
S.N. NUCLEARELECTRICA S.A.

AGREED UPON PROCEDURES REPORT

EURATOM COVENANTS

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 European Atomic Energy Community (“EURATOM”) loan covenants, computed based on the consolidated financial statements as at and for the twelve months period ended 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.

Yours sincerely,

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

Refer to the original signed
Romanian Version

Chapter 1: Procedures performed

We have performed the procedures agreed with you and detailed below with respect to the loan facility agreement concluded on 11 June 2004 (“loan”) between the Company and EURATOM.

We carried out the following procedures:

- 1.1 We obtained the definitions of the financial covenants included in the loan agreement, clauses 1.1 and 18.22. We obtained the computation of the financial ratios for the period 1 January 2015 to 31 December 2015 prepared by the management of the company based on the consolidated financial statements as at the same date.
- 1.2 We checked the mathematical accuracy of the computations of the financial covenants for the period 1 January 2015 to 31 December 2015 based on the consolidated 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.
- 1.3 We compared the financial ratios computed by the Company with the requirements of the loan.

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 financial covenants and we have obtained the computations of the financial covenants in accordance with the requirements of the loan.
- 2.2 We concluded that the computations are mathematically accurate.
- 2.3 We have identified the fact that all the ratios are in compliance with the loan requirements, as presented in the Annex 1 prepared by 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 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 EURATOM loan covenants provided by the Company

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Annex 1

Content:

1. EURATOM covenants (ENG_EURATOM Indicators S2 2015)

EURATOM indicators

1. Debt service cover ratio

a) Free cash Flow over the period ended 31 December 2015

	RON
Cash generated from operating activities	691 792 583
Less: income tax paid	(48 345 205)
Free Cash Flow	<u>643 447 378</u>

b) Aggregate amount of principal, interest, fees, expenses and other amounts due over the period ended 31 December 2015

Repayment of borrowings falling due during the period	210 715 164
Interest paid	13 629 233
Total	<u>224 344 397</u>

Debt service cover ratio **2,87**

2. Gearing ratio

a) Aggregate amount of the loans as at 31 December 2015

	RON
Short term loans	202 048 304
Long term loans	1 279 606 054
Total Loans	<u>1 481 654 358</u>

b) Aggregate of the amounts of the share capital issued and paid up and the amount standing to the credit of the reserves

Share capital	3 210 641 253
Reserves	4 284 684 169
Total	<u>7 495 325 422</u>

Gearing ratio **0,20**

3. Income and operation, maintenance and debt service cost

	RON
Revenue	1 738 668 668
Cost of operation and maintenance for Unit 1 and 2	
<i>Personnel expenses</i>	(302 418 531)
<i>Cost with electricity acquired</i>	(26 828 898)
<i>Repairs and maintenance</i>	(129 820 114)
<i>Cost with traded electricity</i>	(75 247 078)
<i>Cost with spare parts</i>	(18 721 768)
<i>Cost of uranium fuel</i>	(139 198 799)
<i>Other operating expenses, excluding provisions</i>	(432 036 785)
	<u>(1 124 271 973)</u>

Debt service in connection with Unit 1 and 2 224 344 397

Income and operation, maintenance and debt service cost **400.052.298**

Summary:

Ratio	Realized level as at 31.12.2015	Admitted level	Fulfilment degree
Debt service cover ratio	2,87	Minimum 1,5	Fulfilled
Gearing ratio	0,20	Maximum 2	Fulfilled
	Is exceeding	The cashed-in revenue to exceed the operating costs and debts service costs	Fulfilled
The cashed-in revenue is sufficient for the coverage of the U1 and U2 operation, maintenance and debt service costs.			

Date: 23.03.2016

Chief Executive Officer
Daniela Lulache

P.



Chief Financial Officer
Mihai Darie

Mihai Darie

