



Report date: 14.04.2017

Name of the issuing entity: Societatea Nationala NUCLEARELECTRICA S.A.

Registered office: 65 Polona Street, District 1, Bucharest

Phone/fax number: 021-203.82.00 / 021 – 316.94.00

Sole Registration Code with the Trade Register Office: 10874881

Order number: J40/7403/1998

Subscribed and paid share capital: 3.015.138.510 lei

Regulated market on which the issued securities are traded: Bucharest Stock Exchange

**To: Bucharest Stock Exchange
Financial Supervisory Authority**

Important event to be reported:

Information regarding the position of SNN's Board of Directors regarding the proposals of the minority shareholder Fondul Proprietatea for the introduction of two additional items on the agenda of the Ordinary General Meeting of SNN Shareholders convened for 24.04.2017

As per the information presented in the current report dated 11.04.2017 regarding the amendment of the convening notice of the General Meeting of SNN Shareholders scheduled for 24.04.2017/25.04.2017 with 5 additional items, out of which two items at the request of Fondul Proprietatea, respectively items:

6. The approval of the distribution of the net profit for the financial year 2016, of the total value of the gross dividends in amount of 107.248.477 lei, of the gross dividend value per share in amount of 0,3557 lei/share, of the payment date, namely **June 28, 2017** and of the methods of payment, as provided in the Note submitted by Fondul Proprietatea SA.

7. The approval of the distribution of the amount of 452.270.776,50 lei of the retained earnings of the company as additional dividends, of the gross value of the additional dividend of 1,5 lei/share. The additional dividends owed to the shareholders from the retained earnings will be paid on the same date, respectively on 28 June 2017, and by the same methods of payment as the dividends related to the net profit of the financial year 2016.

Societatea Nationala Nuclearelectrica SA ("SNN") states the following, for the correct information of the shareholders:

Following the approval of EGO 29/2017 amending art. 1 paragraph 1 letter g of the G.D. 64/2001 regarding the distribution of the profit of national companies, national enterprises and commercial companies with a majority or full state owned capital, was created the **possibility**, in

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Capital social subscris si varsat: 3.015.138.510 lei

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case of companies with majority state owned capital, to distribute as dividends other reserves representing own financing sources and amounts from the reported result.

On December 31st, 2016, SNN has **“other reserves representing own financing sources” in the amount of lei 128,915,264**, respectively the part of the profit distributed during previous years to “other reserves representing own financing sources”. On the same date, SNN has lei **3,664,453,196 in the reported result accounts**, cumulated.

On December 31st, 2016, SNN has monies in the amount of lei 263,714,387 (cash and cash equivalents); to this is added bank deposits due over 3 months in the amount of lei 1,245,073,268. Therefore, **the balance of monies, to which short-term investments as bank deposits are added** on December 31st, 2016 is of lei **1,508,787,655**; among them, collateral deposits for different performance bonds amount to lei 49,124,157.

According to the provisions of art. 111 paragraph 1 letter a) of the Company’s law no. 31/1990 republished (“Law 31/1990”), with subsequent amendments and additions, as well as according to art. 13 paragraph (2) letter b) of the S.N. Nuclearelectrica S.A. Articles of Incorporation, **the General Meeting of Shareholders (“GMS”) establishes the division of net profit and the dividend.**

Therefore, the SNN GMS may decide upon the additional dividend distribution from other reserves and the result reported starting with the approval of financial statement for 2016.

On December 31st, 2016, **the balance of banks loans** (both for long and short-term) was in the amount of lei **1,308,891,342**. These loans benefit from state guarantee and are returned from SNN own sources. The final due date for these credits is the period 2022-2024.

The investments costs approved for 2017, as well as the estimate for 2018 and 2019, according to Annex no. 4 to BVC for 2017 approved by SNN GMS by Decision no. 1/29.03.2017 are as follows:

No.	Investment program (acc. to Annex 4 BVC 2017, approved by the GMS decision no. 1/29.03.2017) – amounts in lei	2017	2018	2019
1	INVESTMENT COSTS IN LEI, out of which:	440.717.830	554.344.861	701.447.842
2	- Costs with investment objectives	231.593.376	344.319.202	491.422.183
3	- Installment return for investment credits	209.124.455	210.025.660	210.025.660

Among costs regarding the investment objectives are included major investment objectives of the management plan (period 2013-2017), as well as major strategic investment objectives such as the **“Extension of the life span of Unit 1 by re-tubing the reactor and refurbishment of the main systems”** (“Refurbishment of U1”), **“Initial contribution to the share capital of the joint-venture project company (JVco) for the project of Units 3 and 4”** (“Project U 3&4”) and **“And D2O detritiation installation (for Units 1 and 2)”** (“Detritiation of U1&2”), as follows:

No.	Investment (amounts in lei)	Investment program 2017	Investment program 2018	Investment program 2019
1	The intermediate spent fuel storage (*)	23.742.887	15.409.638	12.098.898
2	Upgrade and extension of the physical protection system (*)	16.150.000	29.413.139	31.500.000

3	Improvement of the Cernavoda NPP response, respectively of the nuclear safety functions in case of events beyond design basis following the nuclear accident occurred at the Fukushima 1 nuclear plant, Japan (*)	41.079.000	45.460.795	-
4	Extension of the period of life for Unit 1 by re-tubing the reactor and refurbishment of the main systems (pre-feasibility and feasibility studies)	4.000.126	44.692.430	41.478.572
5	Initial contribution to the share capital of the joint-venture project company (JVco) for the project Units 3 and 4	8.920.000	-	-
6	D2O detritiation installation (U1+U2)	-	66.713.855	317.459.158
TOTAL major investments of significant strategic importance		93.892.013	201.689.857	402.536.628

(*) Major investment objectives, according to the Management Plan 2013-2017

For short and average term, SNN must finance important investment projects, beyond investments for maintaining the existent operation capacity and to cover the debt for the credits contracted for the termination of Units 2. The most important investment projects from the perspective of the investment effort for the period of time are:

- **Detritiation installation**, with an estimated total value of approx. **EUR 170 million**, for which a major decision must be taken during the next period;
- **The refurbishment project of Unit 1** with an estimated value of **EUR 1.2-1.5 billion**.

During the period 2002-2012, SNN did not distribute dividends to its shareholders, due to the fact that the legal conditions for dividend distribution in that period, were not met.

SNN started paying dividends to its shareholders, starting 2013. The situation of declared dividends starting 2013 is presented below:

Year	Declared dividends (RON)	Distribution rate of the net profit **)(%)
2013	340.957.135	85,16%
2014	90.366.312	71,22%
2015	99.499.571	70,10%
2016*)	99.499.571	92,76%
Total 2013 - 2016	630.322.589	79,81%

*) for 2016, the amount included in the table above represents the dividend proposal of the BoD

**) the distribution rate is calculated by reporting the declared dividends to the net profit of the financial year, to which was added (rounding up) the provision for the employees participation to profit and out of which the allocations to the legal reserves and the reserves representing fiscal benefits were deduced, for each financial year, as applicable.

Therefore, one can see that during the 4 year period in between 2013 and 2016, SNN declared dividends amounting to **lei 630,322,589** (with the mention for 2016 above), with distribution rates of the profit to dividends in between 70.1% and 92,8%, resulting an average distribution rate of almost 80%.

The G.D. 64/2001 provides a minimum distribution rate of 50% of the net profit; for the financial years 2013 and 2016, by government memorandum a minimum distribution rate of 85%, respectively 90% was established.

Profit distribution to shareholders must consider a balanced attribution between dividends and profit retention for own financing sources.

A part of the available financial sources of SNN (monies and bank deposits) comes from sources attracted by listing the company at the BSE in 2013; **the amount drawn from the listing was lei 312,478,099**, of which: lei 281,003,950 representing share capital and the difference of lei 31,474,149 issue premiums.

Therefore, regarding the first additional item introduced by Fondul Proprietatea on the agenda of the SNN OGMS scheduled for 24.04.2017, SNN makes the following statements:

The amount proposed to be distributed as dividends according to the proposal of the minority shareholder, Fondul Proprietatea S.A. is **lei 107,248,477**. We remind the fact that the net profit of the financial year 2016 amounts to lei 112,449,451; of this, the mandatory allocation to the legal reserve amounts to lei 6,518,506, the amount of **lei 105,930,945** remaining to be distributed.

Therefore, even not considering the other elements of the proposal for profit distribution and considering the fact that the profit allocation to the legal reserve is mandatory according to the legal provisions, it results that the proposal of the shareholder Fondul Proprietatea **provided distribution to dividends of an amount exceeding the one which can be legally distributed (lei 107,248,477 compared to lei 105,930,945)** – considering only the distribution to the legal reserve.

Hereafter, we mention the fact that the distribution of the amount **lei 2,454,218**, provided in the proposal of the BoD as **“Other reserves representing fiscal facilities provided by the law”**, is a mandatory and not optional distribution according to the provisions of the Fiscal code, as explained in the substantiation note of the BoD.

Therefore, after deduction the legal reserve in the amount of lei 6,518,506 and other reserves representing fiscal facilities in the amount of lei 2,454,218, the amount remained from the net profit would be **lei 103,476,727**, smaller than the amount proposed by Fondul Proprietatea of lei 107,248,477 to be distributed as dividends.

Moreover, we mention that the amount proposed as “employees share to profit” in the amount of lei 3,793,000 was assumed through the approved Income and Expenditures budget by GMS in 2016, this being a pseudo-distribution of the profit, because at the end of the year a provision was created for this amount, already deducted from the net profit.

We mention the fact that, according to the provisions of the current Collective Labor Contract of SNN, employees may benefit from a profit share rate. Also, according to the provisions of the G.D. 64/2001 employees may benefit from a profit share. In the substantiation note of the profit distribution to dividends proposal drafted by the BoD these aspects are being detailed.

Also, the amounts presented as provision income and share bonuses of employees participation to profit are also included in the Income and Expenditures budget approved by the shareholders for the current 2017. Therefore, the distribution of this amount to the shareholders, as it is not a direct distribution from the profit, we consider it is an employee right, but also a tacit obligation of the company for as long as it was budgeted and assumed by the shareholders through the budget.

Employees started to benefit from amounts regarding the employees participation to profit starting with the financial year 2013, at a level under the maxim level allowed by the law. Not providing these amounts might also represent a lack of acknowledgement of the significant employees contribution to the financial results; the amount proposed for 2016 represents only 3.37% from the net profit.

This amount is already deducted from the net profit, through a provision created on closing the financial year. Therefore, by deduction from the amount of lei 112,449,451, the amounts for the legal reserve (lei 6,518,506) and the ones for other reserves representing fiscal facilities (lei 2,454,218), **it results that the maximum amount that might be distributed for dividends is of lei 103,476,727.**

Dividends proposed by the BoD in the amount of lei 99,499,571 to which other reserves are added, representing own financing sources in the amount of lei 3,977,156 are in the total amount of lei 103,476,727.

Considering the proposal of Fondul Proprietatea to distribute dividends in the amount of lei 107,248,477, it results that it is proposed to distribute as dividends from the net amount, an amount higher than the profit distributable as dividends, which is against legal provisions.

Regarding the second request of Fondul Proprietatea to approve the distribution of the amount of lei 452,270,776.50 of the company's result as additional dividends, SNN mentions the following:

- The company has amounts in the reported result account, which might be distributed as indicated above;
- There are monies and bank deposits in the amount cumulated which exceed the proposed amount but, considering the payment term of June 28th, 2017 we estimate that a cumulated payment of an amount of lei 452,270,776.50 of the reported result as additional dividends to which might be added the dividends in the amount proposed by the BoD, respectively the amount of lei 99,499,571, **it might be necessary the terminate certain bank deposits with due dates exceeding June 28th, 2017**, with the consequence of a financial loss of interest on term and unfulfilment of the financial income out of interests according to the approved income and expenditures budget for 2017, fact which must be approved by the shareholders;
- The company has ongoing long-term credits with the guarantee of the Romanian state, as indicated above and as a consequence, the company's available financial reserves for the debt services shall drop significantly;
- SNN has strategic ongoing investment projects for average and long term and not only, needing a significant capital input, beyond possible external attracted sources; therefore, on a short term, a final investment decision must be made regarding the detritiation installation, and for an average term, an investment decision, depending on the feasibility study, for the refurbishment of Unit 1. **The company's decapitalization by reserve distribution, may affect SNN's strategic projects, from the perspective of the chances for financial /co-financing with own capital contributions.**
- The amount proposed to be distributed from reserves plus the amount proposed to be

distributed as dividends (in the cumulated amount of lei 551,770,347) exceeds the amount of all dividends distributed by the company during 2002-2015 included (lei 530.823.018)

Referring to this last point regarding the distribution proposal of the result reported for the amount of **lei 452,270,776.50**, we conclude that, considering the aspects indicated above, at least until taking final investment decisions regarding the strategic investment project and securing their financing, corroborated with the drop of the indebtedness degree by gradual reimbursement of credits with state guarantee, **it is not advisable to distribute as dividends amounts other than the ones from the net current profit of each financial year.**

Nevertheless, such decision exclusively pertains to the shareholders who may compare short and long term interests and decide accordingly.

We mention that the hereby point of view is drafted by the executive management and undertaken by the SNN BoD, according to the decision no. 61 dated 14.04.2017.

**Daniela Lulache,
CEO**