

NUCLEARELECTRICA

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**SNN Investors Day
Preliminary Unaudited Individual Financial
Statements as at and for the year ended
December 31, 2018**

Bucharest: February 25, 2019

2018 Preliminary financial result highlights

RON '000	2018 (unaudited)	2017 (audited; restated)	Variation (%)	Budget 2018	Variation (%)
	1	2	3=(1-2)/2	4	5=(1-4)/4
Quantity of energy sold (Mwh), out of which:	10,676,179	10,745,156	(0.6%)	10,581,220	0.9%
Quantity of energy produced (Mwh)	10,443,078	10,561,051	(1.1%)	10,405,516	0.4%
Sales of electricity (including thermal energy)	2,116,991	1,884,741	12.3%	2,038,656	3.8%
Operating expenses	(1,089,435)	(1,009,107)	8.0%	(1,208,889)	(9.9%)
EBITDA	1,089,327	923,794	17.9%	863,488	26.2%
EBIT	535,216	377,994	41.6%	362,688	47.6%
Net profit	390,546	306,543	27.4%	295,272	32.3%

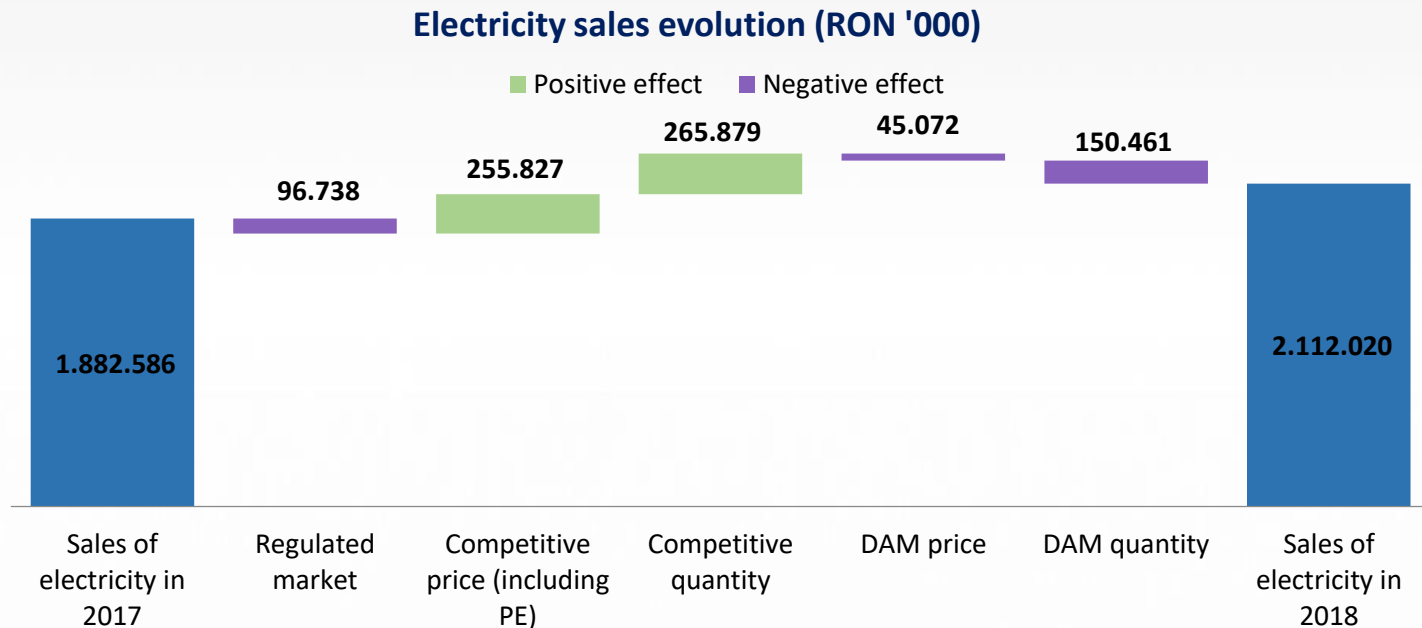
EBITDA: 1,089,327k RON (18% above 12M 2017)

Net profit: 390,546k RON (27% above 12M 2017)

Main drivers of 12M 2018 reported profit:

- **significant increase in electricity sales by 12%** on account of 12.9% 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 12M 2018, compared to a negative financial result in 12M 2017;**
- **increase in OPEX** (w/out depreciation and amortization) in 12M'18 compared to 12M'17, mainly due to increase in personnel expenses (+20%) and cost of traded electricity (+3%), coming from increase in number of hours for which electricity was purchased.

Sales of electricity in 2018 increased by 12% compared to 2017



Electricity sales evolution from 12M'17 to 12M'18 was determined by:

- **similar total quantity of electricity sold** (only 0.6% decrease), at an **weighted average selling price 13% higher**
- **changes in sales structure** (quantities sold), corroborated with **price evolution**, as follows:
 - no sales on regulated market in 12M'18 compared to 6% in 12M'17;
 - sales on bilateral contracts market (PCCB & PCSU) of 85% in 12M'18 compared to 72% in 12M'17 (increase of 17% from 12M'17 to 12M'18), with 20% increase of price, thus quantities allocated previously on regulated market were sold on competitive market;
 - sales on DAM market (PZU & PI) of 15% in 12M'18 compared to 22% in 12M'17 (decrease of 33% from 12M'17 to 12M'18), with a 9% decrease of price;
 - balancing market (PE): sales increase of 20% corroborated with only 1% decrease of price.

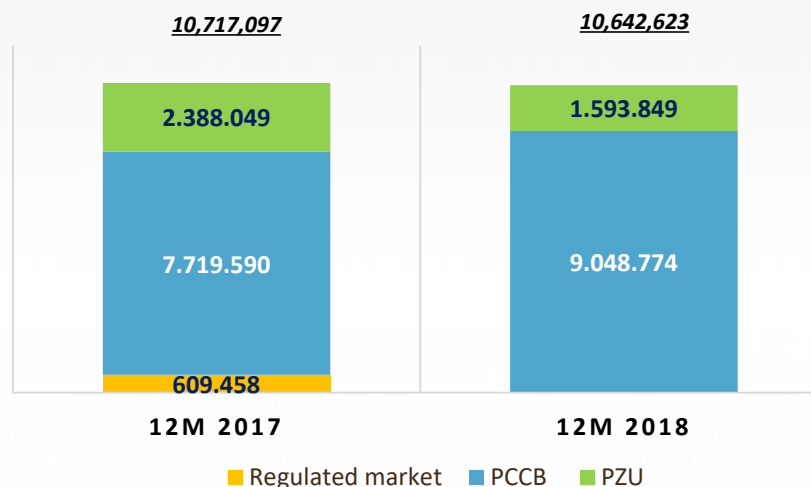
Sales structure analysis 12M 2018 vs. 12M 2017

The main influence over the sales structure on quantities sold comes from the liberalization of the electricity market for 2018, due to this change, the quantities sold on competitive market increase by 5% (for 12M'2017 the quantities sold on regulated market represented 6% from the total quantities sold), with an insignificant change in the overall quantity.

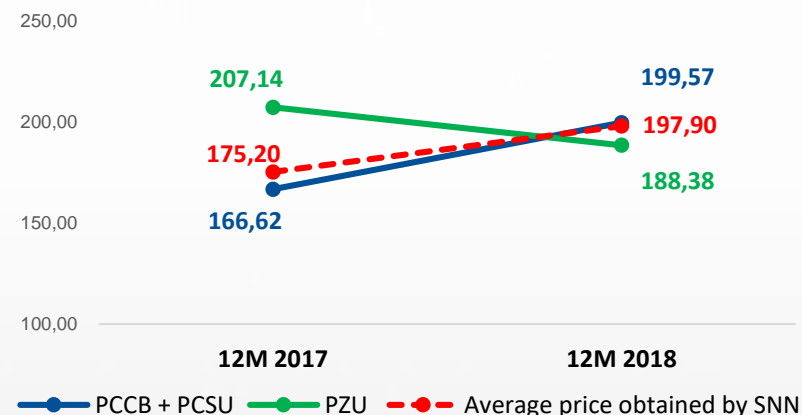
Sales price evolution was determined by an increase of 12% in the weighted average selling price on competitive market (including DAM, without balancing mk), with an overall increase in price of 13% from 12M'17 to 12M'18 (regulated mk for 2017 included, without balancing mk).

- SNN's sales share on the **bilateral contracts market** (PCCB+PCSU) increased, reaching **85%** in 12M'18 compared to **72%** in 12M'17, with a significant increase by **20%** in the average selling price;
- On **DAM (PZU)**, the quantities of electricity sold for this segment decrease to **15%** in 12M'18, compared to **22%** in 12M'17, with a decrease of **9%** of the average selling price.

Sales structure quantities sold 12M 2018 vs 12M 2017
(MWh, w/out PE)



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



Sales structure analysis 12M 2018 vs. 12M 2017 (cont'd)

- In 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	12M 2018 actual	12M 2018 budgeted	Variation actual vs budgeted	12M 2017 actual	Variation comparative periods
	1	2	$3=(1-2)/2$	4	$5=(1-4)/4$
Regulated market	-	-	-	609,458	-100.0%
PCCB + PCSU	9,048,774	8,965,954	0.9%	7,719,590	17.2%
PZU	1,593,849	1,705,029	-6.5%	2,388,049	-33.3%
Total	10,642,623	10,670,983	-0,3%	10,717,097	-0.7%

Cost structure 12M 2018 compared to 12M 2017

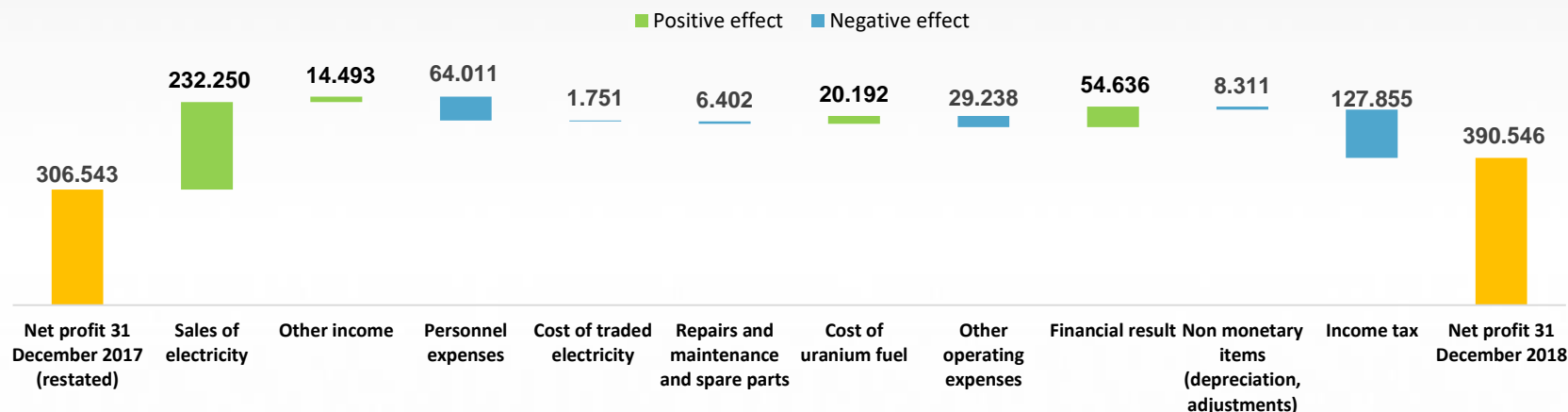
- OPEX higher by 8% compared to 12M 2017 -

Cost structure (RON '000)	12M 2018	12M 2017 (restated)	%	BVC 2018 (rectificat)	%
	1	2	3=(1-2)/2	4	5=(1-4)/4
Depreciation and amortisation	554.112	545.800	2%	500.800	11%
Personnel expenses	388.776	324.766	20%	416.078	-7%
Cost of uranium fuel	101.992	122.184	-17%	113.126	-10%
ANDR contribution	97.238	96.722	1%	98.225	-1%
Repairs, maintenance and spare parts	97.122	90.720	7%	116.057	-16%
Tehnological and non-tehnological water and energy	78.064	78.039	0%	75.410	4%
Cost of traded electricity	57.319	55.568	3%	104.088	-45%
Tax on buildings and land	55.589	44.671	24%	44.973	24%
Electricity transmission expenses	11.676	12.558	-7%	10.926	7%
Other operating expenses	201.659	183.879	10%	230.006	-12%
TOTAL	1.643.546	1.554.907	6%	1.709.689	-4%

- ❑ **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 12M 2017 on the basis of:**
 - **Personnel expenses:** increase by 20% YoY, due to Company's commitments to employees, representing employees participation to profit for 2018 and distribution of granted amounts (salaries, bonuses, and other premiums);
 - **Cost of uranium fuel:** decreased by 17% due to decrease in the average acquisition cost of sintered uranium dioxide powder used in the production of fuel bundles in 2018, which was consumed at an average cost of about 352.87 RON/kg, coming from the existing stock as at 1 January 2018 (acquired from Cameco Inc. and CNU – Sucursala Feldioara) and also from sintered uranium dioxide powder resulting from non-compliant nuclear material processing (CNU – Sucursala Feldioara), compared to the average cost of 366.70 RON/kg used for the fuel bundles consumed 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 with spare parts, repairs and maintenance** recorded an overall increased by 7% YoY, explained by complexity of revisions and repairs required for elder Unit 1 during planned outage in 2018, compared to Unit 2 in 2017;
 - **Cost of traded electricity:** increase of 1.8 mil RON YoY, due to:
 - **Increase in purchases of electricity by 17 mil RON**, from 16 mil RON in 2017 to 33 mil RON in 2018 (DAM 23 mil RON + PCCB of 10 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 decreased by 9% YoY, without compensating the increase in quantity (150,740 MWh in 2018 vs. 67,945 MWh in 2017);
 - **Decrease in expenses with imbalances of 15 mil RON**, from 39 mil RON to 24 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 in 2018, significantly lower in 2018 compared to 2017 (128 hours lower);
 - **Electricity transmission expenses:** decreased by 7% 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);
 - **Tax on buildings and land** increase by 24% from 44.6 mil RON to 55.6 mil RON, due to the increase in the tax rate imposed by local council on Cernavoda for 2019.
 - **Other operating expenses** recorded an overall increase of 10%, mainly due to increase in expenses with provisions, as new provision for litigation with trade unions was recorded, compensated partially by decrease in third party expenses.

Net profit for 12M'18 increased by 27% compared to 12M'17

Net result evolution (RON '000)



- Net result benefited mainly from significant positive evolution of sales of electricity (including sales of thermal energy) and from a positive financial result.
- The negative impact comes mainly from increase in personnel expenses (including the provisions for employees' participation to profit, benefits and rewards granted by approved budget for 2018) and increase in income tax cost corresponding to profit growth and the tax due for the distribution of additional dividends in compliance with the GSM decision no 13/10.12.2018.
- The net profit for 12M'17 was restated with +2,67 mil. RON for correcting accounting errors.

12M 2018 Income statement

Profit & Loss account

RON '000	12M ended 31.12.2018 (unaudited)	12M ended 31.12.2017 (audited; restated)	Variation (%)	Budget 2018	Variation (%)
	1	2	3=(1-2)/2	4	5=(1-4)/4
Revenues					
Sales of electricity	2.116.991	1.884.741	12,32%	2.038.656	3,84%
Electricity transmission revenues	11.676	12.558	-7,02%	10.926	6,87%
Total revenues	2.128.667	1.897.298	12,19%	2.049.582	3,86%
Other income	50.095	35.602	40,71%	22.795	119,76%
Operating expenses					
Personnel expenses	388.776	324.766	19,71%	416.078	-6,56%
Cost of traded electricity	57.319	55.568	3,15%	104.088	-44,93%
Repairs and maintenance	81.354	72.607	12,05%	97.857	-16,86%
Electricity transmission expenses	11.676	12.558	-7,02%	10.926	6,87%
Costs with spare parts	15.768	18.114	-12,95%	18.200	-13,36%
Cost of uranium fuel	101.992	122.184	-16,53%	113.126	-9,84%
Other operating expenses	432.550	403.312	7,25%	448.614	-3,58%
Total operating expenses	1.089.435	1.009.107	7,96%	1.208.889	-9,88%
EBITDA	1.089.327	923.794	17,92%	863.488	26,15%
Depreciation and amortisation	554.112	545.800	1,52%	500.800	10,65%
EBIT	535.216	377.994	41,59%	362.688	47,57%
Finance costs	58.856	94.102	-37,46%	68.113	-13,59%
Finance income	95.043	75.654	25,63%	71.250	33,39%
Income tax charge, net	180.857	53.002	241,23%	70.553	156,34%
Net profit	390.546	306.543	27,40%	295.272	32,27%

2018 Preliminary financial position

RON '000	31.12.2018 (unaudited)	31.12.2017 (audited, restated)	Variation (%)
	A	B	C = (A - B)/B
Total non-current assets	6,615,098	7,004,655	(5.6%)
Inventories	368,750	332,349	11.0%
Trade and other receivables	185,154	161,339	14.8%
Cash and cash equivalents (incl. deposits)	1,632,131	1,746,177	(6.5%)
Total current assets	2,186,035	2,239,865	(2.4%)
Total assets	8,801,132	9,244,520	(4.8%)
Share capital and premium	3,242,115	3,242,115	-
Prepaid share reserve	21,554	21,554	-
Revaluation reserve	210,811	236,535	(10.9%)
Retained earnings	3,637,989	3,983,913	(8.7%)
Total shareholder's equity	7,112,469	7,484,117	(5.0%)
Long term borrowings	683,967	894,849	(23.6%)
Provisions for risks and expenses	175,459	137,036	28.0%
Other non-current liabilities	248,396	276,334	(10.1%)
Total non-current liabilities	1,107,823	1,308,219	(15.3%)
Accounts payable and other liabilities	343,616	214,691	60.1%
Current portion of provisions for risks and expenses	33,831	31,838	6.3%
Current portion of long term borrowings	203,394	205,655	(1.1%)
Total current liabilities	580,841	452,184	28.5%
Total liabilities	1,688,663	1,760,403	(4.1%)
Total equity and liabilities	8,801,132	9,244,520	(4.8%)

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 December 31st, 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 31st, 2017 includes 51 mil. RON related to inspection on U2 during the planned outage from May - June 2017.
- This investment is depreciated over 2 years, until the next inspection over the same unit, having an impact also on accumulated depreciation and depreciation charge.
- For 31.12.2018 there is a revaluation process undergoing, for which the final report will be received after the preliminary financial statements. The revaluation impact will be reflected in the final annual financial statements.

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) decreased by 6.5% as compared to December 31st, 2017. Net cash position (cash and cash equivalents position less borrowings) as of December 31st, 2018 is 744,769k RON increased by 15% 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 24% 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, 2018 exposure to long term borrowings is in EUR and CAD.
- Provisions for risks and expenses increased with 28%, mainly due to new provision recorded, related to litigations with SNN's trade unions regarding employee benefits, of 35 mil RON.

Current liabilities

- Accounts payable and other liabilities increased with 60% YoY, mainly due to increase in income tax liability for current profit and the tax due for the distribution of additional dividends in compliance with the GSM decision no 13/10.12.2018.
- Current portion of provisions for risks and expenses increased with 6.3%, mainly due to increase in employees participation to profit.

CAPEX

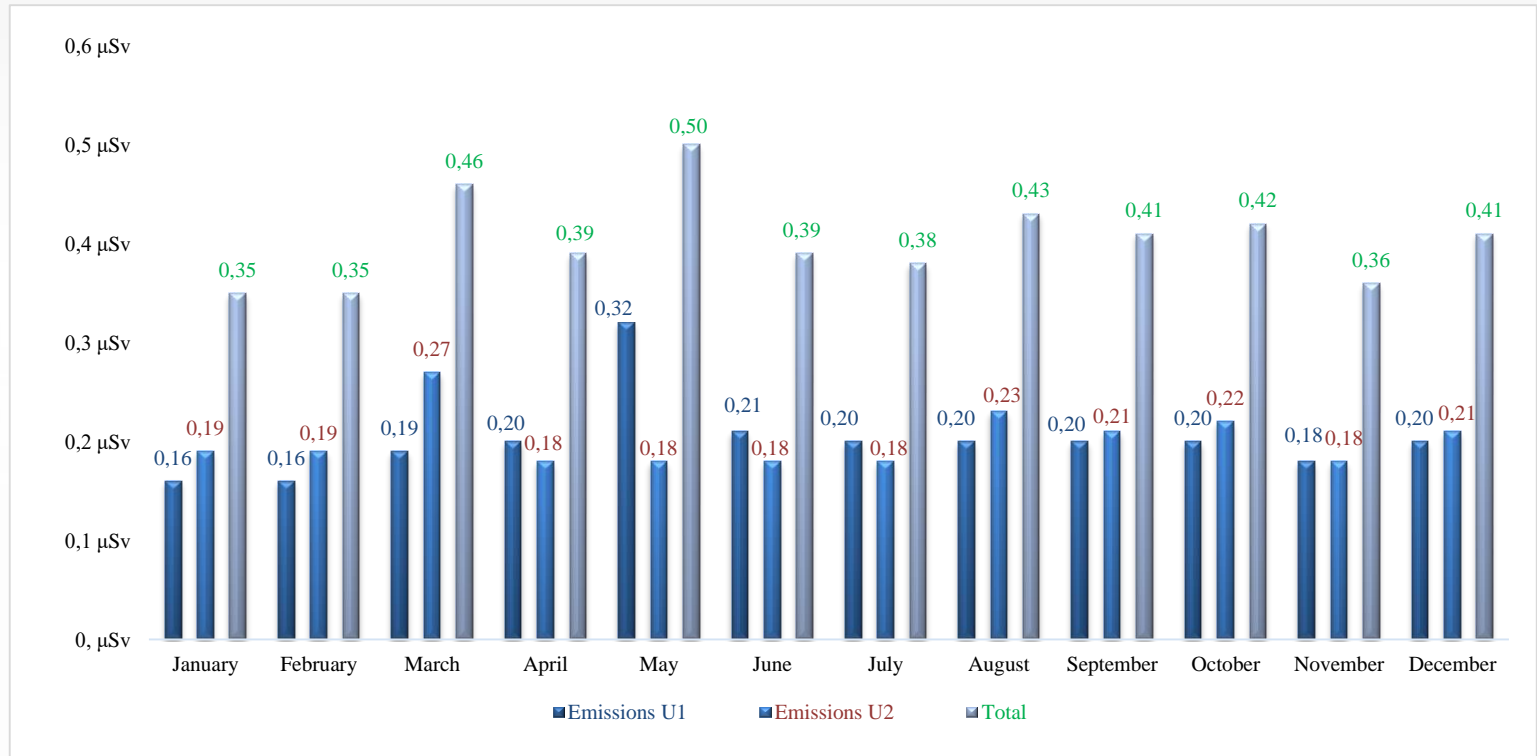
Capital expenditure of SNN in 2018:

- 139 mil RON out of total investment program of 244.9 mil RON in 2018 (in 2017: 231.6 mil RON)
- 56.8% completion degree for 2018 (140 mil RON) compared to 40% in 2017 (92.8 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 31.12.2018 (%)	Degree of completion 31.12.2017 (%)
96,000	37,358	57,174	54,335	244,867	57.05%	40%

*) Approved by GSM/02.03.2018.

Radioactive emissions U1+U2 (μSv)

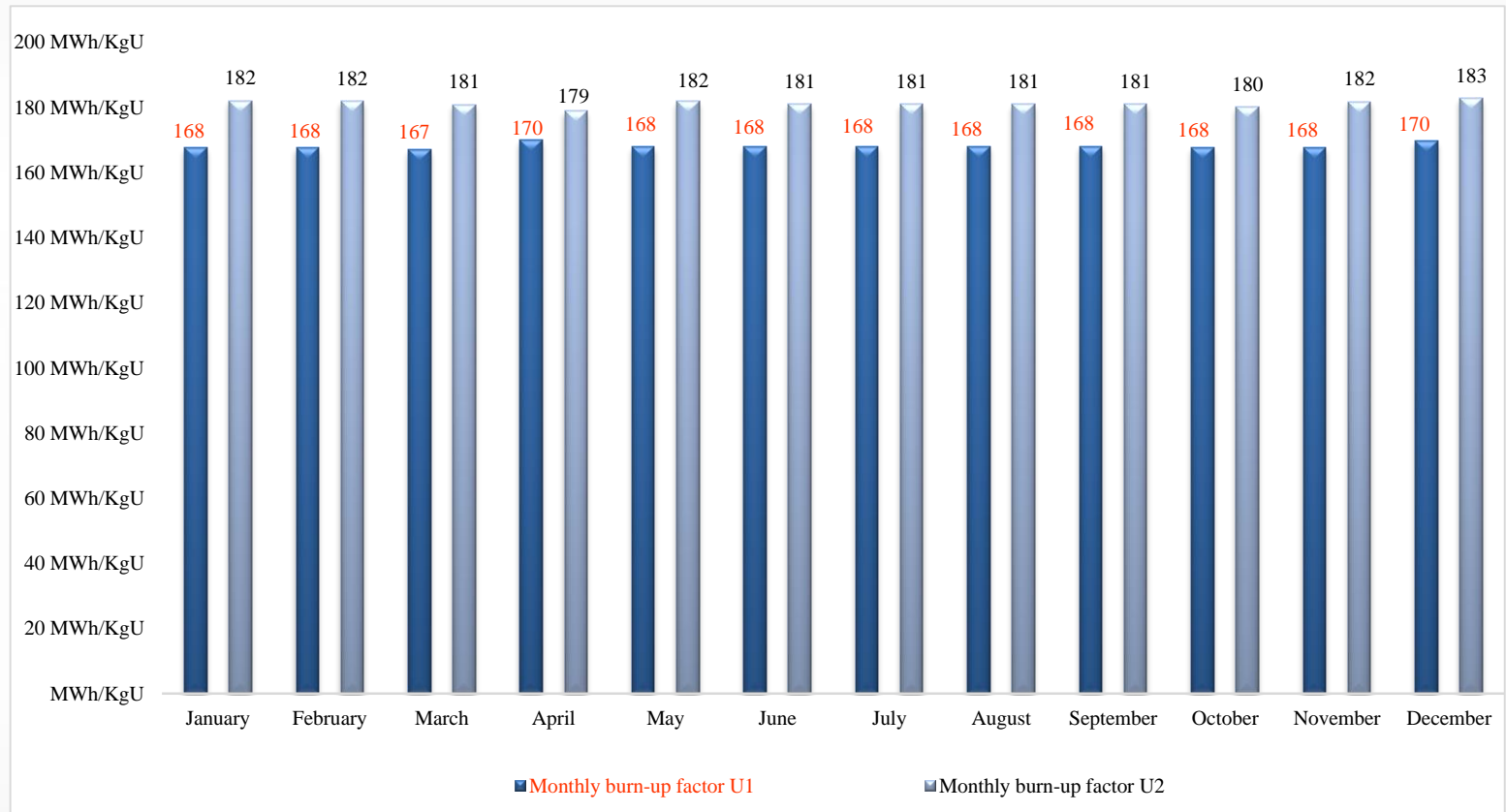


Total 2018:	Annual limit:
4.88	8.5

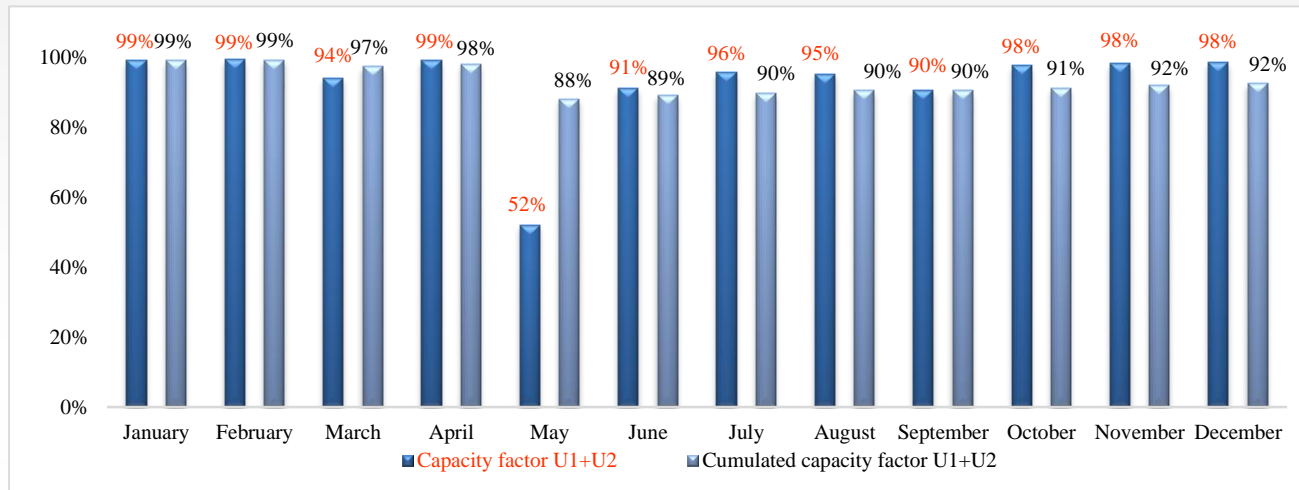
CNCAN authorized limit = 100 μSv/year/unit + 50 μSv/year DICA

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)



CANDU Technology Unit performance U1 + U2 (%) Capacity Factor (Cumulated 2018: 92.37%)



**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 1 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%

WANO mission 2018

The appraisal mission lead by the World Association of Nuclear Operators "WANO" between 5 – 12 November 2018, carried out at the request of SNN, by a team of 25 international experts sent by nuclear power plants from all over the world, concluded that the level of nuclear security at CNE Cernavoda is high.

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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SNN Investor Relation

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2019 Financial calendar

Event	Date
General Meeting of the Shareholders for the approval of the Annual Audited Financial Statements for the financial year 2018	23 April 2019 (Tuesday)
Publication of the Annual Audited Financial Statements for the financial year 2018 Conference call Financial analysts, investment advisors, brokers and investors.	24 April 2019 (Wednesday) Hour of the conference call: 16:00 Romania's time
Publication of the First Quarterly Report 2018 (January - March) Conference call Financial analysts, investment advisors, brokers and investors.	14 May 2019 (Tuesday) Hour of the conference call: 16:00 Romania's time
Publication of the First Half - Year Report 2018 (January - June) Conference call Financial analysts, investment advisors, brokers and investors.	14 August 2019 (Wednesday) Hour of the conference call: 16:00 Romania's time
Publication of the Third Quarterly Report 2018 (January - September) Conference call Financial analysts, investment advisors, brokers and investors.	14 November 2019 (Thursday) Hour of the conference call: 16:00 Romania's time



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Thank you!