



NUCLEARELECTRICA

Translation from Romanian

**Endorsed,
Board of Directors
Chairman**

Alexandru SĂDULESCU

NOTE

on approving the continuation of negotiations on the Investment Documents regarding the development, construction, operation and decommissioning of Units 3 and 4 of Cernavodă NPP

1. General issues/competence

The strategy for the continuation of the Project Units 3 and 4 of Cernavoda NPP by organizing an investors selection procedure ("**the Strategy**") was approved by the Romanian Government by the Memorandum dated July 31, 2014 and by the Extraordinary General Meeting of Shareholders of S.N. Nuclearelectrica S.A. ("**SNN**") dated August 22, 2014.

The investors' selection procedure was initiated on August 22, 2014 by the publication of the international call for tender. The selection procedure is conducted by the Negotiation Committee (appointed by order of the Minister of Energy) and coordinated by the Inter-ministerial Commission (appointed by the Prime Minister's Decision no. 254/21.08.2014, amended by the Prime Minister Decision no. 172/14.07.2015).

According to the Strategy, the Memorandum of Understanding on the development, construction, operation and decommissioning of Units 3 and 4 of Cernavoda NPP ("**MoU**") was approved as follows:

- September 2, 2015 - MoU approval by the Romanian Government;
- October 22, 2015 - approval by the General Meeting of Shareholders of the MoU and empowerment of SNN CEO to sign the MoU (EGMS Resolution no. 13/22.10.2016);
- November 9, 2015 - signing of MoU between SNN and China General Nuclear Power Corporation ("**CGN**").

2. Events occurred after the signing of the MoU

According to the MoU, the parties agreed to adhere to a preliminary schedule in order to sign the Investment Documents - Investors Agreement ("**IA**") and Articles of Incorporation ("**AA**").

The main milestones reached after signing of the MoU:

- November 23, 2015 - the proposal for the Investment Documents, namely the Investors Agreement and Articles of Incorporation, was transmitted to CGN;
- January 19, 2016 - the Romanian Government issued the Letter of Support for the Project

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Units 3 and 4 of Cernavodă NPP;

- January 27, 2016 - CGN submitted the amended Investors Agreement;
- January 29, 2016 and February 24, 2016 - meetings between the Negotiation Committee and CGN during which CGN clarified its position regarding the amended form of the Investors Agreement and the principles which formed the basis of these changes were presented;
- Between 17 and 25 of March 2016, respectively between 11 and 28 of April 2016, two rounds of negotiations were held between the Negotiation Committee and CGN on the Investment Documents without succeeding in reaching their final form.

3. The need to extend the negotiation period for the Investment Documents

After the rounds of negotiation had been completed the following topics were discussed:

- The objective of pre-project activities;
 - The mechanism of making the Final Investment Decision ("**FID**");
 - The objective of the Investors Agreement;
 - Duration of the project company;
 - The merger of EnergoNuclear with the future project company which will be established by SNN and CGN (through a merger mechanism that includes a share premium as well) and return on SNN investment;
 - The transfer of licenses obtained by SNN before FID;
 - The transfer of SNN assets and contribution of the Romanian State;
 - The mechanisms for additional financing;
 - Principles of Corporate Governance;
 - The project support mechanisms granted by the Romanian state and Romanian State involvement;
 - Financing;
 - The procurement procedure for EPC (Engineering, Procurement and Construction), O&M (Operation and Maintenance) and decommissioning;
 - Exit mechanisms and compensation.
- Further negotiations will cover both topics mentioned above and other specific issues not approached yet (e.g. previous conditions to register the project company, FID, previous conditions for the merger of EnergoNuclear, remuneration of project company staff, transfer of assets, the exit events after FID, limitation of CGN liability, etc.).
 - In accordance with paragraph (3) of article §11 - Duration/Termination of Memorandum of Understanding on the development, construction, operation and decommissioning of Units 3 and 4 of Cernavodă NPP, *"each Party shall be entitled to terminate this MoU without compensation by a simple written notice to the other Party, in case of failure to reach an agreement on the Investment Documents within six (6) months after the signing of this MoU and to the extent to which the delay has not been caused by the respective Party"*;
 - Given that the term of six months mentioned above was fulfilled on May 8, 2016, on May 5, 2016 CGN transmitted to SNN a letter, by which they proposed to proceed the negotiations under the same conditions of the MoU, for a period of 4 months starting on May 9, 2016, applying all other provisions of the MoU, including the possibility of either Party to terminate the MOU without compensation by a simple written notice to the other Party, if no agreement has been reached on the Investment Documents, after the expiration of the 4 month period, and to the extent that the delay was not caused by that Party;
 - On May 6, 2016 the Negotiation Committee sent a letter to CGN accepting the proposal to continue negotiations in the spirit of the MoU, under the condition that the 4 month extension of negotiations period provided in paragraph (3) of article §11 - Duration/Termination of the MOU must be approved by the competent authorities and bodies, including by the Romanian Government and General Meeting of Shareholders of SN Nuclearelectrica SA.

We mention that, according to art. 1, the MoU aims to create the necessary framework for the Parties to reach an agreement on the terms and conditions governing the legal relationship between them in connection with the Project, not having expressly defined the duration of its validity.

The continuation of negotiations on the Investment Documents has been endorsed/ approved as follows:

- May 6, 2016 - endorsement by the Negotiation Committee;
- May 12, 2016 - endorsement by the SNN Board of Directors - Decision no. 60/12.05.2016;
- May 16, 2016 - endorsement by the Inter-ministerial Commission;
- June 2, 2016, the Romanian Government approved the Memorandum on the *"Continuation of negotiations on the Investment Documents on the development, construction, operation and decommissioning of Units 3 and 4 of Cernavodă NPP"*.

3. Proposals subject to be approved by the SNN Extraordinary General Meeting of Shareholders

Given all matters above-mentioned and according to art. 8.13 letter (vi), art. 9.1, paragraph (17) of the Strategy for the continuation of the Project Units 3 and 4 of Cernavodă NPP in conjunction with art. 13 paragraph 3, letter n) of the Articles of Incorporation of SNN and according to art. 113, letter m) of the Companies Law no. 31/1990, we submit to the approval of the Extraordinary General Meeting of Shareholders the following:

4.1. **The approval** of the continuation of the negotiations on the Investment Documents under the same conditions as provided by the Memorandum of Understanding for the development, construction, operation and decommissioning of Cernavoda NPP Units 3 and 4 ("MoU") for a period of 4 months, starting with May 9th 2016, with the application of all the MoU provisions, including the possibility of each party to cease the MoU without any compensations by means of a simple written notification to the other Party, in case an agreement regarding the Investment Documents is not reached and to the extent to which the delay was not caused by the respective Party

Daniela LULACHE
CEO