

S.N. NUCLEARELECTRICA S.A.

AGREED UPON PROCEDURES REPORT

PERFORMANCE INDICATORS FOR THE MANAGEMENT

23 March 2016

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23 March 2016

To the shareholders of
S.N. NUCLEARELECTRICA S.A.

Subject: Factual Findings Report in connection with the analysis of the performance indicators of the administrators, general manager (CEO), branch manager of Cernavoda nuclear power plant and financial manager (CFO) - (all referred to as the “management”), computed based on the individual financial statements as at December 31, 2015 of S.N. NUCLEARELECTRICA S.A. (“the Company”) - **Agreed upon procedures report**

In accordance with your instructions, as confirmed in our engagement letter, for agreed-upon procedures, in respect of the above mentioned analysis, we present our report for S.N. NUCLEARELECTRICA S.A. (“the Company”).

The engagement was performed in accordance with the International Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information”. We point out that our work includes the preparation of the factual findings report in relation to the agreed items as described in the letter of engagement, in accordance with the information supplied to us by the management and by the employees of the company.

You will find attached to the present report our principal findings and conclusions. Please note that the procedures performed were exclusively those agreed upon with the Company.

We have not carried out anything in the nature of an audit or a review nor, except where otherwise stated, have we subjected the financial or other information contained in this report to related checking or verification procedures. Accordingly, we will not express any assurance, thus we assume no responsibility and make no representations with respect to the accuracy or completeness of the information in this report, except where otherwise stated. Had the auditor performed additional procedures, an audit or a review, other matters might have come to light that would have been reported to you.

The report is restricted to those parties that have agreed the procedures to be performed.

The report relates only to the elements, accounts, items or financial information specified in the engagement letter, based only on the information provided by the Company, and it does not extend to the entity’s financial statements taken as a whole.

We will not accept any duty of care, including negligence, to any person other than you, except under the arrangements described in the letter of engagement.

We trust you will find our findings report explanatory. However, please do not hesitate to contact us for any clarifications or further information you may require.

Refer to the original signed

Romanian Version

Ruxandra Bilius
Engagement Leader 
Baker Tilly Klitou and Partners S.R.L.

Chapter 1: Procedures performed

We have performed the procedures agreed with you and detailed below with respect to the performance indicators as described in each of the individual remuneration contracts of the management.

We carried out the following procedures:

- 1.1 We obtained the definitions and formulas of computation of the performance indicators under each remuneration contractual agreement with the members of the management. We obtained the computation of the financial performance indicators as at 31 December 2015, prepared by the management of the Company based on the individual financial statements as at the same date and the supporting reports for the technical performance indicators.
- 1.2 We checked the mathematical accuracy of the computations of the financial performance indicators as at 31 December 2015 based on the individual financial statements prepared in accordance with Ministry of Public Finances Order no. 1286/2012 “for the approval of the accounting regulations in accordance with the International Financial Reporting Standards, applicable to commercial entities whose securities are admitted to trading on a regulated market” and related regulations, and respectively the existence of the supporting documents for the technical performance indicators through the internal technical reports in the case of the branch manager of the Cernavoda nuclear power plant.
- 1.3 We compared the performance indicators of the management computed by the Company with the requirements of the individual remuneration contracts of the management, as sustained as well by the approved budgets for the year 2015.
- 1.4 We verified the fact that the results obtained when calculating the ratios of management performance are based on figures presented in the financial statements published on Bucharest Stock Exchange (BVB) and respectively on company’s own internet site (www.nuclearelectrica.ro) as at 31 December 2015. This set of financial statements were audited by the company’s auditor.

Chapter 2: Result of procedures performed and conclusions

Based on the procedures performed as described in Chapter 1:

- 2.1 We have obtained the definitions of the performance indicators, we have obtained the computations of the financial performance indicators and supporting documents for the technical performance indicators.
- 2.2 We concluded that the computations are mathematically accurate in the case of the financial performance indicators and that the technical performance indicators are properly sustained by the existence of supporting documents.
- 2.3 We have identified that all performance indicators of the management are exceeded with regards to their targets, as presented in the Annex 1 prepared by the Company. By General Meeting of Shareholders resolution no.7/14 September 2015 was approved the update of Appendix 1 and 1.1. to the administration contracts concluded between the administrators and the company and by The Board of Administrators decision no. 101 dated 11 August 2015 was approved the update of Appendix 1 and 1.1 to mandate contracts of Directors.
- 2.4 We have identified the fact that for the calculation of the performance indicators of management were used amounts reported in the individual financial statements as at and for the year ended on 31.12.2015 prepared in accordance to IFRS-UE, published on BVB, respectively on the website of the company.

This report is intended solely for your information and for the use of the Company and may not be distributed, in whole or in part, to any other party without our prior written consent. It should not be included

Annex 1

or referred to in any document or publication made available to persons outside our firm and Company without our prior consent.

Attachments: Annex 1 with the computation of the performance indicators provided by the Company

Content:

1. Performance indicators for the Board of Directors – total Q4 2015 (EN_CA Q4 2015)
2. Performance indicators for the Chief Executive Officer – total Q4 2015 (EN_DG Q4 2015)
3. Performance indicators for the Cernavoda NPP Manager – total Q4 2015 (EN_CNE Q4 2015)
4. Performance indicators for the Chief Financial Officer – total Q4 2015 (EN_DF Q4 2015)
5. Computation of the subcomponent 2 from variable component – 2015 (ENG_2015 Var comp.– subcomp 2)

Degree of achievement of the performance indicators as at 31.12.2015 – Board of Directors

No.	Objective/Performance Indicators	MU	Target Q4	Realized Q4	Degree of fulfillment (%)	Weighting coefficient	Degree of performance indicators fulfillment col.5 * col.6 (%)
0		2	3	4	5	6	7
Improvement of the financial performance indicators of the Company							
1	Annual turnover (cumulative from the beginning of the year)	Millions RON	1,750.00	1,749.91	99.99%	0.20	20.00%
2	Operational profit per year (cumulative from the beginning of the year)	Millions RON	74.00	160.14	216.40%	0.20	43.28%
3	Due payments	Thousands RON	-	-	100.00%	0.10	10.00%
4	Labour productivity (cumulative from the beginning of the year)	Thousands RON/pers	833.00	860.33	103.28%	0.10	10.33%
5	Operating expenses for 1,000 RON turnover (cumulative from the beginning of the year)	RON	966.00	927.39	104.16%	0.10	10.42%
Fulfillment of major investment objectives							
6	Execution of annual value plan of investments, cumulative from the beginning of the year (As Table 28 and annual Budget)	%	90.00%	23.70%	26.33%	0.15	3.95%
Maintaining electricity production capacity above the industry average							
7	The utilization coefficient of installed power capacity (cumulative from the beginning of the year)	%	80.00%	94.58%	118.23%	0.10	11.82%
Operation of nuclear power plants in safety and security conditions for personnel, population, environment and production assets							
8	No operating events that exceeded level 1 on International Nuclear Event Scale, regarding in depth degradation of defense barriers , impact on site or outdoors		0 evenimente mai mari de nivel 1 pe scara INES	0 evenimente mai mari de nivel 1 pe scara INES	100.00%	0.05	5.00%
Degree of fulfillment of the performance indicators						1.00	114.80%

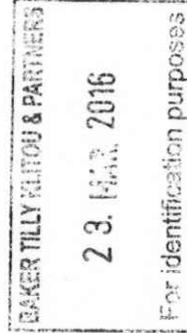
Date: 23.03.2016

Chief Executive Officer

Daniela Lulache

Chief Financial Officer

Mihai Dacic



Degree of achievement of the performance indicators as at 31.12.2015 – Chief Executive Officer

No.	Objective/Performance Indicators	MU	Target Q4	Realized Q4	Degree of fulfillment (%)	Weighting coefficient	Degree of performance indicators fulfillment col.5 * col. 6 (%)	
0	1	2	3	4	5	6	7	
Improvement of the financial performance indicators of the Company								
1	Annual turnover (cumulative from the beginning of the year)	Millions RON	1,750.00	1,749.91	99.99%	0.10	10.00%	
2	Operational profit per year (cumulative from the beginning of the year)	Millions RON	74.00	160.14	216.40%	0.10	21.64%	
3	Due payments	Thousands RON	-	-	100.00%	0.10	10.00%	
4	Fulfillment of financial indicators mentioned in the contract with EURATOM (*)		Fulfilled	Fulfilled *	100.00%	0.10	10.00%	
5	Labour productivity (cumulative from the beginning of the year)	Thousands RON/pers	833.00	860.33	103.28%	0.10	10.33%	
6	Operating expenses for 1,000 RON turnover (cumulative from the beginning of the year)	RON	966.00	927.39	104.16%	0.10	10.42%	
Fulfillment of major investment objectives								
7	Execution of annual value plan of investments, cumulative from the beginning of the year (As Table 37 and annual Budget)	%	90%	23.70%	26.33%	0.15	3.95%	
Maintaining electricity production capacity above the industry average								
8	The utilization coefficient of installed power capacity (cumulative from the beginning of the year)	%	80%	94.58%	118.23%	0.15	17.73%	
Operation of nuclear power plants in safety and security conditions for personnel, population, environment and production assets								
9	No operating events that exceeded level 1 on International Nuclear Event Scale, regarding in depth defense barriers degradation, impact on site or outdoors		0 events that exceeded level 1 on International Nuclear Event Scale	0 events that exceeded level 1 on International Nuclear Event Scale	100.00%	0.10	10.00%	
Degree of fulfillment of the performance indicators							1.00	104.07%

*Notes: The three financial indicators mentioned in the contract with EURATOM are met at 31.12.2015:

- Debt service coverage ratio: targeted over 1,5 and realised 2,87

- Gearing: targeted under 2 and realised 0,20

- Earned income is sufficient to cover the operating costs: Accomplished with 400 mil. RON more than the total operating costs and debt service for a period of 12 months.

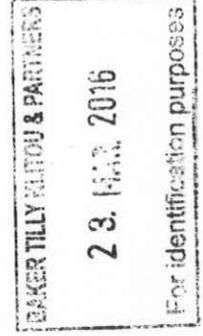
Date: 23.03.2016

Chief Executive Officer

Daniela Lulache 

Chief Financial Officer

Mihai Darie 



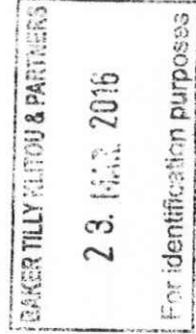
Degree of achievement of the performance indicators as at 31.12.2015 – Cernavoda NPP Manager

No.	Objective/Performance Indicators	MU		Target Q4	Realized Q4	Degree of fulfillment (%)	Weighting coefficient	Degree of performance indicators fulfillment col.5 + col.6 (%)
		1	2					
Operation of nuclear power plants in safety and security conditions for personnel, population, environment and production assets								
1	No operating event exceeded level 1 on International Nuclear Event Scale, regarding defense barriers degradation in depth, impact on site or outdoors			0 events that exceeded level 1 on International Nuclear Event Scale	0 events that exceeded level 1 on International Nuclear Event Scale	100.00%	0.10	10.00%
2	Maintaining the technological loss of special materials - heavy water – within the limits of technical and economic indicators of Nuclear Power Plant		Kg/ plant	6,800.00	3,911.00	173.87%	0.15	26.08%
3	Degree of combustion of nuclear fuel		MW/h/KG	156.00	174.44	111.82%	0.10	11.18%
Maintaining electricity production capacity above the industry average								
4	The utilization coefficient of installed capacity		%	80.00%	94.58%	118.23%	0.15	17.73%
5	Own consumption of electric and termic energy		%	10.00%	7.99%	125.16%	0.15	18.77%
Fulfillment of major investment objectives								
6	Execution of annual value plan of investments, cumulative from the beginning of the year (As Table 37 and annual Budget)		%	90.00%	23.70%	26.33%	0.10	2.63%
Improvement of the financial performance indicators of the Company								
7	Annual turnover		Millions RON	1,750.00	1,749.91	99.99%	0.05	5.00%
8	Operational profit per year		Millions RON	74.00	160.14	216.40%	0.10	21.64%
9	Labour productivity		Thousands RON/pers	833.00	860.33	103.28%	0.05	5.16%
10	Operating expenses for 1,000 RON turnover (cumulative from the beginning of the year)		RON	966.00	927.39	104.16%	0.05	5.21%
Degree of fulfillment of the performance indicators							1.00	123.40%

Date: 23.03.2016

Chief Executive Officer
Daniela Lutache

Chief Financial Officer
Mihai Darie



Degree of achievement of the performance indicators as at 31.12.2015 – Chief Financial Officer

No.	Objective/Performance Indicators	MU	Target Q4	Realized Q4	Degree of fulfillment (%)	Weighting coefficient	Degree of performance indicators fulfillment col.5 * col.6 (%)
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Improvement of the financial performance indicators of the Company							
1	Annual turnover (cumulative from the beginning of the year)	Millions RON	1,750.00	1,749.91	99.99%	0.10	10.00%
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3	Due payments	Thousands RON	-	-	100.00%	0.10	10.00%
4	Fulfillment of financial indicators mentioned in the contract with EURATOM (*)		Fulfilled	Fulfilled *	100.00%	0.10	10.00%
5	Labour productivity (cumulative from the beginning of the year)	Thousands RON/pers	833.00	860.33	103.28%	0.10	10.33%
6	Operating expenses for 1,000 RON turnover (cumulative from the beginning of the year)	RON	966.00	927.39	104.16%	0.10	10.42%
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7	Execution of annual value plan of investments, cumulative from the beginning of the year (As Table 37 and annual Budget)	%	90%	23.70%	26.33%	0.15	3.95%
Maintaining electricity production capacity above the industry average							
8	The utilization coefficient of installed power capacity (cumulative from the beginning of the year)	%	0.80	94.58%	118.23%	0.15	17.73%
Operation of nuclear power plants in safety and security conditions for personnel, population, environment and production assets							
9	No operating events that exceeded level 1 on International Nuclear Event Scale, regarding in depth defense barriers degradation , impact on site or outdoors		0 events that exceeded level 1 on International Nuclear Event Scale	0 events that exceeded level 1 on International Nuclear Event Scale	100.00%	0.10	10.00%
Degree of fulfillment of the performance indicators						1.00	104.07%

*Notes: The three financial indicators mentioned in the contract with EURATOM are met at 31.12.2015:

- Debt service coverage ratio: targeted over 1,5 and realised 2,87

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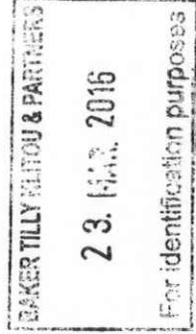
Date: 23.03.2016

Chief Executive Officer

Daniela Lulache

Chief Financial Officer

Mihai Darie



Computation of subcomponent 2 from variable component - 2015

For the year 2015, there will be taken into account the following indicators for the computation of subcomponent 2 from variable component:

Indicator for the year 2015	Source	Amount (RON)
Net profit realized	Individual Financial Statements as at and for the year ending 31 December 2015	149,143,729
Estimated net profit	BVC SNN 2015 approved by Government Decision no. 468/24.06.2015 and General Assembly of Shareholders Decision no. 6/14.09.2015	38,342,693
Difference between net profit and estimated net profit		110,801,036
0,4% out of net profit difference		443,204

Since the level of 0.4% of the amount representing the difference between net profit actually achieved and estimated net profit for financial year 2015 is higher than fixed annual allowance for each of the seven non-executive members of the Board of Directors (paid for 12 months for 5 members and for 8 months and respectively 4 months for the other 2 members) and for each of the three directors of SNN S.A. with contracts of mandate (paid for 12 months), according to art. 18 of Administration Contract and according to art. 15 of the Mandate Contracts, the value of the subcomponent 2 of the variable component which will be granted to non-executive administrators and directors for 2015, will be capped at a fixed annual allowance corresponding to each non-executive member of the Board of Directors and respectively to each directors as mentioned above.

Data: 23.03.2016

Chief Executive Officer
Daniela Lulache



Chief Financial Officer
Mihai Darie

