

NUCLEARELECTRICA

POWERed by people

SNN Investors Day

**Preliminary Unaudited Individual
Financial Statements as at and for
the year ended 31 December 2016**

2016 Preliminary financial result highlights

RON '000	2016	2015	Var (%)	Budget 2016	Var (%)
Quantity of energy sold (Mwh)	10.457.302	10.824.146	-3,4%	10.322.627	1,3%
Sales of electricity	1.620.765	1.673.422	-3,1%	1.632.568	-0,7%
Operating expenses	(1.047.409)	(1.129.096)	-7,2%	(1.157.124)	-9,5%
EBITDA	632.807	653.902	-3,2%	543.192	16,5%
EBIT	158.027	160.139	-1,3%	59.677	164,8%
Net profit	108.668	149.144	-27,1%	41.121	164,3%

Nuclearelectrica net profit for 12M 2016: 108.668k RON

Main drivers:

- Extended outage led to a drop of 3% in quantity sold
- Change in sales structure
- Decrease in operating expenses driven mainly by the implementation of the new provisions of the Fiscal Code that caused a decrease of 36% of tax on buildings, land and special constructions
- Negative financial result recorded in 2016, compared to a positive financial result in 2015

Operational profit for 2016 (158.027k RON) is similar with the result in 2015 (160.139k RON).

2016 Financial position

RON'000	31.dec.16	31.dec.15	Variation
Total non-current assets	7.331.040	7.696.228	-4,7%
Inventories	329.750	323.223	2,0%
Trade and other receivables	174.691	176.746	-1,2%
Cash and cash equivalents (incl. deposits)	1.508.788	1.361.218	10,8%
Total current assets	2.013.229	1.861.187	8,2%
Total assets	9.344.269	9.557.415	-2,2%
Share capital and premium	3.242.115	3.242.115	-
Prepaid share reserve	21.554	21.554	-
Revaluation reserve	265.842	293.330	-9,4%
Retained earnings	3.973.321	3.936.725	0,9%
Total shareholder's equity	7.502.832	7.493.723	0,1%
Long term borrowings	1.087.962	1.279.606	-15,0%
Other non-current liabilities	338.177	363.083	-6,9%
Total non-current liabilities	1.426.139	1.642.689	-13,2%
Accounts payable and other liabilities	194.368	218.954	-11,2%
Current portion of long term borrowings	220.930	202.048	9,3%
Total current liabilities	415.298	421.002	-1,4%
Total liabilities	1.841.437	2.063.691	-10,8%
Total equity and liabilities	9.344.269	9.557.415	-2,2%

Non – current assets

- In accordance with the accounting policies of the Company, the land, buildings and constructions are recorded at fair value and revalued with sufficient regularity.
- The depreciation and amortization includes an amount of 6.510k RON, representing net income from reversal of impairment losses.

Net cash position

- Cash and cash equivalents (including deposits) increased with 11% as at 31.12.2016 compared to 2015, while the outstanding balance of long term borrowings (including current portion) decreased with 12%, thus the net cash position is positive in 2016 (199 Mil. RON), compared to 2015 when it was minus 120 Mil. RON.

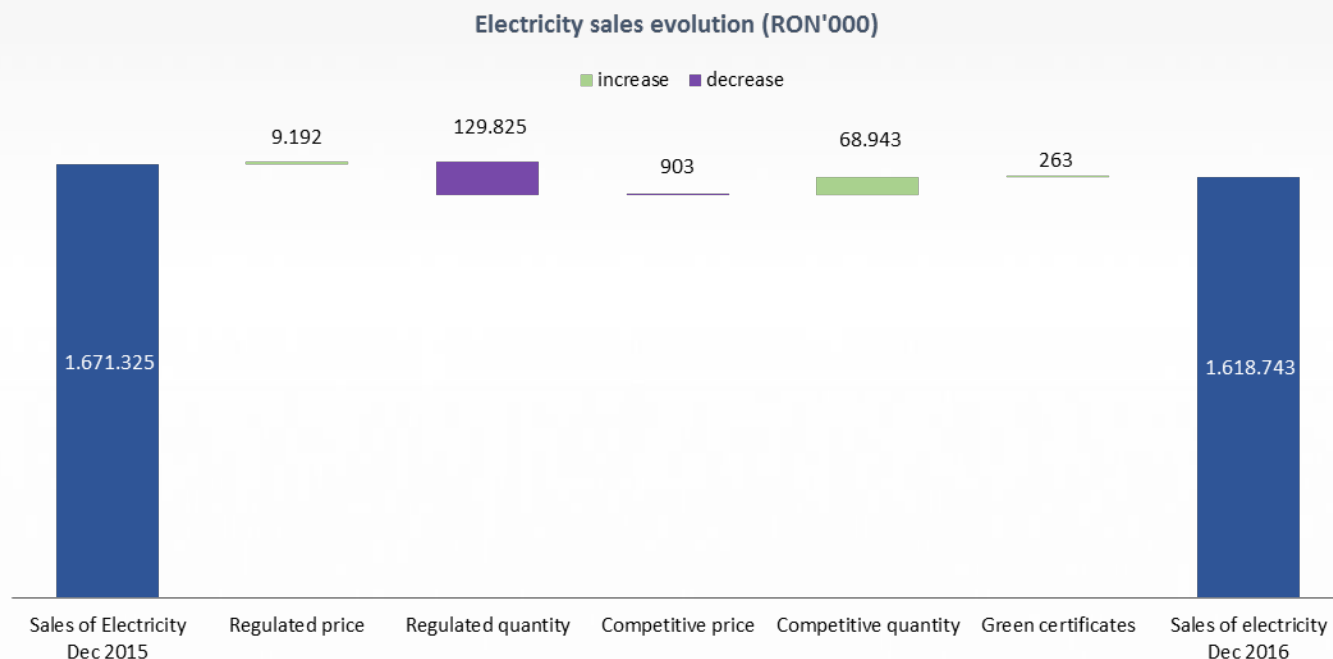
Equity

- The Company recorded a decrease of the revaluation reserve in amount of 27.487k RON following to its transfer in retained earnings.
- During 2016, the Company declared dividends in amount of 99.500k RON.

Current liabilities

- Accounts payables and other liabilities decreased with 11% from 31.12.2015 to 31.12.2016, following a decrease of 9% in outstanding balance of accounts payables and a decrease of 72% in advance payments from customers

Sales of electricity decreased by 3% compared to 2015



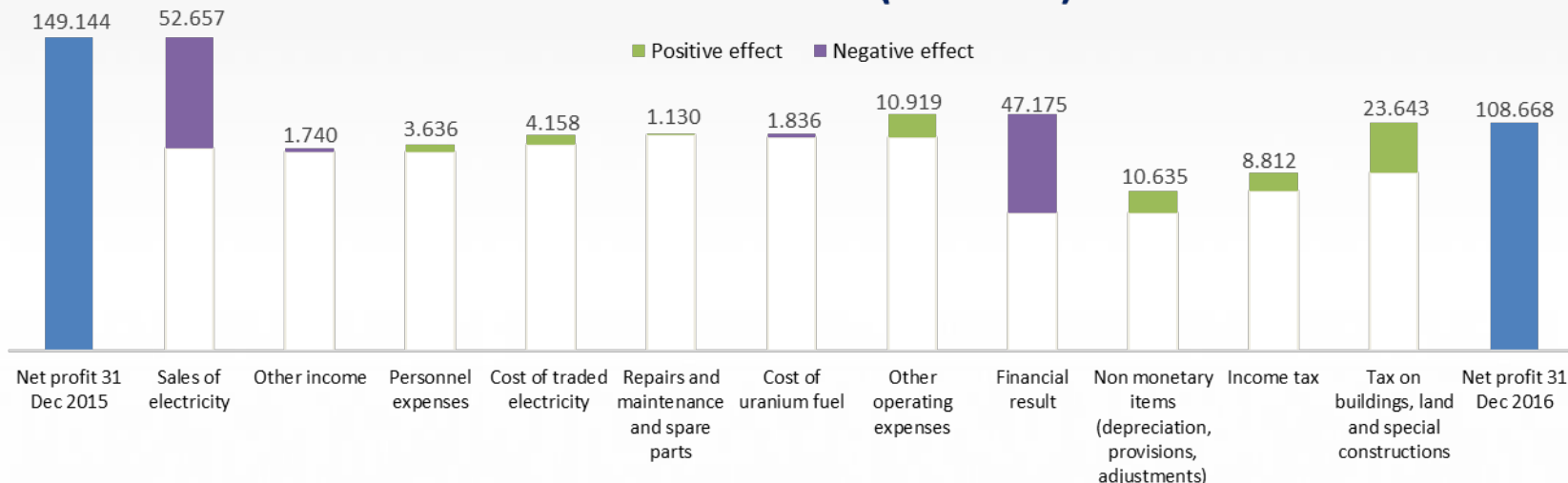
Total quantities of electricity sold during 2016 decreased by 3% compared to 2015, mainly due to planned outage extended duration of 51 days compared to an average duration of 30 days. The decrease could not be compensated by the slight increase in weighted average selling prices.

The sales structure in 2016 changed compared to 2015, as follows:

- sales on regulated market decreased from 21% out of the total sales of 2015 to 14% in 2016, while the regulated price increased by 3%
- sales on bilateral contracts market decreased from 69% to 57%, while the weighted average price increased with 3%
- sales on DAM market increased from 10% to 29%, while the weighted average price increase only by 1%

Operational profit recorded in 2016 similar to 2015, only -1% y/y

Net result evolution (RON'000)



SNN recorded a net profit of 108.668k RON for 2016, generated by:

- Operating profit of 158,027k RON, similar to 2015 (160,139k RON) – only 1% decrease y/y
- Negative financial result of 28,990k RON, compared to positive financial result in 2015 of 18,185k RON

Main elements that influenced negatively the net operating result are:

- The extension of duration of the planned outage to 51 days from an average of 30 days led to a decrease in sold quantity of 3,04% (approximately 367 GWh). The estimated impact, considering the additional cost of nuclear fuel which would have been necessary for the additional energy production, is 52.000k RON representing unattained operational profit;
- The decrease in quantity could not be compensated by the slight increase in prices.

The result benefited from:

- The reduction of taxes on buildings, land and special constructions which decreased by 36% following the implementation of the new Fiscal Code which provides that the company has the obligation to pay tax on buildings for the two nuclear units;
- Reduction of other operating expenses by 3% compared to 2015;
- Positive impact from the decrease in provisions and adjustments with 2% y/y;
- Decrease in cost of traded electricity – only one unplanned outage in 2016, compared to four in 2015.

Extended planned outage of Unit 1 affects quantity sold

The decrease in quantity sold, as a consequence of the extended planned outage of Unit 1, could not be compensated by the slight increase in weighted average sales prices

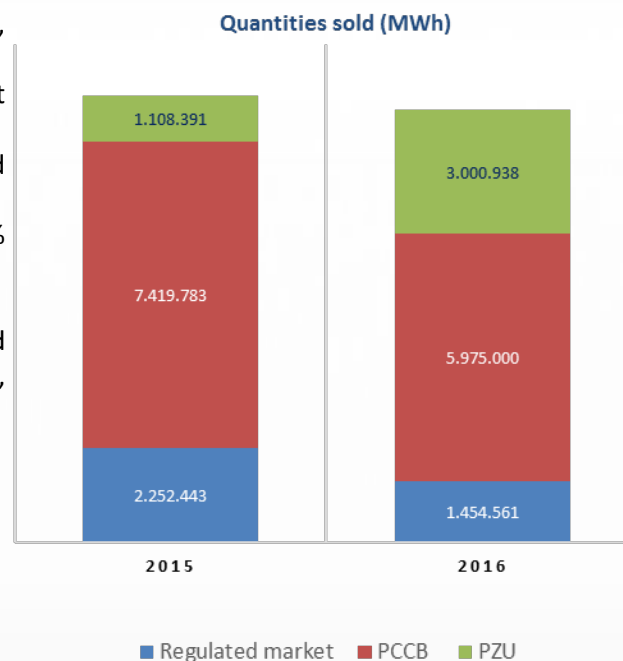
- Larger quantities were sold on spot market in 2016 compared to 2015, which shows the low appetite of market participants for long-term contracts and the preference for the spot market (PZU).
- As a consequence, SNN's sales share on the DAM market increased, reaching 29% in 2016 compared to only 10% in 2015
- DAM prices increased by 1% in 2016 from 2015, but could not compensate the decrease in the overall quantity sold
- The increasing trend of prices in DAM market influenced the prices and duration of contracts on competitive market.
- Sales on bilateral contracts market recorded an overall decrease of 19% y/y
- Also, the quantity sold on regulated market decreased y/y with 35%
- Weighted average selling prices on bilateral contracts market increased with 3%, same as the regulated selling price on the regulated market, but the sales structure changed, influencing the results

Sales price 2016 vs 2015 (lei/MWh w/out Tg)

	2015	2016
Regulated market	158,63	162,71
PCCB	156,58	161,66
PZU	137,19	138,58

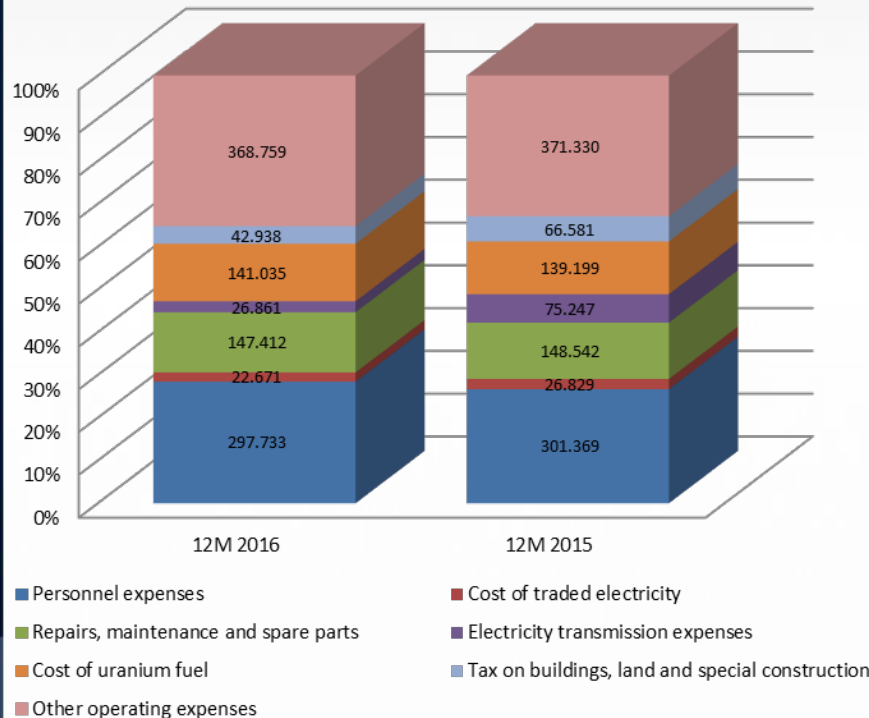
Quantities	2016 actual	2016 budgeted	Var
Regulated market	1.454.562	1.454.562	0,0%
PCCB	5.974.999	7.234.323	-17,4%
PZU	3.000.938	1.633.142	83,8%
TOTAL	10.430.500	10.322.027	1,1%

Sales structure 2016 vs 2015



OPEX lowered by 7% compared to 2015 and 9.5% below budget

Operating expenses ('000 RON)



- **Personnel expenses** decrease by 1% compared to 12M 2015, and remained 3.64% below budget. The decrease is mainly explained by the decrease in the number of personnel.

- **Cost of traded electricity** decreased in 2016 compared to 2015 due to four unplanned outages occurring in 2015 vs only one in 2016. In order to cover contracted sales during the unplanned outages SNN purchased electricity on the spot market - 90.059 MWh in 2016, 129.459 MWh in 2015 (decrease of 30%). A portion of 70% of this purchases came from the balancing market, where the quantities (negative imbalances) dropped by 23,44%.
- **Cost of uranium fuel:** In accordance with the production plan, the fuel bundles manufactured decreased by 5 % compared to the same period of 2015 (from 11.628 bundles as at 31.12.2015 to 11.002 bundles as at 31.12.2016). The impact of this reduction is compensated by the increase in the average acquisition price following the termination of the contract concluded with CNU. Thus, sintered uranium dioxide powder was consumed for the price of 475 RON/kg, in stock on 31.12.2015, from CNU and from Cameco imports, at a price of 511,62 RON/kg (first contract) and also at 429,47 RON/kg (second contract, for a small quantity consumed starting with September 2016). The accounting policy for inventories was also changed from FIFO to WAC in 2016.
- **Electricity transmission expenses** decreased by 64% due to the decrease in the level of electricity transmission tariff into the grid. The tariff decreased from 10,32 RON/MWh (applicable for H1 2015) to 4,04 RON/MWh starting July 1st 2015. respectively from 4,04 RON/MWh to 1,34 RON/MWh starting with July 1st 2016.
- **Tax on buildings, land and special constructions.** The decrease by 36% is due to the changes of the Fiscal Code, according to which starting January 1st 2016 nuclear units are no longer subject to tax on special constructions, but to tax on buildings payable to local authorities.

CAPEX

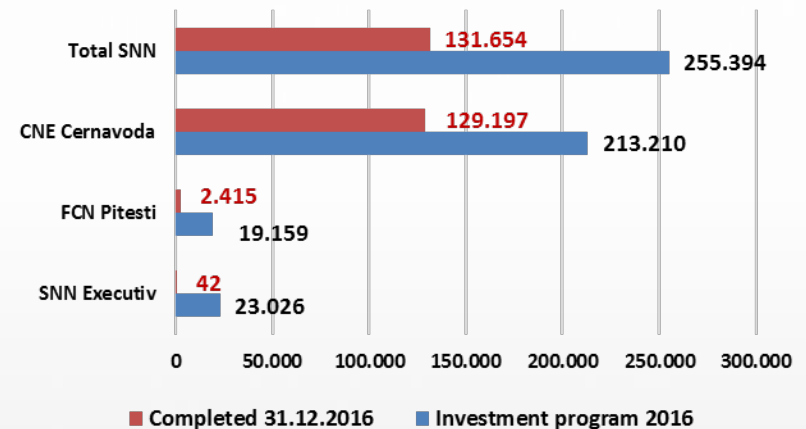
Key investments projects 2016

Project code	Investment project	Budgeted 2016 (k' RON)	Completion 31.12.2016 (k'RON)	Completion stage as at 31.12.2016 (%)
PJ-05-016	Intermediate Dry Spent Fuel Storage Facility (including Spent Fuel Loading Station U #2)	17.420	9.532	54,72%
PJ-04-001	Upgrading and expansion of the physical protection system	5.000	10	0,19%
PJ-11-006	Improvement of Cernavoda NPP's response/nuclear safety functions in case of events beyond design basis following the Fukushima 1 nuclear accident Japan	31.304	8.690	27,76%
	Total	53.724	18.232	33,94%

CAPEX

- The low completion stage of key investment projects is explained by extension of purchase procedures due to successive appeals to bids and delays in obtaining all the approvals and authorizations from competent authorities in order to start the works.
- Total value of investment program of SNN for 2016 is of RON 255.4m. out of which CNE Cernavoda investment plan represents 83% and FCN Pitesti investment plan 8% of total value.
- The total completion stage for SNN investment program. as at 31 December 2016 is of 51,55% vs. 54,1% as at 31 December 2015.

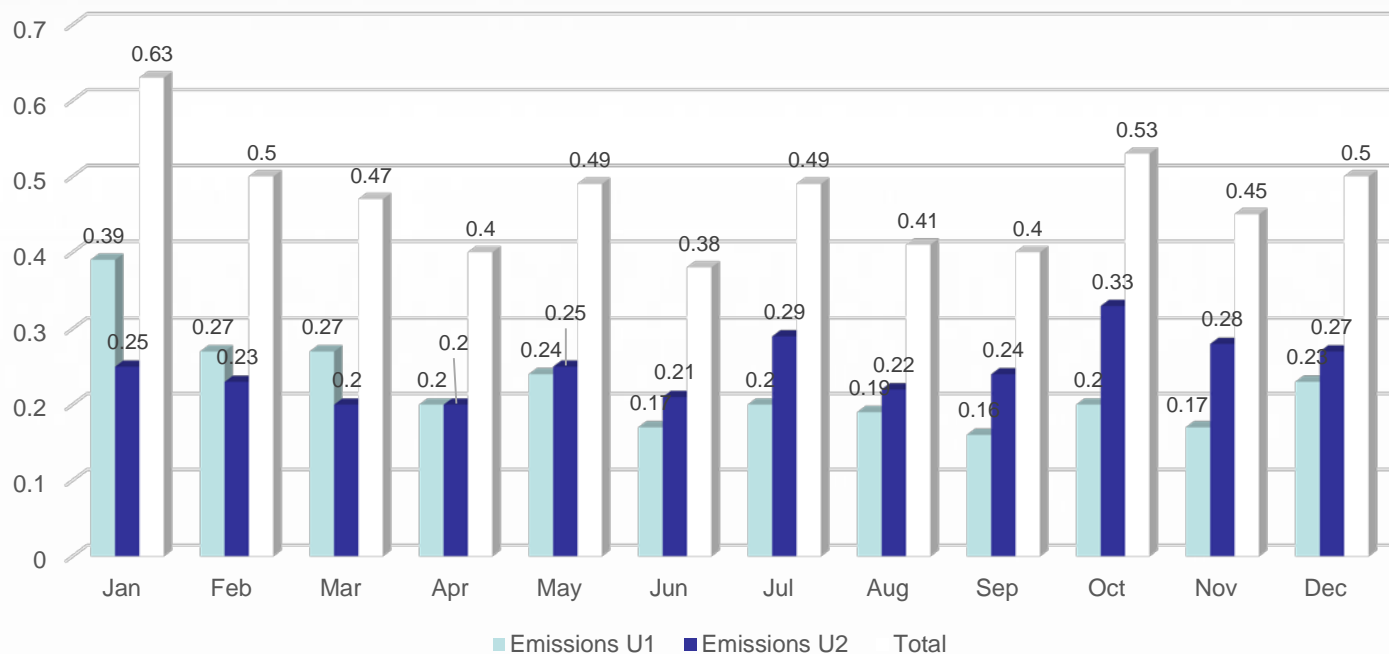
Investment Program 2016 (RON '000)



2016 Income statement

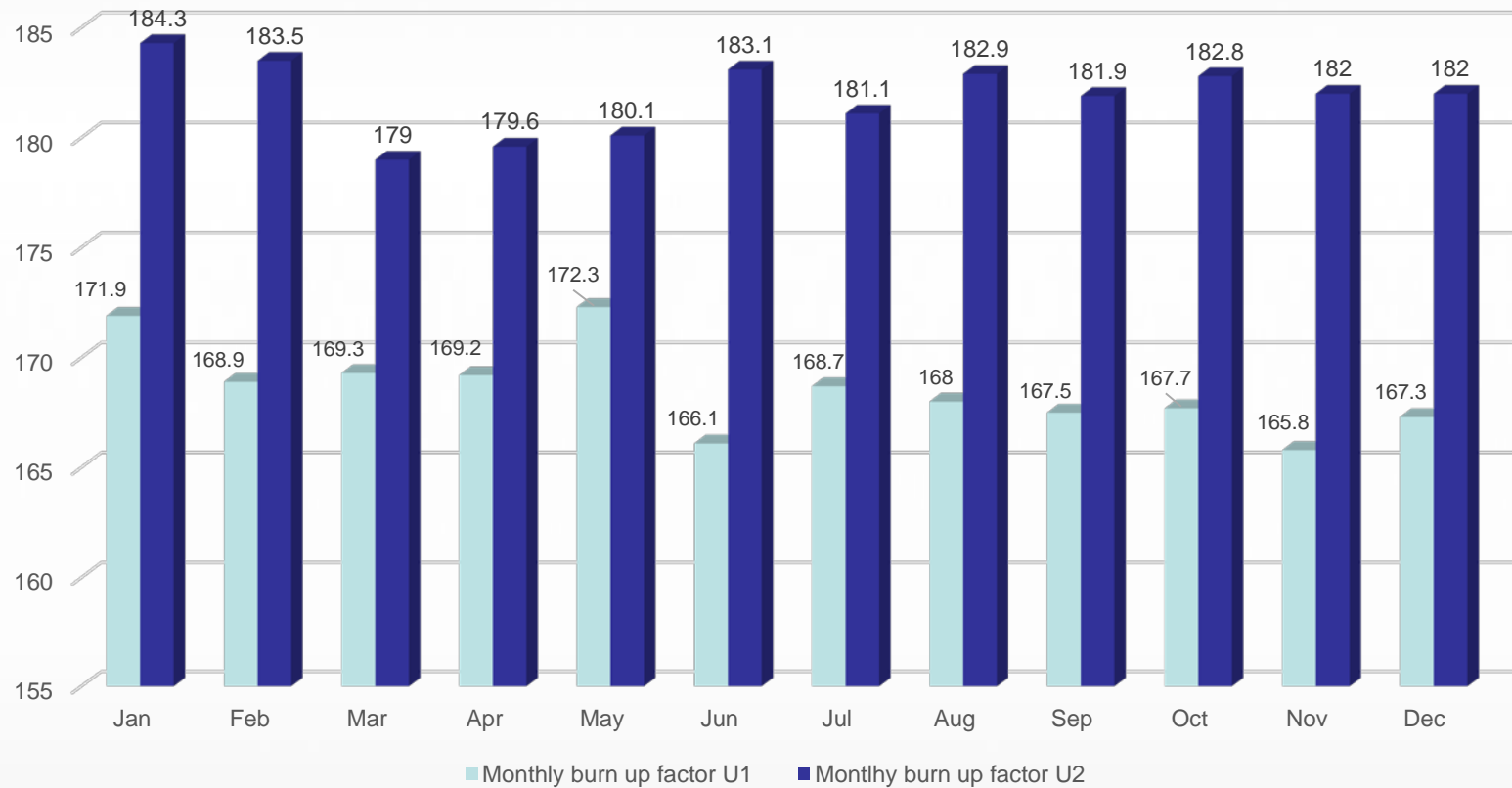
RON'000	2016	2015	Var %	Budget 2016	Variation vs Budget
Revenues					
Sales of electricity	1.620.765	1.673.422	-3,1%	1.632.568	-1%
Electricity transmission revenues	26.861	75.247	-64,3%	40.760	-34,1%
Total revenues	1.647.626	1.748.669	-5,8%	1.673.328	-1,5%
Other income	32.589	34.329	-5,1%	26.988	20,8%
Operating expenses					
Personnel expenses	(297.733)	(301.369)	-1,2%	(308.977)	-3,6%
Cost of traded electricity	(22.671)	(26.829)	-15,5%	(61.163)	-62,9%
Repairs and maintenance	(126.168)	(129.820)	-2,8%	(134.025)	-5,9%
Electricity transmission expenses	(26.861)	(75.247)	-64,3%	(40.760)	-34,1%
Costs with spare parts	(21.244)	(18.722)	13,5%	(27.695)	-23,3%
Cost of uranium fuel	(141.035)	(139.199)	1,3%	(153.515)	-8,1%
Other operating expenses	(411.696)	(437.911)	-6,0%	(430.988)	-4,5%
Total operating expenses	(1.047.409)	(1.129.096)	-7,2%	(1.157.124)	-9,5%
EBITDA	632.807	653.902	-3,2%	543.192	16,5%
Depreciation and amortisation	(474.780)	(493.762)	-3,8%	(483.515)	-1,8%
EBIT	158.027	160.139	-1,3%	59.677	164,8%
Finance costs	(118.995)	(150.843)	-21,1%	(124.549)	-4,5%
Finance income	90.005	169.028	-46,8%	128.722	-30,1%
Income tax charge, net	(20.369)	(29.180)	-30,2%	(22.729)	-10,4%
Net profit	108.668	149.144	-27,1%	41.121	164,3%

Radioactive emissions U1+U2 (μSv)

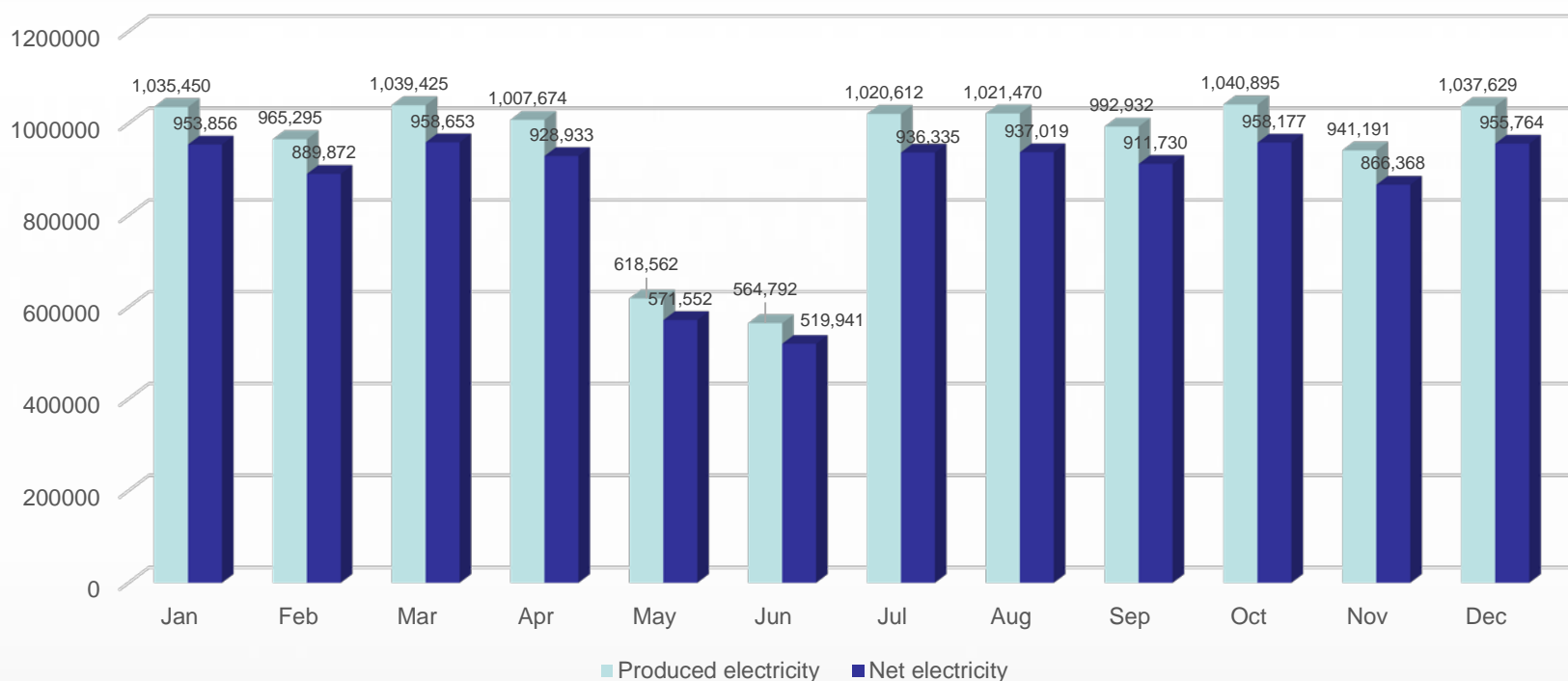


Total 2016:	Annual limit:
5,67	7,50

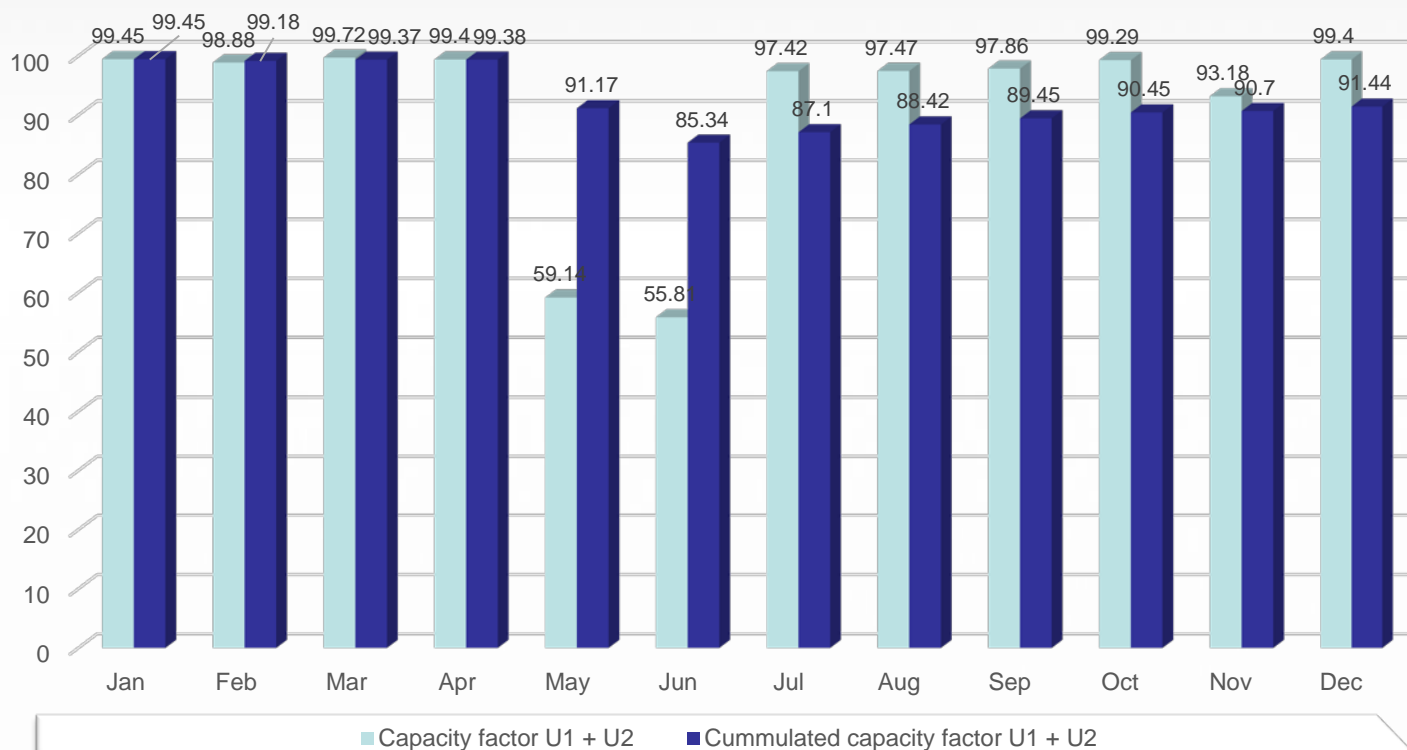
Nuclear fuel burn up factor (MWh/KgU) (Cumulated 2016: 175,17 /Project estimated: 156,00)



Produced electricity/ net U1 + U2 (MWh)
(Produced electricity 2016: 11.285.927 MWh / Net electricity 2016: 10.388.200 MWh) (Cumulated internal technological consumption (2016: 8,01%))



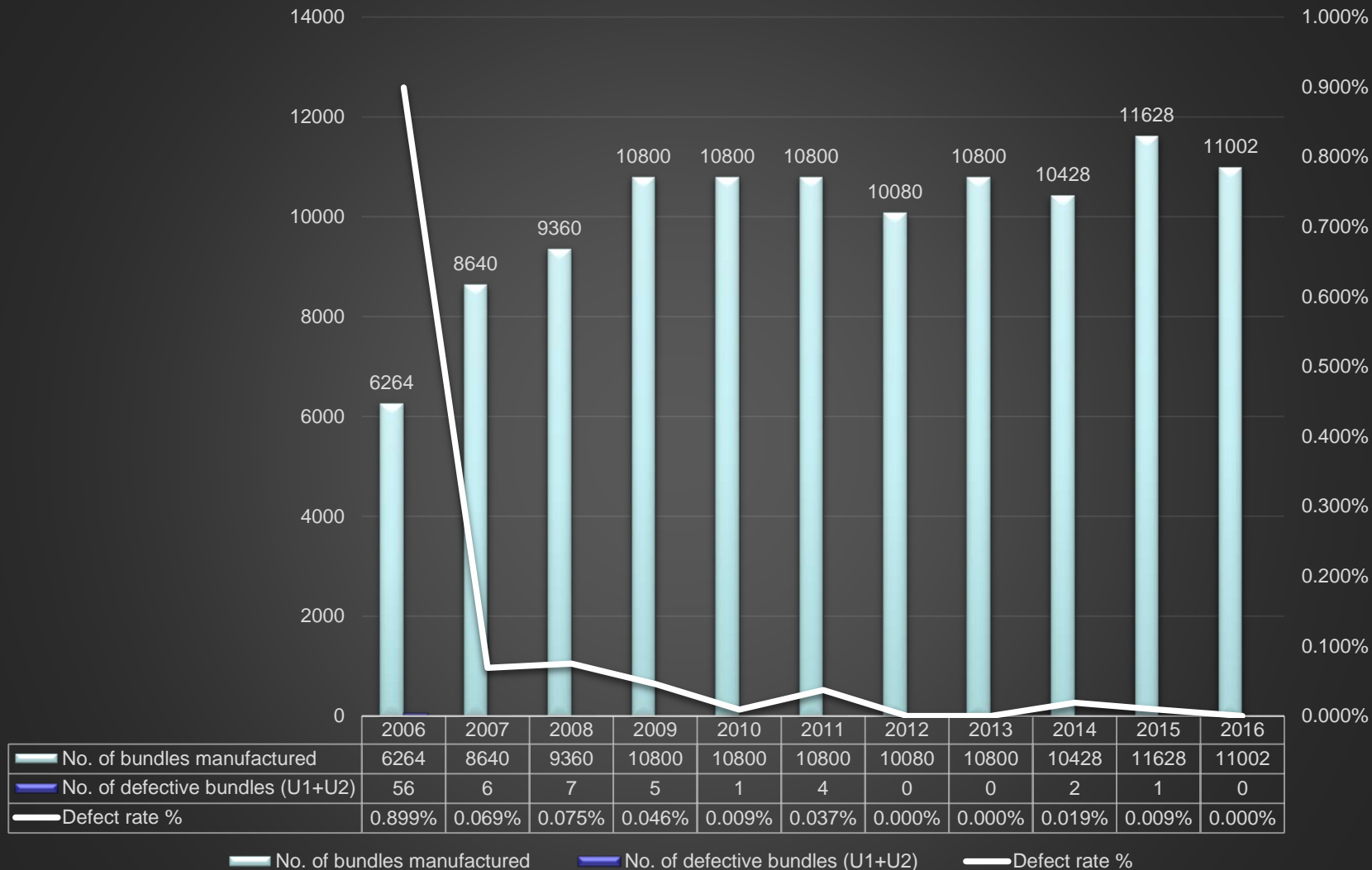
CANDU Technology Unit performance U1 + U2 (%) Capacity Factor (Cumulated 2016: 91.44%)



Global Ranking (the latest update by Nuclear Engineering International-August 2016)

- Capacity Factor since in service
- Unit 2-93,33% - ranking 2nd at global level;
- Unit 1-89,77% - ranking 9th at global level.
 - With a Capacity Factor of 91,6% since in service, Romania continues to rank no. 1 at global level.

Nuclear fuel defect rate (%)



Long-term strategic projects

**Cernavoda
NPP Unit 1
Refurbishment
Project**

**Cernavoda
NPP Units 3&4
Project**

**Retention of
highly
specialized
personnel and
growing a new
generation of
specialists**

**Maintaining
the current
nuclear safety
level and
continuation
of the nuclear
safety
investments
project**

**Identifying
diversification
opportunities
in synergy with
the core
business of
SNN**

Cernavoda NPP Unit 1 Refurbishment program

- In case of CANDU technology, the project based life span is of 210 000 EFPH (Effective Full Power Hours), which means 30 years of operation at a Capacity Factor of 80%.
- The main structures, systems and components that limit the life span of CANDU NPPs:
 - Fuel channels
 - Feeders
 - Containment (envelope)
- The outage duration for the refurbishment process includes, in addition to retubing, all other related activities necessary for the long-term operation of Cernavoda NPP Unit 1

Such a complex process can only be achieved through an extended outage of Unit 1 (refurbishment).

- The refurbishment process consists in 3 important phases:
 - 1. Defining the project:** assessment of the structures, systems and components of the power plant, elaboration of documents among which: Periodic review of nuclear safety, Execution plan of the project and Feasibility Study. SNN is currently in full assessment process and the planned completion of this stage is the end of 2017.
 - 2. Pre-Outage Project implementation:** procurement and contracting of specific activities, pre-outage works and constructions, document preparation and license clearances.
 - 3. Effective project implementation:** Refurbishment outage: Unit 1 will be shut down for the following activities:
 - Fuel removal and drainage of the systems
 - Changes execution, re-tubing and feeders replacement
 - Commissioning and regular operation
- Based on benchmarking and our data, the effective shut-down of Unit 1 will occur between 2023-2026, it will last 1,5-2 years and it will cost an estimated 1,2-1,5 billion Euro.
- The effective date of commencement of Unit 1 refurbishment shall be influenced by the possibility to extend the initial hours of operations beyond 210.000 hours; an independent technical evaluation is currently performed with this purpose and in case of positive outcome, the result needs to be approved by the nuclear regulator (CNCAN).
- The refurbishment of Unit 1 requires also finalization of a feasibility study, designing and securing the appropriate financing scheme

Units 3&4 Cernavoda NPP Project Status update



The Units 3&4 Project was relaunched in mid 2014 based on a new governmental strategy for the continuation of the Project and an investor selection procedure was unfolded by SNN according to the provisions of the governmental strategy.

The main steps taken during the selection procedure:

- Only one investor - China General Nuclear Power Corporation (CGN) submitted the qualification documentation and subsequently the Documentation of Intent;
- October 14th, 2014- CGN was nominated Selected Investor;
- October 17th, 2014 the Joint letter regarding the Intent to Perform the Project was signed by SNN and CGN;
- September 2nd, 2015 – the Romanian Government approved the Memorandum of Understanding (“MoU”) regarding the development, construction, operation and decommissioning of Units 3 and 4 from CNE Cernavoda;
- October 22nd, 2015 – the SNN GMS approved the MoU;
- November 9th, 2015 – the MoU was signed by the parties, SNN and CGN;
- January 19th, 2016 – the Romanian Government issued the Support Letter for the Units 3 and 4 Project
- December 20th, 2016-the limit term approved by SNN GMS for the completion of the negotiations to set up the new project company (in 2016 several negotiations rounds took place on the investment documents, including Investors Agreement, but without reaching an agreement on those documents)
- The decision is yet to be made by the new government following an analysis of the already negotiated aspects, for the continuation of the negotiations (CGN expressed the intention to further continue negotiations)

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SNN Investor Relations

S.N. Nuclearelectrica S.A. (SNN)

www.nuclearelectrica.ro

Stock: ISIN ROSNNEACNOR8

Tel.: +40 21 203 82 00

E-mail: investor.relations@nuclearelectrica.ro

2017 Financial calendar

Executive Management

Daniela Lulache - CEO

dlulache@nuclearelectrica.ro

Mihai Darie - CFO

mdarie@nuclearelectrica.ro

Event	Date
General Meeting of the Shareholders for the approval of the annual audited financial results for the year 2016	24 April 2017 (Monday)
Publication of the annual audited financial statements for the financial year 2016 Financial analysts, investment advisors, brokers and investors conference call and webcast	25 April 2017 (Tuesday) Hour of the conference call: 16:00 Romania's time
Publication of the Quarterly Report for the 1 st Quarter of the year 2017 (January – March) Financial analysts, investment advisors, brokers and investors conference call and webcast	12 May 2017 (Friday) Hour of the conference call: 16:00 Romania's time
Publication of the Half-Year Report for the year 2017 (January – June) Financial analysts, investment advisors, brokers and investors conference call and webcast	11 August 2017 (Friday) Hour of the conference call: 16:00 Romania's time
Publication of the Quarterly Report for the 3 rd Quarter of the year 2017 (January – September) Financial analysts, investment advisors, brokers and investors conference call and webcast	13 November 2017 (Monday) Hour of the conference call: 16:00 Romania's time



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Thank you!