



NUCLEARELECTRICA

Current report in compliance with the Law no. 24/2017 and ASF Regulation no. 5/2018

Report date: 24.04.2019

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: Lei 3,015,138,510

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

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

Important event to be reported

The Annual Report for the financial year ended on December 31, 2018

Societatea Nationala Nuclearelectrica S.A. ("SNN") informs the shareholders and investors on the publishing of the **Annual Report for financial year ended on December 31, 2018**, prepared in compliance with the provisions of art. 63 of Law no. 24/2017 on issuers of financial instruments and market operations and with Appendix no. 15 to the Regulation no. 5/2018 on issuers of financial instruments and market operations, issued by the Financial Supervisory Authority.

The Annual Report for the financial year ended on December 31, 2018, comprises:

- (i) The main events in the SNN's activity throughout the financial year ended on December 31, 2018;
- (i) The Individual Audited Financial Statements as at and for the year ended on December 31, 2018, prepared in accordance with Minister of Finance Order no. 2844/2016 for the approval of the Accounting regulations compliant with the International Financial Reporting Standards ("IFRS"), accompanied by the Independent auditor's report;
- (ii) (iii) The Consolidated Audited Financial Statements as at and for the year ended at December 31, 2018, prepared in accordance with Minister of Finance Order no. 2844/2016 for the approval of the Accounting regulations compliant with the International Financial Reporting Standards ("IFRS"), accompanied by the Independent auditor's report.

Societatea Nationala NUCLEARELECTRICA S.A.

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Trade Registry number: J40/7403/1998, Sole registration code: 10874881,

Paid and subscribed capital: 3.015.138.510 lei

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The main financial results

In anul 2018, SNN obtained a net profit of de **410,611 thousand lei, 33.9% larger than in 2017**. The main results are presented below and are excerpted from the Individual Audited Financial Statement as at and for the financial year ended on December 31, 2018:

Indicator [thousand RON]	2018 (audited)	2017 (audited, retreated)	Variation
Production (GWh)*	10,443	10,561	(1.1%)
Operating income, of which:	2,178,873	1,932,901	12.7%
<i>Income from electricity sales**</i>	<i>2,116,992</i>	<i>1,884,741</i>	<i>12.3%</i>
Operating expenses, minus depreciation and amortization	(1,089,368)	(1,009,107)	8.0%
EBITDA	1,089,505	923,794	17.9%
Depreciation and amortization	(552,965)	(545,800)	1.3%
EBIT	536,540	377,994	41.9%
Net financial result	36,083	(18,449)	n/a
Corporate tax expenses, net	(162,012)	(53,002)	205.7%
Net profit	410,611	306,543	33.9%

*Electricity produced and delivered by Cernavoda NPP in the National Energy System.

**Including revenues from the sale of thermal energy, insignificant in the total revenues.

The main factors that contributed to the results of 2018 compared to the previous year:

- **Operational profit** (EBITDA) increased by 17.9% as compared to the same period of the previous year, mainly following the increase of operational revenues by 12.7%, influenced by the increase by 12.3% of the revenues from the sale of electricity.
- In 2018 the Energy Regulation National Authority (“ANRE”) no longer set for producers delivery obligations under regulated contracts, by abrogating Order no. 83/2013 on the methodology of setting prices for the electricity sold by the producers based on regulated contracts and electricity quantities from the regulated contracts concluded by the producers with last-instance suppliers, after completing the schedule for gradually removing regulated fees.
- The **operating income** increased by 12.7%, influenced by the 12.9% increase in the weighted average price of the electricity sold in 2018 as compared to the weighted average price in 2017, within the terms of the sale of a total quantity of electricity over the period January 1 - December 31, 2018 similar to the total quantity sold over the period January 1 - December 31, 2017 (only 0.6% decrease). In 2018, SNN did not sell energy on the regulated market (5.7% in 2017), the entire quantity of electricity being sold on the competitive market of bilateral contracts and on the spot market. As compared to the same period of the previous year, the quantity of electricity sold on the competition market of bilateral contracts increased by 17%, and benefited from an increase of the average sale price on this market by 20% (price without Tg), while the electricity quantity sold on the spot market (PZU and PI) decreased by 33%, whereas an average sale price on this market lower by 9% (price without Tg) was registered.
- The **operating expenses** increased by 8% over the period January 1 - December 31, 2018, as compared to the same period of the year of 2017. This evolution is primarily determined by the increase in personnel expenses by 19.7% over the period January 1 - December 31, 2018, as compared to the same

period of 2017, as a result of the approved wages increase guaranteed by Income and Expenses Budget for 2018 approved. The increase is also determined by the increase of the expenses on the electric power purchased for the compensation of the negative imbalances registered in the period and by the purchase of electricity in the second quarter of 2018 for deliveries in the same period related to the portfolio of ongoing contracts in the planned outage period, partially compensated by the decrease of the other expenses that make up the operating expenses.

➤ **Net currency exchange differences** positively influenced the net result, so in 2018, net financial revenues were recorded, while in the same period of the previous year net financial expenses were recorded. The main currencies to which there are exposures are EUR, CAD and USD.

➤ The increase in **corporate tax expense** diminishes the positive influences of the other items, as a result of the increase in the taxable profit calculated for the financial year 2018 as compared to the one calculated for the financial year 2017, as well as the calculation and registration of the tax on the additional dividends granted in 2018.

Energy sales and market 2018

Sales by types	Quantities in MWh	% of total sales	Average price [Ron/MWh with T _g included]	Revenues from sales [Ron]
Sales on the competitive market (bilateral contracts and PZU and PI contracts), out of which:	10,642,623	99.7%	198.99	2,117,821,215
- Contract sales PCCB - LE, PCCB - NC, PCSU and supply contracts	9,048,774	84.8%	200.67	1,815,847,897
- PZU and PI sales	1,593,849	14.9%	189.46	301,973,318
PE positive imbalances ^{*)}	33,556	0.3%	174.49	5,855,256
Total sales over the period January 1 - December 31, 2018	10,676,179	100%	198.92	2,123,676,471

**) NB: RON 425,399 of the value presented represents redistributed revenues resulted from the balancing of the system, based on the application of NARE Order no. 51/2016, NARE Order no. 76/2017 and NARE Order no. 31/2018.*

The electricity quantity sold based on contracts, on the spot market (PZU and PI) and on PE is 10,676,179 MWh, 0.9% more than the sales program, of 10,581,220 MWh (sized on the production estimate, without estimating unplanned outages) and 0.64% more than the electricity quantity sold in 2017.

The revenues obtained from the electricity market related to electricity deliveries in 2018 are RON 2,123,676,471 (out of which RON 425,399 account for redistributed revenues resulted from balancing the system, based on the application of ANRE Order no. 51/2016, ANRE Order no. 76/2017 and ANRE Order no. 31/2018), 3.9% higher than the budget revenues for 2018, and 12.06% higher than the same period of the previous year.

The average weighted sale price, for the electricity quantities sold (without PE), result in 2018, is 198.99 lei/MWh (including T_g). For comparison, the weighted average price of all the transactions performed on the markets on which SNN operated in 2018 (PCCB - LE, PCCB - NC, PCSU and PZU), calculated based on the values published by OPCOM in the monthly market reports, is 205.85 lei/MWh. In 2017 the

average weighted sale price, for the energy quantities sold (without PE) was 176.37 lei/MWh (including T_g).

The sold electricity quantities on the competitive market (bilateral contracts) represented in 2018 a percentage rate of 84.8% out of the total volume of the sold energy. The average sale price on bilateral contracts in 2018 was 200.67 RON/MWh (with included T_g), recording an increase of 19.6% as compared to the average price recorded in 2017, of 167.78 RON/MWh (with included T_g); given the fact that the values of the electric power input transport fee in the T_g network were the following: RON 1.34/MWh for the period January 1st, 2017 - June 30th, 2017 according to ANRE Order no. 27/June 22, 2016; 1.05 RON/MWh for the period July 1st, 2017 - June 30th, 2018 according to ANRE Order no. 48/June 22, 2017 and 1.18 RON/MWh for the period July 1st, 2018 - September 30th, 2018 according to ANRE Order no. 108 /June 20, 2018.

On the spot market (PZU and PI), in 2018, a quantity of electricity representing 14.9% of the total sales volume was sold, compared to the percentage share of 22.2% recorded over the same period of 2017. The energy average selling price on the spot market (PZU and PI) achieved by SNN in 2018 was 189.46 lei/MWh (with T_g included), compared to 208.32 lei/MWh (with T_g included) recorded during the same period of 2017.

2018 Investment program

The total value of SNN's investment program for 2018 was 244,867 thousand lei (excluding the component allocated to the debt service for long-term loans), approved by the Decision no. 3/02.03.2018 of the Ordinary General Meeting of Shareholders of SNN.

The comparative situation of the investment achievements (value and percentage) for the period 1 January - 31 December 2018 compared to the comparative period of 2017 is presented in the table below:

Year	Investment program [thousand lei]	Performed (01.01 – 31.12) [thousand lei]	Degree of completion (01.01 – 31.12) (%)
2018	244,867	139,699	57.1%
2017	231,593	92,751	40.0%

As in previous years, Nuclearelectrica S.A. has structured its investment development program on objectives defined in relation to the needs of the production branches (CNE Cernavoda and FCN Pitesti), so as to achieve the highest possible utilization of the production capacity (EAF Energy Availability Factor) the nuclear safety rules and the long-term maintenance of the level of excellence in the operation of the plant. At the same time, the development program aims to respond to the need to modernize/refurbish systems, for both economical reasons (specific consumption reductions, improvement of some parameters characteristic of the processes served, with a positive impact on efficiency) and juridical nature, improvements in nuclear safety, environmental protection and occupational safety, which are imperative requirements coming from regulatory authorities in the field.

The SNN's investment program for 2018 was value-added taking into account the ongoing contractual commitments, estimates of the investment objectives to be achieved in the next year, including amounts allocated to investment projects for which certain performance is expected Requirements beyond SNN

control (eg prior regulatory authority approvals, legal deadlines for completion of public procurement procedures including appeals, obtaining necessary approvals from SNN corporate bodies, etc.) to allow implementation of these projects with approved budget values.

Among the important investment projects budgeted in the 2018 investment program we mention:

- **"Intermediate Fuel Storage Facility - DICA (including SICA Unit 2)":** budgeted 14,147 thousand MDL - the value achieved on December 31, 2018 is 60.8%. During the year 2018, construction works were completed and the completion of the works for the DICA Module 9 and the physical protection works related to Module 8 were completed. For Modules 10 and 11 type Macstor 200, the building authorization was obtained, being construction works started.

- **"Modernization and extension Physical protection system":** budgeted 16,600 thousand lei - the performance value at December, 31 2018 is 49.3%. Delays were recorded in the contract chart mainly due to the delay in obtaining prior authorizations and the revision of the economic estimates. Physical protection works priority 2, stage 1 of completing the physical protection system of Cernavoda NPP are in progress. The value not made in 2018 will be set in the 2019 budget.

- **"Improving the Cernavoda NPP response and the nuclear safety functions in case of events outside the design bases following the nuclear accident at the Fukushima 1 nuclear power plant, Japan":** budgeted 26,241 thousand lei - the achievement value at December 31, 2018 is of 33.3%. Within the objective of changing the destination of the existing constructions on Unit 5 site, the technical and economic documentation for the design activities was completed and the additional 5 to the contract was signed after the completion of the project and the approval of the economic documentation by the Cernavoda NPP. This process has accumulated delays due to the length of the iterative process of consulting the design documentation.

- **"Expanding the lifetime of Unit 1 by rewinding the reactor and refurbishing the main systems (studies)":** budgeted 10,373 thousand lei - the achievement value at December 31, 2018 is 23.9%. SNN joined the Candu Owners Group (COG) under the Integrated Material Surveillance Program (IMSP) to acquire the data needed to conduct fuel channel studies. Expenditure incurred until December 31, 2018 is largely the cost of joining SNN to the COG program, and in the course of 2019, the report will be received with the results of the analyzes. The delays were determined by the necessity of re-calibrating the strategy and the initial technical requirements, which were based on the budget value dimensioning, with the market realities (market consultation process, implementation of the changes in the procurement specifications, iterative process with ANAP regarding the qualification criteria potential suppliers and rating factors.

- **"Planting of NPP property and relocation of buildings necessary for the good functioning of Seiru Deposits on the territory of Cernavoda NPP":** budgeted 4,624 thousand lei - the performance value at December 31, 2018 is 34.1%. The contract was signed in October 2018, the signing process being extended after the revision of the economic estimates.

- **"HESIR Type Horizontal and Vertical Flow Detectors Extraction Equipment":** budgeted 3,038 thousand lei - the value achieved on December 31, 2018 is 8.3%. The delivery deadline for the equipment was offset from December 2018 at the beginning of 2019. The value not achieved in 2018 will be set in the 2019 budget.

- **"Upgrading the communication infrastructure, setting up the data center according to the TIA 942-1 standard and implementing information security risk mitigation measures"**: budgeted 2.170 thousand lei - until December 31, 2018 the procurement procedure for the the first stage - data center design, structured cabling and communication infrastructure. The awarding award in November 2018 marked the winner, but in December 2018 a contestation was filed by one of the participating companies, a dispute that is due to be settled in January 2019.

Further information can be obtained at address email: investor.relations@nuclearelectrica.ro

Cosmin Ghita
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