

S.N. NUCLEARELECTRICA S.A.
ANNUAL REPORT
2016

COMPANY MANAGED IN ONE – TIER MANAGEMENT SYSTEM



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1 BASIS OF THE REPORT

The Annual Report of the Administrators of S.N. Nuclearelectrica S.A. for the financial year ended at December 31, 2016 comprises the required information in compliance with:

- ❖ Chapter III of the Public Finance Minister's Order no. 2844/2016 regarding the approval of the accounting regulations compliant with the International Financial Reporting Standards.
- ❖ Art. 227 of the Law no. 297/2004 regarding the capital market.
- ❖ Appendix no. 32 regarding the requirements for the Annual Report, of the Regulation no. 1/2006 regarding issuers and operations with real estate values, issued by National Securities Commission.
- ❖ Government Emergency Ordinance no. 109/2011 regarding corporate governance of the public institutions, as amended and supplemented.

2 IDENTIFICATION DATA

Reporting date:	22 March 2017
Issuer's name:	S.N. Nuclearelectrica S.A. ("SNN")
Social headquarters:	Bucharest, District 1, 65 Polona Street
Telephone/Fax:	+40 21 203 8200; +40 21 316 9400
Web:	www.nuclearelectrica.ro
Email:	office@nuclearelectrica.ro
Tax number with the Trade Register Office:	10874881
Order number in the Trade Register:	J40/7403/1998
Subscribed and paid share capital:	3.015.138.510 lei
Regulated market on which the issued securities are traded:	Bucharest Stock Exchange (www.bvb.ro) Premium Category
Main features of the issued securities:	301.513.851 shares, nominal value of 10 lei/share, dematerialized, nominative, ordinary, indivisible, with equal voting rights, freely transactionable on Bucharest Stock Exchange under SNN symbol starting with 04.11.2013



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3 MESSAGE OF THE BOARD OF DIRECTORS

Year 2016 represented, first of all, a concretization of the nuclear power role through elaboration of National Energetic Strategy and the inclusion of the nuclear development of the capacities into the investment priorities as a part of a solution that could assure the reaching of the targets assumed by the Romanian decarbonizations which are part of the European Union's energetic policy, as well as the conservation and especially the long-term development of a balanced energetic mixture that should permit predictably and flexibly an adequate answer to the national consumption needs.

At the European level, was noticed the commitment of some states regarding the continuation of the on-going nuclear projects or the start of some new similar projects, among which the most significant being the Project Hinkley Point C from the United Kingdom, approved by the French and British Governments at the end of 2016, as well as the project for the expansion of the nuclear plant Paks in Hungary which has been recently approved.

For SNN, one of the major investment projects, moreover the greatest energetic project at national level, is that of continuing the development of Unit 3 and 4 CNE Cernavoda, essential project in ensuring the production capacity of 2025 and subsequently by replacing other conventional capacities whose lifetime will have expired. Relunched in 2014 by a new governmental strategy and a new selection procedure of the investors, for this project the year 2016 represented a negotiation period with the selected investor of some significant issues of the collaboration in order to achieve the investment.

SNN delivered in the system in 2016 a net quantity of 10,367 GWh electrical power from own production. Having a capacity of 83.78%, Unit 1 CNE Cernavoda delivered in the National Energetic System a quantity of 4,766GWh, and Unit 2 CNE Cernavoda a quantity of 5,622 GWh having a capacity of 99.09%. In 2016, through the rate of capacity use of the installed power of 91.6% since its putting into service up to the present, Romania has continued to occupy the first place at the global level as for nuclear power plant. At the nuclear group level, Unit 2 having a capacity of 93.33% since its putting into service occupies the second place in the world, and Unit 1 occupies the ninth position with a capacity of 89.77%.

Also, the international evaluations on CNE Cernavoda showed an excellent level of nuclear security, placing Romania, through CNE Cernavoda, among the best nuclear power plants in the world, in terms of nuclear security. Such level of nuclear security and the insurance of its future preservation implied the achieving of the planned investments for 2016, over



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80% of the total current investments of SNN were directed to the CNE Cernavoda branch. Also, the resources were directed to the refurbishment project of Unit 1, the most complex investment project of the company, which involves a highly rigorous and long-term planning, project that can lead to the prolongation of the initial lifetime of Unit 1 with more than 25 years.

The greatest challenge for a producer as SNN is still the energy market in 2016, the year during which the cost of electric power kept going down on the markets where the producer had access to, reaching the historic minimum of the last years. At present, the Romanian energy market requires new regulations and legislative amendments to lead to the correction of some dysfunctional aspects, which rise obstacles to the most favorable positioning of the producers in Romania, both on national and regional level. The continuous decrease of the energy price during the years 2013 - 2016 is only the effect of a regulation frame, which is not properly correlated with the needs of all resources and the correction of this decreasing tendency, so that to avoid the serious damage of the conventional producers depend entirely on the improvement of the regulation frame at present.

In the absence of some improvements of the regulation frame, the market price either will remain at the last year level in the best case, or will continue to go down similarly to last years decrease, a thing which will have a significant impact on the financial results of SNN, the advancement and finalization of the current investment and the feasibility of major investment projects, on long term. The Board of Directors and the consultative committees created within it adopted the best corporative and transparent governance practices and insured their implementation at all levels of organization in compliance with the capital market legislation and the international standards, the company achieving international recognition being named “Corporate Governance Company of the Year”, awarded by the “The European” publication.

Alexandru Sandulescu
President of the Board of Directors



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4 STATEMENT OF THE CEO

From an operational point of view, the year of 2016 was excellent for Nuclearelectrica as it was ranked by international bodies of independent evaluation as being one of the best companies at globally level, taking into account the functions and the standards for nuclear security.

Similar to previous years, Romania mentained the first place in the world with the two nuclear units, the rank being the capacity from the putting into service up to the present.

The results are relevant for the achievement of the adequate performance indicators, assumed by the company management through the mandate contract. The achievement of a high level of nuclear security implies a very attentive and proactive planning, the predictability of the processes and activities related, complex maintenance programs and current investments undertaken with needs respect on time.

As for the investments, the resources were mainly directed to the current investments from CNE Cernavoda, these having as main objective the nuclear security, which is understood as being the guarantee of all the processes and results, including a predictable financial result, beyond to the market factors.

A special attention was granted to the technical analyzes estimated to be finalized by the end of 2017, and linked to the refurbishment of Unit 1 CNE Cernavoda, analyzes which would allow the company in 2018 to take concrete decisions regarding the period and the duration of the effective outage of Unit 1 for refurbishment, after analyzing the feasibility study of the project. Also, year 2016 was entirely dedicated to the negotiation process with the selected investor about different phases of the selection procedure to continue the Unit 3 and 4 Project.

Nuclearelectrica is a producer on band, aspect related to the used technology and which requires, for the optimally develop of the production, predictability of the energy market, doubled by a regulation frame that lead to a fair climate for all the producers, no matter the sources. In 2016, the energy market in Romania was not subjected to any amendments of the regulations or legislation impacting positively on market, a fact that led to the accentuation of the fluctuations, the continue decrease of the energy price and the establishment of a market structure on which spot market owns 50% of the total market; at its turn, such situation causes a number of approaches and behaviors of favorable market on medium and long term to all participants on market.



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Using a constant strategy adapted to the market, but also taking into account the specificity of a nuclear producer, SNN managed in 2016 to sell its production on different segments of the market at a price in line with the market or above. In terms of market prices lower than in 2015 and a production of electricity also lower due to the necessity of planned outage longer of Unit 1 in 2016, SNN succeeded in achieving an operating profit similar to the previous year. The difference from last year at the net profit is given by the negative impact of exchange rate fluctuations.

In 2016, the management of the company assumed just the idea of allowing the company to benefit optimally from sales, in the context of ever decreasing prices, making a significant investment for the time and value at Unit 1 on the one hand, maintaining high capacity and on the other hand, an estimated increase of production between 1.5% - 2% compared to the previous level.

To maintain the operating results, the exactness of the maintenance and investment programs, a level of adequate predictability of the operations and revenues, and to assure the continuity that is essential to the complex activity of a nuclear producer, it is necessary on a short term, to implement correction measures of the external factors of impact in such a way that the company benefit from a regulation and legislative climate adjusted to the specificity that leads to good results on medium and long term.

Daniela Lulache
Chief Executive Officer



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5 ACTIVITY ANALYSIS

5.1. PRESENTATION OF THE COMPANY

5.1.1. MAIN ACTIVITY OF THE COMPANY

S.N. Nuclearelectrica S.A. (the “Company” or “SNN”) is a national joint-stock company, managed in one-tier management system, having its registered office in Bucharest, District 1, Polona Street, No. 65, and two branches without legal personality. The company’s main activity is the “Production of electric power” – NACE code 3511, and it is recorded in the Trade Register under no. J40/7403/1998, tax number 10874881, fiscal attribute RO.

At present, SNN is the only producer of electricity based on nuclear technology in Romania. Also, SNN produces nuclear fuel bundles, CANDU type, used for the operation of its own nuclear reactors.

CNE Branch (Nuclear Power Plant) Cernavoda, having the main office in Cernavoda, 2 Medgidiei Street, registered at the Trade Registry under no. 13/3442/11.10.2007, ensures the operation of the two nuclear units, based on CANDU technology type, as well as the administration of all SNN assets in Cernavoda (except for Units 1 and 2 in operation, Units 3 and 4 in different construction stages, Unit 5 for which the shareholders of the Company had approved the change of destination since march 2014, namely, its use for carrying out activities related to the operation of Units 1 and 2, and also th heating system). The two units have a installed capacity around 700 MW (MWe 706.5 Unit 1 and MWe 704.8 MWe Unit 2).

FCN Branch (Nuclear Fuel Plant) Pitesti, having the main office in Mioveni, 1 Campului Street, registered at the Trade Registry under no. J03/457/24.08.1998, which produces the CANDU type nuclear fuel bundles for Cernavoda NPP Units 1 and 2.

Unit 1 was commissioned in 1996 and Unit 2 in 2007. The two reactors alone ensure about 17% - 18% of the internal energy production of Romania. The nuclear reactors from the two units are 6 CANDU type, design developed in Canada, by Atomic Energy of Canada Ltd. This type of reactors are cooled and moderated with heavy water and use natural uranium as fuel. The initial project envisages the construction of 5 nuclear units CANDU type.

According to the Government initial strategy, the construction of Cernavoda NPP Units 3 and 4 will be completed by Energonuclear S.A., a subsidiary of SNN. Currently, exist a

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new strategy for the continuation of the Project Units 3 and 4 approved by the Extraordinary General Meeting of Shareholders as of August 22, 2014. Unit 5 is currently completely depreciated, due to the fact that there is no plan for its construction; in march 2014, the shareholders of the Company approved the use of Unit 5 for operating activities of Units 1 and 2.

Units 1 and 2 use, on an annual basis, approximately 11.000 nuclear fuel bundles, each containing 19 kg of uranium. In order to produce the necessary fuel, FCN Pitesti operates at maximum capacity. In 2016, FCN Pitesti branch manufactured 11.002 and delivered to CNE Cernavoda 10.800 nuclear fuel bundles, according to the manufacturing and delivery plan.

SNN represents a stability factor for the energy market in Romania, both through the base load electricity production and the competitive production cost. Although, it is not supported or promoted through compensation schemes, an important part of the energy delivered by SNN was included in the regulated energy basket established by the National Regulatory Authority for Energy (“ANRE”) for 2015 and 2016.

5.1.2. MISSION, VISION, VALUES, OBJECTIVES

Mission



Characteristics:

- ❖ High value of the utilisation factor of the installed capacity; at an equal installed power, a nuclear group produces twice the quantity of power produced by a conventional group;
- ❖ Absence of green house gas emissions;
- ❖ Low dependence of the power cost determined by the changes uranium price, due to its minor importance in comparison with other types of energy;



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- ❖ High technical level of the operating staff, the reasonable level of generation costs;
- ❖ Nuclear energy answer integrally to the safety delivery requirements, durable development and competitiveness.

Vision

Commitment for excellence. Action for results.

Objectives

- ❖ Operation of the nuclear units in safe conditions and nuclear for the staff, population, environment and production assets;
- ❖ Conservation of the power production capacity above the present average level in industry;
- ❖ Accomplishment of the major investment objectives;
- ❖ Improvement of the indicators related to the financial performances of the company.

Values



5.1.3. DATE OF ESTABLISHMENT

SNN was established on July 27, 1998 through Government Decision no. 365/1998, following the reorganization of the Romanian energy system. Before the reorganization, the nuclear power plant was part of RENEL, national vertically integrated company that was divided in different national companies owned by the state. The Company operates under the Romanian legislation and the Articles of Incorporation.

5.1.4. SHAREHOLDING STRUCTURE

The shareholding structure as at 31.12.2016 is as follows:

Shareholder type	Number of shareholders	Number of shares	% Ownership of the share capital
Ministry of Energy	1	248,736,619	82.4959%
Fondul Proprietatea S.A.	1	27,408,381	9.0903%
Other legal entities (ownership under 1%), out of which:	157	16,359,195	5.4256%
- from Romania	134	8,973,372	54.8521%
- from abroad	23	7,385,823	45.1479%
Individual entities (ownership under 1%)	3,166	9,009,656	2.9882%
TOTAL	3,325	301,513,851	100%

5.1.5. SIGNIFICANT MERGERS OR REORGANIZATIONS

During the 2016 financial year, no significant mergers or reorganization of SNN or its controlled companies occurred. The company is not part of a group of companies, except the group of companies generical under the common control of the Romanian State through different entities. SNN directly controls Energonuclear S.A. (“EN”) subsidiary, 100% ownership as at December 31, 2016. Energonuclear branch implemented in 2016 some activity optimization programs in terms of costs, given the continuing strategy of Unit 3 and 4 Project.

5.1.6. ACQUISITION AND TRADE OF ASSETS

During the 2016 financial year, no acquisitions of assets occurred, except those necessary for operating and developing SNN’s activity, reflected in the investment plan and the budget specifically approved. The total expenses for investments in 2016 were in value of 131,6 mil. lei.

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Also, no transfer of assets occurred, except those that became obsolete as stipulated by law and the program to sell Cernavoda NPP employees' service apartments with installments payment. The total revenue from the transfer of the assets in 2016 was in amount of 89 thds. lei.

5.2. ELEMENTS OF GENERAL ASSESMENT

The main financial indicators (based on the audited individual financial statements) and non-financial indicators are presented below:

Indicator - Audited Individual Financial Statements [thousand lei]	2016	2015	Δ % 2016 vs. 2015
Net profit	112,450	149,144	-24.6%
Gross operating profit	159,369	160,139	-0.5%
Turnover	1,648,408	1,749,911	-5.8%
Operating expenses	1,520,852	1,622,858	-6.3%
EBITDA (Operating profit + Amortization)	634,148	653,902	-3.0%
Liquidity (Cash and cash equivalents + Bank deposits)	1,508,788	1,361,218	+10.8%
% market share	17.1%	20.6%	-17.0%

Indicator [lei]	Formula	u.m.	2016	2015
Profit indicators				
EBITDA to total sales	EBITDA/Turnover	%	38.5%	37.4%
EBITDA return on equity ratio	EBITDA/Equity	%	8.4%	8.7%
Gross profit ratio	Gross profit/Turnover	%	7.9%	10.2%
Return on equity	Net profit/Equity	%	1.5%	2.0%
Return on assets	Net profit/Total assets	%	1.2%	1.6%
Liquidity and solvability indicators				
Current liquidity ratio	Current assets/Current liabilities	x	4.89	4.42
Quick liquidity ratio	Current assets - Inventories/Current liabilities	x	4.08	3.65
Patrimonial solvency	Equity/Total liabilities	x	4.08	3.63
Risk indicators				
Indebtness	Borrowed equity/Equity	x	0.17	0.20
Interest coverage ratio	EBIT/Interest expenses	x	8.80	7.79
Activity indicators				
Speed ratio of debits - Customers	Adjusted average balance customers x 365/Turnover	days	31	33
Speed ratio of credits - Suppliers	Adjusted average balance suppliers VAT x 365/Turnover	days	22	27

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Indicator	2016	2015	% 2016 vs. 2015
Gross production [GWh]	11.286	11.639	97,0%
Net production [GWh] – Delivered in SEN	10.388	10.695	97,1%
Average capacity factor (%) – Unit 1	83,78*)	96,92	86,4%
Average capacity factor (%) – Unit 2	99,09	92,23*)	107,4%
Average personnel number	2.008	2.034	98,7%

*) Planned outage year.

The main results of the Company activities:

Nr. Crt.	Indicator [thousand lei]	Executed 2016	Budget 2016	Executed 2015	% 2016 vs. 2015	
0	1	2	3	4	5=2/3	6=2/4
1	Operating revenues	1,680,220	1,700,316	1,782,998	98.8%	94.2%
2	Operating expenses	(1,520,852)	(1,640,639)	(1,622,858)	92.7%	93.7%
3	Operating profit	159,369	59,677	160,139	267.1%	99.5%
4	Financial expenses	(118,995)	(124,549)	(150,843)	95.5%	78.9%
5	Financial revenues	89,991	128,722	169,028	69.9%	53.2%
6	Net financial (expenses)/revenues	(29,004)	4,173	18,185		
7	Profit before income tax	130,365	63,850	178,324	204.2%	73.1%
8	Income tax expenses, net	(17,915)	(22,729)	(29,180)	78.8%	61.4%
9	Profitful for the year	112,450	41,121	149,144	273.5%	75.4%

5.3. PRODUCTION AND SALE ACTIVITY

5.3.1. PRODUCTION OF ELECTRIC AND THERMAL POWER

SNN is an electric and thermal power energy producer, the main activity being that of electricity producer. Thermal power sales revenues represent an insignificant portion in the total operating revenues. As well, SNN is a CANDU type fuel bundle producer, which are entirely used for the operation of Units 1 and 2 CNE Cernavoda.

The power capacity of Cernavoda NPP units in 2016 was lightly influenced by the duration of planned outage of Unit 1, by the meteorological and hydrological conditions (the Danube cooling water temperature, the level of the intake tank, air temperature etc.) by fuel recharges and unplanned outages of Unit 1 for about 83 hour in the period November 8, 2016 – November 12, 2016, caused by a breakdown of evacuation line of 400KV in the National Energetic System, occurred due to the bad weather in the area.

The annual energy quantity that SNN can produce through its two Cernavoda NPP units is



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approximately 10,7 TWh (netto), given the fact that the units are operated at a high capacity factor. The energy produced by SNN had a market share of approximately 17% within the total energy produced in Romania.

Power production for 2015 – 2016:

Output	2016			2015		
	Unit 1	Unit 2	Total	Unit 1	Unit 2	Total
Gross production (GWh)	5,196	6,090	11,286	5,997	5,642	11,639
Net production (GWh)	4,766	5,622	10,388	5,505	5,204	10,709
Capacity factor (%)	83.78	99.09	91.44	96.92	92.23	94.15

The planned and unplanned outages for each unit:

Event	Number outage days	
	2016	2015
Planned outage U1	50.46	4.40
Planned outage U2	-	24.20
Subtotal planned outages	50.46	28.60
Unplanned outage U1	3.47	1.74
Unplanned outage U2	-	-
Subtotal unplanned outages	3.47	1.74
TOTAL	53.93	30.34

The number of hours of unplanned outages was within the number estimated hours according to the 2016 production plan.

In 2016, the planned outage of Unit 1 lasted for about 51 days, longer than the length of a planned outage, which lasts 30 days (average) as result of some supplementary maintenance work at the steam generator. This is a standard procedure, implemented by nuclear plants of 6 CANDU type at the global level, that takes place once during the whole initial lifetime of a nuclear plant, depending on the analysis of the technical data, for improving the technical efficiency and managing of some risks in mining.



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5.3.2. THE MAIN MARKETS FOR EACH PRODUCT AND THE DISTRIBUTION METHOD

SNN operates only on the Romanian market, being the only nuclear power producer in the country.

The electricity was sold based on production license, as follows:

- ❖ On the regulated market through contracts concluded with last resort suppliers with view to supply energy for their consumers at regulated tariffs;
- ❖ On the competitive market through sale-purchase contracts on the markets administrated by the market operator OPCOM S.A.: mainly PCCB – LE si PCCB - NC (centralized market for bilateral contracts; the method of transaction of the extended tender contracts/transaction method according to which the contracts are distributed by continuous negotiations), PZU (the following day market) and PCSU (the centralized market for universal service);
- ❖ On the Balancing market administered by Transelectrica, in case of positive unbalance;
- ❖ Through negotiated sale-purchase contracts. Nuclearelectrica has only one such contract concluded with Transelectrica in the quality of captive consumer for the consumption of the Cernavoda 400 kV station (approximately 1.000 MWh/year).

The thermal energy produced and sold both in 2016 and 2015, through CNE Cernavoda, was delivered to the local supplier of thermal power and to several end consumers in Cernavoda and CNE site area. In Cernavoda area, SNN is the only producer that delivers thermal power in the centralized heating system.

Contracts on the regulated market

During its energy production activity, the Company has concluded sale-purchase contracts with suppliers established by ANRE with a view to supply their captive consumers with the energy quantities established in compliance with the regulations issued by ANRE.

The terms of the above mentioned contracts were established in compliance with the provisions of the sale-purchase framework agreement concluded between the energy producers and the suppliers of the captive consumers, approved by ANRE Oder no. 22/2005.



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The Company has the obligation to apply to the regulated contracts specific to the energy market these are concluded on, the regulated prices approved by ANRE periodically.

The regulated market represents a specific category of sales because the buyers and contracted quantities are annually established by ANRE, as well as the selling price. Also, the contract clauses are strictly established by the framework agreement for the regulated market, elaborated by ANRE. The regulated contracts were concluded in 2010 for a three-year period and starting 2013 have been annually extended by addendums, with the last resort suppliers, in order to supply consumers under the regulated regime.

In 2016 the energy quantity sold on regulated contracts represented approximately 13.9% of the total sales, SNN reducing its dependency on the regulated contracts compared to 2015 when this percentage was 20.8%. The sales revenues on the regulated market in 2016 represented approximately 14.6% in the total revenues, while in 2015 these represented 21%.

The evolution of quantities sold on the regulated market in 2013 - 2016:

Indicator	2016	2015	2014	2013
Energy sold by SNN (GWh)	10,457	10,824	10,876	11,013
Production share sold on the regulated market	13.9%	20.8%	34.4%	48%
Energy sold on the regulated market (at national level) (GWh)	4,200	6,410	9,000	15,338
SNN share in total regulated market	35%	35%	42%	35%

Sale contracts on the competitive market administered by OPCOM

The bilateral contracts are concluded as a result of bidding organized on the OPCOM platform, in conditions of transparency. The markets on which bids were unfolded for bilateral contracts in which SNN took part in 2016 are PCCB (centralized market for bilateral contracts) and PCCB-LE (centralized market for bilateral contracts of electric energy – extended bidding of contract trading modality), PCCB-CN (centralized market for bilateral contracts with continuous negotiation) and PCSU (centralized market for universal service).

The average price on the centralised market of bilateral contracts registered significant fluctuations in 2016: from a maximum price of 167.88 lei/MWh in the first quarter to a minimum of 160.94 lei/MWh in the fourth quarter. The prices for each month in 2016 being majorly influenced by the weight of renewables in the National Energy System, as well as



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hydro as well as the decreasing price of regional transport of electricity (Tg) starting with July of 2016 (with 2.7 lei/MWh). The average price for the contracts concluded on the OPCOM markets with delivery in 2016 was 0.37% higher than the one registered in 2015.

Energy sale-purchase contracts on PZU (following day market) and PI (intraday market)

The company can engage transactions on the Centralized Electric Power Market for the Next day based on the convention concluded with OPCOM. On PZU, OPCOM acts as central counterparty, being the sole buyer of the energy sold by the Company. The discounts for the transactions on PZU are concluded only with OPCOM and are done in a quick manner (2-3 days from the delivery).

PZU does not represent a primary market to SNN, the quantities sold on this market being relatively reduced, but they have increased lately considering PZU market share in total market. On PZU are traded the quantities of energy available for sale and which were not already contracted on the regulated market or bilateral contract market on the platforms administered by OPCOM.

The energy sold on spot market (PZU and PI) by SNN represented approximately 28.7% of the total sales in 2016, in comparison with 10.2% in 2015. The increase was generated by the predominance of poor contracting in second semester, due to some low prices on the spot market, cumulated with the increase of PZU market rating, things that did not motivate contract request on the futures markets.

Also, SNN used PZU in its quality of buyer of the energy quantities necessary throughout the unplanned outages of the units. The purchased quantities are not significant.

Generally, the prices on PZU have an increased volatility, being massively influenced by the renewable sources. As a consequence of integrating these sources into the National Energy System, increased transactions on PZU were noticed, being preferred by suppliers and traders instead of swap contracts.

Spot market shows uncertainty about the quantities available and a higher risk pricing, as was found in January 2017. According to the preliminary data published by OPCOM, the price on PZU had the average value of 149.74 lei/MWh in 2016 in comparison with 161.91 lei/MWh in 2015 following a general European tendency, the price registered by OPCOM being with 8% lower than the European mean of 36 euro/MWh.



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Convention to participate in the green certificate market

The company has the right to take part both in the centralized green certificate market and bilateral green certificate contract market, based on the Convention of participation on the green certificate market, concluded on November 22, 2010, renewed on September 12, 2014 for an indefinite period. This Convention was concluded between the Company as participant, OPCOM as administrator of the green certificate market and Transelectrica, as transport and system operator.

The green certificates acquisition obligation depends on the volume of electricity supplied by the Company to the end consumers. Given the fact that the Company has only one supply contract concluded with the end consumers (the contract concluded by the Company with Transelectrica for approximately 1.000 MWh/year, the number of green certificates purchased by the Company is low.

The balancing market

The company participates to the Balacing market and it is a Responsible Party in Balancing according to the Convention concluded on November 28, 2005 with the system and transport operator, Transelectrica S.A., whose object is to sell and purchase electricity between parties as a result of production/consumption unbalances of the Company which were compensated for by Transelectrica S.A. on the Balancing market, as per the applicable legislation.

Starting with June 24, 2016, the Company has delegated the responsibility for balancing the PRE Ciga Energy S.A., after following a competitive procedure for the award, on joining the pre broadest which have resulted in reducing net costs related to imbalances in SNN system induced by mutual compensation of individual imbalances and efficient distribution of costs and benefits among participants PRE Ciga Energy S.A.

The Company sells an insignificant quantity of the balancing market, this being due to mainly due to aspects of production planning, notification of quantities, technical variations or differences uncontracted in the spot market.

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The weight of each category in the energy sales revenues and operating revenues for 2015 – 2016:

Indicator [thousand lei]	2016		2015	
	[thousand lei]	%	[thousand lei]	%
Sales revenues, out of which:	1,647,630	98.06%	1,748,669	98.07%
Electricity sales revenues	1,618,730	98.25%	1,671,319	95.58%
Green certificates sales revenues	17	0.00%	7	0.00%
Thermal power sales revenues	2,022	0.12%	2,096	0.12%
Electricity transport revenues	26,861	1.63%	75,247	4.30%
Other operating revenues	32,589	1.94%	34,329	1.93%
TOTAL operating revenues	1,680,219	100%	1,782,998	100%

No new products/new services for which a considerable volume of assets would be necessary are taken into consideration for the next financial year.

5.3.3. THE EVOLUTION OF SALES ON THE INTERNAL AND/OR EXTERNAL MARKET AND LONG AND MEDIUM – TERM PERSPECTIVES

Evolution of the sales on the main markets for the last two years, both quantitative and as value:

Indicator [lei]	2016		2015	
	GWh	Value [thousand lei]	GWh	Value [thousand lei]
Electricity sales, out of which:	10,458	1,618,747	10,824	1,671,325
Regulated contracts	1,455	236,675	2,252	357,308
Contracts on the free market	9,003	1,382,072	8,572	1,313,971
- OPCOM ontracts	5,975	964,387	7,420	1,161,278
- PZU/PI	3,001	415,873	1,108	152,062
- Balancing market*)	27	1,812	44	631

*) Values related to the positive unbalances on the Balancing Market, according to the conventions concluded with the system and transport operator Transelectrica S.A. and internal settlement results in PRE Ciga Energy.

The quantities of energy sold monthly, based on contracts, varied insignificantly, from one quarter to another, compared to production prognosis. Thus, smaller quantities of electricity were sold in the second quarter, when the production was reduced during the planned outage of Unit 1, between May 6, 2016 - June 26, 2016.

At the same time, SNN delivers thermal energy in Cernavoda, the related revenues being

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insignificant in total revenues (2.02 mil. lei in 2016 and respectively 1.6 mil. lei in 2015). Regarding the delivery obligations based on regulated contracts, according to the gradual liberation policy of the market applied SNN will deliver electric power on the regulated market until the end of 2017.

5.3.4. THE SITUATION ON THE COMPETITIVE MARKET, THE WEIGHT OF PRODUCTS ON THE MARKET AND MAIN COMPETITORS

The participants to the Romanian energy market which are certified by ANRE are:

- Energy producers;
- Electricity Transport Company - Transelectrica S.A.;
- Energy distributors;
- Energy suppliers.

Supply of electricity was conducted during 2016 on two market segments: the regulated market and the competitive market.

Until the date of this Report, there is no data published by ANRE regarding the energy market in 2016, on December 31, 2016. According to the statistical centralized data by Transelectrica S.A. so far, in 2016, the SNN production represented 17.07% of the total electricity produced in Romania.

The structure of the gross energy production at national level is as follows:

Structure of the energy production	2016		2015	
	GWh	%	GWh	%
Conventional power plants	26,568	40.2%	28,238	43.0%
Hydro power plants	19,698	29.8%	16,686	25.4%
Nuclear power plants	11,286	17.1%	11,639	17.7%
Wind power plants	6,725	10.2%	7,106	10.8%
Photovoltaic power plants	1,844	2.8%	1,987	3.0%
TOTAL	66,121	100%	65,656	100%

Source: National Institute of Statistics – Press release no. 37/2017

The estimated gross energy production in Romania increased almost 0.7% in 2016 compared to 2015 while the estimated consumption increased with 4.2%. In 2016 the

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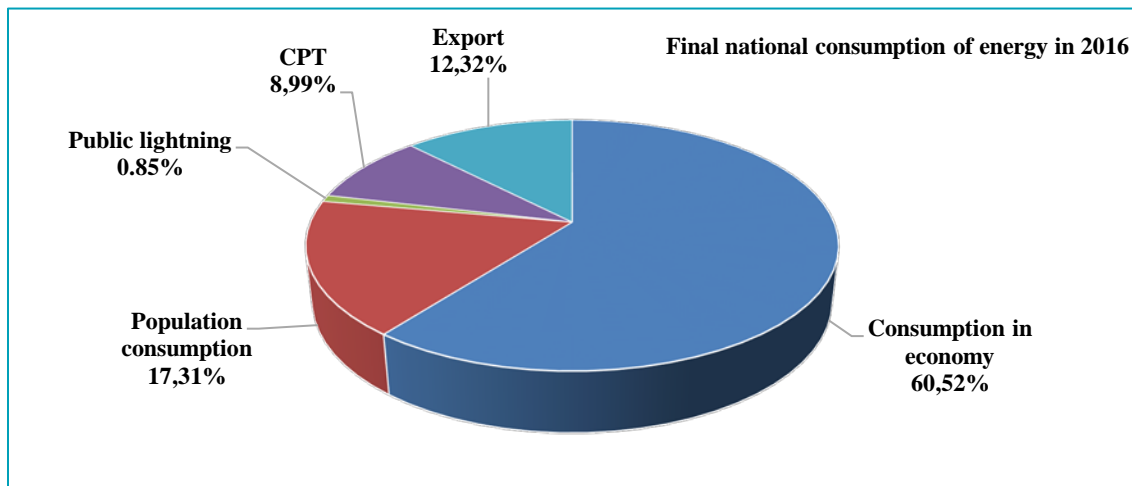
export on national level decreased with 18.2% compared to the value of the year before, reaching a value of 8.587 GWh, representing 71% of volume consumption, which is 12.066 GWh, from a total national consumption of 54.840 GWh.

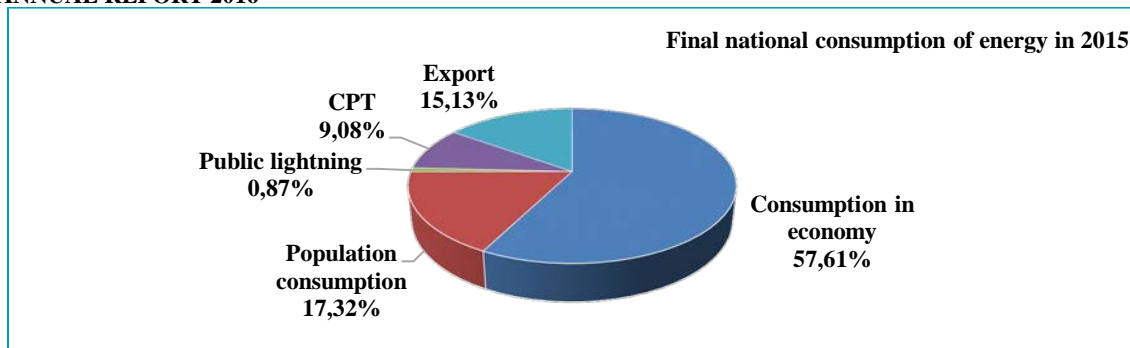
In 2016, the weight of the energy sold by SNN on the regulated market, in the total of the energy contracted on this market, was 35.7% (source: ANRE Report). Throughout 2016 the gradual liberalization of the energy market continued and ANRE reduced SNN’s market share for the regulated market down to 14.4% of the 2016 production and established a new regulated price. Thus, in 2016, SNN had a supplementary participation on the competitive market compared 2015, which, however, did not ensure a higher profit margin compared to the previous year as the energy price was significantly influenced downwards by the impact of the renewable resources.

Throughout 2016, the quantity of electricity sold by SNN was 10.457 GWh (including the quantity sold on the balancing market), while in 2015 the sold quantity was 10.824 GWh, including the balancing market.

Therefore, if in 2015, SNN sales represented nearly 20.6% of the final energy consumption needs, in 2016, SNN sales represented nearly 19.07 % of the final energy consumption of the national economy, which was 54.840 GWh (up to 4.2% more than in 2015).

The structure of the final national consumption of energy in 2015 and 2016:





Source: National Institute of Statistics – Press release no. 37/2017 (CPT: technological consumption in networks and stations).

5.3.5. DEPENDENCY ON A SINGLE CLIENT OR GROUP OF CLIENTS

In 2016, the weight of the energy sold by SNN on the regulated market in the total of the energy traded on this market was 35.7% (source: ANRE Report). Throughout 2016 the gradual liberalization of market continued, and ANRE lowered SNN share for the regulated market down to 14.4% of the 2016 production and established a new regulated price.

In 2016, SNN concluded on the markets administered by OPCOM 196 energy sale contracts with 43 buyers (there were situations when the same buyer won several bids). Out of the 43 buyers on the competitive market, only 16 bought energy quantities that exceed for each 1% of the total sales of SNN. The first three buyers, based on the volumes of energy purchased from SNN, purchased a total of 29.9 % of the sold energy; the first buyer overtook 13%, and the second 11.8%. Due to the organization of the electricity market and considering the exposure to clients on the competitive market, the Company does not consider that there is a dependency on a single client or a group of clients.

Based on the Convention to participate on the PZU, SNN sold in 2016 to OPCOM (which acts as central party on PZU). Sales on PZU represented 28.7 % of the total volume of energy sold by SNN in 2016. It cannot be concluded that there is a significant dependency on a single client or group of clients, the loss of which would negatively impact revenues.

5.4. THE TECHNICAL – MATERIAL SUPPLY ACTIVITY

The technical-material supply regarding materials and products necessary to unfolding the activities is achieved by both indigineous sources and imports.

SNN has the supply sources for the unfolding in good conditions of its activity, and the inventories of raw material and materials are accordingly dimensioned to ensure the



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continuation of operation of the 2 Nuclear Units in Cernavoda, and for the nuclear fuel manufacturing at FCN Pitesti.

SNN, in its quality of Contracting Authority, defined according to the provisions of Emergency Ordinance no. 99/2016, regarding the awarding of procurement, has the obligation to acquire the products, services or workings necessary to unfolding its relevant activity through awarding procedures that unfold according to the provisions of the mentioned normative act, mostly open bid, competitive negotiation or simplified procedure.

In this context, throughout 2016, SNN initiated and unfolded 333 awarding tendering procedures for acquisition of goods, services and works, with an estimated cumulated value of 1.540.521.846 lei, equivalent of 345.408.485 euro.

In total, in 2016, for both headquarters and subsidiaries, 302 contracts for public/sectorial procurement were concluded.

The most important contracts completed in 2016 grouped on types of contracts are presented below.

Supply contracts concluded by SNN in 2016

The technico-material purchase activity is linked to:

❖ CNE Cernavoda branch: the necessary products (consisting, as appropriate, equipment, spare parts, materials, consumables, etc.), resulted from the evaluation of preventing and corrective maintenance programmes, in appropriate case, from the investment programme for Unit 1 and 2 of CNE Cernavoda, including the common objectives of the 2 Units (for example the Intermediary Warehouse for Burnt Fuel – “DICA”). A very important issue is the acquisition of the critical spare parts. They are necessary for the equipment whose defects can lead to the decrease of the nuclear security system redundancy and incidents that can endanger the environment and the staff health, can cause operation transients or the necessity to reduce the power, or can generate major flaws of the important equipment of the Power Plant;

❖ FCN Pitesti branch: the annual demand for the operating year to realize the annual Plan of fuel production, including the purchase of the reserve, according to the Company Strategy. A great importance is given to the acquisition of raw materials consisting UO₂ powder, as well as semi-finished products made of Zircaloy 4 (tubes, round bars, sheet,



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wire) used for the manufacturing of the fuel.

In 2016, the Company concluded a series of supply contracts of raw materials, spare parts, components and equipments, among which the most important are:

- ❖ Contract no. 30 from January 29, 2016, having as object the delivery of 120,000 +/- 0.5% kg natural uranium as sintetising UO₂ powder, in value of 62,040,000 lei, concluded with Cameco Inc., representing an exception to the application of the Government Ordinance no. 34/2006, art. 245, having as competitors the two qualified suppliers of SNN, respectively Cameco Inc. and CNU S.A.;
- ❖ The master agreement no. 159 on March 11, 2016, having as objects the delivery of respiratory protection equipment for CNE Cernavoda employees, in estimated value of 4,157,965 euro, with a duration of 48 months, concluded with S.C. Mate Fin S.R.L., based on an open tender procedure;
- ❖ Contract no. 624 on July 8, 2016, having as object the supply of 120,000 +/- 0.5% kg natural Uranium as sintetising UO₂ powder, in value of 51,384,000 lei, attributed to the company Cameco Inc., as exception to the application of Law no. 99/2016 regarding sectorial acquisitions, based on art. 39 (1b), having as competitors the two qualified suppliers of SNN, namely Cameco Inc. and CNU S.A.;
- ❖ Contract no. 1087 on December 5, 2016, having as object the delivery of 17 tons of heavy water to complete the technological need of Unit 1 and 2 from CNE Cernavoda, in value of 31,313,150 lei, concluded with the National Administration of State Reserves and Special Problems (“ANRSPS”) – Territorial Unit 515 Bucharest, after the unfolding of a negotiation process without a previous invitation to a competitive tender;
- ❖ Contract no. 1102 on December 12, 2016, having as object the delivery of bars and sheet (flat band) made of Zircaloy necessary to the manufacturing of the nuclear fuel (the necessary quantities for 4 years), in value of 5,971,980 euro, concluded with AREVA NP SAS, after an open tender procedure;
- ❖ Contractul no. 1180 on December 23, 2016, having as object the delivery of 120,000 +/- 0.5% kg de natural Uraniu UO₂ sintetising powder, in value of 44,829,600 lei, attributed to Cameco Inc., by exception to the application of Law no. 99/2016 regarding the sectorial acquisitions, based on art.39 (1b), having as competitors the two qualified suppliers SNN, respectively Cameco Inc. and CNU S.A.



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Services contracts concluded by SNN in 2016

The Company has two subscriptions with National Administration of Romanian Waters, in quality of sole operator: subscription no. 2/2016 for 2016 (RUEC 1392/30.12.2015) having as object: usage of the Danube cooling water for the nuclear of the power plant of a value of 56,504,592 lei and subscription no. 908/2016, to which addendum no.4 was concluded for 2016 (RUEC 614/04.07.2016), having as object the take back of used waters of a value of 8,044,112 lei. The two effective subscriptions followed entirely the model of the usage/exploitation framework subscription of water resources, approved by Ministry of Environment and Water Management Order no.798/2005.

The most important contracts of service concluded by SNN in 2016 are:

- ❖ Contract no. 88 on February 11, 2016, having as object for Watching Services of the behavior in time of the buildings with nuclear destination for Unit 1 and 2 CNE Cernavoda, in value of 2,189,280 lei, conclude with Regia Autonoma Tehnologii pentru Energia Nucleara (“RATEN”) – subsidiary Centrul de Inginerie Tehnologica Obiective Nucleare (“CITON”), based on an open tender;
- ❖ Insurance policy liability for nuclear damage concluded with Nuclear Risk Insurers Limited for the period June 1, 2016 – May 31, 2017, in amount of 964,000 usd, based on a negotiated procedure without prior publication of a contract notice;
- ❖ Insurance policy for the property - Unit 1 and 2 CNE Cernavoda – for material damages, all the risks, including the material and mechanical damages, concluded with Nuclear Risk Insurers Limited for June 1, 2016 – May 31, 2017, in value of 1,871,349 usd, based on a negotiation procedure without a previous publication of the contract notice;
- ❖ Contract no. 240 on April 4, 2016, having as object Medical Assistance for SNN staff (headquarter and branches), for a period of 48 months, in value of 9,180,500 lei, concluded with Unirea Medical Centre, based on an open tender procedure;
- ❖ Contractul no. 626 on July 12, 2016, avand having as object Services for unconformed nuclear material processing that contain natural uranium resulted from FCN Pitesti branch, with the purpose to recover the sintetising UO₂ powder of uranium, in value of 4,090,000 lei, concluded with The National Company of Uranium S.A., by exception to the application of Law no. 99/2016 regarding sectorial acquisition, art.39 (1b), having in competition the two qualified suppliers of SNN (Cameco Inc. and CNU S.A.);



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❖ Contract no. 650 on July 25, 2016, having as object the specialized technical assistance services for repairing the pumps and engines belonging 43210 and 43230 systems from Unit 2 CNE Cernavoda, in value of 615,000 euros, concluded with Ansaldo Nucleare SpA, based on a negotiation procedure without a previous publication of the contract notice.

Working contracts concluded by SNN in 2016

During 2016, the Company concluded a number of contracts of workings, and the most important are:

❖ Contract no. 886 on October 6, 2016, having as object the Priority works 2 – phase 1, to complete the Physical Protection System (“PPS”) of CNE Cernavoda in order to maintain the continuous operation of the critical installations in vital structures, in case of threats outside the project areas, in value of 6,436,253 euro, concluded with UTI Grup S.A., based on based on a negotiation procedure without a previous publication of the contract notice, according to provisions of art.102 (e, h) of Emergency Government Ordinance no. 114/2011;

❖ Contract no. 625 on July 8, 2016, having as object Works for achieving the Module 8 and 9 construction, type MACSTOR 200, the preparation of the foundation rock and the completion concrete pouring for Module 10, related to Intermediary Warehouse for Burnt Fuel (“DICA”), in value of 27,860,679.54 lei, concluded with Asocierea General Concrete Cernavoda S.R.L – Titan Echipamente Nucleare S.A., based on an open tender.

5.5. HUMAN RESOURCES ACTIVITY

The activity unfolded throughout 2016 in the field of human resources has as main objectives:

- ❖ The maintenance of personnel stability and the increase of its involvement degree by means of adequate instruments of both financial and non-financial motivation;
- ❖ The maintenance of an open and efficient dialogue between the administration and social dialogue partner - the Unions.

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5.5.1. NUMBER, LEVEL OF TRAINING AND THE DEGREE OF UNIONIZATION OF THE LABOR FORCE

Average number of employees with labor contract in 2014 – 2016:

Indicator*	2016	2015	2014
Average number of employees, out of which:	2,008	2,034	2,084
- Undetermined duration	1,985	2,021	2,078
- Determined duration	23	13	6

Note (*): Average number of employees according to SI reporting – Statistics.

Structure of personnel according to the level of training (studies) for 2014 - 2016:

Studies*	2016	2015	2014
University degree	931	923	918
High school degree	1,111	1,140	1,174
TOTAL	2,042	2,063	2,092

Note (*): Reporting was prepared considering the position held by the employee.

At December 31, 2016, within SNN are 4 unions:

- ❖ “CNE Cernavoda” Union, representative union, as per Decision no. 60/12.10.2011 of Medgidia Court House;
- ❖ The Free Union “Energetica Nucleara ’90” Cernavoda (SLEN’90);
- ❖ “Fabricatie Combustibil Nuclear” Pitesti Union;
- ❖ „Operator”Cernavoda Union.

At December 31, 2016, nearly 72% of the employees were union members (1.471 employees were members of a total number of 2.042 employees).

The training programmes of Cernavoda NPP personnel were assessed by a WANO (World Association of Nuclear Operators) team of experts who appreciated the compartment leaders’ involvement into the performance improvement by training.

The work security and health personnel program controlled the accident and/or professional disease risks. With one exception, all performance indicators qualified as excellent. The indicator “The rate of work accidents” increased in the second half of 2016, due to two labor accidents occurred while walking along the passage ways inside the buildings from CNE Cernavoda.



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As a result of OSART verification in 2016 a suggestion of the improvement of identification and correction instruments of the working place deficiencies was made, especially the dismissal/correction of stumbling and falling dangers.

5.5.2. THE RELATIONS BETWEEN MANAGEMENT AND EMPLOYEES

The rights and obligations of the employees are stipulated in the Collective Work Agreement (“CCM”) of SNN, in the Individual Work Agreements („CIM”) and in the Internal Rules of the Company. The rights and obligations of employees stipulated in the CCM are formulated in full compliance with human rights, the right to work in accordance with applicable law, employees benefiting from equal treatment, without discrimination, corresponding to the international standards of the nuclear industry, in conjunction with the legislation and motivational packages tailored to the macro- and micro-economic specificity in Romania.

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

The normative act that governs the labor relationships in the company is the Labour Code - Law no. 53/2003, as amended and supplemented, under which, during 2016, between the Company's Board of Directors and its employees, represented by the CNE union (union which is representative at the unit level unit and is legal entity), a new CCM was negotiated, registered at the Ministry of Labour on 23.11.2016, and with effects in the period 01.12.2016 - 30.11.2018. At the same time, the new collective work agreement includes the provisions stipulated in other normative documents which governs work relations, for example: the Law no. 62/2011 regarding social dialogue, republished, Law no. 319/2006 regarding occupational health and safety, etc.

The company currently uses a standardized individual work agreement both for the employees hired for a determined period of time and for the employees hired on undetermined term. The standardized individual work agreement respects the provisions of the Order no. 64/2003, regarding the individual work contract.



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

The internal rules of the Company, in force since February 1, 2013 contain all the provision categories provided by the Labor Code. The internal rules were made available to the employees on the Intranet page of the company and have full effect on the employees since the date of the publication.

Within the Company, in 2016 there were no collective layoffs and no collective work related conflicts. Currently, there are no plans for personnel reduction/restructuring.

5.6. THE ACTIVITY RELATED TO ENVIRONMENTAL PROTECTION

Currently, the Company owns certifications for environment protection system, as follows:

CNE Cernavoda Branch

❖ The Environment Authorization no. 1/26.05.2008 issued by the Ministry of Environment and Sustainable Development for the operation of Cernavoda NPP Units 1 and 2, valid until 05.01.2019. The Authorization covers all the assets and activities related to the operation of Cernavoda NPP Units 1 and 2, including both the nuclear component of the plant and the classic one. The authorization was issued without a compliance program.

❖ The Authorization regarding the greenhouse gas emissions no. 8/01.02.2013, issued by the National Agency for Environment Protection for the period 2013 - 2020 which states that the Startup Thermal plant, the Backup Diesel Groups and the Emergency Diesel Group so each unit as well as the motor pump for the fire extinguishing system fall under the legislation regarding the reduction of greenhouse gas.

❖ Water Management Permit no. 131/01.06.2016 issued by the National Administration "Romanian Waters" on "Water supply and sewage disposal for Units 1 and 2 of Cernavoda Nuclear Power Plant" valid until 31.05.2019.

❖ Water Management Permit no. 275/05.12.2016 issued by the National Administration "Romanian Waters" on "Cernavoda Spent Fuel Storage Facility (DICA)" valid until



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05.12.2019. This permission National Administration "Romanian Waters" to give the Company the right to use hydraulic structures and receptors for drainage of rainwater from the surface Repository Spent Fuel and evacuate rainwater Valley Cismelei, provided that quality indicators related to this element radioactive respect the limits set by CNCAN.

FCN Pitesti Branch

The Environment Agreement issued by the Ministry of Environment and Forests and approved by the Government's Decision no. 1061/2011, valid until February 28, 2015, issued with a compliance plan, the procedure of reauthorization is in progress.

During 2010-2013, FCN Pitesti carried out an extensive modernization process for the manufacturing of the nuclear fuel for the two units of Cernavoda NPP. For this purpose, the construction of an additional production hall started (Hall V). The construction of this hall is subject to an action started in 2011 by the European Commission. The cause number 2011/4188 regarding the failure to comply with the provisions of European Union law related to the evaluation of the effects of certain public projects on the environment is still underdevelopment. As a result of the transmission of the supplementary information regarding the issuing procedure of the Environmental Agreement for the FCN project named "Construction of a technical annex for ventilation equipment and chill platform", on May 26, 2016, the European Commission adopted a resolution to file away Clause no. 2011/4188.

The Company holds certificates on environmental management system, as follows:

- ❖ Certificate no. 56/2016 regarding the Environment Management System of SNN - CNE Cernavoda branch for the production of electrical and thermal energy, using nuclear resources as well as for connected activities, as per the provisions of the SR EN ISO 14001:2005 (ISO 14001:2004) standard, issued by IQNet and SRAC on July 19, 2016 and valid until September 15, 2018.
- ❖ Certificate no. 4309/2016 regarding the Environment Management System of SNN – FCN Pitesti branch for the nuclear fuel manufacturing process, in accordance with the conditions of the EN ISO 14001:2004 standard, issued by IQNet and SRAC at October 25, 2016 and valid until September 15, 2018.

The impact of the operation of the NPP on the environment is constantly monitored and reported in accordance with the requirements of the operation and environment authorizations. For both branches, the company observed during 2016 the limits for



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pollutants set in environmental permits.

The positive results recorded in 2016, in environment protection field include:

- ❖ Lack of events with impact on the environment, population and staff;
- ❖ 100% timely report to the environment authorities;
- ❖ Lack of penalties and non conformities from local authorities, external independent auditors, following the control activities performed at Cernavoda NPP.

According to the Investors Agreement, SNN was responsible for obtaining the environmental approval for the investment “Continuation and completion of works at Units 3 and 4 of Cernavoda NPP”. The procedure for obtaining the environmental approval was started in 2006 and ended in September 2013 when the environmental approval was issued. According to the specific environmental legislation for nuclear premises, the environmental approval was issued by Government Resolution no. 737/2013.

In 2016 the total volume of solid radioactive waste, for both units, was 92.7 m³. Totally, till today, during 1996 - 2016 the total volume of solid radioactive waste, for both units, is of 867.26 m³.

The waste is stored within the protection fence of Cernavoda NPP, inside the Intermediary Storage for Solid Radioactive Waste.

Cernavoda NPP's policy for managing used fuel is as follows:

- ❖ Wet storage in the used fuel pool of the unit for a period of minimum 6 years.
- ❖ Dry storage for spent fuel in intermediate storage for a period of 50 years.

Spent Fuel Storage Facility ("DICA") is on the Cernavoda NPP site, transport being made on an internal road that allows maintenance of physical protection systems integrated.

The deposit is gradually built according to DICA Strategy for long term development. Currently, there are 7 modules MACSTOR 200 type, with 12,000 bundles/module capacity.

During 2016, were transferred to DICA a number of 4,848 fuel bundles from Unit 1 and



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5,372 bundles from Unit 2.

FCN Pitesti monitors the gaseous radioactive effluents in the atmosphere through the dispersion chimneys as well as the liquid effluents in accordance with the conditions stipulated in the authorizations. As per these conditions, FCN Pitesti may release a volume of maximum $10^9 \text{m}^3/\text{year}$. The volume of gaseous radioactive effluents released in the atmosphere in 2016 represented 73.64% from the authorized volume.

FCN Pitesti transferred in 2016 a volume of 450m^3 liquid radioactive effluents to the Cleaning Station of the Nuclear Research Institute (SE-ICN), which represented 22.5% of the maximum authorized volume.

It was transferred to the treatment of radioactive waste treatment station Nuclear Research Institute (STDR-ICN) a volume of 240m^3 of radioactive liquid waste, which is 30% of the limit value in the environment authorization ($800 \text{m}^3/\text{year}$).

34,223 kg were generated non-incinerable radioactive solid waste (DSRN) and 2,489.4 kg of radioactive solid waste incinerator (DSRI). Transfers were performed five non-incinerable radioactive solid wastes (DSRN) to deposit the final disposal of low-level radioactive solid wastes from CNU, Feldioara branch, the amount of 36,686.2 kg DSRN. Also 2,599.4 kg were transferred to radioactive solid waste incinerator (DSRI) for the treatment by incineration in STDR-ICN Pitesti.

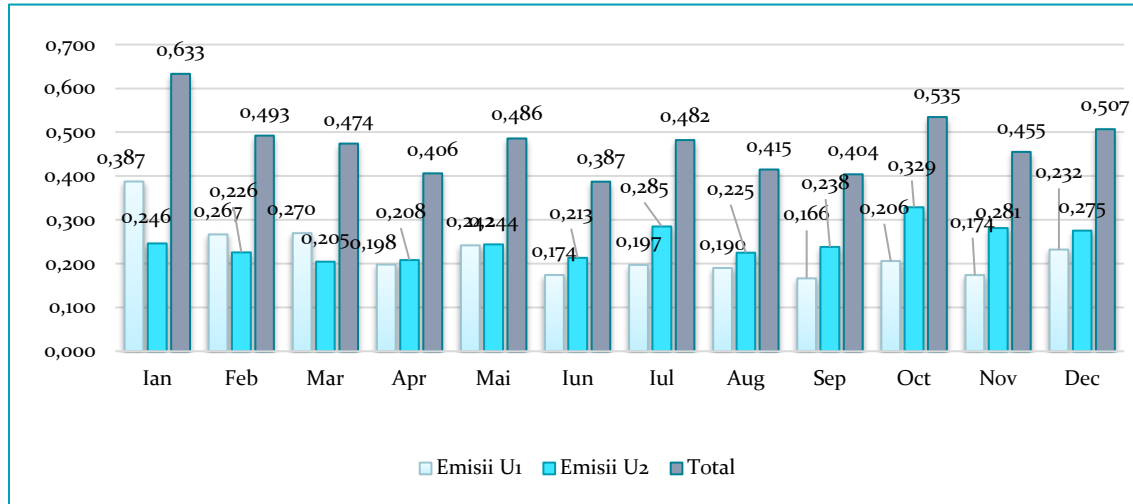
5.7. RADIOPROTECTION PROGRAM

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

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

The radioactive emissions into water and air were kept quite below the authorized limits. The annual average dose received by a member of the critical group, due to the radioactive emissions of Units 1 and 2 was 0.005677 mSv in 2016, while the annual average dose received by a member of the general public from the natural radiation background is of 2.4 mSv. More detailed information on the radiological impact are provided by SNN -

Environment radioactive emissions U1 + U2 (microSv)



In 2016, the achieved collective dose was 867.93 mSv/worker, the annual average dose for works with recordable doses was 0.85 mSv, and the individual maximum dose was of 6.706 mSv. The legal limit for the effective dose for the professionally exposed workers is 20 mSv/year, and the administrative level at CNE is 14 mSv/year. Neither of these limits was exceeded.

At the end of 2016 the internal collective dose was of 141.67 mSv/worker, representing 16.3% of the total dose at the level of the power plant.

The Radioprotection Department issues regular reports regarding the evolution of the collective doses and of the ALARA performance indicators, thus raising the involvement of the plant’s personnel in the control and optimization process for the professional exposure to ionized radiation. The achievement of these objectives is monitored through the ALARA process and the ALARA committees carry on their activity with excellent results. With an average dose per unit of 434 mSv/worker, Cernavoda NPP maintains its position as one of the most performing NPPs from CANDU group.

The radioprotection program of the FCN Pitesti branch has the objective to maintain a very low exposure to ionized radiation, individual radiological monitoring and of the work environment according to the current law and requirements from the operating permits issued by CNCAN.



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For the external exposure to ionized radiations, the entire personnel of FCN Pitesti is monitored using the Thermal-luminescent Dose-meters (TLDs) measured within the Personal Radioprotection and Dose-meter Laboratory of FCN (LRDP-FCN), certified dose-meter authority by CNCAN by the assigning certificate FCN ODA04/2014 valid for the period October 17, 2014 – October 16, 2017.

Starting January 1, 2015, FCN Pitesti reduced the Management Control Limit for the individual annual effective dose for the personnel exposed professionally from 18 mSv/year to 15 mSv/year and, with it, the monthly derived limit from 1.5 mSv/month to 1.25 mSv/month.

In 2016 the collective dose of FCN was 567 mSv/person, of which the collective dose following the external exposure was 526 mSv/person. The collective dose following internal exposure (62 mSv/person) represented 10.9% of the collective dose of FCN for 2016. The individual average annual dose was 1.43 mSv/year, a dose which represents 9.53% of the management control limit for an individual annual effective dose of the professionally exposed personnel requested by FCN Pitesti.

FCN Pitesti manufactured in 2016 a volume of 11.002 bundles with natural uranium dioxide. From it, 10.800 bundles were delivered to CNE Cernavoda, for the 2 units in operation, as follows: 5.760 bundles of nuclear fuel to Unit 1 and 5.040 bundles of nuclear fuel to Unit 2.

The failure rate of the nuclear fuel produced in 2016 was 0% for Unit 1 (no nuclear bundle was declared defect on Unit 1) and 0.037% for Unit 2 (2 bundles were declared to be suspect of become defected for Unit 2). For year 2016 the discharging average combustion degree was about 168.475 MWh/kg U for Unit 1 and about 181.829 MWh/kg U for Unit 2. Thus, the high performance of the nuclear fuel was demonstrated during the operation of the two nuclear reactors.

FCN Pitesti continued to monitor the personnel and the means of transportation, with the purpose of correlate the doses, and reported the findings to CNCAN, on an annual basis and filled a report after each transport.



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5.8. RESEARCH AND DEVELOPMENT ACTIVITY

Although the Company is not directly involved in any research and development activities, it is a member of various organizations and associations.

5.9. OPERATING AUTHORIZATIONS AND LICENSES

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

- a) Site authorization no. I/605/30.09.1978, issued by the State Committee for nuclear energy;
- b) Authorizations in the nuclear field issued by (CNCAN);
- c) Licenses issued by (ANRE);
- d) Other authorizations.

(a) Site authorization no. I/605/30.09.1978, issued by the State Committee for Nuclear Energy

The site authorization was issued for Cernavoda site for the construction of a CANDU-PHW 4x660 MWe nuclear power plant, made up of 4 nuclear reactors. The authorization was issued on the basis of Law no. 61/1974 and the Nuclear Safety Norms for “Nuclear reactors and nuclear power plants” dated in 1975 and provides the main technical characteristics of the nuclear powerplant.

(b) Authorizations in the nuclear field issued by CNCAN

As per Art. 8 (1) of the Law no. 111/1996, for the development of the activities and/or utilization of the resources that make the object of this law, the operators must obtain specific authorizations issued by CNCAN, by respecting the specific authorization procedure for every type of activity or resource. At the end of year 2016, the following authorizations in the nuclear field were valid:

(i) Authorizations issued by CNCAN in the nuclear field for the Cernavoda NPP Subsidiary:

- (a) Nuclear safety authorization number SNN CNE Cernavoda U1 – 01/2013, for the operation and maintenance of Cernavoda NPP, Unit 1. The authorization was issued for a period of 10 years, starting with 01.05.2013 until 30.04.2023;

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- (b) Nuclear safety authorization number SNN CNE Cernavoda U2 – 02/2013, for the operation and maintenance of Cernavoda NPP, Unit 2. The authorization was issued for a period of 7 years, starting with 01.05.2013 until 30.04.2020;
- (c) Nuclear safety authorization for the construction of Modules 8 and 9 of the Intermediary Used Fuel Storage, authorization number SNN DICA 03/2016. The authorization became effective on 09.02.2016;
- (d) Nuclear safety authorization for the operation and maintenance of modules 1, 2, 3, 4, 5, 6 and 7 of the Intermediary Used Fuel Storage, number SNN DICA – 02/2015. The authorization was issued for a period of 5 years, starting with 13.07.2015 until 12.07.2020;
- (e) Authorization for the quality management system for the operation, design, supply, repair and maintenance and use of software products, in the nuclear field. The authorization number SNN CNE Cernavoda – 01/2015 was issued for a period of 2 years, starting with 01.05.2015 until 30.04.2017.

(ii) Authorizations issued by CNCAN in the nuclear field for the FCN Pitesti branch:

- (a) Authorization for the quality management system in the nuclear field, number 16-041, issued based on Art. 24 of the Law no. 111/1996, for manufacturing activities in the nuclear field, for a period of 2 years, starting with 18.09.2016, until 17.09.2018;
- (b) 9 authorizations for activities in the nuclear field:
 - i. Authorization DN/5/2016 for possession of ionized radiation sources, radiologic devices with ionized radiations, devices generating ionized radiations, nuclear devices for processing and producing nuclear fuel, raw nuclear material, nuclear fuel, radioactive waste, materials with nuclear purpose, equipment and devices provided by Government Decision no. 916/2002, valid starting from 31.01.2016 until 30.01.2018;
 - ii. Authorization DN/6/2016 for the use of sealed ionized radiation sources, radiological installations, equipments and devices, valid starting from 31.01.2016 until 30.01.2018;
 - iii. Authorization DN/7/2016 for the manipulation of sealed radiation sources, valid starting with 31.01.2016 until 30.01.2018;
 - iv. Authorization DN/23/2016 for the processing of raw nuclear materials, valid starting with 31.01.2016 until 30.01.2018;
 - v. Authorization DN/8/2016 for the production of nuclear fuel valid, starting with 31.01.2016 until 30.01.2018;
 - vi. Authorization DN/9/2016 for the temporary storage of nuclear raw material, nuclear fuel and radioactive waste, valid starting with 31.01.2016 until



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30.01.2018;

- vii. Authorization DN/10/2016 for the supply of nuclear raw materials, fuels, waste, materials for nuclear purpose and materials with double use, valid starting with 31.01.2016 until 30.01.2018;
 - viii. Authorization TF/01/2014 for the transport of radioactive materials, valid starting with 10.01.2014 until 09.01.2019;
 - ix. Authorization AN/287/2016 for ownership of unpublished information, valid starting with 29.11.2016 until 28.11.2021.
- (c) According to the Certificate of Designation number FCN ODA 04-2014, CNCAN appointed the radioprotection and personnel dosimeter laboratory within FCN Pitesti as Authorized Dosimetry Organization.

(iii) Authorizations in the nuclear field for the main office:

- (a) Authorization for the quality management system for management activities in the nuclear field. Authorization number SNN EX-01/2015 was issued for a period of 2 years, starting with 01.05.2015 until 30.04.2017;
- (b) Authorization no. PD/222/2013 for ownership of heavy water for Units 3 and 4, valid from 18.10.2013 until 17.10.2018.

(iv) CNCAN Authorized Personnel. For Cernavoda NPP branch, the company holds 14 CNCAN permits for management personnel, 8 CNCAN permits for personnel with specific training positions and 45 CNCAN permits for operational staff in the control rooms of the two units. For FCN Pitesti branch, the company holds 22 permits for nuclear activities of level 2.

(c) Licenses issued by ANRE

According to the Regulation for the granting of licenses and authorizations in the electric power sector approved by the Government's Decision no. 540/2004, the supply of electric power, the production of electric and thermal power in cogeneration are performed on the basis of certain licenses issued by ANRE in this respect.

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

- a) License no. 5/03.12.1999 for the production of electric power granted through ANRE Decision no. 80/03.12.1999;
- b) License no. 244/26.03.2001 for the production of thermal power granted by ANRE through the Decision no. 341/26.03.2001;



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- c) License no. 962/21.10.2010 for the supply of electric power granted by ANRE through the Decision no. 2597/21.10.2010.

Up to the date of the present report, the company respected – both during the previous years and in 2016, the provisions and the conditions associated to the above mentioned licenses.

License no. 5/03.12.1999 authorizes the company to produce electric power through the operation of the electric power production units. The license came into force on 03.12.1999 and is valid for 25 years. Through the resolution of ANRE no. 1683/01.11.2007, the license was modified to increase the installed capacity factor of the company from 706.5 MW to 1,413 MW and to approve other conditions associated to the license as well, after the commissioning of Cernavoda NPP Unit 2.

License no. 244/26.03.2001 authorizes the company to produce thermal power through the operation of the thermal and electric power units consisting in two heat exchangers with a total thermal power of 40 Gcal/h and 46.51 MW. The license came into force on 26.03.2001 and is valid for 25 years. Through the resolution of ANRE no. 1684/01.11.2007, the license was modified to approve the existing conditions related to the license. SNN delivers thermal power to the local heath distribution company – Public Utilities SA Cernavoda, as well as to some end consumers in Cernavoda town – businesses, social and cultural institutions.

License no. 962/21.10.2010 for the supply of electric power authorizes the company to supply electricity on the energy retail market and come into force on 26.10.2010. By the ANRE Decision no. 2000/23.09.2015, the license was modified for the extension of the validity of the license till 21.10.2020.

(d) Other authorizations

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

For environmental protection, the authorizations and certificates were distinctly presented in the report.



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5.10. NUCLEAR SECURITY

Permanent maintenance of a nuclear security level in all phases of performance and exploitation of the nuclear objectives and installations is of vital importance and represents the first priority for SNN.

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

The high level of nuclear safety is ensured by the design, construction and operation of the nuclear installations. The risk generated by the nuclear fuel in the reactors is minim for the population and the environment, due to the fact that:

- (i) The power of the reactor is under control;
- (ii) The fuel is cooled;
- (iii) The radiation is contained, all these taking place on a continuous base.

Up to present, no CANDU type NPP recorded events or accidents that pose a threat to the health and security of the population. Among such measures, we mention the emergency preparedness, required by the national law as a pre-requisite for licensing the operation of a nuclear power plant. Within the Cernavoda NPP, the emergency preparedness is verified and improved through quarterly, annual or general drills and exercises (once every three-four years).

After the Fukushima accident, the European Commission and the Group of European Regulators of the SNN decided that the nuclear security of nuclear plants in Europe shall be reviewed based on transparent and extended risk evaluations, called „Stress tests”. The technical purpose of these stress tests was defined considering the risks pointed out by the events occurred at Fukushima. The following issued were stressed: initiation events, such as earthquakes or floods, the consequences of losing the security functions during such events, as well as management difficulties of severe accidents.

CNE Cernavoda, together with AECL Canada and ANSALDO Italia, issued „The reevaluation report of nuclear security limits”. The evaluation performed proves the fact that Units 1 and 2 from CNE Cernavoda comply with the nuclear security requirements



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established by the project and that they can face severe earthquakes and floods, as well as the total loss of electrical energy and cooling water supply. Moreover, methods and procedures were planned for managing possible severe accidents. Also, were identified methods for preventing and limiting the consequences of accidents which may determine the melting of the active area.

In order to provide a good coordination with the competent Local Public Authorities regarding the response in emergency situations, CNE Cernavoda created two important facilities for Cernavoda and namely: Local Center for emergency Situations of the Cernavoda City Hall and Personnel Decontamination Area, within the Town Hospital from Cernavoda.

Decommissioning

In accordance with Government Decision no. 1080/2007, and Radioactive Waste Nuclear Agency ("ANDR") is responsible for collecting and managing the contributions made by the SNN for the dismantling of the two units and for disposal of radioactive waste generated in the operation and decommissioning of units.

During 2008 - 2016, SNN paid on an annual base the following contributions to ANDR:

- (a) Contributions for the decommissioning of each nuclear reactor in amount of 0.6 EUR/MWh of produced and delivered electricity in SEN;
- (b) Contributions for the final storage of radioactive waste, in amount of 1.4 EUR/MWh of produced and delivered electricity in SEN.

5.11. INTEGRATED MANAGEMENT SYSTEM

SNN has developed and maintains an Overall Quality Management System that complies with the provisions in force of Law no. 111/1996 and with the applicable Quality Management Requirements in the nuclear field issued by the National Commission for Nuclear Activities Control (CNCAN) and AIEA GS-R-3. The Management System of SNN is authorized by CNCAN according to the Law no. 111/1996 by the Authorization of the Quality management system in the nuclear field for leadership activities no. SNN EX - 01/2015 (valid until 30.04.2017).

The Quality Management System, described in the Manual of Quality Management System, identifies the directions of developing and implementing the management system



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within SNN Executive and its branches: the Cernavoda NPP and the Nuclear Fuel Plant - Pitesti. The development and evaluation of the Management System (MS) is coordinated by the Department for the Development and Evaluation of the Management Systems (DDESM).

The branches Cernavoda NPP and FCN Pitesti have developed and maintain management systems specific to their activities.

Cernavoda NPP branch has developed and implemented an Integrated Management System which complies with the provisions in force of Law no. 111/1996 and with CNCAN's Management System Requirements, with IAEA's GS-R-3 Standard and with the international standards ISO 14001:2004, OHSAS 18001:2007 and ISO 27001:2005. The Cernavoda NPP's management system is authorized by CNCAN in compliance with the provisions of Law no. 111/1996 for operation, design, supply, repair and maintenance works in the nuclear field as well as the provisions of the Authorization for the quality management system in the nuclear field for operation, design, supply, repair and maintenance, use of software products - Authorization no. 01/2015 (validity till 30.04.2017).

The requirements of the ISO 14001:2004 standard (for the Environment Management System) and of OHSAS 18001:2007 standard (for the Occupational Safety and Health Management System) are included in the documents of the Cernavoda NPP's Integrated Management System, while the compliance with these requirements is recertified by the certification authority SRAC in 2016 (validity till 15.09.2018 Certificate of compliance with ISO 14001:2004 and 25.04.2019 Certificate according to OHSAS 18001:2007). Also, the requirements of the ISO 27001:2008 standard for the Management System of the Security of Information are included in the documents of the Integrated Management System of Cernavoda NPP, the compliance with these requirements being recertified by the certification authority DNV at the end of 2013 (validity till 13.01.2017).

FCN Pitesti Branch has developed and implemented an Integrated Management System which complies with the provisions of Law no. 111/1996, Rules for Systems Management CNCAN, integrating and requirements of Canadian standard CAN 3-Z299.2. Component quality management system is certified by CNCAN authorization no. 14-038 (valid until 17.09.2016) and starting on 18.09.2016 by Authorization no. 16-041 (valid until 17.09.2018). Component Environmental Management System developed according to the requirements of ISO 14001:2004 has been recertified by SRAC 2013 (valid until 15.09.2018). Component Management System Occupational Health and Safety (OHSMS),



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developed according to OHSAS 18001: 2007 was certified by SRAC 2016 (valid until 05.11.2019 provided annual endorsement).

Besides, other components of the Integrated Management System are developed and implemented as well (for example Physical Protection, Radiological Safety, Nuclear warranties etc.). The development and implementation of the components of FCN Integrated Management System decisively contributed to the nuclear fuel quality proved by a very good combustion degree and zero failure rate.

5.12. CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is the management process, part of the business strategy of the Company, whereby SNN wants to contribute to the building of a sustainable and performing Romanian society. SNN essential role that it has in the Romanian energy field is naturally completed by the company's desire to support the real needs of all those who permanently contribute to the smooth running of its activities.

The social programs developed by SNN were focused, ever since 1991, on the local development and improvement of living conditions for the inhabitants of Cernavoda. Further on, the corporate social responsibility activities of SNN were diversified and extended towards all areas of the country and towards different population groups.

SNN develops its own corporate social responsibility programs, but is also involved in supporting the initiatives of non-profit organizations in fields with a social impact such as: educational and research, humanitarian and cultural.

The main targets of the corporate social responsibility actions, according to the specification of the SNN activity, are:

- ❖ Actions dedicated to students in the nuclear, energetic, technical field, especially; as well as to young people in general, like contests, creation and invention exhibits etc.;
- ❖ Actions dedicated to the development of local communities in the Cernavoda and Pitesti area, to the improvement of living conditions, access to quality medical services, helping the population in need, providing opportunities for education, development of young people's skills, increasing the number and quality of green areas etc.;
- ❖ Attendance within organizations promoting sustainable public policies in the economic, energetic, social, cultural field, like professional associations, institutes,



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resource centers etc.;

- ❖ Cultural and educational actions for facilitating public access to personal culture and development, supporting artistic creations and manifestations etc.;
- ❖ Humanitarian actions destined to help population segments affected by natural calamities or singular cases of persons with disabilities through certain profile associations, especially actions dedicated to elders and children.

Corporate social responsibility policy of SNN has the purpose the establishment of strategic orientation and priority directions of its involvement in philanthropic-type actions, charitable and humanitarian for the benefit of the community, in areas nearby nuclear objectives operated by SNN (Cernavoda and Pitesti), as well as at national level. SNN considers that durable development of the company and the sustainability of its long-term development points are strongly connected with the development, education, information, acceptance and public support before the nuclear energy in Romania. Therefore, investing a part of the annual profit of SNN in corporate social responsibility actions represents a part of the company's development strategy during 2015 - 2025.

Corporate social responsibility objectives:

- ❖ Creating and supporting a sustainable business model, with responsible management and global policies adapted to local issues;
- ❖ Responsibility for real issues of the community;
- ❖ Initiating the change we wish to see in the Romanian company;
- ❖ Development of relations with the local community, NGOs;
- ❖ Attracting young specialists;
- ❖ Alignment to international standards and good practices of corporate social responsibility practiced by the companies.

In 2016, SNN was involved in sponsoring certain educational activities, social and cultural, such as: sponsoring the establishment of the physics and chemistry lab at Anghel Saligny High School from Cernavoda, sponsoring the organization of the class for students „Overview and Key Topics in the World Nuclear Industry Today” at the Polytechnic



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University from Bucharest, sponsoring the children camp “Actor kids” and others.

5.13. INTERNATIONAL RELATIONS

The nuclear industry is especially through the fact that inside it, there is a continuous flow of experience and information exchange. Each operator of Nuclear Plants is part of an international network of approximately 440 Nuclear Units globally. At international level, the leader in international cooperation, in the nuclear field, is the World Association of Nuclear Operators (“WANO”), and at the government level, the International Agency for atomic Energy from Vienna (“AIEA”).

The purpose for the development of this international cooperation network is the analysis of different event categories and the dissemination of lessons learned in order to eliminate recurrence, promoting experiences and optimum practices adopted and implemented internationally, benchmarking and evaluation of implementing standards at international level, control and monitoring of performance indicators and updating them to keep a constant high level of nuclear security, organizing inter-pares evaluation missions for ensuring the adherence and for each operator of Nuclear plants to adopt the best practices at international level and evaluated through de facto performance.

Therefore, at the nuclear industry level, it is created what is called the “inter-pares pressure”, element which determines keeping certain high security nuclear standards. In general, the international cooperation programs, mainly in the technical operating area, are divided in four distinctive categories: international evaluation missions, experience in operation, technical support and, implicitly, exchange of information and experience, continuous technical and professional development.

All information categories and data resulted following the development of these programs are disseminated to all members, within the international system.

SNN pays particular attention to safe operation of nuclear facilities which it operates, to equipment reliability, increased performance in operation, exchange of experience, with direct results on employee performance, involvement in building political support and development programs related to integrated development of the company.

Therefore, according to the practice at international level, SNN is an active member in a series of international organisms, with different areas of applicability, from nuclear security, radioprotection, management of radioactive waste up to procurement, financial benchmarking, international law.



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Depending on the specifics of these organizations, they may have a regulatory and control character for its members in order to improve performance (e.g. World Association of Nuclear Operators - WANO) or consultative, participatory and inter-sharing of knowledge character, participation in joint projects as an effective mechanism to reduce research and purchase equipment costs.

SNN is affiliated with a number of organizations both at European and international level in order to benefit from the operational experience available in their participation in decision-making processes that may affect European policy and global alignment of nuclear safety standards imposed by CNCAN, recognition of results, among which we mention:

❖ **World Association of Nuclear Operators (WANO):** represents the association of all owners of nuclear power plants in the world, founded in 1989. SNN has been a member of Atlanta Regional Center since 1991. In 2011 it became a member of London Coordination Centre. WANO membership guarantees: participation in assessment missions, exchange of experience in operating, technical support, technical and professional development. The WANO membership facilitates the information exchange in the field of exploitation experience of Nuclear Plants, therefore WANO members working together for reaching the highest standards in the field of Nuclear Plants exploitation under high nuclear and reliability security standards. Through WANO, all Nuclear Plant holders may communicate and exchange information between them, openly and cooperatively. This working method allow each WANO member to benefit and learn from the experience of other members, to get in line with the best practices global practices in the field, all with the final purpose of increasing the security degree in exploiting the Nuclear Plants they own.

❖ **Candu Owners Group (COG):** represents a private international non-profit organization, which includes organizations from Canada (AECL, Ontario Power Generation, NB Power, Bruce Power Generation, Hydro Quebec), Argentina, China, India, Korea, Pakistan and Romania. Within COG, SNN participate to the basic program Information Exchange (IE), Research and Development Program (R&D), Nuclear and Environment Safety Program (Nuclear Safety & Environmental Affairs NSEA), Joint Projects Program (Joint Projects - JP). The COG activity is generally focused on a regulation, research, maintenance, development, technical assistance and information exchange program between its members.

❖ **The International Agency for Atomic Energy (AIEA):** serves as inter-government world forum for the scientific and technical cooperation in the nuclear field. AIEA



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encourages the use of atomic energy by the signatory states, offering them the necessary technical assistance and providing them experts in the field, respectively the necessary logistic base.

❖ **Eurelectric:** is the European Electricity Industry Association representing the common interests at pan- European level and having as mission the increasing of electric industry competitiveness, representation in public forums and promoting the role of energy production technologies with low CO2 emissions.

❖ **European Nuclear Installations Standards (ENISS):** brings together policy makers and specialists in the nuclear industry, along with representatives from nuclear regulatory bodies to establish together security targets, regulations and security measures that will ultimately become a common set of European safety standards for the nuclear installations.

❖ **The European Atomic Forum (affiliation to the Romanian Atomic Forum):** represents a non-profit European organization with the following purposes: supporting the role of the nuclear energy at an European level by active involvement in the energetic policy of the European Union, adopting support positions for member states operating Nuclear Plants and involving specialists in the work groups at European level in order to centralize different points of view and measures.

The results of active attendance within different international organisms is directly reflected in the performance indicators associated to the fields: operation, radioprotection and radioactive waste management.

5.14. LEGAL ACTIVITY

Currently, SNN is involved in 73 litigations of which:

- 60 civil right/administrative/insolvency/labor law trials;
- 4 criminal trials where SNN is a civil party;
- 9 trials registered at the administrative legal department – trials with the Court of Auditors.

Out of the total number of 73 trials, 19 trials have a value over the equivalent of the amount of 50,000 lei, 10 trials have a value under the 50,000 lei limit and for 44 trials, the amount was not yet determined or the object is not valued in money.



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For the Court of Auditors litigations, out of 9 litigations where SNN was claimant, causes targeting the cancelation of the measures ruled by the Court of Auditors by administrative deeds, were obtained 6 favorable solutions, 2 unfavorable and there is no solution for one file, up to present time. In parallel with the cancelation files in administrative legal department, in measures ruled by the Court of Auditors were also initiated other 7 files for the suspension of measures ruled by the Court of Auditors, of which 3 were solved favorably and 4 unfavorably, but in 3 of the last cases, the measures were cancelled by the court of law and in one case there is no resolution up to present time.

Until the end of 2016, SNN obtained favorable solutions (certain decisions being final) in 28 trials of which:

- The value of the recoverable receivables out of the trials solved favorably where SNN was claimant in the amount of 1,713,095.26 lei;
- The value of loss avoided in the favorably solved litigations where SNN was respondent amounts to 40,892,677 lei.

During the period 01.01.2017 – 15.03.2017 were solved 9 litigations based on which the receivables to be recovered by SNN following favorable resolutions amount to 295,980.99 lei.

The unfavorable results were especially in the labor law files, with the object claims of current or former employees.

The total amount of loss where SNN was a civil party in the criminal trials amounts to 29,780,738.9 lei.

It is important to mention the File no. 40046/3/2014 on the dockets of the Bucharest Court of Law by which the claimant S.C. Fondul Proprietatea S.A. requested the cancellation of the Decision of the SNN GEMS no. 8/06.10.2014, by which, among others, was approved the increase of the share capital of SNN with cash input, ongoing, the following term being 28.03.2017.

A detailed situation of the litigations may be found in Annex VIII of the hereby Report.



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5.15. ACTIVITY RELATED TO RISK MANAGEMENT

The main objectives of SNN on medium and long term are maintaining nuclear safety and increase company performance, risk management becoming an important activity in this context. By the complex nature of the activities undertaken (manufacturing of nuclear fuel, electricity and heat production by operating nuclear units, power sales, procurement, stock activity etc.), the Company is exposed to various risks for which the management take all necessary steps to minimize them at an acceptable level.

During 2016, progress was made regarding the development of the management system of the integrated risks at the Company's level, among which we summarize the following:

- ❖ Establishing the main criteria for the purpose of aligning perceptions on risks in all the Company's departments;
- ❖ Initiating risk quantitative evaluations and capital input for covering the risk cost;
- ❖ Starting a unitary system for risk rating and review of the risk categories, for its aggregation and hierarchy;
- ❖ Moving the weight center of the risk universe of the Company in an area with significant risks, by establishing the principle that the severity of a risk prevails over its occurrence probability;
- ❖ Creating a quarterly evaluation of the Company's risk capacity.

By the nature of the performed activities, the Company is exposed to different risks, presented hereafter. The SNN leadership follows to reduce the potentially negative effects associated to those risks on the Company's performance.

The nuclear and radiological risk indicators were also mentioned in 2016 at very low levels compared to the limits requested by regulations, which positions the Nuclear Plant from Cernavoda among the most secure in the world.



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The other important risk categories have evolved as follows:

Market risk

The market risk represents the variability of the Company's results generated by the fluctuation of the energy price and raw materials and materials.

The SNN activity for selling the electrical energy, the same as of other energy manufacturers, is influenced by the evolution of the energy price and gradual de-regulation of the market.

The gradual Freeing Calendar for the regulated market, provides that until the end of 2017 the market shall operate freely depending on request and offer, and the regulating prices shall disappear.

The market price on the regulated segment of the market is not influenced by the ratio between supply and demand, but is set by the regulator (ANRE).

On the other hand, the competition market price is influenced by a lot of factors such as: consumption evolution on the local market and on the regional markets, corroborated with the process of aligning the day ahead electrical energy market in Romania by complying with the coupling mechanism through price, of the markets from the Czech Republic, Slovenia and Hungary, the structure of the energy market and the competition capacity of the main manufacturers, the production evolution out of renewable sources and its supporting graphics, the increase of the inter-connection capacities.

The Company is exposed to a price risk on the competition market. Considering the cost structure and the rate of the fixed costs in the total costs which may affect the profitability under the conditions of maintaining certain lower prices for an extended period of time, the price risk may become significant and may have a big impact on the operational performance.

Starting with 2014 was registered an increase of the energy volumes traded and concluded on the Spot market ("PZU") and on the Centralized Market with double continuous negotiation of the bilateral electrical energy contracts ("PC-OTC"), parallel with reducing the trades on the PCCB-LE and PCCB-NC platforms, with the effect of increasing the price volatility and dropping the income predictability and stability.



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During first semester of 2016, the prices on PZU were in average a lot under the prices of the bilateral contracts concluded on OPCOM developed by SNN, especially in February – June 2016, and starting September 2016, were increased over the prices on the term markets, therefore resulting a very high volatility of prices on the spot market.

The advantages of reducing the exposure on the spot market, where price volatility is very high, there is: security of income and predictability for the following years, obtaining average prices on the market, a clear trading policy decreasing the market risks and complying with the operating frame of the electrical energy market, transparent, public, centralized and non-discriminating.

In the same time, SNN is exposed to the risk of price increase for raw materials and materials, caused by the reduced number of providers and in lack of long-term contracts, which may provide price stability. As a risk handling strategy, the following measures are taken: contractual clauses negotiation in order to obtain a fixed price for the entire period of the contract, where the law allow it or for the possibility to review prices under clearly established conditions and based on supporting documents; contracts conclusion on a long term, according to the current law, identifying new providers.

In 2016 was characterized by an accentuated market volatility, a situation which affected all market operators. Compared to other manufacturers which production is by season or connected to the balancing opportunities of SEN, the Company also constantly produces and is more exposed than other manufacturers, to the market risks. Nevertheless, the SNN financial statements prove that the Company provided a good control of those risks, managing to minimize the operational results, the differences compared to 2015 being mostly due to financial transactions and not being serious from the point of view of efficiency of investors.

Credit and counterpart risk

Financial assets, which may subject the Company to credit risk are mainly trade receivables, cash and cash equivalents and bank deposits. For Limitation of counterparty risk exposure limits are set domestic assets placed at different financial institutions (banks).

The counterparty risk represents the risk of the business partners not to act in accordance with the terms and conditions stipulated in the contracts or failure to fulfill the established things.



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Currently, SNN trades on term markets (PCCB-LE, PCCB-NC, PCSU), allowing to know the counter-party only at the end of the tender. For mitigating the counter-party risk, the contractual terms provide the coverage with securities (PCCB-LE, PCCB-NC – payment in advance, letter of bank guarantee), reducing counterparty risks.

The company considers the entering on PC-OTC market administrated by OPCOM, allowing the selection of clients based on their credit risk analysis, following to conclude contracts only with solvable partners.

The counter-party risk consists also in the performance risk (contract performance). On the PCCB-LE market, under the conditions of price volatility, there are situations when the counter-party may opt for the termination of the contract and payment of such termination penalty (the counter-value of the energy delivered in a month), and buying the amount of energy for the market, more favorable price. For SNN, this situation also has the risk of reselling the entire non-delivered amount for the market price, under the initial contract prices or for the Balancing Market, not very beneficial.

The termination risk is higher for the contracts concluded for longer periods of time, because in their case, the market price should drop less than in case of short-term contracts, so that the termination can be more beneficial for the buyer. During the period January - September 2016 there were no contract termination cases.

On the PC-OTC market, in case of termination, the counter-party must pay a termination price, equal to the difference between the contract price and the market price, in order to cover the loss caused by replacing the contract for a non-beneficial price, so theoretically the termination risk is very low.

During 2017 shall be also reviewed the list of banks from which we can receive Letters of bank guarantee from partners, as well as exposure limits for each bank, depending on rating, the SNN's deposits with that bank etc. The limits shall be monitored in order not to exceed, therefore decreasing the counter-party risk in relation with bank institutions.

The company manages the counter-party risk also by monitoring the cash-in on term of its receivables and by relevant measures in case of lack of payment, including recovery measures through litigations. Also, in case of contracts with significant value and/or products/services provided of high importance, the respective counter-parties are periodically monitored in order not to affect the activity of the organization and in order to anticipate the performance issues in complying with the contractual obligations. The reduced level on uncertain receivables prove an effective management of those risks.



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Liquidity and cash - flow risk

Liquidity risk is the risk that the Company could face difficulties in fulfilling the obligations associated with the financial debts which are settled by cash or transfer of another financial asset.

The company applies a prudent management of the liquidity risk by maintaining a proper proportion of cash an equivalent in cash in current accounts and bank deposits according to maturity terms. The company has resources enough to fulfill its obligations to third parties: banks, suppliers, State, employees, etc. Moreover, the current liquidity indicator on 31.12.2016 is situated on an exceptional level, resulting that the liquidity risk for SNN is extremely low.

Currency risk

The currency risk represents the market risk specific to transactions in a foreign currency, materializing in case of credit facilities contracted in a foreign currency and service imports, utilities and materials. The Company is exposed to the volatility of EURO, USD, CAD currencies.

The income and loss from exchange rate, performed and not performed are registered in the loss and profit account of that year. During the next period shall be analyzed the opportunity to use financial instruments for decreasing this risk.

Interest rate risk

Interest rate risk is a market risk. The company's cash flow is affected by the variations of the interest rate mainly due to long term loans. These loans have a variable interest rate determined on the basis of the reference index and fixed interest rate margin. The interest risk is lower because the fix margin represents the main rate from the interest rate, while the variable part, as it shall manifest high unfavorable volatility, shall be attenuated by deposits interests for which the respective trend shall be favorable, resulting a hedging effect determined by the very good Company liquidity.

Competition risk

It is a specific risk for each business, lower or higher depending on the number of competitors, profit margins, used technology, input and/or exit limits on the market, the regulation level etc.



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Also, due to the alignment of day-ahead market (“PZU”) of Romania, in compliance with the coupling mechanism of the market price of the Czech Republic, Slovenia and Hungary, SNN is exposed to increased regional competition generated by future improvements, refurbishment, extensions and new constructions expected to be made by the producers of the national electricity market.

As a specific characteristic of the nuclear energy, the cost of electrical energy produced from nuclear sources is estimated to remain lower than the cost of production facilities based on coal or natural gas, which are very sensitive to the increase of the fuel price and the costs regarding the compliance of the regulations regarding the environment protection (e.g. carbon dioxide emissions).

The integration of energy markets is a Europe-wide strategic objective assumed by all Member States of the European Union. Given the higher final prices in the region, electricity trading outside Romania will continue to be an opportunity for local players. As a result, the decrease in domestic consumption is expected to be partially offset by exports, given a slight increase in production.

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

Macroeconomic and legislative risks

The legal risk (regulation risk) is represented by the unpredictability of the internal and/or external legal frame, with a consequence of a difficult compliance with its/ their requirements. In SNN there is a risk which may manifest regarding the large number of regulations and requirements issued and requested by national and international regulators and /or professional associations.

Possible changes may refer to the requirement, by local and central authorities, and/or by the authority regulating the energy field (“ANRE”), through the secondary law, of new contractual provisions or fiscal amendments.



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Effects of manifestation of the legislative risk:

- (a) Un-estimated increase of production costs, which may determine the drop of profit margins.
- (b) A significant organizational and financial effort for the implementing, compliance and assurance of compliance on continuous bases of the legislative frame and requirements of the professional organizations governing the activity of the Nuclear Plants.

One of the risks arising since 2016 is the elimination of exceptions to the definition of a building of nuclear power plants, which are taxed since 2016 the tax on non-residential buildings, payable Cernavoda Local Council. The tax rate was set at 0.5% of the amount of tax, but may be varied between 0.2% -1.3% (which can even be increased above this level with 50% justified in situations), a simple decision of the local council.

Operational risk

The operational risks are associated with the risk of registering a loss which shall result either from the use of certain processes, persons or inadequate internal systems or that didn't comply with their function accurately, or from external events. The operational risk includes the legal risk (legal).

The operational risk is managed and controlled adequately, at the highest levels of international practices, like distribution (for all hierarchical levels and all organizational entities of SNN) with specific instruments (e.g.: protection barriers, redundant systems and insurance frame (and management) for the business continuity, internal regulation frame, checks, approval levels, continuous preparation of the personnel, permanent monitoring of the risk levels and implementing adequate control an corrective measures etc.).

Through the management and control methods of those risks, one can see:

- (a) A management frame providing the complete identification and addressing of operational risks;
- (b) The use of risk information collected to improve the control mechanisms (lessons learnt);
- (c) Good planning and development of preventive maintenance activities for checking the nuclear risks, as well as for reducing the number of hours of unplanned interruptions;
- (d) Planning and posting activity interruptions.



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An impact of the operational risks consists in the cost of unbalances, resulting from the inefficient prognosis of production or out of technical reasons (internal or external) which cause unplanned interruptions.

Risk Insurance

The main insurance policies in force are Material Damage Property (“MD”), Third-Party Liability (“TPL”) and D&O.

The MD policy, is concluded with Nuclear Risk Insurers Ltd., the biggest global provider of insurance capacity, with the support of the London market, including the Lloyds, the Romanian Insurance Pool for Nuclear Risks and European Mutual Association for Nuclear Insurance, EMANI. The insured amount is 1,560,000,000 usd, covering only the buildings from the protected perimeter, for Unit 1 and Unit 2 CNE Cernavoda. The other administrative buildings outside the protected perimeter are covered by the premium.

The TPL premium was concluded with Nuclear Risk Insurers Ltd. (co-insurance with the Romanian Insurance Pool for Nuclear Risks), for the period 2013 - 2017. The allowance limit in case of nuclear accident amounts to 300,000,000 SDR. The total value insured by the MD and TPL premiums amounts to 2,004 mil. USD.

Insurance policy of D&O is concluded for a sum insured as approved corporate (3 mil. EUR for each director and that director with contract terms, limits and units are determined based on the number of managers and executives including politics and seven administrators and two directors present).

The component of the NRI consortium, for MD and TPL and the list of re-insurers for D&O, reveals that the integral part of these consortiums are the insurers and re-insurers of first class, with a maximum trust level.

Besides these insurance, the Company has concluded RCA policies, CASCO policies (voluntary motor insurance) and an insurance policy against work accidents and occupational diseases for employees.

5.16. PERSPECTIVE ELEMENTS

As it concerns the perspective of energy sales on medium and long term (up to three years) we consider, based on the data related to more developed European energy markets, that the price competitive market will not undergone any significant changes in terms of



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increasing or decreasing ample.

The new electricity market context leads to the necessity to identify new investment opportunities including by diversifying the activity portfolio in activities included in the electricity value chain, for reducing the business risk and assuring a proper efficiency adequate to the own capital.

Continuation and development of Project Units 3 and 4 Cernavoda NPP may create favorable perspectives on long term for SNN, both regarding the recovery of the assets already invested in the project and some additional incomes which may be obtained from services (operation), namely goods supply (supply of nuclear fuel bundles).

Equally, refurbishment of Unit 1 project is a project whose success depends essential for maintaining the production capacity in the future at a level similar to that of today.

5.16.1. FACTORS THAT MAY INFLUENCE LIQUIDITY

Among the factors that may affect the company's liquidity in the future, we mention:

- (a) Energy prices on the competitive market sale;
- (b) The price of the main raw materials used by the company in the current activity;
- (c) Fluctuations in interest rates and the exchange;
- (d) The volume of investments to maintain and those to develop;
- (e) The level of taxation, including the introduction of new taxes.

There are many internal and external factors that may influence the company's liquidity, but on short and even medium term, the company has a very good liquidity.

5.16.2. CURRENT AND ANTICIPATED CAPITAL COSTS

The SNN development program is structured on objectives defined in the report with the needs of the production subsidiaries (CNE Cernavoda and FCN Pitesti), to maintain their production capacities for the electrical energy and nuclear fuel at the level of the project parameters, by complying with the nuclear security requirements and protecting the operating personnel, the environment and population, in order to respond to the upgrade /retooling need for certain systems, out of economical reasons (specific consumption deduction, improving certain parameters characteristic to served processes, with a positive impact on efficiency). Also, the development program follow also legal aspects, the need to implement certain improvements associated to nuclear security, environment protection



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and labor security representing imperative requirements, from the regulating authorities in the field.

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

- ❖ The intermediate dry used fuel storage (including SICA U#2), which is part of the company's used fuel management policy. The storage will be developed in several stages and it is to finally include 27 storage modules, according to the feasibility study in force; the first 9 modules are MACSTOR 200 (Modular Air-Cooled STORage) modules with 12,000 bundles per module, the rest of the modules are MACSTOR 400 type with 24,000 bundles per module, according to the approval of DICA development strategy that provides using of MACSTOR 400 modules which will provide the 50 year storage of the dry used fuel. MACSTOR 400 involves the same technology training and spent fuel storage as with MACSTOR 200, but has a double storage capacity.
- ❖ The modernization and extension of the physical protection system, for the facilities located both inside and outside the protected area and the implementation of the works resulted after the assessment regarding the operation of the critical infrastructure within the vital structures in case of beyond project base threats.
- ❖ The improvement of the CNE Cernavoda response, respectively of the nuclear security functions in case of events outside the design bases following the nuclear accident occurred at the nuclear plant Fukushima 1, Japan – implementing a emergency filtered depressurizing of the envelope at Units 1 and 2 CNE Cernavoda, implementing a breaking disc assembly and a water input system in the coffer of the calender at Unit 1 and Unit 2, implementing a monitoring and control system of the H2 concentration in the atmosphere from the envelope at Unit 1 and Unit 2, by installing a monitoring system of the hydrogen in the atmosphere from the envelope type "HERMETIS" and by installing a passive auto-catalytical re-combination system type "FR1-380T", including the establishment in Unit 5 of areas necessary and logistic for the action development in case of occurrence of a severe accident.

The total investments program for 2016 is 255,394 thsd. lei, program certified through the Decision no. 10/03.02.2016 of the SNN BoD and approved by the Decision nr. 1/30.03.2016 of the GOMS of SNN.

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The structure of the investments program for 2016 is presented in the table below:

Item	Structura organizatorica	Ongoing investments [thousand lei]	New investments [thousand lei]	Investments made at the tangible assets (upgrades) [thousand lei]	Equipments [thousand lei]	Total [thousand lei]	Degree of completion 31.12.2016 (%)
1	Sediul Central	12,512	9,879	-	635	23,026	0.18 %
2	CNE Cernavoda	162,250	8,472	933	41,555	213,210	60.60 %
3	FCN Pitesti	3,082	274	5,944	9,859	19,159	12.60 %
TOTAL		177,844	18,625	6,877	52,049	255,394	51.55 %

The degree of completion at 31.12.2016 of the value of the annual investment plan cumulated since the beginning of the year is of 51.55%.

The total low degree of implementation of the plan value of the investment program in 2016 is explained by the amounts stipulated in the investment program for the Executive SNN, which were postponed for 2017:

❖ *The SNN contribution to the IPP type company incorporation for Units 3 and 4 is estimated to 8,880 thousand lei (the equivalent of 2,000,000 euro), according to the SNN SNN EGMS no. 7/22.08.2014 for the approval of the strategy to continue the Project for Units 3 and 4 from CNE Cernavoda. By the SNN EGMS Decision no. 8/17.10.2016 was approved the continuation of negotiations on the Investment Documents under the same conditions of the Agreement Memorandum regarding the development, incorporation, operation and decommissioning of Units 3 and 4 from CNE Cernavoda (“MoU”), until December 20, 2016, but without them to be completed. In this context, the SNN contribution to creating new project companies shall be reported for 2017.*

❖ *The security project for the information and security of the communication system in the amount of 1,766 thousand lei and Implementing software applications in the amount of 2,775 thousand lei.*

During April 2016 were approved by the SNN leadership, the strategic directions of IT&C development (Information Technology and Communication) for the entire Company. Among the objectives included in the approved strategy are also the *Project for information system security and communication security* and *Implementing software applications*, following to be part of a single project entitled *Upgrade and integration of the operational flow at the SNN level*.



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❖ *Consolidation of Magheru Office* in the amount of 2,100 thousand lei – in 2016 was opened the land book for the two undivided units (5 and 6 floor) and the land of SNN in surface of 239.05 mp was registered.

Besides, the low degree of completion of FCN Pitesti investments program had a major effect on the Company performance level.

The works performed as well as obstacles during performing the investment objectives within the investment project of FCN are presented below:

❖ *Upgrade of the manufacturing line of fuel bundles in order to optimize the manufacturing flow and for improving the quality of the finished product* – was initiated the procedure of acquisition for the *Mini-autoclava* equipment, was drafted the awarding documentation for initiating the acquisition procedure for the *Automated systems for isocynetic collection of emissions of powders and gas from dispersion chimneys*, their performance being postponed for 2017.

❖ *Upgrade of the communication infrastructure, creating the data center according to standard TIA 942-1 and implementing measures to reduce the risk of information security (Security project for information systems and communication security)* – the performance of such investment is conditioned by initiating the investment project at the Central Office level *Upgrade and integration of the information flow at the SNN level*, estimated to be initiated starting with 2018.

❖ *Integrated information system for the management of nuclear fuel production (SIMP)* – during 2016 was reviewed and approved the feasibility study of the investment. The project performance was postponed for 2017.

❖ Delivery and start-up contracts were signed for two important pieces of equipment: *Installation for case glazing* and *Tap-grid welding installation*, their delivery and start-up being provided according to the contractual provisions in 13 months since signing the contracts, therefore they were postponed for 2017.

Regarding the investment program of CNE Cernavoda we mention that, during 2016, were developed 45 investment projects. A series of important works were performed according to the performance graphic such as:

❖ Installing a spare ventilator on the steam system for sealing turbine labyrinths at U1 – 137 thousand lei;



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- ❖ Improving the live steam system of U1 by replacing the steam discharge valves in the atmosphere (ASDV) with another type of valves - MPA 581 – 132 thousand lei;
- ❖ Extension of SCADA system – 1,404 thousand lei;
- ❖ Replacing 48Vcc, 220Vcc, 400Vcc batteries – 785 thousand lei;
- ❖ Replacing the excitation system 1-41220-PL743/3501 GENEREX from U1 due to the impossibility to acquire SPV components – 22,774 thousand lei;
- ❖ Fitting the transformers 1-5144-T03/T04 and 1-5134-T05/T06 with a system for preventing explosion and fire – 1,616 thousand lei;
- ❖ Retooling the balls cleaning system of the U1 condenser – 3,952 thousand lei;
- ❖ Installing on line measuring systems of gas concentrations dissolved in the electro-insulating oil of power transformers for 5144-T03/T04, 5134-T05/T06 from U1 and U2 and 0-5134-T1/T2 and 0-5135-TC01/TC02 from U0 – 706 thousand lei;
- ❖ Optimizing the system for collecting chemical samples from U1 – 75 thousand lei;
- ❖ Automating the low pressure step of the ECC U1 system – 1,282 thousand lei;
- ❖ Improving the thermal performances of steam generators 1-3311-GA#1/ GA#2/ GA#3/ GA#4 from Unit 1 by cleaning their "U" tubes – 40,739 thousand lei.

The rest of the investment projects cumulated delays both in developing the acquisition procedures and in their implementing, which explains the reduced degree of performance of the CNE Cernavoda investment program.

In terms of major investment objectives (PJ-05-016 Intermediary Used Fuel Storage, including SICA U#2, PJ-04-001 Modernization and expansion of physical protection systems, PJ-11-006 Improving of CNE response, respectively nuclear safety functions in case of events outside the design basis following the nuclear accident occurred at the Fukushima nuclear power plant), the their total value planned in the 2016 revised SNN investment program is 53,724 thousand lei.

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The achievement for major investment objectives by the end of 2016 compared to the investment program of the Company is 33.94%, according to the table below:

Project code	Project name/Investments objective	2016		Achievement level [%]
		Planned BVC [thousand lei]	Achieved at 31.12.2016 [thousand lei]	
PJ-05-016	Intermediary used fuel storage (including SICA U#2)	17,420	9,532	54.72%
PJ-04-001	Modernization and expansion of physical security system	5,000	10	0.19%
PJ-11-006	Improving of CNE Cernavoda response, namely of nuclear security functions in case of events outside the projection bases due to the nuclear accident occurred at the nuclear plant Fukushima 1, Japan	31,304	8,690	27.76%
Total		53,724	18,232	33.94%

By Decision no. 3/25.04.2016 of the SNN GOMS was approved the upgrade of Annexes 1 and 1.1 to the management contracts concluded between the administrators and the Company, where the target degree of performing the major investment objectives at the end of quarter IV is 90%. Considering this target objective, it results a performance degree of 37.7 % of the provided target.

The low degree for performing the major investment objectives is due to:

❖ *Intermediate burnt fuel storage (including SICA U#2)*

Delay, by approximativ 9 months, of the period of the acquisition process of „The C+M works for module 8”, following the successive rounds of claims received from one of the bidders.

❖ *Upgrade and extension of the physical protection*

During Q IV was finished the acquisition procedure and was signed the implementation contract of „The priority works 2, step 1 for completion of the physical protection system at CNE Cernavoda”, but the initiation of activities within the contract mentioned is conditioned by obtaining the Industrial security certificate. The legal term for obtaining this certificate is 90 days, due to which the performance works were postponed for 2017.

❖ *Improving the CNE Cernavoda response, respectively the nuclear security functions in case of events outside the design bases following the nuclear accident occurred at the Fukushima 1 nuclear plant, Japan.*



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The extension of the term for obtaining notices/approvals/authorizations necessary for obtaining the building permit for changing the destination of the existent buildings on the U5 site.

The main investments considered for 2017 - 2018 are:

1. Intermediate burnt fuel storage (including SICA U#2) – 39,153 thousand lei;
2. Upgrade and extension of the physical protection – 45,563 thousand lei;
3. Improving the CNE Cernavoda response, respectively the nuclear security functions in case of events outside the design bases following the nuclear accident occurred at the Fukushima 1 nuclear plant, Japan – 86,540 thousand lei;
4. Extension of the life period of U1 by re-tubing the reactor and retooling the main systems – 48,692 thousand lei;
5. Replacing the control part of the excitation system 2-41220-PL 1615 from U2 due to multiple reliability issues – 23,811 thousand lei;
6. Increasing the safety in the operation of the power evacuation system of CNE Cernavoda, by retooling the power evacuation transformers and providing a spare trafo for two units – 16,599 thousand lei.

The investments program for 2017 – 2018 is the following one:

Investments [thousand lei]	2017	2018
Investments Program, out of which:	231,593	344,319
- CNE Cernavoda	196,760	320,362
- FCN Pitesti	16,607	14,617
- Sediul Central	18,227	9,340

On medium and long term is necessary SNN preserve their sources of funding for the implementation of significant investment projects:

- Investment in plant detritiation with an estimated about 180 mil. EUR, the final investment decision will be submitted for approval by the General Meeting of Shareholders in the near future;
- The project of refurbishment of Cernavoda NPP Unit 1, with an estimated value between 1.2 – 1.5 billion EUR and an implementation period of 1.5 – 2 years, after the first life cycle of Unit 1.



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5.16.3. EVENTS, TRANSACTIONS AND ECONOMIC CHANGES AFFECTING THE INCOMES

The income from the main activity is significantly affected by:

- Production of electricity by CNE Cernavoda, closely related to the operational performance of the two nuclear units;
- Compliance with gradual liberalization schedule of the market and the company's contribution to the cart covered (risk following to be eliminated starting 2018);
- Regulated prices set by ANRE (elimination starting 2018);
- Evolution of prices on the competitive market and the company's ability to successfully compete in these conditions.

6 NON – CURRENT ASSETS

6.1. LOCATION AND CHARACTERISTICS OF MAIN PRODUCTION CAPACITIES

Cernavoda Nuclear Power Plant is located in Constanta approx. 2 km southeast of the town of Cernavoda, approx. 1.5 km northeast of the first shuttle of navigable channel Danube-Black Sea. The platform designed for building the structures of CNE Cernavoda is bordered at the north by Cismeiei Valley and at south-west by 223 County Road. The south and east limit consists of hilly natural formations. For location of the Nuclear Power Plant with 5 CANDU 600 units an area of 72 hectares was arranged by excavating and leveling of former limestone quarries Ilie Barza. The resulting platform is + 16.00 share mdMB (Baltic Sea level).

The plant is designed to operate at load curve base. It has a turbo-generator supplying gross electric power of approx. 700 MWe gross each (706.5 MWe Unit 1, respectively, 704.8 MWe Unit 2) using the steam produced by the energy developed in a nuclear reactor type CANDU-PHWR-6 (Canadian Deuterium Uranium - Heavy Water Reactor Pressurized). This type of reactor uses heavy water as moderator and coolant in two separate systems. Fuel consists of natural uranium as sintered uranium dioxide pills, wrapped in zircaloy and assembled in bundles containing 37 fuel elements each.

Ceramic pellets contained inside a fuel element, are able to retain fission products inside them. Loading and unloading of reactor fuel is continuous, bidirectional and under load. The reactor is equipped with a heat transport system with two independent loops which



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transfer the heat produced in the fuel by the controlled fission reaction in chain in the four steam generators to produce steam from the light water. Saturated steam from the steam generators is expanded in the turbine by putting it in motion and is then condensed using cooling water taken from the Danube through an open intake channel and race no. 1 of the Danube-Black Sea Canal (CDMN). The electricity produced is discharged in the National Power Network through the 400 kV Cernavoda plant belonging to Transelectrica.

Within the company also operates the Subsidiary Fabrica de Combustibil Nuclear (FCN) Pitesti, with head office in Arges county, town Mioveni. FCN is the owner of a land in surface of 23.273 sqm, of which 8.458 mp is occupied by production departments, storage and offices, and the rest is a free surface. Within FCN Pitesti is performed the production of the nuclear fuel bundles, using as raw material the sintering uranium dioxide powder (UO₂).

6.2. THE DEPRECIATION DEGREE OF THE ASSETS

The two nuclear power units within the CNE Cernavoda have an initial life cycle of 30 years, that can be extended for another 25 years after a refurbishment process. Unit 1 was commissioned in 1996 while Unit 2 was commissioned in 2007. Every two years, nuclear units are switched off for maintenance shutdowns planned in the program. The Nuclear Fuel Plant in Pitesti was founded in 1992, and the first batch of nuclear fuel bundles was produced in 1994.

6.3. OPERATIONAL PERFORMANCE INDICATORS

The gross annual capacity factor (GCF) in 2016 was 83,78% for Unit 1 and respectively 99,09% for Unit 2. The annual gross capacity factors since in service (GCF) until the end of 2016 was 90,37% for Unit 1, and respectively 94,79% for Unit 2.

Operating performance of nuclear units in SNN portfolio SNN can be assessed objectively considering the statistics presented by international agencies or specialized publications.

According to the classification made by the journal “Nuclear Engineering International” (August 2016), regarding the indicator „ global coefficient of installed capacity”, since their commissioning, Cernavoda NPP units rank among the top twenty nuclear units out of 400 nuclear units operating around the world, as follows:

Unit 2 with an overall coefficient of installed power use of 93,33% ranks the 2nd position; Unit 1 with an overall coefficient of installed power of 89,77% ranks the 9th place.

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Based on the same indicator, Romania is placed on the first position in the world with 91.6% coefficient of installed power use since the commissioning of Cernavoda nuclear power plant.

The average capacity factor for 12 months and for the entire life period, at the end of March 2016							
Country	Number of reactors	2015 [%]	2014 [%]	For the entire life period	Generated TWh	Total capacity [Mwe]	Reactor years
Belgium	7	94,9	55,5	81,3	1.494	6.228	252,6
Canada	11	74,9	75,3	74,8	1.489	7.689	344,8
Czech Republic	6	73	67,9	80	583	4.133	148,3
Finlanda	4	100,7	94,3	87,8	758	2.860	148,3
France	58	83,2	73,1	71	12.469	66.144	1.807,3
Germany	8	96,6	87,6	87,9	2.568	11.357	239,4
Hungary	4	101,4	90,2	85	433	2.000	123,2
India	21	73,7	72,2	60,3	527	6.170	444,3
Japan	43	5,9	2,8	58,8	5.954	42.200	1.179,8
Russia	30	88,7	80,8	66,6	4.350	26.218	902,8
Slovakia	4	95,5	89	81,9	310	1.950	96,3
Spain	7	88,8	85,8	84,4	1.626	7.403	218,3
Sweden	9	89,7	71,2	72,8	1.995	9.156	330,5
Switzerland	5	80,6	57,4	84,4	932	3.460	205,1
Taiwan	6	81,3	76	80,1	1.236	5.144	207,6
Great Britain	15	72,7	69,4	63,3	1.865	10.582	482
United States of America	99	91,6	89,1	76,2	23.563	105.921	3.597,8
Countries with less than 4 nuclear units, with at least 1 year of experience in operation							
Argentina	2	45,9	39	73,1	238	1.015	75,1
Armenia	1	91,1	68,8	53,5	69	408	36,3
Brazil	2	99,2	76,4	65,1	246	2.007	49,8
Bulgaria	2	100,8	87,3	62,2	291	2.000	53,5
Mexico	2	35,4	67,7	75,7	223	1.610	48,4
The Netherlands	1	100,1	90,4	83,8	154	515	42,8
Pakistan	2	85,2	62,5	72,4	43	650	20,5
Romania	2	99,4	94,6	91,6	160	1.411,3	28,4
Slovenia	1	100,6	82,7	81	149	727	34,5
South Africa	2	99,9	75,7	70,3	373	1.940	62,8



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7 MARKET OF SECURITIES ISSUED BY THE COMPANY

7.1. THE ROMANIAN MARKETS AND THE MARKETS OF OTHER COUNTRIES WHERE THE SECURITIES ISSUED BY THE COMPANY ARE TRADED

Consequently to the Initial Public Offer of 25,368,236 shares, representing 10% of the share capital of S.N. Nuclearelectrica S.A., offer developed during the period 09.09.2013 – 20.09.2013, the SNN shares are traded on the regulated market managed by the Bucharest Stock Exchange (BSE) since 04.11.2013, on the category I, having the issuant symbol “SNN” and ISIN code ROSNNEACNOR8; starting from 05.01.2015, the SNN shares have been traded on the Premium category of BSE.

The selection of issuers in order to analyze for the promotion in the Premium category is performed based on the following alternative criteria:

- a) the actions are among the most liquid 25 titles, after the liquidity coefficient;
- b) The free-float capitalization average for the last 3 months exceeds the amount of EUR 40 million.

On the date of 31.12.2016, the total number of shares issued by SNN is 301.513.851 shares. The record of shares is kept by the Central Depository, as independent registry company, authorized by the Authority for Financial Surveillance.

The evolution of the share capital increases:

Shareholders	Shares [mil.]	Percent	Shareholders	Shares [mil.]	Percent	Shareholders	Shares [mil.]	Percent	Shareholders	Shares [mil.]	Percent
Ministry of Economy	229,00	90,27%	Ministry of Economy	229,00	81,27%	Ministry of Energy, Small and Medium sized Enterprises and Business Environment	248,44	82,48%	Ministry of Energy	248,73	82,49%
Fondul Proprietatea S.A.	24,70	9,73%	Fondul Proprietatea S.A.	27,40	9,73%	Fondul Proprietatea S.A.	27,40	9,10%	Fondul Proprietatea S.A.	27,40	9,09%
			Free float	25,40	9,00%	Free float	25,36	8,42%	Free float	25,36	8,41%
Total	253,70	100%	Total	281,80	100%	Total	301,22	100%	Total	301,51	100%

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<ul style="list-style-type: none"> - IPO followed by an allocation rights issue, traded between 4 and 28 October 2013 □ - Shares listed on the main segment of the Bucharest Stock Exchange (Symbol: SNN) starting 4 November 2013 □ - Index inclusion starting 2014 (1,99% weight in BET Index, 1,53% weight in BET- XT Index) 	<ul style="list-style-type: none"> - IPO for a 10% stake (new shares) - Subscription period: 9-20 September 2013 - Closed book for the institutional tranche - Oversubscription of 5,6 and 3,7 times for the two retail tranches (small subscription tranche fully subscribed by the end of day 2) - Deal Value (mn): RON 281,9 (~EUR 62,6) - Total share capital increase value (mn): RON 312,5 (~EUR 69,4) - Market Cap Post IPO (mn): RON 3.150 (~EUR 700) - Capitalizare post IPO (mn): RON 3.150 (EUR 700). 	<ul style="list-style-type: none"> - IPO for a 10% stake (new shares) - Subscription period: 9-20 September 2013 - Closed book for the institutional tranche - Oversubscription of 5,6 and 3,7 times for the two retail tranches (small subscription tranche fully subscribed by the end of day 2) - Deal Value (mn): RON 281,9 (~EUR 62,6) - Total share capital increase value (mn): RON 312,5 (~EUR 69,4) - Market Cap Post IPO (mn): RON 3.150 (~EUR 700) 	<ul style="list-style-type: none"> - IPO for a 10% stake (new shares) - Subscription period: 9-20 September 2013 - Closed book for the institutional tranche - Oversubscription of 5,6 and 3,7 times for the two retail tranches (small subscription tranche fully subscribed by the end of day 2) - Deal Value (mn): RON 281,9 (~EUR 62,6) - Total share capital increase value (mn): RON 312,5 (~EUR 69,4) - Market Cap Post IPO (mn): RON 3.150 (~EUR 700)
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7.2. DIVIDEND POLICY

Applicable legal provisions

SNN is a national company with a state majority capital. Therefore, the profit distribution is made according to the provisions of the Government Ordinance no. 64/2001, regarding the profit distribution to the national companies, the national companies and the trading companies with a state full or major capital, as well as to the autonomous regimes, as further amended and completed. In this way, according to the G.O. provisions no. 64/2001, the minimum distribution quote for dividends is 50% of the net profit remained after the distributions provided by Art. 1 par. (1) letters a)-e) o G.O. no. 64/2001. The legal frame could be changed in the future by amending the current law, so that the minimum division rate for dividends is changed.

The GD provisions 64/2001, establish a minimum mandatory division rate for dividends. Therefore, for as long as the provisions of the GD 64/2011 remain unchanged, the company may propose the shareholders a division rate for dividends in between 50% and 100% of the distributive profit. The profit rate to be distributed annually by the Company as dividends is submitted to the approval of the GMS.

Therefore, SNN registers and pays dividends divided from the net profit, only after the approval of the annual financial statements by the GMS and division proposals for the profit.



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The situation of dividing the profit for dividends during the last 3 years

For 2016, gross proposed dividends (99.499.571 RON) amount to 92,76% of the net profit, percentage applied to the distributed profit after being allotted on the destinations provided at art. 1 paragraph 1 letter a) - e) of the G.O. no. 64/2001 to which is added the amount proposed to be shared as “employee participation to profit”, for remaking the calculation base. For 2016, according to the provisions of the Govern Memorandum with the theme “Authorizing the state representative in the GMS/BoD, as the case may be, to national companies, national companies and full or majority state capital companies, as well as to autonomous authorities, in order to take the measures required for dividing a minimum rate of 90% of the net profit performed for 2016 as dividends/payments to the state budget”, must be distributed as dividends minimum 90% of the profit remained after sharing on the destinations provided at Art. 1 paragraph 1 letter a) - e) of the G.O. no. 64/2001. The percentage of 90,68% comes from rounding up the gross dividend on the action proposed and namely 0,33 lei gross/action.

From the net profit of the financial year 2015 was approved a rate of 70,10% for net profit sharing for dividends, and from the net profit of the financial year 2014 was approved a rate of 71,22% for net profit sharing for dividends, therefore complying with the provisions from art. 1 paragraph (1) letter f) of the G.O. no. 64/2001, with subsequent amendments and additions.

Method of calculation and payment

Dividends are distributed to shareholders proportionally with the rate of input to the subscribed and paid up share capital of the company; each fully paid actions gives the holder the right to receive a dividend. Details regarding the distribution methods, of retaining a tax on dividend and payment are available on the company’s internet page/section investors relations/GMS.

Principles to be considered in establishing dividends in the future

In formularea propunerilor catre Adunarea Generala a Actionarilor cu privire la rata de distribuire a dividendelor in viitor, Consiliul de Administratie va lua in considerare urmatoarele criterii, in ordinea prezentata mai jos:

- ❖ The compliance with the requirements from the GO 64/2001, including the minimum distribution rate of 50% of the sharing profit;

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- ❖ Keeping a balance between the need to compensate the shareholders by dividend and the financing needs by own sources of the company, including for investment projects;
- ❖ The correlation between the shared profit for dividends and the monetary correspondence of the sharing profit, respectively that part of the sharing profit with a monetary correspondence, after the adjustment of non-monetary elements; this has the objective the avoidance of de-capitalization of the company in case of an uncoupling between the sharing profit for dividends and monetary counter-party of the profit;
- ❖ The possibility to provide a dividend accomplishment correlated with other similar listed companies, as well as with a correlation of the dividend per action in the absolute amount with the one from the previous period. There is no guarantee that in the future these correlations will be provided.

More information regarding dividends can be found in the Annual reports available on the company's internet page, section investors relations/GMS.

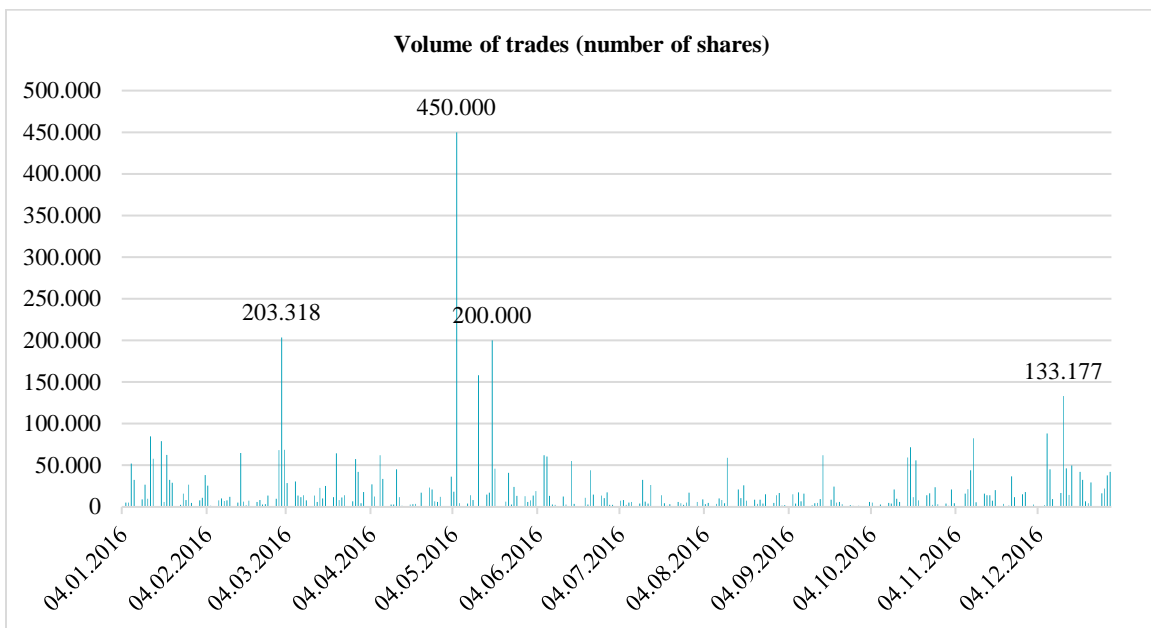
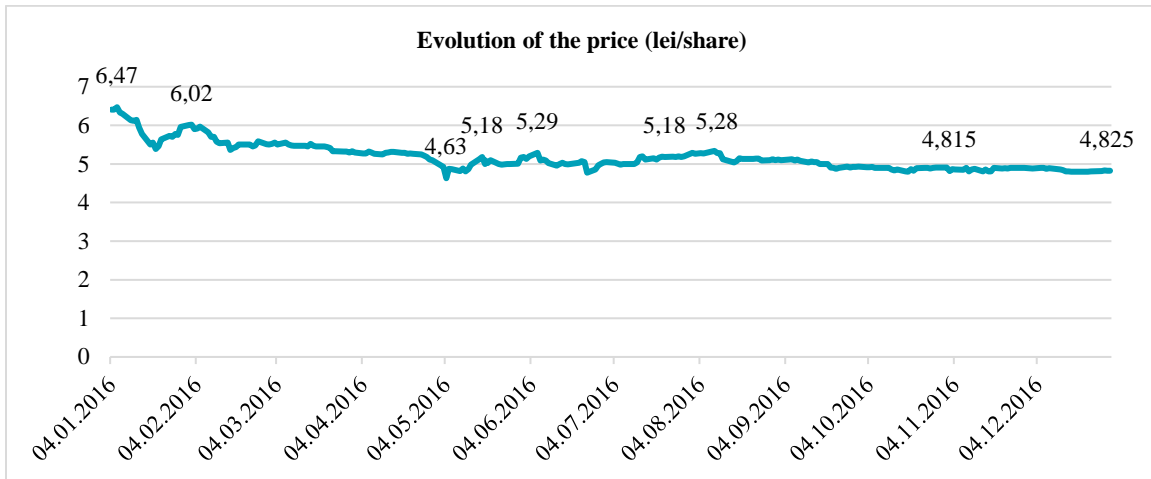
The due dividends and payments, respectively, during the last 3 years were as follows:

Indicator [thousand lei]	2016 ^{*)}	2015	2014
Net profit	112.449.451	149.143.729	133.064.655
Distribution to the legal reserve	(6.518.506)	(9.590.178)	(8.250.662)
Other reserves representing tax facilities provided by law	(2.454.218)	(1.168.929)	(516.049)
Net profit distributable to the dividend	103.476.727	138.384.622	124.297.944
Employees' participation to the profit	(3.793.000)	(3.563.000)	(2.592.400)
Net profit calculation base, dividend distribution	107.269.727	141.947.622	126.890.344
Proposed dividends	99.499.571	99.499.571	90.366.312
Allocated dividends	99.499.571	99.499.571	90.366.312
Dividends paid until 31.12.2016	-	99.471.165	90.354.919
Profit distribution rate (%)	92,76%	70,10%	71,22%

**) For 2016, the indicators represent the profit distribution proposal of the Board of Directors and is subjected to the approval of the GMS.*

7.3. ACTIVITY OF SNN AT BSE

The progress of SNN shares during 1 – 31 of December 2016:



The activity of SNN during 2016 as issuer of securities on the capital market in Romania, is shown as follows:

- ❖ In 2016, a total of 18.256 trades took place, with a daily average number of 71,59 trades;
- ❖ The total volume of traded shares was 5.282.010 shares;
- ❖ The value of trades by in 2016 was 27.280.707,01 lei;



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- ❖ In 2016, two “Deals” trades occurred in the total amount of 650.000 shares;
- ❖ The price of one SNN share during 2016 was between a maximum amount of 6,48 lei and a minimum amount of 4,5 lei, decreasing to the amounts registered during 2015 when the maximum amount was 8,07 lei and the minimum amount was 6,36 lei;
- ❖ The stock capitalization on the last trading day of 2016, was 1.448.774.054 lei, decreasing towards the amount of 1.935.718.923 lei, from 2015.

7.4. PRESENCE IN THE INDEXES

The Bucharest Stock Exchanges (BSE) calculates and shares in real time 7 own indexes – BET, BET-TR, BET-XT, BET-XT-TR, BET-BK, BET-NG si BET Plus. The BSE indexes reflect the progress of prices of the most traded companies listed or the progress of certain representative fields, like the financial or energy field. As calculation methodology, all the BSE indexes are weighted price indexes with free float capitalization, with maximum limits for the weight price of constituent companies. Except for the most recent launched index, BET Total Return BET-TR and BET-XT-TR, which are adjusted for the dividends, the other indexes only reflect the progress of market prices.

The SNN shares were included in the structure of indexes of the Bucharest Stock Exchanges (BSE) with the following ponders, on the adjustment date 09.12.2016:

- ❖ 1,13% in the BET index (Bucharest Exchange Trading – reference index of the capital market, a pondered price index with the free floating capitalization of the most liquid 10 companies listed on the BSE regulated market). Starting with 2015, for selection under this index also apply criteria regarding the issuers transparency and the reporting and communication quality with the investors;
- ❖ 4,70% in the BET-BK index (Bucharest Exchange Trading Benchmark Index) calculated as a pondered price index by the free-floating capitalization of the most traded 25 companies listed on the BSE regulated market);
- ❖ 1,03% in the BET-XT index (Bucharest Exchange Trading Extended Index), blue-chip index, reflects the progress of prices of the most liquid 25 traded companies in the regulated market segment, including the SIFs, the maximum rate of a symbol in the index being 15%;
- ❖ 2,33% in the BET-NG index (Bucharest Exchange Trading Energy & Related Utilities - sector index following the movement of prices of the shares of companies, whereof the main activity field is associated to the “energy and utility” sector, the maximum rate of a symbol in the index being 30%);
- ❖ 1,13% in the BET-TR index (Bucharest Exchange Trading Total Return Index), index reflecting both the progress of prices of constituent companies, and the dividends offered



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by them. 1,03% in the BET-XT-TR index, total return type of the BET-XT index, including the most 25 traded Romanian companies listed at BSE;

❖ 1,02% in the BET Plus (Bucharest Exchange Trading Plus Index), an index reflecting the progress of Romanian companies listed on BSE regulated market, which fulfill the minimum selection criteria regarding the liquidity and the value of shares included in the free float, except for the financial investment companies (SIFs).

7.5. COMMUNICATION WITH THE SHAREHOLDERS AND INVESTORS

The activity of Communication and Relations with the Investors is developed according to the legal provisions in force included in the Law no. 31/1990 republished, of the companies, as further amended and completed to date of GEO no. 109/2011 regarding the corporate governance of public enterprises, Law no. 297/2004 regarding capital market, the Regulation no. 1/2006 regarding the issuance and the securities operations, Regulation n. 6/2009 regarding the application of certain rights of the shareholders at the general assemblies of shareholders, the Code of Bucharest Stock Exchanges, Code of the Central Depository and the regulations of the Financial Surveillance Authority (ASF).

Internally, the efficient integration of financial, legislative, corporate governance and corporate social responsibility information of interest for the investors and shareholders as well as the communication of such information, either as requirement according to the reporting data of a company listed on the stock, or on the shareholders', investors' requests and other third parties' requests, interested in the progress of company.

The communication process is a simethrical two way system, focused on feedback and, implicitly, on the constant development of the relationship with the investors. The main highlights are : meetings with investors and analysts, conferences and media briefings, private meetings with the shareholders, tele and videoconferencing, dedicated section on the company' s website, acces to relevant information about the company and its activity, as well as to reports and policies, communication of the significant information with impact on the company and its shareholders adn potential investors.

The purpose is an efficient communication, adjusted based on the market feedback, which allows the shareholders to comprehend and assess, based on objective information, sent in real time, the changes occurred on the samples of trading, the development directions of the company, the information with an impact on the risk administration strategies.



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Actiunile de comunicare cu actionarii si investitorii s-au concretizat in anul 2016 in:

- ❖ Organization of meetings with the investors for the presentation of financial results;
- ❖ Organization of teleconferences, in accordance with the financial calendar of the company;
- ❖ Immediate transmission of information on the request of shareholders, potential investors and participants to the capital market;
- ❖ Participation to conferences organized by third parties regarding the capital market of Romania and presentation of financial results and company development opportunities;
- ❖ Participation of the company representatives to information seminars organized by the relevant authorities for the improvement of corporate governance and development of transparency towards the shareholders;
- ❖ Organization of the General Assemblies of Shareholders;
- ❖ Information gathering, issuance and checking of current reports, their transmission to the competent authorities (BSE and ASF) and their publishing on the company website, observing the terms required by the legislation in force;
- ❖ Attending training courses and discussion sessions regarding corporate governance standards, communication platforms with investors and other instruments provided by the capital market authorities.

7.6. FURTHER INFORMATION

During the financial year ended on 31.12.2016 there have not been any trades regarding the procurement by SNN of its own shares and/or other types of receivables. SNN pays on time its liabilities incurred by the credit facilities and fulfilled the financial conditions included in the relevant agreements.

8 INDIVIDUAL FINANCIAL STATEMENTS AS AT 31.12.2016

The individual financial statements are attached. Extracts containing the main elements are presented below.

Financial position statement

Indicator [thousand lei]	2016	2015
Non-current assets	7.330.813	7.696.228
Current assets	2.014.607	1.861.187
Total assets	9.345.420	9.557.415
Equity	7.506.613	7.493.723
Total liability, out of which	1.838.807	2.063.691
Long term liability	1.426.403	1.642.689
Short term liability	412.404	421.002
Total Equity and Liability	9.345.420	9.557.415

Profit and loss account and comprehensive result

Indicator [thousand lei]	2016	2015
Operation revenues	1.680.220	1.782.998
Operation expenses	(1.520.851)	(1.622.858)
Operation profit	159.369	160.139
Finance income	89.991	169.027
Finance cost	(118.995)	(150.843)
Net finance cost / income	(29.004)	18.184
Profit before income tax	130.365	178.323
Net income tax expense	(17.915)	(29.180)
Profit for the year	112.450	149.143
Other comprehensive income	(60)	4.617
Comprehensive income	112.390	153.760
Basic earnings per share (Ron/share)	0,37	0,50
Diluted earnings per share (Ron/share)	0,37	0,50



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Cash flow statement

Indicator [thousand lei]	2016	2015
Profit before income tax	130.365	178.324
Adjustments	463.071	515.251
Cash flow related to operational activities	593.436	693.575
Net cash flow from operating activities	577.683	650.283
Cash flow used in investing activities	(260.130)	(1.246.286)
Cash flow from financing activities	(311.216)	(298.919)
Net increase in cash and cash equivalents	6.337	(894.922)
Cash and cash equivalents at the beginning of the period	257.377	1.152.299
Cash and cash equivalents at the end of the period	263.714	257.377

9 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2016

The consolidated financial statements are attached. Extracts containing the main elements are presented below.

Financial position statement

Indicator [thousand lei]	2016	2015
Non-current assets	7.330.242	7.695.330
Current assets	2.015.129	1.863.834
Total assets	9.345.371	9.559.164
Equity	7.506.523	7.495.325
Non-controlling interest	-	-
Total liability, out of which:	1.838.848	2.063.838
Long term liability	1.426.403	1.642.689
Short term liability	412.445	421.149
Total Equity and Liability	9.345.371	9.559.164

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Profit and loss account and comprehensive result

Indicator [thousand lei]	2016	2015
Operation revenues	1.680.222	1.783.009
Operation expenses	(1.522.537)	(1.623.908)
Operation profit	157.685	159.100
Finance income	89.990	168.405
Finance cost	(119.003)	(150.923)
Net finance cost	(29.013)	17.483
Profit before income tax	128.672	176.583
Net income tax expense	(17.915)	(29.185)
Profit for the year	110.757	147.399
Other comprehensive income	(60)	4.617
Comprehensive income	110.697	152.015
Basic earnings per share (Ron/share)	0,37	0,50
Diluted earnings per share (Ron/share)	0,37	0,50

Cash flow statement

Indicator [thousand lei]	2016	2015
Profit before income tax	128.672	176.583
Adjustments	463.011	515.209
Cash flow related to operational activities	591.683	691.793
Cash flow related to operational activities	575.936	648.518
Net cash flow from operating activities	(260.463)	(1.248.516)
Cash flow used in investing activities	(311.216)	(298.919)
Cash flow from financing activities	4.257	(898.917)
Net increase in cash and cash equivalents	259.943	1.158.860
Cash and cash equivalents at the beginning of the period	264.200	259.943

10 CORPORATE GOVERNANCE DECLARATION
10.1. IMPLEMENTATION OF THE CORPORATE GOVERNANCE PRINCIPLES

During 2016, SNN continued the implementation of the corporate governance best practices in order to align the internal procedures to the new quality requirements related to the company's admission on the Bucharest Stock Exchange.

Implementation of the corporate governance rules provides a transparent decisional process, based on clear and objective rules mean to lead to an increase of the trust level of



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the shareholders in the company. SNN provides a special importance to corporate governance, analyzing the compliance level with the provisions of the new Corporate Governance Code issued by Bucharest BSE effective on January 4th, 2016. SNN issued a current report regarding the application of the code's provisions within its activity, identifying those provisions ongoing to be implemented. In Annex IX to the hereby Report, is presented the stage of the up-to-date implementation of the Corporate Governance Code of the Bucharest BSE.

The Corporate Governance Rules of SNN (available on the Company's webpage), provides the support integrated management in the optimum relationship of issuer- shareholders/ investors/analysts by non-discriminating compliance of their rights, establishing a balance between management, leadership and assumed performance objectives, on one hand, and the control, namely, the evaluation of the efficiency and performance, the adequate administration of real and potential risks, the careful oversight of the observance of the regulations in force, on the other hand.

In order to implement corporate governance principles, SNN implemented a series of corporate governance actions in 2016 which focused mainly on:

- ❖ The payment of dividends for the financial year 2015 was carried out in compliance with the legislation in force applicable to issuers, without incidents, on the basis of a transparent procedure and related documents published on the Company's webpage, within a dedicated section.
- ❖ In compliance with the provisions of art. 113, letter G, paragraph 3 and 4 of the Regulation number 1/2006 regarding the issuers of securities, SNN sends current reports to BVB and ASF, within the 5 day timeframe from the conclusion date of the legal document with the administrators, the employees and the shareholders who own control of the Company, as well as with the implicated persons with the cumulated value of the lei equivalent of 50.000 Euro (art. 225, paragraph 1 of the Law number 297/2004 regarding the capital market). The disseminated current reports are uploaded on the webpage of SNN and contain the following information : the parties of the agreement, the conclusion date and nature of the legal document, the description of the object, the total value of the legal document, mutual receivables, warranties, penalties, due dates and payment methods.
- ❖ SNN sends current reports to BVB and ASF for the information of the shareholders regarding any event which modified the patrimony of the Company or the financial statements, in compliance with the due dates provided in the legislation applicable to issuers of securities with shares accepted for trading on the regulated market.



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- ❖ SNN published and will continue to publish on its webpage quarterly, half-yearly and annual reports both in English and in Romanian, informing the Bucharest Stock Exchange as well.
- ❖ Representatives of the SNN management attended in 2016, 6 events type "Investors Day" organized by the capital market authorities and investment funds within which occurred meetings type "business to business" with investors and potential investors.
- ❖ SNN organized 4 teleconferences and a "face to face" meeting with the investors for presenting the financial results, according to the financial calendar posted at the beginning of the year.

Within SNN operates a department dedicated to the investors' relations – Department of Communication and Investors Relations, which role is represented by the implementation and monitoring of corporate governance standards at the Company's level, notifying the shareholders and investors according to the legal provisions, proactive communication focused on the target group, on the notification needs of the investors and on the analysis of the market trends.

- ❖ Measures taken towards ensuring transparency, namely:
 - A dedicated section for investors relations of the website of the Company;
 - On SNN's webpage, in the Investors Relations section, there is a dedicated subsection for the General Meetings of Shareholders, where SNN publishes convening notices and documents related to each GMS, GMS resolution projects, special power of attorney and correspondence voting ballots, for legal entities, as well as for natural persons, the resolutions of the GMS and the result of the votes. Also, SNN publishes on its webpage information materials dedicated to the shareholders;
 - The publication of the resolutions of the general meetings of shareholders, within 24 hours since the date of the meeting on the webpage of the Company;
 - Section dedicated to the Investors Relations on the company's Internet page consists in the main corporate regulations at the company's level, bilingual: articles of Incorporation, Corporate Governance Regulation consisting in reference terms of the BoD, Regulations of the consulting committees, Organization and Development Regulation of the GMS meetings;
 - Communication of current and periodical financial reports (quarterly, bi-annual and annual) to the BVB and ASF and posting them on the Company's internet page, accompanied by the Reports of the relevant auditor;
 - Submitting updated information regarding the members of the BoD: members CV-s, other professional commitments of the BoD members, including executive and non-



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executive positions in the BoDs of other companies or non-profit institutions, status of independent members, as the case may be;

- Presentation performed by SNN for investors during the main financial events of the company, according to the financial calendar are posted on the Company's website;
- The graphic of the stock exchange evolution of the SNN share price.

❖ As per the provisions of article 149 of the CNVM Regulation number 1/2006, SNN prepared, updated and sent to the Financial Supervisory Authority a list of persons with access to privileged information.

❖ At the level of the company, an internal procedure regarding the elaboration, signing and dissemination of the current report to BVB and the Financial Supervisory Authority was established. Up to present, the reporting due dates were not exceeded.

❖ All the conditions have been met for the shareholders to exercise their voting rights through correspondence or electronic means, before the date of the meeting, in compliance with the provisions of art. 45, paragraph (6) of OUG number 109/2011. Thus, the Regulation for the organization and unfolding of the General Meetings of Shareholders provides « the correspondence vote » as a method to exercise one's voting rights, with strict and precise rules on this matter.

10.2. THE GENERAL MEETING OF SHAREHOLDERS

The corporate bodies of SNN, company which is administered in an unitary system, are as follows: the general meeting of shareholders, which represents the highest decision making forum and the Board of Directors.

The General Meeting of Shareholders (GMS)

The General Meeting of Shareholders is the main corporate governance body of the company, which decides on the economic and business policy and activity of the company. SNN has established and implemented solid internal procedures governing the organization and development of GMS, as well as rules governing the latter's legal and statutory activity, in accordance with the Articles of Incorporation and the applicable laws. In terms of its structure, depending on the items which require the approval of the shareholders, the General Meeting of Shareholders may be ordinary or extraordinary.



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The Ordinary General Meeting of Shareholders (OGMS)

The main responsibilities of the Ordinary General Meeting of Shareholders (OGMS) are:

- Discusses, approved and changes the annual financial statements of the basis of the reports presented by the Board of Directors and financial auditor;
- Establishes the distribution of the net profit and the value of the dividend;
- Elects and revokes members of the Board of Directors;
- Appoints and dismisses the financial auditor and established the minimal duration of the financial audit contract;
- Establishes the general limits of the CEO and Managers remuneration;
- Establishes the remuneration of the members of the Board of Directors, as well as the terms and conditions of the mandate contract concluded with the members of the Board of Directors;
- Decides upon the administration of the Board members;
- Approves the strategy and the development policies of the Company;
- Establishes the annual revenues and expenditures budget for the next financial year;
- Decides upon the mortgage, renting and constituting as real estate guarantees the assets of the Company;
- Approves the administration plan, which includes the administration strategy for the duration of the Board's members mandate;
- Approves the reports of the Board of Directors regarding its activity;
- Decides in any aspect related to the Company, in compliance with its legal attributions, under the condition that the matters fall under the competence of the General Meeting of Shareholders;
- Analyzes and solves other issues submitted by the Board of Directors.

The Extraordinary General Meeting of Shareholder (EGMS)

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

- Approves the change of the company's legal condition;
- Approves the change of the company's headquarters location;
- Approves the change of the company's object of activity;
- Approves the establishment or dissolution of secondary headquarters: subsidiaries, agencies, offices and other units without legal entity;

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- Approves share capital increase, reduction and consolidation through the issue of shares;
- Approves merger with other companies and division of the Company;
- Approves anticipated dissolution of the Company;
- Approves the issuance of shares;
- Approves the conversion of shares from one category to another;
- Approves the conversion of a category of bonds into another or to shares;
- Authorizes the acquisition by the company of its own shares, and establishes the means of obtaining the maximum number of shares to be acquired, their minimum and maximum equivalent amount and operation period, in compliance with the law; it also establishes the method of alienation of own shares acquired by the company;
- Approves the acquisition, sell, exchange and pledge as guarantee assets of the Company from the „non-current assets” category, the value of which exceeds, separately and cumulated, 20% of the total non-current asset of the Company, less receivables for a financial year;
- Approves the renting of tangible assets, for a period greater than a year, if the separate or cumulated value for the sale contractor or implicated parties who act together exceeds 20% of the total tangible assets, less receivables at the date of conclusion of the legal document, as well as the associations for a period larger than one year, exceeding the same value;
- Approves any amendment to the Articles of Incorporation and any other resolution for which the approval of the Extraordinary General Meeting of Shareholders is required;
- Approves the mandate of Nuclearelectrica’s representatives in the General Meeting of Shareholders for:
 - Changing the share capital of S.C Energonuclear S.A;
 - Changing the participation rate of SNN to the share capital of S.C Energonuclear S.A;
 - Dissolution and liquidation of S.C Energonuclear S.A;
 - Any investment by S.C Energonuclear S.A exceeding 50.000.000 euro (fifty million euro) for a single transaction and/or exceeding 50.000.000 euro (fifty million euro) cumulated with other transactions in any financial year;
 - Conclusion by S.C Energonuclear S.A of any contract involving costs or taking any important obligations by S.C Energonuclear S.A exceeding 50.000.000 euro (fifty million euro), individually or cumulated, in a single financial year;
 - Any effective or proposed sale, any other alienation or any assets or rights of S.C Energonuclear S.A, any effective or proposed acquisition of assets or rights by S.C Energonuclear S.A exceeding the cumulated amount of 50.000.000 euro (fifty million euro);



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- Contracting, by S.C Energonuclear S.A of any types of loans or debts or obligations of loan types with a values exceeding 50.000.000 euro (fifty million euro).

In addition to the above mentioned responsibilities established by the Law, the Extraordinary General Meeting of Shareholders decides on the following matters:

- Conclusion by the Company of any contract, obligation or engagement that might involve expenses or assumption of any important obligation by the Company, as per the competence limits provided in the Addendum 1 to the Articles of Incorporation;
- Engagement by the Company of any type of loans, debts or obligations as per the competence limits provided in Addendum 1 to the Articles of Incorporation;
- Establishment or participation to the establishment of companies or conclusion by the Company of any type of association, including joint ventures.

Quorum and majority requirements

The quorum shall be checked by the meeting president regarding each decision in part, prior to voting the respective decision.

(a) OGMS

For the first summon of the meeting, requirements shall be met provided that the shareholders, representing at least 1/4 of the company's share capital, are attending the meeting or are represented. The resolutions can be validly adopted only when the shareholders representing the majority of the cast votes are voting "for". For the second convocation, the meeting can validly adopt resolutions regardless of the attending number of shareholders, simply through the vote cast by the shareholders representing the majority of the cast votes.

(b) EGMS

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

For the second convocation, the meeting can validly adopt resolutions included on the agenda of the first meeting convocation provided that the shareholders, representing at least 1/5 of the company's share capital, are attending the meeting or are represented.

The resolutions meant to amend the main object of activity of the company, the resolutions meant to increase or reduce the capital, to change of legal form of the company, or referring



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to mergers, division or dissolution of the company shall be adopted by a majority of at least 2/3 of the voting rights held by the shareholders or their proper representatives attending the meeting.

GMS convening process

The General Meeting of Shareholders is convened by the Board of Directors. The General Meeting of Shareholders, either ordinary or extraordinary, will be convened when needed, in compliance with the legal requirements and the provisions of the articles of incorporation, by publishing the convening notice in the Official Gazette of Romania, Part IV and in a national newspaper or a local newspaper from the location of the Company's headquarters with at least 30 days before the established date, as well as on the Company's web page. All information will be disseminated both in Romanian and in English.

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

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

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

The meeting cannot be appointed earlier than thirty days after the publication of the convening notice in the Official Gazette of Romania, Part IV.



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As per the applicable provisions (Law number 31/1990, OUG number 109/2011, the regulation number 6/2009) and the provisions of the Articles of Incorporation, the GMS Convening notice must include at least the following information:

- Name of the issuer
- Date, starting hour and location for the first and the second convening notice of the GMS;
- The proposed agenda, with the explicit mention of all the issues under debate in the meeting;
- The clear and precise description of the procedures that must be respected by the shareholders in order to participate and vote within the general meeting, with regards to:
 - The right of one or more shareholders representing separately or jointly at least 5% of the share capital of the Company, to introduce items on the agenda (accompanied by a justification), within at least 15 days since the publication of the convening notice and to present resolution proposals for the items included or proposed for inclusion on the agenda of the meeting. The amended convening notice with the items proposed by the shareholders must be published with at least 10 days before the General Meeting of Shareholders, at the date mentioned in the initial convening notice.
 - The vote by special power of attorney procedure, as well as the fact that for this type of vote, special powers of attorney must be used. Access to the special powers of attorney for the GMS, the due date and the address where they must be sent, as well as the requirements for the company to accept the electronic notification regarding the empowerment of representatives.
 - The procedures which permit the correspondence or electronic vote, is applicable.
- The reference date, as well as the information that only the persons who are shareholders at the reference date, have the right to attend and to vote within the general meeting;
- The deadline until which candidates may be proposed for administrators positions, in case the agenda includes the election of administrators. The convening notice will mention that the list with the information regarding the names, residence and professional qualification of the persons proposed for the position of member of the Board of Directors is available to the shareholders 7/24 and can be consulted and amended by the shareholders;
- The address where the shareholders may obtain the full text of the documents and the resolution proposals, other information regarding the items on the agenda of the general meeting and the date at which the information will be available, as well as the respective procedure;

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- When the agenda includes modifications to the Articles of Incorporation, the convening notice must include the text of the proposals;
- The webpage address of the Company;
- The proposal regarding the registration date ;
- the proposal regarding the ex date and payment date, if applicable;
- The exact specification of the fact that the voting right can be exercised directly, through representative, proxy or through correspondence and the respective conditions for each method;
- The dissemination method of the ballot for vote through correspondence and the special power of attorney for representation within the GMS, as well as the date of their availability;
- The due date and address where the special powers of attorney, the correspondence ballots and the mandates of the shareholders must be sent;
- The indication of the exact address where the special powers of attorney and the correspondence ballots must be sent.

The convening notice, other points added to the agenda of the meeting as per the request of shareholders, the financial statements, the annual report as well as the proposal regarding the distribution of profits are made available to the shareholders at the company's headquarters, at the date of the convocation of the the GMS and are published on the company's website, for the information of the shareholders. By requests, copies of the these documents are made available to the shareholders.

The shareholders representing separately or together at least 5% of the share capital may request the introduction of new items on the agenda and may present resolution proposals for the items on the agenda, by means of a request addressed to the Board of Directors, no later than 15 days before the publication of the convening notice. The ammended agenda with the items introduced by the shareholders must be published with at least 10 days before the general shareholders meeting, at the date mentioned in the convening notice.

Each shareholder may address the BoD questions in writing for the points registered on the GMS agenda, before the date of the GMS, following to receive an answer during the Meeting. The Company undertakes to respond to questions addressed by the shareholders. The Company may draft a general answer for the questions with the same content. It is considered a given answer is the information requested is published on the company's webpage www.nuclearelectrica.ro as question - response.



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In compliance with the capital market regulations, the resolution projects subjected to the approval of the GMS, as well as the other supporting documents must be published on the webpage of the Company.

GMS organization procedure

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

The shareholders may participate and vote in the General Meeting of Shareholders through representation based on a power of attorney for that specific General Meeting of Shareholders or for a period not exceeding 3 years. The proxy cannot be substituted by another person. In case the empowered person is a legal entity, it can exercise its mandate through any person member of the administration or management of the company or its employees.

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

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

Within 24 hours after the date when the GMS took place, the company draws up a current report in which it will briefly present how the GMS is organized and the resolutions adopted. The report will be disseminated to the capital market institutions, namely the BVB, and will be published on the company's website.

Shares and shareholders' rights

The Company's shares are nominative, of equal values and are issued in a dematerialized form, by registration in the account and equal rights are provided to their holders.



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Each subscribed and paid share provides equal right and confers them the right to vote in the GMS, the right to elect and be elected in the leadership, the right to attend the profit distribution, according to the provisions of the Articles of Incorporation and legal provisions, as well as other rights provided in the Articles of Incorporation and applicable legal provisions.

The shares issued under dematerialized form are traded on a regulated market, according to the law of the capital market. The rights and obligations of shares follow the actions in case of their passing under other persons' ownership. Shareholders have the right to correct and completely inform the GMS on the Company's situation. In case of issuing new shares, the existent shareholders have a preference right on the registration, according to the law, proportionally with the share percentage owned by the Company.

The SNN shareholders may exert the right to vote as follows:

1. Direct vote - personally, within GMS;
2. Vote by representative with special or general power of attorney;
3. Vote through correspondence.

All financial instruments holders issued by SNN from the same type and class of titles benefit from equal treatment, and the Company permanently makes sustained efforts to perform an effective, active and transparent communication in order to perform the right in an equitable manner.

10.3. THE MANAGEMENT OF THE COMPANY

10.3.1. THE BOARD OF DIRECTORS

Structure. Appointment of members. Eligibility criteria

The executive body of the company is the Board of Directors and consists of 7 members, of which 6 non-executive members. 4 of the BoD members have the quality of independent members. The members of the Board of Directors are elected by the Ordinary General Meeting of Shareholders for a term of four years and can be reelected or, in case of failure of fulfilling their main objectives, they can be dismissed by the Ordinary General Meeting of Shareholders.

The President of the Board is elected by the Board of Directors from among its members. This function cannot be carried out by the CEO even if he/she is a member of the Board



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of Directors. The President of the Board is appointed for a period that may not exceed the duration of his/her mandate/term as administrator/director and can be dismissed any time by the Board of Directors.

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

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

The members of the Board of Directors are appointed by the General Meeting of Shareholders, by secret vote, the proposal of the Board of Directors or of the shareholders. The candidates proposed by the Board of Directors are selected/evaluated in advance and recommend by the Nominating Committee of the Board of Directors. By resolution of the BoD may stipulate that in the evaluation process, the Nominating Committee is assisted by an independent expert, the natural person or a legal person expert in recruiting human resources.

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

Also, the BoD members undertake to provide the avoidance of a direct or indirect conflict of interests with the Company, and in case such conflict occurs, to refrain from discussion and vote on the respective matters, according to the current legal provisions.

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At 31.12.2016 the administrators of the Company are as follows:

Name and surname	Age (years)	Qualification	Professional experience (years)	Position	Date of appointment	Date of mandate expiration
Alexandru Sandulescu	57	Engineer PhD	32	President of the BoD, independent	25.04.2013 ^{*)} by GMS decision no. 8/25.04.2013	25.04.2017
Alexandru Alexe	64	Engineer	39	Administrator non-executive	25.04.2013 ^{*)} by GMS decision no. 8/25.04.2013	25.04.2017
Daniela Lulache	49	Economist	23	Administrator executive	25.04.2013 ^{*)} by GMS decision no. 8/25.04.2013	25.04.2017
Carmen Radu	56	Economist PhD.	37	Administrator non-executive, independent	25.04.2013 ^{*)} by GMS decision no. 8/25.04.2013	25.04.2017
Dan Popescu	58	Engineer	33	Administrator non-executive, independent	25.04.2013 ^{*)} by GMS decision no. 8/25.04.2013	25.04.2017
Sebastian Teaciu	41	Economist	16	Administrator non-executive, independent	23.12.2013 ^{**)} by GMS decision no. 28/23.12.2013	23.12.2017
Nicolae Bogdan Codrut Stanescu	42	Engineer	20	Administrator non-executive	29.04.2015 by GMS decision no. 1/29.04.2015	29.04.2017

^{*)} Appointed on the basis of OUG no. 109/2011.

^{**)} Appointed by cumulative vote at the proposal of Fondul Proprietatea S.A.

^{***)} Appointed on a vacant position at the proposal of an individual shareholder.

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

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Information regarding other professional commitments and obligations relatively permanent of the BoD members

Name	Company	Position	Period	Current position (Yes/No)
Alexandru Sandulescu	S.N. Nuclearelectrica S.A.	BoD Member BoD President	2010 - Present	Yes
	S.C. Energonuclear S.A.	BoD Member	2009 - 2015	No
	S.C. EOn Moldova Distributie S.A.	BoD Member	2009 - 2013	No
	C.N. Transelectrica S.A.	BoD Member	2006 – 2011	No
	S.C. Termoelectrica S.A.	BoD Member BoD President	2011 – 2012	No
	S.C. CE Rovinari S.A.	BoD Member	2007 - 2010	No
	S.C. Hidroelectrica S.A.	BoD Member	2006 – 2011	No
	S.C. Electrocentrale Deva S.A.	BoD Member	2007 – 2011	No
Nicolae Bogdan Codrut Stanescu	S.N. Nuclearelectrica S.A.	BoD Member	April 2015 – Present	Yes
	Ministerul Energiei	DGPAPSE CEO	December 2015 – Present	No
	M.E.I.M.M.M.A	DGSC CEO	January 2015 – December 2015	No
	Oltchim S.A. Ramnicu Valcea Romplumb S.A. Baia Mare Arcadia S.A. Bucuresti	Special administrator	The appointment of a special administrator was made by the shareholders, pursuant to Law no. 85/2006 after entry into insolvency proceedings mentioned companies.	Yes
Dan Popescu	Institutul National de Cercetare – Dezvoltare pentru Fizica si Inginerie Nucleara – Horia Hulubei	BoD Member	April 2016 – Present time	Yes
	S.N. Nuclearelectrica S.A.	BoD Member	April 2013 – Present time	Yes
Alexandru Alexe	S.N. Nuclearelectrica S.A.	BoD Member	May 2013 – Present time	Yes
	S.N. Nuclearelectrica S.A.	GMS Representative	2010 – April 2013	No
	OMV Petrom S.A.	GMS Representative	2010 – 2015	No
	Complexul Energetic Oltenia	Member of the Supervision Board	January – May 2013	No
	SNM Valea Jiului S.A.	GMS Representative	2013 – 2015	No
	S.C. UTI Midia S.A.	President of the BoD	2010 – 2015	No
	Deutek S.A.	BoD Member	2007 - 2013	No

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Sebastian Tcaciuc	Romgaz	BoD Member	2016 – Present time	Yes
	Brikstone Construction Solutions S.A. Iasi	BoD Member	2007 – Present time	Yes
	CFR S.A.	BoD Member	2013 - 2014	No
	Regina Maria	BoD Member	2010 - 2012	No
	LaborMed Pharma S.A.	BoD Member	2008 - 2011	No
	Roma Plastik AS	BoD Member	2006 - 2010	No
	SAI Euxinus Capital S.A.	BoD Member	2015 – Present time	Yes
	S.N. Nuclearelectrica S.A.	BoD Member	December 2013 – Present time	Yes
Radu Carmen	Fondul Roman de Contragarantare	Directorate President	March 2015 – Present time	Yes
	Fondul Roman de Contragarantare	Member of the Supervision Board	August 2012 – March 2015	No
	ASF	Economic Manager	December 2013 – March 2015	No
	S.N. Nuclearelectrica S.A.	BoD Member	April 2013 – Present time	Yes
	ROMATSA	BoD Member	April 2013 – Present time	Yes
	Camera Consultantilor Fiscali din Romania	President of the State Auditors Commission	June 2012 – Present time	Yes
	Adf Audit Management S.R.L.	Sole associate and Administrator	2009 – Present time	Yes
Daniela Lulache	S.N. Nuclearelectrica S.A.	CEO and BoD Member	April 2013 - Present time	Yes
	SAPE	Non-executive administrator	August 2014 – Present time	Yes
	S.C. Eqvon Finance S.R.L.	Managing Partner	2010 - 2012	No

According to criteria provided at point A4 of the Corporate Governance Code of BVB, the BoD members with contractual relations with a shareholder owning over 10% of the vote rights, starting 01.01.2015, are: Alexandru Alexe and Nicolae Bogdan Codrut Stanescu, employees of the Ministry of Energy. On 31.12.2016, Mr. Nicolae Bogdan Codrut Stanescu is no longer an employee of the Ministry of Energy.

During the year, the BoD activity is evaluated quarterly, bi-annually and annually based on the performance criteria from the Administration Plan and mandate contracts. The compliance degree of performance indicators is in the annual report of the BoD. No other evaluations of the BoD activity have been performed.



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On 31.12.2016, the members of the Board of Directors owned the following shares issued by SNN:

Name and Surname	Shares owned at SNN 31.12.2016 (number)
Daniela Lulache	886

The main responsibilities of the Board of Directors

According to the Administration plan of July 9th, 2013, the main objectives of the BoD, during mandate, are the following:

- Operation of Nuclear Units under nuclear safety and security conditions for the personnel, population, environment and production assets;
- Maintaining the production capacity of the electrical energy over the current average level in the industry;
- Compliance of major investment objectives;
- Improving indicators regarding the Company's financial performances.

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

- Approval of the Company's main activity and development directions;
- Establishment of the accounting and financial audit system and approval of the financial planning;
- Appointment and revocation of the Managers, as well as the establishment of their remuneration
- Oversight of the activity of the General Manager and of the Managers
- Preparation of the annual report, organization of the general meeting of shareholders and implementation of the GMS resolution;
- Filing the request for opening the insolvency procedure of the company, as per the Law 85/2006 regarding the insolvency procedure;
- Approval of changing the activity field of the company.



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The Board of Directors has also the following responsibilities:

- Exercise control on the way the General Manager and the other Managers govern the Company
- Approves the revenues and expenses budget
- Approves the management plan prepared by the General Manager and/or other Directors;
- Prepares and presents the administration plan which included the strategy of the company for the duration of its mandate to the General Meeting of Shareholders for approval;
- Verifies if the activity of the company is compliant with the Law, the Articles of Incorporation and any relevant resolution of the General Meeting of Shareholders;
- Presents to the General Meeting of Shareholders an annual activity report;
- Represents the company in relationship with the General Managers and the appointed Managers;
- Verifies and approves the financial statements of the
- Company
- Verifies and approves the Report of the General
- Manager and the reports of the Managers;
- Proposes to the General Meeting of Shareholders the appointment and the revocation of the financial auditor, as well as the minimum duration of the audit contract
- Approves the mandate contracts of the General Manager and of the appointed Managers thus establishing the organization of the activity of the managers;
- Approves the empowered representatives to negotiate the collective work agreement with the unions and/or with the representatives of the employees as well as their negotiation mandate
- Approves the Company's collective work agreement;
- n) Approves the Organization and Operation Regulations
- of the BoD;
- Approves the activity programs (production, research– development, technological engineering, investment, etc);
- Approves the energy transactions strategy of the Company;
- Approves the conclusion of any contract/document which raises legal obligations for the Company (acts of acquisition, sell, exchange and pledge as guarantee non-current assets of the Company), the value of which does not exceed, separately and cumulated, during one financial year, 20% of the total non-current assets of the Company less receivables, in compliance with the competence limits provided in the Annexes to the Articles of Incorporation;



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- Approves the renting of tangible assets, for a period greater than a year, with an individual and cumulated value for the same contractor or entity involved with the company, which does not exceed 20% of the total value of non-current assets, less receivables at the date of the legal document, as well as the associations for periods greater than 1 year, which do not exceed the same value;
- Approves the mandate of Nuclearelectrica's representatives in the General Meeting of Shareholders of S.C. Energonuclear S.A. for the decisions which fall under the competence of S.C. Energonuclear S.A. with the exception of those for which a resolution of the Company's General Meeting of Shareholders is necessary, in compliance with the provisions of the Articles of Incorporation.
- The Board of Directors is responsible for the endorsement/ approval of the contracts, credits and different operations at the level of the Company, in compliance with the competence limits provided by the Annexes to the Articles of Incorporation.

The BoD has approval attributions for the contracts, credits and different operations at the Company's level, according to the competence levels provided in the Annex to the Company's Articles of Incorporation.

In 2016, the SNN BoD was convened 43 times in order to take the necessary decisions for the company management according to the attributions established by the SNN Articles of Incorporation, by the Corporate Governance Regulation and by the Organization and Development Regulation of the BoD Meetings.

Attendance of the BoD members to the 43 meetings:

Sandulescu Alexandru	Alexe Alexandru	Lulache Daniela	Radu Carmen	Popescu Dan	Tcaciuc Sebastian Gabriel	Stanescu Bogdan
39	42	43	39	41	38	40

According to the provisions of the SNN Articles of Incorporation, the Corporate Governance Regulation and the Organization and Development Regulation of the BoD Meetings, the BoD members assigned representation mandates to other members of the BoD for the meetings they couldn't attend in person or over the phone, making sure they are represented and complying with the quorum requirements. The BoD meetings of SNN are valid according to the hereby majority of its members.



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The BoD secretary on 31.12.2016 is Mrs. Lavinia Rizea, Specialist in Public Relations at SNN.

Remuneration of the BoD members

According to the provisions of the EGO no. 109/2011 with subsequent amendments and additions regarding corporate governance of public companies, the remuneration policy and criteria for the administrators and managers in a unitary system are made public on the internet page of SNN, under the section “Public interest information”.

Administrators and managers receive a fixed monthly allowance for the activity developed and a variable one. The variable allowance is payable depending on the compliance of performance indicators and criteria established in the management/mandate contracts as taken-over from the management plan.

According to the provisions of Art. 37 of the EGO no. 109/2011 with subsequent amendments and additions, the fixed allowance of the non executive and BoD members cannot exceed twice the average on the last 12 months of the average gross wage for the developed activity, according to the main object of activity of the Company, at the class level, according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment. The fixed allowance of the executive members of the BoD cannot exceed 6 times the average of the last 12 months of the monthly gross average wage for the activity developed according to the main object of activity registered by the Company, at the class level according to the classification of activities from the national economy, communicated by the National Statistics Institute prior to the appointment.

The fixed and variable allowance for the BoD members is approved by the SNN GMS. The general meetings of the manager’s allowances (manager according to Art. 143 of the Law no. 31/1990) are approved by the GMS; based on such general limits, the BoD establishes the amount of the managers’ allowance. The CEO is also a BoD member and executive administrator.

During the period when the Manager also has the quality of administrator, he only has the right to be paid an allowance according to the mandate contract, without receiving an allowance also for the BoD member position.

Detailed information regarding the administrators’ and managers’ remuneration for 2016 may be found in the Report of the Nomination and Allowance Committee, attached to the hereby Report.



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10.3.2. THE EXECUTIVE MANAGEMENT

The Board of Directors delegates the management of the company to one or more Directors, naming one of them CEO. The CEO represents the company in relation with third parties and in the court of law. The CEO is responsible for taking all the necessary measures related to the governing of the company, within the limits of the company's scope and in compliance with the competences established by Law or by the Articles of Incorporation for the Board of Directors and the General Meeting of Shareholders. The Board of Directors can delegate one or more responsibilities mentioned above (which can be delegated) to the CEO.

The CEO of SNN, has the following responsibilities in compliance with the Articles of Incorporation:

- ❖ Manages and coordinates the activity of the company;
- ❖ Fulfills the resolutions of the General Meetings of Shareholders and the decisions of the Board of Directors, adopted in compliance with the competences reserved;
- ❖ Applies the strategy and policy of the Company;
- ❖ Selects, hires, promotes and dismisses the employees of the Company;
- ❖ Appoints, suspends and revokes the managers of the subsidiaries, establishing their remuneration;
- ❖ Negotiates and concludes, under the conditions of the law, individual work agreements;
- ❖ Concludes legal documents on behalf of the company, for the acquisition, sale, renting and exchange or pledging as guarantee the assets of the company, which don't fall under the competence of the General Meeting of Shareholders or of the Board of Directors;
- ❖ Concludes any binding documents which don't fall under the competence of General Meeting of Shareholders or of the Board of Directors, within the competence limits provided in the Annexes to the Articles of Incorporation;
- ❖ Approves the investment projects, in compliance with the limits provided in the Annexe to the Articles of Incorporation;



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- ❖ Prepares and subjects for the endorsement of the Board of Directors the financial statements as well as the proposal regarding the distribution of the profit resulted from the balance, which is intended to be presented to the General Meeting of Shareholders;
- ❖ Prepares and subjects to the endorsement of the Board of Directors the budget project of the Company, which will be subjected to the approval of the General Meeting of Shareholders;
- ❖ Subjects to the endorsement of the Board of Directors the materials which will be subjected to the approval of the General Meeting of Shareholders;
- ❖ Prepares together with the other managers and subjects for the endorsement/approval of the Board of Directors the activity programs (production, research-development, technological engineering, investments, etc.);
- ❖ Establishes the responsibilities of the Company's staff;
- ❖ Approves the collections and payments, as per the legal competences and provisions of the Articles of Incorporation;
- ❖ Empowers Managers or any other person to exercise powers from his field of competence;
- ❖ Approves the delegations of competence for the Managers of the Company and of the subsidiaries, in order to carry out the activities of the company;
- ❖ Approves the competences and the responsibilities of the Company's departments;
- ❖ Approves the organizational chart of the Company and the number of positions, the formation of operational and production compartments, as well as the Organization and Operation Rules;
- ❖ Approves the environmental protection and occupational safety policies, in compliance with the law;
- ❖ Approves legal documents and rules which regulate the activity of the company;
- ❖ Establishes the marketing tactics and strategy;



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❖ Fulfills any other responsibility provided by the legislation, the Articles of Incorporation, the resolutions of the Board of Directors and of the General Meeting of Shareholders;

❖ Solves any other matter that the Board of Directors commissions to him.

The manager of Cernavoda NPP subsidiary, appointed through the decision of the Board of Directors, concluded a mandate contract with SNN number 9 of 26.08.2013 and is responsible for the management, organization and administration of the current activities of the company related to the operation of Cernavoda NPP through the Cernavoda NPP subsidiary, as well as for the administration of the assets of Cernavoda NPP, within the limits of his delegated attributions, under conditions of nuclear safety, without affecting the population, the personnel or the environment and through the observation of the requirements provided in the authorizations of the plant. Subsequently to taking the measure of legal control for a period of 60 days by the General Anti-corruption Department – Constanta Territorial Department, Mr. Ionel Bucur was suspended from the position of Manager of the CNE Cernavoda Subsidiary, subsequently drafting a request for terminating the mandate contract with the approval of the parties for the previously mentioned position, effective starting 08.04.2016. Mr. Marian Serban, CNE Cernavoda Manager took over the Manager position of CNE Cernavoda Subsidiary, the management being effectively provided and without issues in continuing the activity, on the basis of a work contract not a mandate contract.

The CFO was appointed by the Board of Directors on 01.02.2014. The Board of Directors delegated to the CFO the management, organization, coordination of the economic activity of the Company including the accounting and financial functions, the preventive financial control, reporting and budget, asset administration and IT service. In order to fulfill his mandate, the CFO unfolds all the necessary actions for the management, organization and coordination of the economic activity of the Company together with the other managers. The CFO is subordinated to the Board of Directors and to the CEO and is responsible for fulfilling his duties towards them.



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Executive management

Name and surname	Position	Start date	End date
		(since 2016)	(since 2016)
Daniela Lulache	CEO	01.01.2016	31.12.2016
Mihai Darie	CFO	01.01.2016	31.12.2016
Ionel Bucur*)	Branch Manager CNE Cernavoda	01.01.2016	08.04.2016
Marian Serban	Branch Manager CNE Cernavoda	08.04.2016	31.12.2016
Florin Gheba	Branch Manager FCN Pitesti	01.01.2016	31.12.2016
*) Closed mandate.			

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

On 31.12.2016, the following members of the executive had the following shares from SNN:

Name and Surname	SNN shares owned on 31.12.2016 (number)
Daniela Lulache	886
Mihai Darie	1.2

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



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10.4. CONSULTATIVE COMMITTEES

As per the Articles of Incorporation and in compliance with OUG 109/2011, the Board of Directors established 4 advisory committees, made up of at least 2 boardmembers of the BoD, at least 1 member being non-executive independent administrator.

The Audit Committee for Nomination and Remuneration

This committee was established according to Art. 34 of the OUG no. 109/2011 regarding corporate governance of the public companies, by Decision no. 7 of the BoD from 26.04.2013.

The Audit Advisory Committee

This committee was established according to Art. 34 of the OUG no. 109/2011 regarding corporate governance of the public companies, by Decision no. 8 of the BoD from 30.04.2013.

The Advisory Committee for Nuclear Safety

This committee was established according to Art. 34 of the OUG no. 109/2011 regarding corporate governance of the public companies, by Decision no. 27 of the BoD from 26.08.2013.

The Advisory Committee for strategy, development and large investment projects

This committee was established according to Art. 34 of the OUG no. 109/2011 regarding corporate governance of the public companies, by Decision no. 27 of the BoD from 26.08.2013.

The Advisory Committees have the task to develop analysis and draft recommendations for the BoD, in specific fields, with the obligation to periodically forward activity reports of the BoD members.

The main responsibilities of the Advisory Committees are provided in the Organization and operation Regulations approved by the BoD and available on the SNN site.

Each Advisory Committee has appointed a secretary and a president.



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The Presidents of the Advisory Committees are the following administrators:

Advisory Committee of Remuneration and Nomination	Bogdan Nicolae Codrut Stanescu
Advisory Committee of Audit	Carmen Radu
Advisory Committee of Nuclear Safety	Alexandru Sandulescu
Advisory Committee for strategy, development and Large Investment Projects	Daniela Lulache

The Audit Advisory Committee

The audit committee is formed of 3 members appointed from among the members of the Board of directors.

Starting with 26.03.2014, by the Decision no. 45/26.03.2014 of the BoD, the Audit Advisory Committee consisted of the following members: Carmen Radu (non-executive independent member), Alexandru Alexe (non-executive member) and Gabriel Sebastian Tcaciuc (non-executive independent member); all members with special training.

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

From the functional point of view, the Advisory Audit Committee reports directly to the BoD. Within SNN, there is an Internal Audit Department responsible for managing the internal audit activity of the company, reporting to the BoD, from the functional point of view and to the CEO, from the management point of view.

The main attributions of the Advisory Audit Committee include analysis functions, monitoring, supervision and facility, as follows:

- ❖ Approving the multi-annual internal audit plan as well as the normative documents drafted by the Internal Audit Department;
- ❖ Examination, on a regular basis, the efficiency of the internal control and risk management system;



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- ❖ Monitoring the application of the legal and internal audit standards, maintaining the authority, independence and impartiality of the internal auditors;
- ❖ Monitors the Company's compliance with the legal provisions, Articles of Incorporation and internal applicable normative documents;
- ❖ Analyzes and approves the activity reports of the Internal Audit Department, transactions with the affiliated parties;
- ❖ Monitors the correctness and credibility of the financial information provided to the Company's leadership and external users;
- ❖ Supervises the activity of internal auditors and financial auditors;
- ❖ Approves or proposes the approval for the supervision authorities or shareholders regarding the appointment, remuneration and revoking the financial auditor;
- ❖ Makes sure the executive authorities take the necessary remedy measures to solve the identified deficiencies;
- ❖ Drafting and forwarding reports at the request of the BoD.

In 2016, the Advisory Audit Committee assembled in 10 meetings where recommendations were drafted for the BoD of SNN regarding themes from its attributions, as follows:

- ❖ Notification of:
 - The report regarding the activity of the internal audit for 2015;
 - The internal audit plan for 2016.
- ❖ Submission for approval of the following materials by the BoD:
 - CEO, CNE Cernavoda Subsidiary Manager and CFO reports on 31.12.2015, as well as quarterly;
 - Quarterly reports of SNN BoD for Q IV of 2015 and Q I, Q I and Q III of the 2016 plan drafted based on the OUG no. 109/2011 regarding corporate governance of public companies;

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- Review report of the independent auditor on the Interim Individual Interim Financial Statements on the date and for the 6 months period ended on June 30th, 2016;
- Independent report for limited insurance on the information included in the current reports drafted by the Company according to the provisions of Art. 225 of the Law no. 297/2004 and of the CNVM Regulation no. 1/2006;
- Report regarding the activity of the internal audit developed at the SNN level for 2015;
- Interim Individual Interim Financial Statements not audited for the first 3 months of 2016 and every 9 months;
- Interim Individual Interim Financial Statements and Consolidated for the 6 months period ended on June 30th, 2016.

❖ Submission for the approval of the BoD of the following documents for the GMS approval:

- The Individual Annual Financial and Consolidated Statements at the end of 2015, drafted according to the International Standards of Financial Reporting (IFRS – UE), based on the reports of the independent auditor and annual report of the administrators for 2015;
- The annual report of Administrators for 2015;
- Income and Costs Budget for 2016;
- Report on management activity for Q I of 2016, drafted according to the provisions of Art. 7 point 7.19 and point 7.21 of the Management contract concluded by the members of the BoD with SNN;
- Report on the management activity for Q I of 2016, drafted according to the provisions of Art. 7 point 7.19 and point 7.21 of the Management contract concluded by the members of the BoD with SNN;
- Report on the management activity for Q III of 2016, drafted according to the provisions of Art. 7 point 7.19 and point 7.21 of the Management contract concluded by the BoD members with SNN.

Regarding the management of conflicts of interests, each member of the BoD ensures the avoidance of a direct or indirect conflict of interests with the Company, and in case of occurrence of such conflict it refrains from debates and vote on the respective issues, according to the current legal provisions.



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In order to provide the correctness, transactions with the parties involved, the BoD members call on the following criteria, but without a limitation:

- ❖ Keeping the competency of the BoD or GMS, as the case may be, to approve the most important transactions (according to the annex to the Articles of Incorporation regarding the competence limits);
- ❖ Requesting a previous opinion on the most important transactions from the part of the internal control structures;
- ❖ Providing negotiations, regarding such transactions, to one or many independent administrators or administrators without any connections with the respective involved parties;
- ❖ Appeal to independent experts.

Transactions concluded in 2016 with the affiliated parties and reports of the capital market authorities from Romania and SNN shareholders, based on the provisions of Art. 225 of the Law no. 297/2004 did not raise any issues regarding possible conflicts of interests with the SNN administrators and managers.

In 2016 did not occur transactions with a value equal or exceeding 5% of the net assets of the Company (according to the last financial report).

The planning of internal audit activities is performed following a large process of risk evaluation (e.g.: discussions with the heads of the departments, the result of activities of the other monitoring departments, reports of the external control organisms of the Company, results of the previous audit reports). The Advisory Audit Committee evaluated the internal control system, based on the questionnaire regarding the evaluation of the implementing stage of the internal/management control implementing standards, consisting in the compliance in the internal management control activity with the standards provided in the Order no. 400/2015.

During 2016, SNN continued the steps for developing the management system based on the SMART objectives; by creating such effective relation of reports on a functional line, the centralized functional coordination, contribution to a better alignment of the strategy performance and development of the management system based on objectives and short-term planning techniques (annual), with an efficient centralized system for collecting and processing information.



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More information regarding the internal audit is found in subchapter 10.8. Internal audit.

The advisory Committee for Nuclear Safety

Comitetul pentru Securitate Nucleara asigura Consiliului de Administratie asistenta si/sau evaluare independenta in domeniul securitatii nucleare si a protectiei mediului inconjurator, elaborand in acest sens recomandari scrise.

The main duty of the advisory committee for nuclear safety is to ensure assistance and/or independent evaluation in fields like:

- ❖ Company's strategic options for nuclear security, regarding the existent situations and the applicable regulation frame for the operating activities of CNE Cernavoda;
- ❖ Conclusions drawn from the review of certain design studies and their impact on systems, structures and components with critical functions of nuclear security;
- ❖ Fundamental decisions regarding nuclear security, as well as regarding radioprotection, considered at the Company level and its two subsidiaries;
- ❖ Frame and main criteria to be adopted for nuclear security and for the management and quality insurance system;
- ❖ Conclusions of impact studies regarding all types of emissions in the environment;
- ❖ Nuclear security criteria, public health and environment protection, applied in the relations with the sub-contractors and providers;
- ❖ Drafting and applying preparation programs of the nuclear security culture for the Company's personnel;
- ❖ General policy and regulations regarding personnel and competence requirements in operating the Company's assets;
- ❖ Inspection of structures and components with critical security function;
- ❖ Independent control processes in nuclear security issues and radioprotection, regarding the Company's specific activities;
- ❖ Certification and licensing process;
- ❖ Analysis of the events/incidents reports of operations with a potential impact on nuclear security or personnel radioprotection;
- ❖ Analysis of any report regarding nuclear security, drafted at the Company's level;
- ❖ Any issue for which the BoD considers necessary to be consulted the Advisory Committee for Nuclear Security.

In 2016, the Nuclear Safety Advisory Committee had the same componence: Alexandru Sandulescu (presedinte), Daniela Lulache (membru executiv) si Dan Popescu (membru neexecutiv).



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The Advisory Committee for Nuclear Security was assembled 4 times during 2016. During the four meetings organized during 2016 were discussed and submitted to the approval of the BoD, the reports regarding the status of nuclear security at CNE Cernavoda for Q IV for 2015 and Qs I, II and III for 2016.

The Advisory Committee for Strategy, Development and Large Investment Projects

The Advisory Committee for Strategy, Development and Large Investment Projects (CSDPMI) was initially made of the following 3 members: Daniela Lulache, Dragos Popescu and Alexandru Alexe. The members of the committee were changed subsequently, CSDMI being currently created from the following four members of the BoD: Daniela Lulache (executive member) as President of the committee, Alexandru Alexe (non-executive member), Gabriel Sebastian Tcaciuc (non-executive independent member) and Dan Popescu (non-executive independent member).

The Committee for Strategy, Development and Large Investment Projects develop analysis and drafts recommendations written for the BoD of SNN regarding:

- ❖ Global development strategy, retooling, upgrade, economic – financial restructuring of the Company and main development directions, strategic objectives of the Company and methods to reach them;
- ❖ Approval and implementation by the BoD of large investment projects (projects which estimated values exceeds the value of 5 million euro), following the analysis of specific documentations.

In 2016, the Advisory Committee for Strategy, Development and Large Investment Projects assembled in four meetings drafting recommendations for the BoD, as follows:

- ❖ Drafting a recommendation for the SNN BoD for approval, in order to forward for the SNN GEMS approval, to „continue negotiations on the Investment Documents under the same conditions of the Agreement Memorandum regarding the development, building, operating and decommissioning of Units 3 and 4 from CNE Cernavoda („MoU”) for a period of 4 months, starting May 9th, 2016, by applying the other provisions of MoU, including the possibility of any party to terminate MoU without any compensation through a simple written notification to the other Party, in case no agreement was reached on the Investment Documents andas the delay was not caused by the respective Party.”
- ❖ Drafting a recommendation for the SNN BoD for the approval of the Investment Project „Replacing the control part of the excitation system from Unit 2 CNE Cernavoda due to multiple reliability issues ”.



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- ❖ Drafting a recommendation for the SNN BoD for the approval, in order to forward for the approval of the SNN GEMS, to „continue negotiations on the Investment Documents under the same conditions of the Agreement Memorandum regarding the development, building, operating and decommissioning of Units 3 and 4 from CNE Cernavoda („MoU”), until November 30th, 2016, by applying all the other provisions of the MoU, including the possibility of any party to terminate MoU without any compensation by a simple written notification to the other Party, in case no agreement was reached on the Investment Documents and as the delay was not caused by the respective Party.”
- ❖ Drafting a recommendation to the SNN BoD for the approval of the Investment project „Increasing reliability of the information system for the centralized storage of production data of CNE Cernavoda”.

From the analysis of the activity of the Advisory Committee for Strategy, Development and Large Investment Projects we appreciate that it allowed the creation/crystallization of a unitary and structured approach regarding the strategic development directions and an adequate scheduling of the multi-annual investment plan of SNN.

10.5. SHAREHOLDERS RIGHTS

All holders of financial instruments issued by SNN of the same type and title class receive an equal treatment, and the company is making permanent efforts to achieve an effective, active and transparent communication in order to exercise the rights in an equitable manner.

All SNN holders are treated equally. All the issued shares offer equal rights to their holders; any change in the rights conferred by them will be subject to approval by the directly affected shareholders in special meetings.

SNN makes all efforts to facilitate the participation of shareholders at the general meetings of shareholders, the dialogue between shareholders and members of the Management Board and / or management, as well as the full exercise of their rights. The participation of shareholders at the General Shareholders Meetings is strongly encouraged, and for the shareholders who are unable to attend the meeting, the opportunity of voting in the absence is offered-based on special mandate, by mail or by special or general power of attorney.

The company has created a special section called Investor Relationships, on its own website, where relevant information on the procedures regarding the access and the participation at the General Meeting of Shareholders (GMS), GMS convocation, supplemented agenda of the GMS, MB responses to shareholders' questions, current



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reports, financial statements of the Company, the exercise of voting rights in GMS, GMS agenda materials, special mandate models, financial calendar, corporate governance etc. of the company is constantly updated and accessible, thus contributing to transparency and equitable information for all persons interested.

At the same time, SNN has established a specialized organizational structure for the management of the capital market activity, respectively the Department of Communication and Investor Relationships – a structure whose work will be dedicated to the relationship with the investors and shareholders. The department's staff will be permanently trained / educated / professional formed on issues related to the company's relationship with its shareholders, the principles of corporate governance, management and customer relationship.

The main shareholders' rights regarding the General Meeting of shareholders are:

- (a) The right to a minimum period of notice: The Company's Shareholders are informed about an upcoming meeting of shareholders by convocation published in the Official Gazette and in a newspaper of national circulation at least 30 days before the meeting; also, the convocation is published on the website of the Company, in the Investor Relationships section and it is transmitted to the Financial Supervision Authority and the Bucharest Stock Exchange in the form of a current report.
- (b) The right of access to information: SNN publishes the documents and information required on its website to ensure that all shareholders exercise their rights in an informed manner;
- (c) The right to supplement the agenda of the meeting: SNN shareholders representing individuals or together with other shareholders at least 5% of the share capital may request the addition of supplementary items to the agenda within the limits and in accordance with the applicable legislation;
- (d) The right to participate at the meeting: SNN shareholders registered in the list of shareholders on the reference received from the Central Depository shall be entitled to attend in person or by representative the General Meetings of Shareholders;
- (e) Voting rights: The share capital of the Company is represented by ordinary shares conferring a right to vote for each share registered in the name of the shareholder at the reference date;



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(f) The right to ask questions: Any shareholder of the Company may submit written questions concerning the items on the agenda of the General Meeting of Shareholders and is entitled to receive responses from SNN.

The shareholders have the right to participate effectively and to vote in the GMS and to be informed of the rules, including the voting procedures that govern the GMS. Each share confers one vote, one dividend. There are no preferred shares without voting rights or shares conferring the right to more than one vote.

10.6. TRANSPARENCY, FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Transparency

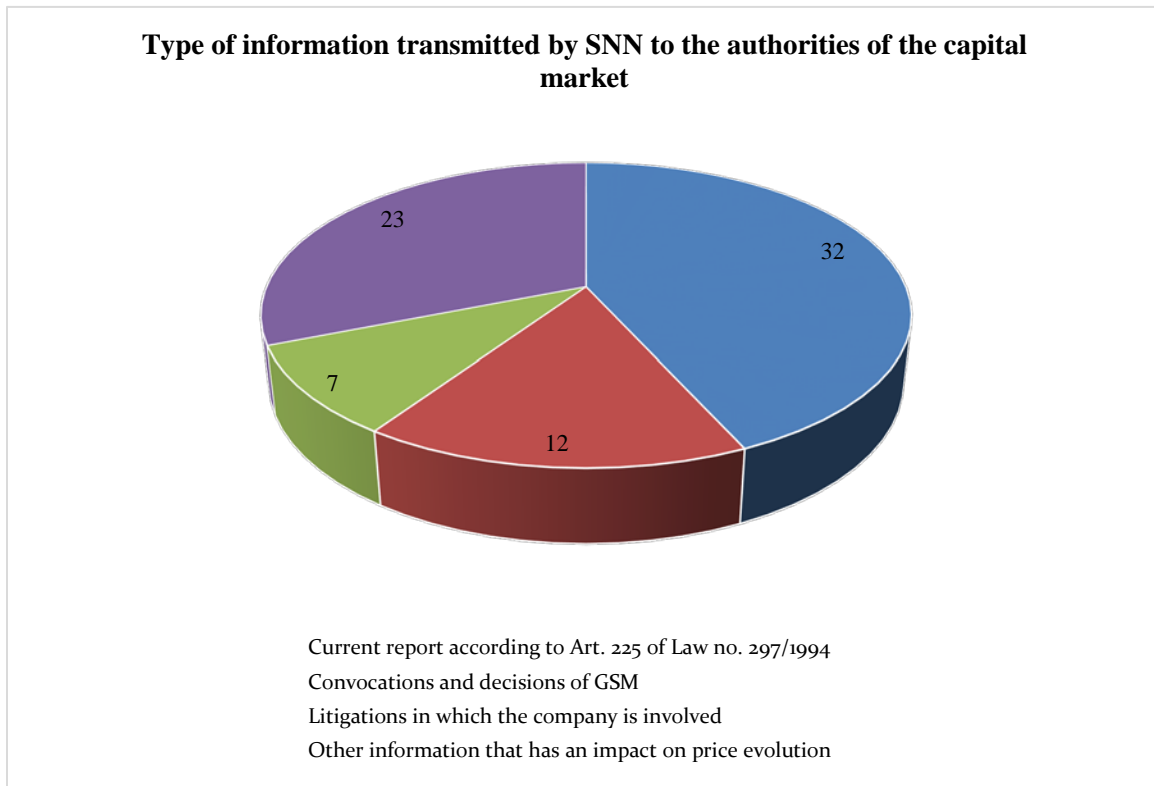
Being a company admitted to trading, SNN acts constantly according to the information requirements regulated by the capital market rules, by conducting periodic and continue reports on important events concerning the company, including, but not limited to, financial state, performance, ownership and leadership. The Company will prepare and disseminate periodic and continuous relevant information, in accordance with International Financial Reporting Standards (IFRS). Information is disseminated both in Romanian and English. The company will hold at least three times a year, meetings with financial analysts, brokers, market specialists and investors, at disseminating annual financial statements and or half-yearly investment decision or relevant materials according to specific interests of participants on the capital market. The aim is to ensure total transparency by communication in accordance to the law and proactively, in order to provide information with a high degree of accuracy and in a timely manner necessary to maintain and develop a relationship of mutual trust.

To make the information process more efficient and accessible for investors, SNN created on its website (www.nuclearelectrica.ro) a special section (Investor Relationships) where any investor can easily access information about: (i) strategy of the Company, (ii) news, information and events, (iii) corporate governance, (iv) the rights of shareholders, (v) reports. Moreover, SNN will set strict internal rules and procedures and has a dedicated investor relations department. The company develops and implements an efficient and transparent policy in its relationship with the investors.

During the year 2016, SNN issued 74 current reports, a part of which represents the compliance with the legal provisions, and the other part representing events that have an

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impact on the share price, SNN considering that a proactive and open approach to the shareholders and investors is optimal:



Financial reporting, internal control and risk management

SNN transmits to BSE, no later than 120 days after the end of the reporting period, the annual report in accordance with regulatory matters, issued by the Financial Supervisory Authority (FSA), including all documents stipulated in the FSA regulations. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as they are approved by the European Union, starting with the year 2013.

SNN transmits to BSE, no later than 45 days after the end of the reporting period, the quarterly report prepared in accordance with regulatory matters, issued by the FSA, and the half-yearly financial statements are prepared in accordance to the law.

SNN transmits to BSE, no later than 45 days after the end of the reporting period, the Quarterly Report for the first and the third quarter, prepared in accordance with ASF regulations, comprising both reporting documents as stipulated in the ASF regulations and also quarterly interim financial statements, prepared in accordance with applicable regulations.



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The Audit Advisory Committee supports the Management Board members by regularly examining the efficiency of financial reporting, of internal control and risk management system adopted by the company.

The Financial and Management Control within SNN is organized and exercised in compliance with the provisions of the Government Emergency Ordinance of no. 94/2011 regarding the organization and operation of the economic-financial audit, and the Government Resolution no. 1151/2012 on the approval of the detailed rules related to the organisation and exercise of the financial control of the management.

During the year 2016 the internal procedures specific to the financial control of the management were updated, reflecting the modifications of the SNN organizational chart and the provisions of the legal acts, and detailing the objectives and the updating of the stream of activity operation. Moreover, supplementary resources were allocated to this activity by recruiting staff that had competences in financial and internal/managerial control and management risks.

The financial and managerial control bodies of the SNN scheduled and achieved a number of 27 activities of financial and management control, covering all the three subunits (the Central Headquarters, CNE Cernavodă Branch and FCN Pitești Branch).

During the year 2016 all the objectives related to financial and management control were achieved, namely the reaching of yearly target and performance indicators.

The deficiencies found through the control files approved by the board of the company represent in most cases inconformities, deviations from the legal acts or the internal procedures into force, for all of which were established corrective measures, deadlines and responsibilities to find solutions or responsibilities to enhance the analyses and the verifications of the subcompany/board of directors' management.

Organization and the exercise of the internal/managerial control

In the first term of 2016 the self-assessment of the internal/managerial control system was carried out taking into account the assumption of the managerial responsibility, respectively the completion by each compartment in the company organigram, following the principle of truth, the "Self-Assessment Survey of implementation phase of the internal/managerial control standards", elaboration of the intermediary reports of the branches, as well as the consolidated report of the SNN which shows that on 31st December 2015, the internal/management control system meets partially the standards of the

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internal/management control Code, namely: 12 implemented standards, 4 partially implemented standards (none of the standards remained unimplemented).

Also, with the purpose to develop the structure of the management control system, to insure an organizational frame and comply with the provisions of the Order of the Government General Secretariat - no. 400 on 12th June 2015 for the approval of the Internal/Management Control Code of the public entities, as well as the requirements of the corporatist governance, the following activities took place:

- ❖ Aggregates and statistics were supplied at the management disposal based on the data in the risk registers.
- ❖ The development programme of SIMC (standards for internal and managerial control) for 2016 was designed and approved (according to Art. 2 (2) of OSGG no. 400/2015).
- ❖ The development of the management system was initiated based on objectives, through a discussion about a matrix, hierarchic and functional structure, with the aim of a good execution alignment with strategy by centralized functional coordination.
- ❖ On 31st December 2016, from the 114 identified procedural activities, 17 are to be approved, 17 were issued, and 80 did not need any updates in 2016.
- ❖ The inventory of the procedural activities and the procedure updates represent permanent activities, being a continuous process in which every functional SNN structure is involved, with a centralized coordination and management at Control Direction and Management Risk level.
- ❖ As a consequence of the enactment of the Government Resolution no. 583/10.08.2016 regarding the approval of Anti-Corruption National Strategy for 2016 - 2020, and due to the performance indicators sets, the risks associated with the objectives, strategy measures and the verification sources, the inventory of the institutional transparency measures for the prevention of corruption, assessment indicators, as well as the standards for publishing the public information, the preliminary phases were employed for the elaboration of "Integrity Plan for the Implementation of the Anti-Corruption National Strategy inside SNN, including the implementation of the directions in the Guidance for good practice of OCDE regarding the internal control, ethics and conformity.

The activity regarding the risk management including the company policy and objectives in this field are presented in the previous chapters of the Annual Report.



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10.7. CONFLICT OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

The Management Board members will make decisions in the sole interest of the Company and will not take part in any deliberation or decision which creates conflict between their personal interests and those of the Company.

Each member of the Management Board ensures the avoidance of a direct or indirect conflict of interest with the Company, and in the event of such a conflict, will abstain from deliberations and voting on such matters in accordance with the legal provisions in force.

In order to ensure the procedural fairness of transactions with implied parties, the members of the Management Board use the following criteria, but they do not limit to them:

- ❖ Keeping the competence of the Management Board or the General Meeting of Shareholders, as appropriate, to approve the most important transactions;
- ❖ Asking for a preliminary opinion on the most important transactions in the internal control structures;
- ❖ Entrusting the negotiations relating to these transactions, to one or more independent administrators or to administrators that are not linked to the parties concerned;
- ❖ Resort to independent experts.

Apart from the general legal provisions, SNN established and implemented internal policies that regulate in more details the procedures concerning the disclosure of transactions between affiliates.

Thus, the Board of Directors will inform the shareholders, during the first GMS following the conclusion of the legal act on any transaction with administrators or directors, with employees, with shareholders holding the control of the company or with a company controlled by them, by making available to the shareholders the documents reflecting the essential and significant data and information in connection with these transactions. Also, the Board will inform the Company controlled by them, making available to the shareholders the documents that contain essential and significant information related to these transactions. At the same time, the Board of Directors will inform the shareholders during the first General Assembly, following the conclusion of the juridical form, about any transactions sealed with SNN, as a public company, with other public company or public supervisory body, in case the transaction or a series of transactions have an individual value of at least 100,000 euros.

10.8. INTERNAL AUDIT

In 2016, the internal audit activity in SNN was carried out by its own internal audit structure, namely the Internal Audit Department (IAD), which reported institutionally to the Company General Manager, having its independence assured by reporting directly to the BoD and the Audit Committee. The management of SNN assured the improvement of the professional quality of IAD by supporting the Programme for Insurance and Improvement of Quality. The majority of the internal auditors are professionals who possess certificates which are recognized internationally (CIA, CRMA).

During 2016, there were no issues regarding the independence and competence of the internal auditors and were not identified any non compliances with the rules and principles mentioned in the Code of Ethics of the SNN internal auditors.

The branches, CNE Cernavoda and FCN Pitesti do not have internal audit structures and their audits are done by the Internal Audit Department from central level. Also, during the year 2016, IAD took over the internal audit activity of Energonuclear S.A branch.

IAD operates following its own principles which are updated whenever it is necessary. The main internal procedures, on which basis the IAD operates, are as follows:

- The detailed rules regarding the organization and execution of internal audit inside SNN;
- The internal audit Charta

The detailed rules were elaborated according to the legislation into force (Resolution no. 1086/2013 si Law no. 672/2002, republished), the Standards for Professional Practice of Internal Audit of the Institute of Internal Audit (IIA-Inc) and the best practices in this field.

In addition, the Programme for Insurance of Quality Improvement continued at IAD level with the view to:

- Offer a suitable level of insurance so that the activity carried out by the internal auditors add value and contribute to the improvement of SNN processes and activities;
- To provide additional assurance to the fact that the work is performed in accordance to the applicable law and the Code of Ethics of Internal Auditor



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The internal audit activity operated based on the annual plan, approved by the General Manager of the Company. Also, at the end of the year, the General Manager approved the multi-annual Audit Plan for 2017 - 2019, which intends to cover most of the areas for audit according to the law in force.

During the year 2016, IAD conducted 7 insurance missions at SNN level (the Central Headquarters and branches) and Energonuclear. The Internal Audit Department monitors permanently the implementation level of the recommendations made during the internal audit missions, the internal auditors requesting at the deadlines the communication of the stage and where possible, the transmission of the implementation proofs. After the implementation deadline expires, the auditors go the audited entity to verify the conformity of the received information and to establish new implementation deadlines, if the case.

During the year 2016, we remark the fact that the provisions of Art.21(8) of Law no. 672/2002, republished, were complied with the internal auditors' professional competence in SNN by attending the refresher/training courses, as well as individual studies.

11 PRESENTATION OF THE GROUP

SNN owns only one branch, namely Energonuclear S.A. ("EN"), with a percentage of participation in share capital of 100 % on December 31, 2016. It enters within the consolidation perimeter.

History and presentation

The establishment of Energonuclear S.A., company whose mission is the development of the execution project for the Units 3 and 4 from Cernavodă Nuclear Power Plant, was achieved by promoting a shareholding structure, where SNN holds a participation share of 51% of the share capital (based on the Government Resolution no. 643/2007, as it was amended by the Government Resolution no. 691/2008). According to the Investment Agreement, based on which the EN was founded, signed on December 25th, 2008 and approved by the Government Resolution no. 1565/2008, the shareholding initial structure was : SNN 51%, RWE, GDF Suez, ENEL and CEZ each with 9,15%, and ArcelorMittal and Iberdrola each with 6,2%.

After the withdrawal from the Project of the CEZ shareholders (on December 30th, 2010) and RWE, GDF Suez and Iberdrola (on February 28th, 2011), ArcelorMital (January 17th, 2014) and Enel (January 16th, 2014), SNN acquired, by share transfer agreements, the



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accumulated share held by them within EN, reaching, as result of these operations, to hold on January 17, 2014 a share of 100% in the share capital of EN.

The share capital of the company EN on December 31st 2016 is 146.152.998, 73 lei, representing the equivalent of 35.000.000 Euros. The share capital is divided into 37.105.029 nominative shares with a nominal value of 3, 9389 lei per share.

The headquarters of the company EN is in Bucharest, 5-7 Vasile Lascar str., 3rd floor, District 2, offices no. 302, 303, 304, 305, 305A, 305B, 306, 306A, 307, 308, 315, 315A, 315B, 316C, 316, 317. Order number in the Trade Register is J40/3999/2009, and the Unique Registration Code is 25344972.

Articles of incorporation

The EN Articles of Incorporation was amended by the decision of the General Meeting of Shareholders no. 2 on April 13th 2016, when it was decided the relocation of the headquarters of EnergoNuclear, starting with April 1st 2016, at the following address: 5-7 Vasile Lascar str., 3rd floor, District 2, offices no. 302, 303, 304, 305, 305A, 305B, 306, 306A, 307, 308, 315, 315A, 315B, 316C, 316, 317, as a result of the activity restriction programme of EnergoNuclear SA

Documents of appointment/revocation of administrators

Energonuclear is managed in a unitary system. The Board of Directors consists of 3 administrators appointed by the General Meeting of Shareholders for a period of 4 years. The Chairman of the Management Board is appointed with the unanimous consent of the shareholders, on the proposal of each shareholder, for a period of maximum 2 years.

The structure of the Management Board of EN at the end of 2016 is as follows:

- Elena Popescu – chairman;
- Ion Sârbulescu – member;
- Liviu George Fotache – member.



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The management of Energonuclear

During the year 2016, the executive management of EN was ensured by the following managers:

1. Minodor Teodor Chirica, general manager (mandate contract for the entire year 2016);
2. Cristian Felician Talmazan, Chief of Technical Project Management Department (employment contract valid until July 7th 2016 without being replaced);
3. Ecaterina Nitu, chief accountant (employment contract valid till September 29th 2016, without being replaced).

Description of activity

The purpose of EN is the project execution, consisting in the development, construction, commissioning and operation of the Units 3 and 4 from Cernavodă Nuclear PowerPlant.

During the year 2016, the company has developed activities that targeted actions necessary for the execution and continuation of the project Units 3 and 4 of Cernavodă Nuclear Power Plant, out of which the most important were:

- ❖ Insurance of the assistance, mostly technical, for the Negotiation Committee (“CN”), as a part of the “SNN Team” during the negotiations with the selected investor regarding the Investor Agreement and Articles of Incorporation of the new mixed company. Also, assistance was offered and updated information was made available regarding EN (technical, financial, accounting, commercial, juridical) which were requested during the process advancement “Due Dilligence”.
- ❖ Preparation of the annexes representing all documentation related to Units 3 si 4 CNE Cernavoda and resulted from the advancement of the agreement with the third parties (approx. 9,800 positions), together with technical documentation of Energonuclear related to units 3 and 4 from CNE Cernavodă, elaborated by their own personnel (approx. 400 positions) with the purpose of transferring to SNN/CNE Cernavodă.
- ❖ Preparation of the annexes representing the documetation related to Cernavoda NPP Units 3 and 4 which represented the base for the construction – fitting phase, together with the existing quality documentation as per the Custudy Trasfer Agreement concluded in 5.06.2009 between SNN/Cernavoda NPP and EN with the purpose of returning them to SNN/Cernavoda NPP (approx. 2.000 positions)
- ❖ Preparation of the delivery to SNN of the building/assets – land and buildings, having a total surface of 71.532 sqm. consisting of „Nuclearo - Electrica Island (area A = 66.624 sqm.) and the area the Pumping Cooling Water Station U3 + U4 (area B = 4.908 sqm.)



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according to Annex 1 – General Plan drawing C0-08230-6025-3-GA-0 rev.0 which is the object of the Bailment Agreement no. 500 concluded between SNN and EN on 22nd April 2011.

- ❖ Pursuance of the location and the structure status of Units 3 and 4 CNE Cernavoda, report issuing, notifications and CAR related to the status of the location and the existing structure and installation conservation, and the issuing of the action plan as a result of the control made by CNCAN (the National Committee for the Control of Nuclear Activity) at Units 3 and 4 from CNE Cernavoda between 17th and 19th November 2015.
- ❖ Updating the information grid related to the construction authorizations specific to each building /object and initiation of the discussion SNN – EN - CITON as to the necessary technical documentation to obtain the construction authorization for Units 3 and 4 CNE Cernavoda.
- ❖ Initiation of the identification action of the existing technical documentation for Units 3 and 4 CNE Cernavoda so as to the elaboration of a general guide book to be made available for the next mixed company (JVCo) – activity which will continue in 2017.
- ❖ Attending, along with SNN and the representatives of the Energy Ministry, the discussion requested by the selected investor with different authorities and institutions in the field of nuclear security and the management of the radioactive wastes, environment etc. (CNCAN, ANDR, etc.) with the purpose to classify some points relate to the Project authorization.
- ❖ The updating of the documentation which is the authorization base for Units 3 and 4 CNE Cernavoda (LBD) – on-going action.
- ❖ Revaluation of the ‘‘Design Change Notices’’ list made by comparing the prescriptions in LBD - 2011, BIS App.30 - 2011, CNCAN list approved - 2012, IRO Lavalin - 2013, Email CANDU-CGN - 2014, IR-EN - 2015. The activity can also continue in 2017 due to the possibility to include in LBD some analysed DCN.
- ❖ Obtaining the CNCAN authorization for the quality management system no. 16 – 028 for service delivery in the nuclear field which is valid till 6th July 2016.
- ❖ Attendance of the National Seminar organized by CNCAN with the support and participation of AIEA, on Long Term Exploitation, Retrofitting and Lifetime Extension of the nuclear installations, during the period between 11th and 13th October 2016.
- ❖ Identification and elaboration of a report, at the request of ANDR, regarding the estimated inventory of the nuclear wastes in the Project (in conjunction with SNN).
- ❖ Evaluation of the opportunities and capabilities of EN to take part in the European Project ‘‘H2020’’, with the purpose of building a nuclear reactor of IV generation chilled with lead. However, after taking into consideration the uncertainty of EN long-term existence, it was decided to opt-out of the project.



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- ❖ Work monitorisation on the river Danube, in the area Calarasi – Braila during the period January – May 2016 and the periodic reporting of the interested parts. Due to the fact that the part responsible for this project had left EN, the activity was ceased.
- ❖ The Assistance required by DGPE/Energy Minister to deliver the necessary information requested by the European Commission regarding the project and the Committee pre-notification, organizing a discussion with ANDR together with SNN, Romania intervention in Hinkley Point C Project in UK, in T0363 - 15 cause, Austria vs. European Commission, adaptation of the Romanian as to the Representative Nuclear Programme (PINR) in collaboration with SNN si RATEN/ICN, reports the Romanian nuclear sector, starting the activities for the evaluation mission of OECD/NEA which are going to take place in the period between 1st and 3rd february 2017 etc.
- ❖ Finalisation of the activities of Bridge Project concluded with the University of Bucharest, funded by European means.
- ❖ Management of Energonuclear S.A current problems.

The EN resources are mainly made up of consideration in cash paid by shareholders, and to a very little extent European funds and resources of interests.

On 31st December 2016 EN has 7 employees who have a weekly programme of 4 working days out of 5.

Litigations

On 31st December 2016, the most important litigation of EN is still the litigation with the Court of Auditors – the Court of Auditors of Bucharest („CC-CCMB”), regarding the annulment of Decision no. 97/28.11.2011 issued by CC-CCMB, the annulment of the Control Report no. 7179/2.11.2011 issued by CC-CCMB and the annulment of the Decision no. 22/09.02.2012 of the Court of Auditors – Commission for Complaint Solving. By Decision no. 653 of the Appeal Court Bucharest, given in the public session on 04th February 2016, the appeals of the Romanian Courts of Auditors were admitted, with the Court of Auditors as defendant and Energonuclear as plaintiff, the civil decision no. 8508/22.12.2014 given by the Court of Bucharest – Contencious Administrative Department II was annulled and the trial was resent to the same court for reconsideration. By the public decision displayed on the Portal of Bucharest Court, Department II-Contencious Administrative, the appeal was admitted and the Control Report nr. 7179/2.11.2011 issued by CC-CCMB, and the Decision no. 22/09.02.2012 of the Court of Auditors – the Commission for Complaint Solving were annulled, with appeal within 15 days. Until 31st December 2016 the Decision of Department II Contencious Administrative and Fiscal of the Court of Bucharest Tribunalului Bucuresti were not communicated.



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In case EN wins the litigation, the company will be able to reclaim the corporation tax paid to the State Budget in value of 780.409 and it will not have to follow and to be paid the differences from holiday allowances of the employees, representing payments in value of 556.526 lei.

The rest of the litigations with EN concern its employees or former employees, by which they claim to be paid the differences of holiday allowances for the period between 2009 and 2010, after applying point no. 8 of the Decision no. 97/2011 of the Court of Auditors, most of them being suspended till the final and irrevocable solution of the above mentioned litigation.

12 SUBSEQUENT EVENTS

Litigation started by the Property Fund S.A

On 17th January 2017 the hearing in dossier no.40046/3/2014 took place in the Court of Bucharest, having the aim to cancel the Decision of the Extraordinary General Assembly of the Shareholders (AGEA) SNN no.8/06.10.2014. By EGMS Decision nr.8/06.10.2014 the increase of the company share capital was approved, with cash consideration in maximum value of 239.172.630 lei, from that moment value of 2.817.827.560 lei to the value of 3.057.000.190 lei, by emitting 23.917.263 new, nominative, dematerialized shares, at a price of 10 lei/share, equal with the nominal share (without emission premium). The court established a new date for hearing on 28th February 2017, to allow the company to complete the dossier with all the financial documentation that proves the transfer of the sums from which the increase of the share capital was made. This hearing was postponed to 28th March 2017, to allow the plaintiff to analyze all the financial and accounting documents that could prove the transfer of the sums from which the capital share increase was made.



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13 STATEMENTS AND SIGNATURES

Based on the most accurate available information, we confirm that the individual financial statements and the consolidated ones elaborated in compliance with the applicable accounting standards (International Financial Reporting Standards approved by the European Union) provide a correct and true image regarding the financial position of the company and group, financial performance and cash flow for the 2016 financial year and that this report, conducted in accordance with article 227 under Law 297/2004 on the capital market and the Appendix no. 32 to Regulation no. 1/2006 for the financial year ended 31st December 2016, provides a correct and true image regarding the development and performance of the company and of the group, as well as a description of the main risks and uncertainties specific to the unfolded activity.

Alexandru Sandulescu
President of the Board of Directors

Daniela Lulache
CEO

Mihai Darie
CFO



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14 APPENDIXES

APPENDIX I: ARTICLES OF INCORPORATION IN 2016

By Decision of the EGMS no.2/30.03.2016, the modification of the Constitutive Act of SNN was approved, as a result of the increase of share capital up to 3.015.138.510 lei.

The Constitutive Act of Energonuclear S.A was amended by the Decision of the EGMS no.2/13.04.2016, through which it was decided the relocation of the company headquarters, starting with 01st April 2016, to the following address: 5-7 Vasile Lascar str., 3rd floor, District 2, offices no. 302, 303, 304, 305, 305A, 305B, 306, 306A, 307, 308, 315, 315A, 315B, 316C, 316, 317, as a result of the activity restriction programme of Energonuclear S.A.

APPENDIX II: IMPORTANT CONTRACTS CONCLUDED BY THE COMPANY IN 2016

In 2016, the Company sent to the Bucharest Stoke Market 37 reports regarding the transactions made with entities in which the Romanian State, the majority shareholder of SNN, exercises its direct control, according to Art.225 under Law no. 297/2004.

The detailed situation of the above mentioned reports is as follows:

Transactions with electric power

No.	Parts of the legal act	Date of document conclusion	Legal document	Object description	Total value	Reciprocal claims	Established guarantees	Payment terms and methods	Stipulated penalties
1	SNN and Transelectrica	87/11.02.2016	Addendum	Electric power delivery	Value of additional act: 129.468 lei. Cumulative value for the last 12 months: 381.225,60 lei.	SNN debt to Transelectrica on 11.02.2016: 19, 56 lei.	N/A	Invoicing within 5 financial days after the end of every agreement month, payment the latest on the 22 nd day of the month following the agreement month.	Extention of validity contract no.29/01.11.2000.
2	SNN and Electrica Furnizare	556/17.06.2016	Contract	Sale of angro energy	42.289.603,20 lei	Claims on 17.06.2016: 5.463.596, 55 lei. Debts on 17.06.2016: 12.051,66 lei.	N/A	Payment within the 10th day since the beginning of the month which follows the service delivery.	Attributed through PCSU tender. Default interests for every delayed day, calculated to the unpaid sum by applying a percentage equal with that applied to the interest rate owned for the failure to pay the obligations to the state budget in due time



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3	SNN and Electrica Furnizare	829/21.09.2016	Contract	Sale of angro energy	74.778.515,75 lei	<p>Claims on 21.09.2016: 8.893.081, 34 lei.</p> <p>Debts on 21.09.2016: 8.261,66 lei.</p>	N/A	Payment no later than the 10 th day from the beginning of the month that follows the service delivery.	Attributed through PCSU tender. Default interests for every delayed day, calculated to the unpaid sum by applying a percentage equal with that applied to the interest rate owned for the failure to pay the obligations to the state budget in due time.
4	SNN - S.P.E.E.H. Hidroelectrica S.A	874/30.09.2016	Contract	Energy sale on PCCB-NC market	979.142,40 lei	<p>Claims on 30.09.2016: 0 lei.</p>	<p>S.P.E.E.H. Hidroelectrica S.A</p> <p>1.174.970, 88 lei.</p> <p>SNN 195.828,48 lei.</p>	Payment no later than the 7 th working day since the date of invoicing, The invoice is issued on the first working day of the month following the service delivery.	Attributed through PCCB-NC tender. Penalties for payment delay for every delayed day, calculated starting with the day following the maturity till the payment is made, including the amount due.

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5	FDEE Electrica Distributie Muntenia Nord S.A	989/03.11.2 016	Contract	Power sale on PCCB-LE market	13.868.832,00 lei	Claims 03.11.2016: 0, 00 lei.	N/A	<p>Prepayment in two parts. The invoice for part I is issued on the month before the service delivery for the first two weeks of the delivery month, and it represents the cost of electric power that is to be delivered in the first part. The invoice for parts II is issued within 15 days before service delivery, namely during the period between the 16th day and the last day of the delivery month. The payment is made no later than the 6th working day since the date the invoice was issued.</p>	<p>Attributed through PCCB-LC tender. Penalties for payment delay for every delayed day, calculated starting with the day following the maturity till the payment is made, including the amount due. Atribuit prin licitatie PCCB-LE. The invoice for penalties will be integrally paid within 5 days since it was issued.</p>
6	FDEE Electrica Distributie Muntenia Nord S.A	990/03.11.2 016	Contract	Sale of electric power PCCB - LE	13.864.452,00 lei	N/A	N/A	<p>Prepayment of the electric power in two parts. The invoice for part I is issued in the month before the service delivery within the first 15 days of the delivery month, and represents the cost of the electric power that is to be delivered in the first part. . The invoice for parts II is issued 15 days before service delivery, namely during the period between the 16th day</p>	<p>Attributed through PCCB-LE tender. Penalties for payment delay for every delayed day, calculated starting with the day following the maturity till the payment is made, including the amount due. Atribuit prin licitatie PCCB-LE. The invoice for penalties will be integrally paid</p>

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								and the last day of the service delivery. The payment is made no later than the 6 th working day since the date the invoice was issued.	within 5 days since it was issued.
7	SNNCNTTEE Transelectrica S.A	1095/12.12. 2016	Contract	Sale of electric power PCCB- LE	6.649.133,00 lei	Claims on 12.12.2016: 8.975,27 lei.	N/A	Total prepayment of the the electric power. The invoice for the prepayment is issued during the month before the service delivery, and represents the cost of the electric power that is to be delivered during that month. The prepayment is made no later than the 6 th working day since the day the invoice was issued.	Attributed through PCCB-LE tender. Penalties for payment delay for every delayed day, calculated starting with the day following the maturity till the payment is made, including the amount due. Atribuit prin licitatie PCCB-LE. The invoice for penalties will be integrally paid within 5 days since it was issued.
8	SNN-CNTEE Transelectrica S.A	1095/12.12. 2016	Contract	Sale of electric power PCCB-LE	6.649.133,00 lei	Claims 12.12.2016: 8.975,27 lei.	N/A	Total prepayment of the the electric power. The invoice for the prepayment is issued during the month before the service delivery, and represents the cost of the electric power that is to be delivered during that month. The prepayment is made no later than the 6 th working day since the day the invoice was issued	Attributed through PCCB-LE tender. Penalties for payment delay for every delayed day, calculated starting with the day following the maturity till the payment is made, including the amount due. Atribuit prin licitatie PCCB-LE. The invoice for penalties will be integrally paid

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									within 5 days since it was issued.
9	SNN and Electrica Furnizare	1129/20.12.2016	Contract	Sale of angro electric power Period: 01.01.2017-31.03.2017	90.721.180,00 lei	Claims on 20.12.2016: 5.511.638, 57 lei (including VAT).	N/A	Payment is made no later than 10 th day since the beginning of the next delivery month.	Attributed through PCSU tender. Default interests for every delayed day, calculated to the unpaid sum by applying a percentage equal with that applied to the interest rate owned for the failure to pay the obligations to the state budget in due time
10	SNN and Electrica Furnizare	1862/22.12.2016	Addendum	Sale of angro electric power Period 01.01.2017 - 31.12.2017	28.926.664,60 lei	Claims on 22.12.2016: 5.511.638, 57 lei.	N/A	Payment is made within 10 financial day's from the date the invoice was issued + 15 days of accepted payment delay.	Attributed through ANRE Resolution no.1960/14.12.2016.

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Public work contracts

No.	Parts of legal document	Date of the legal document conclusion	Legal act	Object description	Total value	Established guarantees		Payment terms and method	Stipulated penalties
1.	SNN - Administratia Nationala Apele Romane	1397/30.12.2015	Addendum no.1 to subscription no.2/2015.	Subscription supplement for "The use of water from the Danube of CNE Cernavoda (Unit 1 and Unit 2) in 2015".	Supplementary: 1.287.805, 21 lei. Total value of subscription 2015: 59.399.869,21 lei.	SNN debts on 30.12.2015: 7.733.518, 29 lei.	N/A	Within 30 day since the invoice issuing.	Penalties of 0,02% per day of delay; interest rate 0,03% per day of delay.
2.	SNN - Administratia Nationala Apele Romane (Administratia Bazinala de Apa Dobrogea Litoral – Abadl)	1398/30.12.2015	Addendum no. 5 to subscription no. 82/2011	Subscription supplement for,„Spillage into resource of waste water coming from Nuclear Plant – Unit 1 and Unit 2, in 2015”.	Supplementary: 280.800 lei. Total value of subscription 2015: 11.337.626, 88 lei.		N/A	Within 30 day since the invoice issuing	Penalties of 0, 02% per a day of delay; interest rate 0, 03% per a day of delay.
3.	SNN - Administratia Nationala Apele Romane	1392/30.12.2015	Subscription for use/exploitation of water resources.	Use of water from the Danube for CNE Cernavoda (Unit 1 si Unit 2) in 2016.	56.504.592 lei		N/A	Within 30 day since the invoice issuing	Penalties of 0, 01% per a day of delay; dobanzi 0, 02% per a day of delay.
4.	SNN - Administratia Nationala Apele Romane (Administratia Bazinala de Apa Dobrogea Litoral – Abadl)	10/15.01.2016	Subscription	Admission of waste water int the resource.	Total value f subscription 2016: 4.002.129, 18 lei.	SNN debts on 15.01.2016: 1.241.301, 64 lei.	N/A	Within 30 day since the invoice issuing.	Penalties of 0, 01% per a day of delay; dobanzi 0,02% per a day of delay..

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5.	SNN - Compania Nationala Administratia Canalelor Navigabile S.A	1393/19.01.2016	Addendum no.3 to contract no.23/2014.	By-pass service for the cooling water through pool I and II CDMN for 2016.	Value of addendum: 1.041.944,44 lei. Total agreement value: 5.329.615, 15 lei.	Debts: 200.376,60 lei. Claims: 603, 35 lei.	N/A	Within 30 day since the invoice issuing.	0, 06% per day of delay.
6.	SNN - Institutul National de Cercetare Dezvoltare pentru Tehnologii Criogenice si Izotopice - ICSI	1376/20.01.2016	Contract	Graduation services and filling the cans with heavy water gauges.	Value of contract: 248.402 lei.	N/A	N/A	Within 30 days since the date the Receipt Note was signed and registered. Flaws.	0, 04% per day of delay.
7.	SNN - Administratia Nationala Apele Romane (Administratia Bazinala de Apa Dobrogea Litoral – Abadl)	67/08.02.2016	Protocol to subscription no.82/2011.	Subscription supplement for „Addmision into resource of waste water produced by Unit 1 and Unit 2, in 2015”.	Supplement: 207.415,21 lei. Total value of subscription 2015: 11.545.042, 09 lei.	SNN debt to ANAR on 08.02.2016: 1.072.276, 43 lei.	N/A	Within maximum 3 working days since this protocol was signed.	Penalties 0, 02% per day of delay; interest rate of 0, 03% per day of delay.

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8.	SNN - Regia Autonoma Tehnologii pentru Energie Nucleara - prin Sucursala Centrul de Inginerie Tehnologica pentru Obiective Nucleare (RATEN - CITON)	88/12.02.2016	Contract	Controll services for the behavior of the buildings with specific nuclear activities of Unit 1 and 2 CNE Cernavoda along the time.	2.189.280 lei	Claims: 191, 11 lei.	218.928 lei	Within 30 day since the reception of the original invoice issued by the Contractor, based on the Receipt form for services (PVRs).	Penalties 0, 06% per day of delay.
9.	SNN - RATEN - Regia Autonoma pentru Energie Nucleara - Sucursala Institutul de Cercetari Nucleare (ICN) Pitesti	131/11.03.2016	Act additional nr.4 la Acordul Cadru nr.1062 din 25.10.2012.	Servicii de inginerie si cercetare pentru analiza, evaluare si avizare documente de cercetare - dezvoltare (R&D) Candu Owner Group (COG) si analize metalografice pentru material.	Valoarea suplimentara: 14.943,28 lei. Valoare totala Acord Cadru: 1.419.703, 67 lei.	Datorii la 11.03.2016: 782.153,54 lei.	Guarantees on 11.03.2016: 359.271,39 lei.	Within maximum 30 days since the issuing of the Receipt Form for services and the original invoice.	0, 04% per day of delay.

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10.	SNN - RATEN - Regia Autonoma pentru Energie Nucleara - Sucursala Institutul de Cercetari Nucleare (ICN) Pitesti	160/05.04.2016	Addendum no.5 to Master Agreement n0.1390 on 20.12.2012.	Services for the treatment of solid radioactive wastes.	Supplement: 3.348,01 lei. Total value of Master Agreement: 730.688,76 lei.	SNN debts to RATEN - ICN on 05.04.2016: 438.734 lei.	10% of the value of each subsequent contract, thus: 0, 5% of the subsequent contract within 10 days since the signature of the contract and 9,5% withholding from invoices. The guarantee value on 05.04.2016: 359.271,39 lei.	Within maximum 30 days since the issuing of the Receipt Form for services and the original invoice	0, 04% per day of delay.
11.	SNN - RATEN - Regia Autonoma pentru Energie Nucleara - Sucursala Institutul de Cercetari Nucleare (ICN) Pitesti	293/19.04.2016/	Addendum nr.2 to Master Agreement no.350 on 21.03.2014.	Services for the treatment of the waste water resulted from manufacturing process of UO2 buttons, powder control and buttons coming from FCN Pitesti branch.	Value decrease: - 1.420,20 lei. Total value Master Agreement: 944.428,20 lei.	SNN debts to RATEN ICN on 19.04.2016: 534.445,58 lei.	359.271,39 lei	Within maximum 30 days since the issuing of the Receipt Form for services and the original invoice	0, 06% pe zi de intarziere.

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12.	SNN - RATEN - Regia Autonoma pentru Energie Nucleara - Sucursala Institutul de Cercetari Nucleare (ICN) Pitesti	323/25.04.2016	Addendum no.5 to Contract no.866 on 13.09.2012.	Services of measurements to determine C-14 and Sr- 90 content in liquid effluent from CNE Cernavoda, Unit 1 and Unitatea 2, after the commercial exploitation.	Supplement: 1.527,16 lei. Total value of contract: 417.878,96 lei.	Debts to RATEN-ICN on 25.04.2016: 585.083,49 lei.	10% of the contract value. 359,271.39 on 25.04.2016	Within maximum 30 days since the issuing of the Receipt Form for services and the original invoice.	0, 04% per day of delay.
13.	SNN - Administratia Nationala Apele Romane	515/30.05.2016	Addendum no.1 to subscription no.2/2015.	Subscription supplement for "Use/exploitation of surface/subterranean water resources – Use of water from the Danube for the nuclear plant".	Supplement: 2.616.904, 14 lei. Total value of subscription: 59.121.496, 14 lei.	Debts on 30.05.2016: 5.930.164, 22 lei with VAT.	N/A	Within 30 days since the original invoice was issued.	Penalties 0, 01% per day of delay; interest rate 0, 02% per day of delay.
14.	SNN - RATEN - Regia Autonoma pentru Energie Nucleara - Sucursala Institutul de	500/01.06.2016	Subsequent contract no.4 to Master Agreement no.1062/25.10. 2012.	Services of engineering and research for analyzing, evaluating and approval of the documentation- research documents (R&D) COG and metallographic analyses for material.	Value of subsequent contract: 213.784 lei. Cumulative value for the last 12 months: 228.727 lei.	Debts 01.06.2016: 275.511,33 lei.	21.378,40 lei	Within maximum 30 days since the issuing of the Receipt Form for services and the original invoice.	0, 04% per day of delay.

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	Cercetari Nucleare (ICN) Pitesti								
15.	SNN - Administratia Nationala Apele Romane (Administratia Bazinala de Apa Dobrogea Litoral – Abadl)	Number: 481. Date of reception of the addendum signed by both parts: 02.06.2016.	Addendum no.1 to subscription no.82/2016.	Subscription supplement for „Admission into resource of waste water produced by the nuclear plant - Unit 1 and Unit 2, in the period between 01.01.2016 - 31.05.2016”.	Supplement: 918.974,12 lei. Total value of subscription: 4.921.103,30 lei.	Debts: 888.991,78 lei	N/A	Within 30 days since the original invoice was issued.	Penalties 0, 01% per day of delay; interest rate 0,02% per day of delay.
16.	SNN - RATEN - Regia Autonoma pentru Energie Nucleara - Sucursala Institutul de Cercetari Nucleare (ICN) Pitesti	601/29.06.2016	Addendum no.4 to Contract RUEC no. 639/03.07.2012	Adjustment of contract prices (Contract object: Services for postirradiation examination of the burnt nuclear fuel discharged in reactors from CNE Cernavoda).	Value addendum: 33.672,31 lei. Total value of the contract: 2.927.240, 31 lei.	SNN debts to RATEN - ICN on 29.06.2016: 339.212,76 lei.	335.173,35 lei	Within 30 days since the signature of the Receipt Form for Services related to the invoice.	Penalties 0, 04% per day of delay.



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17.	SNN - Administratia Nationala Apele Romane (Administratia Bazinala de Apa Dobrogea Litoral – Abadl)	614/04.07.2016	Subscripton no.908/2016.	„Admission waste water produced by Centrala Nucleara - Unit 1 and Unit 2, for the period 01.06.2016 - 31.05.2019”.	Subscription value for the period between 1.06.2016- 31.12.2016: 8.044.112, 24 lei.	Debts: 613.228,73 lei	N/A	Within 30 days since the original invoice was issued.	Penalties 0, 01% per day of delay; interest rate 0, 02% per day of delay.
18.	SNN SA – COMPANIA NATIONALA A URANIULUI (CNU)	626/19.07.2016	Contract	"Services for the processing of nonconforming nuclear material that contains natural uranium that are produced by FCN Pitesti branch with the purpose to recover the uranium found as synthetizing powder UO2”.	Value of contract: 4.090.000 lei.	SNN debts to CNU la 19.07.2016: 2.510.328, 09 lei (non- tranmitted invoice of CNU for the raw material used as sample during the period of the contract no.434/09.04.2 014).	Performance guarantee: 5% of the value of the previous year contract204.5 00 lei.	Within 30 days since the signature of the Receipt Form for Services related to the invoice.	Penalties 0, 06% per day of delay.

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19.	SNN - RATEN - Regia Autonoma pentru Energie Nucleara - Sucursala Institutul de Cercetari Nucleare (ICN) Pitesti	663/16.08.2016	Addendum no.5 to the Contract no.1360/17.12. 2012.	Services of global alpha/beta analysis of Pu, Am U isotope definition on samples from CNE Cernavoda.	Price adjustment: 2.798,32 lei. Total value of the contract: 391.442,32 lei.	Debts: 257.788,04 lei	347.407,70 lei	Within max. 30 days from the reception of the original invoice issued by the contractor and accompanied by the Receipt Form signed by both parts.	0, 04% per day of delay.
20.	SNN - RATEN - Regia Autonoma pentru Energie Nucleara - Sucursala Institutul de Cercetari Nucleare (ICN) Pitesti	821/15.09.2016	Addendum no.5 to Contract no.133/16.03.2 007.	Distribution services: - Drinking water and fire; - Industrial water; - Treated water; - Electrical power; - Distribution services for medium voltage; - Distribution services for low voltage; -Heat; - Gas.	Consumption value (January - August 2016): 2.270.081, 07 lei. Estimated consumption value (September - December 2016): 1.044.784 lei.	SNN debts to RATEN - ICN on 15.09.2016: 404.432,77 lei.	415.092,11 lei	Within 30 calendar days since the reception of the invoice from the contractor, accompanied by the Receipt form signed by both parts and the conformity certificate for delivered utilities and services.	0, 04% per day of delay.



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21.	SNN - Inspectia de Stat pentru Controlul Cazanelor, Recipientelor sub Presiune si Instalatiilor de Ridicat - ISCIR	910/11.10.2016	Addendum no.8 to Conventia no.2419/11.03. 2008.	Services for technic and authorisation control to ISCIR of equipment/installation, and personnel authorisation precum of CNE Cernavoda.	Estimated value: 275.000 lei.	N/A	N/A	Within 30 calendar days since the date the invoice was registered by the beneficiary.	0, 1% per day of delay.
22.	SNN - Compania Nationala a Uraniului (CNU)	950/26.10.2016	Addendum no.1 to Master Agreement no.79 on 06.02.2015.	Storage services for the final disposal of the solid radioactive wastes that cannot be burnt (DSR-N) contaminated by natural uranium resulted from the activity of FCN Pitesti branch.	Value supplement: 289.400 lei. Total value of Master Agreement : 868.200 lei.	SNN debts 2.669.880, 68 lei. The sum consists of: - non- transmitted invoices by CNU in value of 2.510.328,09 lei – Invoice that has to be paid 04.11.2016 in value of 159.552,59 lei.	N/A	Within 30 day since the Receipt Form and the original invoice was registered.	0, 06% per day of delay.

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23.	SNN - Administratia Nationala a Rezervelor de Stat si Probleme Speciale - Unitatea Teritoriala 515 Bucuresti	1087/05.12.2016	Sector product contract	17.000 kg of heavy water for completion at Unit 1 and Unit 2 of CNE Cernavoda.	31.313.150 Lei	N/A	N/A	Within max. 2 working days since the Preliminary Receipt Form was issued, based on the original invoice and the accompanyi ng documents.	N/A
24.	SNN - Administratia Nationala Apele Romane	1133/16.12.2016	Subscription nr.2/2016.	Use/exploitation of surface/subsurface water – Use of water from the Danube for the nuclear plant in 2017.	Subscription value: 60.206.232 lei.	SNN debts to ANAR on 16.12.2016: 5.715.453, 31 lei (including VAT).	N/A	Within 30 since the original invoice was issued.	Penalties 0, 01% per day of delay; interest rate 0, 02% per day of delay.
25.	SNN - Compania Nationala Administratia Canalelor Navigabile	1114/20.12.2016	Addendum no.4 to Contract no.23/2014.	Transit services for the cooling water through pool I and II CDMN.	Estimated value of the service for 2017: 1.036.263 lei.	SNN debts on 20.12.2016: 97.588,99 lei.	N/A	Within 30 day since the acknowledge ment of invoice receipt, accompanied by the Receipt Form signed	0, 06% per day of delay.



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									by both parts through the quantities of transitional water for that month are acknowledged .	
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Term deposits opened at Romanian Export – Import Bank EXIMBANK S.A. – Bucharest based on Master Agreement of current count no. 499S1/30.04.2014

No.	Type of deposit	Date of deposit opening	Maturity	Sum	Interest rate
1	Term deposit	19.01.2016	19.07.2016	20.000.000 lei	1,15% per year
2	Term deposit	22.01.2016	22.07.2016	20.000.000 lei	1,12% per year

APPENDIX III: APPOINTMENT/REVOCATION DOCUMENTS IN 2016

There are no appointing/suspension instruments for year 2016.



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APPENDIX IV: LIST OF HEADQUARTERS

S.N. Nuclearelectrica S.A. has its central headquarters at 65 Polona Street, District 1, Bucharest.



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APPENDIX V: LIST OF BRANCHES

S.N. Nuclearelectrica S.A. has two branches that without legal personality, as follows:

❖ CNE Cernavoda Branch with its headquarter in Constanta County, the town of Cernavoda, Medgidiei Street, No. 2, registered in the Trade Register under no. J13/3442/11.10.2007, which exploits Units 1 and 2, as well as the auxiliary services.

❖ FCN Pitesti Branch with its headquarter in Arges County, the town of Mioveni, Campului Street, No. 1, registered in the Trade Registry under no. J03/457/24.08.1998, where the clusters of nuclear fuel are produced and which are necessary for the operation of Units 1 and 2 CNE Cernavoda.



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APPENDIX VI: LIST OF SUBSIDIARIES

On 31 December 2016, SNN holds shares in only one filial – Energonuclear S.A., having a share percentage of 100%, and being a company that was established with the purpose to develop and implement the Execution Project of Units 3 and 4 CNE Cernavoda.

Energonuclear S.A. with its main headquarters in 5-7 Vasile Lascar Street, 3rd floor, District 2, offices no. 302, 303, 304, 305, 305A, 305B, 306, 306A, 307, 308, 315, 315A, 315B, 316C, 316, 317, is registered in the Trade Register under no.J40/3999/25.03.2009, having a Unique Registration Code 25344972.

The main activity of Energonuclear consists of Engineering and Technical Advice related to them – Cod CAEN 7112.

This company has a second headquarters (place of business) on the site of CNE Cernavoda – Constanta County, the town of Cernavoda.



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APPENDIX VII: LIST OF THE ENTITIES AFFILIATED

The persons affiliated to SNN are:

- ❖ Filial Energonuclear S.A.;

- ❖ All the companies and entities (institutes, authorities etc.) with a majority State capital or controlled by the State, with which SNN has commercial relationships.

APPENDIX VIII: LIST OF ONGOING LITIGATIONS AT 31.12.2016

No. Crt.	Case-file number	Court	SNN quality	Adverse Party	Object/Value	Current trial stage	Previous trial stage	Term of the trial stage
SNN: Headquarter								
1	3868/118/2012	Constanta Court	Creditor	S.C Proconex Universal S.R.L	Insolvency Bankruptcy 3.369.886,85 lei	Substance	12.12.2016	08.05.2017
2	2183/115/2010	Caras – Severin Court	Creditor	Cet Energoterm Reșița S.A	Insolvency Claim bankruptcy 580.974,21 lei	Substance		09.03.2017
3	3260/118/2007	Constanta	Creditor		Insolvency	Substance		15.05.2017

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				Hidrocora S.R.L			Consolidated defined table; reorganization plan distributions.	
		Court					Tranche 3 worth 267.87 lei was paid.	
					Claim bankruptcy 6.641,91 lei			
4	48031/299/201 0	Judicature District 1	Civil party	Rotaru Ioan Ispas Gheorghe Irimie Traian	Corruption offences- misfeasance. 13.493.080, 3 lei the Court condemned them to the payment of damage. 13.453.181,19 lei,composed of - 7.481.329,701 lei by way of compensation for	Substance	<i>Substance</i> Condemn Rotaru Iaon to 6 years jail, Ispas Gheorghe to 6 years jail, Traian Cezar Irimie to 6 years ' imprisonment,Anghelescu Andrei to 4.6 years prison for "misfeasance" with particularly serious consequences in the form of continued, the Act stipulated in art. 13 index 2 of law No. 78/2000. Condemn Prisecaru Tereza to 5 years jail and Nemțanu Răducu to 5 years jail for complicity in	28.03.2017

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				<p>civil damages (material damages according to the agreement TD-R- No. 015);</p>	<p>"misfeasance" with particularly serious consequences in the form of continued, according to art. 48 of the penal Code related to art. 13 index 2 of law No. 78/2000.</p>
	Appeal Court of Bucharest	S.C TESS CONEX S.A	<p>- 2.433.400,22 lei by way of compensation for civil damages (material damages according to the agreement TD – R 111 nr. 99/07.01.2005);</p>	<p>On the basis of art. 397 from CPP and art. 998-999 of the civil Code recognizes civil action in part formulated by the civil side SNN. Committed jointly on defendants Rotaru Ioan, Irimie Traian Cezar, Prisecaru Tereza and Nemțanu Răducu, the last two jointly with the civilly S.C. Tess Conex S.A. to pay to the civil side of SNN the amount of 13,453,181.19 lei On the basis of art. 404 para. (4) letter c) of the Criminal Procedure Code, maintains the measure of insurer seizure of</p>	



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							<p>property established on mobile and real estate belonging to indictee Prisecaru Tereza and to civilly liable responsible party S.C. Tess Conex S.A. Iasi until the payment of the amount of 13,453,181.1819 lei. On the basis of art. 397 paragraph (2) in relation to art. 249 para. (1), (2), (5) and (6) of Criminal Procedure Code, rules the establishment of insurer seizure of property, mobile and immovable property of the indectees '. Rules the issue of notices towards the Cadastre and Land Book Office - territorially competent of each indectee's domicile, the Town form each indectee, the A.N.A.F- Public Finance competence according to domicile on bringing out the measure of insurer seizure, following that these institutions to submit to the Court the result of the checks carried out (movable and immovable assets identified) , and if necessary, how to bring out the precautionary measure.</p>	
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				Civil liability party	- 2.886.718,2813 lei by way of compensation for civil damages (material damages according to the agreement TD – R – 074 nr. 145/19.09.2003);		With the appeal within 10 days of the receipt. Resolution 493/10.07.2015.	
					- 651.732,9796 lei by way of compensation for civil damages (material damages according to the agreement TD – RI - 036 nr. 904/15.10.2003).		<i>Appeal</i>	
5	9089/101/2013	Mehedinti Court	Creditor	RAAN	Insolvency Reorganization plan debt 5,450,135.91 lei	Substance	In accordance with article 107 para. 1 letter C Law No. 85/2006. The beginning of the procedure of debtor bankruptcy. In accordance with article 107 para. 2 Law No. 85/2006. Designates a provisional judiciary liquidator on Euro Insol SPRL.	27.04.2017

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					Bankruptcy liquidator-claims 7.828.405,48 lei			
6	7238/120/2012	Dâmbovița	Creditor	Eco Energy	Claim Bankruptcy 2.464.059,64 lei	Substance	Claim submitted in the table.	13.03.2017
		Court						
7	25195/299/2014	Bucharest Court	Claimer	Enol Grup S.A	121.369,03 lei Legal interest rate penalty at the compensation for termination of the contract.	Substance	<i>Substance</i>	06.03.2017
8	29322/3/2014	Bucharest Court	Creditor	Ennet Grup S.A	Insolvency Presumed claim bankruptcy 226.868,81 lei.	Substance	Admit the request formulated by the judicial liquidator Fiducia SPRL. In accordance with the provisions of art. 45 para. 1 litter (o)form the Law No. 85/2014 disposes the beginning of real estate exploitation identified in debit heritage consisting of incorporated area land in surface of 3,895 mp, CF no. 20854, 2185 cadastral number, located in Breaza, Podu Vadului, 18 Colinei Street, Prahova District, through a public auction sale, the starting value being established in the expertise report conducted in	03.04.2017

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							cause and undisputed by parties, namely 240,700 lei.	
9	40694/299/2015 39165/3/2014 (old)	Judicature District 1	Claimer	Repower Furnizare Romania S.R.L	Penalties and revenue interest 320,377.75 lei	Substance	<p><i>Substance</i></p> <p>Admits in part the summon application formulated by the claimer - respondent SNN contentiously with the respondent - claimer S.C. Repower Furnizare Romania S.R.L. Requires the respondent- claimer to pay towards the claimer — the amount of 262,568.21 lei pecuniary penalties for late invoice paid after due date related, issued pursuant to the contracts 887/19.08.2011, 464/15.04.2013, 362/27.03.2013, 1325/19.12.2012. Dismiss - reasonlessly, the head claim having as an object the obligation of the respondent - claimer to the payment of the amount of 57,809.54 lei, by way of interest on revenue. Dismiss - reasonlessly, the counterclaim formulated by the respondent - claimer - S.C Repower Furnizare Romania S.R.L contentiously with the claimer – respondent - SNN.</p>	25.01.2017

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		Appeal Court					<i>Substance</i>	
10	3793/2/2013	High Court of Cassation and Justice	appelle	Greenpeace CEE Romania	The cancellation of the decision issuing the environmental agreement and the agreement on the environment on the Project U3 and U4	Recourse	<p>Admitting the exception of the lack of object of the initial head claim II formulated (cancellation of environmental agreement concerning the project "Continuation the construction and finalization works of the U3 and U4).</p> <p>Reject the head II of initial demand brought about the cancellation of the agreement on the environment on the project "Continuation of construction and closure works of Units 3 and 4 CNE Cernavodă", devoid of object. Dismisses in its rest the request, as it was completed through additional claim - reasonless. Decision no. 1436/09.05.2014.</p>	24.03.2017
							<i>Recourse</i>	
							The Decision No. 2100 of June 23 rd 2016. Admits the appeal formulated by the Greenpeace	

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							<p>Foundation and Association Bankwatch Cee Romania against the sentence No. 1436 of May 9th 2014 of the Bucharest Court of Appeal-Section VIII Administrative Legal Department and Fiscal. Reverses the appealed sentence and send the cause back to the retrial towards the same Court. Final, today, June 23rd 2016.</p> <p><i>Substanceretrial (CAB)</i></p>	
11	873/1259/2008	Arges Court	Creditor	Termoficare 2000 S.A	<p>Insolvency</p> <p>Claim bankruptcy</p> <p>2.713.986,71 lei</p>	Substance	Procedure in progress.	04.04.2017
12	18770/3/2007	Bucharest Court	Creditor	Condem S.A	<p>Insolvency</p> <p>Claim bankruptcy</p>	Substance	Procedure in progress.	26.04.2017
					<p>2.446.227,08 lei</p> <p>Claim allowed in payment program</p>			

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					2.079.293, 02 lei i.e. 85% from the claim accepted in the table.			
13	11661/3/2014	Bucharest					<i>In substance(TB)</i>	
	11661/3/2014*	Appeal Court					Dismissed the request of the Fondul Proprietatea S.A. admitting the exception of the lack of interest related to the subject of the request.	
		Bucharest Court (retrial)	Appellee	S.C Fondul Proprietatea S.A	Finding the absolute nullity of the Resolution AGEA No. 1/March 11th 2014.	Appeal SubstanceRetrial	<i>Substance (CAB)</i>	Suspended.
							Admits the appeal of Fondul Proprietatea S.A. cancels the sentence invoked and send for the retrial the cause to the same Court. Final.	
							<i>Substanceretrial (TB)</i>	
							The court has ruled the suspension of the cause against	

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							<p>the fact that the Bucharest Court of first instance and Craiova Court of appeal have requested the Court of Justice of the European Union for some clarification regarding the possibility of the existence of State aid in connection with projects which are the object of the Resolution AGEA SNN no.1/11.03.</p> <p>2014</p>	
14	416/2/2014	<p>Bucharest Court of Appeal</p> <p>ICCI</p>	<p>Complainant</p> <p>Claimer</p>	<p>National regulatory authority in the Field of Energy</p>	<p>Change tariff covered by Resolution No. 3609/2013.</p>	<p>Substance</p>	<p><i>Substance</i></p> <p>In October 14th 2014 it was dismissed the request as reasonless.</p> <p>Hotarare nr. 2723/14.10.</p> <p>2014</p> <p><i>Recourse</i></p>	16.05.2017
15	1794/118/2016	<p>Constanța Court</p>	<p>Civil part</p>	<p>Bucur Ionel</p>	<p>Lesion</p>	<p>Substance</p>	<p><i>Substance</i></p>	17.03.2017

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				<p>Negulici Elena</p> <p>Olteanu Mădălina</p> <p>Encică Ionel</p> <p>Nicola Laurențiu</p> <p>Dărămuș Victor</p> <p>Davy Security S.R.L civilly by judicial administrato r</p>	3.471.463 euro			
16	40046/3/2014	Bucharest Court	Respondent	S.C Fondul Proprietatea S.A	Finding the absolute nullity of AGEA Resolution No. 8/06.10.2014- increase in share capital with contribution cash through issuing shares. Mention ruling from the	Substance	<i>Substance</i>	28.03.2017

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					Trade Register and mentions cancellation from Commercial Register on the basis of AGEA cancelled Resolution.			
17	38724/3/2014*	Bucharest Court Section II Administrative Legal	In hock third party	The Romanian State by the Ministry of Public Finance	Enforcement litigation and cancellation of all acts of repo from the execution file No. 22/2014; creditors Multipack, European Food, Starmill, Micula Ioan.	Substance	<i>Substance</i> In accordance with article 413 paragraph 1 point 1, NCPC suspends the trial until the final resolution of the Case-file No. 15755/3/2014. With appeal throughout the suspension.	
18	13275/3/2015	Bucharest Court	Respondent	Hidroelectrica S.A	Claims 40.812.717 lei difference amount purchase energy insurer agreement and energy sale and legal interest.	Substance	<i>Substance</i> Admits the exception of the material law prescription to the action. Dismisses the action - being prescribed. With appeal within 30 days of the intimation. Hotararea nr.6860/	

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		Bucharest Appeal Court					07.12.2015.	
							<i>Appeal</i>	
							Dismisses the appeal - ignored. With recourse within 30 days of the intimation, that is submitted to Bucharest Court of Appeal. Pronounced in public session today, 09.12.2016.	
19	3490/121/2015	Galați Court	Claimer	ArcelorMitt al Galați S.A	Claims 8.575.245,78 lei difference amount energy sale made redundant and other associated expenses	Substance	<i>Substance</i> Dismisses the action relating to the obligation of the respondent to extinguish by way of compensatory damages arising from the agreement no. 207/ 22.02.2013 - reasonless. With appeal.	
20	1532/1/2015	ICCJ	SNN civil party.	Indictees:	Taking bribes- Article 289 NCP	Substance	<i>Substance</i>	01.03.2017

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		Indictable Section	Gala Bute	Udrea Elena Gabriela	125,000 lei-sponsorship agreement + legal interest calculated from 11.07.2011 till the date of payment			
			Ministry of Regional Development	Obreja Rudel				
			S.A.	Ariton Ion				
21	4960/2/2015	Bucharest Appeal Court			Suspending enforcement measure			
		Section VIII Administrative Legal and Fiscal	Claimer	Court of Auditors	INSURANCE POLICIES D&O	Substance	Substance	Substance
		ICCJ					Partially admits the request. Under the terms of Article 15 of the Law no. 554/2004 suspends the execution of the point II.12 of the Resolution disposition no. 16/11.05.2015 issued by the Court of Auditors of Romania - Department IV until final settlement of the substance action recorded in the Case-file no.4912/2/2015. Enforceable.	Dismisses - reasonless the suspension request of the

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							<p>enforcement of section 10 of Conclusion no. 59/</p> <p>17.07.2015 and of section 3.1.10 of the control Report no. 4371/</p> <p>10.04.2015 issued by the Court of Auditors of Romania. With appeal within 5 days from intimation, that shall be filed in Bucharest Court of Appeal. Resolution no.2608/</p>	
							<p>15.10.2015.</p> <p><i>Recourse</i></p>	
22	4961/2/2015	Bucharest Court of Appeal	Claimer	Court of Auditors	Enforcement caveat	Substance	<p><i>Substance</i></p> <p>Admits the exception of head of request inadmissibility on enforcement suspension of the point 3.1.5 of the Control Report No. 4371/10.04.2015 and consequently dismisses - inadmissible this claim end. Dismisses, otherwise, the enforcement caveat request - reasonless. With appeal within 5</p>	

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		Section VIII Administrative Legal and Fiscal ICCJ			TOURIST SERVICES		days from intimation. Resolution no.2660/ 20.10.2015. <i>Recourse – SNN</i>
23	4968/2/2015	Bucharest Appeal Court	Claimer	Court of Auditors	Suspending share measure enforcement	Substance	<i>Substance</i>
							Partially admits the action. Rules the caveat of the partial enforcement of Resolution N. 16/2015, namely of the measure arranged at point II. 11, as well as of Conclusion no. 59/2015-point 9, until the final settlement of the action in annulment of point II.11 from the Resolution no. 16/2015 and of point 9 from Conclusion No. 59/2015. Dismisses caveat request of the Control Report no. 4371 /2015 - point 3.1.9 - inadmissible. With the right of

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		Section VIII Administrative Legal and Fiscal			LEGAL COUNSELLOR		recourse within 5 days from intimation. Resolution no.2684/ 20.10.2015.	
24	4969/2/2015	Bucharest Court of Appeal Section VIII Administrative Legal and Fiscal	Claimer	Court of Auditors	Measure enforcement caveat	Substance	<i>Substance</i> Dismisses the application for suspension of the item 3.1.11 of the Control Report No. 4371/ 10.04.2015 issued by the Court of Auditors of Romania- inadmissible.	
		ICCJ			MICROSOFT		Partially admits the suspension request.Caveats the enforcement of section 11 of the Concluding no 59/17.07.2015 and section II.13 of Resolution No. 16/11.05.2015 issued by the Court of Auditors of Romania until the	

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							<p>final settlement of the Substance Action. Enforceability</p> <p>With recourse within 5 days from the intimation.</p> <p>Resolution nr.2956/ 11.11.2015.</p> <p><i>Recourse CC</i></p>	
25	4970/2/2015	Bucharest Appeal Court	Claimer	Court of Auditors	Caveat enforcement measure	Substance	<i>Substance</i>	
		Section VIII Administrative Legal and Fiscal					Partially admits the request.	

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		ICCJ			NON-RESIDENTS		<p>Brief solution: partially admits the request. Rules the partial caveat of the Decision no.16/</p> <p>11.05.2015 on issue II.8, respectively of the Conclusion no. 59/</p> <p>17.07.2015 in respect of issue 6, until the final settlement of the action in cancellation. Dismisses - inadmissible application for caveat of issue 3.1.3 of the Control Report no. 4371/10.04.2015. With the right of recourse within 5 days from intimation. Decision no.2503/ 07.10.2015.</p> <p><i>Recourse CC</i></p>	
26	4971/2/2015	<p>Bucharest Court of Appeal</p> <p>Section VIII Administrative Legal and Fiscal</p>	Claimer	Court of Auditors	Enforcement caveat		<p><i>Substance</i></p> <p>The Substance Court dismissed the caveat request of the Resolution no 16/</p>	

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					General Concrete			11.05.2015 and the Conclusion no. 59/ 17.07.2015.
27	4959/2/2015	Bucharest Court of Appeal Section VIII Administrative Legal and Fiscal	Claimer	Court of Auditors	Measure caveat EXCURSIONS	Substance		<p><i>Substance</i></p> <p>Admits the request. Partially cancel the Conclusion no. 59/</p> <p>17.07.2015 issued by the respondent, in terms of section 3. Partially cancels the Resolution no 16/11.05.2015 issued by the respondent, in terms of the measures ordered in section 5 and Measure no. I 3. Partially cancels the Control Report no. 4371/</p> <p>10.04.2015 issued by the respondent in terms of section 3.1.5. Obligates the respondent at trial expenses for 4.550 lei towards the claimer. With appeal</p>

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							within 15 days from intimation. Resolution from 10.06.2016.	
28	4902/2/2015 linked with 4907/2/2015 bonuses	Bucharest Court of Appeal Section VIII Administrative Legal and Fiscal	Claimer	Court of Auditors	SHARES AND BONUSES	Substance	<p><i>Substance</i></p> <p>Admits the main request and the related request, in terms of paragraphs 1 and 2. Partially cancels the Conclusion No. 59/17.07.2015 and the Decision No. 16/</p> <p>11.05.2015, concerning item 9 and item 8 of the Concluding, respectively the measures section II. 11 and II.10 of the decision. Dismisses as inadmissible point 3 of both requests, on partial cancellation of the Control Report No. 4371/</p> <p>10.04.2015. With recourse within recurs 15 days from the intimation. The recourse will be submitted at CAB - Section VIII. Final. Decision no.3419/</p> <p>17.12.2015.</p>	

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29	4906/2/2015	Bucharest Court of Appeal	Claimer	Court of Auditors	Measure caveat	Substance	<p>On the basis of Article 413 para. 1 section 1 CPC suspends the cause trial until the final settlement of the Case-file No. 62136/299/2015 of Judicature of Bucharest District 1. With recourse throughout the duration of the caveat. Conclusion - Caveat 18.01.2016. Dismisses the action as reasonless. With appeal within 15 days from intimation. Pronounced today, 10.10.2016.</p>	
		Section VIII Administrative Legal and Fiscal			ACQUISITIONS		<p><i>Substance</i></p> <p>Dismisses the action as reasonless. With recourse within 15 days from the intimation. Pronounced in public session today, 10.10.2016. Decision no.2961/</p> <p>2016 10.10.2016.</p>	

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							<i>Recurs</i>	
30	4912/2/2015	<p>Bucharest Court of Appeal</p> <p>Section VIII Administrative Legal and Fiscal</p>	Claimer	Court of Auditors	<p>Measure caveat</p> <p>BILLS D&O</p>	Substance	<p><i>Substance</i></p> <p>Admits the request. Brief solution: Dismisses the exception of the inadmissibility of the the partial annulment application of the Control Report No. 4371/10.07.2015. Admits the action. Cancel, partially, the Conclusion No. 59/</p> <p>17.07.2015, issued by the respondent concerning paragraph 10, Resolution No. 6/11.05.2015 issued by the respondent in respect to the measure due at the point. II.12. from the the resolution disposition, as well as paragraph 3.1.10 of the Control Report No. 4371/</p> <p>10.04.2015 issued by the respondent. With recurs within 15 days from intimation. Decision no.173/2016 26.01.2016.</p>	

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							<i>Recourse</i>	
31	4946/2/2015	Bucharest Court of Appeal	Claimer	Court of Auditors	Measure caveat	Substance	<i>Substance</i>	28.04.2017
		Section VIIa Administrative Legal and Fiscal		Intervener	GENERAL CONCRETE			
				General Concrete				
32	4958/2/2015	Bucharest Court of Appeal Section VIII Administrative Legal and Fiscal	Claimer	Court of Auditors	Measure caveat	Substance	<i>Fond</i> Admits the action. Partially cancels the Conclusion No. 59/17.07.2015, respectively on the the dismissal of the point VI of litigation No. 6420/28.05.2015,	

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							and in consequence, cancels the measure taken at item II. 8 of Resolution No. 16/11.05.2015 for removing the offence described in point 3 of the same resolution, and point 3.1.3 of the Control Report No. 4371/
					NON-RESIDENTS		10.04.2005. With recourse within 15 zile from the intimation, the application for exercise of attack approach to be submitted at Bucharest Court of Appeal - Section VIII Administrative Legal and Fiscal.
		ICCJ					Pronounced March 10th 2016.
							<i>Recourse</i>
33	4964/2/2015	Bucharest Court of Appeal	Claimer	Court of Auditors	Measure caveat	Substance	<i>Substance</i>

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		Sectona VIII Administrative Legal and Fiscal					Admits the exception of inadmissibility of the application end relating to cancellation of point 3.1.7 from Control Report No. 4371/ 10.04.2015 invoked by the respondent. Dismisses as inadmissible the request for annulment of section 3.1.7 from Control Report No. 4371/	
					COURT ORDERS			
		ICCJ					10.04.2015. Dismisses as reasonless the redundant actions. With appeal within 15 days from the intimation. The recourse shall be lodged with the Bucharest Court of Appeal. Decision no.373/ 09.02.2016. <i>Recourse</i>	
34	4965/2/2015	Bucharest Court of Appeal	Claimer	Court of Auditors	Measure caveat	Substance	<i>Substance</i>	

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		Section VIII Administrative Legal and Fiscal			MICROSOFT		Admits the application regarding points 1 and 2. Partially cancels the Conclusion No. 59/ 17.07.2015 and Resolution No 16/ 11.05.2015, regarding point 11 of the Conclusion, i.e. the measure of paragraph II 13 from the resolution.	
							Dismisses as inadmissible point 3, concerning partial cancellation of the Control Report No. 4371/ 10.04.2015. With recourse within 15 days from the intimation. The recourse shall be lodged with the Bucharest Court of Appeal-Section VIII. Decision no.236/ 28.01.2016.	
35	45487/3/2015	Bucharest Court	Claimer	Havris Alex	Lesion	Substance	<i>Substance</i>	29.03.2017

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		Section VIII Work	called for warranty	Negulici Elena	708.407 lei		Admits the exception of the material law prescription for action, invoked by the respondents, and dismisses the application as eing prescribed the right to action. Dismisses the application of call in warranty in contradictory with the called in warranty AIG Europe Lmited London, as reasonless. With appeal within 10 days from the intimation, Resolution no.5836/	
		CAB		Nicolescu Corina Dina Dumitru Popescu Dragoş Ionescu Elena	Work litigation execution measure disposed by CC by the Report 2012 concerning bills D&O.		07.06.2016. <i>Appeal</i>	

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				Dincă Suzana			
				Georgescu Magda Nazarevsck y Cristina			
				AIG Europe Limited Bucharest Branch			
36	45494/3/2015*	Bucharest Court	Claimer	Șerbănescu Cristian	Lesion		<i>Substance</i>
		Civil Section VI	Called for warranty	Chiriac Cristina	708.407 lei	Substance	Dismisses the exception of procedural passive quality lack cited by the respondents Grama Mioara, Popescu

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				<p>Popescu Ioana</p> <p>Grama Mioara</p> <p>Chirică Teodor</p>	<p>Work litigation execution measure disposed by CC by the Report 2012 concerning bills D&O.</p>		<p>Lucia - Ioana, Chiriac Cristiana and Șerbănescu Cristian Ovidiu. Admits the prescription exception. Dismisses the request, stating as prescribed the right to action. dismisses the application of calling in warranty as left without object. Compels the claimer to pay the following trial expenses: 8,226.53 lei towards the respondent Grama Mioara, 7,873.53 lei towards the respondent Popescu Lucia - Ioana and 7,925.79 lei towards the respondent Chiriac Cristiana. With appeal within 30 de days from the intimation. Resolution no.7583/</p> <p>29.11.2016.</p>	
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				Budulan Pompiliu				
				AIG Europe Limited Bucharest Branch				
37	2539/105/2015	Prahova Court	Respondents SNN Electrica	Pană Dumitru	Determin work place, special conditions, qualification for Group I or II, issuing certificate.	Substance	<p><i>Substance</i></p> <p>Dismisses the action as reasonless. With appeal within 10 days from the intimation. Resolution no.1578/ 25.05.2016.</p> <p><i>Appeal</i></p>	
38	1367/2/2016	Bucharest Appeal Court Section VIII Administrative Legal and Fiscal	Claimer	ANAF	Cancellation administrative act Decision no.25/29.01.2016.		<p><i>Substance</i></p> <p>Dismisses the action as reasonless. With recourse within 15 days from the intimation. Resolution no.2656/</p>	

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							21.09.2016.	
							<i>Recourse</i>	
39	409/2/2016	Bucharest Court of Appeal	Civil Party	Tudor Ion Infractional group. House of insolvency liquidator Banat CET Energoterm Reșița.	Tax evasion offenses, bribery, corrupt practices 580.974,21 lei.	Substance	<i>Substance</i>	17.03.2017
40	12369/299/2016	District 1 Judicature	Claimer	OET Obedineni Energiinji Targovtsi OOD	Wants 5.551,49 lei		<i>Sustance</i> Dismisses the application requiring the respondent to pay the trial expenses, as reasonless. Dismisses the application requiring the claimer to pay trial expenses, as reasonless. With appeal within 30 days from the intimation la comunicare that is	

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							submitted to the District 1 Judicature. Decision no.16170/
							30.09.2016.
							<i>Appeal</i>
41	6874/3/2016*	Bucharest Court	Respondent	Nuclear Agency and for Radioactive Waste (ANDR)	Wants: - 131,080.08 euros contributions according to Government Decision No. 1080/2007 for 2010- 2012; - contributions for the 2013-2015 for the energz difference produced and the delivered one in SEN;		<i>Substance</i> Dismisses the exception of the right material to actionprescription -reasonless. Dismisses the application of call in trial-reasonless. With appeal within 30 days from the intimation. Pronounced today, 23.09.2016, the solution being made available to the parties through the mediation of the registry. The Resolution from 23.09.2016.

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					- penalties 2010-2015 until actual payment.			
42	27822/3/2016	Bucharest Court	Respondent	CDI Acquisitions .	Acquisitions. Payment of the amount of	Substance	<i>Substance</i>	27.01.2017
		Section Administrative Legal		Payment of the amount of 26.604 lei as difference qualification additional courses made by CDI during the planned halt Intern and international Transport	26.604 lei as difference qualification additional courses made by CDI during the planned halt.		Dismisses the application as reasonless. With recourse within 10 days from intimation .The recourse is submitted to the Bucharest Court, Division II of Administrative Legal and Fiscal. Pronounced by making the solution available to the parties through the mediation of the registry of the Court today, 27.01.2017.	
43	25462/3/2016	Bucharest Court	Respondent		Refund of the deposit of good	Substance	<i>Case-file 25462</i>	



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		Division	Caldo Privat Security S.R.L	performance worth 5.229,15 lei		Dismisses the exception of the lack of material competence invoked by the respondent – claimer. Establishes: The Bucharest Court -Division II of Administrative Legal and Fiscal is the general competence, material and territorial to judge the present cause, by reference to the provisions of the Article 53, paragraph 1 of the law No. 101/2016 concerning remedies and ways of attack regarding the award of public acquisition contracts, sectoral	
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							<p>procurement and granting concession of works and services agreements, as well as for the organization and functioning of the Litigation Resolution National Council. Rules separate prosecution of the counterclaim and the formation of a new Case-file on the role of the Bucharest Court - Division II Administrative Legal and Fiscal, term on 22.08.2016, 13:00, room 221. Intimates the respondent - claimer to make proof of payment of judicial stamp worth 2,091.65 lei, established by reference to the provisions of Article 56, paragraph 1, letter a) from Law No. 101/2016, up to the deadline, under the penalty of counterclaim cancellation. Admits the exception of the prior procedure failure invoked by the respondent - claimer. Dismisses the prelusive request - inadmissible. With recourse within 10 days from the intimation regarding the provisions relating to the prelusive request, the recourse request will be submitted to the Bucharest Court - Division Administrative Legal and Fiscal. Pronounced in public session,</p>	
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								today, 08.08.2016. Decision no.4648/	
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		Administrative Legal					2016 08.08.2016.	
44	30027/3/2016 disjoined from the previous	Bucharest Court Section Administrative Legal	Claimer	Caldo Privat Security S.R.L	5.229,57 lei By way of penalties.		<i>Substance</i> Admits the counterclaim formulated by SNN. Obligates the claimer - respondent Caldo Private Security S.R.L. to pay the sum of 5,229.57 lei, by way of penalties to the respondent SNN. With recourse within 10 days from intimation. Resolution no.5555/ 10.10.2016.	
45	9230/3/2016	Bucharest Court Division II	Respondent	Greenpeace	Communication of information in the public interest. Support Letter Project U3 and U4.	Substance	Action request ancillary in the interest of the respondent Energy Ministry. <i>Substance</i> Dismisses the request as reasonless. Admits the request of accessory intervention in favor of the respondent. With recourse	



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							within 15 days from the intimation. Resolution no.6924/05.12.2016.	
46	48924/299/2016*	District 1 Judicature	Claimer	Dual Industry	Unduly payment 12.412,82 lei	Substance	<i>Substance</i>	
SNN: FCN Pitești Branch								
1	313/1259/2016	Argeș Specialized Court	Creditor	Geomir Remat Com 67 S.R.L	14.366,57 lei	Substance		15.05.2017
SNN: CNE Cernavodă Branch								

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1	10948/118/2008	Constanța Civil Court	Creditor	S.C Detacan S.A	Claim 41.185,28 lei	Substance	The company is in bankruptcy.	08.05.2017
2	3869/118/2009	Constanța Civil Court	Creditor	S.C Cls S.A	Claim 14.872,81 lei	Substance	The company is in bankruptcy.	15.05.2017
3	6034/118/2012	Constanța Civil Court	Creditor	S.C Katon Nuclear S.A	Claim 77.349 lei	Substance	The company is in bankruptcy.	07.04.2017
4	10673/118/2010	Constanța Civil Court	Appellee Respondent	Sava Marian	Compensations.	Appeal	<i>Substance</i> Dismisses as reasonless the exceptions of action inadmissibility of active procedural quality lack and of passive procedural quality lack, invoked by the respondent SNN. Admits the exception of the request tardiness for the on	06.03.2017

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							<p>modifying the procedural passive circumstance. Dismisses as tardy formulated the claimer's request on procedural passive circumstance. Find without object the lack of procedural capacity exception of the Local Council of Cernavodă. Dismisses as unreasonable the application filed as suing calling formulated by the claimer Sava Marian in contradictory with the respondent SNN. Dismisses the call in warranty application as left without an object formulated by the respondent SNN in contradictory with warranty called City Cernavodă by Mayor and the Mayor of Cernavodă. Obligates the claimer Sava Marian to pay the amount of 27,003.33 lei to the respondent SNN representing trial expenses (legal fee stamp, stamp fee, expert fee). With appeal within 15 days from the intimation. Civil Sentence No. 603/</p> <p>14.03.2016. Appeal was formulated.</p>	
5	14951/118/	Medgidia	Claimer			Substance		Adjourned

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	2011 (adjourned under Article 36 of the Law 85/2005)	Civil Judicature		S.C Car Construct S.R.L	Land release SNN - property - concrete platform occupied by S.C. Car Construct S.R.L., based on sale- purchase agreement signed with S.C. CNE S.A.		According to Art. 36 of the Law no. 85/2006 (Insolvency Law) it was adjourned the trial of the case.	
6	4073/118/2014	Civil Constanța Court of Appeal	Appellee Respondent	Tărcatu Aurel Smira Mircea Gălbinașu Nicolae etc.	Labor dispute: the granting of special work conditions for the period 2001- present.	Appeal	<i>Substance</i> Dismisses as reasonless the application filed as calling for trial formulated by Gălbnașu Nicolae, Ștefan Jeana, Tudor Marian, Tărcatu Aurel, Mustăța Ștefan, Rusu Vasilica, Turcoiu Ioan, Niță Vasile, Grigoroiu Alexandru, Bivolaru Costel, Dobre Nicolae, Chelba Vasile, Smira Mircea in contradictory with the respondent SNN CNE Cernavodă Branch. The Resolution no.467/	20.03.2017
							07.03.2016.	

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							Appeal was formulated.	
7	5652/256/2015	Civil Constanța Court	ClaimerResp ondent	Enescu Maria	Repo litigation: recovering the value of compensation amounting 22.019 lei and trial expenses.	Appeal	<i>Substance</i> Admits the litigation and cancels the repo. Resolution no.1823/ 07.12.2015. It was formulated appeal	09.03.2017
8	4730/256/2016	Medgidia Judicature	Respondent	Ichim Victor	Work house evacuation.		<i>Substance</i>	
9	10546/256.201 6	Medgidia Judicature	Respondent	Ichim Victor	Work house for sale.		<i>Substance</i>	
10	6403/118/2015	Civil	Appellee	Guz Nicu	Labor dispute.	Appeal	<i>Substance</i> Dismisses as reasonless the application filed as suing formulated by the claimer Guz Nicu, with contradictory with the respondent SNN. With appeal within 10 days form the intimation. The application for appeal shall be submitted to	To determine the trial term.
		Constanța Court of Appeal	Respondent		Litigation on disciplinary dissolution of the Individual Labor Contract.			

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							<p>Constanța Court. Pronounced in public session today, 13.12.2016. Resolution no.3066/</p> <p>13.12.2016.</p> <p>It was formulated appeal.</p>		
11	2687/118/2016	Civil	Constanța Court	ClaimerRespondent	Ion Gheorghe	Labor dispute: granting counter value share of electricity.	Appeal	<p><i>Substance</i></p> <p>Admits the application. Obligates the respondents to recognize the appropriate right that is to inhere to the claimer according to Government Decision No. 1041/2013 and to grant the free share of electricity free of charge up to 3,600 kWh/year, for domestic Obligates the respondents to pay to the claimer the amounts representing the equivalent value of the electricity share up to 3,600 kWh/year, calculated from the date of 07.04.2016 until the final of the current resolution.</p> <p>EnforceabilityWith appeal within 10 days from the intimation, that is to be submitted to</p>	20.02.2017

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							the Constanța Court. Pronounced in public session today, 13.10.2016. Resolution no.2491/13.10.2016. It was formulated appeal.	
12	3338/118/2016	Civil Constanța Court	Respondent	Sărman Costel Dinu Sorin s.a.	Labor dispute: granting rights, special conditions, the extra days of rest.	Substance		22.03.2017
13	1199/98/2016	Civil	Respondent	Sonchereche Mihail Bercescu Gheorghe Leahu Vasile	Labor dispute: granting counter value of electricity share .	Substance	Partially admits the application formulated by the claimers Sonchereche Mihail, Bercescu Gheorghe, Leahu Vasile in contradictory with the respondent SNNCNE Cernavodă Branch. Obligates the respondent to grant claimers the free share of electric power of 1,200 kwh/year for domestic consumption. Obligates the respondent to calculate and to pay retrospectively the amounts representing abundance equivalent value of free electricity share of 1,200 kwh/year from the	11.01.2017

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		Ialomița Court					<p>moment of retirees (01.04.2016 for Bercescu Gheorghe, 09.12.2015 for Sonchereche Mihail and 23.02.2016 for Leahu Vasile) until the remaining of the final resolution. Dismisses the application of claimers of obligation the respondent to pay trial expenses.</p> <p>With appeal within 10 days from the intimation.</p>	
14	3697/118/2016	Civil	Appellant Respondent	Mircea Virginia	Labor dispute: granting the counter value of electricity share.	Appeal	<p><i>Substance</i></p> <p>Admits the application formulated by the claimer Mircea Virginia, in contradictory with the respondents SNN and SNN, CNE Cernavodă Branch. Obligates the respondents to recognize the rights of what is appropriate to the claimer according to Government Decision No. 1041/2013 and to grant the free share of electricity free of charge up to 3,600 kWh/year, for domestic consumption Obligates the respondents to pay retrospectively the amounts representing the equivalent value of the electricity share up to 3,600 kWh/year,</p>	07.02.2017



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							calculated from the date of 05.06.2013 until the final remaining of the current court order. Takes note that there weren't requested any trial expenses. With appeal within 10 days from the intimation. The appeal is to be submitted to Constanța Court. Pronounced in public session today, 04.10.2016. Resolution no. 2377/	
		Constanța Court of Appeal					04.10.2016.	

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							It was formulated appeal.	
15	3700/118/2016	Civil	AppellantRespondent	Ureche Dănuț	Labor dispute: granting the counter value of electricity share.	Appeal	<p><i>Substance</i></p> <p>Admits the request formulated by the claimer Ureche Dănuț, in contradictory with the respondents SNNand SNN, CNE Cernavodă Branch. Obligates the respondents to recognize the rights of what is appropriate to the claimer according to Government Decision No. 1041/2013 and to grant the free share of electricity free of charge up to 3,600 kWh/year, for domestic. Obligates the respondents to pay retrospectively the amounts representing the equivalent value of the electricity share up to 3,600 kWh/year calculated from the retirement date until the final remaining of the current court order. Takes note that there weren't requested any trial expenses. With appeal within 10 days from the intimation. The appeal is to be submitted to Constanța Court. Pronounced in public sessiontoday, 04.10.2016. Resolution no.2378/</p>	08.03.2017

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		Constanța Court of Appeal					04.10.2016.	
							It was formulated appeal.	
16	3699/118/2016	Civil	Appellant Respondent	Monceanu Ion	Labor dispute: granting the counter value of electricity share.	Appeal	<p><i>Substance</i></p> <p>Resolution on 29.09.2016. Admits the request formulated by the claimer Monceanu Ion, in contradictory with the respondents SNN and SNN, CNE Cernavodă Branch. Obligates the respondents to recognize the rights of what is appropriate to the claimer according to Government Decision No. 1041/2013 and to grant the free share of electricity free of charge up to 3,600 kWh/year, for domestic. Obligates the respondents to pay retrospectively the amounts representing the equivalent value of the electricity share up to 3,600 kWh/year calculated from the retirement date until the final</p>	06.02.2017

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							<p>remaining of the current court order. Dismisses the end request for ordering the respondents to pay trial expenses, as reasonless. With appeal within 10 days from the intimation. The appeal is to be submitted to Constanța Court.</p> <p>Pronounced by making the solution available to the parties through the mediation of the registry of the Court today,</p> <p>29.09.2016. It was formulated appeal.</p>	
17	3698/118/ 2016	Civil	Appellant Repondent	Mircea Dumitru	Labor dispute: granting the counter value of electricity share.	Appeal	<p><i>Substance</i></p> <p>Admits the request formulated by the claimer Mircea Dumitru, in contradictory with the respondents SNN and SNN, CNE Cernavodă Branch. Obligates the respondents to recognize the rights of what is appropriate to the claimer according to Government Decision No. 1041/2013 and to grant the free share of electricity free of charge up to 3,600 kWh/year, for domestic. Obligates the respondents to pay retrospectively the amounts</p>	28.02.2017

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		Constanța Court of Appeal					<p>representing the equivalent value of the electricity share up to 3,600 kWh/year calculated from the date 15.04.2014 until the final remaining of the current court order. Enforceable. With appeal within 10 days from the intimation. The appeal is to be submitted to Constanța Court.</p> <p>Pronounced in public session today, 13.10.2016.</p> <p>Resolution no.2493/</p> <p>13.10.2016.</p> <p>It was formulated appeal.</p>
18	4869/118/2016	Civil	Respondent	Monceanu Ion	Labor dispute: increment certificates issuing.	Substance	<p><i>Substance</i></p> <p>Resolution. Dismisses the action as reasonless. With appeal within 10 days from the intimation. The appeal is to be submitted to Constanța Court.</p>

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		Constanța Court of Appeal					Pronounced in public session today, 16.12.2016. Resolution no.3095/ 16.12.2016. To communicate the substance sentence.	
19	4868/118/2016	Civil Constanța Court	Respondent	Monceanu Lucica	Labor dispute: increment certificates issuing.	Substance	Dismisses the action as reasonless. With appeal within 10 days from the intimation. Pronounced in public session.	03.02.2017
20	2186/98/2016	Civil Galați Court	Respondent	Dragomir Relu	Labor dispute: granting the counter value of electricity share.	Substance		Adjourns the pronouncement 06.03.2017.
21	2188/98/2016	Civil	Respondent			Substance	<i>Fond</i>	

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				Lascu Gheorghe	Labor dispute: granting the counter			
		Constanța Court			value of electricity share.		<p>Civil Case-file no.2188</p> <p>/98/2016. Resolution. Partially admits the application formulated by the claimer LAscu Gheorghe in contradictory with the respondent SNN, CNE Cernavodă Branch. Obligates the respondent to grant claimer the free share of electric power of 1,200 kwh/year for domestic consumption. Obligates the respondent to calculate and to pay retrospectively the amounts representing abundance equivalent value of free electricity share of 1,200 kwh/year from the moment of retirement-16.04.2014 until the remaining of the final resolution. Dismisses the application of claimer to obligate</p>	

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							the respondent to pay trial expenses.	
							With appeal within 10 days from the intimation. Enforceable. The request is to be submitted to Constanța Court. Pronounced in public session, today, 22.12.2016. Resolution no.3134/	
							22.12.2016.	
22	2187/98/2016	Civil Bistrița Năsăud Court	Respondent	Răcilă Ioan	Labor dispute: granting the counter value of electricity share.	Substance		15.03.2017
23	7646/118/2016	Civil	Respondent	Bejenaru Gheorghe	Labor dispute: granting the counter	Substance		09.03.2017

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		Constanța Court			value of electricity share.			
24	7645/118/2016	Civil Constanța Court	Respondent	Manole Petre	Labor dispute: granting the counter value of electricity share.	Substance		20.03.2017

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25	2300/98/2016	Civil Ialomița Court	Respondent	Burlacu Mădălin Ionuț	Litigiu de munca: litigation of dismissal for unjustified absences.	Substance		31.01.2017
26	8344/118/2016	Civil	Respondent	Popovici Gheorghe	Labor dispute: granting the counter value of electricity share.	Substance		20.03.2017
		Constanța Court						

APPENDIX IX: STAGE OF THE CORPORATE GOVERNANCE CODE IMPLEMENTATION OF BUCHAREST STOCK EXCHANGE

No. Crt.	Code Provision	Respect	Does't respect or respect partially	Reason for non-compliance	Rectification Terms
A.1	<p align="center">All companies must have an internal regulation of the Board which shall include the terms of reference/responsibilities of the Council and key management functions of the company, and that applies, inter alia, the General Principles from Section A.</p>	<p>SNN has an organization and operation Internal Regulation of the Board of Directors and a Corporate Governance Regulation, which contains the terms of reference, the responsibilities of the executive management, the Board of Directors and AGA and key management functions and responsibilities of the Advisory Committees of the Board of Directors in accordance with the General principles in the Corporate Governance Code. These terms of reference/responsibilities are brought to the knowledge of the public through the Corporate Governance Regulation and through the terms of reference of the Board of Directors , published on the company's website within the section "Investor Relations/Corporate Governance".</p>			
A.2	<p>Provisions for management of conflicts of interest must be included in the Council regulation. In any case, Board members must notify the Council of any conflicts of interest that have arisen or may arise and to refrain from participating in discussions (including by the default, except that the fault would prevent the formation of the quorum) and to vote for the adoption of a resolution concerning the matter which gives birth to the conflict of interest question.</p>	<p>In terms of managing conflicts of interest, each member of the Board of Directors shall ensure the avoidance of a conflict of interest with the company, directly or indirectly, and in case of such a conflict is wary of the debate and vote on the issues concerned, in accordance with the legal provisions in force. These provisions are included in the Corporate Governance Regulation and in the terms of reference of the Board of Directors published on the company's website in "Investor Relations/Corporate Governance"</p>			



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A.3	<p>The Board of Directors or the Supervisory Board should be composed of at least five members.</p>	<p>SNN's Board of Directors consists of 7 members. Information relating to this provision is published in the Annual Report and on the website in the "Investor Relations" section.</p>			
A.4	<p>The majority of the members of the Board of Directors must not have executive function. At least one member of the Board of Directors or of the Supervisory Board must be independent in case of Standard Category Companies. In the case of Premium Category companies, no less than two non-executive members of the Board of Directors or of the Supervisory Board must be independent. Each independent member of the Board of Directors or of the Supervisory Board, as the case may be, must submit an affidavit at the time of his appointment in view of election or re-election, as well as when it occurs any change in its status, indicating elements in which it is considered that he is independent from the point of view of his character and judgment.</p>	<p>SNN is a company in the Premium Category, 4 non-executive members of the Board members being independent according to the criteria from Section A. In 2016, the members of the Board of Directors have updated their statements on the basis of the criteria referred to in Article no. 1382 paragraph 1 in the companies law No. 31/1990 on the basis of the criteria stipulated in item A4 of the corporate governance Code of the Bucharest Stock Exchange. In terms of point A 4.5. mentioned in the Code, we specify the fact that independent administrators were appointed as members of the Board of Directors on April 25th 2013, i.e. on December 23rd 2013 through the approval by AGA and on this date, membership of the Board of Directors held in the previous year does not affect the objectivity in decisions taking. The Annual Report presents in chapter "corporate governance Statement" information relating to the status of independent member and executive/non-executive of the Board of Directors members. Also this information is published on the website of SNN.</p>			
A.5	<p>Other professional commitments and obligations relatively permanent of a member of the Council, including executive and non-executive positions in the Board of some companies and non-profit institutions, must be disclosed to shareholders and</p>	<p>The Annual Report presents in the section "corporate governance Statement" information on other professional commitments and obligations of the members of the Board of Directors, including executive and non-executive positions in the Board of other companies. This</p>			

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	potential investors prior to appointment and in the course of his mandate.	information is also available on the website of SNN, in the section "Investor Relations/corporate Governance/Board of Directors".			
A.6	Any member of the Council must submit to the Council any information relative to any relation with a shareholder who owns shares directly or indirectly representing over 5% of all voting rights. This obligation refers to any relation that may affect the member's position with regard to issues determined by the Council.	This information has been verified on the basis of statements according to the criteria stipulated in Article 1382, paragraph 2 from the companies law No. 31/1990 and on the basis of the criteria stipulated in item A4 of the corporate governance Code of the Bucharest Stock Exchange. In 2016, two members of the Board of Managers were employees of the Ministry of Energy, the shareholder who directly owns more than 5% of all voting rights: Alexandru Alexe and Nicolae Codruț Stănescu. On December 12th 2016, only Mr. Alexandru Alexe owns this quality. This provision is included in the terms of reference of the Board of Directors published on the company's website in the "Investor Relations/Corporate Governance" section			
A.7	The company must appoint a Secretary of the Board in charge of supporting the activity of the Council.	The name of the Secretary of the Board of Directors shall be published in the SNN Annual Report for the year 2016, in the section "corporate governance Statement"			
A.8	Statement regarding corporate governance will inform if an assessment has taken place under the leadership of the Chairman of the Council or of the Nomination Committee and, if so, will summarize the key measures and changes resulting. The company should have a policy/guidelines regarding the	The activity of the Board of Directors is reviewed quarterly, bi-annually and annually on the basis of criteria of performance contained in the Management Plan and in the agreements of mandate. The degree of achievement of the performance indicators is contained in the Annual Report of the Board of Directors.	The company does not have a policy/guideline for evaluating the Board of Directors, the assessment being made, as mentioned on the basis of established performance criteria.		SNN will transmit the current report of compliance with this provision after policy/guidelines elaboration that include the goal, the criteria



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	Committee evaluation including aim, criteria and frequency of the evaluation process.				(performance criteria) and to clearly mention the quarterly frequency, biannual and annual summary of these evaluations. This provision will be included in the TR of the Board of Directors and Committees of the Council.
A.9	The statement regarding the corporate governance should contain information on the number of meetings of the Council and committees during the last year, the participation of administrators (present and absent) and a report of the Council and the committees with regard to their activities.	Annual Report for the year 2016 contains information about the number of sessions of the Board in the year 2016 as well as about the participation of managers in the section "corporate governance Statement". The Reports of advisory committees established at the level of the Board of Directors are also presented in the Annual Report for the year 2016.			
A.10	The statement regarding the corporate governance shall contain information about the exact number of independent members from the Board of Directors or from the Supervisory Board.	Annual report for the year 2016 presents the exact number of independent members, in the section "corporate governance Statement".			
A.11	The Council of Premium Category companies must establish a Nominating Committee consisting of persons without executive functions, which will lead the procedure of appointment of new members in the Council and will make recommendations	At the level of SNN there is a Nomination and Remuneration Committee established in 2013. The Nominating Committee component is presented on the website and in the Annual Report of the Company. Members of the Nomination and Remuneration Committee are			

	ANNUAL REPORT 2016 to the Council. The majority of the Nomination Committee members must be independent.	non-executive members and the majority of the members are independent.			
	The terms of reference of the Nomination Committee shall include a provision that the Nominating Committee will be composed of persons without executive functions, and will lead the nomination procedure for new members in the Council and will make recommendations to the Council.	This provision exists in the Nomination and Remuneration Regulation of the Committee. Members of the Nomination Committee are non- executive.			
B.1	The Council is required to establish an audit committee in which at least one member must be independent non-executive administrator. The majority of members, including the Chairman, must prove that they have adequate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have accounting or auditing experience proven and appropriate. In the case of Premium Category Companies, the audit committee must be composed of at least three members and the majority of the audit committee members must be independent.	At the level of SNN there is an Audit Committee of set up in 2013. The Audit Committee consists of 3members, all with relevant experience in the field. The Audit Committee's component is published on the website of SNN, at the Corporate Governance section. The majority of the members of the Audit Committee is independent.			
B.2	The Chairman of the audit committee must be a non-executive independent member .	The Chairman of the Audit Committee is an independent non-executive Member -Mrs. Carmen Radu. This information is presented in the Annual Report for the year 2016.			



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<p>B.3</p>	<p>In the framework of its responsibilities, the audit committee must conduct an annual assessment of internal control system.</p>	<p>This provision is stipulated in the Organization and Functioning Regulation of the Audit Committee published on the website of the SNN in the Corporate Governance section. Information on the annual assessment of internal control system are set out in the Audit Committee report of the "Statement of corporate governance".</p>			
	<p>If the Audit Committee reviewed the internal control system, taking into account the effectiveness and scope of the internal audit function, the adequacy degree of the risk management and internal control reports and submitted to the Audit Committee of the Board and the promptness and efficiency with which the executive leadership solves the problems or deficiencies identified as a result of its internal control and presented relevant reports submitted to the attention of the Council.</p>	<p>The Annual Report contains information about the work of control and assessment conducted by the Audit Committee.</p>			
<p>B.4</p>	<p>The assessment must take into account the effectiveness and scope of the internal audit function, the adequacy degree of the risk management and internal control reports submitted to the Audit Committee of the Board, the promptness and efficiency with which the executive leadership solves the deficiencies or the weaknesses identified as a result of its internal control and the submission of relevant reports to the attention of the Council.</p>	<p>The Annual Report contains information about the work of control and assessment conducted by the Audit Committee (the number of internal audit missions, their subjects, the number of meetings of the Audit Committee, information on the issues discussed, information about the risk management, how to solve the identified problems), in accordance with the Organization and Functioning Regulation of the Audit Committee.</p>			

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B.5	<p>Comitetul de audit trebuie sa evalueze conflictele de interese in legatura cu tranzactiile societatii si ale filialelor acesteia cu partile afiliate. Informatii privind numarul si valoarea tranzactiilor cu partile afiliate.</p>	<p>This activity is carried out on the basis of monitoring the Company's compliance with the provisions of the Articles of Incorporation, legal framework and applicable normative documents concerning transactions with related parties as defined in the Organization and Functioning Regulation of the Audit Committee. In the year 2016, the Audit Committee has assessed the Company's transactions and found that there were no situations of conflict of interest, which is stated in the Annual Report 2016. The Annual Report contains in Annex VII the list of transactions with affiliated parties within that year.</p>			
B.6	<p>The Audit Committee must assess the effectiveness of internal control system and of the risk management system.</p>	<p>This provision is contained in the Organization and Functioning Regulation of the Audit Committee. The result of evaluating the effectiveness of the internal control system and of the risk's management system is contained in the Annual Report.</p>			
B.7	<p>The audit committee must monitor the application of the legal and internal audit standards generally accepted. The audit committee shall be to receive and to assess reports from the internal audit team.</p>	<p>The audit committee has provided the obligation of applying the legal standards and standards for internal audit as well as evaluation reports of the internal audit team in the Organization and Operation Regulation.</p>			
B.8	<p>Whenever the Code mentions reports or analyses of Audit Committee, they should be followed by periodic (at least annually) or ad-hoc reports to be forwarded to the Council at a later date.</p>	<p>The Annual Report contains a list of the documents prepared or verified by the Audit Committee which were submitted for approval to the Board of Directors, in the section "corporate governance Statement".</p>			



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<p>B.9</p>	<p>Any shareholder may not be given preferential treatment over other shareholders in connection with transactions and agreements concluded by the company with shareholders and their affiliates.</p>	<p>Policy on transactions with affiliated parties displayed on the website of SNN provides equal treatment for all shareholders in connection with the transactions and agreements concluded by the Company with the shareholders or their affiliates.</p>			
<p>B.10</p>	<p>The Council is required to adopt a policy to ensure that any transaction of the company with any of the companies with which it has closed relations whose value is equal to or more than 5% of the net assets of the company (according to the latest financial report) is approved by the Council following a mandatory opinion of the Audit Committee of the Board and disclosed to shareholders and potential investors in the right way, insofar as such transactions fall into the category of events which are subjected to reporting requirements.</p>	<p>In the articles of Association and Organization and Operation Regulation of the Board of Directors is to be approval by the Board of Directors of all the transactions with affiliated parties in accordance with Article 52 of the Emergency Ordinance of Government no. 109/2011, with subsequent modifications. For transactions with unaffiliated parties the limit of competence of the Management Board is for contracts over 5 million Euros. According to the Articles of Incorporation, contracts with a value of more than 50 million Euros are approved by the Board of Directors and approved by the AGA. These provisions are included in the policy regarding transactions with affiliated parties displayed on SNN's website.</p>			
<p>B.11</p>	<p>Internal audits shall be carried out by a separate structural division (Internal Auditing Department) of the company or by engaging a third independent entity. Descriptive report of the Chairman of the Audit Committee (on the assessment of the Internal Audit Department and the reporting to the designate Director of the Department of Internal Audit).</p>	<p>SNN has its own Audit Department. The Annual Report contains a section dedicated to the Audit Committee in the context of the "Statement of Corporate Governance" in which it is presented and evaluated the audit activity at the level of the Company.</p>			

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B.12	<p>In order to ensure the fulfillment of the main functions of the Internal Audit Department, it must report the functional point of view towards the Council through the Audit Committee. For administrative purposes within management's responsibilities to monitor and reduce the risks, it must report directly to the General Manager.</p>	<p>Reporting lines are followed exactly. Audit Department reports to the General Manager and to the Management Board.</p>			
C.1	<p>The company must publish on its website the remuneration policy and to include a statement in the Annual Report on the implementation of the remuneration policy in the annual period under review. Remuneration policy should be formulated so as to allow shareholders the understanding of the principles and arguments underlying remuneration of Board members and the General Manager and the members of the Executive Board in the two-tier system. It must describe how the process and decision making regarding remuneration is done, to detail the components of the remuneration to executive management (such as salaries, annual bonuses, long-term incentives tied to the value of the shares, benefits in nature, pensions and others) and to describe the purpose, principles and the underlying of each component (including the general criteria for any performance related to any variable remuneration). In addition, the remuneration policy must specify the length</p>	<p>The remuneration policy is published on the website of the company and is included in the Annual Report. Nomination and remuneration Committee performs an annual report that is submitted to the opinion of the Board of Directors and to the approval of the AGA. Nominating and Remuneration Committee Report contains information about the principles and arguments that form the basis of the remuneration of members of the Board of Directors, the manner of processing and decision-making concerning the remuneration, the detail of remuneration components, detailing the purpose and method of calculating each sub-components, performance criteria and the degree of achievement of all these. The report also contains information relating to the period of notice and compensation for revocation without a just cause. Nominating and remuneration Committee Report for the year 2016 is an integral part of the Annual Report.</p>			
		<p>No significant changes have occurred.</p>			

	<p>ANNUAL REPORT 2016 of the agreement to the Executive Director and of the period of notice stipulated in the agreement, as well as possible compensation for revocation without a just cause. [...]Any essential change occurred in remuneration policy shall be published in due course on the company's website.</p>				
D.1	<p>The Company must organize an Investor Relations service - made known to the public by the person/persons in charge or as an organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to the Relations with Investors, in Romanian and English, with all relevant information of interest to investors, including:</p>	<p>SNN has a structure specially designed for interacting with investors - Communication and Investor Relations Department within the Legal and Corporate Affairs Department. All materials published on the website of SNN in "Investor Relations" section are translated also in English.</p>			
D.1.1	<p>Main corporate regulations: articles of incorporation, procedures relating to General Meetings of Shareholders.</p>	<p>The Articles of Incorporation is published in both Romanian and English on the company's website on the Investor Relations/Corporate governance section.</p>			
	<p>The terms of reference of the Board and committees of the Council.</p>	<p>The terms of reference of the Board and Committees of the Council are published on the company's website on the Investor Relations/Corporate governance section.</p>			
	<p>The rules and procedures of the AGA.</p>	<p>Materials published on the company's website in the "Investor Relations-Information about AGA".</p>			



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D.1.2	<p>Professional CVs of the members of the management organs of the company, other professional engagements of Board members, including executive and nonexecutive positions on boards of Directors in in companies or non-profit institutions.</p>	<p>CVs of the members of the Board are published on the company's website. Presentation of the members of the Board of Directors on SNN website and of this Annual Report includes neexecutive and executive positions owned by them and other professional commitments owned in other companies.</p>			
D.1.3	<p>Current reports and periodic reports (quarterly, half-yearly and annual) - at least the ones stipulated in section D.8 -including current reports with detailed information pertaining to non-conformity with this code.</p>	<p>Current reports including those periodic (quarterly, half-yearly and annual) are published on the website of SNN, in ection Corporate Governance and contain information pertain to this provision. The current report regarding nonconformities and also the current subsequential reports concerning but the compliance will be published on the site.</p>			
D.1.4	<p>Information on general meetings of the shareholders: agenda and information materials; the procedure for electing the members of the Council; the arguments that support the proposals for candidates for election into the Council, together with their professional resumes; shareholders inquiries concerning items on the agenda and the company answers, including adopted resolutions .</p>	<p>Information published on the website in the section "Corporate Governance/information about AGA".</p>			
D.1.5	<p>Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to acquisition or limitations on rights of a shareholder, including deadlines and principles applied in these operations. The information will be published in a period</p>	<p>All this information is published on the company's website in the sections "Investor Relations/Dividends".</p>			

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	that will allow investors to adopt investment decisions.				
D.1.6	The name and contact details of a person who will be able to provide, upon request, relevant information.	Information is available on the website in the "Investor Relations" section. Information is available in the Annual Report.			
D.1.7	Company presentations (e.g. presentations for investors, the quarterly results presentations, etc.), financial statements (quarterly, biannually, annually), audit reports and annual reports.	The presentations made on the occasion of the publication of quarterly and half-yearly financial results and/or during meetings with investors/analysts are published on the site, in the section "Investor Relations/Presentations". Half-yearly and annual financial statements are accompanied by an Audit Report.			
D.2	The company will have an annual distribution of policy dividends or other benefits shareholders, proposed by the Director General or Directorship and adopted by the Council in the form of a set of guidelines which the company intends to follow with respect to the distribution of net profit. Annual policy principles of distribution toward the shareholders will be published on the website of the company.	<p>SNN does not have a multi annual dividend policy as it subjects to the approval of the GMS on a yearly basis the proposal regarding the distribution of profits.</p> <p>Information regarding the payment of dividends for the years 2013, 2014, 2015 are posted on SNN website, section "Investor Relations". Distribution of net profit for previous years is also published on the company's website in the "Investor Relations / Information on AGA".</p>			
D.3	The company will adopt a policy in relation to the forecasts, either as they are made public or not. Forecast refers to the quantifiable conclusions of some studies which concerns the establishment of the		SNN has under progress a policy on the forecasts. This policy will be published on the SNN website.		SNN will transmit the current compliance report with this provision after the elaboration

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	<p>global impact of a number of factors relating to a future period (so called hypotheses):by its nature, this projection has a high level of uncertainty, the actual results can differ significantly from the initially presented forecasts. Policy regarding the forecasts will set the frequency, timing and content of the actual forecast. If they're published, forecasts may be included only in annually, quarterly or half-yearly reports. Policy regarding the forecasts will be published on the website of the company.</p>				<p>and approval of the policy.</p>
<p>D.4</p>	<p>General Meetings of Shareholders rules should not limit the participation of shareholders at general meetings and the exercise of their rights. Rules changes will come into force at the earliest, starting with the next meeting of shareholders. Rules changes will come into force at the earliest, starting the next General Meeting of Shareholders.</p>	<p>Organization and conduct Regulation of the General Meetings of Shareholders SNN guarantees shareholders' rights according to the relevant legislation and ensures equal treatment thereof. The Regulation is published on the SNN website in the section dedicated AGA. Changes to Regulation were posted in the News section to be viewed by a large number of visitors, quickly. The changes took effect at the next General Board, after their approval in SNN Board..</p>			
<p>D.5</p>	<p>External auditors will be present at the General Meeting of Shareholders when their reports are presented at these meetings.</p>	<p>At SNN General Meeting of Shareholders scheduled for April 24th 2017 for presenting and approving the Activity Annual Report of the company, there will be present representatives of the SNN auditor.</p>			

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D.6	<p>The Council will present to the annual General Meeting of Shareholders a brief assessment of the internal control systems and management of significant risks and opinions on issues subjected to the decision of the General Board.</p>	<p>These informations are contained in the chapters "Risk management activity" and "Financial reporting, internal control and risk management" in the Annual Report of the Board subduced to AGM approval</p>			
D.7	<p>Any specialist, consultant, expert or financial analyst may participate in the shareholders meeting under a prior invitation from the Council. Accredited journalists can also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.</p>		<p>These provisions are included as such in the Conduct of AGM.</p>		<p>SNN will send current compliance report with this provision after its inclusion in AGA Regulation.</p>
D.8	<p>Financial quarterly and biannual reports include information both in Romanian and in English on the key factors influencing changes at the level of sales, operating profit, net profit and other relevant financial indicators from a quarter to another and from a year to the next one.</p>	<p>Financial quarterly and biannual reports include information both in Romanian and in English on the key factors influencing changes at the level of sales, operating profit, net profit and other relevant financial indicators from a quarter to another and from a year to the next one.</p>			
D.9	<p>A company will organize at least two meetings / teleconferences with analysts and investors every year. Information presented on these occasions will be published in the Investor Relations section of the company website on meetings / teleconferences date.</p>	<p>SNN organized 4 teleconferences and a face-to-face meeting with the investors, financial analysts, brokers etc. in 2016. According to the financial calendar 2017, SNN will organize 5 meetings with financial analysts, some of which one meeting will be face-to-face.</p>			
D.10	<p>If a company supports various forms of artistic and culturalexpression, sports, educational or scientific activities and considers that their impact on the innovative</p>	<p>SNN published on its website the statement of corporate social responsibility based on which the company conducts support and development of the local community, cultural activities, young</p>			



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**nature and competitiveness of the company
are part of its mission and development
strategy, will publish the policy on its activity
in this area.**

talented, research and scientific activity. Also,
the Annual Report contains information on the
policy applied by SNN in corporate social
responsibility. SNN publishes annually on their
website the list of the sponsorship made in the
previous year.

APPENDIX X: NOMINATION AND REMUNERATION COMMITTEE REPORT FOR 2016

Introduction

The Nomination and Remuneration Committee ("NRC") of the Board of SNN was established by the Board of Directors' Resolution no.7 / April 26th 2013, under the provisions of Art.1402 of Law no.31 / 1990 republished, of the companies, modified and updated and based on the provisions of Article 34 of Government Emergency Ordinance no.109 / 2011 on corporate governance of public enterprises, in conjunction with the provisions of Article 19 para. 2 of the SNN updated Articles of Association.

NRC is a permanent committee with an advisory capacity, reporting directly to the Board of SNN, with powers of evaluation, consultation and development of proposals in the nomination of Board members, the Company's Directors whom are delegated management responsibilities to, as well as their remuneration in accordance with the legal regulations in force. NRC conducts investigations and prepares recommendations for the Board of Directors regarding the remuneration of directors, managers and staff or for nominalisation of the candidates for various management positions.

According to Article 55 para. 2 and 3 of the Government Emergency Ordinance no.109 / 2011, NRC has the obligation to present to the General Meeting of the Shareholders an annual report on the remuneration and other benefits granted to managers and directors during the financial year.

Organization

NRC is composed of three appointed members among the members of the Board of Directors, respectively Carmen Radu, Alexandru Alexe and Nicolae Bogdan Codruț Stănescu. Membership of this committee is valid for the period in which they have the quality of managers within the Board of SNN.

For the proper performance of the duties incumbent and a good organization, the Nomination and Remuneration Advisory Committee drafted and approved by Resolution no. 1 / April 26th 2013 its own Organization and Operation Regulation, approved by the Board of Directors' Resolution no .7 / April 26th 2013.



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In the same manner, other advisory committees proceeded, elaborating their own rules of organization and operation, which subsequently were submitted for approval to the Board. By Resolution no. 30 / March 13th 2014, the SNN Board approved a single Organization and Functioning Regulation of Consultative Committees. SNN's Board of Directors approves the Advisory Committees' component and also called their secretaries by Resolution no. 45 / March 26th 2014, last amended by Resolution no. 81 / May 22nd 2015.

Decisions in the CNR are taken by simple majority of participating members (or represented) at the meeting and are, for the Board of Directors, as recommendations, not mandatory. Each member of the CNR express a vote, respectively “for”, “against” or “abstain”. For each meeting of the CNR it is drawn a resolution that records at least the following: recommendation made by the Board of Directors, the arguments that led to the formulation of such recommendations, cast votes; the resolution shall be signed by the President and Secretary of the Committee.

CNR meets whenever necessary. When creating a vacancy in CNR, a new member is appointed by the Board of Directors' resolution. Board members which are removed from their appointment automatically lose their membership in the Committees they were part of.

At the proposal of the President or members of consultative Committees, the Board may approve the hiring of independent external permanent experts, physical or legal persons, specialists in the fields of activity of the Committees which to assist their members in their work, also establishing the remuneration of these experts.

CNR Meeting 2016

In 2016, CNR of the Board of SNN met in 3 sessions in which they developed recommendations to the Board of SNN on themes within the scope of its responsibilities as follows:

- The approval Letter of gross fixed indemnity increase of the Financial Director.
- The approval Note of the share allocated amending for the performance indicator 'Operating profit' and of the indicator 'Achieving annual investment plan' weight decision, established by the warrant agreement of the General Manager and of the Financial Director.



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The approval Letter of whether to extend the mandate of SNN Board members and of the General Manager for a period of 4 years or to start the selection procedures in due time before the expiry of the current mandate.

Information according to Article 55 para. 2 and 3 of the Government Emergency Ordinance no.109 / 2011

According to the Article 55 para. 2 and 3 of the Government Emergency Ordinance no.109 / 2011, CNR has the obligation to present the General Meeting of Shareholders an annual report on the remuneration and other benefits granted to managers and directors during the financial year.

CNR's annual report includes at least information on:

- (i) Remuneration structure, explaining the weigh of the of variable component and of the fixed component.
- (ii) The performance criteria that substantiates the variable remuneration component, the relationship between the performance and remuneration.
- (iii) The considerations that justify any scheme of annual bonuses or non-cash benefits.
- (iv) Any supplementary pension schemes or anticipation pension.

Information on contract duration, negotiated period of notice, the amount of damage - interests for the unjust revocation.

(i) The remuneration structure, explaining the share of variable weigh and the fixed component.

SNN managers and directors receive for their work a monthly fixed salary and a variable compensation. The variable allowance is payable depending on the achievement of the indicators and performance criteria established in administration / mandate agreements, as they are taken from the administration / management plan. The fixed monthly allowance is capped in accordance with the law or Government Emergency Ordinance no.109 / 2011. The fixed and variable allowance for Board Members is approved by the General Meeting of Shareholders SNN.

General limits on the remuneration of directors (director within the meaning of the Article 143 of the Law no.31 / 1990) approved by the General Meeting of Shareholders; under these general limits, the Board sets the amount of remuneration of directors.



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Policy and criteria for the remuneration of the directors and managers are published on the Company's website.

The remuneration of non-executive managers

Non-executive members of the Board of SNN are entitled to receive a monthly fixed salary and a variable compensation.

Monthly gross fixed salary of Board Members is limited to 1 (one) gross average wage per industry or monthly gross amount of 4.028 lei. By the Resolution No. 1 / April 29th 2015 it was approved a new value of gross fixed monthly allowance respectively the amount of 4.023 lei, with effect starting on the Council of Directors' resolution.

Gross fixed monthly allowance to non-executive members of the Board of Directors varies with participation in the consultative committees organized by the Board of Directors, as following:

- The Chairman of the Board and Board members which participate as members in at least 2 (two) advisory committees organized by the Board of Directors receive a fixed monthly gross salary in a legal maximum amount;
- Board members which participate as members in at least 1 (one) Advisory Committee organized by the Board of Directors receive a fixed gross monthly compensation amounting to 90% of the legal maximum;
- Board members who do not participate as members in any advisory committee organized by the Board of Directors receive a fixed gross monthly compensation amounting to 85% of the legal maximum.

Non-executive members of the Board of Directors benefit from a variable compensation, which includes two sub-components:

1. Variable sub-component 1: it will have a maximum gross annual amount equal to the annual average gross earnings per energy branch for period for which the variable sub-component is paid. Payments will be made quarterly depending on the degree of fulfillment of indicators and performance criteria as set out in the management plan and management agreements. The quarterly payments of the quarterly tranches adjustment will be done annually according to the Annual Indicator of fulfillment indicators and performance criteria.

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Company operates, by the National Institute of Statistics. Given that global quarterly indicator IT is done 100% or more, in the period for which the calculation is made, it will be paid quarterly, 100% of the first part of quarterly tranche corresponding the first sub-component of the variable component. If the quarterly global Indicator IT is performed under 100% in the period for which the calculation is made, then it will be paid quarterly only 75% of the quarterly tranche value corresponding the first sub-component of the variable component. If overall at the end of the year, the annual global indicator IA is done 100% or more, the differences retained from the first part of the variable component related to the quarters where the global quarterly coefficient was below 100%, it is paid to the manager.

In accordance with the degree of fulfillment of quarterly global indicators IT evidenced by the performance management Reports, non-executive managers were entitled to receive compensation representing the first sub-component of the variable component amounting to:

Quarter/Year	Quarterly global indicator IT	The amount of the first sub-component of the variable component [lei, gross/administrator*]
Quarter IV / 2015	114,80%	13.634
Quarter I / 2016	125,28%	12.576
Quarter II** / 2016	68,15%	10.416
Quarter III / 2016	108,15%	13.485
Total		50.111

* The amount paid pro rata in accordance with the nomination period as manager.

** In the second quarter /2016 the quarterly global indicator IT was performed under 100% and it was granted to the administrators 75% of the quarterly installments variables related to the first sub-component (75% x 13 888 RON). If overall at the end of the year, the annual global indicator IA is done 100% or more, it will be paid to the Directors the difference of 3,472 lei (25% x 13.888 lei).

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The second sub-component of the variable component which is granted to non-executive directors, is determined according to the objectives or target level fulfillment of annual performance indicators, ie the degree of achievement of annual global indicator IA and is set at a level of 0.4% of the amount representing the difference between the actual net profit realized and the estimated net profit for each financial year, but no more than the fixed annual allowance.

The granting of the second sub-component of the variable component to the non-executive managers corresponding to year 2015 and granted in 2016 was approved by the General Meeting of Shareholders Resolution no.3 /April 25th 2016, for each of the non-executive members of the Board of Directors, the amount of this sub-component being determined according to Article 18 of the management Agreement concluded by them with the Company.

For 2015, the level of the second sub-component of the variable remuneration of the non-executive managers is as follows:

Administrator	Sub-component 2 of the variable remuneration [lei, grossamunts*]
Alexandru Sandulescu	48.296
Alexandru Alexe	48.296
Carmen Radu	48.296
Dan Popescu	48.296
Sebastian Gabriel Tcaciuc	48.296
Ioana Alina Dragan	13.696
Nicolae Bogdan Codrut Stanescu	32.184
Total	287.36



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Executive Administrators: General Manager

Directors with mandate contract: CNE Cernavodă Branch Director and Financial Director of SNN

The variable component for the Directors is determined according to the objectives or target level fulfillment of the performance indicators approved by the Management Plan and it has two sub-components.

In order to give the first sub-component of the variable component, the degree of meeting the performance criteria will be determined quarterly, taking into consideration the weight of each indicator and the variation from the target. The amount corresponding to the first sub-component is granted in 4 (four) quarterly installments, payable by the 26th of the starting month of the current quarter, for the previous quarter, as provided as follows:

Thus, based on the established indicators and each share, it will be calculated an overall Indicator of IT performance quarterly, following the formula:

IT – Quarterly overall Indicator n where

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

I_i – Individual indicator (degree of fulfillment - 100%))

W_i – Weighting

I_A – Annual overall indicator

The value of the quarterly tranche of the first variable sub-component that will be given to the Directors is equal to 3 (three) gross monthly fixed compensation, so that the total annual amount of the first sub-component is 12 (twelve) gross monthly fixed compensation. Given that IT quarterly overall Indicator is reached 100% or more, in the period for which the calculation will be made, it will be granted quarterly, 100% of the first part of the quarter tranche corresponding the first sub-component of the variable component. If the quarterly global indicator IT is performed under 100% in the period for which the calculation is made, then it will be paid quarterly only 75% of quarterly tranche value corresponding the first sub-component of the variable component. If overall at the end of the year, the annual global indicator I_A is done 100% or more, differences retained from the first part of the

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variable component related to the quarters where the global quarterly coefficient was below 100%, it will be paid to the Directors.

In accordance with the degree of the fulfillment of quarterly global indicators IT, managers with mandate contract were entitled to receive compensation representing the first sub-component of the variable component amounting to:

Quarter/ Year	Quarterly global indicator IT			The amount of the first sub-component of the variable component [lei, grossamounts*]		
	General Manager	Financial Director	Director CNE Cernavodă	General Manager	Financial Director	Director CNE Cernavodă
Quarter IV / 2015	104,07	104,07	123,40	72.45	61.584	68.85
Quarter I / 2016	111,32	111,32	131,29	72.45	61.584	37.157
Quarter II** / 2016	78,78	78,78	-	54.338	46.188	-
Quarter III / 2016	108,21	108,21	-	72.45	61.584	-
Total				271.688	230.94	106.007

* The amount paid pro rata in accordance with the time he served as director of mandate contract terms.

**In the second quarter 2016 the quarterly global indicator IT was conducted less than 100% and it was given to the directors 75% of the quarterly installments variables related to the first sub-component (75% x 3 fixed compensation). If overall, at the end of the year, the annual global Indicator IA is done 100% or more, the directors will be paid the difference (25% x 3 Fixed allowances).

The warrant of Branch Director CNE Cernavodă was suspended starting on February 2nd 2016, and thereafter following submission of his resignation, his agreement ceased starting on August 4th 2016. The current director of CNE Cernavodă Branch is paid under an individual labor contract, and in warrant contract terms.

The second subcomponent of the variable component which is given to the Directors, is determined depending on the objectives or target level fulfillment of annual performance

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indicators, ie the degree of achievement of annual global indicator IA and it is established at a level of 0.4% of the amount representing the difference between the actual net profit realized and the estimated net profit for each financial year, but not more than 12 (twelve) monthly fixed gross compensation (“annual calculation of the second sub-variables “).

To the General Manager, Branch Manager CNE Cernavodă and Financial Director were given the second part of the second sub-variable component for the year 2015, in an amount of 776.709 lei gross (General Manager- 278.191 lei gross, Branch Manager CNE Cernavodă - 263.791 lei gross and Financial Director- 234.727 lei gross), the first part being granted during the month of September 2015 (amounting to 11.609 lei / Director).

SNN made losses in the first semester of 2016, and it wasn't granted the first part of the second sub-component of the variable component to the directors with mandate contract.

In 2016, the centralized revenue management SNN (both Board Members and Managers with mandate contract) made in the quality of Managers and / or directors is the following, as appropriate:

The Company's Management	Gross fixed compensation [lei]	The variable component (lei gross)		Gross earning [lei]	Net earning [lei]
		Variable sub-component I	Variable sub-component II		
Board members	289.656	300.666	287.36	877.682	650.125
Directors with mandate contract	578.137	608.635	776.709	1.963.481	1.516.523
Total	867.793	909.301	1.064.069	2.841.163	2.166.648

Considerations justify any scheme of annual bonuses or non-cash benefits.

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Annual bonus is granted to non-executive Administrators and to Directors and is in fact represented by the second variable subcomponent of the variable remuneration. Details of this subcomponent were presented in (ii) from above. Considerations that justify granting of this annual bonus are as it follows:

1. The provisions of Article 37 para. 2 and Article 38 para. 2 of Government Emergency Ordinance no.109 / 2011 according to which the remuneration of Board Members and Directors consists of a monthly fixed salary and a variable component which may consist of a share of participation in the net profits of the Company, pension scheme or other form of remuneration based on performance indicators;
2. The provisions of Article 37 para. 5 and Article 38 para. 3 of Government Emergency Ordinance no.109 / 2011 according to which “the variable component level is determined according to well-grounded recommendations, formulated on the basis of a comparative study on the conditions of remuneration for similar positions in companies in the same field, with majority or wholly state of Romania and other European countries, by the nomination Committee or, as the case (...) “;
3. Study on the remuneration policy for Directors and Managers of the SNN issued by CNR to meet the demands of the Art.37 para. 5 of the Government Emergency Ordinance no.109 / 2011. Based on this study, CNR has developed recommendations on variable remuneration component for Managers and Directors;
4. Salary study was based on the following elements:
 - The remuneration level of similar business companies in Romania and from other European countries, being considered both state-owned companies, and private;
 - The remuneration level from other countries (Canada), given the existence of central CANDU operators;
 - The level of wages in cash and nature of some employees in leading positions within SNN.

Other companies with shareholder Romanian State, in other fields.

Also, the Directors have the following non-cash benefits:

1. Directors Officers Liability Insurance type provided the value of 3 million Euro;
2. The right to reimbursement of travel expenses for work;
3. The right to be considered as seniority and / or in electricity, thermal and nuclear the entire period of time for which he was a Director of the SNN;
4. The benefit, constantly, of a car service (whose cost will be borne entirely by SNN) phone service, laptop, desktop, office equipment, fax machines, logistics, stationery etc.

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and any other devices / equipment / facilities that are specific for the level of representation of the position of Director;

5. The benefit of an office space, according to its position of Director, with all the appropriate equipment and facilities;
6. The benefit of insurance against accidents at work and occupational diseases at the expense of the Company;
7. The benefit of the services of Secretariat, in which the cost of salaries fulfilling this function will be fully borne by the Company;
8. The right to request mediation, consultation and / or other protective measures from the Board of Directors, the General Meeting of Shareholders, confederation, federation or employers organization of which the Company, in resolving conflict situations with trade unions and / or employees' representatives, and other organizations, having the right to receive, in these cases, any legal necessary assistance, on the expense of SNN;
9. The right to have a prize fund protocol approved by the Company's Board of Directors;
10. The right to ensure an appropriate job for his training and work experience (based on an individual contract of indefinite duration concluded under the law), and all rights in the workplace, as required by law and / or the Collective Agreement applicable to the Company, after the ceasing, for any reason, of this agreement or after the removal from this position for reasons unrelated to his person.

(iv) Any supplementary pension schemes or anticipated. - It's not necessary

(ii) Information on agreement duration, notice period negotiated, amount of damage - interests to revoke unjust.

Non-executive Directors and Directors

Contracts Administration / warrant signed by members of the Board of Directors / Executives with SNN have a period of 4 years, starting with the date of the appointment and they may be renewed by the Resolution of the General Meeting of Shareholders / Resolution of the Board of Directors only in terms of a properly fulfilling of the duties / agreement obligations. Administration / award Agreements do not provide for a negotiated notice period, the managers / directors having the right to step down without a period of notice from SNN.



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Upon unexpected or unwarranted revocation of administrators / directors, they are entitled to receive from SNN a compensation for the period unenforceable from the administration / warrant Agreement, regardless of when the revocation occurs, but not more than 12 fixed monthly allowances as following:

a) in case the revocation occurs anytime before the beginning of last year of mandate, the manager / director will receive compensation representing 12 fixed monthly allowances;

b) in case the revocation occurs in the last year of the agreement, a compensation corresponding to the number of months remaining until the end of the term will be paid, but not less than 6 fixed monthly allowances.

The payment of this compensation is made within 30 working days from the date of ceasing of administration / warrant Agreement. This form of compensation of the manager / director is his unique reparation in case of managers / directors unduly dismissing. In the event of manager / directors revoking for reasons or justified, SNN does not owe any compensation for the unexecuted mandate period.

Nomination and Remuneration Advisory Committee,

Carmen Radu

Alexandru Alexe

Nicolae Bogdan Codrut Stanescu



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**APPENDIX XI: AUDITED INDIVIDUAL FINANCIAL STATEMENTS AT
31.12.2016 PREPARED IN ACCORDANCE WITH IFRS - EU**

Individual Financial Statements on and for the financial year ended on December 31 2016 issued in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU) are published on the website of S.N. Nuclearelectrica S.A. ([Www.nuclearelectrica.ro](http://www.nuclearelectrica.ro)), section 'Investor Relations' and are accompanied by the report of the independent auditor on the Individual Financial Statements.



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**APPENDIX XII: AUDITED CONSOLIDATED FINANCIAL STATEMENTS AT
31.12.2016 PREPARED IN ACCORDANCE WITH IFRS - EU**

Consolidated Financial Statements on and for the financial year ended on December 31st 2016 issued in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU) are published on the website of S.N. Nuclearelectrica S.A. (www.nuclearelectrica.ro), section 'Investor Relationships' and are accompanied by the report of the independent auditor on the Consolidated Financial Statements.