

**Chairman of the Board of Directors
Robert Iulian Tudorache**

NOTE

on the approval of the SNN Board of Directors in order to submit for approval by the General Meeting of Shareholders of SNN the contracting of consultancy services, including of legal nature, required to carry out the due diligence (technical, environmental, financial, legal) analysis in view of a potential takeover by SNN of the processing line of uranium concentrate (CTU/U3O8) from the Compania Națională a Uraniului S.A. (CNU), Feldioara Branch

Recitals

In the meeting dated March 22nd, 2018 of the Board of Directors (BoD) of SNN, the Strategy of diversification of the sources of supply with raw materials necessary for generating nuclear fuel was approved, in order to submit it for approval by the Extraordinary General Meeting of Shareholder (EGMS).

SNN submitted for the approval of the EGMS, in the meeting of April 25th, 2018, the "Strategy of diversification of the sources of supply with raw materials necessary for generating nuclear fuel" (point 8 of the agenda). Of the approved proposals we recall:

- Initiating a procedure to assess the optimal solution for the development of an independent capability to process uranium octoxide (U_3O_8) into UO_2 .

Considering the foregoing, SNN conducted a comparative analysis of U_3O_8 processing options, having 2 possible scenarios:

- 1) Installation of U_3O_8 powder processing line, at Pitesti NFP;
- 2) Takeover of the U_3O_8 powder processing line from CNU Feldioara.

The conclusions of this analysis synthetically presented the factors and data to be considered when making decisions on the U_3O_8 processing options (the uranium concentrate used on the international market of uranium), along with the advantages and disadvantages derived from the 2 scenarios. The analysis pointed out the possible feasibility of the U_3O_8 processing option by scenario 2, i.e. taking over the processing line from CNU, Feldioara Branch.

Under these circumstances, in order to substantiate a decision related to scenario 2, it is necessary to carry out a due diligence (technical, environmental, financial, legal) analysis, in view of a potential takeover of the processing line from CNU, Feldioara Branch. This analysis will mainly identify the technological state of the processing line and of related facilities, an estimated value thereof, the takeover method, with the support of the Ministry of Energy, as well as the cost of operation over a determined period.

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The BoD of SNN was informed on the conclusions of the comparative analysis and of the opportunity of a due diligence analysis, thus being issued BoD Resolution no. 113/June 28th, 2018.

Thus, the following were drawn up:

- SNN Note no. 9104/July 17th, 2018, regarding the approval by the BoD in view of the submission for approval to the EGMS of (i) the information regarding the comparative analysis and (ii) the approval of empowering the BoD to perform a due diligence (technical, environmental, financial, legal) analysis in view of a potential takeover of the processing line from CNU, Feldioara Branch;
- SNN Note no. 9105/July 17th, 2018, regarding (i) the information of EGMS on the comparative analysis and (ii) the approval by EGMS for empowering the BoD to perform a due diligence (technical, environmental, financial, legal) analysis in view of a potential takeover of the processing line from CNU, Feldioara Branch.

According to the Strategy, the two Notes above and pursuant to the provisions of the Articles of Incorporation of SNN, BoD Resolution No. 134 dated July 17th, 2018 was issued, whereby the actions proposed by the Note mentioned above were being approved, and by EGMS Resolution no. 9/August 22nd, 2018, under point 8, these actions have been approved by the company's shareholders.

It should be pointed out that on July 19th, 2018 the Law no. 193 regulating the principles ensuring Romania's national strategy regarding the maintenance of the integrated nuclear cycle by the CNU, was published. According to the provisions of art. 2 par. (4) of this Law „Compania Nationala a Uraniului S.A. (CNU) has an exclusive right to provide services for the qualification, storage and processing of uranium octoxide on the territory of Romania". Thus, the takeover of the processing line from CNU, Feldioara Branch should be analyzed also from the point of view of the scope of the legislative provisions and, further, of the right of SNN to use it, considering that the law referred to above establishes an explicit legal monopoly on the processing of U₃O₈ in sintering powder of UO₂ in favor of CNU.

It should be recalled that SNN has not been involved, historically speaking, in the extraction and processing of uranium ore or in the processing of uranium concentrates in order to obtain the sintering powder of UO₂. These activities represented - and still represent - the main scope of business of the CNU. In view of the foregoing, the specific nature of the due diligence analysis, corroborated with the fact that within SNN there are limited professional competencies, both in terms of the nuclear fuel cycle component being carried out prior to the manufacture of fuel bundles (in concrete terms, regarding the activities for the processing of CTU/ U₃O₈ into sintering powder of UO₂), as well as in terms of the environmental issue related to such activity, as well as the very limited number of current staff, at this moment, within the organizational structures with duties in the company's financial and legal area (staff required to handle the current activities of the company with priority), in order to conduct this analysis it was determined that it is necessary to purchase specialized consultancy services in the technical, environmental, financial, legal fields from third parties, to perform this due diligence.

An approximate estimate of costs for the consultancy services is RON 2.5 million without VAT.

The contracting of the consultancy services, required in order to perform the due diligence process, also entails an essentially legal component, in particular for identifying the legal, concrete means for taking over the assets of CNU, an entity under the subordination of the Ministry of Energy. In this regard, the purchase of services of a legal nature should be approved at company level in compliance with the provisions of OUG [Government Emergency Ordinance] 26/2012. art. I, par. 3.

With reference to the correspondence initiated on this topic, SNN initially requested from the Ministry of Energy (ME) a point of view on the actions to take in order to perform the due diligence analysis through SNN Communication no. 10.736/August 27th, 2018, registered with ME under no. 192.933/August 28th, 2018, with the annex containing the list of necessary documents. Furthermore, SNN also sent to CNU, SNN Communication no. 2937/March 8th, 2019, registered with CNU under no. 1565/March 8th, 2019, with the annex containing the list of necessary documents.

CNU replied to SNN Communication no. 2937/March 8th, 2019, by CNU Communication no. 1589/March 11th, 2019 announcing that it shall make available to SNN the documents for the due diligence analysis in compliance with the legislation in force.

As a result of the above-mentioned correspondence, the representatives of the Ministry of Energy convened a meeting with the representatives of SNN and CNU on March 22nd, 2019 on the activity of the Feldioara Branch, the conclusion of this meeting being that a cooperation between SNN and CNU on this topic should be agreed by means of an agreement. By CNU Communication no. 2566/April 12th, 2019 registered with SNN under no. 4538/April 12th, 2019, CNU transmitted Resolution no. 11/April 11th, 2019 of the BoD of CNU, whereby the executive management of CNU is empowered to make available for SNN the non-classified documents requested according to the list submitted, in order to conduct the due diligence analysis for the Feldioara Branch.

Proposal

Considering the provisions of art. 13 par. (3) let. o) of the updated Articles of Incorporation of SNN, whereby the EGMS of SNN has the authority to decide on "*any other resolution for which the approval of the Extraordinary General Meeting of Shareholders is required*", in corroboration with the provisions of art. I, par. (3) of OG [Government Ordinance] no. 26/2012, whereby "In duly justified cases, where the legal advisory, assistance and/or representation activities, necessary for national companies, national associations and trading companies, as well as the autonomous administrations, referred to under par. (1) may not be ensured by the legal specialist personnel employed within these entities, services of such nature may be purchased, in compliance with the conditions laid down by the law, only with the approval and mandate of the representatives of the state or the administrative-territorial units in their governing bodies: a) by the Chief Authorizing Officer, for those in which the State is the full or majority shareholder; b) by the local councils, county councils or the General Council of the Municipality of Bucharest, as the case may be, for those in which the administrative-territorial units are the full or majority shareholder of the share capital" and taking into account the previous presentation of the issues on this topic, we hereby submit to the BoD of SNN, for submission for the approval of the EGMS of SNN, the following proposal:

Contracting integrated consultancy services (technical, financial and legal) with the purpose of conducting the due diligence (technical, environmental, financial, legal) analysis, approved by the BoD of SNN by BoD Resolution no. 134 dated July 17th, 2018 and, subsequently, approved by the EGMS of SNN by Resolution no. 9/August 22nd, 2018, point 8, in view of a potential takeover of the necessary equipment for processing uranium concentrate (CTU/U₁₃₄O₈) in order to obtain the sintering powder of UO₂, from the CNU, Feldioara Branch, under the conditions detailed in this Note, specifically:

- initiating the procurement of the consultancy services (in an integrated structure, i.e. technical consultancy on environmental, financial and legal issues), for conducting the "due diligence" analysis, by means of a competitive procedure;
- the estimated value of these services shall be of approximately RON 2.5 million (without VAT);

- empowering the Chief Executive Officer of SNN to conclude the consultancy contract with the consultant/the association declared to be the winner.

Chief Executive Officer - Cosmin Ghiță

Deputy Chief Executive Officer - Dan Laurentiu Tudor

Chief Financial Officer - Adrian Dumitriu

Manager of the Legal and Corporate Affairs Division - Laura Constantin

Manager of the Technological and Refurbishment Division - Romeo Urjan

Technical Support Service Manager - Emil Macovei