



NUCLEARELECTRICA

Explanatory Note
regarding the proposal of the administrative and executive management of Societatea
Nationala Nuclearelectrica S.A. (SNN) to distribute, as dividends to the Company's
shareholders, the accounting profit of 2025, as remaining with SNN after deduction of the
50% corporate income tax

General

- a) The Government Ordinance no. 64/2001 on the profit distribution at national enterprises, national companies and companies with full or majority State capital, as well as at autonomous administrations, as approved with amendments by Law no. 769/2001, as subsequently amended and supplemented, specifically provides that:
- Article 1(1)(f): *“At national enterprises, national companies and companies with full or majority State capital, as well as at autonomous administrations, the accounting profit remaining after deduction of the corporate income tax shall be applied as follows, unless special laws provide otherwise: (...) f) **Minimum 50%, as transfers of funds to the State or local budget for autonomous administrations, or as dividends due to shareholders, for national enterprises/national companies and companies with full or majority State capital**”;*
 - Article 1(1²): *“By way of exception from paragraph (1)(f), the Government may approve, under a memorandum initiated by the public supervisory authorities and approved by the Ministry of Finance, that the national companies and companies with full or majority State capital, as well as autonomous state-owned companies, which carry out major investment projects of national interest to increase Romania's energy capacity or finance these projects carried out by their subsidiaries, may distribute a share of less than 50% of the net profit remaining after deduction of the amounts distributed for the applications provided at paragraph (1)(a)-(d), in the form of dividends/payments to the State budget, for implementation of the investments concerned”;*
 - Article 1(2⁶): *“The amount representing the difference between the share set out at paragraph (2¹) and that approved under paragraph (1²), which is not used/committed at the end of the financial year, shall be transferred as dividends/transfers of funds to the State budget within 60 days of the end of the financial year, in the case of major investment projects of national interest completed during the reference year”.*
- b) Article 3.1.14 of the Support Agreement regarding the Project of Cernavoda NPP's Units 3 and 4, which is an annex to Law no. 74/2023 approving the signing of the Support Agreement between the Romanian State and Societatea Nationala "Nuclearelectrica" - S.A. for the

Project of Cernavoda NPP’s Units 3 and 4 Project, a law that adopted unanimously by the Romanian Parliament, reads that **the Romanian State has undertaken to take the necessary steps to initiate and adopt legislative measures to ensure that, through the entire period of the Project’s implementation, not more than 50% of the accounting profit remaining with Societatea Nationala “Nuclearelectrica” – S.A. (hereinafter referred to as “SNN”), after deduction of the corporate income tax, shall be distributed as dividends to its shareholders.**

- c) The Memorandum no. 6617/sib/20.04.2024 regarding “Approval of certain measures for continuation of Cernavoda NPP Unit 1 Refurbishment Project”, as approved by the Government of Romania, regulates **the obligation of the Romanian State to make every effort with respect to the steps needed to initiate and adopt legislative measures to ensure the reduction of the amount of dividends distributed to shareholders from the Company’s profits obtained throughout the entire period of the Project’s implementation (including the year in which the commercial operation of Unit 1 is resumed).**
- d) We highlight an improvement by +18.38% of net profit based on the audited Individual Financial Statements at 31 December 2025, compared to the net profit included on the amended 2025 IEB:

	Amended 2025 IEB, as approved by the BoD Decision no. 276/09.12.2025	Audited Individual Financial Statements at 31 December 2025	Absolute variation (RON)	Variation (%)
Net profit of the financial year	2,026,233,767	2,398,630,260	372,396,493	18.38%

- e) A number of aspects concerning the evolution of SNN’s investment programme:

In 2024, the SNN’s investment programme amounted to RON 1.4 billion, funded from own sources.

In 2025, SNN distributed 50% of its distributable 2024 profit in accordance with the Government Ordinance no. 64/2001, to its shareholders, pursuant to the approvals obtained in the Ordinary General Meeting of Shareholders (OGMS) of 24 April 2025 (OGMS Resolution no. 5/24.04.2025), in the amount of RON 815 million. The undistributed profit represented the source of financing for the 2025 investment programme – the 2025 total investment programme amounted to RON 3.4 billion, and was fully implemented in 2025. The sources of financing for the 2025 investment programme consisted of own financing sources and bank loans. It can therefore be seen that the profit not distributed to shareholders was used to implement the investment programme.

Based on the audited Individual Financial Statements at 31 December 2025, considering a 50% share of the distributable profit according to the Government Ordinance no. 64/2001, SNN envisages distributing RON 1,179 million to its shareholders (and RON 973 million to the State budget), *i.e.*, RON 163 million more than the distribution estimated in the amended 2025 IEB, as approved by SNN’s Board of Directors (BoD) Decision no. 276/09.12.2025 (RON 135 million more to the State budget).

The undistributed profit shall be the source of financing for the 2026 and 2027 investment programme estimated at approximately RON 8.5 billion over the two years.

We further recall that SNN has the responsibility to mitigate any potential extrinsic risks in connection with the investment projects, which entails the need to ensure a robust financial capacity for the Company.

We wish to point out that a low dividend amount is perceived by the international financiers of SNN's major investment projects as a tangible proof that the Government of Romania and the Romanian State do support the major investment projects carried out by the Company.

- f) Distribution of a 50% share of dividends from the 2025 net profit is essential not only to live up to the commitments undertaken towards shareholders, but also to ensure the financial stability of SNN.

Fitch rating agency reconfirmed the BBB- IDR rating of SNN. The scenario used in determining the rating is based on the assumption the dividends would be distributed up to a maximum of 50% of the net profit. Maintaining this share will help support our rating, while making the Company attractive for investors and strengthening the confidence in our ability to efficiently manage the financial resources. It is important to note that any increase in this share may be seen as a trigger that could lead to our downgrading.

Furthermore, the financing agreement already signed with JP Morgan (and approved by the Company's shareholders) provides for clauses and conditions related to maintenance of an appropriate rating, of minimum BB, which positively influences both our financial relations and our reputation on the market.

- g) The shutdown of Unit 1 during the refurbishment period planned for 2027–2030 will decrease the electricity output by 50%, and a decrease in the Company's income accordingly.

Consequently, in order to ensure SNN's ability to continue financing the committed investment projects, the cash flows need to be supplemented. The amounts secured from maintaining a distribution rate similar to previous years, namely distribution of dividends at a rate of no more than 50% of the distributable profit for the 2025 financial year, are itemized as a certain source of funds, which will further support the ongoing projects. This is also the reason why the Company's proposal to distribute this 50% dividend share was made as such at the time of convening the Ordinary General Meeting of Shareholders of Societatea Nationala "Nuclearelectrica" S.A., namely on 20 March 2026, noting that, at that date, there was no legal or other hindrance in this regard and, more importantly, and duly considered the provisions of Law no. 74/2023 approving the signing of the Support Agreement between the Romanian State and Societatea Nationala "Nuclearelectrica" - S.A. for the Project of Cernavoda NPP's Units 3 and 4.

Under such circumstances, in the light of all of the above, we reiterate **the opinion that the provisions cited above from Law no. 74/2023 approving the signing of the Support Agreement between the Romanian State and Societatea Nationala "Nuclearelectrica" - S.A. for the Project of Cernavoda NPP's Units 3 and 4 introduces an obligation of diligence incumbent on the Romanian State to take all the necessary steps to ensure that, through the entire duration of the Project of Cernavoda NPP's Units 3 and 4, the accounting profit remaining with SNN after deduction of the corporate income tax is not distributed more than 50% as dividends to its shareholders; since this is an obligation, included in a document attached to an organic law, is acquires in turn the force of law.**

To sum up, considering the legislative provisions cited in this Explanatory Note, the administrative and executive management of SNN have no other legal alternative but to submit for the shareholders' approval the distribution of dividends at a rate of no more than 50% of the distributable profit for the 2025 financial year.

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