



## QUARTERLY REPORT

**regarding the economic and financial activity of S.N. Nuclearelectrica S.A. according to the provisions of Art. 67 from Law no. 24/2017 regarding issuers of financial instruments and market operations and Annex no. 30 to the CNMV Regulation no. 1/2006 regarding the issuers and securities operations for the 9 months period ended on 30 September 2017 (3<sup>rd</sup> Quarter of the financial year 2017)**

The basis of the report:

Art. 67 from Law no. 24/2017 regarding issuers of financial instruments and market operations and Annex no. 30 to the CNVM Regulation no. 1/2006 for the 9 months period ended on 30 September 2017

Date of report:

(Third quarter of the financial year 2017)

Name of the issuer:

10 November 2017

Registered office:

**S.N. Nuclearelectrica S.A. (“SNN”)**

Phone/fax number:

Bucharest, 65 Polona Street, District 1

Web/Email:

+40 21 203 82 00; +40 21 316 94 00

Sole Registration Code with the Trade Register Office:

www.nuclearelectrica.ro; office@nuclearelectrica.ro

Order number in the Trade Register:

10874881

Subscribed and paid up share capital:

J40/7403/1998

The regulated market on which the issued securities are traded:

3.015.138.510 RON

Bucharest Stock Exchange (www.bvb.ro)

The main characteristics of the issued securities:

Premium category

301.513.851 shares with nominal value of 10 RON/share, dematerialized, nominative, ordinary, indivisible, providing equal voting rights, freely tradable on Bucharest Stock Exchange under SNN symbol starting November 4, 2013

Applicable Accounting Standards:

International Financial Reporting Standards (IFRS) adopted by the European Union (EU) – IFRS - EU, International Accounting Standard 34 – “Interim Financial Reporting”, Condensed Unaudited Individual Interim Financial Statements

Reporting currency:

Romanian Leu (RON) – all amounts are in RON, unless stated otherwise

Reported period:

**Third quarter of 2017**

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## 1. ECONOMIC AND FINANCIAL STATEMENT

### a) Statement of financial position as at 30 September 2017

Indicator [thousands RON]	30 September 2017 (unaudited)	31 December 2016 (audited, restated)
Non-current assets	7.033.594	7.330.813
Current assets	2.235.379	2.014.607
<b>Total Assets</b>	<b>9.268.973</b>	<b>9.345.420</b>
Equity	7.488.564	7.474.769
Total liabilities, out of which:	1.780.409	1.870.651
Non-current liabilities	1.284.419	1.420.338
Current liabilities	495.990	450.313
<b>Total Equity and Liabilities</b>	<b>9.268.973</b>	<b>9.345.420</b>

### b) Statement of comprehensive income for the 9 months period ended on 30 September 2017

Indicator [thousands RON]	3-months period ended on 30 September 2017 (unaudited)	3-months period ended on 30 September 2016 (unaudited, restated)	9-months period ended on 30 September 2017 (unaudited)	9-months period ended on 30 September 2016 (unaudited, restated)
Operating revenues	508.717	452.196	1.401.689	1.194.443
Operating expenses	(379.094)	(361.339)	(1.124.771)	(1.087.254)
<b>Operating Profit</b>	<b>129.623</b>	<b>90.857</b>	<b>276.918</b>	<b>107.189</b>
Finance income	12.223	35.125	61.097	83.694
Finance expense	(27.566)	(6.105)	(64.958)	(68.160)
<b>Net finance income/(expense)</b>	<b>(15.343)</b>	<b>29.020</b>	<b>(3.861)</b>	<b>15.534</b>
<b>Profit before income tax</b>	<b>114.280</b>	<b>119.877</b>	<b>273.057</b>	<b>122.723</b>
Net income tax expenses	(22.775)	(19.216)	(47.772)	(20.326)
<b>Profit for the period</b>	<b>91.505</b>	<b>100.661</b>	<b>225.285</b>	<b>102.397</b>
<b>Other elements of the comprehensive income</b>	-	-	<b>(1.990)</b>	<b>(573)</b>
<b>Total comprehensive income</b>	<b>91.505</b>	<b>100.661</b>	<b>223.295</b>	<b>101.824</b>

## 2. SIGNIFICANT EVENTS

### 2.1 Significant events during the 3<sup>rd</sup> quarter of 2017

Other significant events during the nine months period ended on 30 September 2017, which were not already presented in the first semester of 2017, are as follows:

#### 2.1.1 Project Units 3 and 4 Cernavoda NPP

The main milestones of the continuation of the Project Units 3 and 4 Cernavoda NPP are the following:

- By the Extraordinary General Meeting of Shareholders of SNN no. 6/24.08.2017, the following were approved:
  - The negotiations shall continue on the Investment Documents under the same MoU conditions for a period of up to 6 months from the date of institutional and corporate approval, by applying all other provisions of the MoU including the possibility for either party to terminate the MoU without any indemnity, through a simple written notification to the other Party, if no agreement on the Investment Documents has been reached and to the extent that the delay was not caused by that Party.
  - The Board of Directors shall be authorized to establish the terms and conditions of the negotiations to be conducted with the Investor Selected by the SNN representatives within the Negotiating Commission for the implementation of the Project Units 3 and 4 Cernavoda NPP, in accordance with the Romanian Government Memorandum no. 20/2683/13.07.2017.
- By SNN Board of Directors Decision no. 133/24.08.2017 were approved the terms and conditions of the negotiations to be conducted with the Investor Selected by SNN representatives within the Negotiating Commission for the implementation of the Project Units 3 and 4 Cernavoda NPP mentioned in the Memorandum of the Government of Romania no. 20/2683/13.07.2017.

The negotiation process started on 13 September 2017, according to a schedule agreed between the Negotiating Commission and the CGN. Between 13 - 29 September 2017, negotiations took place on the Investor Agreement draft (IA) and on the relevant Annexes to the IA, identifying: (i) the clauses/sections on which the parties reached an agreement, (ii) the clauses/provisions requiring rephrasing (meaning that the deadlines have been set for the drafting of proposals by the consultants of both parties) and/or (iii) the divergent issues, as well as discussing the principles outlined in the list of issues escalated by the parties and identifying the flexible positions of the parties.

During October, the Negotiating Commission ("CN") analyzed the issues discussed in the CGN negotiation sessions of 13 - 29 September 2017 that deviated from the mandate originally received by the Government Memorandum dated on 13 July 2017, or about which clarifications are required in relation to the project strategy. The CN's proposals for amending/rendering flexible the negotiation mandate were endorsed by the SNN Board of Directors and by the Interministerial Commission.

#### 2.1.2 Litigation with the shareholder Fondul Proprietatea S.A.

Fondul Proprietatea S.A. filed a case with the Bucharest Tribunal in order to be established the absolute nullity of the AGEA Decision no. 8/06.10.2014 approving the increase of the share capital of SNN with cash contribution for the total amount of 239.172.630 RON by issuing 23.917.263 shares representing contribution of the Romanian State in nature as a result of obtaining the certificate of ownership of the land, the indivisible share of 239,05 square meters of Bd. Gheorghe Magheru no. 33 Bucharest and cash contribution representing the amount of the budget allocations for the period 2006 - 2009 for the building of Unit 2 of Cernavoda.

The action is the subject of file no. 40046/3/2014, and on 7 November 2017 a new court day took place, in which the court in which the court rejected the request issued by Fondul Proprietatea S.A. as unfounded.

### **2.1.3 The litigation started by the Foundation Greenpeace CEE Romania and by the Association Bankwatch Romania against the Ministry of Environment, Waters and Forests, the Romanian Government and S.N. Nuclearelectrica S.A.**

The Greenpeace CEE Romania Foundation and the Bankwatch Romania Association formulated, in File no. 3793/2/2013, an appeal against the Ministry of Environment, Waters and Forests, the Government of Romania and SNN having as object the annulment of the decision to issue the Environmental Agreement and the Government Decision no. 737/2013 regarding the issuance of the Environmental Agreement for the project "Continuation of construction and completion works for Units 3 and 4 Cernavoda NPP".

The Bucharest Court of Appeal essentially rejected the applicants' request. Greenpeace CEE Romania Foundation and Bankwatch Romania Association have filed an appeal requesting the cancellation of the substantive decision and sending the case for re-trial, with the administration of the evidence with expertise.

By the Decision no. 2100/23.06.2016, the High Court of Cassation and Justice admitted the appeal, ordered the cancellation of the contested sentence and the referral of the case back to the same court for the administration of the evidence with the expertise and the determination of the effectiveness of the public consultation on the Environmental Agreement.

The Bucharest Court of Appeal accepted the reformulation of the objectives of the expertise proposed by SNN, appointed two judiciary experts and two specialists to carry out the expertise and set their fees, advised the applicants to pay such fees.

The claims made by the applicants for the exemption from payment of the fees were rejected. By Decision no. 2208/09.06.2017 the Bucharest Court of Appeal dismissed Greenpeace CEE Romania's appeal as unreasonable.

### **2.1.4 The litigation initiated by the Trade Union Cernavoda NPP and the employees of Cernavoda NPP branch**

The file no. 5802/118/2018 was filed with Constanta Tribunal, against SNN, regarding unpaid salary rights, representing the value of the professional risk increase (dangerous conditions), the plaintiff being the CNE Cernavoda Trade Union in the name of a number of 757 employees of the Cernavoda NPP Branch.

The Company considers these claims to be ungrounded and considers that all due wages have been paid to the employees, including the amounts of money that are the subject of this dispute.

### **2.1.5 Litigation filed by S.N. Nuclearelectrica S.A. against ArcelorMittal Galati S.A.**

The Galati Court rejected SNN's claim to oblige ArcelorMittal Galati S.A. to the payment of the amount of 8.645.467,52 RON as compensatory damages due to the termination of the Sale Agreement of electricity on the centralized market of bilateral electricity contracts (PCCB) no. 207 of February 22, 2013 before the expiration date of September 30, 2014.

SNN appealed against this judgment, and following the appeal, the Galati Court of Appeal ordered ArcelorMittal Galati S.A. to pay the entire amount as damage, also the court costs. The Galati Appeal Court's appeal can be appealed.

### **2.1.6 Changes in the company management**

By Decision no. 132/24.08.2017, SNN's Board of Directors appointed Mr. Cosmin Ghita as Chief Executive Officer of SNN for a period of 4 months starting on 2 September 2017, respectively a temporary mandate.

By Decision no. 5/24.08.2017 of the Ordinary General Meeting of Shareholders of SNN, it was approved the appointment of temporary members of SNN Board of Directors, for a period of 4 months starting on 27 August 2017.

On 30 September the members of the SNN Board of Directors are as follows:

No.	First and Last Name	Date of appointment	Date of mandate expiry
1.	Iulian – Robert Tudorache <sup>*)</sup>	Decision of Meeting no. 5/24.08.2017	27.12.2017
2.	Cristian Gentea	Decision of Meeting no. 5/24.08.2017	27.12.2017
3.	Cristian – Romulus Anton	Decision of Meeting no. 5/24.08.2017	27.12.2017
4.	Sebastian Tcaciuc	Decision of Meeting no. 28/23.12.2013	23.12.2017
5.	Cezarina Roxana Banica <sup>**)</sup>	Decision of Meeting no. 5/24.08.2017	27.12.2017
6.	Mirel – Alexandru Marcu	Decision of Meeting no. 5/24.08.2017	27.12.2017
7.	Elena Popescu	Decision of Meeting no. 5/24.08.2017	27.12.2017

<sup>\*)</sup> Chairman of the Board of Directors of SNN for a period of 4 months, the period of the temporary mandate.

<sup>\*\*)</sup> On 17 October 2017, the mandate of the temporary member of the Board of Directors of Mrs. Cezarina Roxana Banica ended with her resignation as a result of her appointment as Secretary General of the Government. By the Decision of the Board of Directors of SNN no. 167 / 27.10.2017 for the vacancy was appointed Mr. Ionut Dragos Banescu as temporary administrator.

The Decision no. 7/28.09.2017 of the Ordinary General Meeting of Shareholders of SNN approved the start of the selection procedure for the members of the Board of Directors of SNN in accordance with the provisions of GEO no. 109/2011 with subsequent modifications and completions, the selection procedure being carried out by the Ministry of Energy as a tutelary public authority.

#### **2.1.7 Approving the distribution of additional dividends**

The Decision no. 8/28.09.2017 of the Ordinary General Meeting of Shareholders of SNN approved the distribution of the amount of 110.000.000 RON representing additional dividends from other reserves and the retained earnings, based on the provisions of art. II and art. III of Government Emergency Ordinance no. 29/2017 for the amendment of Art. 1, paragraph (1) letter g) of the Government Ordinance no. 64/2001 on the distribution of profits to the national companies, national companies and commercial companies with full or majority state capital, as well as to the autonomous administrations and for the modification of art. 1 paragraphs (2) and (3) of Government Emergency Ordinance no. 109/2011 on Corporate Governance of Public Enterprises, to SNN shareholders, in proportion to their participation in the share capital.

#### **2.1.8 The Refurbishment Project of Unit 1 Cernavoda NPP**

By the Extraordinary General Meeting of Shareholders of SNN no. 9/28.09.2017 the start of Phase 1 of the "Strategy for the Refurbishment Project of Unit 1 Cernavoda NPP" was approved, according to the note presented to the shareholders for this paragraph on the agenda (AGEA agenda para. 3 of September 28, 2017).

#### **2.1.9 DICA Investment Project (Intermediate Burned Fuel Storage Facility)**

The Decision no. 9/28.09.2017 of the Extraordinary General Meeting of Shareholders approved the modification of the DICA investment project, documented by "Long-term development strategy of DICA in dry state and authorization in view of extending the life of Units 1 and 2 harmonized with CNCAN observations and the Ministry of Environment and Climate Change", revised, maintaining the approved value of the investment (AGEA agenda para. 2 of September 28, 2017).

#### **2.1.10 Approval of a loan to the branch Energonuclear S.A.**

By Decision no. 4/11.07.2017 of the Extraordinary General Meeting of Shareholders, it was approved the granting of a convertible loan in shares amounting to 4.000.000 RON to Energonuclear S.A. branch in order to finance the maintenance and conservation activities of the Units 3 and 4 Cernavoda NPP.

### 2.1.11 Amendment of the Articles of Incorporation of the Company

By Decision no. 6/24.08.2017 of the Extraordinary General Meeting of the Shareholders it was approved the modification of the Articles of Incorporation of SNN, as follows: eliminating the General Meeting of Shareholders attribution to approve the Management Plan (paragraph (2) of art. 13, it is eliminated the para.k)) and the deletion of the Board of Directors' attribution to prepare and submit to the General Meeting of Shareholders, for approval, the Management Plan, which includes the management strategy during the term of office (paragraph (3) of article 19, letter d)) is removed.

## 2.2 Important events subsequent to the date of 30 September 2017

### 2.2.1 Litigation filed by Sindicatul Liber Energetica Nucleara 90 Cernavoda and the employees of SNN on some salary rights

On behalf of the Constanta Tribunal, it was filed against SNN, the file no. 7036/118/2017, regarding unpaid salary rights, representing the value of the professional risk increase (dangerous conditions), the plaintiff being the Sindicatul Liber Energetica Nucleara 90 Cernavoda and the SNN employees.

The company considers these claims to be unfounded, all the wage rights due being paid to the employees, including the amounts of money that are the subject of this dispute.

## 3. FINANCIAL AND ECONOMIC INDICATORS

The SNN performances can be also found in the compliance with the main economic and financial indicators, such as:

Indicator name	Calculation method	u.m.	Amount 30.09.2017 <sup>*)</sup>
<b>1. The current liquidity ratio</b>	Current assets/ Short-term debts	x	4,51
<b>2. Gearing ratio</b>			
2.1. Gearing ratio (1)	Loan capital/ Shareholder capital x 100	%	15,6%
2.1. Gearing ratio (2)	Loan capital/ Invested capital x 100	%	13,5%
<b>3. Receivables turnover</b>	Customers average balance/ Turnover x 270	days	21
<b>4. Non-current assets turnover *)</b>	Turnover/non-current assets	x	0,26

<sup>\*)</sup> Based on the Unaudited Simplified Individual Interim Financial Statements on the date and for a nine months period ended on September 30, 2017.

#### **4. STATEMENTS AND SIGNATURES**

On the basis of the best available information, we confirm that the Unaudited Simplified Individual Interim Financial Statements prepared in accordance with the applicable accounting standards (International Accounting Standard 34 - Interim Financial Reporting) provides a true and accurate view of the financial position, financial performance and the cash flows for the 9-months period ended September 30, 2017 and that this report, made in accordance with the provisions of art. 67 of Law no. 24/2017 regarding the issuers of financial instruments and market operations and Annex no. 30 to CNVM Regulation no. 1/2006 on issuers and securities operations for the 9-months period ended September 30, 2017, contains accurate and consistent information on the development and performance of the company.

**Iulian Robert TUDORACHE**  
**Chairman of the Board of Directors**

**Cosmin GHITA**  
**Chief Executive Officer**

**Mihai DARIE**  
**Chief Financial Officer**



## 5. ANNEXES

### **5.1 UNAUDITED SIMPLIFIED INDIVIDUAL INTERIM FINANCIAL STATEMENTS on the date and for the nine months period ended 30 September 2017**

The Simplified Individual Interim Financial Statements unaudited on the date and for the nine-month period ended September 30, 2017 drawn up in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards (IFRS - EU), based on International Accounting Standard 34 - "Interim Financial Reporting" are published on the S.N. Nuclearelectrica S.A. ([www.nuclearelectrica.ro](http://www.nuclearelectrica.ro)) page, Investor Relations section.

### **5.2 QUARTERLY REPORT of the Board of Directors on the administration activity for the period 1 January – 30 September 2017**

The Quarterly Report of the Board of Directors on the management activity for the period 1 January - 30 September 2017, drawn up in accordance with the provisions of Art. 67 of Law no. 24/2017 on issuers of financial instruments and market operations, is published on the S.N. Nuclearelectrica S.A. ([www.nuclearelectrica.ro](http://www.nuclearelectrica.ro)) page, Investor Relations section.