

S.N. NUCLEARELECTRICA S.A.
AGREED UPON PROCEDURES REPORT
IN CONNECTION WITH FINANCIAL COVENANTS INCLUDED IN THE LOAN
FACILITY AGREEMENT CONCLUDED WITH EURATOM
AS AT 31 DECEMBER 2017

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Introduction

22 March 2018

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

Str. Polonă, no. 65, District 1

Bucharest, Romania

Factual Findings Report*

Scope of Factual Findings Report

In accordance with instructions received, as confirmed in our engagement letter (services contract) no. 772 from 12 July 2017, regarding the agreed-upon procedures, in respect of the verification of the degree of compliance with the loan covenants ("financial covenants") included in the loan facility agreement concluded between **S.N. NUCLEARELECTRICA S.A.** ("the Company") and European Atomic Energy Community ("EURATOM"), computed based on the Consolidated Financial Statements of the Company as of 31 December 2017 and for the year then ended prepared in accordance with the Order of the Ministry of Public Finance no. 2844/2016 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards ("OMFP no. 2844/2016"), as subsequently amended.

Responsibility of the Management of S.N. NUCLEARELECTRICA S.A

The Company's management is responsible for the preparation of the Consolidated Financial Statements of the Company as of 31 December 2017 and for the year then ended in accordance with the OMFP no. 2844/2016, based on which there have been computed the financial ratios in accordance with loan facility agreement concluded between the Company and EURATOM.

Independent Auditor's Responsibility

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.

The sufficiency of these procedures is solely the responsibility of the specified users of this report. Therefore, we are not responsible for the sufficiency of the procedures described below, performed either for the purpose of this report or for other purposes.

(* This represents a non-official English translation of the original Factual Findings Report issued in Romanian language)

The procedures mentioned below do not represent an audit or a limited review of the financial statements of the Company in accordance with OMFP no. 2844/2016. Our report is based on the procedures mentioned below and it does not extend to the entity's financial statements taken as a whole. 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, as in the case of an audit or a review, other matters might have come to our attention that would have been reported to you.

Other matters

The report is intended 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, under the terms described in the engagement letter.

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.

We would be pleased to discuss our findings and to offer any further assistance if you need it.

Your sincerely,

Mazars Romania SRL

Mazars Romania S.R.L.

Bucharest, Romania

22 March 2018



Chapter 1: Procedures performed

We have performed the procedures agreed with you and detailed below with respect to the verification of the degree of fulfillment of the financial covenants included in the loan facility agreement concluded on 11 June 2004 ("loan agreement") between the Company and EURATOM.

We carried out the following procedures:

- a) We obtained the definition of the financial covenants included in the loan agreement concluded between the Company and EURATOM;
- b) We obtained the computation of the financial covenants as at 31 December 2017, prepared by the management of the Company based on the Consolidated Financial Statements as at 31 December 2017 and for the year then ended, prepared in accordance with OMFP no. 2844/2016, as subsequently amended.

These Consolidated Financial Statements as at 31 December 2017 have been audited by us in accordance with International Standards on Auditing ("ISAs"), as adopted by the Romanian Chamber of Financial Auditors ("CAFR") and with the EU Regulation No. 537/2014 of the European Parliament and of the Council of the European Union ("Regulation (EU) 527/2014").

- c) We checked the mathematical accuracy of the computation of the financial ratios as at 31 December 2017 based on the Consolidated Financial Statements as at 31 December 2017 prepared in accordance with the OMFP no. 2844/2016.
- d) We compared the financial ratios computed by the Company with the requirements of the loan agreement.

Chapter 2: Results of the performed agreed upon procedures and conclusions

Based on the procedures performed as described in Chapter 1:

- a) We have obtained the definitions of the financial covenants included in the loan facility agreement concluded between the Company and EURATOM;
- b) We have obtained the computation of the financial covenants as at 31 December 2017 prepared by the Company based on the Consolidated Financial Statements of the Company as of 31 December 2017 and for the year then ended, prepared in accordance with OMFP no. 2844/2016;
- c) We concluded that the computations of the financial covenants included in the loan agreement concluded between the Company and EURATOM are mathematically accurate;
- d) We have identified that the all the financial covenants included in the loan agreement concluded between the Company and EURATOM are in compliance with the loan agreement requirements, as presented in the Annex 1 prepared by the Company.

Attachments:

Annex 1 - Degree of compliance with EURATOM loan covenants as at 31 December 2017 (provided by the Company)

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Annex 1 - The degree of accomplishment of the financial conditions of the EURATOM credit agreement as of December 31, 2017

EURATOM indicators

1. Debt service cover ratio

a) Free cash flow over the period ended 31 December 2017

	RON
Cash generated from operating activities	902.874.601
Less: income tax paid	(58.393.148)
Free cash flow	<u>844.481.453</u>

b) Aggregate amount of principal, interest, fees, expenses and other amounts due over the period ended 31 December 2017

Repayment of borrowings falling due during the period	225.290.386
Interest paid	15.259.885
Total	<u>240.550.271</u>

Debt service cover ratio 3,51

2. Gearing ratio

a) Aggregate amount of the loans as at 31 December 2017

	RON
Short term loans	205.655.302
Long term loans	894.848.799
Total loans	<u>1.100.504.101</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	4.217.408.897
Total	<u>7.428.050.150</u>

Gearing ratio 0,15

3. Income and operation, maintenance and debt service cost

	RON
Revenue	1.897.298.201
Cost of operation and maintenance for Unit 1 and 2	
<i>Personnel expenses</i>	(324.770.920)
<i>Cost with electricity acquired</i>	(55.567.883)
<i>Repairs and maintenance</i>	(123.888.330)
<i>Cost with traded electricity</i>	(12.557.690)
<i>Cost with spare parts</i>	(18.113.517)
<i>Cost of uranium fuel</i>	(122.183.695)
<i>Other operating expenses, excluding provisions</i>	<u>(394.767.989)</u>
	(1.051.850.024)

Debt service in connection with Unit 1 and 2 240.550.271

Income and operation, maintenance and debt service cost 604.897.906

Summary:

Ratio	Realized level as at 31.12.2017	Admitted level	Fulfillment degree
Debt service cover ratio	3,51	Minimum 1,5	Accomplished
Gearing ratio	0,15	Maximum 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

Date: March 22, 2018

Chief Executive Officer
Cosmin Ghita



Chief Financial Officer
Adrian Gabriel Dumitriu

