
S.N. NUCLEARELECTRICA S.A.

AGREED UPON PROCEDURES REPORT

EURATOM COVENANTS

22 March 2017

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Baker Tilly Klitou and Partners SRL
4B Gara Herastrau Street, 10th Floor
020334 Bucharest
Romania
T: +40 21 3156100 | F: +40 21 3156102
info@bakertilly.ro
www.bakertilly.ro

22 March 2017

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

Subject: Factual Findings Report in connection with the review of the European Atomic Energy Community (“EURATOM”) loan covenants, computed based on the consolidated financial statements as at December 31, 2016 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, as stipulated 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 2016 to 31 December 2016 prepared by the management of the company based on the consolidated financial statements as at the same date.
These consolidated financial statements have been reviewed by the auditor of the company.
- 1.2 We checked the mathematical accuracy of the computations of the financial covenants for the period 1 January 2016 to 31 December 2016 based on the audited consolidated financial statements prepared in accordance with Ministry of Public Finances Order no. 2844/2016 "for the approval of the accounting regulations in accordance with the International Financial Reporting Standards", 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

Annex 1

Content:

1. EURATOM covenants (ENG_EURATOM Indicators S2 2016)

EURATOM indicators

1. Debt service cover ratio

a) Free cash Flow over the period ended 31 December 2016

	RON
Cash generated from operating activities	591.683.374
Less: income tax paid	(20.717.994)
Free Cash Flow	<u>570.965.380</u>

b) Aggregate amount of principal, interest, fees, expenses and other amounts due over the period ended 31 December 2016

Repayment of borrowings falling due during the period	211.824.851
Interest paid	10.468.684
Total	<u>222.293.535</u>

Debt service cover ratio

2,57

2. Gearing ratio

a) Aggregate amount of the loans as at 31 December 2016

	RON
Short term loans	220.929.527
Long term loans	1.087.961.815
Total Loans	<u>1.308.891.342</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	4.295.881.756
Total	<u>7.506.523.009</u>

Gearing ratio

0,17

3. Income and operation, maintenance and debt service cost

	RON
Revenue	1.647.630.809
Cost of operation and maintenance for Unit 1 and 2	
<i>Personnel expenses</i>	(299.416.095)
<i>Cost with electricity acquired</i>	(22.665.212)
<i>Repairs and maintenance</i>	(126.128.089)
<i>Cost with traded electricity</i>	(26.861.292)
<i>Cost with spare parts</i>	(21.243.702)
<i>Cost of uranium fuel</i>	(140.397.129)
<i>Other operating expenses, excluding provisions</i>	(397.453.223)
	<u>(1.034.164.742)</u>
Debt service in connection with Unit 1 and 2	222.293.535

391.172.532

Income and operation, maintenance and debt service cost

Summary:

Ratio	Realized level as at 31.12.2016	Admitted level	Fulfillment degree
Debt service cover ratio	2,57	Minim 1,5	Accomplished
Gearing ratio	0,17	Maxim 2	Accomplished
The cashed-in revenue is sufficient for the coverage of the U1 and U2 operation, maintenance and debt service costs	Overcome	Income received exceed operating costs and debt service	Accomplished

Data: 22.03.2017

Chief Executive Officer

Daniela Lulache

Chief Financial Officer

Mihai Darie

BAKER TILLY KLITOU & PARTNERS

22. MAR. 2017

For identification purposes