Ensuring a continuity plan.

In this context SNN aims to reduce threats and to capitalize on the opportunities brought by the risks it is exposed to:

- Developing a risk management culture,
- Improving risk management expertise, and a better knowledge and understanding of the risks at all hierarchical levels and in all departments,
- Improving the framework for collecting risk information, risk analysis and reporting thereof,
- Development and improvement of specific risk analysis,
- Better supervision and support by the corporative management of the manufacturing activity,
- A better briefing of the relevant staff about the risks they manage,
- Greater use of information on risks in the current operational activity, with the expected effect in improving business performance.

SNN S.A. seeks to ensure an appropriate level of knowledge (among staff) of the assumed risks and it declares its commitment regarding the risk management, both at the organization’s level and at all organizational and authority levels, covering all the activities in which they engage and taking into account the emergence of new activities or the development / expansion of the existing ones, in order to ensure a high profitability in conditions of increased safety for the environment, employees, customers and shareholders, using modern methods and techniques of risk management.

Consequently, given the fact that information on the organization’s exposure to risk and occurrence of risk events are important for pursuing actions to protect the organization’s businesses it is the responsibility of all employees to participate in the risk management process.

The corporate risk management framework establishes the identification, evaluation, analysis, treatment, monitoring, reporting, aggregation, prioritization, review and control of the risks, and information flows within the organization to provide both information about

the risks of leadership to relevant persons, other relevant external entities and operational staff, and in-time tracking of progress and achievement of efficient actions to reduce exposure to risks.

For a better corporate risk management, in 2014 the Control and Risk Management Division was established; this Division is composed of Risk Management Service, with specific responsibilities for risk management, among them:

- Defining, designing and developing risk management architecture, and implementing processes to identify and evaluate risks;
- The establishment, implementation, development, administration and evaluation of integrated risk management process;
- Prioritizing, consolidating and aggregating risks, identifying risk factors determinants (risk drivers), correlations with other risks, risk analysis evolution;
- Checking and monitoring the implementation of risk control measures;
- Analyzing and approving investment projects in terms of risk;
- Centralization, consolidation and evaluation for the situations that can lead to discontinuities in business and preparing a continuity plan for the activity.

In this context, SNN administers a set of risks (corporate, nuclear safety and physical security), managed/ administered closely by the dedicated organizational entities, such as:

- Corporate risks, by Control and Risk Management Division,
- Nuclear security risks, by the Division for Technical and Nuclear Security,
- Risks related to the physical security of specialized internal structures, along with other state bodies with responsibilities in this regard.

Committed for applying an integrated decision system, informed regarding the risks (**risk-informed decision making system**), SNN plans further development of the current information system and the circulation of information relevant to decision-making functions, so that relevant people would be able to obtain a correct understanding of the risk profile of the organization and the area coordinated.

#### **9.4. Risk universe within SNN**

By nature of the activities carried out, the company is exposed to various risks:

- Internal and external,
- Controllable or uncontrollable,
- With different levels of likelihood or potential impact,
- Regarding which the existent information for their assessment may vary greatly,
- With impact at local, national, regional or global scale etc.,

risks that, if not properly managed, can affect the achievement of business goals and those of nuclear safety.

Company management seeks to reduce potential adverse effects associated with these risks on the company's performance.

The most important risk categories identified and steps taken to manage them are the following:

##### **a) The price risk**

The price risk is the market risk inherent in SNN, which is monitored, planned and acknowledged in sales and financial forecasts.

SNN activity of marketing electricity is influenced by the evolution of sharp decrease in electricity prices and the gradual deregulation of the market. According to the national regulatory framework, the company must sell a significant share of the production of electricity on the regulated market. Prices for regulated market are established by ANRE based on its own methodology, regulated cost plus profit margin type; however not all costs required by the companies to be recognized by ANRE are taken into account in determining the regulated price, so the price risk for the regulated market is emphasized. The timetable for gradual liberalization of the regulated market provides that by the end of 2017 the market is to function freely according to the law of supply and demand, moment in which the regulated prices will disappear.

On the other hand, the price on the competitive market is influenced by many factors such as the evolution of consumption on the domestic market and markets in the region, in conjunction with the alignment of the electricity market for the next day in Romania observing the coupling mechanism for price of the markets in the Czech Republic, Slovenia and Hungary, the power market structure and the competitive capacity of the main manufacturers, the evolution of production from renewable sources and schemes to support its increasing interconnection capacities. The Company is exposed to price risk on the competitive market. Given the cost structure and the share of fixed costs in the total costs that can affect profitability while maintaining low prices over a long period, the price risk may become significant and can have a major impact on the operational performance.

The price risk manifests also in conditions in which a sharp drop in prices on the competitive market is recorded, which led both the existing customers and the potential customers to move towards the conclusion of short-term contracts, to massive trading on the spot market or even the termination of the contract before its term; this risk is mitigated by the existence of contractual penalties that customers are required to pay for their withdrawal before the term of the contract.

#### **b) The credit/ counterparty risk**

The financial assets, which may subject the Company to credit risk, are mainly trade receivables, cash and cash equivalents and bank deposits.

The counterparty risk is the risk of negatively affecting profits as a result of the failure of the business partners to fulfil their contractual obligations.

In order to mitigate this risk, the Company is considering entering markets such as PC-OTC, which allows the selection of the customers based on an analysis of their credit risk, with the objective of concluding contracts only with credit-worthy commercial agents.

The counterparty risk is mitigated also by: advance payment of an amount of energy, request for bank guarantees, so that in case of their failure to pay the Company may be able to cease the delivery of electricity to bad-paying customers and to collect the counter value of the energy delivered but not paid. Commercial contracts on the competitive market generally provide penalty clauses in case of unilateral termination of contracts by the clients.

The company manages counterparty risk by monitoring the collection at term of its receivables and through appropriate measures in case of the customer's failure to pay, including legal recovery measures by initiating litigations.

The company limits counterparty risk by restricting the exposure to a single financial institution, and by analyzing the customer's solvency, their rating and by establishing maximum exposures.

**c) The liquidity and cash flow risk**

The liquidity risk is the risk that the Company would encounter difficulties in meeting the obligations at their maturity, difficulties associated with financial liabilities, which are settled in cash or through another financial asset transfer.

The Company applies a prudent liquidity risk management, by maintaining a proper proportion of cash and cash equivalents in current accounts and bank deposits, depending on their maturities. The Company has sufficient resources to meet its current obligations to third parties: banks, suppliers, state, employees etc.

**d) The currency risk**

The currency risk is a risk of market, a risk specific for transactions in foreign currency, materialized in the export of electricity, the credit facilities contracted in foreign currency and imports of machinery and equipment.

Gains and losses from exchange rate differences, realized and unrealized, are recorded in the year's profit-and-loss account. Currently the company does not use financial instruments to mitigate this risk, but such tools are analyzed from the perspective of costs and benefits, involving the currency hedge and the interest rate risk hedge.

**e) The interest rate risk**

The interest rate risk is a market risk. The company's cash flows are affected by the interest rate fluctuations, primarily as a result of the contracted credit facilities.

They have a variable interest rate determined based on a reference index and a fixed interest margin.

The interest rate risk is also present in terms of bank deposits, but all bank deposits, irrespective of their maturity, are bearing fixed interest rate.

**f) The competitive risk**

Another financial risk considered is the competitive risk, risk managed in the context of continuous liberalization of the electricity market. Is a risk specific for each business, and can be lower or higher depending on the number of competitors, profit margins, the technology used, entry and / or exit barriers to and from the market, the level of regulation etc.

Also, due to the alignment process of day-ahead market (PZU) in Romania, observing the coupling mechanism by price of the markets in the Czech Republic, Slovenia and Hungary, SNN is exposed to increased regional competition arising from future improvements, retrofitting, extensions and new constructions, expected to be performed by the producers of the national electricity market.

Also, since 2014 it was recorded an increase in the volume of energy traded and concluded on the spot market (PZU) and on PC-OTC (Centralized Market with Continuous Double Negotiation of the Electricity Bilateral Contracts), while reducing transactions on PCCB-LE and PCCB-NC platforms, with an effect of increasing the price volatility and decreasing the predictability and the stability of revenues. However, as a specific characteristic of nuclear energy, the cost of electricity produced from nuclear sources is estimated to remain lower than the cost of production facilities based on coal or natural gases, which are very sensitive to fuel price increases and to the costs borne by the compliance with the regulations on environmental protection (for example, carbon dioxide emissions).

Integration of energy markets at European scale is an European strategic objective, assumed by all the Member States of the European Union. Given the higher final prices in the region, electrical energy trading outside the United States will still constitute an opportunity for local players. As a result, the decrease in domestic consumption is expected to be partially offset by exports, against the background of a slight increase in production.

One of the factors that may mitigate these risks is to consider negotiating long-term contracts, with predefined prices and specific commercial terms regarding the liquidation and the contractual penalties, in order to reduce the volatility of the collection period by providing the necessary cash flow for operations and investments.

#### **g) The macro-economic and legislative risks**

The legislative risk (regulatory risk) is represented by the unpredictability of the legislative internal and/ or external framework, with the consequence of a difficult compliance with the requirements of thereof. In SNN there is a risk that can occur in connection with the large number of regulations and requirements issued and required by national and international regulators and/ or trade associations.

The possible changes may relate to taxation by local and central authorities and/ or the authority that regulates the energy field (ANRE), through secondary legislation, new contractual provisions or tax changes.

The effects of the legislative risk are:

- the unanticipated increase in production costs, which could determine lower profit margins; examples in this sense are:
  - Special construction tax which, since 2014, has a significant effect on company costs;
  - Fixed price at trading, whose alteration is forbidden by the updating of the value for the tariff of the component of electric energy input in the network (TG), in accordance to the provisions of ANRE Order No. 78/2014 approving the Regulation on the means of concluding bilateral electric energy contracts through extended bidding and continuous negotiating and through processing contracts.
- a significant financial and organizational effort for the implementation, compliance and provisioning the compliance on a continuous basis to the legal framework and to the requirements of professional organizations that govern the activity of the nuclear power plants.

#### **h) The operational risk**

The operational risks associated with the risk of recording losses resulting either from the use of processes, persons or inadequate internal systems or which did not fulfill their function properly, or from external events. The operational risk includes legal risk (legal).

The operational risk is adequately managed and controlled in a distributed manner (At all hierarchical levels and in all the organizational entities of SNN) with specific tools, e.g. protective barriers, redundancy systems and frameworks (and management) for providing the continuity of the business, regulatory framework for internal controls, approval levels, continuous training of personnel, continuous monitoring of risk levels and implementation of appropriate corrective measures and control etc.

The modalities of managing and controlling these risks include:

- A governance framework to ensure the completeness in identifying and addressing operational risks,
- Use of the collected information to improve risk control mechanisms (lessons learnt),
- Good planning and developing of preventive and corrective maintenance activities for controlling nuclear risks and for reducing the number of hours of unscheduled downtime.
- Activity disruption planning in periods when the electric energy price is expected to drop.

In addition, prolonged marked drought and unexpected technical problems can have a major impact on the production of electric energy, after unscheduled downtimes.

#### **i) The risks insurance**

The main insurance policies in force for SN Nuclearelectrica SA are:

- Property insurance policy (Units 1 and 2 CNE Cernavoda and FCN Pitesti), all risks-type, mechanical and electrical destruction, with a limit of indemnity (assured amount) of 1,560 million USD.
- Liability insurance policy for nuclear damage to third parties, with a limit of indemnity of 300 million DST.
- Liability insurance policy for SNN's directors and administrators.

#### **j) The international political risks**

SNN supervises areas, aspects and risks that could impact the markets on which the organization, Romania or SNN's business partners function (e.g. Brexit, the situation in Turkey, the US elections, developments in Ukraine and the South China Sea), trying to estimate the potential impact of their incidence on its business and trade relations, and taking appropriate measures to reduce the impact of their incidence on its business.

#### **k) The cybernetic risks**

The Digital space and the storage, processing and transmission of information technologies have significantly evolved in the recent years, and with this evolution, the benefits and the risks posed by them have also increased.

Several significant issues which SNN takes into consideration are:

- The involvement of states and criminal organizations in activities within the digital space,
- Supervising the state interests, and moving interstate conflicts in the digital space,

- “Democratization” of hacking in the sense of a heighten accessibility of thereof to a much larger audience spectrum,
- Multiplication and diversification of devices that can assist in IT security breaches.

#### **l) The security risks**

Together with the competent organizations, SNN has always given consideration to aspects regarding the physical security of its headquarters and its nuclear plant.

The evolution of security technologies, of devices potentially threatening (e.g. drones) and dynamic regional threats (e.g. involuntary migration routes from the Middle East to Central and Western Europe) determines the organization to remain permanently alert, meaning actively monitoring of these risks and assuming the necessary measures together with the relevant organizations of the State.

#### **m) The human resources risks**

Even from the beginning of the development of nuclear projects in Romania, human resources have constituted one of the most valuable assets of the organization; the experience and highly qualification of SNN’s personnel have lately become extremely attractive for nuclear projects developed in other countries.

SNN’s organization and management monitor on a continuous basis the personnel’s health, their degree of satisfaction and the level of continuous training, the implemented measures being tightly linked and interdependent with these aspects.

#### **n) The project risk**

SNN runs occasional or regular projects (e.g. DICA development, planned reactor shutdowns, the installation for the detritiation of radioactive water, the optimization of physical protection systems, development of reactors 3 and 4 etc.), projects that are developed with careful consideration of the risks and with the monitoring of their evolution over the life cycle of the considered projects.

#### **o) The systemic risk**

The evolution of the organization depends not only on the internal decisions, but also on the evolution of the national economy, trade partners and international relations, reasons for which SNN supervises the interdependencies between other systems and the systems in which the organization evolves (e.g. developments in legislative or financial market field), and the impact these developments could have on the organization and the degree of achieving its objectives.

**p) The climate risks**

Global warming and the increasing frequency of extreme weather events are aspects which the organization should consider (e.g. establishing the measures to counteract their potential impact), these can influence the supply of cooling water to the nuclear power, but also the security of SNN's buildings.

**10. Corporative governance**

Upon SNN stock listed on the Bucharest Stock Exchange (BVB), the company entered a new development stage in terms of implementing good corporate governance practices in accordance with the new requirements relating to quality of a company admitted to trading on the BVB.

The implementation of corporate governance rules ensures a transparent decision-making process, based on clear rules and objectives that enhance shareholders confidence in the company.

In accordance with the objectives set out in the Management Plan on corporative integration of the company after the IPO, the Board of Directors had a relevant role in the harmonization of the working way in SNN with the standards of corporate governance and the transparency and reporting requirements related to the capital market through monitoring the ethical principles, economic efficiency and nuclear safety, assessment, internal audit, measures to avoid the conflict of interest. The company complies with the legal requirements in term of the independence of the Board of Directors members, decisional transparency, reporting, remuneration and audit, according to the table below. Besides, SNN transmitted at the beginning of 2016 a current report on the compliance with the new Code of Corporate Governance of BVB, some measures being currently implemented.

During the mandate of the Board of Directors, the following measures were implemented in matters of corporate governance:

- Selection and appointment of Directors with directors service agreements by applying the provisions of GEO no. 109/2011;
- Formation of the Advisory Committees provided in Article 34 paragraph (1) of GEO 109/2011, namely the Audit Advisory Committee and the Nomination and Remuneration Advisory Committee. Additionally two other committees were constituted in accordance with the specific activity of SNN: the Nuclear Safety Advisory Committee and the Advisory Committee for Strategy, Development and Large Investment Projects;
- Establishing of some internal procedures on reporting and/or briefings based on the implementation of Article 52 of GEO 109/2011;
- Preparation and approval of regulations that manage the implementation of corporate governance standards at all levels of decision making: Rules of Organization and Conduct of the General Meetings of Shareholders; Rules of Organization and Operation of the Advisory Committees; Rules of Corporate Governance; Rules of Organization and Conduct of the Meetings of the Board of Directors;
- Ensuring of the compliance with the transparency and reporting rules by implementing specific procedures;
- Implementation of specific sections on the SNN website dedicated to the Relationships with the Investors;
- Updating the Articles of Incorporation of SNN following the implementation of the corporative governance standards;
- Within SNN organizational structures were created specializing in the relations with the



- investors and the corporate governance standards implementation were created;
- Dividends payment is made in accordance with the law, the information being published both on the company's website and in the national press for notifying the shareholders;
  - Notification of ASF regarding the lists of privileged persons and their updating according the Article 149 of CNVM Regulation no. 1/2006
  - Adoption of a declaration of corporate social responsibility which was published on the website SNN.

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*Awards granted:*

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2015 - ACQ publication awards Nuclearelectrica the title of Game changer of the Year in nuclear energy field in the context of awarding global companies with outstanding merits.

2015 - Nuclearelectrica receives the award for the most innovative company in Romania, awarded by the Corporate Live Wire

2016 - Nuclearelectrica receives the award “Corporate Governance Company of the Year” awarded by the European publication within “Global Ranking & Finance Awards 2015” top.

2016-Nuclearelectrica received the title of "Electricity Generation Company of the Year", awarded by the Diplomat Bucharest publication under „Romanian Energy Awards” 2016 Gala

According to the legal provisions applicable to SNN in matters of corporate governance, executive and administrative leadership shows the current level of compliance:

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LAW 297/2004

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Provision	Compliance	Justification	Non-compliance
Article 224 paragraph (3) a) The company must provide all necessary facilities and information to enable the shareholders to exercise their rights, especially: a) to inform the shareholders about the general meetings that scheduled to take place and enable them to exercise their voting rights.	Yes	SNN issues under the law the GMS convening notices at least 30 days before organizing the meeting. Shareholders are informed by the publication of the convening notice in the Official Gazette, in a national newspaper, on the websites of BVB and Financial Surveillance Authorities and on the website of SNN. The rights of shareholders are presented in the Rules of Organization and Conduct of the General Meetings of Shareholders.	
Article 224 paragraph (3) b) inform the public about the allocation and payment of dividends, issuance of new shares including allotment, subscription, renunciation and conversion;	Yes	SNN issues annual information on the site on the payment of dividends and also bulletins to the authorities of the capital market. The information published refers to the manner of collection of dividends, the necessary forms, questions and answers.	

Article 224 par (3) c) appoint as its agent a financial institution through which shareholders may exercise their financial rights, unless the issuer itself provide these services.	Yes	Every year SNN appointed a payment agent. BRD Groupe Societe Generale was the appointed agent in 2013, 2014 and 2015.	
Article 224 paragraph (5) The company must inform immediately, within 48 hours, the public, of any major new developments in its work, which were not disclosed to it and that can lead to changes in share price due to the effect of these events on the financial and economic conditions or on the whole activity of the issuer.	Yes	SNN issues reports on current events of the company activity that may lead to share price changes within the legal terms in section Relationships with Investors/ Current Reports on the SNN site.	
Article 225 paragraph (1) Managers of the companies which are allowed to trading must report as soon as possible any legal document signed by the company with the administrators, significant shareholders and persons related to them, whose cumulated value accounts at least the RON equivalent of EUR 50,000.	Yes	SNN issues current reports on the transactions mentioned in Article 225 paragraph (1) in the section Relationships with Investors/Current reports. The reports contain information about the parties which concluded the legal document, the date and nature of the document, describing the subject matter, the total value of the legal document, the mutual claims, the guarantees submitted, the deadlines and payment modalities.	
Article 227 paragraph (1) The companies admitted to trading on a regulated market will prepare, make available to the public and send to C.N.V.M. and to the market operator reports quarterly, half-yearly and yearly. The reports will be made publicly available, in writing or in any other form approved by C.N.V.M. The Company will issue a press release in a national newspaper, by which the investors will be informed about the availability of these reports. The reports will be submitted for publication within 5 days from the date of approval.	Yes	SNN issues quarterly, half-yearly and yearly activity reports as required by Article 227 paragraph (1). Such reports include individual and consolidated financial statements. The annual reports are issued within 4 months after the fiscal year end. Annual reports are available to the public no later than two months after the end of the reporting period. Before the publication of the quarterly, half-yearly and yearly reports, SNN issues a notice of availability in the national press. The reports are published on the SNN website in the Relationships with Investors/ Financial Results.	

<p>Article 231 paragraph (1) The company admitted to trading on a regulated market must make available to the public, within 4 months after the financial year ends, the audited annual financial statements, together with the annual report.</p>	<p>Yes</p>	<p>SNN issues the annual report and audited annual statements within 4 months after the financial year ends. The reports are published on the SNN website in the Relationships with Investors/ Financial Results section.</p>	
<p>Article 232 The company must inform the public without delay on:</p> <ul style="list-style-type: none"> <li>a) any major new developments of its business which has not been made public and which could significantly affect its ability to meet its obligations. C.N.V.M. may exempt the Company from this obligation at its request if the disclosure of certain information would prejudice the legitimate interests of the Company;</li> <li>b) contracting of new loans and submitting of the related guarantees required in order to obtain them;</li> <li>c) any change in the securities right resulted mainly from changing the terms of loans or the interest rates;</li> <li>d) changing of the rights attached to the shares, in case the bonds are convertible into shares.</li> </ul>	<p>Yes</p>	<p>SNN issues reports according to Article 232, depending on such events happening.</p>	

Article 235 paragraph (1) Members of the Board of Directors of the companies admitted to trading on a regulated market may be elected by cumulative vote. At the request of a significant shareholder, the appointment by this method shall be binding.	Yes	SNN applies the cumulative voting method, as required by law. An example is the cumulative voting in the SNN GMS that took place on 23.12.2013.	
<p>Article 237 paragraph (1) The financial statements (including the consolidated ones) of the companies admitted to trading will be prepared in accordance with the applicable accounting regulations and audited by financial auditors, in accordance with the regulations on the financial audit.</p> <p>(2) The legal representatives of the companies are bound to make available to C.N.V.M., company auditors and/or experts appointed by the court any documents needed to perform their duties.</p> <p>(3) the directors, managers and/or executives are required to submit accurate financial statements and real information on the economic conditions of society to the shareholders.</p>	Yes	SNN applies the International Financial Reporting Standards adopted by the European Union (IFRS-EU) under the International Accounting Standard 34 - "Interim Financial Reporting". The directors and shareholders submit information showing the actual business situation to the shareholders. □Materials related to the general meetings of shareholders can be found on the SNN website in the Relationships with Investors/ Information on shareholders meetings section.	

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GEO 109/2011

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Provision	Compliance	Justification	Non-compliance
Article 28, paragraph (1) In the case of companies managed according to the unified system, the board of directors consists of 3-7 members, natural or legal persons, with experience in improving the performance of companies or autonomous administrations that they have administered or managed.	Yes	SNN Board of Directors consists of 7 members with the necessary experience and training. The CVs of board of directors' members can be viewed on the SNN website in the Relationships with Investors/ Board of Directors.	

<p>Article 28, paragraph (3) At least two of the board members should have a degree in economics or law and at least 5 year experience in economic, legal, accounting, auditing or finance fields.</p>	<p>Yes</p>	<p>4 members of the Board of Directors of SNN are trained and experienced in economic, legal, audit and accounting fields. The other three members are trained and experienced in the field of engineering. This information can be found in the resumes of the board of directors' members published on the SNN website in the Relationships with the Investors/ Board of Directors section.</p>	
<p>Article 28, paragraph (4) In case of boards of directors whose number of members comes under paragraph (1), an only member will be a public servant or other type of employee from the tutelary public authority or from other authorities or public institutions.</p>	<p>Yes</p>	<p>Currently, within CA SNN there is one member from the tutelary public authority.</p>	
<p>Article 28, paragraph (6) Most board of directors' members are non-executive and independent members, according to Article 1382 of Law no. 31/1990, republished, with subsequent amendments.</p>	<p>Yes</p>	<p>4 members of the board of directors are non-executive independent members: Carmen Radu, Sebastian Tcaciuc, Alexandru Sandulescu and Dan Popescu.</p>	
<p>Article 28, paragraph (7) Appointment of the directors is determined by the Articles of Incorporation and may not exceed 4 years. Appointment of the directors who have fulfilled their duties properly can be renewed following an evaluation process, if the Articles of Incorporation does not provide otherwise. The term of the directors appointed due to the termination, in any form, of the mandate of the initial directors is equal to the remaining term of the director administrator who has been replaced.</p>	<p>Yes</p>	<p>The SNN Articles of Incorporation provides that the mandate of the board of directors' members may be renewed with a new 4 year term.</p>	
<p>Article 29 paragraph (2) The candidates proposed by the Board of Directors of the company are evaluated and selected in advance and recommended by the Nomination Committee of the Board. The Nomination Committee consists of non-executive directors, of which at least one is independent. The Board of Directors may decide and determine that the nomination committee should be assisted, within the assessment process, by an independent expert, natural person or legal entity specialized in recruiting human resources whose services are</p>	<p>Yes</p>	<p>The candidates proposed for being members of the Board of Directors have been assessed by the Committee for Appointment and Remuneration which is formed by non-executive members out of which one is independent. The members of the Committee for Appointment and Remuneration are: Carmen Radu (independent non-executive member), Bogdan Stănescu (non-executive member) and Alexandru Alexe (non-executive member).</p>	

contracted by the company under the law.			
<p>Article 29 paragraph (5) The selection of candidates must be made by an independent expert, natural person or legal entity specialist in the recruitment of human resources, in case of public companies meeting the following conditions:</p> <p>a) having a turnover in the last financial year upper to the equivalent in RON of EUR 7,300,000;</p> <p>b) having at least 50 employees.</p>	Yes	SNN contracted the services of an independent expert specialist in human resources recruitment for the assessment of the reports submitted by those members of BoD for whom the renewal of the directors' service agreement is proposed.	
<p>Article 33 A natural person may exercise simultaneously at most 3 director's offices and/or be a member of the supervisory board in public companies or companies whose registered offices are in Romania. This provision applies equally to natural persons who are directors or members of the supervisory board, and to those natural persons who are representatives of a legal entity which is director or member of the supervisory board.</p> <p>Meanwhile, in Law 31/1990 Article 153 ^ 6 it is provided that</p> <p>(1) A natural person may exercise simultaneously at most 5 director's mandates and/or be a member of the supervisory board in public companies or companies whose registered offices are in Romania. This provision applies equally to natural persons who are directors or members of the supervisory board, and to those natural persons who are representatives of a legal entity which is director or member of the supervisory board.</p>	Yes		

<p>Article 34, paragraph (1) Within the Board of Directors or, if applicable, within the supervisory board the nomination and remuneration committee and the audit committee are constituted. The articles of association may establish the possibility of creating other advisory committees.</p>	<p>Yes</p>	<p>Within SNN the Audit Advisory Committee and the Nomination and Remuneration Consultative de Audit Committee and other two committees have been constituted by the articles of association of SNN. The members of the advisory committees are presented on the SNN website, in Relationships with Investors/Corporative Governance section.</p>	
<p>Article 34 paragraph (2) The Nomination and Remuneration Committee formulates proposals for the positions of directors/members of the Supervisory Board, prepares and proposes to the Board of Directors/Supervisory Board the procedure for selection of candidates for the positions of director or, as appropriate, member of the board of management and other functions, recommend to the Board of Directors or, where appropriate, to the Supervisory Board the candidates for the positions listed, formulates proposals for the remuneration of directors/management members and other executive positions.</p>	<p>Yes</p>	<p>These duties are contained in the Rules of Organization and Operation of the advisory committees available on the SNN website in the section Relationships with Investors/Corporative governance.</p>	
<p>Article 34 paragraph (3) The Audit Committee carry out the duties stipulated in Article 47 of the Government Emergency Ordinance no. 90/2008, approved with amendments by Law no. 278/2008, as further amended and supplemented.</p>	<p>Yes</p>	<p>The duties of the audit committee are contained in the Rules of Organization and Operation of the advisory committees available on the SNN website in the section Relationships with Investors/ Corporative governance.</p>	



<p>Article 34, paragraph (4) If public companies are managed in unitary system the committees referred to in paragraphs (2) and (3) are made up of non-executive directors. At least one member of each committee is independent.</p>	<p>Yes</p>	<p>The two committees are made up of non-executive members. At least one member of each committee is independent.</p> <p>The audit committee's members are: Carmen Radu (independent non-executive member), Sebastian Tcaciuc (independent non-executive member) and Alexandru Alexe (non-executive member).</p> <p>The nomination and remuneration committee's members are: Bogdan Stanescu (non-executive member), Alexandru Alexe (non-executive member) si Carmen Radu (independent non-executive member).</p>
<p>Article 37 (1) Remuneration of the Board of Directors' members and, when applicable, of the members of the supervisory board is set by the general meeting of shareholders in the structure and limits provided in paragraphs (2) and (4).</p> <p>(2) The remuneration of non-executive members of the board of directors or of the supervisory board consists of a monthly fixed salary and a variable component. The fixed salary cannot exceed twice the average for the last 12 months average gross salary per month for the work done according to the core activity recorded by the company, at the class level according to the classification of activities in the national economy, made public by the National Statistics Institute prior to the appointment. The variable component is determined based on the financial performance and non-financial indicators negotiated and agreed by the general meeting of shareholders different from those approved for the executive directors, determined in compliance with the methodology set out in Article 31 paragraph (5) that also consider long-term sustainability of the company and ensuring observance of good governance principles. The amount of the variable component of non-executive members cannot exceed a maximum of 12 monthly fixed salaries.</p> <p>(3) The remuneration of the executive members of the board of directors or of the supervisory board consists of a monthly fixed salary and a variable component. The fixed salary cannot</p>	<p>Yes</p>	<p>Remuneration of the Board of Directors' members and the form of the directors' services agreement were approved by the General Meeting of Shareholders by the decision no. 20/22.08.2013 regarding the remuneration of the members of BoD (fixed salary and variable component). The general limits for the remuneration of the directors appointed according to Article 143 of the Companies Law no. 31/1990 were also approved.</p> <p>The remunerations of executive and non-executive members comply with the legal provisions, such information being provided in the SNN remuneration policy published on the website.</p> <p>The variable component is granted according to the accomplishment level of the performance indicators assumed by each BoD member when signing director services agreement and identified in the management plan.</p> <p>After approval of SNN annual budget, the shareholders approved the changing of appendixes 1 and 1.1 to the directors' services agreements regarding the levels of the performance indicators and criteria that were harmonized with the provisions of the annual income and expenditure budget.</p> <p>According to Article 227, paragraph (1) of Law 297/2014, SNN submitted to the approval of the shareholders some quarterly, half-yearly and annual reports that included the degree of fulfillment of the performance indicators. Moreover, the half-yearly and annual simplified and consolidated financial statements have been audited by the SNN independent auditor.</p>



exceed six times the average for the last 12 months average gross salary per month for the work done according to the core activity recorded by the company, at the class level according to the classification of activities in the national economy, made public by the National Statistics Institute prior to the appointment. The variable component is determined based on the financial performance and non-financial indicators negotiated and agreed by the general meeting of shareholders different from those approved for the executive directors, determined in compliance with the methodology set out in Article 31 paragraph (5).

(4) The variable remuneration component for the Board of Directors' members or for the members of the Supervisory Board is reviewed annually, depending on the level of achievement of the objectives contained in the plan of management and the degree of fulfillment of the performance financial and non-financial indicators approved by the General Meeting of Shareholders attached to the directors services agreement.

(5) The General Assembly of Shareholders will be sure when setting the fixed monthly emoluments of each member of the board of directors or, where appropriate, of each member of the supervisory board, determined under paragraphs (2) and (4), that it is justified in relation to the specific duties, the duties in the advisory committees, the number of sessions, objectives and performance criteria set out in director services agreement.

<p>Article 38, paragraph (1) The executive officers' remuneration is established by the Board of Directors and it cannot exceed the remuneration level set for the executive members of BoD. It is the only remuneration form for the executive officers who are directors, too.</p> <p>(2) The remuneration consists of a fixed monthly salary which is set within the limits provided by Article 37, paragraph (3) and a variable component consisting in a participation share to the net profits of the company, granting of shares, stock-options or an equivalent scheme, a pension scheme or other form of remuneration based on the performance indicators.</p> <p>(3) The financial and non-financial performance indicators are items according to which the variable component of remuneration for the Company's executive officers is determined.</p> <p>(4) The remuneration of the management staff's members is determined by the supervisory committee. The provisions provided in paragraphs (1) and (2) are applicable to the management staff's members, too.</p>	<p>Yes</p>	<p>Remuneration of the executive officers is set by the BoD which also approves the limits to the fixed salary and to the variable component in relation to the performance indicators identified in the executive officers agreements and to the annual income and expenditure budgets. The performance indicators for executive officers are included in the management plan for executive officers approved by the decision of BoD no. 18/03.07.2013, plan which develops and completes the management plan and included the performance indicators and criteria for the executive officers/executive directors.</p> <p>The level of accomplishment of the performance indicators for the executive officers is submitted to be approved by the BoD quarterly, half-quarterly and annually.</p>	
<p>Article 39 (1) The remuneration and benefits provided by law or by the agreement to the mandate directors and executive officers/ managers within the unitary system, or to the members of the supervisory board and management staff's members within the dualist system will be recorded in the annual financial statements and annual report submitted by the Nomination and Remuneration Committee, the BoD or the Supervisory Board and will include the remuneration and other benefits provided by the company and by its subsidiaries.</p> <p>(2) Payment of professional liability insurance can be provided by the public company. It is not part of remuneration and will be mentioned in the agreement. In the agreement other benefits will be also mentioned, such</p>	<p>Yes</p>	<p>The Advisory Committee and the Remuneration and Nomination Committee formed at the level of SNN prepare annual reports containing information on the remuneration and benefits of BoD members under the law. Both remuneration and benefits are recorded in the annual financial statements submitted for approval to the General Meeting of Shareholders together with the report of the Nomination and Remuneration Committee.</p> <p>According to the Articles of Association, the BoD members receive professional insurance policies D&amp;O type, which are distinctly mentioned in the agreement they conclude with the Company. The directors' services agreements also contain information about the benefits granted by law. The directors' services agreement form can be found on the SNN website in the Relationships with Investors/ Corporate Governance section.</p>	

<p>as coverage of representation expenses, transportation, daily allowance, but without those mentioned to be limitative.</p> <p>(3) The policy and criteria applied for the remuneration of directors and managers, within the unitary system, or for the remuneration of the members of the supervisory board and management staff's members, within the dualist system, and the level of remuneration and other benefits offered to each director and manager are disclosed on the internet page of the public company, by the care of the BoD president or the one of the supervisory board.</p>		<p>The remuneration policy of the members of the BoD is also published on the SNN website in the same section above-mentioned.</p>	
<p>Article 51 paragraph (1) A public company, by the care of the BoD president or the one of the supervisory board must publish on its website and make available to the shareholders or partners and also to the public, the following documents and information:</p> <p>a) decisions of general meetings of shareholders, within 48 hours after the date of the meeting;</p> <p>b) the annual financial statements within 48 hours after the approval;</p> <p>c) bi-annual accounting reports, within 45 days after the end of the semester;</p> <p>d) the annual audit report;</p> <p>e) list of directors and managers, the CVs of BoD members and managers or, if applicable, the CVs of the members of the Supervisory Board and management staff's members and their remuneration level;</p> <p>f) reports of the BoD or, where appropriate, of the supervisory board;</p> <p>g) the annual report on remuneration and other benefits granted to directors and managers, members of the Supervisory Board and management staff's members during the financial year;</p> <p>h) Code of Ethics, within 48 hours after its adoption, i.e. on May 31 of each year if it is revised.</p>	<p>Yes</p>	<p>SNN issues all this information on its website:</p> <p>a) decisions of general meetings of shareholders, within 48 hours after the date of the meeting in the section Relationships with Investors/ Information regarding the GMS;</p> <p>b) the annual financial statements in the section Relationships with Investors/ Financial Results;</p> <p>c) bi-annual accounting reports, in the section Relationships with Investors/ Financial Results;</p> <p>d) the annual audit report in the section Relationships with Investors/ Financial Results;</p> <p>e) list of directors and managers, their CVs their remuneration level in the section Relationships with Investors/ BoD and Corporative Governance;</p> <p>f) reports of the BoD in the section Relationships with Investors/ Financial Results;</p> <p>g) the annual report on remuneration and other benefits granted to directors and managers in the section Relationships with Investors/ Financial Results being a component of the directors' annual report;</p> <p>h) Code of Ethics, in the section About us/ Public Information.</p>	

<p>Article 51, paragraph (2) The financial statements, half-yearly accounting reports, BoD reports or, when applicable, the supervisory board's reports and the annual audit report are kept on the website of the public company over a period of at least 3 years.</p>	<p>Yes</p>	<p>The annual financial statements, BoD reports and audit reports relating to the period 2010-2016 can be found on the SNN site in the Relationships with Investors section.</p>	
<p>Article 52, paragraph (1) The Board of Directors or, if applicable, the supervisory board convene the general meeting of shareholders to approve any transaction if it has, individually or in a series of transactions concluded, a value greater than 10% of the net value of the public company's assets or greater than 10% of the turnover of public company according to the latest audited financial statements, with the directors or managers, or, where appropriate, with the members of the supervisory board or the members of the executive board, with the employees, with the shareholders controlling the company or with a company controlled by them.</p> <p>(2) The obligation of convoking the GMS is incumbent to the BoD or to the supervisory board and for transactions concluded with the husband/ wife, relatives or in-laws to the fourth degree of the persons referred to in paragraph (1).</p> <p>(3) The Board of Directors or, if applicable, the supervisory board inform the shareholders in the first general meeting of shareholders following the conclusion of the legal document on any transaction entered into by the public company with:</p> <p>a) the persons mentioned in paragraphs (1) and (2) if the transaction amount is below the level set in paragraph (1);</p> <p>b) another public company or with the tutelary public authority, if the transaction has a value, individually or in a series of transactions, at least equal to the RON equivalent of EUR 100,000.</p> <p>(5) The CEO or, where appropriate, the executive board, submit to the approval of the BoD or the supervisory board any transaction</p>	<p>Yes</p>	<p>The Board of Directors submit to the vote of shareholders any transaction with the or directors or executive officers, employees, shareholders holding control of the company or a company controlled by them if such transactions, individually or in a series of concluded transactions, have a value which is greater than 10% of net assets of the public company or greater than 10% of the turnover of the company according to the latest audited financial statements.</p> <p>Besides, the BoD submits to the shareholders within the general meetings all transactions with the affiliated persons mentioned above. Any transaction with the related parties that exceeds individually or in a series of transactions the value of 50,000 Euro is subject to approval by the Board of Directors.</p> <p>The GMS information reports can be found on the SNN website in the Relationships with the Investors/ Information regarding the GMS section. The annual and bi-annual reports also contain the list of transactions concluded under Article 51. The reports include the following information: the parties who signed the legal document, date and nature of the document, description of the subject matter, the total value of the legal document, mutual claims, guarantees set, deadlines and payment conditions, and other essential and significant issues in contact with these legal acts. In such reports any other information necessary to determine the effects of these legal documents on the financial status of the company will be mentioned.</p>	

classified in paragraph (1) if, individually or in a series of transactions, it amounts to at least the RON equivalent of EUR 50,000. In deciding on the transaction, the board may order an independent expert to verify whether the transaction is fair in relation to other similar offers on the market.

(6) In the annual and bi-annual reports of the Board of Directors or, if applicable, the executive board, the legal documents concluded as referred to paragraphs (1) and (3) will be mentioned in a special chapter. The following issues will be mentioned: the parties who signed the legal document, date and nature of the document, description of the subject matter, the total value of the legal document, mutual claims, guarantees set, deadlines and payment conditions, as well and other essentials and significant issues about these legal documents. Any other information required for determining the effects such legal documents may have upon the financial status of the Company shall be mentioned in those reports.

<p>Article 55 (1) The Board of Directors or, if applicable, the supervisory board of the public company submits half-yearly to the general meeting of shareholders, a report on the work of administration, which includes information relating to the execution of the directors services agreements, respectively those of the executive board members, details of operational activities, the company's financial performance and the company's half-yearly accounting reports.</p>	<p>Yes</p>	<p>The Board of Directors submit half-yearly to the general meeting of shareholders, a report on the work of administration, which includes information relating to the execution of the directors services agreements, respectively those of the executive board members, details of operational activities, the company's financial performance and the company's half-yearly accounting reports. The annual reports can be found on the SNN website in the Relationships with Investors/ Financial results section.</p>
<p>Article 55 paragraph (2) The Nomination and Remuneration Committee of the Board of Directors or, if applicable, of the supervisory board issues an annual report on the remuneration and other benefits granted to directors and executive officers, members of the Supervisory Board and Executive Board in the financial year.</p> <p>(3) The report referred to in paragraph (2) is submitted to the general meeting of shareholders which approves the annual financial statements. The report is available to the shareholders according to Article 39 paragraph (1) and contain at least information concerning:</p> <ul style="list-style-type: none"> <li>a) structure of remuneration with explanation of the variable and fixed components;</li> <li>b) performance criteria underlying the variable remuneration component, the relationship between the achieved performance and the remuneration;</li> <li>c) considerations justifying any annual bonus or non-monetary benefits scheme;</li> <li>d) any additional or early retirement schemes;</li> <li>e) information on the duration of the agreement, the notice period negotiated, the amount of damages for unjust dismissal.</li> </ul>	<p>Yes</p>	<p>The Advisory Nomination and Remuneration Committee of the Board of Directors makes an annual report on the remuneration and other benefits granted to directors under the law. The report is attached to the annual report of the directors and includes all information required by Article 55 paragraph (2). Such reports can be viewed on the SNN website in the Relationships with Investors/ Financial results section.</p>

<p>Article 56. The Board of Directors or, if applicable, the supervisory board issues an annual report on the activity of the public company, no later than May 31 of the year following the one the report is related to. The report is published on the website of the public company.</p>	<p>Yes</p>	<p>The annual reports of the Board of Directors are submitted to the shareholders' approval usually in late April of the following year and published on the SNN site in the Relationships with Investors/ Financial results section.</p>
<p>Article 57 (1) The Board of Directors or the CEO, if the executive management is carried by the executive officers, or, if applicable, the executive board must submit to the Ministry of Finance and, where appropriate, to the tutelary public authority or to the shareholders owning more than 5% of the share capital, quarterly and whenever required, substantiations, analyses, statements, reports and any other information related to the public company activities, in the form and terms established by orders or letters of beneficiaries.</p> <p>(3) The performance indicators monitored at the public companies are established by the tutelary public authority in the directors' services agreements.</p> <p>(4) The structures of corporate governance within the public company report the monitoring indicators set in the directors' services agreements, quarterly, until the 20<sup>th</sup> day of the month following the previous quarter.</p>	<p>Yes</p>	<p>The performance indicators are monitored by the tutelary public authority appointed in the directors' services agreements. The Board of Directors shall submit to the Ministry of Finance and, where appropriate, to the tutelary public authority or to the shareholders owning more than 5% of the share capital, quarterly and whenever required, substantiations, analyses, statements, reports and any other information related to the public company activities, in the form and terms established. The structures of governance within SNN reports the monitoring indicators set in the directors' services agreements, quarterly, until the 20<sup>th</sup> day of the month following the previous quarter.</p>



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LAW 31/1990

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Provision	Compliance	Justification	Non-compliance
<p>Article 105<sup>1</sup>. In the annual reports attached to the financial statements the Board of Directors will include the following information about the acquisition or alienation by the company of its own shares:</p> <p>a) the reasons for the acquisitions made during the financial year;</p> <p>b) the number and value of the shares acquired and alienated during the financial year and the percentage of the subscribed capital which they represent;</p> <p>c) in the case of acquisition or alienation for a pecuniary interest, the value of the shares;</p> <p>d) the number and nominal value of all shares acquired and held by the company and the percentage of the subscribed capital which they represent.</p>	Yes	SNN includes some information about the acquisition or alienation by the company of its own shares, if necessary, in the annual reports attached to the financial statements. During the office term of the current members of the Board of Directors two capital increases occurred, one in cash and one in kind, information that was included in the related annual reports.	



<p>Article 117 (1) The General Assembly is convened by the Board of Directors or by the executive board whenever necessary.</p> <p>(2) The term of assembly cannot be less than 30 days since the publication of the convocation in the Official Gazette, Part IV.</p> <p># M9</p> <p>(3) The convocation shall be published in the Official Gazette of Romania, Part IV, and in one of the major newspapers in the locality where the company's registered office is located or the nearest locality.</p> <p>(6) The convocation will include the date and place of the meeting and the agenda, expressly mentioning all matters that will be subject to the Assembly's debates. If the agenda includes the appointment of directors or members of the supervisory board, the notice shall mention that the list containing the information about the name, domicile and professional qualifications of the persons proposed for the position of director is available to shareholders and can be referred to and completed by them.</p> <p>(7) When the agenda includes proposals to amend the articles of association, the notice shall include the full text of such proposals.</p>	<p>Yes</p>	<p>SNN issues the GMS convening notices at least 30 days prior to the organization of the General Assembly in the Official Gazette, Part IV, in a national newspaper, on the SNN website and on the platforms of Bucharest Stock Exchange and the Financial Supervisory Authority.</p> <p>The GMS convening notices contain information about the date, place and agenda of the meeting. In cases where the agenda contained many issues related to the directors' appointment (GMSs occurred on 23.12.2013 and 29.04.2015) SNN published on the site the list with the candidates proposed containing information about the name, domicile and professional qualification of the persons proposed as director.</p> <p>If the agenda of the GMS included proposals to amend the Articles of Association, such proposals were detailed in the convening notice.</p>	
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<p>Article 140<sup>2</sup> (1) The Board of Directors may create advisory committees made up of at least two board members in charge with conducting investigations and making recommendations for the board, in areas such as audit, remuneration of executive officers, directors, auditors and staff or nomination of candidates for the various positions. The Committees will submit to the Board on a regular basis, reports on their activities.</p> <p>(2) At least one member of each committee created under paragraph (1) shall be an independent non-executive director. The audit committee and the remuneration one shall consist only of non-executive directors. At least one member of the audit committee must have experience in applying the Accounting Principles or in financial auditing.</p>	<p>Yes</p>	<p>Within the Board of Directors of SNN 4 advisory committees were constituted, two of them (the Audit Advisory Committee and the Advisory Committee for Appointment and Remuneration) having duties in fields such as audit, remuneration of directors, auditors and staff or nomination of candidates for various executive positions.</p> <p>1. Audit Committee Members: Gabriel Sebastian Tcaciuc, Alexandru Alexe, Carmen Radu</p> <p>2. Advisory Committee for Appointment and Remuneration Members: Alexandru Alexe, Carmen Radu, Nicolae Bogdan Codrut Stanescu</p> <p>At least one member of each committee is an independent non-executive director (Mrs. Carmen Radu and Mr. Tcaciuc). Mrs. Carmen Radu has experience in the field of the financial audit.</p>	
<p>Article 153<sup>16</sup></p> <p>(1) A natural person may exercise simultaneously up to 5 mandates as a member of the Board of Directors and/or supervision board in companies whose registered offices are in Romania. This provision applies equally both to a natural person who is a director or member of the supervisory board, and to a natural person who is a permanent representative of a legal entity which is a director or member of the supervisory board.</p>	<p>Yes</p>	<p>No SNN director may exercise simultaneously more than 5 mandates as a member of the Board of Directors and/or supervision board.</p> <p>Information on the functions performed by the BoD members can be found on the SNN website in the Relationships with Investors/ Board of Directors section.</p>	

<p>Article 153 ^ 18 (1) Remuneration of BoD members or of the Supervisory Board ones is established by the articles of incorporation or by the decision made by the General Meeting of Shareholders.</p> <p>(2) The additional remuneration of the BoD or the Supervisory Board members in charge with specific functions within the body they belong to and the remuneration of directors, in the unitary system, or the members of the executive board, in the dual system, are determined by the Board of Directors, respectively the Board of Supervisors. The articles of incorporation or the general shareholders meeting set the general limits of all remunerations granted in this way.</p> <p>(3) All benefits may be granted only according with paragraphs (1) and (2).</p> <p>(4) The General Assembly, the BoD or the Board of Supervisors and, if applicable, the remuneration committee shall set the remunerations or other benefits, shall ensure that they are justified in relation to the specific duties those persons are in charge with and to the economic conditions of the company.</p>	Yes	<p>The remuneration of the BoD members is determined by decisions of the general meeting of shareholders, in accordance with Article 37 of GEO 109/2011 as amended and supplemented. Directors' remuneration is approved by the Board of Directors according to the Articles of Association of SNN. The Nomination and Remuneration Advisory Committee performs an annual analysis of the achievement of the performance indicators linked to granting of the variable remuneration component and other benefits in accordance with the law. The Annual Report of the Remuneration and Nomination Advisory Committee is published on the SNN website within the annual report in the section Relationships with Investors/Financial Results.</p>	
<p>Article 185 paragraph (2) The Board of Directors or the executive board of the parent company, as defined by the applicable accounting regulations, must submit to the territorial units of the Ministry of Finance copies of the consolidated financial statements (in this regard the provisions of paragraph (1) will be properly applied).</p>	Yes	<p>SNN submitted to the local offices of the Ministry of Public Finance, on behalf and for the Board of Directors, copies of the consolidated financial statements.</p>	

Regulations 1/2006 on issuers and operations with securities

Provision	Compliance	Justification	Non-compliance
<p>Article 113 Companies whose shares are admitted to trading on a regulated market will prepare, transmit and make public the following reports:</p> <p>A. Reports on privileged information, provided in Article 226 paragraph (1) of Law no. 297/2004:</p> <p>a) decision of the board of directors/ other bodies, for convening the general meeting of shareholders or a BoD meeting to deliberate upon exercising the duties delegated by the EGMS in accordance with Article 114 of Law no. 31/1990;</p> <p>b) convening the General Meeting of Shareholders;</p> <p>b^1) since there is no quorum or majority, failure to adopt a resolution by the general meeting of shareholders or the board of directors/ executive board appointed, in accordance with Article 114 of Law no. 31/1990, republished, with subsequent amendments;</p> <p>c) decisions of general meetings of shareholders or board of directors, made in exercising the duties delegated by the EGM in accordance with Article 114 of Law no. 31/1990;</p> <p>d) changes in the control exercised upon the Company, including changes in control of the entity that controls the company;</p> <p>e) changes in the management of the Company (those changes must be recorder at the Trade Register Office or become effective);</p> <p>f) replacement of the auditor of the company and the causes that led to that replacement (that change must be recorder at the Trade Register Office or become effective);</p> <p>g) the termination or reduction of the contractual relations that have generated at least 10% of the company's revenue in the previous fiscal year;</p>	<p>Yes</p>	<p>SNN issues current reports for informing the shareholders about all these articles depending on the events occurred within the activity of the company. No shareholder or institution on the Romanian capital market (FSA and BVB) and any objection against the current reports issued by SNN in terms of legislation applied, form, completeness and correctness thereof. SNN uses the forms for current reporting identified in the Regulations 1/2006.</p> <p>The current reports are available on the SNN website in the section Relationships with Investors/Current reports.</p>	

- h) publication of the merging/ dividing project in the Official Gazette of Romania;
- i) changes in the characteristics and/or rights attaching to the various classes of securities including changes in the rights attaching to derivative instruments issued by the issuer that give rights over shares issued by it (those changes must be recorder at the Trade Register Office or become effective);
- j) litigations that involves the company;
- k) initiating a procedure for termination or resumption of activity, initiation and completion of the procedure of dissolution, reorganization or bankruptcy;
- l) off-balance sheet operations with significant effects on the financial results of the issuer.

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<p>Article 113 letter B a) changes in the obligations of companies that can significantly affect the activity or assets of the company;</p> <p>b) Substantial assets acquisitions or alienation. The term "acquisition" does not refer only to purchases, but includes also purchases as leasing or any other method by which assets can be achieved. Similarly, the term "alienation" refers not only to the sale, but may also include leases, exchange contracts etc., and disposal, abandonment or destruction of assets. Acquisitions or disposals of assets will be considered substantial if those assets represent at least 10% of the Company's total assets either before or after the respective transaction;</p> <p>c) the agreements concluded by the company which value amounts to more than 10% of the net turnover recorded in the last annual financial statements or agreements concluded outside of the current activity of the company;</p> <p>d) development of a product or introduction of a new service or development process affecting the Company's resources.</p>	<p>Yes</p>	<p>SNN issues current reports for informing the shareholders about all these articles depending on the events occurred within the activity of the company. No shareholder or institution on the Romanian capital market (FSA and BVB) and any objection against the current reports issued by SNN in terms of legislation applied, form, completeness and correctness thereof. SNN uses the forms for current reporting identified in the Regulations 1/2006.</p> <p>The current reports are available on the SNN website in the section Relationships with Investors/Current reports.</p>	
<p>Article 113 letter C Quarterly Reports</p> <p>(1) The Company prepares a quarterly report for the first and the third quarters which will be available to the public and will be submitted to C.N.V.M. and to the regulated market operator, no later than 45 days after the end of the reporting period. It includes:</p> <p>a) The profit and loss account prepared in accordance with the applicable regulations, as well as the economic and financial indicators mentioned in Annex. 30 B. The financial statements will be accompanied by the financial auditor's report if they were audited. If the financial information has not been audited, the issuer shall specify expressly this issue in the quarterly report;</p> <p>b) Optionally, the BoD report, which contains information from Annex 30 A.</p>	<p>Yes</p>	<p>The SNN quarterly reports are issued within 45 days after the end of the reporting period, according to the financial schedule issued by SNN in the beginning of each year. Such reports contain the information provided in Article 113 letter C paragraphs (a) and (b) of Rules 1/2006. The quarterly statements are not audited by an independent auditor as mentioned in the report.</p> <p>SNN issues a press release in a national newspaper, regarding the availability of the quarterly report and where such report can be got from. The quarterly reports issued by SNN are available on the company's website in the section Relationships with Investors/ Financial Results.</p>	

<p>(2) The quarterly report is made available to the public both as a printed copy, upon request, as well as in electronic form on the issuer's website. The company issues a press release in a national newspaper, by which the investors are informed about the availability of these reports, and on the site where these reports can be obtained. The press release is transmitted simultaneously both to C.N.V.M. and the operator of the regulated market where the securities/ real estate values are traded.</p> <p>(3) The quarterly reports remain publicly available for at least five years.</p>			
<p>Article 113 letter D. Half-yearly reports</p> <p>(1) The Company prepares a report for the first half-year which will be available to the public and will be submitted to C.N.V.M. and to the regulated market operator, no later than 2 months after the end of the reporting period. It includes:</p> <p>a) bi-annual accounting reporting developed in accordance with the applicable regulations;</p> <p>If the issuer is required to prepare consolidated accounts, the bi-annual accounting report shall be drawn up according to the international accounting standards applicable to the interim financial statements adopted pursuant to the procedure set out in Article 6 of EC Regulation no. 1606/2002.</p> <p>If the issuer is not required to prepare consolidated accounts, the bi-annual accounting report must include the balance sheet and the simplified profit and loss statements and the notes attached thereto. In preparing the balance sheet and the simplified profit and loss statements the issuer must comply with the same principles as the ones applied for the preparation of the annual financial statements.</p> <p>b) the BoD report containing the information specified in Annex. 31;</p> <p>c) the statement of the persons in charge of the issuer, whose names and positions will be specified explicitly, affirming that according to their knowledge, the half-yearly financial</p>	<p>Yes</p>	<p>The SNN half-yearly reports are issued within 3 months after the end of the reporting period. Such reports meet the criteria provided in Article 113 of Rules 1/2006. The half-yearly reports are audited by the SNN independent financial auditor and the audit reports are issued on the SNN website.</p> <p>SNN issues a press release in a national newspaper, regarding the availability of the half-yearly report and where such report can be got from. The half-yearly reports issued by the BoD are available on the SNN website in the section Relationships with Investors/ Financial Results where they are kept at least 3 years.</p>	

accounting statement which has been produced in accordance with the applicable accounting standards provides a fair, accurate and real image of assets, liabilities, financial position, profit and loss account of the issuer or its subsidiaries included in the consolidation process of the financial statements and that the report under letter b) shows correctly and completely the information about the issuer;

d) the financial auditor's report and the latter's comments, if the financial statements were audited.

If the financial statements have not been audited, the issuer shall specify it expressly in the quarterly report.

(2) The half-yearly report is made available to the public both as a printed copy, upon request, as well as in electronic form on the issuer's website. The company issues a press release in a national newspaper, by which the investors are informed about the availability of these reports, and on the site where these reports can be obtained. The press release is transmitted simultaneously both to C.N.V.M. and the operator of the regulated market where the securities/real estate values are traded.

(3) The half-yearly reports remain publicly available for at least five years.



<p>Art 113 letter E. Annual Reports</p> <p>(1) The Company prepares annual reports which will be available to the public and will be submitted to the operator (by the A.S.F. system) no later than 4 months after the end of the reporting period. Such reports include:</p> <p>a) The annual financial statements audited by an auditor, prepared in accordance with the applicable accounting regulations, approved by the competent statutory body;</p> <p>b) The report of the BoD or an equivalent competent authority that will contain information equivalent to those set out in Annex. 32;</p> <p>c) The statement of the persons in charge of the issuer, whose names and positions will be specified explicitly, affirming that according to their knowledge, the half-yearly financial accounting statement which has been produced in accordance with the applicable accounting standards provides a fair, accurate and real image of assets, liabilities, financial position, profit and loss account of the issuer or its subsidiaries included in the consolidation process of the financial statements and that the report under letter b) shows correctly and completely the information about the issuer;</p> <p>d) It includes a correct analysis of the development and performance of the issuer and a description of the principal risks and uncertainties specific to the activity;</p> <p>e) The financial auditor's report, signed by the person or persons responsible for auditing the financial statements and the full comments made by the auditor.</p> <p>(2) If the issuer is required to prepare consolidated accounts, the audited financial statements mentioned in paragraph (1) letter a) shall contain such consolidated accounts according to the applicable accounting rules, as well as the annual accounts of the parent-company, prepared according to the national regulations applied in the member state where the parent-company is registered. If the issuer is</p>	<p>Yes</p>	<p>SNN issues annual activity reports and submit them to the approval of GMS according to the requirements provided by the law within 4 months after the end of the reporting period.</p> <p>Such reports meet the criteria provided in Article 113 letter E.</p> <p>Such reports are available on the SNN website in the section Relationships with Investors/Financial Results.</p>	
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<p>not required to prepare the consolidated accounts, the audited financial statements mentioned in paragraph (1) letter a) shall contain the statements prepared according to the national regulations applied in the member state where the parent-company is registered.</p>			
<p>Article 113 letter G. Other reports  (1) Prior to the date on which dividends are paid, the company is required to publish a press release in a national newspaper stating at least:  a) The amount of the dividend per share, <i>ex date</i>, the registration date and the dividend payment date set by the General Meeting of Shareholders;  b) The method of payment and the ID information of the agent that is going to make the payment.</p>	<p>Yes</p>	<p>SNN issues press releases relating to the payment of dividends in the media, on the SNN website and in a national newspaper. The releases shall contain at least the information required by Article 113 letter G of Rules 1/2006.</p>	

<p>Article 113 paragraph (6) At the end of each semester, the auditor will review the transactions reported under Article 225 of Law no. 297/2004 and will prepare a report that will indicate if the price corroborated with the rights and obligations of the parties is fair in relation to other offers on the market. If transactions are not made at the market prices, the report shall specify both the reasons that led to this derogation and the pricing policies. Within 30 days after the reporting period ends the issuer shall transmit the report to the market operator and to FSA.</p>	<p>Yes</p>	<p>At the end of each semester, SNN issues on its website and transmits to the capital market authority an independent limited ensuring report upon the information contained in the current reports prepared by the Company according to Article 225 of Law no. 297/2004 and to CNVM Regulations no. 1/2006 which determines if the transactions were made at the market's price. The conclusion of those reports indicate that the transactions were made according to Article 113 letter G paragraph (6) of Regulations no. 1/2006. The limited ensuring reports are made available on the SNN website in the section Relationships with Investors/ Current Reports.</p>
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The implementation of the principles of corporate governance, in compliance with the legal provisions applicable in this regard to the companies listed on the Bucharest Stock Exchange, imposed, immediately after starting the mandate in 2013, and after listing, the development and implementation of a complex process of reorganization mainly at the level of the headquarters.

This process took into account the optimizing of functions and internal processes in order to create an organizational structure capable of simultaneously responding both to requests specific for the nuclear industry, and to the capital market's request, without causing malfunctions in the company's activity.

The newly created organizational structure resulted in initiating a recruitment process for specialists in key positions in order to ensure the basic functions at the level of the headquarters and the support and the related functions for FCN Pitesti and Cernavoda NPP.

The goal was to create a corporate culture in a functional optimally integrated management system,

able to exercise, vertically and horizontally, all the specific functions and, at the same time, to ensure the optimal information flow between the headquarters and its executive branches.

Currently, although it is a long process, with major implications for the proper management of activities and processes already in place, SNN has implemented the integrated management and continues its efforts to streamline the process flows between the headquarters and the branches in order to achieve the maximum functionality and efficiency of the processes, focusing on the human resources in terms of identifying, training, motivation and retention thereof.

## 11. The activity within the committees established at Management Board's level

Mrs. Daniela Lulache is member of the following advisory committees of the Management Board:

- Nuclear Security Committee
- Advisory Committee for Strategy, Development and Large-Scale Investment Projects

### 11.1 Nuclear Security Committee

The Advisory Committee for Nuclear Security (CCSN) was established by the decision of the Management Board (MB) No.27 of August 26, 2013. The objective of this Committee is to provide assistance and/or independent evaluation in the field of nuclear security and of environmental protection regarding the following aspects, but also in accordance with the technical measures established and undertaken which reflect the concern for the preservation of a high level of nuclear security, the status of the equipment and components, pro-active analyses of the aforementioned, maintenance and repair programs:

- Strategic options regarding the nuclear security, taking into account the current situation and the regulatory framework relevant for the operation activities of CNE Cernavoda;
- The analysis of the conclusions drawn from the review of some design studies and their impact on the systems, structures and components with nuclear security critical functions;
- The basic decisions regarding the nuclear security and radiation protection undertaken at Company's level and the level of its two branches;
- The development and the implementation of programs for preparation of nuclear security culture for the Company's personnel;
- The inspection of structures and components with critical security function;
- The process of authorization and licensing;
- The analysis of the reports regarding the operational events/incidents with potential impact on the nuclear security or personnel radiation protection.

Based on Decision No. 133 from April 4, 2014, it was decided that the Administrative Office of this committee must be provided by the Department of Nuclear Security within the Technical and Nuclear Security Direction pertaining of SNN – head office.

CCSN's meetings take place quarterly, and its members' activity is mainly oriented on the analysis of the reports regarding the state of nuclear security for branches, CNE Cernavoda and FCN Pitesti, and the necessary guidelines for the optimization of certain activity domains.

Specifically, these reports aim at the following activities, namely:

- The evaluation of the Nuclear Security culture
- Operational Decision Making (ODM)
- The activity of Reactivity Management Committee
- Technical Operational Evaluation (TOE)
- The development of performance indicators, characteristic for nuclear industry and, implicitly, CNE Cernavoda and FCN Pitesti
- Corrective Action Report (RCA's)
- Implementation of corrective/preventive/improvement actions

- The activity of ALARA (As Low as Reasonably Achievable) Committee at the level of the plant
- Regular analysis of the nuclear security (PSOC)
- The activity of the Committee for Training Evaluation
- The analysis of health programs SHMP/ CHMP
- The activity of Analysis Committee for Human Performance Program (HPOC)
- Self-evaluation
- Risk assessment (risk register)

Other activities carried out by CCSN members were in direct association with the development and approval of documents such as:

- Development Directions CNE 2014-2018 (CCSN Decision No. 3 from September 12, 2014)
- Declaration regarding the Nuclear Security Policy of National Company “Nuclearelectrica S.A” (CCSN Decision No. 4 from December 17, 2014);

Beside the current activities pertaining to the Committee, a significant contribution of the Committee’s members was visible on the direction of developing a policy for ensuring the safety in the raw material, fuel and combustion bundles supply chain. Until the development of this policy, the branches have independently followed their own measures for the purpose of fulfilling the demand of raw material and fuel (natural Uranium) at FCN Pitesti, respectively the fuel bundles to CNE Cernavoda. The measures consist of maintaining stocks that ensured the production of fuel bundles to FCN Pitesti for approx. 2 to 3 months, respectively, supplying fuel bundles to CNE Cernavoda for 3 months, which constituted a total reserve covering roughly 6 months of operation for the facilities. Following the implementation of such a policy, current and safety stocks could be established and maintained (consisting of raw material, natural uranium and fuel bundles) which are meant to ensure the continuous operation, at rated power, for a period of around 10 – 12 months, of each facility within CNE Cernavoda.

The analyses of nuclear safety aspects and indicators are an essential part of the pro-active exertion of control and monitoring and resulted in a streamlining of the aforementioned aspects, the streamlining being reflected in the results of the international mission for nuclear security assessment at the end of 2015, the rate of harness the installed power of the two units, the status of equipment and components, in amending the deficiencies, in the continuous improvement of specific performance indicators. Currently, SN Nuclearelectrica SA / CNE Cernavoda is among the best nuclear power plants at global level.

## 11.2. Advisory Committee for Strategy, Development and Large-Scale Investments

The Advisory Committee for Strategy, Development and Large-Scale Investments (CSDPMI), established by means of MB’s Decision No. 27 of August 26, 2013, was initially composed of the following 3 members: Daniela Lulache, Dragos Popescu, and Alexandru Alexe. The structure of the Committee has been subsequently modified; currently CSDPMI is constituted by the following four members of the Management Board (MB): Daniela Lulache, in her role of President of the Committee, Alexandru Alexe, Gabriel Sebastian Tcaciuc, and Dan Popescu.

Advisory Committee for Strategy, Development and Large-Scale Investments carries on analyses and elaborates written recommendations for SNN's MB regarding the following:

- The global strategy for development, retrofitting, upgrading and economical-financial restructuring of the company, along with the main directions of development, the strategic objectives of the company and means of achieving them;
- The approval and implementation by MB of the large-scale investment projects (projects whose estimated value exceeds 5 million Euros), based on the specific documentation analysis.

In year 2013, CSDPMI held three meetings with the following objectives:

- The approval of its own Rulebook of Organization and Operation;
- The formulation of a recommendation for SNN's MB of advisement with the objective of submitting for EGMS SNN's approval of the proposal of Addendum No. 6 to Investment Agreement for Units 3 and 4 CNE Cernavoda; the specific recommendation was aimed at the re-negotiation with the two partners (ArcelorMittal and Enel) of the price for selling/buying option at no more than the nominal value of the shares;
- The formulation of a recommendation for SNN's Management Board of advisement, with the objective of submitting for EGMS SNN's approval of the termination of the works at Unit 5 CNE Cernavoda and of the alteration of the destination and the usage of the spaces and structures already built for other SNN activities.

In year 2014, CSDPMI held four meetings with the following objectives:

- The ascertainment of the existence of insufficient information which would allow a decision to invest in the projects (i) Hydro-electric Plant with pumped storage (CHEAP) Tarnita – Lapustesti and (ii) interlinking undersea cable 400Kv Romania – Turkey;
- Drawing up a recommendation addressed to the Management Board of SNN with the objective of submitting for EGMS SNN's approval, of the strategic elements for developing the Intermediary Warehouse for Dried Combusted Fuel (DICA), with the prospect of extending the life time of Units 1 and 2 and of building Units 3 and 4 of CNE Cernavoda;
- Drawing up a recommendation addressed to the Management Board of SNN for approval of the Product Specification associated to the selection procedure for a private investor in the establishment of a type IPP public-private company in order to implement a "Green/Brown Field" project for the execution of the project at Units 3 and 4 CNE Cernavoda;
- Drawing up a recommendation addressed to the Management Board of SNN for advisement of SNN's Development Strategy for 2015-2025 period.

In year 2015, The Advisory Committee for Strategy, Development and Large-Scale Investments held four meetings in which recommendations to the Management Board were formulated, as follows:

- Regarding the opportunity and the strategic implications of the proposal to waive SNN's participation in the investment projects (i) Hydro-electric Plant with pumped storage (CHEAP) Tarnita – Lapustesti and (ii) interlinking undersea cable 400Kv Romania – Turkey; in the sense of Management Board's advising and, respectively, of the approval by the Extraordinary General Assembly of the Shareholders (EGMS);
- Regarding the opportunity and the strategic implications of the alteration proposal for the destination of the quantity of 75,260.58 kg of heavy water (that of ensuring the first cargo for Units 3 and 4 CNE Cernavoda) for using in the current exploitation activity of Units 1 and 2 CNE Cernavoda, in the sense of advising by MB and the approval by the EGMS, respectively;
- Regarding the Memorandum of Understanding regarding the development, the operation and the decommissioning of Units 3 and 4 from CNE Cernavoda (MoU), in the form proposed by the Negotiation Commission, in the sense of MB's advisement and approval by the Inter-ministerial Commission, respectively, and subsequently, EGMS's approval (two meetings, respectively, a meeting in May 2012, for advising the MoU proposal at the end of the negotiations and a meeting in September for advising the proposal explanatory note of MoU, which was subject to EGMS's approval within the meeting of October 22, 2015).

In year 2016, the Advisory Committee for Strategy, Development and Large-Scale Investments held three meetings in which recommendations for the Management Board were formulated, as follows:

- Drawing up a recommendation addressed to the Management Board of SNN with the objective of submitting for EGMS SNN's approval, of „the continuation of the negotiations regarding the Investment Documents in the same conditions outlined in the Memorandum of Understanding regarding the development, the operation and the decommissioning of Units 3 and 4 from CNE Cernavoda (MoU), for a period of 4 months, starting with May 9, 2016, on condition that all the other provisions of MoU are applied, including the possibility for all the parties to cease the MoU without compensation, by means of a simple written notification to the other Party, in the case an agreement upon the Investment Documents was not attained and inasmuch as the delay was not caused by the respective Party.”
- Drawing up a recommendation addressed to the Management Board of SNN with the objective of approving the Investment Project „Replacement of the control segment of the excitation system of Unit 2 CNE Cernavoda due to the multiple reliability problems”.
- Drawing up a recommendation addressed to the Management Board of SNN with the objective of advising the submitting for EGMS SNN's approval, of „the continuation of the negotiations regarding the Investment Documents in the same conditions outlined in the Memorandum of Understanding regarding the development, the construction, the operation and the decommissioning of Units 3 and 4 from CNE Cernavoda (MoU), until the date of November 30, 2016, on condition that all the other provisions of MoU are applied, including the possibility for all the parties to cease the MoU without compensation, by means of a simple written notification to the other Party, in the case an agreement upon the Investment Documents was not attained and inasmuch as the delay was not caused by the respective Party.”

Based on the analysis of the Advisory Committee for Strategy, Development and Large-Scale Investments, we appreciate that this Committee facilitated the outlining/crystallization of a homogenous and structured approach regarding the strategic directions of development and an adequate programming for the multiannual investment plan of SNN.

## 12. Presence within the meetings held by the Board of Directors

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*2013*

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In 2013, 32 BoD meetings took place, out of which 24 with presence and 8 with electronic vote, according to art 18 paragraph (19) of the Articles of Incorporation of SNN. The BoD members not present at the meetings gave powers of attorney to other BoD members as provided by the Articles of Incorporation.

	Sandulescu Alexandru	Alexe Alexandru	Lulache Daniela	Radu Carmen	Popescu Dan
Total	22	21	24	21	22

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*2014*

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In 2014, 42 BoD meetings took place, out of which 21 with presence and 21 with electronic vote, according to art 18 paragraph (19) of the Articles of Incorporation of SNN. The BoD members not present at the meetings gave powers of attorney to other BoD members as provided by the Articles of Incorporation.

	Sandulescu Alexandru	Alexe Alexandru	Lulache Daniela	Radu Carmen	Popescu Dan
Total	20	17	19	15	17



In 2015, 34 BoD meetings took place, out of which 23 with presence and 11 with electronic vote, according to art 18 paragraph (19) of the Articles of Incorporation of SNN. The BoD members not present at the meetings gave powers of attorney to other BoD members as provided by the Articles of Incorporation.

	Sandulescu Alexandru	Alexe Alexandru	Lulache Daniela	Radu Carmen	Popescu Dan	Stanescu Bogdan *) member of BoD since 29.04.2015
Total	19	20	21	14	20	12

## Conclusions

The major coordinates for the successful achievement of the performance indicators in case of SNN as a nuclear power producer are:

- Nuclear safety of Units 1 and 2 as a top priority, regardless of the market context;
- Achieving the current investments in maintaining and improving nuclear safety and leading on the short and medium term to the improvement of the economic and financial activity of the company;
- Preparation and implementation of general, market, investment and preventive and corrective maintenance strategies in order to ensure sustainable operation and a pro-active approach
- Preparation of commercial and financial policies in order to maintain or increase the profitability of the company, based on opportunities regardless of the external unfavorable factors;
- Analysis of all external factors corroborated with risk management in order to facilitate the implementation of corrective measures, regardless of their nature;
- Systematic internal organization in order to improve nuclear safety culture, corporate culture and corporate governance principles
- Activism in the support of legal and fiscal initiatives aimed at improving the positioning of the company in all areas of interest;
- Implementing corporate governance rules in order to facilitate a transparent decision making process, based on clear rules and objectives;

- The development and support of the Cernavoda NPP Units 3 and 4 Project, as per the Government's strategy, as an optimum investment for SNN considering the economic, financial and strategical advantages of the project for the Romanian energy system based on the attributes of the project and the contribution to achieving the targets of the energy policy.

These were the major coordinated of my mandate. The company's results in terms of operation and production are significant. SNN is currently one of the best performing nuclear operators in the world.

Given that Nuclearelectrica is a participant on the market, subject to current regulations, but also to unanticipated legal and fiscal changes with a significant impact on any company, financial growth and evolution on the capital market are directly dependent on these fluctuations.

Many of the strategies and measures implemented by SNN's management were aimed at offsetting the impact of external factors outside the company's control. Thus, concerning the capitalization of production on the Romania markets, the evolution of SNN's sale price is positive in comparison to the market price, considering the fact that the energy price recorded a massive decrease since 2013. The financial results, apart from the measures to capitalize the production, are, as well, a result of commercial policies and cost improvement in related fields (apart from nuclear safety), of rigorous and pro-active planning of procurement processes, of the planned shutdown periods and of preventive maintenance works.

Nuclearelectrica is currently a company capable of complying to all the requirements of the nuclear industry and, at the same time, to face multiple market, legislative and fiscal challenges, with a solid internal structure, an integrated functional management system and a corporate governance evolved into a corporate culture.