

NUCLEARELECTRICA

POWERed by people

**SNN Investors Teleconference  
Individual Interim Condensed Unaudited Financial  
Statements as at and for the period of three  
months ended on March 31, 2019  
- Q1 2019 -**

**Bucharest: May 14, 2019**

## Q1 2019 Financial result highlights

RON '000	Q1 2019 (unaudited)	Q1 2018 (unaudited; restated)	Variation (%)	Budget Q1 2019*	Variation (%)
	1	2	3=(1-2)/2	4	5=(1-4)/4
Quantity of energy sold (Mwh), out of which:	2,748,920	2,765,079	(0.6%)	2,731,878	0.6%
Quantity of energy produced (Mwh)	2,741,524	2,713,982	1.0%	2,723,950	0.6%
Sales of electricity (including thermal energy)	665,436	541,245	22.9%	664,250	0.2%
Operating expenses	255,394	235,273	8.6%	294,114	(13.2%)
<b>EBITDA</b>	<b>422,613</b>	<b>335,735</b>	<b>25.9%</b>	<b>397,871</b>	<b>6.2%</b>
<b>EBIT</b>	<b>286,221</b>	<b>200,232</b>	<b>42.9%</b>	<b>261,029</b>	<b>9.7%</b>
<b>Net profit</b>	<b>219,285</b>	<b>176,998</b>	<b>23.9%</b>	<b>200,083</b>	<b>9.6%</b>

**EBITDA: 422,613k RON (26% above Q1 2018)**

**Net profit: 219,285k RON (24% above Q1 2018)**

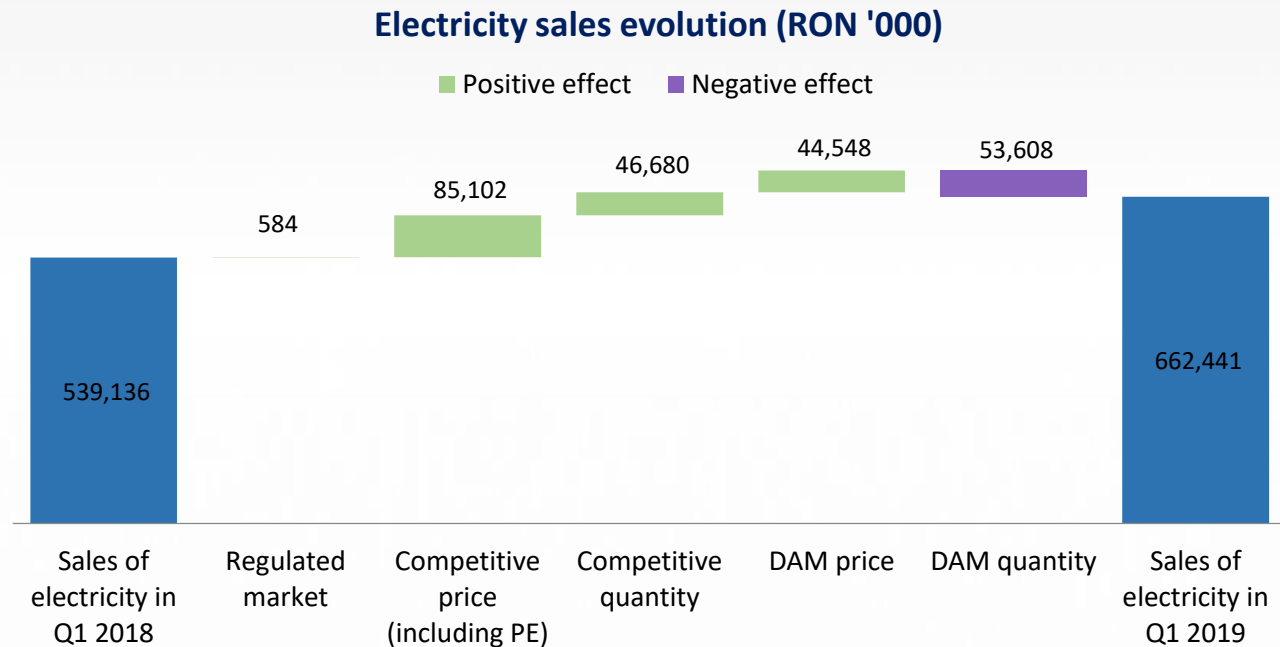
### Main drivers of Q1 2019 reported profit:

- **significant increase in electricity sales by 23%** on account of 23.5% increase of realized average prices (w/out T<sub>g</sub>) for similar quantity of energy sold (decrease with only 0.6%);
- **negative financial result recorded in Q1 2019, compared to a positive financial result in Q1 2018;**
- **increase in OPEX** (w/out depreciation and amortization) in 3M'19 compared to 3M'18, mainly due to increase in personnel expenses and a slight increase of other operating costs, partially offset by the decrease in the cost of purchased electricity and repair and maintenance costs.

\*Revenue and Expenditure Budget for 2019 was advised through BoD Decision no. 52/10.04.2019.

It is subject to the approval of the GMS of May 20, 2019.

## Sales of electricity in Q1 2019 increased by 23% compared to Q1 2018



### Electricity sales evolution from 3M'18 to 3M'19 was determined by:

- **similar total quantity of electricity sold** (only 0.6% decrease), at an **weighted average selling price 24% higher**
- **changes in sales structure** (quantities sold), corroborated with **price evolution**, as follows:
  - 0.1% sales on regulated market in 3M'19 compared to no sales in 3M'18;
  - sales on bilateral contracts market (PCCB & PCSU) of 90% in 3M'19 compared to 82.4% in 3M'18 (increase of 9% from 3M'18 to 3M'19), with 18% increase of price;
  - sales on DAM market (PZU) of 9.7% in 3M'19 compared to 17.3% in 3M'18 (decrease of 44% from 3M'18 to 3M'19), with a 58% increase of price;
  - balancing market (PE): sales decrease of 25% corroborated with 116% increase of price.

# Sales structure analysis 3M 2019 vs. 3M 2018

The sales structure of Q1'19 is similar to Q1'18 and 12M'18:

	Q1'18	12M'18	Q1'19
PCCB + PCSU	83%	85%	90,1%
PZU	17%	15%	9,7%
regulated mk	0%	0%	0,1%

The change this year, but without significant impact in Q1'19, 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 Q1'19 3,1 GWh.

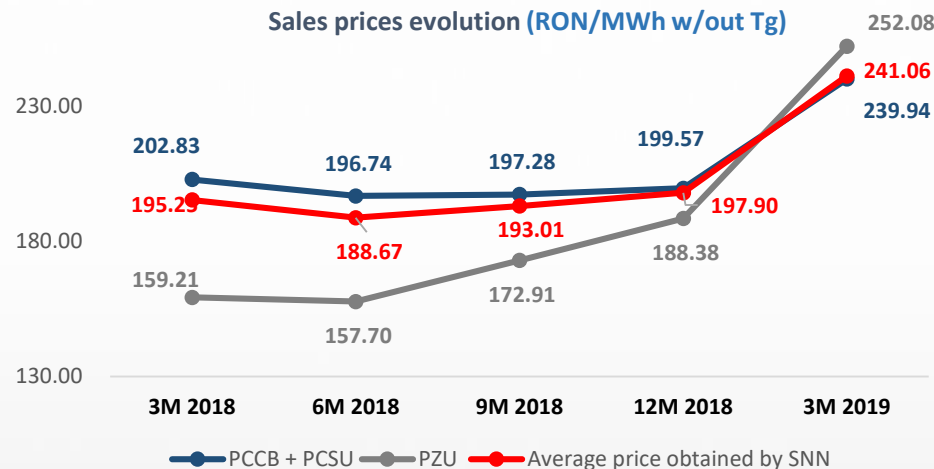
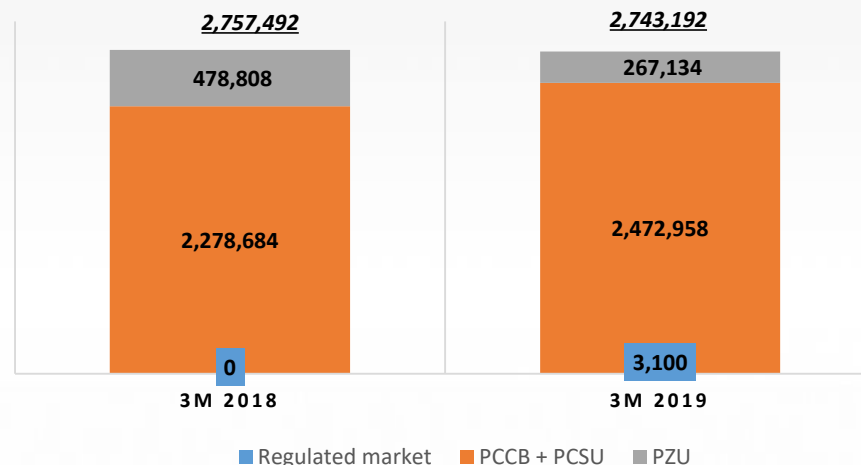
Sales price evolution:

	compared to Q1'18	compared to 12M'18
PCCB + PCSU	18%	20%
PZU	58%	34%
regulated mk	n/a	n/a

- SNN's sales share on the **bilateral contracts market** (PCCB+PCSU) increased, reaching **90%** in 3M'19 compared to **83%** in 3M'18 and **85%** in 12M'18; sales on this market benefited from a significant increase by **18%** in the average selling price compared to 3M'18 and **20%** compared to 12M'18;

- On **DAM (PZU)**, the quantities of electricity sold for this segment decreased to **10%** in 3M'19, compared to **17%** in 3M'18 and **15%** in 12M'18, with an increase of **58%** of the average selling price compared to Q1'18 and **34%** compared to 12M'18.

Sales structure quantities sold 3M 2019 vs 3M 2018  
(MWh, w/out PE)



## Sales structure analysis 3M 2019 vs. 3M 2018 (cont'd)

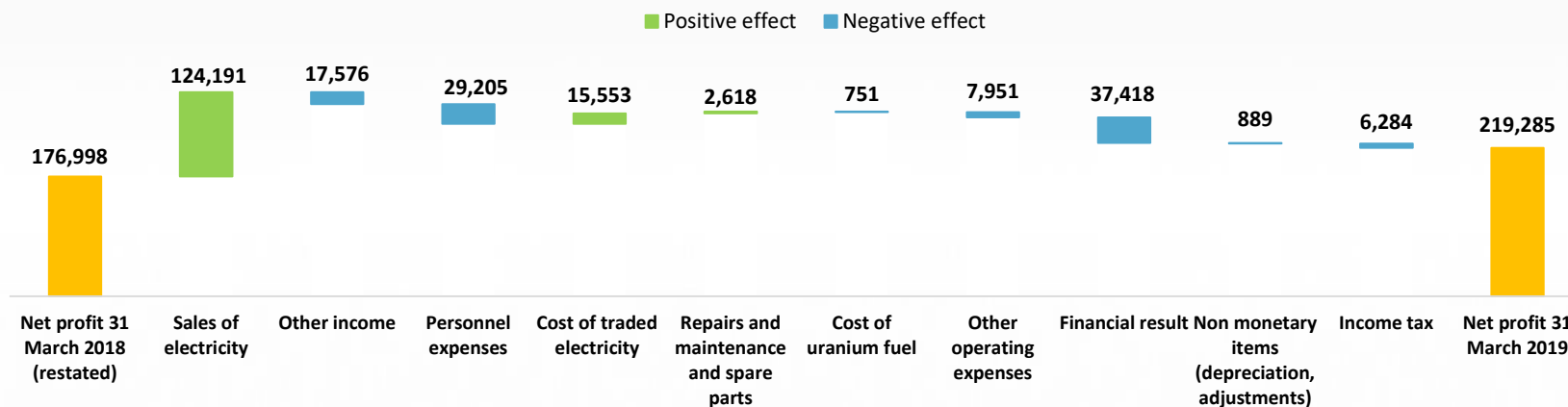
- In Q1'19, SNN reached its target for selling quantities on each market by providing predictable contracts for longer periods of time, according to the sales strategy.

Quantities	3M 2019 actual	3M 2019 budgeted	Variation actual vs. budgeted	3M 2018 actual	Variation comparative periods
Regulated market	3.100	3.100	0,0%	-	100,0%
PCCB + PCSU	2.472.958	2.472.965	0,0%	2.278.684	8,5%
PZU	267.134	262.764	1,7%	478.808	-44,2%
<b>Total</b>	<b>2.743.192</b>	<b>2.738.829</b>	<b>0,2%</b>	<b>2.757.492</b>	<b>-0,5%</b>



## Net profit for 3M'19 increased by 24% compared to 3M'18

### 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 reducing in the cost of traded electricity purchased to cover contractual obligations.
- The negative impact comes mainly from financial result and from increase in 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).
- The net profit for 3M'18 was restated with -12,99 mil. RON for correcting accounting errors.

# Cost structure 3M 2019 compared to 3M 2018

- OPEX higher by 6% compared to 3M 2018 -

Cost structure (RON '000)	3M 2019	3M 2018 (restated)	%	3M BVC 2019 (rectificat)	%
	1	2	3=(1-2)/2	4	5=(1-4)/4
Depreciation and amortisation	136.392	135.503	1%	136.842	0%
Personnel expenses	115.432	86.227	34%	104.886	10%
Cost of uranium fuel	28.223	27.472	3%	38.046	-26%
ANDR contribution	24.382	24.273	0%	24.405	0%
Repairs, maintenance and spare parts	13.469	16.087	-16%	20.737	-35%
Tehnological and non-tehnological water and energy	19.813	19.662	1%	21.613	-8%
ANRE contribution	10.625	475	2135%	10.649	0%
Cost of traded electricity	5.561	21.115	-74%	8.122	-32%
Electricity transmission expenses	3.235	2.850	14%	3.222	0%
Other operating expenses	34.653	37.113	-7%	62.434	-44%
<b>TOTAL</b>	<b>391.786</b>	<b>370.776</b>	<b>6%</b>	<b>430.956</b>	<b>-9%</b>

❑ **Depreciation and amortization:** without significant changes between the two periods (values include depreciation charge of inspections during planned outages);

❑ **OPEX higher with 6% compared to 3M 2018 on the basis of:**

- **Personnel expenses:** increase by 34%, based on:
  - increase in salaries made in the last months of 2018, thus without impact in Q1'18;
  - accruals settled for 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:** small increase of 3%.
- **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 16%, correlated with the repairs and maintenance program and with the needs in Q1'19.

▪ **Cost of traded electricity:** decreased significantly compared to Q1'18, as no unplanned outages occurred in Q1'19, thus:

- nil (0) acquisitions of electricity, (3 mil RON in Q1'18, for 67 hours of unplanned outages);
- imbalances expenses amounted in Q1'19 only 3,4 mil RON, 67% lower than previous comparative period.

▪ **ANRE contribution** – increase from 475k RON to 10,6 mil RON, as per Government Emergency Ordinance no. 114/2018, which provides that the contribution to ANRE increases from 0,1% to 2% from total turnover of the company. The entire amount for 2019 is of about 43 mil RON, and for Q1'19 10,6 mil RON were expensed.

## Q1 2019 Income statement

RON '000	3M ended 31.03.2019 (unaudited)	3M ended 31.03.2018 (unaudited; restated)	Variation (%)	Budget 3M 2019*	Variation (%)
	1	2	3=(1-2)/2	4	5=(1-4)/4
<b>Revenues</b>					
Sales of electricity	665,436	541,245	22.95%	664,250	0.18%
Electricity transmission revenues	3,235	2,850	13.52%	3,222	0.40%
<b>Total revenues</b>	<b>668,671</b>	<b>544,095</b>	<b>22.90%</b>	<b>667,472</b>	<b>0.18%</b>
Other income	9,336	26,913	(65.31%)	24,513	(61.91%)
<b>Operating expenses</b>					
Personnel expenses	115,432	86,227	33.87%	104,886	10.05%
Cost of traded electricity	5,561	21,115	(73.66%)	8,122	(31.53%)
Repairs and maintenance	9,773	13,376	(26.93%)	17,106	(42.87%)
Electricity transmission expenses	3,235	2,850	13.52%	3,222	0.40%
Costs with spare parts	3,696	2,711	36.30%	3,631	1.78%
Cost of uranium fuel	28,223	27,472	2.73%	38,046	(25.82%)
Other operating expenses	89,474	81,523	9.75%	119,101	(24.88%)
<b>Total operating expenses</b>	<b>255,394</b>	<b>235,273</b>	<b>8.55%</b>	<b>294,114</b>	<b>(13.16%)</b>
<b>EBITDA</b>	<b>422,613</b>	<b>335,735</b>	<b>25.88%</b>	<b>397,871</b>	<b>6.22%</b>
Depreciation and amortisation	136,392	135,503	0.66%	136,842	(0.33%)
<b>EBIT</b>	<b>286,221</b>	<b>200,232</b>	<b>42.94%</b>	<b>261,029</b>	<b>9.65%</b>
Finance costs	31,785	5,329	496.49%	35,269	(9.88%)
Finance income	14,306	25,268	(43.38%)	20,045	(28.63%)
Income tax charge, net	49,457	43,173	14.56%	45,722	8.17%
<b>Net profit</b>	<b>219,285</b>	<b>176,998</b>	<b>23.89%</b>	<b>200,083</b>	<b>9.60%</b>

\*Advised through BoD Decision no. 52/10.04.2019.



# Q1 2019 Financial position

RON '000	31.03.2019 (unaudited)	31.12.2018 (audited)	Variation (%)
	A	B	C = (A - B)/B
<b>Total non-current assets</b>	<b>6,511,655</b>	<b>6,671,436</b>	<b>(2.4%)</b>
Inventories	372,925	368,742	1.1%
Trade and other receivables	263,543	193,896	35.9%
Cash and cash equivalents (incl. deposits)	1,869,409	1,632,131	14.5%
<b>Total current assets</b>	<b>2,505,877</b>	<b>2,194,769</b>	<b>14.2%</b>
<b>Total assets</b>	<b>9,017,533</b>	<b>8,866,205</b>	<b>1.7%</b>
Share capital and premium	3,242,115	3,242,115	-
Prepaid share reserve	21,554	21,554	-
Revaluation reserve	250,042	257,408	(2.9%)
Retained earnings	3,884,705	3,658,054	6.2%
<b>Total shareholder's equity</b>	<b>7,398,416</b>	<b>7,179,131</b>	<b>3.1%</b>
Long term borrowings	672,326	683,967	(1.7%)
Provisions for risks and expenses	166,139	182,883	(9.2%)
Other non-current liabilities	251,040	256,019	(1.9%)
<b>Total non-current liabilities</b>	<b>1,089,505</b>	<b>1,122,870</b>	<b>(3.0%)</b>
Accounts payable and other liabilities	257,533	326,979	(21.2%)
Current portion of provisions for risks and expenses	60,228	33,831	78.0%
Current portion of long term borrowings	211,851	203,394	4.2%
<b>Total current liabilities</b>	<b>529,612</b>	<b>564,204</b>	<b>(6.1%)</b>
<b>Total liabilities</b>	<b>1,619,116</b>	<b>1,687,074</b>	<b>(4.0%)</b>
<b>Total equity and liabilities</b>	<b>9,017,533</b>	<b>8,866,205</b>	<b>1.7%</b>

## 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 14.5% as compared to December 31<sup>st</sup>, 2018. Net cash position (cash and cash equivalents position less borrowings) as of March 31<sup>st</sup>, 2019 is 985,232k RON increased by 32% as compared to December 31<sup>st</sup>, 2018 (744,769k RON).
- Trade and other receivables position as of March 31<sup>st</sup>, 2019, includes prepayments related to ANRE in amount of 31.8 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 1.7% 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 March 31<sup>st</sup>, 2019 exposure to long term borrowings is in EUR and CAD.

## Current liabilities

- Accounts payable and other liabilities decreased by 21%, mainly due to decrease in income tax liability and accounts payable. This decrease was partly offset by the increase of deferred income.

## CAPEX

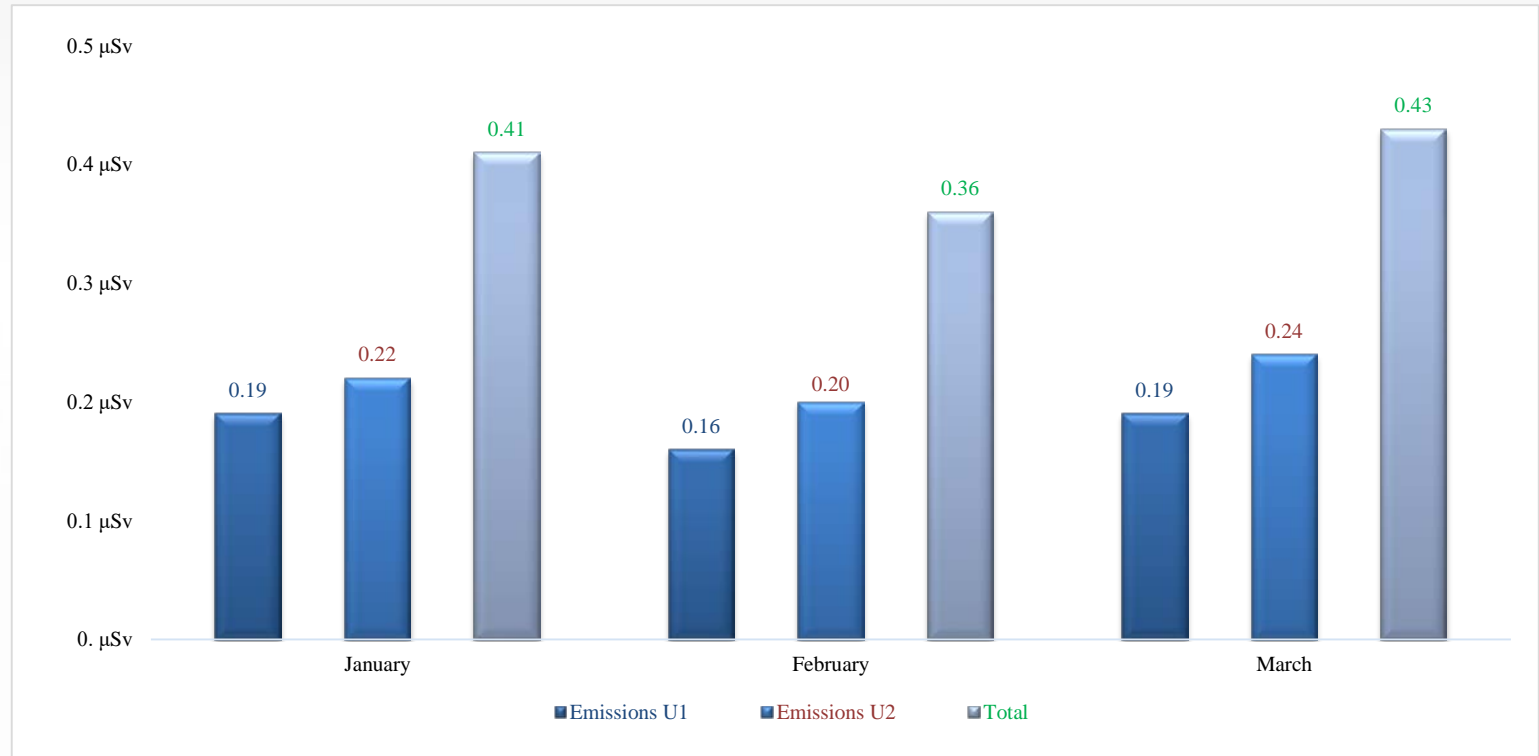
### Capital expenditure of SNN in Q1 2019:

- 16.9 mil RON (in Q1 2018: 8.5 mil RON) out of total investment program of 256.5 mil RON in Q1 2019
- 6.6% completion degree for Q1 2019 compared to 3.5% in Q1 2018

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 31.03.2019 (%)	Degree of completion 31.03.2018 (%)
94,462	419	90,669	70,999	256,548	6.6%	3.5%

\*) Advised through BOD Decision no. 52/10.04.2019.

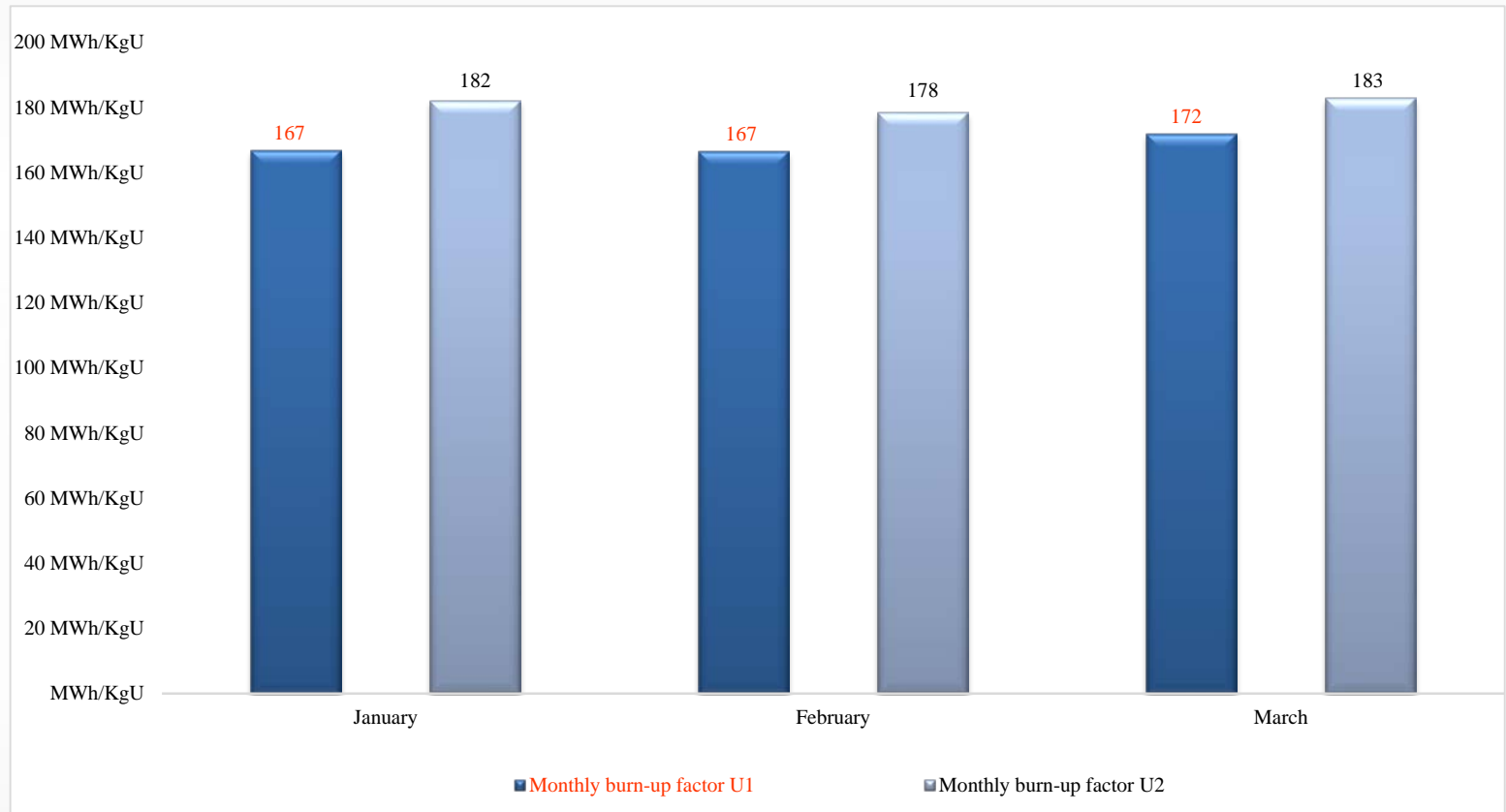
## Radioactive emissions U1+U2 (μSv)



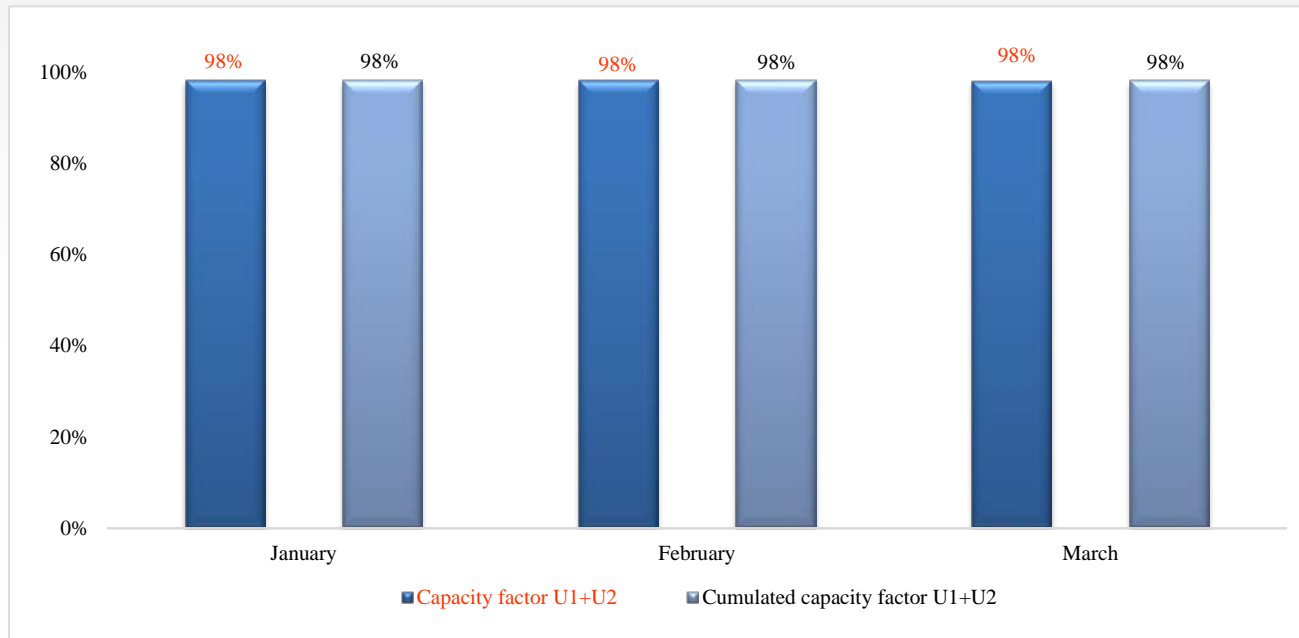
Total Q1 2019:	Anual limit:
1.2	250

**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 Q1 2019: 175/Project estimated: min. 156)



## CANDU Technology Unit performance U1 + U2 (%) Capacity Factor (Cumulated Q1 2019: 98.25%)



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 1<sup>st</sup> with a CF of 93.2% and Unit 1 of Cernavoda NPP ranks 4<sup>th</sup> with a CF of 89,6%

**With an average CF of 91,4 % since in service Romania ranks 1<sup>st</sup> 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 1<sup>st</sup>, respectively 3<sup>rd</sup> 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:**

- 1<sup>st</sup> out of 460 nuclear units in 31 states with an average capability factor ("UCF") for the last three years of 93,47%
- 1<sup>st</sup> out of 460 nuclear units in 31 states with an average operation factor ("OF") for the last three years of 94,4%
- 1<sup>st</sup> out of 436 nuclear units in 31 states with an UCF since in service of 92%
- 1<sup>st</sup> 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:

- 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.



## Disclaimer

*This documents was prepared by Nuclearelectrica team only for this presentation purpose. This document cannot be understood anyway as an offer to sell/buy Nuclearelectrica shares.*

*The document content is only for your information and all the statements other than statements of historical facts included in this document are referring to intentions, expectations, estimates or future projections of Nuclearelectrica and its management. All statements other than statements on historical facts included in this document, including, without limitation those regarding the Company's financial position, business strategy, plans, and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future and speak only as of the date of this document. As a result of these risks, uncertainties and assumptions, you should in particular not place reliance on these forward-looking statements as a prediction of actual results or otherwise.*

*Neither Nuclearelectrica not its management, employees or consultants will be responsible for the accuracy and completeness of the information and statements contained in this document and in any circumstances the content of this presentation, in particular, cannot be interpreted as any assurance or guarantee, offered by Nuclearelectrica or its representatives.*

*This document does not purport to contain all information that may be necessary in respect of the Company or its shares and in any event each person receiving this document needs to make an independent assessment. For an independent assessment in taking any decision regarding Nuclearelectrica, the Company recommends the public documents and information endorsed by Financial Supervisory Authority and Bucharest Stock Exchange.*

*This document is not directed at, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.*

## SNN Investor Relation

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

[www.nuclearelectrica.ro](http://www.nuclearelectrica.ro)

Stock: ISIN ROSNNEACNOR8

Tel.: +40 21 203 82 00

E-mail: [investor.relations@nuclearelectrica.ro](mailto:investor.relations@nuclearelectrica.ro)

## 2019 Financial calendar

Event	Date
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

## Executive Management

**COSMIN GHITA - CEO**

[cghita@nuclearelectrica.ro](mailto:cghita@nuclearelectrica.ro)

**ADRIAN GABRIEL DUMITRIU - CFO**

[adumitriu@nuclearelectrica.ro](mailto:adumitriu@nuclearelectrica.ro)



NUCLÉARELECTRICA



**Thank you!**