

NUCLEARELECTRICA
POWERed by people

SNN Investors Day

**Preliminary Unaudited Individual Financial
Statements as at and for the year ended
December 31, 2017**

Bucharest: February 15th, 2018

2017 Preliminary financial result highlights

RON '000	2017 (unaudited)	2016 (audited, restated)	Variation (%)	Adjusted Budget 2017 *	Variation (%)
	1	2	3=(1-2)/2	4	5=(1-4)/4
Quantity of energy sold (Mwh), out of which:	10,745,156	10,457,302	2.8%	10,616,923	1.2%
Quantity of energy produced (Mwh)	10,561,051	10,367,229	1.9%	10,426,411	1.3%
Sales of electricity (including thermal energy)	1,884,741	1,620,770	16.3%	1,683,539	12.0%
Operating expenses	(1,074,261)	(1,057,412)	1.6%	(1,160,801)	-7.5%
EBITDA	858,641	622,809	37.9%	558,042	53.9%
EBIT	375,924	156,472	140.2%	72,270	420.2%
Net profit	303,052	111,367	172.1%	46,899	546.2%

Nuclearelectrica's Net profit obtained in 2017 represents 2.7 times the net profit obtained in 2016, 172% increase YoY, influenced by 13.2% increase in average prices (w/out Tg)

EBITDA obtained in 2017: 858,641k RON, 37.9% above 2016

Main drivers of 2017 reported profit:

- **significant increase in electricity sales by 16%** on account of 2.8% increase of quantity sold and 13.2% average increase of realized prices (w/out T_g)
- **1.9% increase in quantity of energy produced**, due to a shorter planned outage in Q2'17 (Unit 2) as compared to Q2'16 (Unit 1), even in the framework of more unplanned and programmed short-term outages of Unit 1 and Unit 2 in 2017
- **only 1.6% increase in OPEX** (w/out depreciation and amortization) in 12M'17 compared to 12M'16, mainly due to increase in cost of traded electricity from market imbalances
- **net profit benefited from lower financial expenses** of 18,449k RON in 12M'17, compared to 29,004k RON in 12M'16

*The budget for 2017 was adjusted for accounting errors corrected in 2017, in order to represent a more accurate comparison.

2017 Financial position

RON '000	31.12.2017	31.12.2016 (restated)	Variation (%)
Total non-current assets	6,871,760	7,331,674	-6.3%
Inventories	331,505	331,057	0.1%
Trade and other receivables	162,529	174,763	-7.0%
Cash and cash equivalents (incl. deposits)	1,822,533	1,508,788	20.8%
Total current assets	2,316,567	2,014,607	15.0%
Total assets	9,188,327	9,346,282	-1.7%
Share capital and premium	3,242,115	3,242,115	-
Prepaid share reserve	21,554	21,554	-
Revaluation reserve	236,550	263,621	-10.3%
Retained earnings	3,916,817	3,858,640	1.5%
Total shareholder's equity	7,417,036	7,385,930	0.4%
Long term borrowings	894,216	1,087,962	-17.8%
Other non-current liabilities	287,992	317,889	-9.4%
Total non-current liabilities	1,182,208	1,405,851	-15.9%
Accounts payable and other liabilities	382,795	333,572	14.8%
Current portion of long term borrowings	206,288	220,930	-6.6%
Total current liabilities	589,083	554,501	6.2%
Total liabilities	1,771,291	1,960,352	-9.6%
Total equity and liabilities	9,188,327	9,346,282	-1.7%

Current assets

Strong account receivables policy in place

- Decrease of trade and other receivables by 7% on account of contractual provisions: advance payment instead of post – delivery payment.
- Low counterparty risk: collections backed by letters of guarantee (various types according to contracts provisions).

Significant net cash position

- Cash and cash equivalents position (including deposits > 3M maturity) increased by 20.8% as compared to December 31st, 2016.
- Net cash position (cash and cash equivalents position less borrowings) as of December 31st, 2017 is 722,029k RON increased by 261% as compared to December 31st, 2016 (199,896k RON).

Non - current liabilities

- Decrease of long term borrowings (contracted for the realization and commissioning of Unit 2) by 17.8% 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 December 31st, 2017 exposure to long term borrowings is in EUR and CAD.
- The provision for employee's benefits increased in the period by recording as at March 31st, 2017 a retirement bonus of 9.4 mil. RON, based on a granted retirement bonus of 8,500 RON, equivalent for 1,200 KW/year electricity after retirement date, as per new collective labor contract valid in 2017, updated as at December 31st, 2017 to 7.7 mil. RON, as per actuarial report prepared by the actuarial expert employed by the Company. The total decrease in the other employee benefits as per the last actuarial report is of 6.2 mil. RON; net impact was an increase of 1.4 mil. RON.

Current liabilities

- Accounts payable and other liabilities increased with 15% from December 31st, 2016 to December 31st, 2017, following an increase in advance payments from customers (related to electricity to be delivered after the reporting period) and provisions for DICA, radioactive & non-radioactive waste and employees' participation to profit for 2017.
- As of December 31st, 2017, three loans were fully repaid to Societe Generale: two denominated in EUR (Alstom and Nexans) and one denominated in USD (General Electric).

2017 Financial position (cont'd)

Restatement of comparative accounting figures

The Company reconsidered accounting treatment regarding:

RON '000	31.12.2017	31.12.2016 (restated)	Variation (%)
Total non-current assets	6,871,760	7,331,674	-6.3%
Inventories	331,505	331,057	0.1%
Trade and other receivables	162,529	174,763	-7.0%
Cash and cash equivalents (incl. deposits)	1,822,533	1,508,788	20.8%
Total current assets	2,316,567	2,014,607	15.0%
Total assets	9,188,327	9,346,282	-1.7%
Share capital and premium	3,242,115	3,242,115	-
Prepaid share reserve	21,554	21,554	-
Revaluation reserve	236,550	263,621	-10.3%
Retained earnings	3,916,817	3,858,640	1.5%
Total shareholder's equity	7,417,036	7,385,930	0.4%
Long term borrowings	894,216	1,087,962	-17.8%
Other non-current liabilities	287,992	317,889	-9.4%
Total non-current liabilities	1,182,208	1,405,851	-15.9%
Accounts payable and other liabilities	382,795	333,572	14.8%
Current portion of long term borrowings	206,288	220,930	-6.6%
Total current liabilities	589,083	554,501	6.2%
Total liabilities	1,771,291	1,960,352	-9.6%
Total equity and liabilities	9,188,327	9,346,282	-1.7%

- ❑ Taxes and charges that fall under *IFRIC 21* (tax on land, buildings and special constructions), respectively the date of the occurrence of the generating event, and concluded that the triggering event occurs as at 31st of December of each year for the tax expense due in the next year, instead 1st of January.
- ❑ Provision for Intermediate Deposit for Burnt Fuel ("DICA"), respectively *DICA modules 1 – 8*: recognition of provisions and ability to generate future economic benefits; as at 31.12.2017 the company corrected the accounting error regarding the recognition of the obligation to build DICA, which was recognized starting with 2013, and not from the commissioning of U1 and U2; also, it was considered that DICA modules have to be fully depreciated when put in function, as they do not bring future economic benefits; these corrected the matching of expenses with revenues.
- ❑ *Radioactive & non-radioactive waste*: recognition of provisions for management of radioactive and non-radioactive waste that was not recognized previously.

The effect of correcting the accounting errors on comparative accounting figures as at 31.12.2016 on the financial position was as follows:

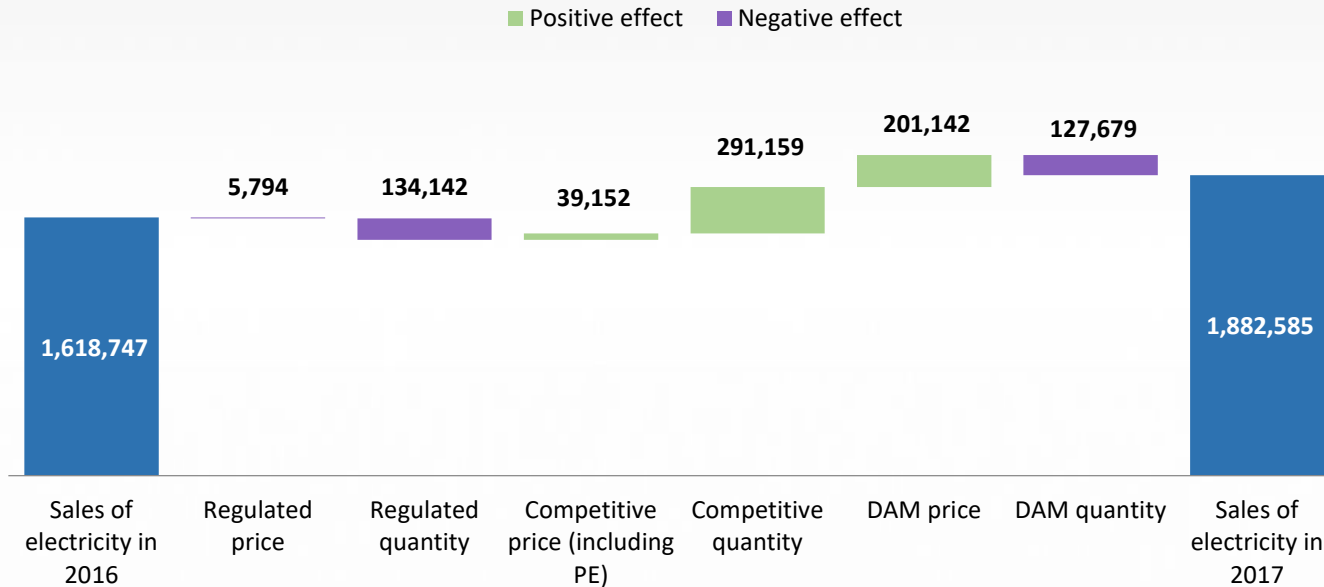
- Non-current assets: + 862k RON;
- Revaluation reserve: - 2,221k RON;
- Retained earnings: - 118,462 k RON;
- Other non-current liabilities: -20,553k RON;
- Accounts payable and other liabilities: +142,098k RON.

The effect of correcting the accounting errors on comparative figures as at 31.12.2016 on the financial performance was as follows:

- Depreciation, amortization and impairment: -8.442k RON;
- Opex: +11.339k RON;
- Tax on profit: -1.814k RON
- Net profit: -1.082k RON

Sales of electricity increased by 16% compared to 2016

Electricity sales evolution (RON '000)



Electricity sales evolution from 12M'16 to 12M'17 was determined by:

- **2.8% increase in quantity of energy sold** in 12M'17 compared to 12M'16, mainly due to increase in production with 1.9%, as the planned outage of Unit 2 lasted 26.5 days compared to planned outage of Unit 1 in 12M'16 of 51 days.
- **change in sales structure** (quantities sold), corroborated with **price evolution**, as follows:
 - sales on regulated market of 6% in 12M'17 compared to 14% in 12M'16 (decrease of 58% from 12M'16 to 12M'17);
 - sales on bilateral contracts market (PCCB & PCSU) of 72% in 12M'17 compared to 57% in 12M'16 (increase of 29% from 12M'16 to 12M'17), without significant price difference, thus quantities allocated previously on regulated market were sold on competitive market, benefiting from a positive price difference between these markets of 11.3%;
 - sales on DAM market (PZU & PI) of 22% in 12M'17 compared to 29% in 12M'16 (decrease of 20% from 12M'16 to 12M'17);
 - 49% increase of price on DAM market;
 - positive impact of balancing market (PE) from significant increase in hourly settlement price for electricity surplus, published by OPCOM in 2017, for similar quantities (4.7% increase in quantity YoY).

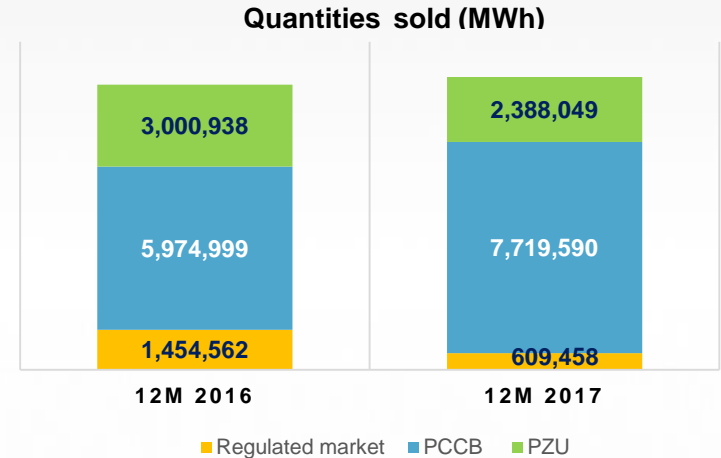
Sales structure analysis 12M 2017 vs. 12M 2016

The main influence over the sales structure on quantities sold comes from the decrease with 58% of the quantities sold on regulated market and increase of 12.8% of the quantities sold on competitive market, with an overall increase in quantity of 2.8% from 12M'16 to 12M'17.

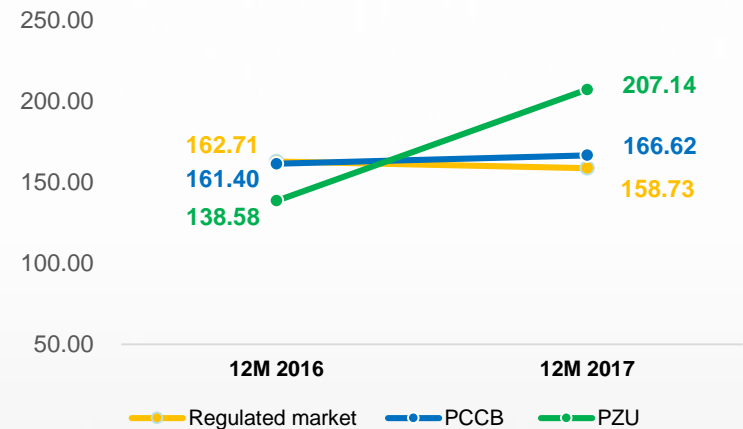
Sales price evolution was determined by an increase of 14.6% in the weighted average selling price on competitive market (including DAM) and a decrease of 2.4% in the regulated selling price, with an overall increase in price of 13% from 12M'16 to 12M'17.

- The quantity established by ANRE to be sold on **regulated market** decreased for 2017 from 13.9% to 5.7% out of total net quantity produced and inserted in SEN by CNE Cernavoda; also, the schedule established by ANRE covered mostly the peak hours, when the market records the highest prices on competitive market; as a consequence, SNN could not benefit entirely from the market conditions, but obtained results that followed the general market trend;
- SNN's sales share on the **bilateral contracts market** (PCCB+PCSU) increased, reaching 72% in 12M'17 compared to 57% in 12M'16, without significant price difference for this segment;
- On **DAM (PZU)**, the quantities of electricity sold decreased to 22% in 12M'17, compared to 28.7% in 12M'16, benefiting also by an increase of 49% of the average price.

Sales structure 12M 2017 vs 12M 2016



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



Sales structure analysis 12M 2017 vs. 12M 2016 (cont'd)

- On **DAM (PZU)** the price obtained by SNN in 12M'17 followed the market trend, as the monthly average prices published by OPCOM for DAM sales in 12M'17 were as follows:

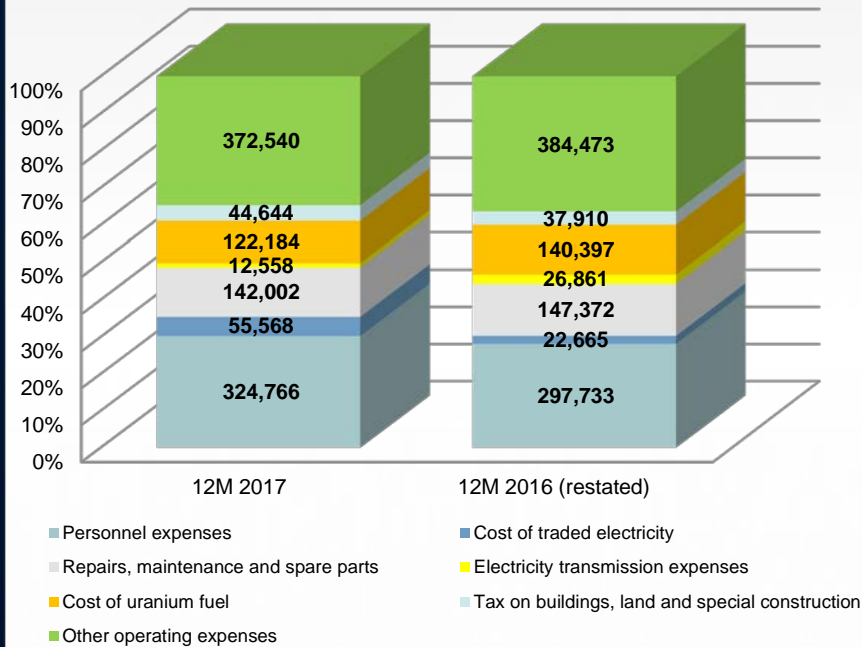
Average for 12M 2016	2017												Average for 12M 2017
	01	02	03	04	05	06	07	08	09	10	11	12	
149.55	337.74	243.14	165.54	172.38	193.61	193.99	230.94	260.42	197.66	217.43	256.63	170.92	220.03

- In 2017, SNN fulfilled its contractual obligations on the Regulated market and closely reached its target for the PCCB market by providing predictable contracts for longer periods of time, according to the sales strategy and exceeded the quantity targeted on DAM (PZU) with 14.4%. Thus, SNN sold a quantity higher than budgeted with 0.9%.

Quantities	12M 2017 actual	12M 2017 budgeted	Variation actual vs budgeted	12M 2016 actual	Variation comparative periods
Regulated market	609,458	609,458	0.0%	1,454,562	-58.1%
PCCB	7,719,590	7,919,527	-2.5%	5,974,999	29.2%
PZU	2,388,049	2,087,938	14.4%	3,000,938	-20.4%
Total	10,717,097	10,616,923	0.9%	7,601,127	41.0%

OPEX higher only by 1,6% compared to 12M 2016

Operating expenses ('000 RON)

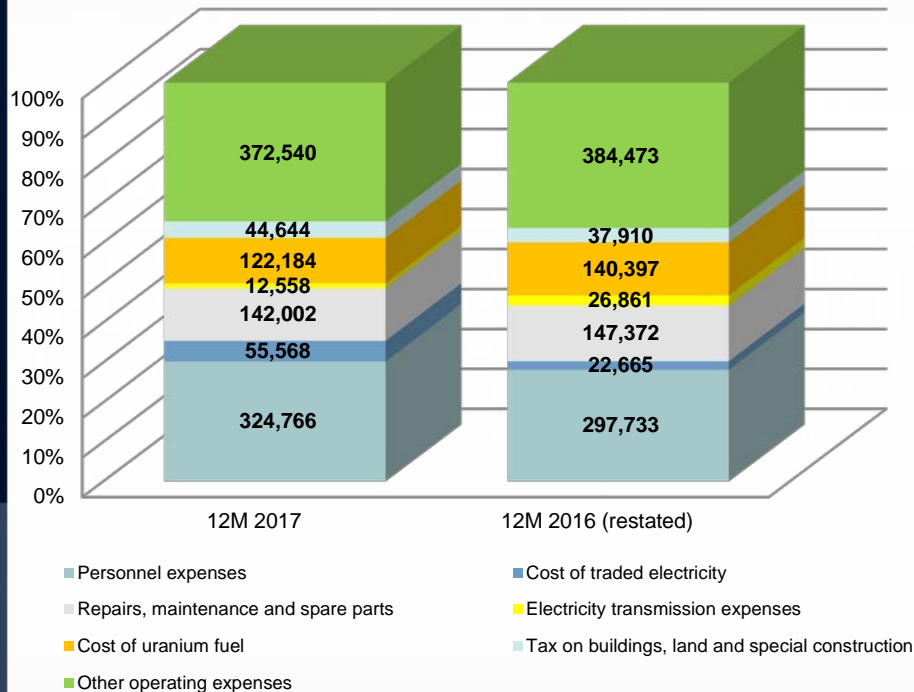


- **Personnel expenses:** increase by 9,1% compared to 12M 2016, mainly due to:
 - Increase in the provision for employees' participation to profit for 2017 in accordance with the limits provided by law, approved by the Board of Directors' resolution, coming with a surplus in personnel expenses of 9.5mil RON;
 - Introduction of holiday tickets according to the law, in amount of 2.8mil RON;
 - Increase in salaries with 7,6mil RON, as approved by BoD in the Budget for 2017;
 - the recognition in Q1'17 of a provision regarding employee benefits granted after retirement starting with March 2017, representing the equivalent of 1.200 kW/year given after the retirement date, valued by the actuary expert employed by the company as at 31.03.2017 to 9.4 mil RON; the actuarial report issued at 31th December 2017 updated all the employee benefits, with a net impact of 672k RON (the retirement bonus introduced in 2017 was reduced to 7.7 mil RON, while the rest of the benefits were also decreased with 6.2 mil RON, compensating the new provision introduced in 2017);
 - Increase in net provision for untaken holidays and overtime of 2,2 mil RON;
 - the above variations had a corresponding impact in employer contributions.

- **Cost of traded electricity:** increase of 32.9 mil RON in 12M'17 compared to 12M'16, due to:
 - purchases from DAM of 16.5 mil RON in 12M'17 compared to 5.9 mil RON in 12M'16, to cover contractual obligations during planned outage of U2 in H1'17 (42.197 MWh in 2017 vs 374 MWh in 2016), as well as from energy purchased to cover contractual obligations during unplanned and programmed outages of U1 and U2 in 12M'17 (285 hours in 2017 vs. 83 hours in 2016); The average purchase price of electricity from DAM increased by 11% in 2017 compared with the average price of 2016;
 - Increase in expenses with imbalances of 22.5 mil RON from 16.6 mil RON in 12M'16 to 39.1 mil RON in 9M'17; these expenses represent the equivalent of energy received from balancing market mainly due to differences in notified quantities vs. delivered quantities, significantly higher in 12M'17 compared to 12M'16, caused by unplanned and programmed outages of U1 and U2 in 12M'17. by 24% in 2017 compared with the average price of 2016; The average purchase price increased
- **Cost of uranium fuel:** decreased by 13% due to decrease in the average acquisition cost of sintered uranium dioxide powder used in the production of fuel bundles in 12M'17, which was consumed at an average cost of about 366,70 RON/kg, coming from the existing stock as at 31 December 2016 (acquired in 2016 from Cameco Inc.) and also from sintered uranium dioxide powder resulting from non-compliant nuclear material processing, compared to the average cost of 462,62 RON/kg used for the fuel bundles consumed in 12M'16; the last contract concluded with Cameco Inc. in 2017 established a price of 337 RON/kg (equivalent of USD at contract date) for 120 TO uranium powder acquisition;

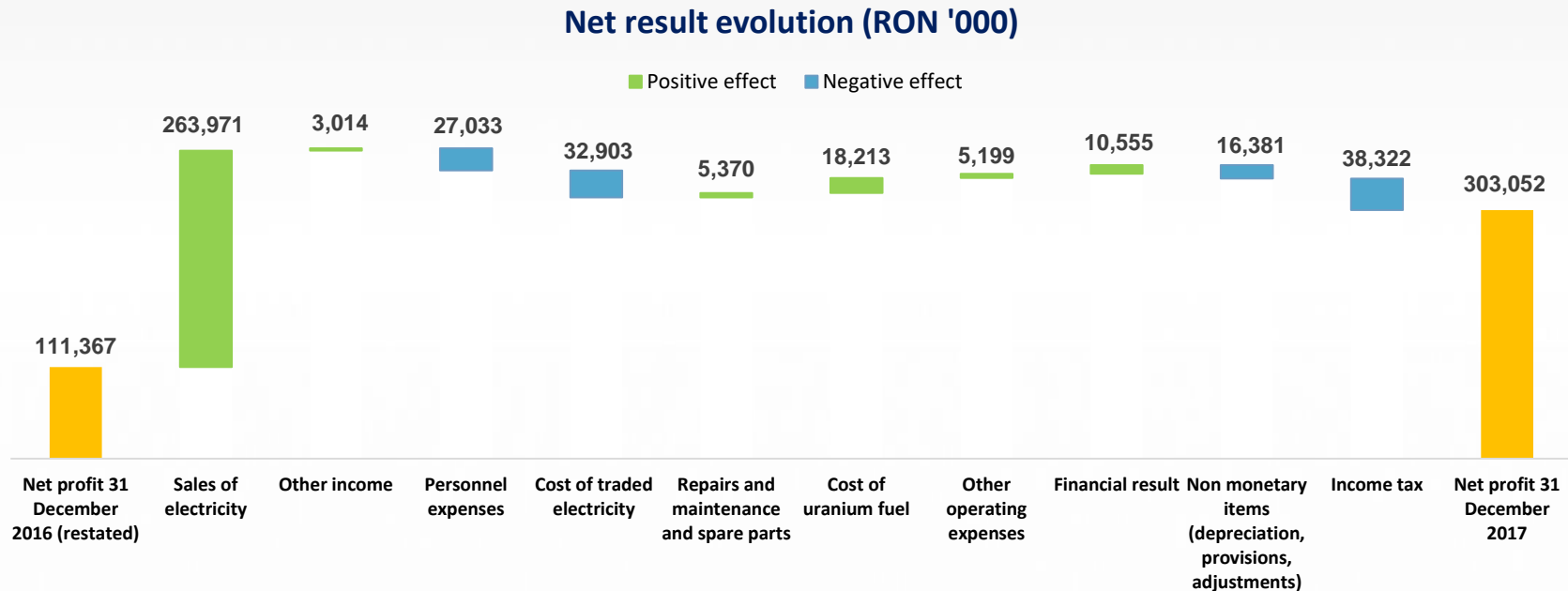
OPEX higher only by 1,6% compared to 12M 2016 (cont'd)

Operating expenses ('000 RON)



- Electricity transmission expenses:** decreased by 53% due to the decrease in the level of electricity transmission tariff into the grid. (from 4,04 RON/MWh to 1,34 RON/MWh starting with July 1st 2016; starting with July 1st 2017 the tariff is set at 1,05 RON/MWh);
- Other operating expenses:** decreased by 3% in 12M'17 compared to 12M'16. In 2016, the company recorded expenses from asset disposal of 5mil RON, while in 2017 there was no asset disposal expense, thus this triggered a decrease in this category of expenses; also, in 2017, the expenses with fuel and other consumables recorded a decrease of 5mil RON. The net impact coming from provision update is of 77k RON, out of which +8,9mil RON update of DICA provision, based on cost estimates for Macstor 200 and Macstor 400 DICA modules necessary to accommodate consumed fuel bundles as at 31 December 2017, and -9.4mil RON radioactive and non-radioactive waste provision that was not recorded. The later triggered a correction of the comparative figures of other operating expenses of +16,4mil RON, in order to reflect the expense that would have been recognized in 2016 (the effect was compensated by a decrease in expenses of -11,07mil RON from error corrections, thus the net impact on net profit from error corrections was of only -1mil RON).
- Tax on buildings, land and special constructions:** In accordance with the change in applying IFRIC 21 in H1'17, the tax on buildings, land and special constructions due for 2017 was recognized in December 2016 (figures restated accordingly). Also, the tax for 2018 is reflected in December 2017. The increase by 17,8% in 12M'17 compared to 12M'16 is due to the increase in the tax rate imposed by local council of Cernavoda for 2018.

Net profit 2017 increased significantly compared to 2016 (2,7 times higher)



- Net result benefited from significant positive evolution of sales of electricity (including sales of thermal energy), cost reduction of uranium fuel and reduction on net financial expenses.
- The negative impact comes mainly from increase in income tax, cost of traded electricity and increase in personnel expenses (including the provisions for employees' participation to profit, the employee benefits and untaken holiday for the year 2017).
- The net profit for 2016 was restated with -1.08 mil RON for correcting accounting errors described previously.

CAPEX

Capital expenditure of SNN in 2017:

- 92.8 mil RON out of total investment program of 231.6 mil RON
- 40% completion degree

Ongoing investments [thousand RON]	New investments [thousand RON]	Investments made at the tangible assets (upgrades) [thousand RON]	Equipments [thousand RON]	Total value of investment program*) [thousand RON]	Degree of completion 31.12.2017 (%)
119,255	19,828	7,566	84,944	231,593	40%

*) Approved by GSM/29.03.2017.

Completion degree is determined by:

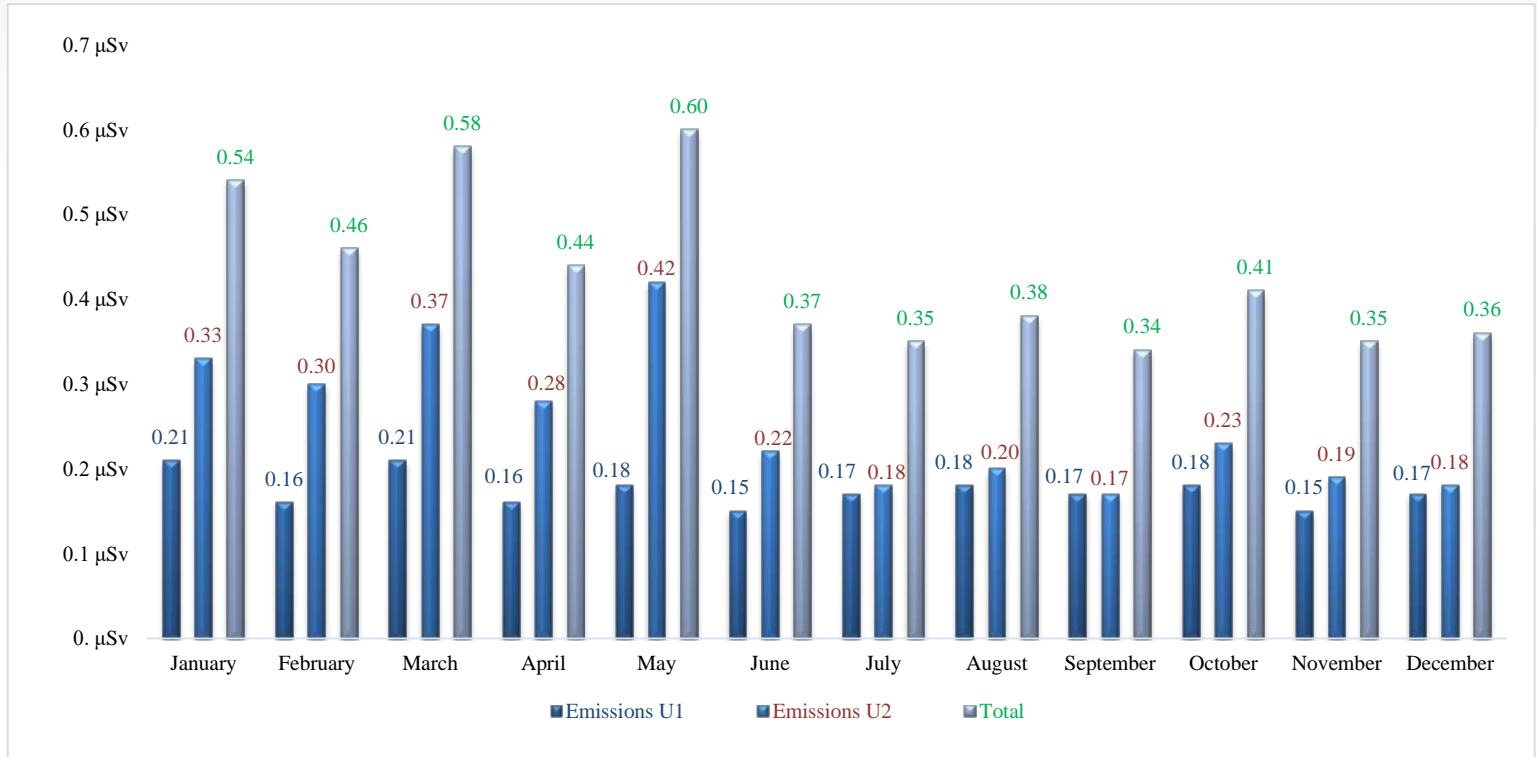
- Savings obtained for investments performed in 2017 determining physical completion stage higher than value completion stage;
- Part of investments in progress were commissioned during 2017, while others are at the purchasing process stage, due to successive appeals to bids and delays in obtaining all the notifications, approvals and authorizations;
- Part of the budgeted investments included in the total investment program are scheduled for 2018.

12M 2017 Income statement

RON '000	12M ended 31.12.2017 (unaudited)	12M ended 31.12.2016 (audited, restated)	Variation (%)	Adjusted Budget 2017*	Variation (%)
	1	2	3=(1-2)/2	4	5=(1-4)/4
Revenues					
Sales of electricity	1,884,741	1,620,770	16.3%	1,683,539	11.0%
Electricity transmission revenues	12,558	26,861	-53.2%	13,971	-10.1%
Total revenues	1,897,298	1,647,631	15.2%	1,697,510	11.8%
Other income	35,603	32,589	9.2%	21,333	66.9%
Operating expenses					
Personnel expenses	(324,766)	(297,733)	9.1%	(316,473)	2.6%
Cost of traded electricity	(55,568)	(22,665)	145.2%	(83,761)	-33.7%
Repairs and maintenance	(123,888)	(126,128)	-1.8%	(131,166)	-5.5%
Electricity transmission expenses	(12,558)	(26,861)	-53.2%	(13,971)	-10.1%
Costs with spare parts	(18,114)	(21,244)	-14.7%	(20,711)	-12.5%
Cost of uranium fuel	(122,184)	(140,397)	-13.0%	(126,261)	-3.2%
Other operating expenses	(417,184)	(422,383)	-1.2%	(468,458)	-10.9%
Total operating expenses	(1,074,261)	(1,057,412)	1.6%	(1,160,801)	-7.5%
EBITDA	858,641	622,809	37.9%	558,042	53.9%
Depreciation and amortisation	(482,717)	(466,337)	3.5%	(485,772)	-0.6%
EBIT	375,924	156,472	140.2%	72,270	420.2%
Finance costs	(94,102)	(118,995)	-20.9%	(102,818)	-8.5%
Finance income	75,654	89,991	-15.9%	97,885	-22.7%
Income tax charge, net	(54,423)	(16,101)	238.0%	(20,438)	166.3%
Net profit	303,052	111,367	172.1%	46,899	546.2%

*The budget for 2017 was adjusted for accounting errors corrected in 2017, in order to represent a more accurate comparison.

Radioactive emissions U1+U2 (μSv)

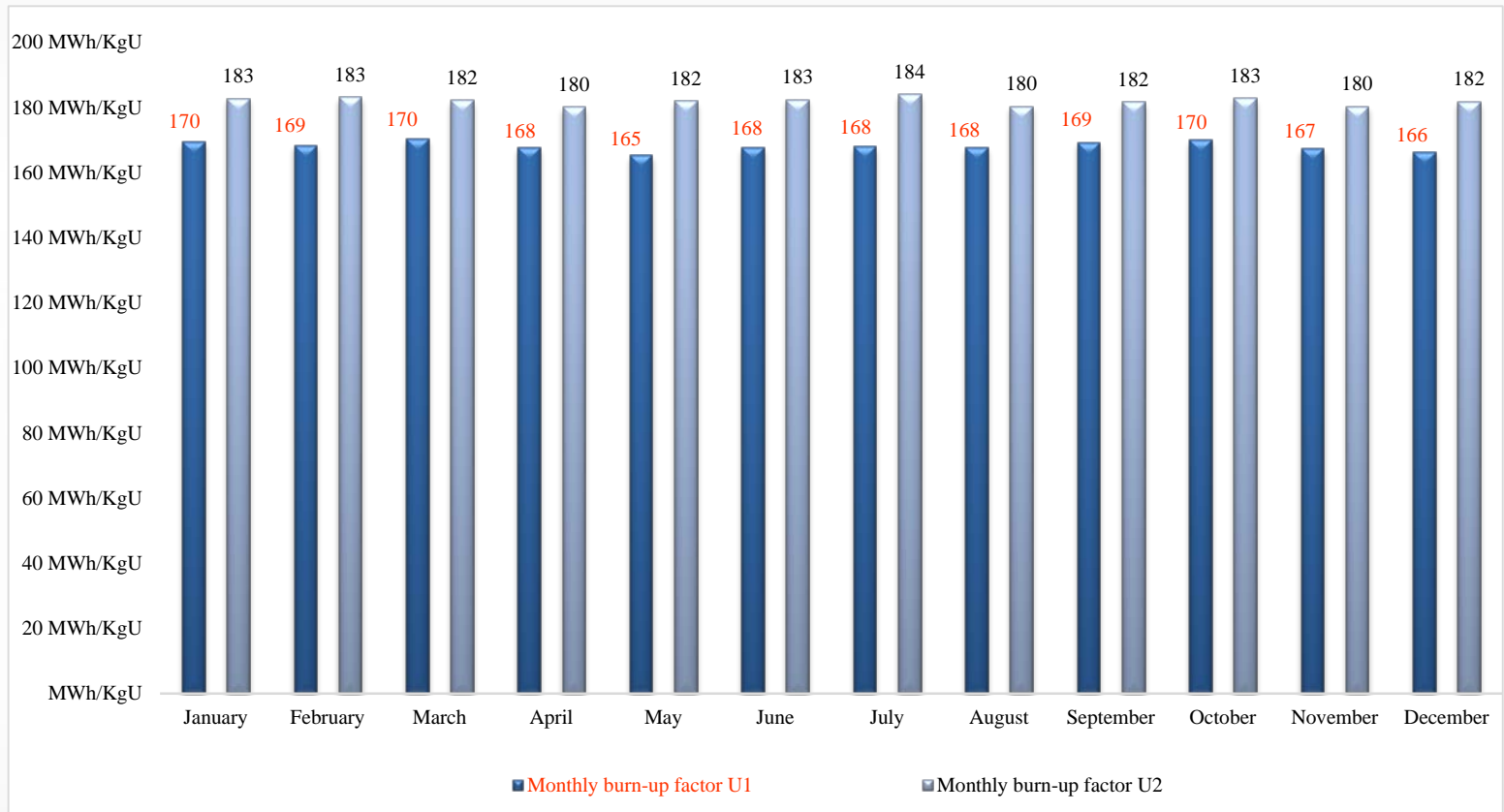


Total 2017:	Annual limit:
5,17	8,50

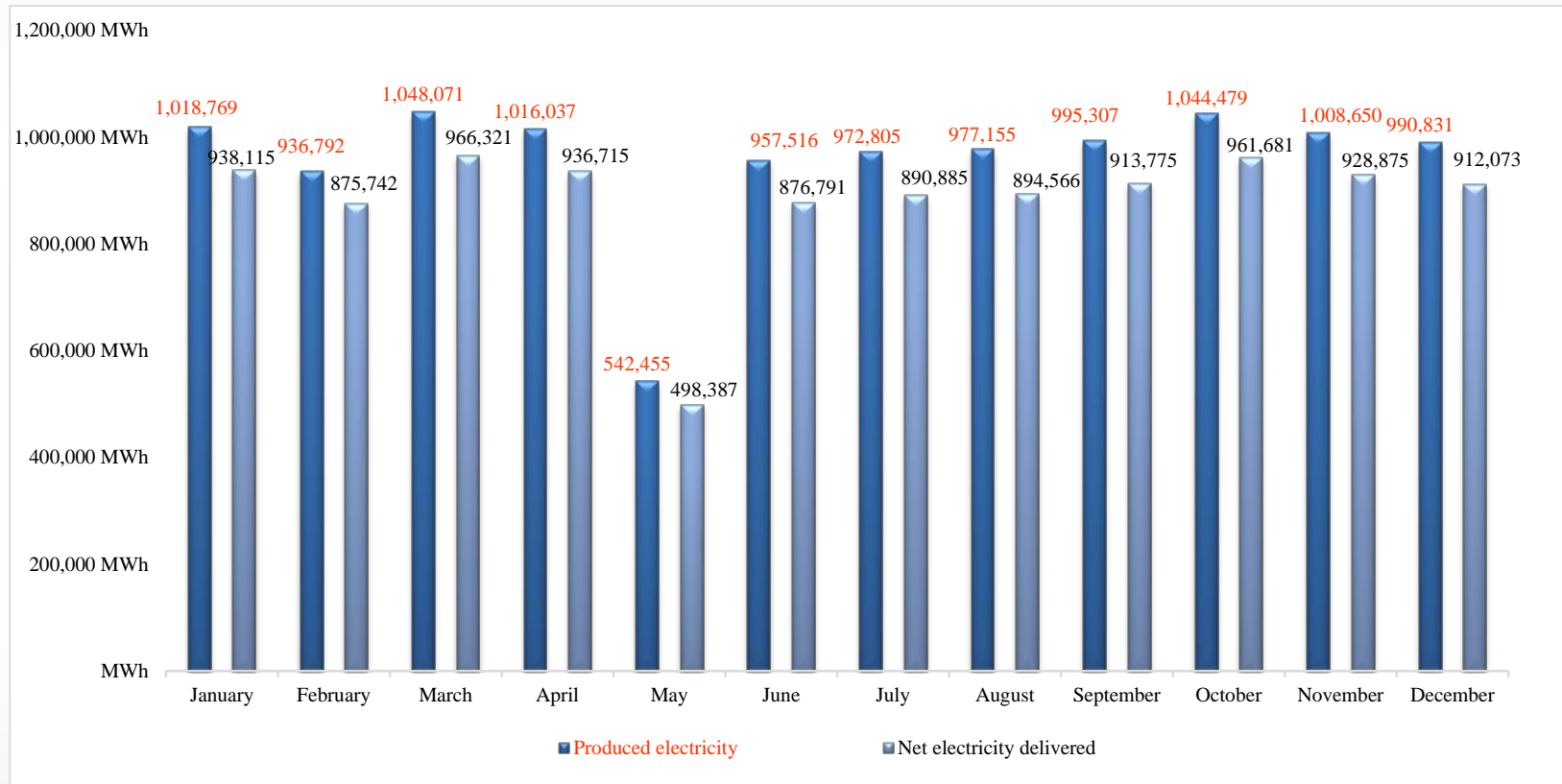
CNCAN authorized limit = 100 $\mu\text{Sv}/\text{year}/\text{unit}$ + 50 $\mu\text{Sv}/\text{year}$ DICA
Legal limit for population (as per Radioprotection Norm NSR01) = 1,000 $\mu\text{Sv}/\text{year}$

Nuclear fuel burn up factor (MWh/KgU)

(Cumulated 2017: 174,11 / Project estimated: min. 156,00)

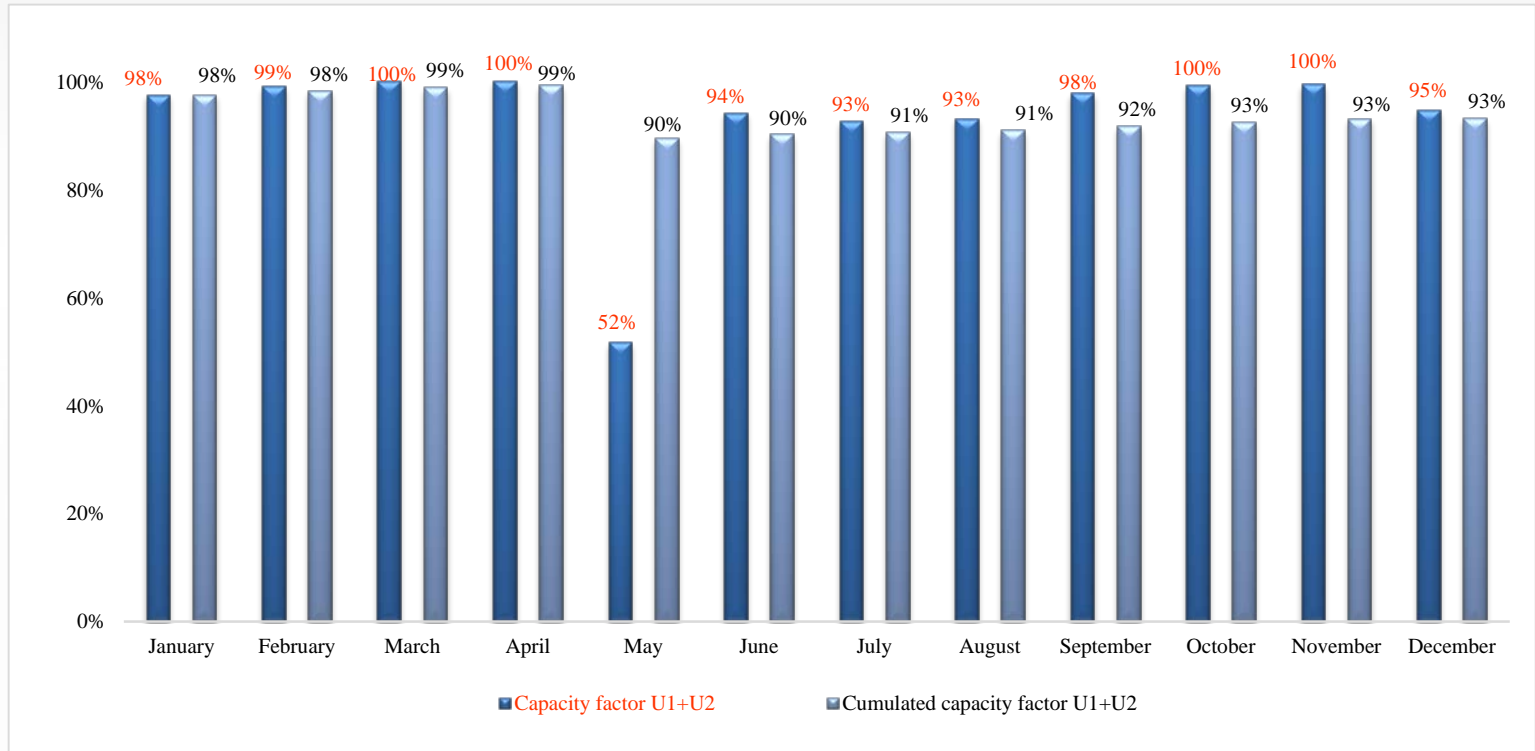


Produced electricity/net U1 + U2 (MWh)
(Produced electricity 2017: 11.508.865 MWh / Net electricity delivered 2017: 10.593.926 MWh*)
(Cumulated internal technological consumption (2017: 8,06%)



*Net electricity delivered comprises net electricity produced and delivered for sale (2017: 10.561.051 MWh) and electricity used by one unit during its outage from the other unit.

CANDU Technology Unit performance U1 + U2 (%) Capacity Factor (Cumulated 2017: 93.43%)



Outstanding operational results

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.

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.
- 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:

- January 31st, 2017 – the Inter-ministerial Commission approved the proposal for the extension of negotiations over the Investment Documents, under the same conditions of Memorandum of Understanding; the procedures to obtain a mandate regarding the continuation of negotiations from the Inter-ministerial Commission, Romanian Government and General Shareholders Meeting started.
- March 6th, 2017 – the Inter-ministerial Commission approved the proposal of the Negotiations Commission to continue negotiations and to provide to Romanian Government a memorandum over this matter. The continuation of negotiations can be realized after the approval in the General Shareholders Meeting.
- August 24th, 2017 – SNN General Meeting of Shareholders approved the continuation of the negotiations of the Investment Documents as per the MoU for a period of additional 6 months in compliance with all other provisions of the MoU.
- August 24th, 2017 – SNN GMS mandated the BoD to approve the terms and conditions of the negotiations in compliance with the MoU.
- September 13th, 2017 – Negotiations started, according to the agreed schedule with CGN.
- During September 2017, several rounds of negotiations took place for the Investment Agreement.
- October, 2017 – The Negotiation Commission analysed the aspects discussed during the negotiations.
- Negotiation process undergoing throughout September 2017-present as per the 6-month negotiation extension under the same conditions of the MoU

SNN Investor Relation

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

www.nuclearelectrica.ro

Stock: ISIN ROSNNEACNOR8

Tel.: +40 21 203 82 00

E-mail: investor.relations@nuclearelectrica.ro

Executive Management

COSMIN GHITA - CEO

cghita@nuclearelectrica.ro

ADRIAN GABRIEL DUMITRIU - CFO

adumitriu@nuclearelectrica.ro

2018 Financial calendar

Event	Date
General Meeting of the Shareholders for the approval of the Annual Audited Financial Statements for the financial year 2017	25 April 2018 (Wednesday)
Publication of the Annual Audited Financial Statements for the financial year 2017 <u>Conference call</u> Financial analysts, investment advisors, brokers and investors.	26 April 2018 (Thursday) Hour of the conference call: 16:00 Romania's time
Publication of the First Quarterly Report 2017 (January - March) <u>Conference call</u> Financial analysts, investment advisors, brokers and investors.	11 May 2018 (Friday) Hour of the conference call: 16:00 Romania's time
Publication of the First Half - Year Report 2017 (January - June) <u>Conference call</u> Financial analysts, investment advisors, brokers and investors.	14 August 2018 (Tuesday) Hour of the conference call: 16:00 Romania's time
Publication of the Third Quarterly Report 2017 (January - September) <u>Conference call</u> Financial analysts, investment advisors, brokers and investors.	14 November 2018 (Wednesday) Hour of the conference call: 16:00 Romania's time



NUCLÉARELECTRICA

Thank you!