

NUCLEARELECTRICA

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SNN Investors Teleconference
Financial results for the period of six months ended
on June 30, 2019
- H1 2019 -

Bucharest: August 14, 2019

H1 2019 Financial result highlights

RON '000	H1 2019 (reviewed)	H1 2018 (reviewed)	Variation (%)	Q2 2019 (unreviewed)	Q2 2018 (unreviewed)	Variation (%)	Budget H1 2019*	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:	5,112,324	5,125,400	(0.3%)	2,236,653	2,360,315	(5.2%)	4,968,531	2.9%
Quantity of energy produced (Mwh)	4,918,714	4,969,271	(1.0%)	2,066,616	2,255,289	(8.4%)	4,790,566	2.7%
Sales of electricity (including thermal energy)	1,181,738	968,625	22.0%	516,302	427,379	20.8%	1,178,944	0.2%
Operating expenses	569,502	519,334	9.7%	314,108	285,883	9.9%	690,524	(17.5%)
EBITDA	639,058	487,353	31.1%	216,444	151,618	42.8%	526,508	21.4%
EBIT	364,185	215,255	69.2%	77,964	15,023	419.0%	252,216	44.4%
Net profit	290,661	182,314	59.4%	71,376	5,316	1,242.6%	191,078	52.1%

EBITDA: 639,058k RON (31% above H1 2018)

Net profit: 290,661k RON (59% above H1 2018)

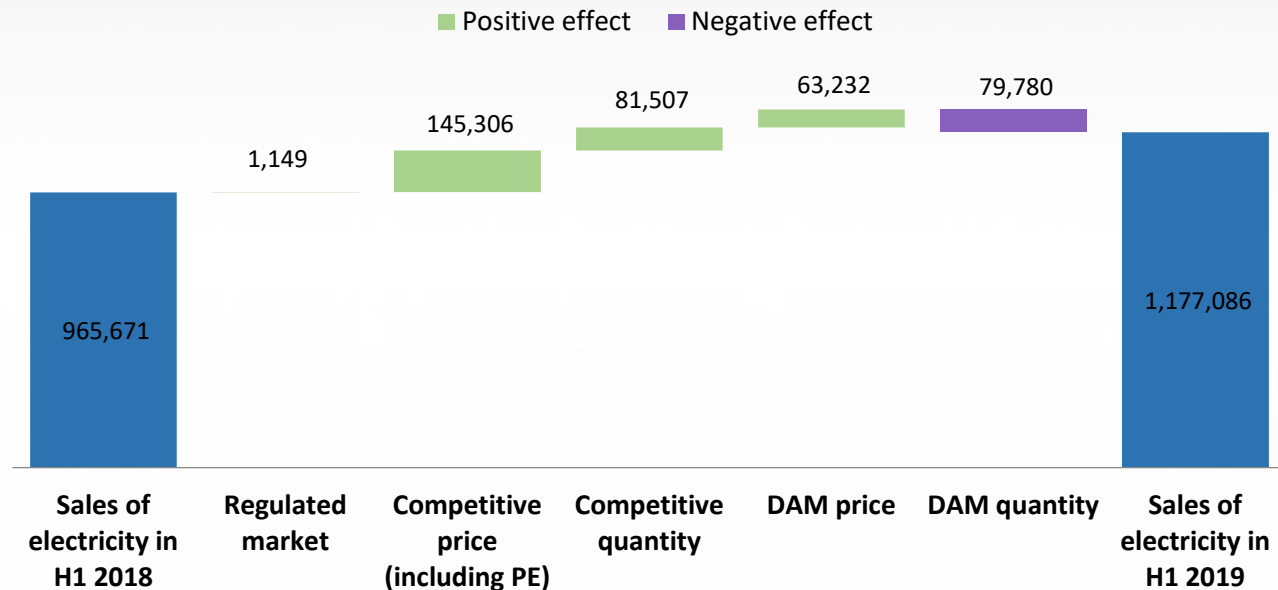
Main drivers of H1 2019 reported profit:

- **significant increase in electricity sales by 22%** on account of 22% increase of realized average prices (w/out T_g) for similar quantity of energy sold (decrease with only 0.3%);
- **negative financial result recorded in H1 2019, compared to a positive financial result in H1 2018;**
- **increase in OPEX** (w/out depreciation and amortization) in 6M'19 compared to 6M'18, mainly due to increase in the cost of purchased electricity and a slight increase of personnel expenses, partially offset by the decrease in the repair and maintenance costs.

*Revenue and Expenditure Budget for 2019 was approved through GSM no. 6/20.05.2019.

Sales of electricity in H1 2019 increased by 22% compared to H1 2018

Electricity sales evolution (RON '000)



Electricity sales evolution from 6M'18 to 6M'19 was determined by:

- **similar total quantity of electricity sold** (only 0.3% decrease), at an **weighted average selling price 22% higher**
- **changes in sales structure** (quantities sold), corroborated with **price evolution**, as follows:
 - 0.1% sales (6.100 MWh) on regulated market in 6M'19 compared to no sales in 6M'18;
 - sales on bilateral contracts market (PCCB & PCSU) of 86% in 6M'19 compared to 79% in 6M'18 (increase of 9% from 6M'18 to 6M'19), with 18% increase of price;
 - sales on DAM market (PZU) of 13.5% in 6M'19 compared to 20.6% in 6M'18 (decrease of 35% from 6M'18 to 6M'19), with a 38% increase of price;
 - balancing market (PE): sales decrease of 22% corroborated with 22% increase of price.

Sales structure analysis 6M 2019 vs. 6M 2018

The sales structure of H1'19 and H1'18:

	Q2 2018	H1 2018	Q2 2019	H1 2019
PCCB + PCSU	75,5%	79,3%	81,9%	86,3%
PZU	24,5%	20,7%	18,0%	13,5%
regulated mk	0,0%	0,0%	0,1%	0,1%

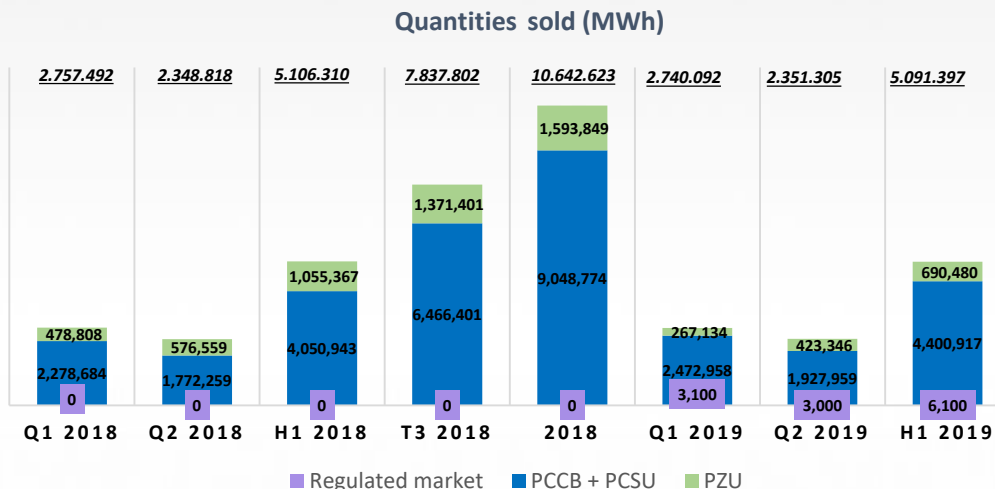
The main change this year, but without significant impact in H1'19, comes from sales on regulated market, which in 2018 for the entire year were nil (0). According to ANRE Decision no. 326/2019, SNN has to sell in 2019 1,377 GWh on regulated market, at 188,33 RON/MWh, from which in H1'19 6,1 GWh.

Sales price evolution:

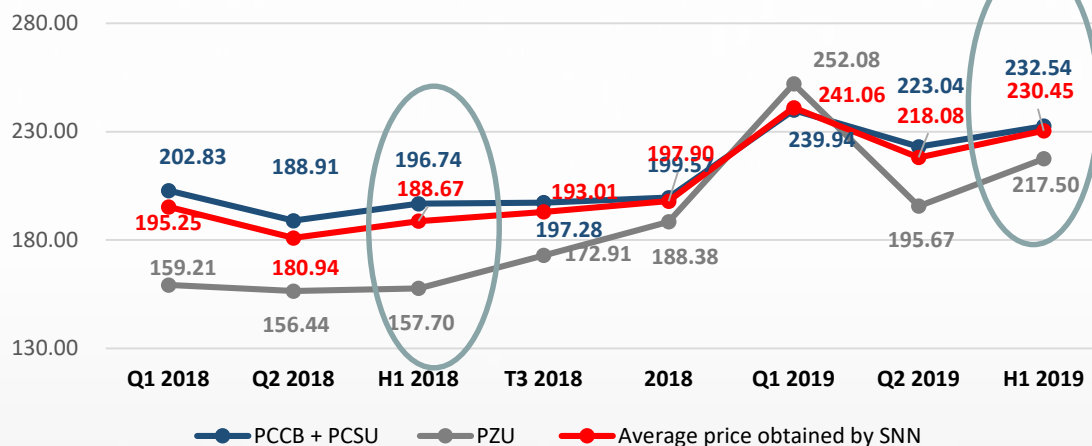
	compared to Q2'18	compared to H1'18
PCCB + PCSU	18%	18%
PZU	25%	38%
regulated mk	n/a	n/a

- SNN's sales share on the **bilateral contracts market** (PCCB+PCSU) increased, reaching **82%** in 6M'19 compared to **75%** in 6M'18 and **86%** in H1'19; sales on this market benefited from a significant increase by **18%** in the average selling price compared to 6M'18 and also to H1'18;
- On **DAM (PZU)**, the quantities of electricity sold for this segment decreased to **18%** in 6M'19, compared to **25%** in 6M'18 and **14%** in H1'19, with an increase of **28%** of the average selling price compared to Q2'18 and **38%** compared to H1'18.

Sales structure quantities sold (MWh, w/out PE) H1 2019 vs H1 2018



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



Sales structure analysis 6M 2019 vs. 6M 2018 (cont'd)

- In 6M'19, SNN exceeded its target for selling quantities on the bilateral contracts market by providing predictable contracts for longer periods of time, according to the sales strategy.

Quantities	6M 2019 actual	6M 2019 budgeted	Variation actual vs. budgeted	6M 2018 actual	Variation comparative periods
Regulated market	6.100	6.100	0,0%	-	100,0%
PCCB + PCSU	4.400.917	4.348.852	1,2%	4.050.943	8,6%
PZU	690.480	760.927	-9,3%	1.055.367	-34,6%
Total	5.097.497	5.115.879	-0,4%	5.106.310	-0,2%

Cost structure 6M 2019 compared to 6M 2018

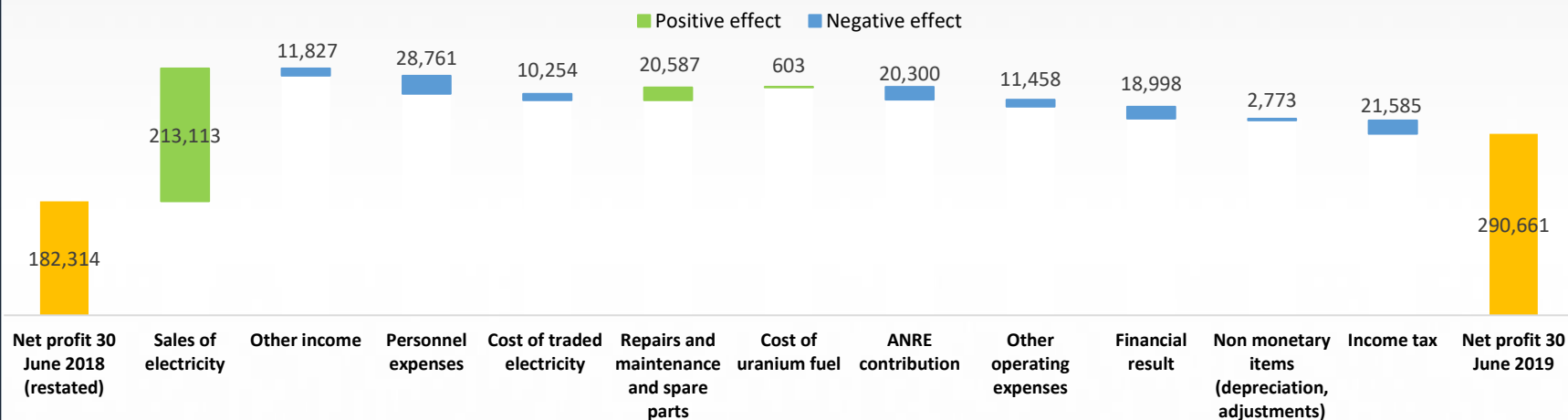
- OPEX higher by 7% compared to 6M 2018, 12% below budgeted figures -

Cost structure (RON '000)	6M 2019	6M 2018 (restated)	%	6M BVC 2019 (rectificat)	%
	1	2	3=(1-2)/2	4	5=(1-4)/4
Depreciation and amortisation	274.872	272.099	1%	274.292	0%
Personnel expenses	233.780	205.020	14%	232.235	1%
Cost of uranium fuel	50.906	51.509	-1%	71.867	-29%
ANDR contribution	48.710	48.525	0%	48.810	0%
Repairs, maintenance and spare parts	41.378	61.965	-33%	60.507	-32%
Tehnological and non-tehnological water and energy	37.338	37.151	1%	36.551	2%
ANRE contribution	21.250	950	2137%	21.297	0%
Cost of traded electricity	42.202	31.948	32%	103.305	-59%
Electricity transmission expenses	5.804	5.218	11%	5.660	3%
Other operating expenses	88.135	77.049	14%	110.292	-20%
TOTAL	844.374	791.433	7%	964.816	-12%

- **Depreciation and amortization:** without significant changes between the two periods (values include depreciation charge of inspections during planned outages);
- **OPEX higher with 7% compared to 6M 2018 on the basis of:**
 - **Personnel expenses:** increase by 14%, due to 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 decrease of 1%.
 - **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 33%, correlated with the repairs and maintenance program and with the needs in H1'19. In H1 2019 the need for spare parts, repairs and maintenance was lower than in H1 2018 due to the fact that the planned outage for the current year was for U2 which was commissioned later than U1 (older unit, planned outage for U1 in 2018).
- **Cost of traded electricity:** increased compared to H1'18, mainly based on significant increase in quantity needed to be acquired, compensated by a decrease in imbalances, as follows:
 - **Increase in purchases of electricity by 14.3 mil RON**, from 20,8 mil RON in H1 2018 to 35,1 mil RON in H1 2019 to cover contractual obligations during planned and unplanned outage of U2 (the amount of electricity purchased was 176,635 MWh (H1 2018: 110,415 MWh), at an average price of 199.21 lei / MWh (H1 2018: 189.09 lei / MWh));
 - **Decrease in expenses with imbalances of 4 mil RON**, from 11 mil RON to 7 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 U2 (the amount of electricity purchased was 16.975 MWh (1st semester of 2018: 45.6665 MWh)
 - **Electricity transmission expenses:** increased by 11% due to the increase in the level of electricity transmission tariff into the grid. (from 1.05 RON/MWh to 1.18 RON/MWh starting with July 1st 2018);
 - **Other operating expenses** recorded an overall increase of 14%, mainly due to increase in expenses with consumables, including fuel expenses, based on increased prices.

Net profit for 6M'19 increased by 59% compared to 6M'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 reduction in the cost of repairs, maintenance and spare parts.
- The negative impact comes mainly from ANRE contribution, other operating expenses, from an increase in granted 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) and also from the financial result.

H1 2019 Income statement

RON '000	6M ended 30.06.2019 (reviewed)	6M ended 30.06.2018 (reviewed)	Variation (%)	3M ended 30.06.2019 (unreviewed)	3M ended 30.06.2018 (unreviewed)	Variation (%)	Budget 6M 2019*	Variation (%)
	1	2	3=(1-2)/2	4	5	6=(4-5)/5	7	8=(1-7)/7
Revenues								
Sales of electricity	1,181,738	968,625	22.00%	516,302	427,379	20.81%	1,178,944	0.24%
Electricity transmission revenues	5,804	5,218	11.24%	2,569	2,368	8.49%	5,660	2.54%
Total revenues	1,187,542	973,842	21.94%	518,871	429,747	20.74%	1,184,604	0.25%
Other income	21,018	32,845	(36.01%)	11,681	7,754	50.65%	32,428	(35.19%)
Operating expenses								
Personnel expenses	233,780	205,020	14.03%	118,348	118,793	(0.37%)	232,235	0.67%
Cost of traded electricity	42,202	31,948	32.09%	36,640	10,834	238.21%	103,305	(59.15%)
Repairs and maintenance	31,604	50,096	(36.91%)	21,830	36,720	(40.55%)	49,395	(36.02%)
Electricity transmission expenses	5,804	5,218	11.24%	2,569	2,368	8.49%	5,660	2.54%
Costs with spare parts	9,775	11,869	(17.65%)	6,079	9,158	(33.62%)	11,112	(12.04%)
Cost of uranium fuel	50,906	51,509	(1.17%)	22,683	24,037	(5.63%)	71,867	(29.17%)
Other operating expenses	195,432	163,675	19.40%	105,959	83,974	26.18%	216,950	(9.92%)
Total operating expenses	569,502	519,334	9.66%	314,108	285,883	9.87%	690,524	(17.53%)
EBITDA	639,058	487,353	31.13%	216,444	151,618	42.76%	526,508	21.38%
Depreciation and amortisation	274,872	272,099	1.02%	138,480	136,596	1.38%	274,292	0.21%
EBIT	364,185	215,255	69.19%	77,964	15,023	418.98%	252,216	44.39%
Finance costs	38,797	31,716	22.33%	7,012	26,387	(73.43%)	49,609	(21.79%)
Finance income	34,734	46,652	(25.55%)	20,428	21,384	(4.47%)	40,090	(13.36%)
Income tax charge, net	69,461	47,876	45.09%	20,004	4,703	325.38%	51,619	34.57%
Net profit	290,661	182,314	59.43%	71,376	5,316	1,242.63%	191,078	52.12%

*Approved through GSM no. 6/20.05.2019.

H1 2019 Financial position

RON '000	30.06.2019 (reviewed)	31.12.2018 (audited)	Variation (%)
	A	B	C = (A - B)/B
Total non-current assets	6,489,986	6,671,436	(2.7%)
Inventories	380,856	368,742	3.3%
Trade and other receivables	230,370	193,896	18.8%
Cash and cash equivalents (incl. deposits)	1,549,401	1,632,131	(5.1%)
Total current assets	2,160,627	2,194,769	(1.6%)
Total assets	8,650,613	8,866,205	(2.4%)
Share capital and premium	3,242,115	3,242,115	-
Prepaid share reserve	21,554	21,554	-
Revaluation reserve	242,687	257,408	(5.7%)
Retained earnings	3,584,522	3,658,054	(2.0%)
Total shareholder's equity	7,090,878	7,179,131	(1.2%)
Long term borrowings	597,622	683,967	(12.6%)
Provisions for risks and expenses	182,537	182,883	(0.2%)
Other non-current liabilities	247,023	256,019	(3.5%)
Total non-current liabilities	1,027,182	1,122,870	(8.5%)
Accounts payable and other liabilities	278,596	326,979	(14.8%)
Current portion of provisions for risks and expenses	44,465	33,831	31.4%
Current portion of long term borrowings	209,492	203,394	3.0%
Total current liabilities	532,553	564,204	(5.6%)
Total liabilities	1,559,735	1,687,074	(7.5%)
Total equity and liabilities	8,650,613	8,866,205	(2.4%)

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 5.1% as compared to December 31st, 2018. Net cash position (cash and cash equivalents position less borrowings) as of June 30th, 2019 is 742,288k RON decreased only by 0.33% as compared to December 31st, 2018 (744,769k RON).
- Trade and other receivables position as of June 30th, 2019, includes prepayments related to ANRE in amount of 21.2 mil. RON and 24.6 mil. RON related to CNU.

Non – current liabilities

- Decrease of long term borrowings (contracted from Societe Generale and Euratom for the realization and commissioning of Unit 2) by 12.6% 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 June 30th, 2019 exposure to long term borrowings is in EUR and CAD.

Current liabilities

- Accounts payable and other liabilities decreased by 15%, mainly due to decrease in income tax liability. This decrease was partly offset by the increase of accounts payable and deferred income.

CAPEX

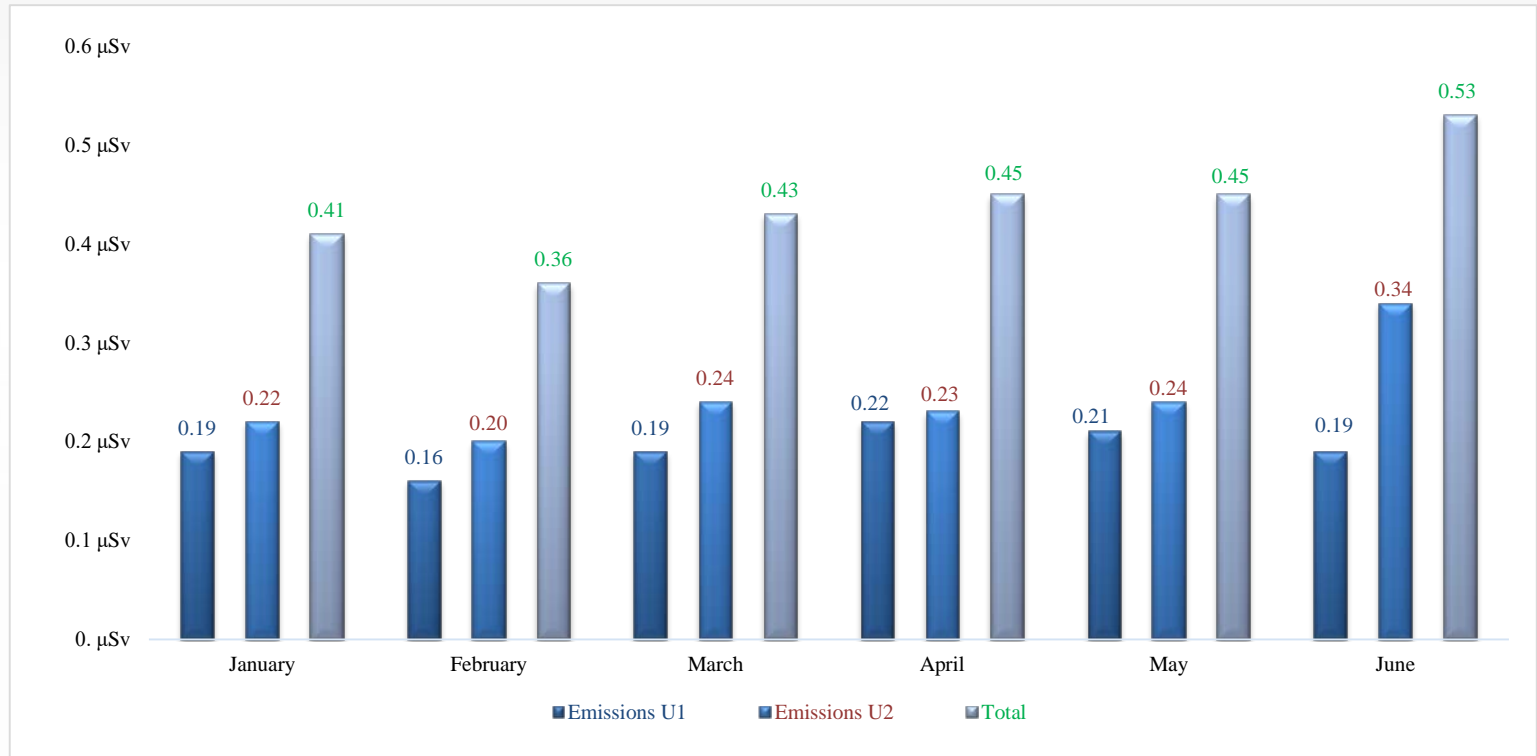
Capital expenditure of SNN in H1 2019:

- 136.9 mil RON (in H1 2018: 74.6 mil RON) out of total investment program of 256.5 mil RON in H1 2019
- 53.4% completion degree for H1 2019 compared to 30.5% in H1 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 30.06.2019 (%)	Degree of completion 30.06.2018 (%)
94,462	419	90,669	70,999	256,548	53.4%	30.5%

*) Approved through GSM no. 6/20.05.2019.

Radioactive emissions U1+U2 (μSv)

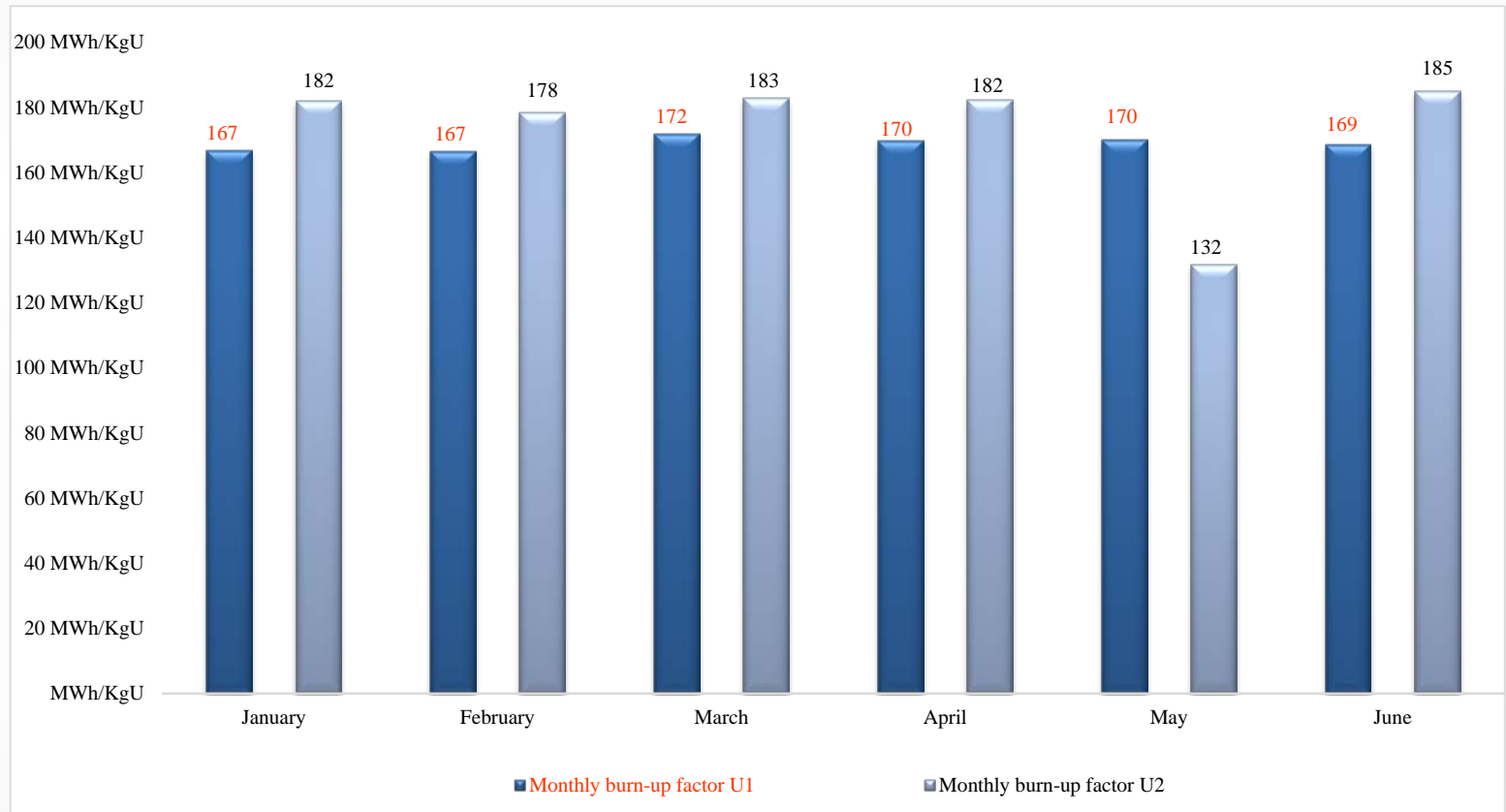


Total H1 2019:	Anual limit:
2.6	250

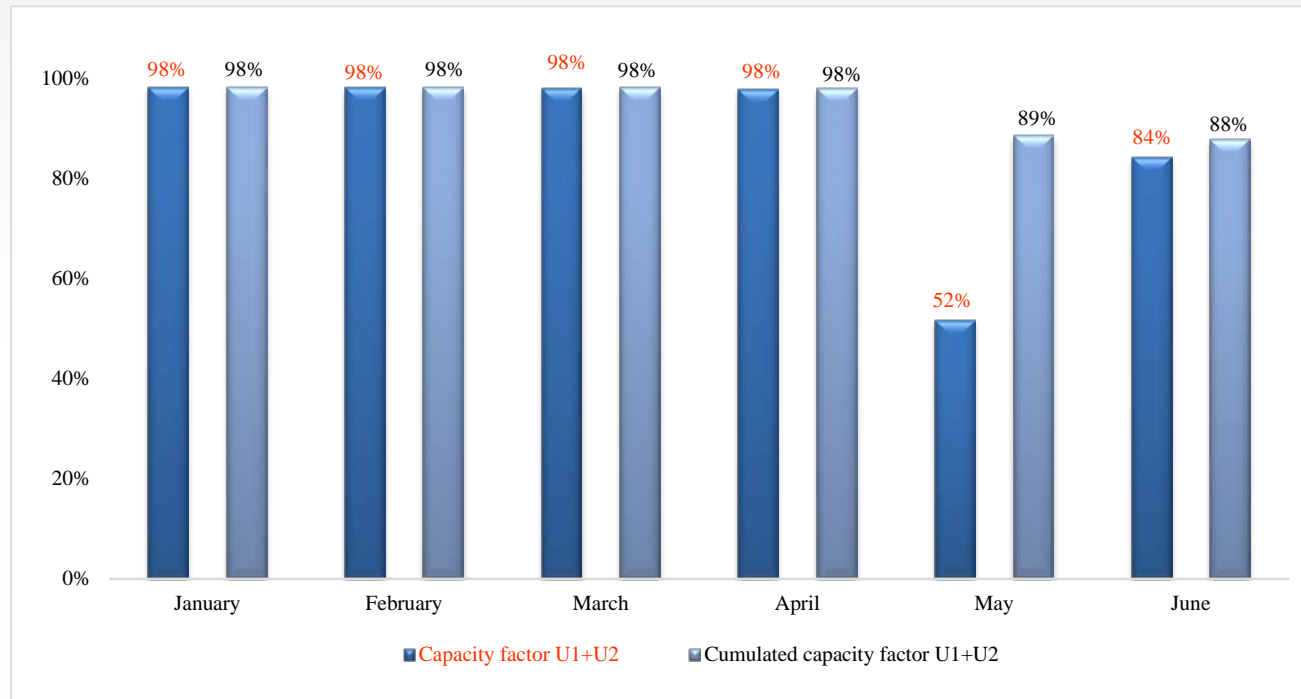
CNCAN authorized limit = 100 μSv/year/unit + 50 μSv/year DICA

Legal limit for population (as per Radioprotection Norm NSR01) = 1,000 μSv/year

Nuclear fuel burn up factor (MWh/KgU) (Cumulated H1 2019: 174/Project estimated: min. 156)



CANDU Technology Unit performance U1 + U2 (%) Capacity Factor (Cumulated H1 2019: 87.92%)



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 1 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 an 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.

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SNN Investor Relation

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2019 Financial calendar

Event	Date
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!