



**APPROVED by the
Board of Directors
Chairman
Alexandru
SĂNDULESCU**

NOTE

On approval of the proposal relating to the distribution of net profit for 2016, the gross dividend per share, date and way of dividends payment

- Material regarding item 5 of OGMS/24.04.2017 -

1. Competence/general issues

In accordance with the legal provisions in force, the Board of Directors proposes how to distribute the net profit for the financial year 2016 including the dividend proposal together with the approval of the annual financial statements.

Article 111 paragraph 1 letter a) of Law 31/1990 with subsequent amendments and supplements provides that the Ordinary General Meeting of Shareholders has as attribution to determine the amount of the dividend. In the same time, Article 13 paragraph 3 letter g) of the Articles of Incorporation of SNN, the Ordinary General Meeting of Shareholders "*approves and establishes the dividends.*"

The legal provisions related are the following:

- Law 31/1990 republished, as amended and supplemented (Law 31/1990);
- GO 64/2001 regarding the profit distribution within national companies, national enterprises and companies with majority state ownership or wholly owned by the state and autonomous administration companies, as amended and supplemented (GO 64/2001);
- Law 297/2004 on the capital market, as amended and supplemented (Law 297/2004);
- Law 227/2015 regarding the Fiscal Code, as amended and supplemented ("Tax Code").
- The regulations of the National Commission on Securities no. 1/2006 regarding the issuers and the operations with securities (Regulation no. 1/2006)

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Also, in formulating the proposal for the allocation of net profit of dividend the Government Memorandum approved on 27.01.2017 was considered, with the theme *"Empowering the state representatives in the General Assembly of Shareholders / Board of Directors, as appropriate, from national companies, national companies and companies with state owned or majority state owned capital and the ARs, in order to take necessary measures to allocate a quota of at least 90% of the net profit of 2016 as dividends/payments to state budget "*

The Ordinary General Meeting of Shareholders has the competence for approving the proposal for the allocation of net profit and dividend.

2. Presentation

2.1. Distribution of net profit for the fiscal year 2016

The proposal for the distribution of the net profit for the financial year 2016 per destinations was made in accordance with GO 64/2001. Thus, the net profit of the financial year 2016 will be distributed to the following destinations:

Indicator (fiscal year 2016)^{*)}	Amount (lei)
Net profit for the fiscal year (A)	112,449,451
+ Provision regarding the employees profit share (deducted from the accounting profit) (B)	3,793,000
Net profit to be distributed for the fiscal year (A+B), distributed as follows:	116,242,451
a) legal reserves	6,518,506
b) other reserves representing fiscal incentives provided by law	2,454,218
c) coverage of accounting loss from the previous years, excepting the accounting loss resulted from applying IAS29	-
d) constitution of own financial resources for projects co-financed by external loans, as well as for constitution of the resources required in order to reimburse the capital installments, to pay interests, fees and other costs related to external loans	-
e) other allocations provided by law	-
The remaining profit to be distributed - after deduction of the above-mentioned amounts (a-e) – as follows:	107,269,727
f) employees' profit share	3,793,000
g) dividends to shareholders	99,499,571
h) other reserves	3,977,156
Remaining profit (undistributed)	-

**) Note – the amounts are rounded off to the nearest integer*

We make the following clarifications regarding the amount proposed to be distributed:

- The amounts allocated to the legal reserve are determined based on art. 183 of Law no. 31/1990 according to which *"at least 5% of the company's profit will be taken every year for the formation of the reserve fund, until it reaches at least one fifth of the share capital"*. **The amount allocated to the legal reserve was taken to the end of the financial year, representing the mandatory allocation amounting to 6,518,506 lei;**

- **Other reserves (2,454,218 lei) representing the tax incentives** provided by law shall be allocated on the basis of art.22, para.(1) from Law No. 227/2015 regarding the Fiscal Code as amended and supplemented (for 2016); they relate to the exempted profit tax invested in technological equipment - machinery and work equipment as stipulated in subgroup 2.1 of the Catalogue regarding the classification and normal useful life of fixed assets used for business purposes (only new equipment), as well as electronic computers and peripherals, software and other electronic equipment as they are mentioned in the class 2.2.9 from the Catalogue. The amount allocated to reserves is the amount of the profit invested in this equipment, net of legal reserve (5%);
- **The amounts proposed to be distributed in the form of "employee participation in profits"** are up to 10% of the net profit, but no more than the level of an average basic monthly salary per employee in 2016 and taking into account the average number of employees in 2016. Thus the maximum amount representing 10% of the net profit, but not more than the average monthly basic salary per employee in 2016 would have been 10,567,496 lei; in the profit distribution proposal is included only the amount of 3,793,000 lei to comply with the amounts previously budgeted in 2016 budget of revenues and expenditures. Profit sharing obligation has been established by the revenues and expenditure budget approved for 2016 so that the provisions of Article 1 paragraph 1 letter e) of GO 64/2001 are met;
- **The gross dividends proposed (99,499,571 lei)** are in the amount of **92.76%**, a percentage of the distributable profit after allocation for the destinations under Article 1 paragraph 1 letters a) and c) - e) of GO no. 64/2001 plus the amount proposed to be distributed as "employee participation in profits" for reunification of the calculation base. For 2016, according to Government Memorandum on *"Empowering the state representatives in the General Assembly of Shareholders/ Board of Directors, as appropriate, to national societies, national companies and companies owned or majority state owned capital, and the RAs in order to take necessary measures to allocate a quota of at least 90% of the 2016 net profit as dividends / payments to the state"* should be distributed as dividends at least 90% of net profit. Strictly reported to the net profit (without rejoining the basis of calculation of the provision for employee participation in profit), the percentage of profit sharing to dividend is 90.68%. The percentage of 90.68% comes from rounding off the gross dividend per share **proposed, namely 0.33 lei gross/share**.
- The amounts remaining to be distributed out of the profit (**3,977,156 lei**), after the distribution for the destinations under Article 1 paragraph 1 letters a) - f) of GO no. 64/2001, are to be distributed in the form of own sources of funding (**other reserves**).

2.2. Value of gross dividend per share

Dividends are to be allocated to shareholders in the amount stipulated in the proposal for distribution of net profit amounting to **99,499,571 lei**.

The number of shares relating to the subscribed and paid share capital is **301,513,851** on the date hereof. Thus, **the proposed gross dividend per share is 0,33 lei/share**.

The dividend tax will be retained and transferred by SNN in accordance with the Tax Code.

2.3. Date of dividends payment

According to the legal provisions the terms of payment of dividends are:

- According to Article 67 paragraph 2 of Law no. 31/1990 dividends are distributed to shareholders "*within the deadline set by the general meeting of shareholders or, where applicable, established by special laws, but not later than 6 months from the date of approval of the annual financial statements for the fiscal year ended*";
- Article 28 paragraph 4 of the Articles of Incorporation of SNN provides that "*the payment of dividends due to shareholders is made by the company, under the law*";
- Article 238 paragraph 2 of Law no. 297/2004 provides that "*when setting the dividends, the general meeting of shareholders will also determine the deadline they will be paid to shareholders. This period shall not be more than 6 months from the date of the general meeting shareholders when the dividends are set*";
- The provisions of Article 1 paragraph 3 of GO no. 64/2001 established that, by derogation from the Law no. 31/1990: national companies are required to remit dividends to shareholders within 60 days from the deadline stipulated by law for filing in the annual financial statements.

Thus, by corroborating the deadlines related to the normative acts and SNN articles of association above indicated, it follows that the deadline for dividends to be paid by SNN is of 60 days after the deadline stipulated by law for filing in the annual financial statements; given that the term (deadline) is April 30, **the dividends will be paid starting with June 28, 2017.**

2.4. Payment of dividends

Dividends shall be paid to the SNN shareholders through Depozitarul Central SA and a paying agent for this service, according to Art.146, para. 5¹ from Law 297/2004 and Art.106¹, para.(2) from the Regulations no. 1/2006.

No fees are charged for the payment of dividends to shareholders, irrespective of the payment method, which are to be supported by SNN.

The identification data of the payment agent chosen, detailed modalities of payment, specific forms and necessary documents required to shareholders for payment, will be made available to shareholders prior to the start date of payment by a press release and a current report submitted to the Bucharest Stock of Exchange and FSA. Information will be posted on the SNN website at www.nuclearelectrica.ro , Investor Relations section.

2.5. Registration date

The registration date must be after the date of the GMS (24.04.2017) with at least 10 working days. Thus, **the registration date proposed is June 9, 2017.**

2.6. The right to receive dividends

Only the shareholders who are registered with S.C. Depozitarul Central S.A. on the registration date are entitled to receive dividend.

3. Proposals

Given all above-mentioned, we ask the OGMS the following:

- a) Approval of proposal for the allocation of the net profit for the financial year 2016;**
- b) Approval of the gross dividend per share value of 0.33 lei/share;**
- c) Approval of registration date: June 9, 2017;**
- d) Approval of the start date for dividend payment: June 28, 2017;**
- e) Approval of the payment method according to the present note.**

Daniela Lulache
CEO

Mihai Darie
CFO