

NUCLEARELECTRICA

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SNN Investors Teleconference
Financial results for the period of nine months
ended on September 30, 2019
- 9M 2019 -

Bucharest: November 14, 2019

9M 2019 Financial result highlights

RON '000	9M 2019 (unaudited)	9M 2018 (unaudited)	Variation (%)	Q3 2019 (unaudited)	Q3 2018 (unaudited)	Variation (%)	Budget 9M 2019	Variation (%)
	1	2	3=(1-2)/2	4	5	6=(4-5)/5	7	8=(1-7)/7
Quantity of energy sold (Mwh), out of which:	7,824,496	7,863,016	(0.5%)	2,712,172	2,737,616	(0.9%)	7,680,459	1.9%
Quantity of energy produced (Mwh)	7,523,762	7,640,217	(1.5%)	2,605,048	2,670,946	(2.5%)	7,478,934	0.6%
Sales of electricity (including thermal energy)	1,771,356	1,519,372	16.6%	589,618	550,747	7.1%	1,756,915	0.8%
Operating expenses	873,954	776,293	12.6%	304,452	256,959	18.5%	1,002,038	(12.8%)
EBITDA	936,264	798,001	17.3%	297,206	310,647	(4.3%)	790,538	18.4%
EBIT	520,682	381,872	36.3%	156,497	166,618	(6.1%)	375,352	38.7%
Net profit	415,946	320,996	29.6%	125,284	138,682	(9.7%)	292,972	42.0%

EBITDA: 936,264k RON (17% above 9M 2018)

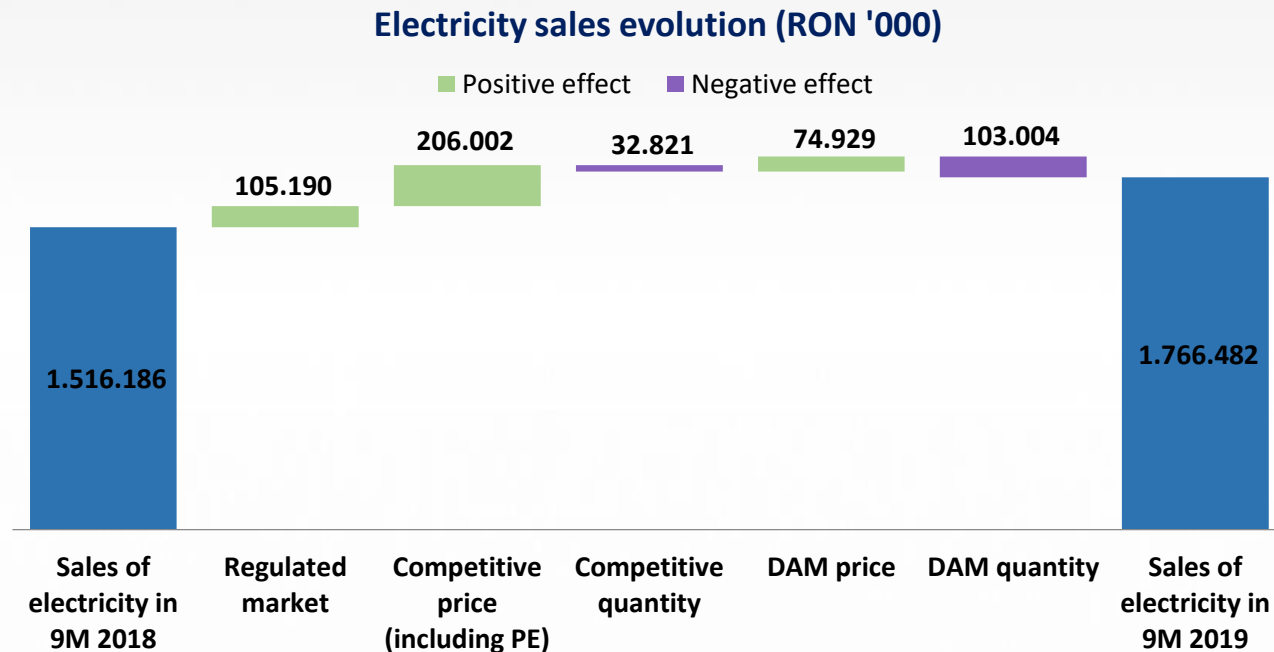
Net profit: 415,946k RON (30% above 9M 2018)

Main drivers of 9M 2019 reported profit:

- **significant increase in electricity sales by 16.6%** on account of 17% increase of realized average prices (w/out T_g) for similar quantity of energy sold (decrease with only 0.5%);
- **negative financial result recorded in 9M 2019, compared to a positive financial result in 9M 2018;**
- **increase in OPEX** (w/out depreciation and amortization) in 9M'19 compared to 9M'18, mainly due to contribution paid by the Company to ANRE (according to the provisions of GEO no. 114/2018), to increase in the cost of purchased electricity and a slight increase of personnel expenses, partially offset by the decrease in the repair and maintenance costs.

*Revenue and Expenditure Budget for 2019 was approved through GSM no. 6/20.05.2019.

Sales of electricity in 9M 2019 increased by 17% compared to 9M 2018



Electricity sales evolution from 9M'18 to 9M'19 was determined by:

- **similar total quantity of electricity sold** (only 0.5% decrease), at an **weighted average selling price 17% higher**
- **changes in sales structure** (quantities sold), corroborated with **price evolution**, as follows:
 - 7% sales (558,540 MWh) on regulated market in 9M'19 compared to no sales in 9M'18;
 - sales on bilateral contracts market (PCCB & PCSU) of 81% in 9M'19 compared to 82% in 9M'18 (decrease of 2% from 9M'18 to 9M'19), with 16% increase of price;
 - sales on DAM market (PZU) of 12% in 9M'19 compared to 17% in 9M'18 (decrease of 33% from 9M'18 to 9M'19), with a 32% increase of price;
 - balancing market (PE): sales decrease of 14% corroborated with 13% increase of price.

Sales structure analysis 9M 2019 vs. 9M 2018

The sales structure of 9M'19 and 9M'18:

	Q3 2018	T3 2018	Q3 2019	T3 2019
PCCB + PCSU	88.4%	82.5%	71.1%	81.0%
PZU	11.6%	17.5%	8.5%	11.8%
regulated mk	0.0%	0.0%	20.4%	7.2%

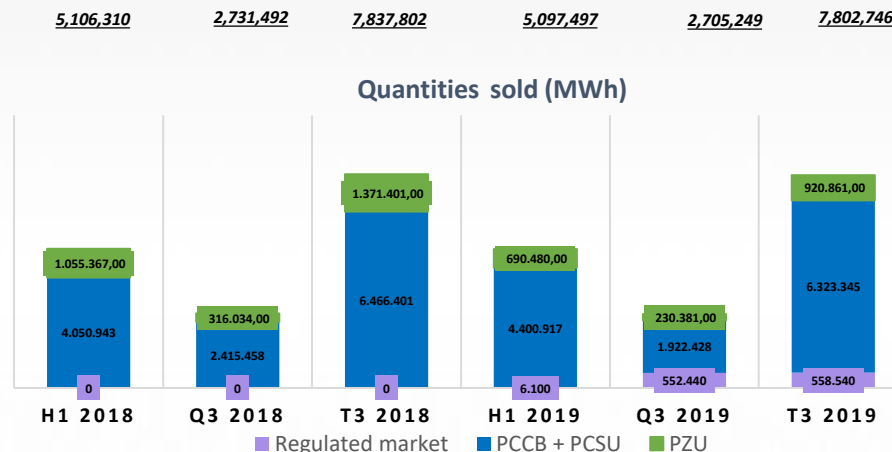
The main change this year, comes from sales on regulated market, which in 2018 for the entire year were nil (0). According to ANRE Decision no. 326/2019, SNN has to sell in 2019 1,377 GWh on regulated market, at 188,33 RON/MWh, from which in Q3'19 558 GWh.

Sales price evolution:

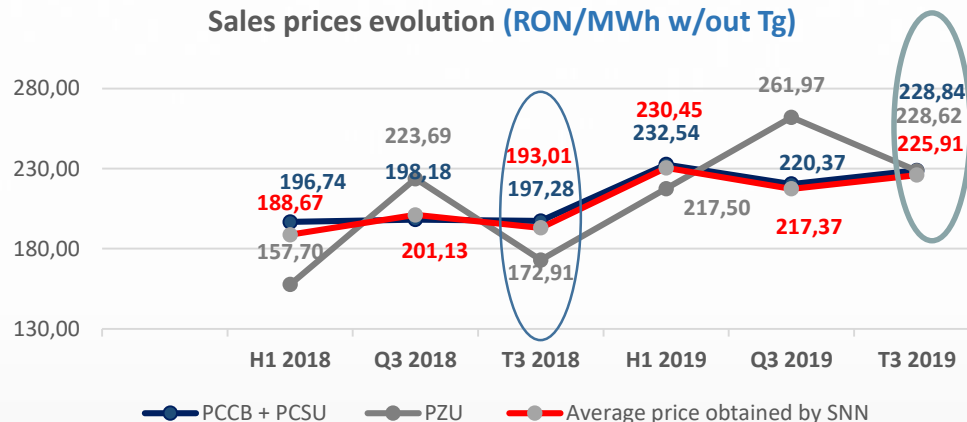
	compared to Q3'18	compared to T3'18
PCCB + PCSU	11%	16%
PZU	17%	32%
regulated mk	n/a	n/a

- SNN's sales share on the **bilateral contracts market** (PCCB+PCSU) decreased, reaching 81% in 9M'19 compared to 82% in 9M'18 and 71% in Q3'19; sales on this market benefited from a significant increase by **16%** in the average selling price compared to 9M'18 and also by **11%** to Q3'18;
- On **DAM (PZU)**, the quantities of electricity sold for this segment decreased to **12%** in 9M'19, compared to **17%** in 9M'18 and **9%** in Q3'19, with an increase of **17%** of the average selling price compared to Q3'18 and **32%** compared to 9M'18.

Sales structure quantities sold (MWh, w/out PE) 9M 2019 vs 9M 2018



Sales prices evolution (RON/MWh w/out Tg)



Sales structure analysis 9M 2019 vs. 9M 2018 (cont'd)

- In 9M'19, SNN exceeded its target for selling quantities on the bilateral contracts market by providing predictable contracts for longer periods of time, according to the sales strategy.

Quantities	9M 2019 actual	9M 2019 budgeted	Variation actual vs. budgeted	9M 2018 actual	Variation comparative periods
Regulated market	558,540	558,540	0.0%	-	100.0%
PCCB + PCSU	6,323,345	6,220,028	1.7%	6,466,401	-2.2%
PZU	920,861	1,050,104	-12.3%	1,371,401	-32.9%
Total	7,802,746	7,828,672	-0.3%	7,837,802	-0.4%

- On Day Ahead Market (DAM) the price obtained by SNN in 9M'19 followed the market trend, as the monthly average prices published by OPCOM for DAM sales in 9M'19 were as follows:

Average for 9M 2018	01	02	03	04	05	06	07	08	09	Average for 9M 2019
194.42	366.54	235.98	189.09	223.50	197.69	193.79	271.27	297.06	300.55	256.88

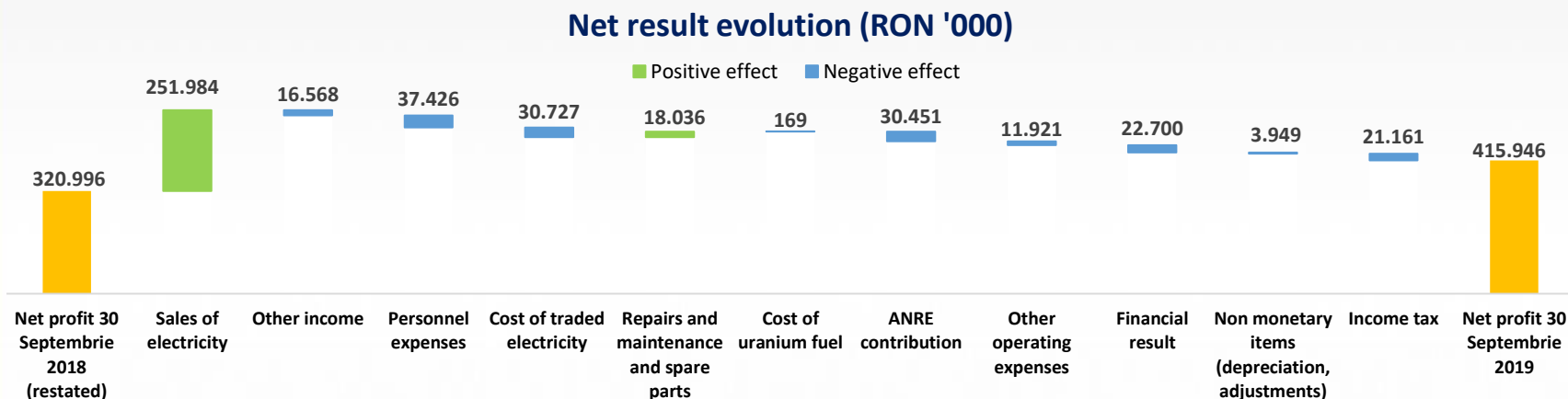
Cost structure 9M 2019 compared to 9M 2018

- OPEX higher by 8% compared to 9M 2018, 9% below budgeted figures -

Cost structure (RON '000)	9M 2019	9M 2018 (restated)	%	9M BVC 2019	%
	1	2	3=(1-2)/2	4	5=(1-4)/4
Depreciation and amortisation	415.582	416.129	0%	415.186	0%
Personnel expenses	351.812	314.386	12%	347.635	1%
Cost of uranium fuel	78.601	78.432	0%	98.475	-20%
ANDR contribution	73.049	72.760	0%	73.215	0%
Repairs, maintenance and spare parts	60.276	78.312	-23%	84.960	-29%
Tehnological and non-tehnological water and energy	58.021	57.558	1%	57.386	1%
ANRE contribution	31.876	1.425	2137%	31.946	0%
Cost of traded electricity	83.206	52.479	59%	121.409	-31%
Electricity transmission expenses	8.878	8.369	6%	8.833	1%
Other operating expenses	128.236	112.572	14%	178.179	-28%
TOTAL	1.289.536	1.192.421	8%	1.417.224	-9%

- ❑ **Depreciation and amortization:** without significant changes between the two periods (values include depreciation charge of inspections during planned outages);
- ❑ **OPEX higher with 8% compared to 9M 2018 on the basis of:**
 - **Personnel expenses:** increase by 12%, due to Company's commitments to employees, representing employees participation to profit for 2019 and distribution of granted amounts (salaries, bonuses, and other premiums);
 - **Cost of uranium fuel:** without significant changes between the two periods.
 - **ANDR contribution** for decommissioning (0.6 EUR/MWh) and for permanent storage of radioactive waste (1.4 EUR/MWh) is similar to previous comparative period;
 - **Cost with spare parts, repairs and maintenance** recorded an overall decrease of 23%, correlated with the repairs and maintenance program and with the needs in 9M'19. In 9M'2019 the need for spare parts, repairs and maintenance was lower than in 9M'2018 due to the fact that the planned outage for the current year was for U2 which was commissioned later than U1 (older unit, planned outage for U1 in 2018).
 - **Cost of traded electricity:** increased compared to 9M'18, mainly based on significant increase in quantity needed to be acquired, compensated by a decrease in imbalances, as follows:
 - **Increase in purchases of electricity by 31,3 mil RON**, from 32,9 mil RON in 9M'2018 to 64,8 mil RON in 9M'2019 to cover contractual obligations during planned and unplanned outage of U1 and U2 (the amount of electricity purchased was 263.932 MWh (9M'2018: 149.598 MWh), at an average price of 245,57 lei / MWh (9M'2018: 217,71 lei / MWh));
 - **Decrease in expenses with imbalances of 1 mil RON**, from 19 mil RON to 18 mil RON; these expenses represent the equivalent of energy received from balancing market mainly due to differences in notified quantities vs. delivered quantities, caused by unplanned outages of U1 and U2 (the amount of electricity purchased was 36.706 MWh (9M'2018: 73.105 MWh))
 - **Electricity transmission expenses:** increased by 6% due to the increase in the level of electricity transmission tariff into the grid. (from 1.05 RON/MWh to 1.18 RON/MWh starting with July 1st 2018);
 - **Other operating expenses** recorded an overall increase of 14%, mainly due to increase in expenses with consumables, including fuel expenses, based on increased prices.

Net profit for 9M'19 increased by 30% compared to 9M'18



- Net result benefited mainly from significant positive evolution of sales of electricity (including sales of thermal energy) and from a reduction in the cost of repairs, maintenance and spare parts.
- The negative impact comes mainly from other ANRE contribution, cost of traded electricity, from an increase in granted personnel expenses (including the provisions for employees' participation to profit, benefits and rewards included in the budget for 2019, advised by the board of directors) and also from the financial result. The income tax level also impacted negatively the net result.

9M 2019 Income statement

RON '000	9M ended 30.09.2019 (unaudited)	9M ended 30.09.2018 (unaudited)	Variation (%)	3M ended 30.09.2019 (unaudited)	3M ended 30.09.2018 (unaudited)	Variation (%)	Budget 9M 2019	Variation (%)
	1	2	3=(1-2)/2	4	5	6=(4-5)/5	7	8=(1-7)/7
Revenues								
Sales of electricity	1,771,356	1,519,372	16.58%	589,618	550,747	7.06%	1,756,915	0.82%
Electricity transmission revenues	8,878	8,369	6.08%	3,074	3,152	(2.47%)	8,833	0.51%
Total revenues	1,780,233	1,527,741	16.53%	592,691	553,899	7.00%	1,765,748	0.82%
Other income	29,985	46,552	(35.59%)	8,967	13,707	(34.58%)	26,828	11.77%
Operating expenses								
Personnel expenses	351,812	314,386	11.90%	118,031	109,367	7.92%	347,635	1.20%
Cost of traded electricity	83,206	52,479	58.55%	41,004	20,530	99.72%	121,409	(31.47%)
Repairs and maintenance	47,835	65,112	(26.53%)	16,231	15,017	8.09%	71,616	(33.21%)
Electricity transmission expenses	8,878	8,369	6.08%	3,074	3,152	(2.47%)	8,833	0.51%
Costs with spare parts	12,441	13,200	(5.75%)	2,666	1,330	100.38%	13,344	(6.77%)
Cost of uranium fuel	78,601	78,432	0.22%	27,695	26,923	2.87%	98,475	(20.18%)
Other operating expenses	291,182	244,314	19.18%	95,750	80,640	18.74%	340,726	(14.54%)
Total operating expenses	873,954	776,293	12.58%	304,452	256,959	18.48%	1,002,038	(12.78%)
EBITDA	936,264	798,001	17.33%	297,206	310,647	(4.33%)	790,538	18.43%
Depreciation and amortisation	415,582	416,129	(0.13%)	140,709	144,030	(2.31%)	415,186	0.10%
EBIT	520,682	381,872	36.35%	156,497	166,618	(6.07%)	375,352	38.72%
Finance costs	53,921	47,147	14.37%	15,124	15,431	(1.99%)	63,876	(15.59%)
Finance income	49,217	65,142	(24.45%)	14,482	18,491	(21.68%)	60,135	(18.16%)
Income tax charge, net	100,032	78,872	26.83%	30,571	30,996	(1.37%)	78,639	27.20%
Net profit	415,946	320,996	29.58%	125,284	138,682	(9.66%)	292,972	41.97%

*Approved through GSM no. 6/20.05.2019.

9M 2019 Financial position

RON '000	30.09.2019 (unaudited)	31.12.2018 (audited)	Variation (%)
	A	B	C = (A - B)/B
Total non-current assets	6,376,460	6,671,436	(4.4%)
Inventories	394,768	368,742	7.1%
Trade and other receivables	226,976	193,896	17.1%
Cash and cash equivalents (incl. deposits)	1,738,911	1,632,131	6.5%
Total current assets	2,360,655	2,194,769	7.6%
Total assets	8,737,115	8,866,205	(1.5%)
Share capital and premium	3,242,115	3,242,115	-
Prepaid share reserve	21,554	21,554	-
Revaluation reserve	235,338	257,408	(8.6%)
Retained earnings	3,717,155	3,658,054	1.6%
Total shareholder's equity	7,216,162	7,179,131	0.5%
Long term borrowings	571,861	683,967	(16.4%)
Provisions for risks and expenses	165,587	182,883	(9.5%)
Other non-current liabilities	242,574	256,019	(5.3%)
Total non-current liabilities	980,021	1,122,870	(12.7%)
Accounts payable and other liabilities	266,109	326,979	(18.6%)
Current portion of provisions for risks and expenses	61,064	33,831	80.5%
Current portion of long term borrowings	213,758	203,394	5.1%
Total current liabilities	540,932	564,204	(4.1%)
Total liabilities	1,520,953	1,687,074	(9.8%)
Total equity and liabilities	8,737,115	8,866,205	(1.5%)

Current assets

- Low counterparty risk: advance payment or collections backed by letters of guarantee (various types according to contracts provisions).
- Cash and cash equivalents position (including deposits > 3M & < 12M maturity) increased by 6.5% as compared to December 31st, 2018. Net cash position (cash and cash equivalents position less borrowings) as of September 30th, 2019 is 953,292k RON increased by 28% as compared to December 31st, 2018 (744,769k RON).
- Trade and other receivables position as of September 30th, 2019, includes prepayments related to ANRE in amount of 10,6 mil. RON.

Non – current liabilities

- Decrease of long term borrowings (contracted from Societe Generale and Euratom for the realization and commissioning of Unit 2) by 16.4% is explained by the reclassification of the due installments from the long term portion in the short term portion as the credits maturity rises, including the impact of foreign exchange revaluation.
- As of September 30th, 2019 exposure to long term borrowings is in EUR and CAD.

Current liabilities

- Accounts payable and other liabilities decreased by 19%, mainly due to decrease in income tax liability. This decrease was partly offset by the increase of accounts payable and deferred income.
- Current portion of provisions for risks and expenses increased by 81%, as a result of the partial classification of the provisions for radioactive and non-radioactive waste (including DICA) in short term, as the time passes and the waste is managed.

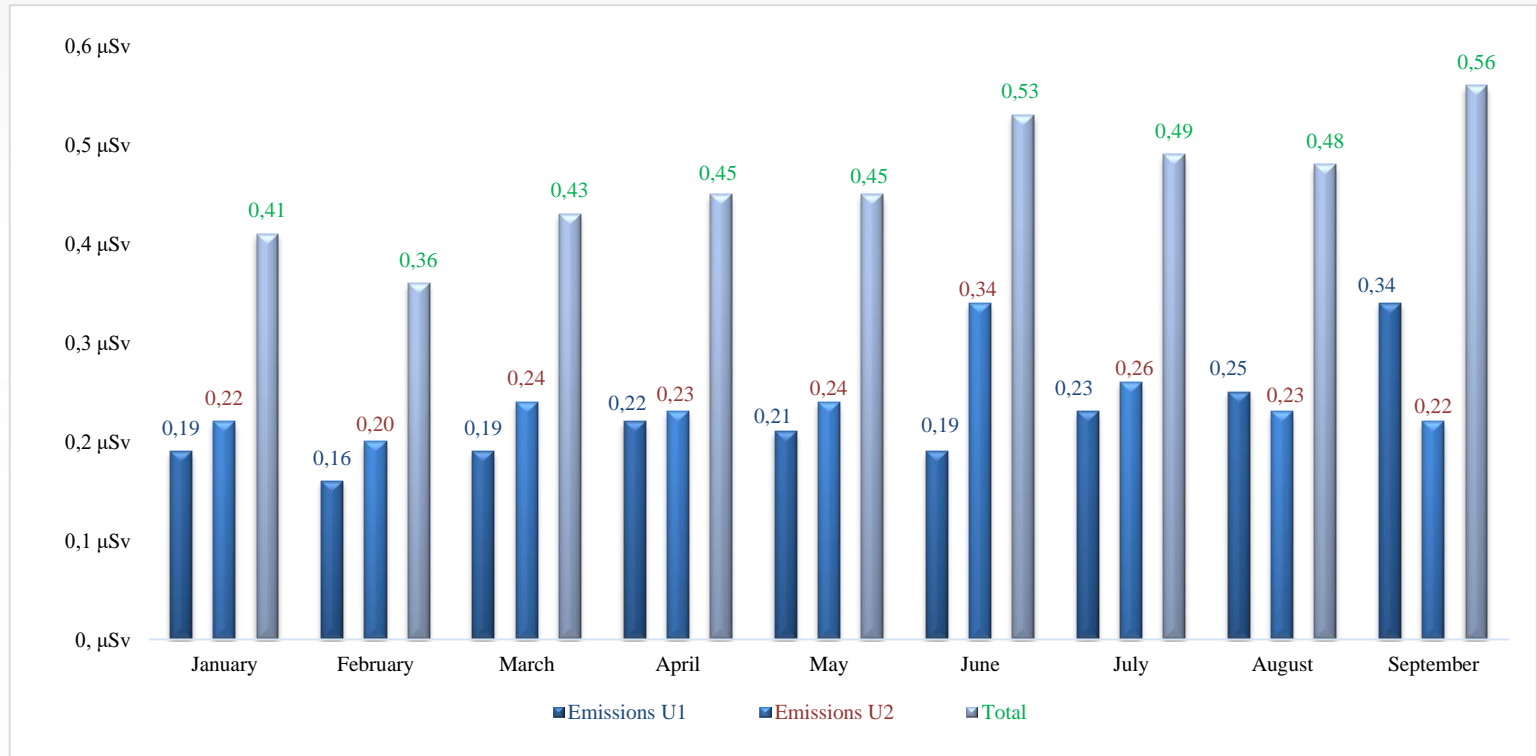
CAPEX

Capital expenditure of SNN in 9M 2019:

- 178.4 mil RON (in 9M 2018: 116.6 mil RON) out of total investment program of 256.5 mil RON in 9M 2019
- 69.5% completion degree for 9M 2019 compared to 47.6% in 9M 2018

CAPEX Program	BVC 2019*)	Degree of completion 30.09.2019		BVC 2018	Degree of completion 30.09.2018	
Ongoing investments	94.462	51.587	54,6%	96.000	17.580	18,3%
New investments	419	-	0,0%	37.358	5.547	14,8%
Investments made on tangible assets	90.669	79.442	87,6%	57.174	68.609	120,0%
Equipments	70.999	47.340	66,7%	54.336	24.892	45,8%
Total value of investment program	256.549	178.369	69,5%	244.867	116.627	47,6%
*) Approved through GSM no. 6/20.05.2019.						

Radioactive emissions U1+U2 (μSv)

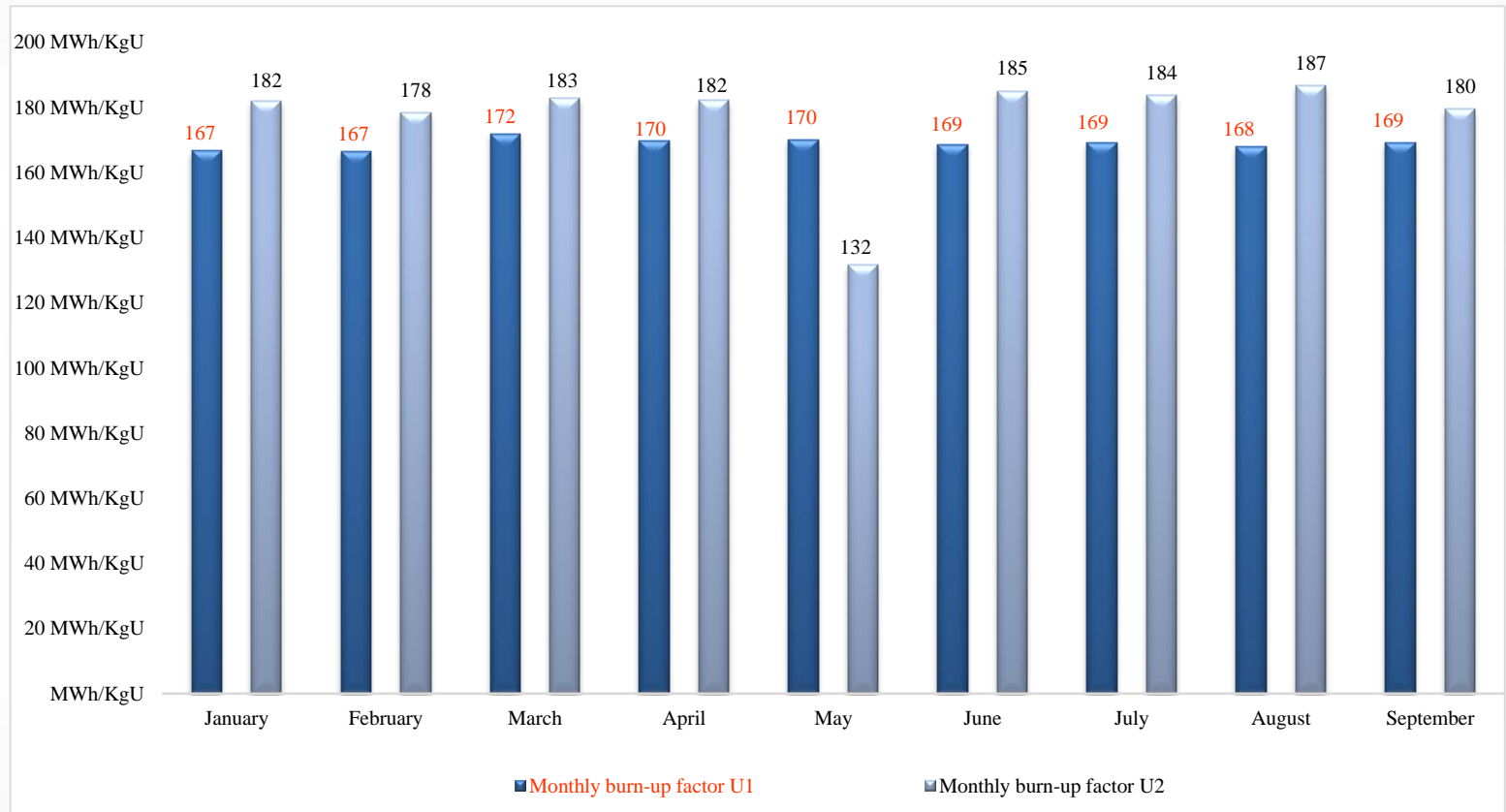


Total 9M 2019:	Anual limit:
4.16	250

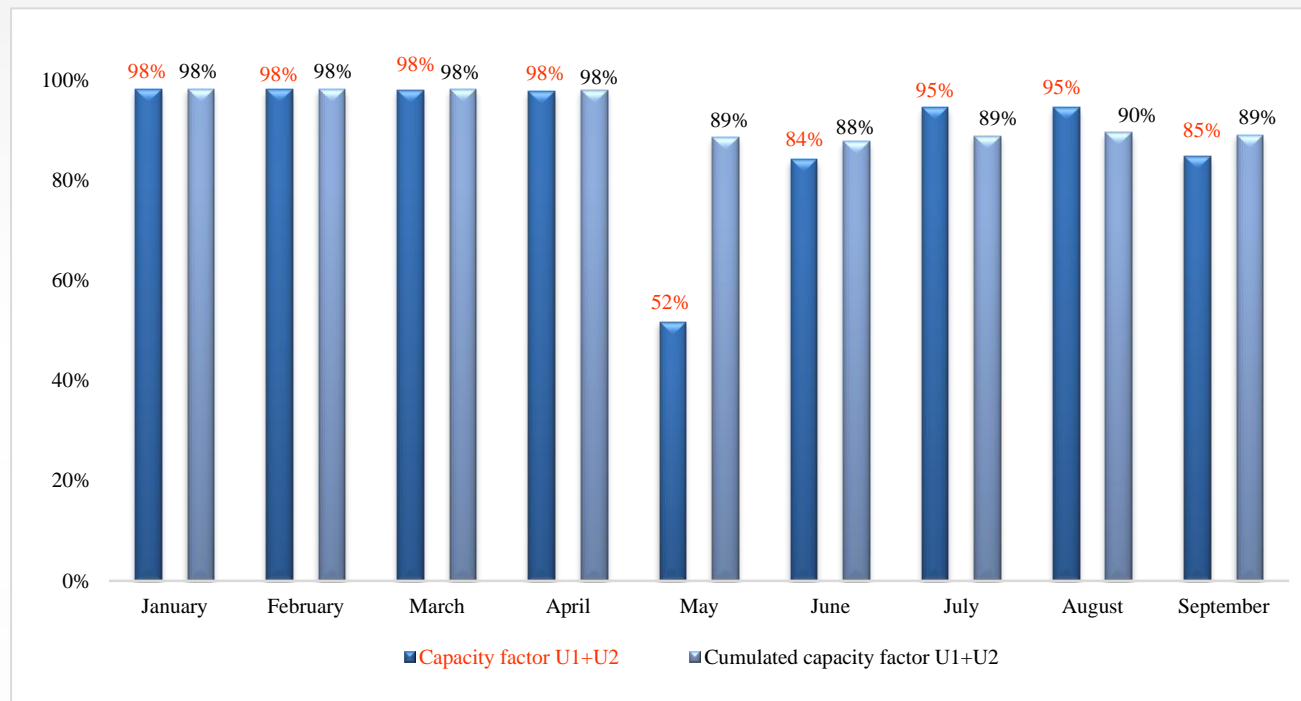
CNCAN authorized limit = 100 μSv/year/unit + 50 μSv/year DICA

Legal limit for population (as per Radioprotection Norm NSR01) = 1,000 μSv/year

Nuclear fuel burn up factor (MWh/KgU) (Cumulated 9M 2019: 174/Project estimated: min. 156)



CANDU Technology Unit performance U1 + U2 (%) Capacity Factor (Cumulated 9M 2019: 89.11%)



NO, 1

Based on the Capacity Factor ("CF") since in service, out of the 375 nuclear reactors in operation at the end of September 2017, Unit 2 of Cernavoda NPP ranks 1st with a CF of 93.2% and Unit 1 of Cernavoda NPP ranks 4th with a CF of 89.6%.

With an average CF of 91.4% since in service Romania ranks 1st in the world: based on WANO Index until the end of the first quarter of 2018, Cernavoda Unit 1 scored 98 points and Cernavoda NPP Unit 2 scored 99.3 points, Based on these ratings, Cernavoda NPP Units 1 and 2 rank 1st , respectively 3rd out of 21 CANDU nuclear units affiliated to WANO Atlanta Center.

Based on IAEA data, at the end of 2017, the two units of Cernavoda NPP rank:

- 1st out of 460 nuclear units in 31 states with an average capability factor ("UCF") for the last three years of 93.47%;
- 1st out of 460 nuclear units in 31 states with an average operation factor ("OF") for the last three years of 94.4%;
- 1st out of 436 nuclear units in 31 states with an UCF since in service of 92%;
- 1st out of 436 nuclear units in 31 states with an OF since in service of 92.33%.

Aspects related to main investments and long term strategic projects

Unit 1 Refurbishment program:

- By General Shareholders' Meeting Decision no. 9/28.09.2017, Phase I of "Refurbishment of Unit 1 CNE Cernavoda Project Strategy" was approved to start.
- In the last quarter of 2017, the Technical and Refurbishment Division was set up within SNN headquarters, responsible for the development of the project.
- As per the first stage of the project, logistical and reorganization activities as well as studies and analyses are in progress. The Feasibility study is also part of the first stage and it is due to be completed by the end of this stage, namely 2021, and submitted for the approval of the GMS.

Unit 3&4 Cernavoda NPP Project Status update:

- On July 16, 2018, BoD approved the revised Strategy for the Continuation of the Project, in accordance with communication no. 261387 sent by the Ministry of Energy, of a notice regarding the approval by the Romanian Government on June 21, 2018 of the Memorandum having the subject "Approval of necessary measures to ensure the continuity of the Project, Units 3 and 4 of the Cernavoda NPP and the completion of the negotiations with the selected investor" and of the request of the majority shareholder, the Ministry of Energy, to take the necessary measures in order to implement the provisions of the Government Memorandum.
- On August 22, 2018, SNN GMS approved the extension of the negotiation period with six months under the same conditions of the MoU.
- On September 14, 2018, the GMS approved the revised strategy for the 3&4 Unit Project.
- On April 10, 2019, SNN's shareholders approved the Investors' Agreement in the preliminary form regarding the Cernavoda NPP Units 3 and 4 Project that is to be concluded between China General Nuclear Power Corporation and CGN Central and Eastern Europe Investment (RO) CO, S.A, and SNN.
- The Investors' Agreement in the preliminary form envisages the set up of the project company (JVCo) having as limited aim to be the only technical and operational platform for the subsequent development of the Project, after the approval and concluding of the Investors' Agreement.
- On May 8, 2019, SNN, China General Nuclear Power Corporation and CGN Central and Eastern Europe Investment signed the Investors' Agreement in the preliminary form regarding the Cernavoda NPP Units 3 and 4 Project.
- On July 29, 2019, the GMS approved the mandate of the SNN Board of Directors to approve the modification of the deadlines/deadlines provided in the Investors Agreement in the preliminary form for the Cernavoda NPP Units 3 and 4 Project.

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