

S.N. NUCLEARELECTRICA S.A.

AGREED UPON PROCEDURES REPORT

PERFORMANCE INDICATORS FOR THE MANAGEMENT

22 March 2017

Table of Contents

Page

Introduction

1

Chapter 1: Procedures performed

2

Chapter 2: Result of procedures performed and conclusions

2-3



BAKER TILLY

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YEARS
OF EXCELLENCE

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22 March 2017

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

Subject: Factual Findings Report in connection with the review of the degree of achievement and calculation of performance indicators of the administrators, general manager (CEO) and financial manager (CFO) (all referred to as the "management"), computed based on the individual 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 review, 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.

Refer to the original signed

Romanian Version

Ruxandra Bilus
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 performance indicators as at 31 December 2016, 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 indicator.
- 1.2 We checked the mathematical accuracy of the computations of the global performance indicators as at 31 December 2016 based on the individual 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, and respectively the existence of the supporting documents for the technical performance indicators through the internal technical reports.
- 1.3 We compared the global 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 revenue and expenses budget for the year 2016.
- 1.4 We verified the fact that the results obtained when calculating the ratios of management performance indicators are based on figures presented in the individual financial statements as at 31 December 2016, published on Bucharest Stock Exchange (BVB) and respectively on company's own internet site (www.nuclearelectrica.ro). These sets of individual 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 performance indicators and supporting documents for the technical performance indicator.
- 2.2 We concluded that the computations are mathematically accurate in the case of the performance indicators, as well as for the global indicator, and that the technical performance indicator are properly sustained by the existence of supporting documents.
- 2.3 We have identified that the global performance indicator of the management was met with regards to their targets, as presented in the Annex 1 prepared by the Company. The targets for the performance indicators were set by General Ordinary Meeting of Shareholders resolution no.3/ 25 April 2016 which 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. 31 dated 8 March 2016 which approved the update of Appendix 1 and 1.1 to mandate contracts of Directors. In accordance with Board of Directors Decision no. 121 dated 17 October 2016, it has been approved the update of the allocation coefficients established in Appendix 1 and 1.1 to the mandate contracts of General Manager (CEO) and Financial Manager (CFO), applied starting with the third quarter of 2016.
- 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 period ended on December



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31, 2016, 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 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 2016 (EN_CA Q4 2016)
2. Performance indicators for the Chief Executive Officer – total Q4 2016 (EN_DG Q4 2016)
3. Performance indicators for the Chief Financial Officer – total Q4 2016 (EN_DF Q4 2016)

Degree of achievement of the performance indicators as at 31.12.2016 – Board of Directors

No.	Objective/Performance Indicator	MIL		Target (Q4)	Realized Q4	Degree of fulfillment (%)	Weighting coefficient	Degree of performance indicator fulfillment (calculated) (%)
		1	2					
0								
Improvement of the financial performance indicators of the Company								
1	Annual turnover (cumulative from the beginning of the year)		Millions RON	1,675,00	1,648,41	98,41%	0,20	19,68%
2	Operational profit per year (cumulative from the beginning of the year)		Millions RON	60,00	159,37	265,61%	0,20	53,12%
3	Due payments		Thousands RON	-	-	100,00%	0,10	10,00%
4	Labour productivity (cumulative from the beginning of the year)		Thousands RON/pers	817,00	820,92	100,48%	0,10	10,05%
5	Operating expenses for 1,000 RON turnover (cumulative from the beginning of the year)		RON	980,00	922,62	106,22%	0,10	10,62%
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%	33,94%	37,71%	0,15	5,68%
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%	91,44%	114,30%	0,10	11,43%
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 or International Nuclear Event Scale, regarding in depth degradation of defence 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								125,56%

*) Values according to Budget revenues and expenditures for 2016, approved by AGA no. 1 / 30.03.2016

Date: 22.03.2017

Chief Executive Officer
Daniela Lubche

Chief Financial Officer
Mihai Danie

BAKER TILLY KLITOU & PARTNERS
22. MAR. 2017
For identification purposes

Degree of achievement of the performance indicators as at 31.12.2016 – Chief Executive Officer

No	Objective & performance indicators	MU	Target Q1			Realized Q1			Degree of fulfillment (%)	Weighting coefficient	Degree of performance indicators fulfillment to financial goals (%)
			1	2	3	4	5	6			
0	Improvement of the financial performance indicators of the Company										
1	Annual turnover (cumulative from the beginning of the year)	Millions RON		1,675,00	1,643,41	98,31%	0,10			9,84%	
2	Operational profit per year (cumulative from the beginning of the year)	Millions RON		60,00	159,37	365,61%	0,15			39,84%	
3	Due payments	Thousands RON		-	-	100,00%	0,10			10,00%	
4	Fulfillment of financial indicators mentioned in the contract with EURATOM (*)			Accomplished*	Accomplished*	100,00%	0,10			10,00%	
5	Labour productivity (cumulative from the beginning of the year)	Thousands RON/pers		817,00	820,92	100,48%	0,10			10,05%	
6	Operating expenses for 1,000 RON turnover (cumulative from the beginning of the year)	RON		980,00	922,62	106,22%	0,10			10,62%	
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)	%		90,00%	33,94%	37,71%	0,10			3,77%	
Maintaining electricity production capacity above the industry average											
8	The utilization coefficient of installed power capacity (cumulative from the beginning of the year)	%		80,00%	91,44%	114,50%	0,15			17,15%	
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			121,27%	

*Notes: The three financial indicators mentioned in the contract with EURATOM are met at 31.12.2016.

- Debt service coverage ratio: targeted over 1,5 and realized 2,57

- Gearing: targeted under 2 and realized 0,17

- Earned income is sufficient to cover the operating costs: Accomplished with 391 mil. RON more than the total operating costs and debt service for a period of 12 months.

Date: 22.03.2017

Chief Executive Officer

Daniela Leabote

Chief Financial Officer

Mihai Darte

BAKER TILLY KLITOU & PARTNERS

22 MAR. 2017

for certification purposes

Degree of achievement of the performance indicators as at 31.12.2016 – Chief Financial Officer

No.	Objective/Performance Indicators	MU		Realized Q4	Degree of fulfillment (%)	Weights coefficient	Degree of performance indicators fulfillment (0,5 - 1,0)	
		1	2				3	4
Improvement of the financial performance indicators of the Company								
1	Annual turnover (cumulative from the beginning of the year)		Millions RON	1.675,00	1.648,41	98,41%	0,10	9,84%
2	Operational profit per year (cumulative from the beginning of the year)		Millions RON	60,00	159,37	265,61%	0,15	39,84%
3	Overdue payments		Thousands RON	-	-	100,00%	0,10	10,00%
4	Fulfillment of financial indicators mentioned in the contract with EURATOM (*)			Accomplished*	Accomplished*	100,00%	0,10	10,00%
5	Labour productivity (cumulative from the beginning of the year)		Thousands RON/pers	817,00	820,92	100,48%	0,10	10,05%
6	Operating expenses for 1,000 RON turnover (cumulative from the beginning of the year)		RON	980,00	922,62	106,27%	0,10	10,62%
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)		%	90,00%	33,94%	37,71%	0,10	3,77%
Maintaining electricity production capacity above the industry average								
8	The utilization coefficient of installed power capacity (cumulative from the beginning of the year)		%	80,00%	91,44%	114,30%	0,15	17,15%
Operation of nuclear power plants safely and secure 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	121,27%

*Notes: The three financial indicators mentioned in the contract with EURATOM are met at 31.12.2016:

- Debt service coverage ratio: targeted over 1,5 and realized 2,57
- Earnings: targeted under 2 and realized 0,17
- Earned income is sufficient to cover the operating costs: Accomplished with 391 mil. RON more than the total operating costs and debt service for a period of 12 months.

Date: 22.03.2017

Chief Executive Officer

Daniela Lușche

Chief Financial Officer

Mihai Dancu

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22 MAR. 2017
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