

NUCLEARELECTRICA

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SNN Investors Teleconference

Financial results for the period of nine months
ended September 30, 2018
- 9M 2018 -

Bucharest: November 14th, 2018

9M 2018 Financial result highlights

RON '000	9M 2018	9M 2017	Variation (%)	Q3 2018	Q3 2017	Variation (%)	Budget 9M 2018	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:	7,863,016	7,907,068	(0.6%)	2,737,616	2,767,926	(1.1%)	7,777,208	1.1%
Quantity of energy produced (Mwh)	7,640,217	7,760,368	(1.5%)	2,670,946	2,694,680	(0.9%)	7,648,065	(0.1%)
Sales of electricity (including thermal energy)	1,519,372	1,366,427	11.2%	550,747	496,708	10.9%	1,500,421	1.3%
Operating expenses	(776,293)	(696,193)	11.5%	(256,959)	(244,368)	5.2%	(884,213)	(12.2%)
EBITDA	798,001	705,496	13.1%	310,647	264,348	17.5%	639,925	24.7%
EBIT	381,872	300,593	27.0%	166,618	131,444	26.8%	266,455	43.3%
Net profit	320,996	250,190	28.3%	138,682	92,928	49.2%	216,858	48.0%

EBITDA: 798,001k RON (13% above 9M 2017)

Net profit: 320,996k RON (28% above 9M 2017)

Main drivers of 9M 2018 reported profit:

- **significant increase in electricity sales by 11%** on account of 11,7% increase of realized average prices (w/out T_g) for similar quantity of energy sold (decrease with only 0.6%);
- **positive financial result recorded in 9M 2018, compared to a negative financial result in 9M 2017;**
- **increase in OPEX** (w/out depreciation and amortization) in 9M'18 compared to 9M'17, mainly due to increase in personnel expenses (+37%) and cost of traded electricity (+12%), coming from increase in number of hours for which electricity was purchased.

9M 2018 Financial position

RON '000	30.09.2018 (unaudited)	31.12.2017 (audited; restated)	Variation (%)
	A	B	C = (A - B)/B
Total non-current assets	6,698,382	7,004,655	(4.4%)
Inventories	343,576	332,349	3.4%
Trade and other receivables	180,259	161,339	11.7%
Cash and cash equivalents (incl. deposits)	1,953,654	1,746,177	11.9%
Total current assets	2,477,489	2,239,865	10.6%
Total assets	9,175,871	9,244,520	(0.7%)
Share capital and premium	3,242,115	3,242,115	-
Prepaid share reserve	21,554	21,554	-
Revaluation reserve	217,172	236,535	(8.2%)
Retained earnings	4,052,909	3,983,913	1.7%
Total shareholder's equity	7,533,750	7,484,117	0.7%
Long term borrowings	760,247	894,849	(15.0%)
Provisions for risks and expenses	134,192	137,036	(2.1%)
Other non-current liabilities	262,702	276,334	(4.9%)
Total non-current liabilities	1,157,141	1,308,219	(11.5%)
Accounts payable and other liabilities	238,671	214,691	11.2%
Current portion of provisions for risks and expenses	39,130	31,838	22.9%
Current portion of long term borrowings	207,179	205,655	0.7%
Total current liabilities	484,980	452,184	7.3%
Total liabilities	1,642,120	1,760,403	(6.7%)
Total equity and liabilities	9,175,871	9,244,520	(0.7%)

Non - current assets

- The expenses realized for NPP inspections during the planned outages are considered investments starting with 2018, in accordance with IAS 16 provisions. Thus, the value of non-current assets as at September 30, 2018 includes 52 mil. RON related to inspection on U1 during the planned outage from May - June 2018. The reconsideration triggered the restatement of comparative information, thus the value of non-current assets as at December 31, 2017 includes 51 mil. RON related to inspection on U2 during the planned outage from May - June 2017.
- The investment is depreciated over 2 years, until the next inspection over the same unit, having an impact also on accumulated depreciation and depreciation charge.

Current assets

- Low counterparty risk: advance payment or collections backed by letters of guarantee (various types according to contracts provisions).
- Net cash position: cash and cash equivalents position (including deposits > 3M & < 12M maturity) increased by 11.9% as compared to December 31st, 2017. Net cash position (cash and cash equivalents position less borrowings) as of September 30th, 2018 is 986,228k RON increased by 53% as compared to December 31st, 2017 (645.673k RON).

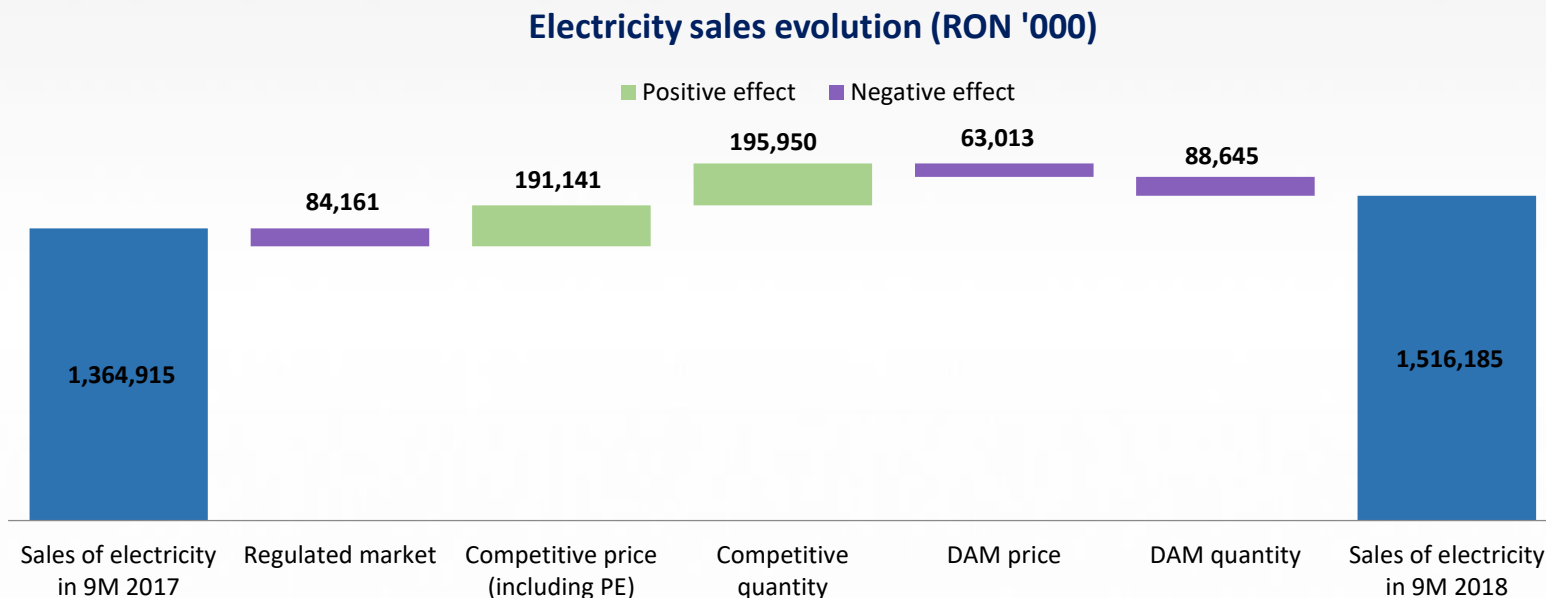
Non – current liabilities

- Decrease of long term borrowings (contracted from Societe Generale and Euratom for the realization and commissioning of Unit 2) by 15% 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, 2018 exposure to long term borrowings is in EUR and CAD.
- Provisions for risks and expenses decreased with 2.1%, following a decrease in provision for DICA and provision for radioactive waste.

Current liabilities

- Accounts payable and other liabilities increased with 11.2% from December 31st, 2017 to September 30th, 2018, due to increase in accounts payable, deferred income and current tax liability.
- Current portion of provisions for risks and expenses increased with 22.9%, following an increase in provisions for DICA and employees participation to profit.
- 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).

Sales of electricity in 9M 2018 increased by 11% compared to 9M 2017



Electricity sales evolution from 9M'17 to 9M'18 was determined by:

- **similar total quantity of electricity sold** (only 0.6% decrease), at an **weighted average selling price 12% higher**
- **changes in sales structure** (quantities sold), corroborated with **price evolution**, as follows:
 - no sales on regulated market in 9M'18 compared to 7% in 9M'17, following the completion of Romanian electricity market liberalization;
 - sales on bilateral contracts market (PCCB & PCSU) of 82% in 9M'18 compared to 69% in 9M'17 (increase of 18% from 9M'17 to 9M'18), with 22% increase of price, thus quantities allocated previously on regulated market were sold on competitive market;
 - sales on DAM market (PZU & PI) of 18% in 9M'18 compared to 24% in 9M'17 (decrease of 27% from 9M'17 to 9M'18), with a 16% decrease of price;
 - balancing market (PE): sales increase of 13% corroborated with 19% decrease of price.

Sales structure analysis 9M 2018 vs. 9M 2017

The main influence over the sales structure on quantities sold comes from the liberalization of the electricity market starting with January 1, 2018, due to this change, the quantities sold on competitive market increase by 6.6% (for 9M'2017 the quantities sold on regulated market represented 6.7% from the total quantities sold), with an insignificant change in the overall quantity.

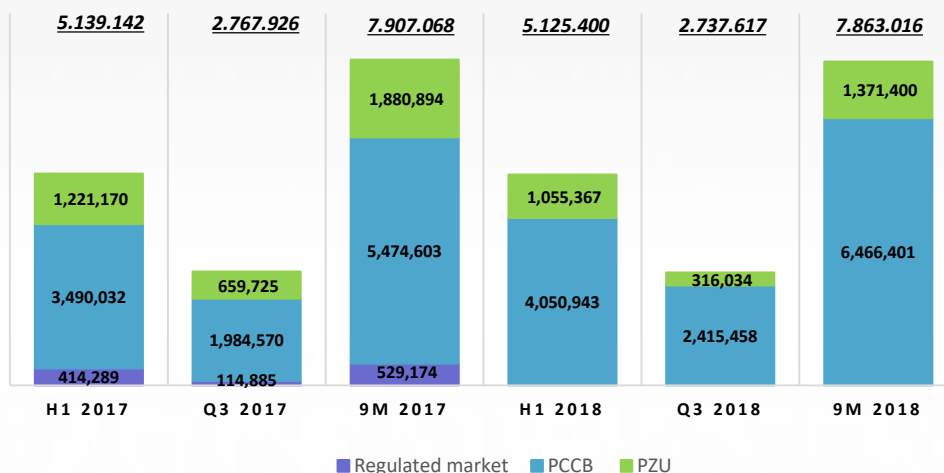
Sales price evolution was determined by an increase of 11.2% in the weighted average selling price on competitive market (including DAM, without balancing mk), with an overall increase in price of 11.8% from 9M'17 to 9M'18 (regulated mk for 2017 included, without balancing mk).

- SNN's sales share on the **bilateral contracts market** (PCCB+PCSU) increased, reaching 82% in 9M'18 compared to 69% in 9M'17, with a significant increase by 21.5% in the average selling price;

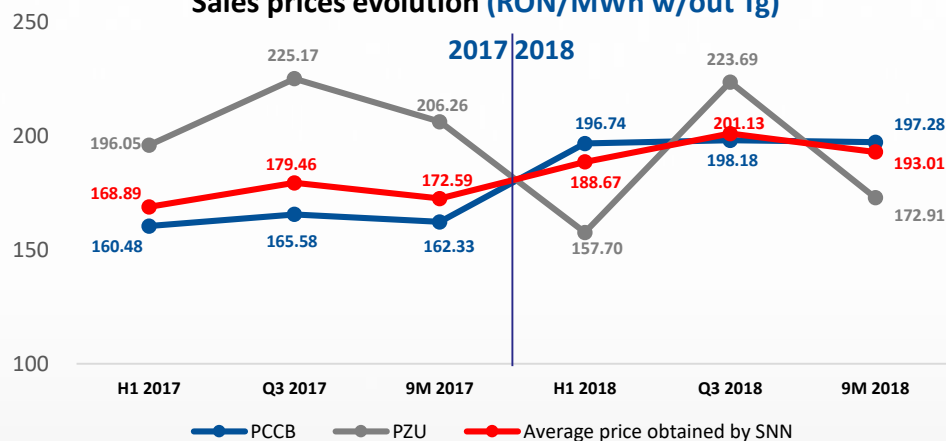
- On **DAM (PZU)**, the quantities of electricity sold for this segment decrease to 17% in 9M'18, compared to 24% in 9M'17, with a decrease of 16.2% of the average selling price.

- Q on **regulated market** in 9M'17 reached 7%.

Sales structure quantities sold (MWh, w/out PE) 9M 2018 vs 9M 2017



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



Sales structure analysis 9M 2018 vs. 9M 2017 (cont'd)

- For the first nine months of 2018, SNN reached its target for the PCCB market by providing predictable contracts for longer periods of time, according to the sales strategy and achieved a good fit for the quantities targeted on DAM (PZU).

Quantities	9M 2018 actual	9M 2018 budgeted	Variation actual vs budgeted	9M 2017 actual	Variation comparative periods
	1	2	$3=(1-2)/2$	4	$5=(1-4)/4$
Regulated market	-	-	-	529,174	-100.0%
PCCB	6,466,401	6,449,783	0.3%	5,474,603	18.1%
PZU	1,371,400	1,417,188	-3.2%	1,880,894	-27.1%
Total	7,837,801	7,866,971	-0.4%	7,884,671	-0.6%

- On DAM (PZU) the price obtained by SNN in 9M'18 followed the market trend, as the monthly average prices published by OPCOM for DAM sales in 9M'18 were as follows:

Average for 9M'17	01	02	03	04	05	06	07	08	09	Average for 9M'18
226.88	163.32	183.77	165.15	126.64	194.73	225.16	185.23	241.68	275.55	195.69

Cost structure 9M 2018 compared to 9M 2017

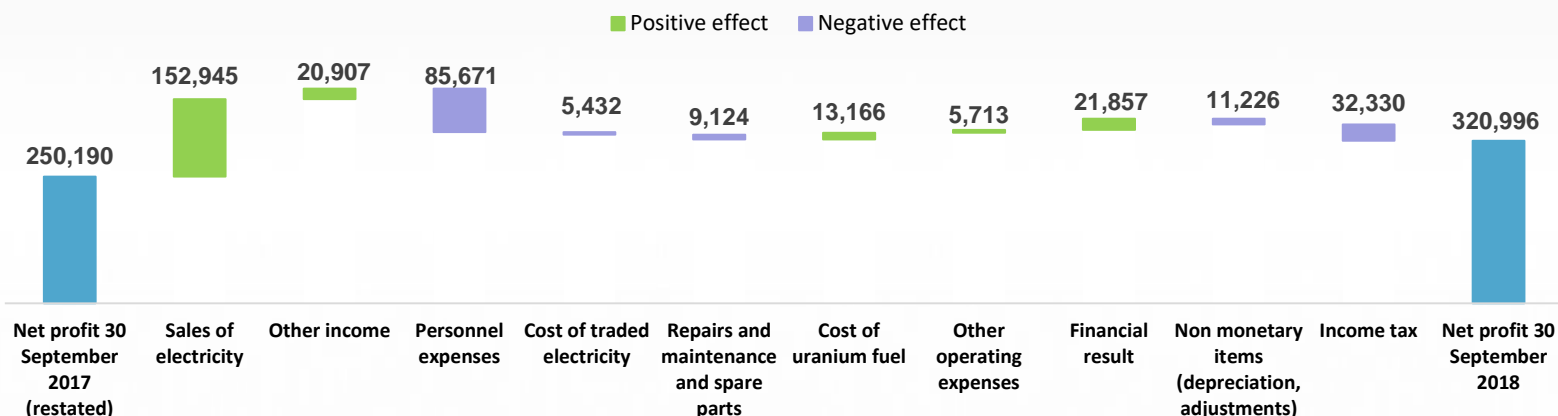
- OPEX higher by 8.3% compared to 9M 2017 -

Cost structure (RON '000)	9M 2018	%	9M 2017 (restated)	%
Depreciation and amortisation	416.129	35%	404.903	37%
Personnel expenses	314.386	26%	228.715	21%
Other operating expenses	90.731	8%	97.744	9%
Cost of uranium fuel	78.432	7%	91.598	8%
Repairs, maintenance and spare parts	78.312	7%	69.188	6%
ANDR contribution	72.760	6%	70.692	6%
Tehnological and non-tehnological water and energy	57.558	5%	57.636	5%
Cost of traded electricity	52.479	4%	47.047	4%
Fuel and other consumables	23.265	2%	23.957	2%
Electricity transmission expenses	8.369	1%	9.617	1%
TOTAL	1.192.421		1.101.096	

- ❑ **Depreciation and amortization:** without significant changes between the two periods (values include depreciation charge of inspections during planned outages, as per changes described previously: 41.5 mil RON for 9M'18 and 36 mil RON for 9M'17)
- ❑ **OPEX higher with 11.5% compared to 9M 2017 on the basis of:**
 - **Personnel expenses:** increase by 37,5% compared to 9M'17, due to Company's commitments to employees, in amount of 76 mil. RON, representing employees participation to profit for 2018, based on realized result for 9M'18, and distribution of granted amounts, according to the budget approved by GSM decision no.3/02.03.2018, related to salaries, bonuses, and other premiums, which will be given until the end of 2018, but which are related to the 9M 2018. Personnel expenses includes company's contribution; SNN decided to increase salaries to compensate the transfer of the contributions from employer to employees, thus the impact over personnel expense is nil, except differences in no. of employees.
 - **Cost of uranium fuel:** decreased by 14% due to decrease in the average acquisition cost of sintered uranium dioxide powder used in the production of fuel bundles in 9M'18, which was consumed at an average cost of about 346.07 RON/kg, coming from the existing stock as at 31 December 2017 (acquired in 2017 from Cameco Inc.) and also from sintered uranium dioxide powder resulting from non-compliant nuclear material processing, compared to the average cost of 378.25 RON/kg used for the fuel bundles consumed in 9M'17;
 - **Cost with spare parts, repairs and maintenance** recorded an overall increased by 13% in 9M 2018, compared to 9M 2017, explained by complexity of revisions and repairs required for Unit 1 during planned outage from 2018, compared to Unit 2 in 2017;
 - **ANDR contribution** for decommissioning (0,6 EUR/MWh) and for permanent storage of radioactive waste (1,4 EUR/MWh) increased as a consequence of foreign exchange rate evolution;
 - **Cost of traded electricity:** increase of 5.4 mil RON in 9M'18 compared to 9M'17, due to:
 - Increase in purchases of electricity by 22.1 mil RON, from 10.8 mil RON in 9M'2017 to 32.9 mil RON in 9M'18 (from DAM of 22.4 mil RON and from PCCB of 10.6 mil RON) to cover contractual obligations during planned and unplanned outage of U1 and U2 (786 hours in 2018 vs. 635.6 hours in 2017 of planned outages); The average purchase price of electricity from DAM and PCCB decreased by 15% in 9M'18 compared with the average purchase price in 9M'17, without compensating the increase in quantity (149.598 MWh in 9M'18 vs. 42.197 MWh 9M'17);
 - Decrease in expenses with imbalances of 16.7 mil RON, from 36.2 mil RON in 9M'17 to 19.5 mil RON in 9M'18; these expenses represent the equivalent of energy received from balancing market mainly due to differences in notified quantities vs. delivered quantities, significantly higher in 9M'18 compared to 9M'17, caused by unplanned outages of U1 and U2 in 2018 (67.6 hours lower than in comparative period);
 - **Electricity transmission expenses:** decreased by 13% due to the decrease in the level of electricity transmission tariff into the grid. (from 1.34 RON/MWh to 1.05 RON/MWh starting with July 1st 2017);
 - **Other operating expenses, including technological and non-technological water, fuel and other consumables,** recorded an overall decrease of 4.3%.

Net profit for 9M'18 increased by 28% compared to 9M'17

Net result evolution (RON '000)



- Net result benefited mainly from significant positive evolution of sales of electricity (including sales of thermal energy), from a positive financial result and from collected claims, presented in other income.
- The negative impact comes mainly from increase in personnel expenses (including the provisions for employees' participation to profit and benefits and rewards related to 9M' 2018, granted by approved budget for 2018, to be given until the end of the year) and increase in income tax cost corresponding to profit growth.
- The net profit for 9M'17 was restated with +24.9 mil. RON for correcting accounting errors described previously.

CAPEX

Capital expenditure of SNN in 9M 2018:

- 116.6 mil RON out of total investment program of 244.9 mil RON in 2018 (in 2017: 231,6 mil RON)
- 47.6% completion degree for 9M 2018 (116,6 mil RON) compared to 26.7% in 9M 2017 (61,8 mil RON)

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 30.09.2018 (%)	Degree of completion 30.09.2017 (%)
96,000	37,358	57,174	54,335	244,867	47.6%	26.7%

*) Approved by GSM/02.03.2018.

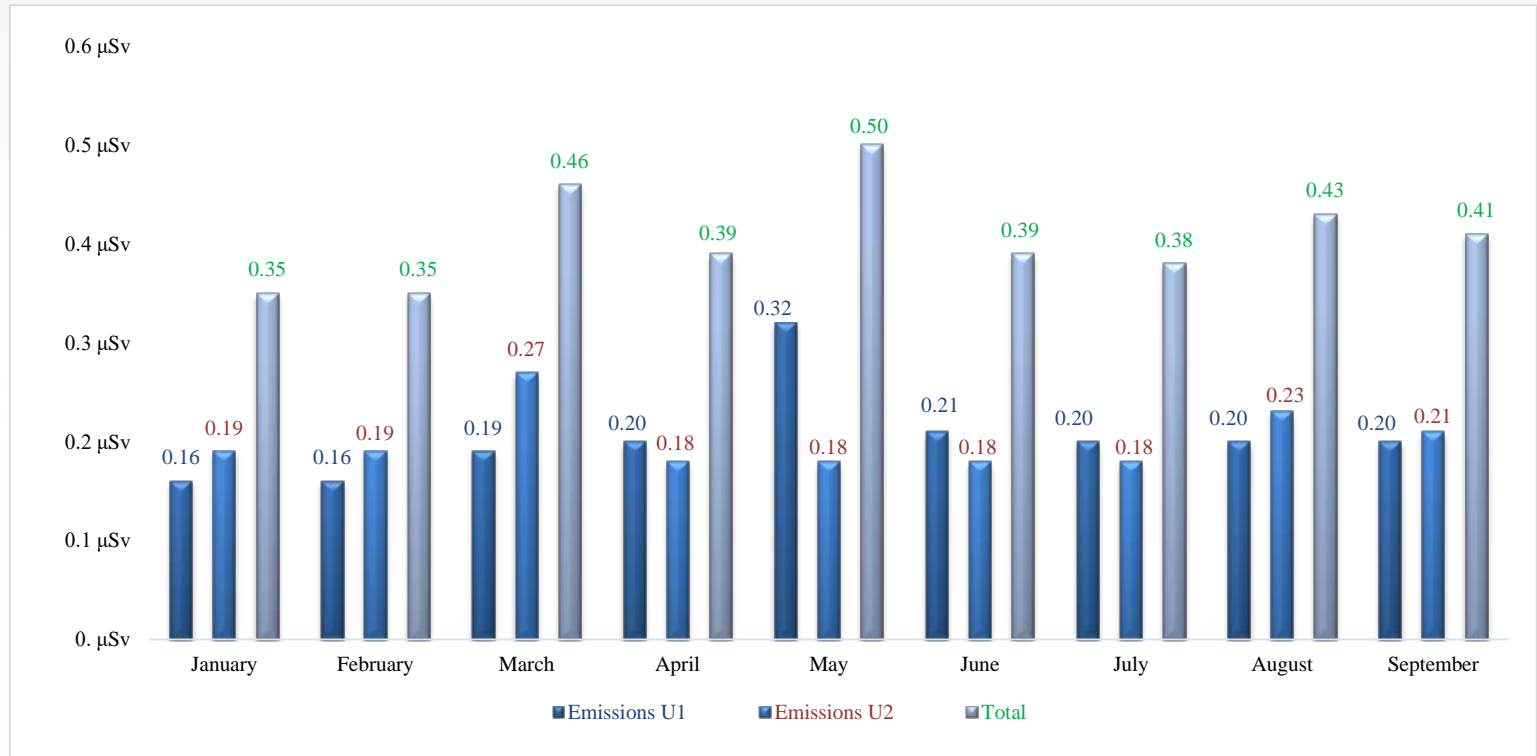
Completion degree is determined by:

- Savings obtained for investments performed in 9M 2018 determining physical completion stage higher than value completion stage;
- Part of investments in progress were commissioned during 9M 2018, 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 investment program for 9M 2018, are postponed for October – December 2018 period.

9M 2018 Income statement

RON '000	9M ended 30.09.2018 (unaudited)	9M ended 30.09.2017 (unaudited; restated)	Variation (%)	3M ended 30.09.2018 (unaudited)	3M ended 30.09.2017 (unaudited; restated)	Variation (%)	Budget 9M 2018	Variation (%)
	1	2	3=(1-2)/2	4	5	6=(4-5)/5	7	8=(1-7)/7
Revenues								
Sales of electricity	1,519,372	1,366,427	11.19%	550,747	496,708	10.88%	1,500,421	1.26%
Electricity transmission revenues	8,369	9,617	(12.98%)	3,152	2,829	11.39%	8,030	4.22%
Total revenues	1,527,741	1,376,044	11.02%	553,899	499,538	10.88%	1,508,451	1.28%
Other income	46,552	25,645	81.53%	13,707	9,179	49.34%	15,687	196.76%
Operating expenses								
Personnel expenses	(314,386)	(228,715)	37.46%	(109,367)	(79,578)	37.43%	(333,507)	(5.73%)
Cost of traded electricity	(52,479)	(47,047)	11.55%	(20,530)	(26,341)	(22.06%)	(79,750)	(34.20%)
Repairs and maintenance	(65,112)	(53,318)	22.12%	(15,017)	(14,974)	0.28%	(79,929)	(18.54%)
Electricity transmission expenses	(8,369)	(9,617)	(12.98%)	(3,152)	(2,829)	11.39%	(8,030)	4.22%
Costs with spare parts	(13,200)	(15,870)	(16.83%)	(1,330)	(2,558)	(47.99%)	(13,390)	(1.42%)
Cost of uranium fuel	(78,432)	(91,598)	(14.37%)	(26,923)	(34,132)	(21.12%)	(85,705)	(8.49%)
Other operating expenses	(244,314)	(250,028)	(2.29%)	(80,640)	(83,955)	(3.95%)	(283,902)	(13.94%)
Total operating expenses	(776,293)	(696,193)	11.51%	(256,959)	(244,368)	5.15%	(884,213)	(12.21%)
EBITDA	798,001	705,496	13.11%	310,647	264,348	17.51%	639,925	24.70%
Depreciation and amortisation	(416,129)	(404,903)	2.77%	(144,030)	(132,904)	8.37%	(373,470)	11.42%
EBIT	381,872	300,593	27.04%	166,618	131,444	26.76%	266,455	43.32%
Finance costs	(47,147)	(64,958)	(27.42%)	(15,431)	(27,566)	(44.02%)	(51,053)	(7.65%)
Finance income	65,142	61,097	6.62%	18,491	12,223	51.28%	53,495	21.77%
Income tax charge, net	(78,872)	(46,542)	69.46%	(30,996)	(23,173)	33.76%	(52,039)	51.56%
Net profit	320,996	250,190	28.30%	138,682	92,928	49.24%	216,858	48.02%

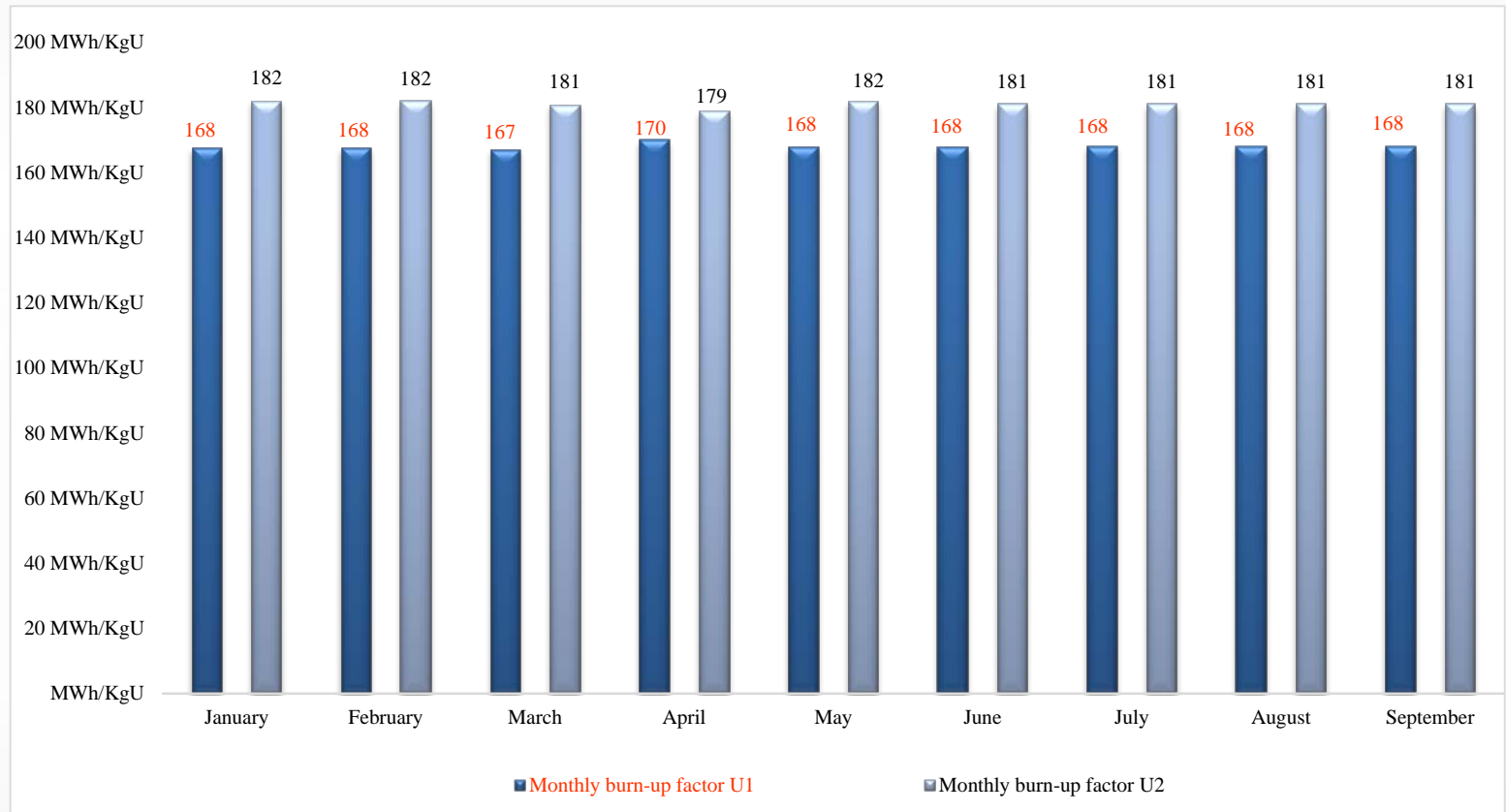
Radioactive emissions U1+U2 (μSv)



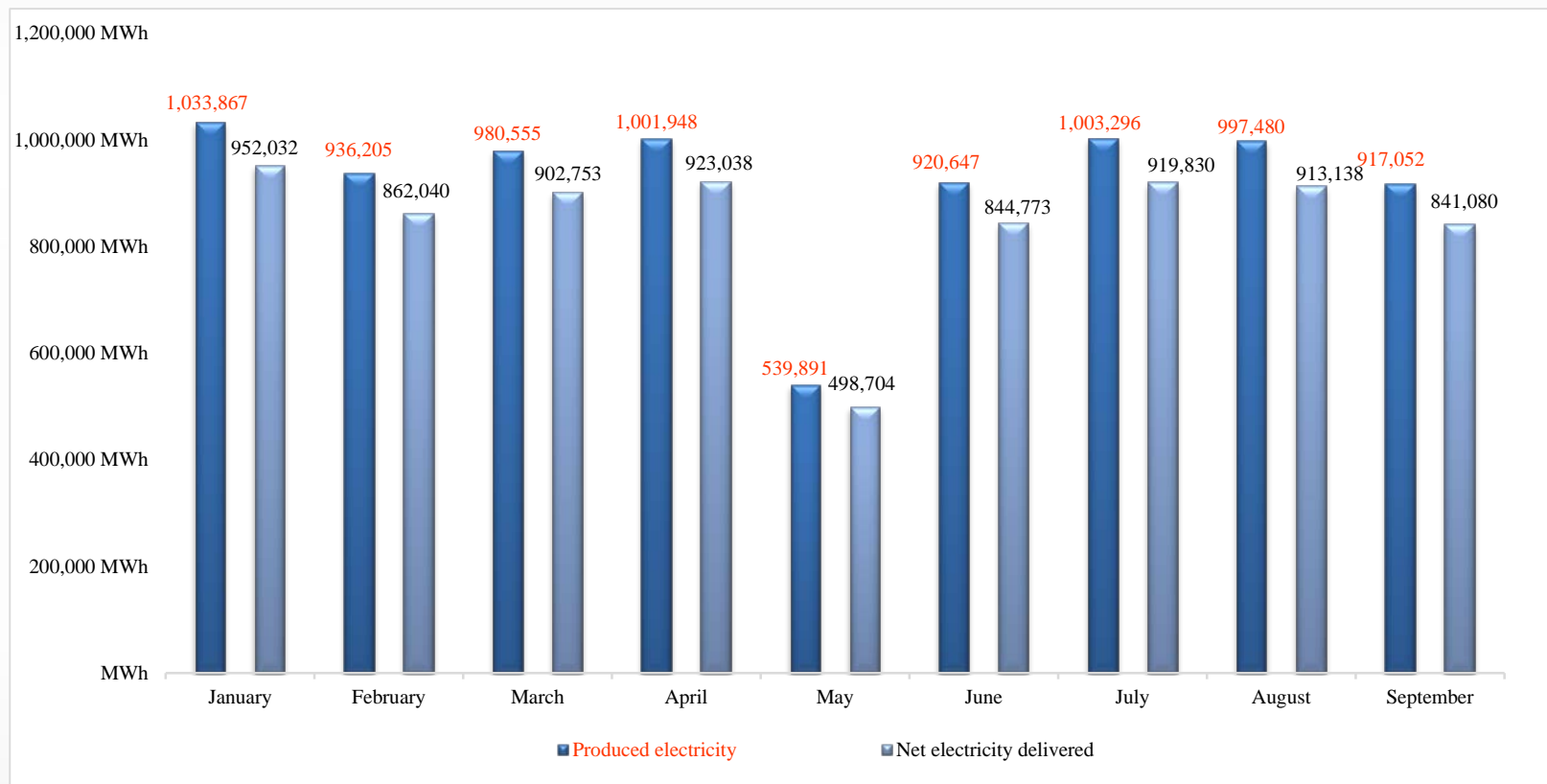
Total 2018:	Annual limit:
3.66	8.5

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 2018: 175/Project estimated: min. 156)

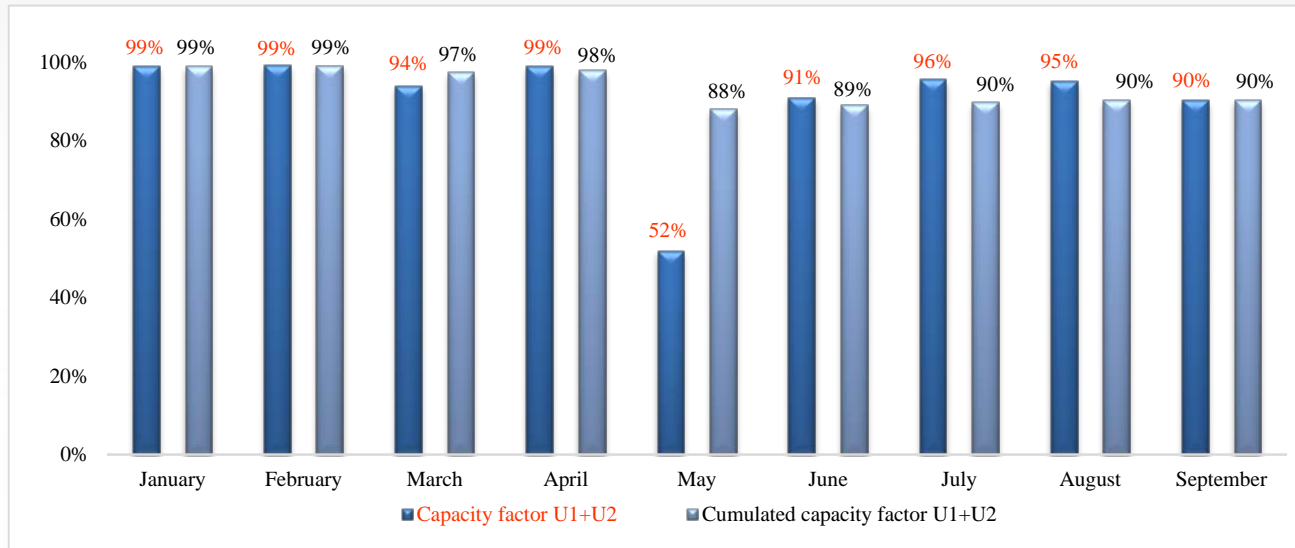


Produced electricity/net U1 + U2 (MWh)
Produced electricity 2018: 8,330,940 (MWh)
Net electricity delivered 2018: 7,657,387 (MWh*)
Internal technological consumption cumulated 2018: 8.14%



*Net electricity delivered comprises net electricity produced and delivered for sale (2018: 7,640,217 MWh) and electricity used by one unit during its outage from the other unit.

CANDU Technology Unit performance U1 + U2 (%) Capacity Factor (Cumulated 2018: 90.41%)



**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 2 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 a 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:

- 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 as per the 6-month negotiation extension under the same conditions of the MoU, as approved by the GMS in March 2018.
- 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.

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Thank you!