[00:01 - 00:20] You know, I am with the IRO department in Nuclear Electrica and the conference call today addresses the financial results for the first semester of 2023. As usual, we are going to go ahead with the presentation delivered by Mr. Dan Nicola,

[00:20 - 00:38] CFO of the company, and then we can go straight to Q&A. So Dan, you have the floor. Thank you very much. Thank you, Valentina. Hello, everybody. Thank you for joining. I'd like to present the results for the first semester of 2023.

[00:39 - 00:55] It's been an exceptional first semester, and you'll see why. So in terms of financial performance, in terms of the quantity that was sold, a slight decrease

[00:55 - 01:12] of 1.4 compared to the first semester of 2022. In terms of sales, we managed to sell roughly 3.78 billion lei, an increase of 20.4% compared

[01:12 - 01:28] to the first semester of last year. OPEX was higher, an increase by 50% from 1.4 billion lei to 2.1 billion lei, and I will explain the reason for such an increase.

[01:30 - 01:46] EBITDA was 1.6 billion as compared to 1.7 last year, a slight decrease of 4.7%. The financial result was higher than last year, which led to a net profit of almost

[01:46 - 02:03] 1.9 billion lei compared to 1.22 billion lei last year. As you will see in the next slides, I will present the main drivers for such a financial result. We'll see here the waterfall.

[02:05 - 02:20] With green, you'll see the positive impact, and with red, the negative impact. So starting from last semester's results of 1.2 billion lei, we managed to sell more electricity

[02:20 - 02:36] or a higher value of electricity as 0.6 billion lei. With green, we managed to have a positive impact in terms of the cost of traded electricity, 0.223 billion lei.

[02:37 - 02:56] We managed to extract more financial results by using our cash position, 0.159 billion lei. This is on the main elements that contributed to the increase in our profitability.

[02:57 - 03:16] In terms of negative impact, the largest impact, of course, is with increasing the windfall contribution of 0.875 billion lei, and we had a negative impact of 39 million lei for

[03:16 - 03:38] personal expenses. So this is the overall picture of our performance. In detail, you'll see on this slide a granular view of each relevant revenue and operating

[03:38 - 03:53] expenses or financial expenses performance. As mentioned before, in terms of total revenue, the main factor was an increase in the source

[03:53 - 04:13] of electricity by 19.8% from almost 3.1 billion lei to 3.7 billion lei. We had a relatively small increase in the revenue from electricity to transmission.

[04:14 - 04:33] In terms of operating expenses, the main element, personal expenses, were a little bit higher than last semester with 16.3%. Cost of traded electricity, we managed to keep the cost under control, and this resulted

[04:33 - 04:52] in a net benefit of 308 million lei. Repairs and maintenance, roughly the same amount. Electricity transmission expenses, a difference of 11 million, not a lot. Cost with spare parts, roughly the same number.

[04:54 - 05:17] And the cost of uranium fuel, a little bit higher, 10% increase. In terms of the largest operational expense was the contribution to the Energy Transition Fund. So last year, we've paid and we incurred an expense of 585 million lei, and this year,

[05:17 - 05:36] in the first half of the year, we've incurred 1.46 billion lei, which is more than an increase of 149%. In terms of depreciation and amortization, a small increase of 4.4%.

[05:36 - 05:52] In terms of financial results, as mentioned before, we managed to extract more value from the market with a total impact of, if I remember correctly, 159 million lei, which led to the

[05:52 - 06:08] aforementioned profit of 1.28 billion lei, an increase of 5.6 as compared to last year. In terms of budget, we are presenting also a positive view.

[06:08 - 06:26] In terms of total revenue, higher revenue with 3.1% as realized versus budgeted. In terms of operating expenses, a decrease of 13.7% overall, from 2.5 billion budgeted

[06:26 - 06:43] to 2.1% realized. In terms of net profit, we budgeted 842 million and realized 1.29 billion, which is an improvement

[06:43 - 07:02] of 52.9%. In the next slide, we are going to present a breakdown of the source of electricity comparison between the first six months of 2022 with the first six months of 2023.

[07:02 - 07:23] As in the previous waterfall graph, the elements presented in green show a positive effect and the elements presented in purple present a negative effect.

[07:24 - 07:40] You'll see here that the main driver for the increase in the electricity that was sold was the fact that we've managed to sell on the competitive market price 2.4 billion lei,

[07:41 - 07:58] and then we have a positive effect from the imposition of the so-called Marche regulation. And the largest negative impact was the fact that the quantity that was sold on the competitive

[07:58 - 08:18] market was lower, which led to an impact of 2.26 billion lei negative impact. Ultimately, all these elements contributed to the sale of electricity amounting to 3.7

[08:19 - 08:39] billion for the first six months of the year. Okay, more detail in the next slide with regards to the centralized electricity acquisition mechanism, the acronym being MACE or Marche, as we call it in Romanian.

[08:40 - 09:13] The main driver was the fact that the company sold electricity at competitive market at higher prices, thus generating more revenue. Okay, in the average price generated by SNN was 745 lei per megawatt hour, while in the

[09:13 - 09:29] first six months of last year it was 614. In terms of the spot market, the price in the first six months of 2022 was 1,027.28

[09:29 - 09:50] lei per megawatt hour, which was reduced to 529 lei in the first six months of this year. So, which led to this positive impact in our overall revenues.

[09:50 - 10:12] All the details are presented here in granular. In terms of OPEX, you'll see a detailed presentation of the change from the six months 2022 compared to six months 2023.

[10:12 - 10:37] The largest impact, as mentioned before, is related to the windfall tax, the contribution to the Solidarity Energy Transition Fund, as it's called. Basically, we recorded a significant increase of almost 150% in terms of

[10:37 - 10:55] leis, an increase of 876 million leis. You may recall that in the first six months of last year, the revenues of SNN exceeding

[10:55 - 11:12] 450 lei were taxed at 80%. In the first half of this year, the revenues exceeding 450 lei were taxed at 100%, which was one of the factors contributing to the increase of this tax.

[11:13 - 11:34] In terms of personal expenses, we have a slight increase in the number of employees and a little bit of increase with salaries adopted in Q4 2022 and the employees' participation to profit. Technological and non-technological water and energy, an increase of 17% due to higher

[11:34 - 11:55] utility prices recorded in the first six months of 2023. Depreciation and amortization, an increase of 4.4%. We have some new assets put into function. Cost of uranium fuel, the weighted average cost of fuel bundles increased by 10%.

[11:55 - 12:16] In terms of the contribution to ANE and ERE, no notable variation. A slight decrease of 5% on cost of repairs and maintenance as compared to the first six

[12:16 - 12:33] months of last year. Electricity transmission expenses, an increase of 70% as a result of increasing the level of the transmission tariff, mostly. Cost of trade electricity, a significant decrease, 94.4%.

[12:33 - 12:53] This is the result of excellent operational management of the plant. We were able to keep the plant functional for almost all the time, so we haven't encountered

[12:53 - 13:14] the unexpected closures of the plant. Which allowed us not to go into the market and buy electricity in order to supplement the energy that we contracted to our clients. The contribution to ANE and ERE, a little bit of increasing.

[13:15 - 13:31] Percentage-wise it's much higher, but overall it's not a big impact. In terms of the financial highlights, the balance sheet as we call it, you'll see that

[13:31 - 13:50] overall the total equity and liability, or total asset value has increased marginally with 0.1%. We have some variations in the non-current assets, 5%, mainly from the purchase of long-term

[13:50 - 14:07] bonds, increasing financial investment in some of our affiliates, and some depreciation recorded during the period. Current assets, minus 5%, because we decreased cash and cash equivalents, including deposits

[14:07 - 14:26] by 9%, and we bought some, and we used it in order to buy some bonds. On current liabilities, we are slowly decreasing our long-term portion of the external loan contracted from EURATOM, and in 2024 we will have no EURATOM loans on our books.

[14:27 - 14:47] Current liabilities, small increase of 3.5%, because mainly of the windfall tax due for June, which is usually paid in one month's delay, so basically paid in July. And the equity, of course, the increase in the result carried forward the profit of the

[14:47 - 15:06] previous period. In terms of CAPEX, 371 million lei, which is basically similar to what we have encountered in, or achieved in the first six months of 2022.

[15:07 - 15:25] Our annual investment programme, it's higher than the programme of last year, because of our larger CAPEX programme. And for these reasons, we have a lower degree of completion, but we are confident that we'll

[15:25 - 15:44] be able to rectify this. And all the investments that were made in 2023 were made in accordance with the planning for year 2023. So you'll see a small table presenting the budgets of the ongoing investments, degree

[15:44 - 16:12] of completion, the comparison with the budget for 2022 as of 36 of June 2023 and 2022, split by tangible assets and equipment. Okay, in terms of main CAPEX programme, we have, of course, the Unit 1 refurbishment.

[16:14 - 16:29] In March 2023, we've signed the contract pre-project work for Candu Reactor. This contract is worth approximately 65 million Canadian dollars.

[16:30 - 16:46] Increase in terms of Unit 3 and Unit 4, the increase of the production capacity project. You probably know that at the end of March, a law has been enacted, law number 74, for

[16:46 - 17:02] the approval of the signing of the support agreement between the Romanian government and Nuclear Electrica regarding the projects of Unit 3 and Unit 4 Cernavodă. As a result of this law, in the beginning of June, a support agreement was concluded

[17:02 - 17:20] between the Romanian government and, of course, the General Secretary of the government, the Ministry of Energy, Ministry of Finance, Ministry of Transport and the company, each of these ministries and branches of the government, assuming obligations in accordance with the

[17:20 - 17:43] support agreement. We consider the signing of the support agreement a very good sign for the development of the Unit 3 and Unit 4 project. Because it will allow a series of support measures, including the setup of a contract

[17:43 - 18:02] for difference, allowing the signing of the contract for the development of the critical engineering necessary to update the project. It will allow, of course, the continuous updating of the project budget.

[18:03 - 18:23] It will allow the issuance and the obtaining of the favorable opinion of the European Commission and the notification of the project in accordance with Article 41 of the Euratom Treaty and a host of other elements that will be beneficial to the project.

[18:24 - 18:51] In relation to the small modular reactor project, on May 2023, the US and the host of multinational private partners announced financing in relation to this project, 275

[18:53 - 19:18] million dollars from a number of investors and a letter of interest from US Ex-Im for 99 million financing under the Ex-Im Engineering Multiplier Program. In addition, US Ex-Im and US DFC issued letters of interest of financial support of up to

[19:18 - 19:39] 3 billion from Exim and another 1 billion from DFC. Another element of interest in June, the beginning of June, Noscale, E-Infra, our partner, Flour Enterprises, a large US company, and Samsung Corporation

[19:39 - 19:59] signed a memorandum of understanding to collaborate in the development of Noscale's merger plans in Central and Eastern Europe and Romania. And in July, an investment fund from Korea signed with Nuclearelectrica, Nova Power

[19:59 - 20:15] , a shareholder in Ropower, a term sheet agreement for a potential investment of 75 million euros for the financing of the Phase 2 study of Ropower.

[20:16 - 20:40] Another significant element, SNN concluded a contract with KHMP, Korea Hydro and Nuclear Power, for the first detritiation facility project in Europe. This is a contract for

[20:41 - 21:02] roughly 195 million euros. The total project is now estimated to cost in the region of 255 million euros. And the result of this project will be an improvement in the operational performance,

[21:03 - 21:23] economic financial efficiency and increased protection of the population, staff and the environment in accordance with the ESG objectives of Nuclearelectrica in Romania and in Europe. In terms of radioactive emissions, all these factors are

[21:23 - 21:41] respected as per the limits imposed by our nuclear regulator, CNCAN. Nuclear fuel burn-up factor, we have a very good nuclear fuel burn-up factor.

[21:42 - 22:01] Capacity factor exceptional, even though during the first six months of the year, you need to enter the planned outage program. And on the 7th of May, the synchronization with

[22:01 - 22:22] the national power system has been restored on 15th of June, 2023. So, this is about the financial results for the first six months of 2023. The next presentation

[22:28 - 22:44] will be for the third quarter report in 13th of November, 2023 at four o'clock, Romania's time. And we welcome your presence in this teleconference. So, if you have any questions, I'm here to answer.

[22:51 - 23:10] Hi, Juliana Ciopraga from Wood Company. Regarding the current regulation on the centralized market, etc., have you heard of any changes planned for next year regarding, I don't know, regarding MACCE, regarding taxation? Should they be, I mean,

[23:10 - 23:25] I haven't seen anything, but I was wondering, have you heard of any changes to the existing legislation regarding the windfall tax, for example? We haven't received any formal notification in this respect. We are working under the

[23:25 - 23:49] assumption that the current legislation will be held up until March 2025. So, you're not aware of any changes being planned right now, anything in the parliament or whatever? No, we haven't. We haven't been announced of any changes in the parliament. We are not currently aware of any legislative initiative to amend this piece of legislation.

[23:51 - 24:09] And secondly, I've seen a comment, rather recent comment, I think it was from Mr. Burduja, that for Units 3 and 4, they or you with them are looking for partners. Can you comment anything on that side? Because in the last discussion, I think we discussed that

[24:09 - 24:29] 3 and 4 will be on your balance sheet, so you'd assume the risk, it will be guaranteed by the state, but you'd be developing the project. Is that the case now, or how would it work? Currently, in accordance with the support agreement, the government will become a

[24:29 - 24:51] shareholder in the company by bringing the first tranche of heavy water and uranium. So far, no changes to this plan. So, there are no discussions on an additional partner, not the government?

[24:54 - 25:10] When any of these discussions or potential discussions will be more mature, we will for sure inform the shareholders. No, I was just wondering about the intention, if there's

[25:10 - 25:27] at least the intention to get another partner. We are analyzing all the options that are available at this moment in order to strengthen the balance sheet of the project and move forward with the project.

[25:29 - 25:47] Thank you. Can you remind us on the timeline for both, for SMRs and actually for the depreciation?

[25:47 - 26:10] If I got the name right, CAPEX as well. So, a bit on the timeline for 3&4, SMRs and 3&4. What are the next steps in all this? Yes, so the CTRF project, the facility that will filter the 3Q amount of the heavy water,

[26:11 - 26:27] we are envisaging a period of 50 months for the EPC contract. And we are in the early preparation. We signed the contract and now we're getting up for the start of the project. For unit 3… So, you signed already the EPC, okay.

[26:28 - 26:58] The contract is signed. Now we started the work under the contract, the early phases, the kick-off meeting, etc. So, the timeline is 50 months from the signing of the contract for the finalization of the project. In the unit 3 and unit 4, the current timeline is for 1st of January 2026 to start the CAPEX,

[26:58 - 27:17] which means that six months in advance we'll have financial closing for the project. And it will be finalized in about five years, 2031, the first sign, for 2031, it will be finalized.

[27:18 - 27:38] With the first modular reactor in Doicești, we are working now on the initial engineering phases, which will inform the potential calendar for the development of the project. So, I have no answer at this moment to give to you with regards to the Doicești SMR project.

[27:39 - 27:54] And regarding 3 and 4, there is no feasibility study yet on this project. When will that become available? So, in 2026 you start CAPEX, that's already super advanced.

[27:54 - 28:11] We are working now on revising the timeline, the budget, and we are doing the preliminary work in order to determine these elements.

[28:12 - 28:31] Okay, so you have the first contribution right now, because if I remember correctly, so you have the support agreements, what's next? You needed to contribute with cash, with the cash injection to Energonuclear.

[28:32 - 28:47] What needs to happen for you to disperse that cash? So, what's the next step? Basically, we are currently doing engineering works in order to determine the timeline and the budget.

[28:47 - 29:04] And as you may remember, since we are a member of the European Union, we need to prepare ourselves to submit a notification under Article 41 of the Euroatom Treaty in order for the official start of the project.

[29:04 - 29:25] And we are working also on this aspect. But when do you need to increase the share capital of Energonuclear? There was, I can't remember right now, the amount, quite a significant amount, the approval already via GMS. So, in accordance with our support agreement, the maximum amount that SNN contributes

[29:25 - 29:45] to the amount of this project is 185 million euros. 185, okay. We will contribute this amount as far as needed. So, you don't need, it will not be a lump sum. You'll contribute, I don't know, whatever is needed.

[29:46 - 30:03] And this is all until when? The support, up until the final investment decision. So, the 185 million euros... Okay, you should cover everything until final. The amount that is contributed by SNN in accordance with the support agreement, either

[30:03 - 30:19] through increasing share capital of Energonuclear or shareholder loans in order to inform the FID decision. FID, yes, FID. And the FID will be probably those six months before a start of works, right?

[30:20 - 30:36] The FID will probably, we will need to take the FID when we have all the information which is customary for such a decision, including a budget with a reasonable degree of probability,

[30:37 - 30:52] completed timeline, contractual architecture, approval from Euratom, financing, and I guess it's going to be around six months before the start of hard works.

[30:54 - 31:27] Thank you. Thanks a lot. Okay, if there are no more questions, anybody has any questions?

[31:29 - 31:45] If there are no more questions, thank you for joining us. You will be able to find both the presentation and the audio file on our website, Investor Relations page. So, thank you very much. Have a good evening, everyone. Thank you. Thank you, Dan. Thank you, everybody.

[31:45 - 31:49] Thank you. Thanks a lot. Bye. Bye. Bye-bye.