



Nalcor Energy releases first quarterly financial and business update

December 1, 2014, St. John's, NL – Ed Martin, President and Chief Executive Officer and Derrick Sturge, Vice President and Chief Financial Officer presented Nalcor's 2014 third quarter financial update and business accomplishments during the Company's third quarter results call held today.

As part of Nalcor's responsibility to the people of Newfoundland and Labrador, the company has implemented quarterly financial reporting. The report released today is part of Nalcor's on-going effort to bring greater clarity, openness and transparency about its business operations and financial results. "Since 2007 when Nalcor was created the company's asset base has expanded from \$2 billion to \$10.2 billion and revenue has increased by fifty per cent while maintaining a relentless commitment to safety and improving operating performance and asset management programs in our operating business lines," said Martin.

Business focus this year includes:

- continuing a relentless focus on worker and public safety;
- advancing global interest in Offshore NL exploration;
- continuing investment to ensure a reliable provincial electricity supply;
- continuing investment in the reliability of the Churchill Falls plant for the future;
- continuing management and oversight of the construction of the Muskrat Falls Project as well as the required integration and organizational structure work to bring the project online in 2017; and looking forward to the future,
- during 2014, Nalcor also formed an Energy Marketing subsidiary to sell Newfoundland and Labrador's surplus energy to export markets.

Nalcor's net income to September 30, 2014 of \$ 45.8 million has been primarily impacted by a loss of \$27.2 million in Newfoundland and Labrador Hydro. This is largely because current electricity rates are not reflective of the cost to provide service and therefore, Hydro has been incurring losses year-to-date. The company has filed three successive applications with the provincial electricity regulator to obtain rate relief since 2013 and a fourth application was submitted in November 2014. Earnings for 2014 will improve if required rate changes are approved.



The forecast for 2015 remains strong with electricity rate changes expected; however, business units with higher commodities risk continue to be monitored closely. “Public accountability is a cornerstone of our corporate culture. Our shareholders are the people of this province and we will continue to serve their best interests while being open and transparent through our operations and financial reporting,” said Martin.

Quarterly results presentations will be available at nalcorenergy.com. Recordings of the quarterly call and webinar including the question and answer period will be posted to the web site the week of December 5.

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About Nalcor Energy

Nalcor Energy’s business includes the development, generation, transmission and sale of electricity; the exploration, development, production and sale of oil and gas; industrial fabrication and energy marketing. Focused on sustainable growth, the company is leading the development of the province’s energy resources and has a corporate-wide framework which facilitates the prudent management of its assets while continuing an unwavering focus on the safety of its workers and the public. Nalcor has six lines of business: Newfoundland and Labrador Hydro, Churchill Falls, Oil and Gas, Lower Churchill Project, Bull Arm Fabrication and Energy Marketing.

Media Contact:

Deanne Fisher

Corporate Communications and Stakeholder Engagement

t: 709.733.5299

c: 709.697.3418

e: dfisher@nalcorenergy.com



Key Financial Highlights YTD 2014

- Total assets of \$10.2 billion.
- Investments continue in all areas of the business including sustaining and growth capital expenditures of \$1.2 billion in first nine months of 2014 including:
 - \$620 million higher than same period in 2013, primarily due to higher capital expenditures on Lower Churchill.
- Overall capital structure of 72:28 (Debt:Equity).
- Net income of \$ 45.8 million as of September 30, 2014. Largely impacted by delays in obtaining regulatory approval of Hydro's 2014 general rate adjustment and interim rates.
- Oil and Gas and Energy Marketing business segments both had higher earnings in 2014
- Lower oil prices in Q4 will impact Oil & Gas results (36% of production hedged at average price of \$105.00 USD/bbl).
- Forecasting higher net income in 2015, primarily driven by:
 - Anticipated approval of rate increase for Hydro.
 - Increased power sales in Churchill Falls as the result of a new power purchase agreement for the 225MW Twinco Block of energy.
 - Continued earnings contribution from Oil & Gas, Energy Marketing and Bull Arm, but volatility on commodity prices.
 - Likely net income impact from lower forecast oil prices but 26% of 2015 production currently hedged at \$87.44 USD/bbl.
- Planned 2015 capital expenditures of \$2.9 billion which includes \$2.4 billion for Lower Churchill.
- Planned long-term bond financing in Hydro of up to \$250 million to support continued asset renewal and capital investment.