

[00:03 - 00:15] I think it is already four o'clock, so we can start the conference call for the financial results for the first nine months of 2023, the third quarter of this year.

[00:16 - 00:30] We are going to go ahead as usual, first my colleague Dan Niculaie, the CFO of the company is going to deliver the presentation, then we can go ahead to questions and answers.

[00:31 - 00:44] So, hoping that everyone can hear me, I would have to kindly, kindly ask you to mute your telephone, laptop during the presentation, so can everyone hear the presentation.

[00:46 - 00:59] This being said, thank you all, Dan, you have the floor, thank you.

Hello, thank you very much, welcome to the presentation. So, today, as presented by my colleague, we are going to talk about individual interim

[00:59 - 01:04] financial statements and for the ninth month period ended September 30, 2023.

[01:06 - 01:21] So, the presentation will include, as a first section, the financial highlights and then a discussion about source of electricity, OPEX, CAPEX, subsequent events, technical performances

[01:21 - 01:35] and at the end, a small recapitulation of SNN details. So, in terms of financial results, quantity sold, Q3 2023 compared to Q3 2022,

[01:35 - 01:49] roughly the same quantity, however, the source of electricity increased by roughly 15.3% in representing an increase of 748 million lei.

[01:49 - 02:01] In terms of OPEX, we are talking about a decrease of roughly 22%, this excludes the windfall,

[02:01 - 02:11] which was higher than the windfall paid and computed for the last nine months in 2022.

[02:11 - 02:19] We are having here a large increase of almost 136%, representing 1.1 billion

[02:20 - 02:29] lei. Even though we incurred this substantial windfall tax cost, our EBITDA is roughly similar

[02:30 - 02:38] with a decrease of less than 5% as compared to the first nine months of 2022, leading to

[02:40 - 02:48] overall, because of a better performance in the financial result, to a net profit of 1.9 billion

[02:48 - 02:59] lei, similar to 1.9 billion lei in 2022. And this is a rough presentation, I will enter into

[03:00 - 03:08] details in the following slide, in which you will see what elements contributed to the financial

[03:08 - 03:23] performance. So, as mentioned, the net profit is a little bit higher than the net profit for the first nine months in 2022. The positive impact generated from increasing source of electricity,

[03:24 - 03:38] similar quantity, but higher electricity prices, decreasing traded electricity costs, because we managed to have less unplanned outage hours, and increasing net financial results.

[03:39 - 03:52] An indicative impact stemmed from significant increase in windfall tax, the 1.1 billion lei that we spoke about, and increasing personal cost, a smaller impact of roughly 70 million

[03:52 - 04:02] lei. On the next slide, we have a detailed breakdown of the OPEX cost, as you can see,

[04:04 - 04:11] a large decrease in the uranium,

[04:14 - 04:22] sorry, with respect to contribution transition fund,

[04:24 - 04:38] and then roughly the same elements. So, in terms of financial costs, we find financial revenues, income, we managed to extract a net gain, which led to this

[04:41 - 04:54] financial, good financial performance. In terms of financial highlights, balance sheet, non-current assets increasing by 4%, mainly from purchase of long-term bonds,

[04:54 - 05:01] increasing financial investment in subsidiaries, and a small impact on depreciation, current assets

[05:01 - 05:10] increasing by 7.7%, because we managed to generate more cash. Non-current liabilities

[05:10 - 05:18] a little bit lower, because we switched, we computed the EURATOM loan, we switched it to

[05:21 - 05:33] the short-term accounting treatment, current liabilities a little bit higher, as a result of the increase in windfall tax for September, which is usually paid in about 25 days,

[05:34 - 05:48] roughly in October, and increased accounts payable from a down increase in prices. Equity, of course, with the results carried forward from the profit of 2022. In terms of electricity,

[05:48 - 05:57] you probably know that we've managed to sell roughly half of our electricity at a regulated

[05:57 - 06:06] price of 450 Lei per megawatt. On the competitive market, we managed to obtain a higher price,

[06:06 - 06:17] 50.5%. However, the quantity was 51.4% lower, because we sold it on the

[06:18 - 06:30] restricted market, on the regulated MACCE mechanism. On the spot market, a significant decrease in price, with a small increase in quantity sold, and the balancing market,

[06:31 - 06:44] again, a decrease in price, with a similar quantity sold. The next slide presents a more detailed presentation of what I've

[06:47 - 06:55] indicated in the previous slide. As mentioned, we, companies, sold electricity on competitive

[06:55 - 07:09] market at higher prices, generating additional performance. The quantities sold on the MACCE mechanism represented 44% of the total volume of electricity sold.

[07:10 - 07:25] And on the competitive market, we saw the difference, which is roughly 42%, which is a decrease from the last year, when we managed to sell on the competitive market 86%. However,

[07:26 - 07:38] because of this positive mix, the average selling price was 939, roughly, Lei per megawatt hour,

[07:39 - 07:53] without TG, which represents a 50% increase as compared to the last year average price, which was 624 Lei per megawatt hour. On the spot market, the quantity is similar,

[07:54 - 08:02] representing 13.7% of the total percent volume. The average price on the spot market 516

[08:02 - 08:10] Lei per megawatt, which was, of course, lower as compared to the spot market prices last year,

[08:10 - 08:19] when the entire market was in crisis mode. In terms of OPEX, you'll see here a detailed breakdown.

[08:20 - 08:33] The largest item, of course, is the windfall. The explanation for the increase in the windfall tax is, first of all, the amount that is taxed. Last year, we were taxing 80% of the additional

[08:33 - 08:41] revenue above 450 Lei per megawatt in the first nine months, with 100% of

[08:42 - 08:54] whatever was above 450 Lei was taxed. Therefore, in addition to the fact that we had

[08:55 - 09:09] an average price on the competitive market, which was higher, led to this increase in the windfall tax. Personal expenses, in line with our budget, increased slightly, increasing the number of

[09:09 - 09:16] employees, increasing salaries, and participation of such employees to the profit of the company.

[09:18 - 09:26] We have an increase of 32.3% due to higher utility prices for technological and non-technological

[09:26 - 09:34] water and energy, an increase in cost of uranium fuel due to increase in the weighted average cost

[09:34 - 09:42] of fuel bundles, on the ANDR contribution for decarbonization in non-notable variation.

[09:44 - 09:57] We have an electricity transmission expense. We have an increase of almost 68% to the increase of the level in transmission tariff in the grid. That's it. We couldn't influence this

[09:57 - 10:10] cost. Cost of traded electricity, significant decrease of almost 92%. Our operational performance was excellent this year. We haven't had significant unplanned outages,

[10:11 - 10:25] and in addition, we had lower cost-reducing balances, which led to this significant decrease of cost. The contribution to the local energy regulator, a significant increase,

[10:26 - 10:36] percentage-wise, but no big impact. In terms of CAPEX, our revised investment program is

[10:36 - 10:44] 0.7 billion lei. The first nine months, we achieved 456 million lei investment, which is a similar

[10:44 - 10:59] degree of completion compared to the last year, similar period, and you have a breakdown on types of investments. You will see that ongoing investments for the large projects represent

[10:59 - 11:06] the largest of the investments, and then we have some smaller investments on tangible assets and

[11:06 - 11:17] equipments. In the next slides, I'm going to talk a little bit about our CAPEX, our main investments

[11:17 - 11:28] on long-term strategic projects, unit one refurbishment, unit three and unit four, small modular reactors, and of course, the CTRF project, the Detritiation Facility Project. In terms of unit

[11:28 - 11:38] one refurbishment, we signed a pre-project engineering contract in March for about 65

[11:38 - 11:46] million Canadian dollars with our counterpart, SNC-Lavalin, with the division CANDU,

[11:46 - 12:01] member of the SNC-Lavalin group, which is now called Atkins Real, and in October 2023, we signed one of the most important contracts for the refurbishment, basically the contract for the

[12:01 - 12:08] supply of reactor components and the required tools. This contract will enter into force

[12:08 - 12:23] the moment when we are going to receive the corporate approvals, basically the shareholders' approvals from both of our shareholders and the Canadian Commercial Corporation, which is part of

[12:23 - 12:31] the consortium with CANDU in this contract. With regards to unit three and unit four,

[12:32 - 12:47] in March 2023, the Romanian state, Nuclearelectrica, signed a support agreement providing a lot of support measures for the development of the project, including the provision of sovereign

[12:47 - 12:54] guarantees, contract for difference, mechanism of administrative and regulatory support,

[12:58 - 13:03] and of course, this is a presentation of the impact of such

[13:06 - 13:16] support agreement. We've made significant progress in moving to obtain article 41 of the Euroatom

[13:16 - 13:30] Treaty Notification, and in terms of financing, the Canadian government finally showed their support for development of the project by providing a commitment of 3 billion Canadian dollars to be

[13:30 - 13:41] deployed through EPC. Small nuclear reactors, we are receiving a lot of support for the project.

[13:42 - 13:53] On May 20, 2023, US announced the interest of various investors in the project with 275 million

[13:53 - 14:02] dollars, and including support measures from US Ex-Im, which is the US ECA for about 99 million

[14:02 - 14:11] dollars, under the Exim Engineering Multiplier Program. In addition, US Exim and DFC issued

[14:12 - 14:25] cumulatively about 4 billion dollars letters of commitment for the financing. The project company is progressing with the development of project by signing memorandum of understanding

[14:25 - 14:35] with reputable international potential EPC developers such as Samsung Floor Enterprises.

[14:36 - 14:50] We are also attracting interest from private investors with DSPE, Korean Investment Fund, being interested to provide 75 million equity contributions for the

[14:50 - 14:56] development of the second phase of our engineering study, we call it phase two.

[14:57 - 15:06] And of course, we are also progressing with our regulatory authorities with the

[15:06 - 15:20] confirmation of the licensing-based documentation by our national regulatory agency. With regards to the CTRF project, the Detritiation Facility Project,

[15:22 - 15:29] you probably remember that we've signed the 195 million engineering EPC contract with KHNP,

[15:31 - 15:39] and this contract will take about 50 months for execution. We're confident that we'll be able to

[15:39 - 15:51] achieve it in the estimated timeline. Good news, Fitch confirmed our rating, it's a BBB minus with

[15:51 - 16:03] stable outlook, and this gives us comfort about the perception of the market with regards to our

[16:03 - 16:12] company. In terms of KPIs, radioactive emissions, very good. Nuclear fuel burn-up factor as anticipated,

[16:12 - 16:23] excellent. And unit performance, the capacity factor, we are running a very, very tight shift,

[16:23 - 16:29] so we are running the reactors at a very good capacity factor, accumulating nine months, almost

[16:29 - 16:41] 90 percent. So this is it in a nutshell. I'm here to answer any questions if needed.

[16:48 - 17:00] Hi, good afternoon. I have a number of questions actually. So first on the costs with the acquisition of power, you're mentioning something regarding balancing

[17:00 - 17:13] in the presentation. This is actually deducted from the windfall tax, right? Because I think that's the difference. So if you trade, you probably have to deduct them.

[17:14 - 17:25] You're not allowed to deduct them, but if it's balancing, you're allowed to deduct them from the windfall tax, is that right? Yes, yes, it's deducted in the computational windfall tax formulas.

[17:26 - 17:38] Okay. And regarding the contract for retubing with CANDU, that's for 65 million

[17:38 - 17:50] for pre-engineering works, not for equipment or anything else, right? I'm a bit confused on the amount. The first one is for pre-engineering. Yes, it's basically engineering for the project.

[17:50 - 18:01] The second contract, it's of a larger amount and it's for supply of the components. But what's the value for the supply? What's the value of the second contract then?

[18:02 - 18:17] It's up to 800 million dollars in Canadian dollars. It's going to become public knowledge at a later stage. Okay, so that's the missing bit. But how do these amounts compare with the

[18:17 - 18:25] feasibility study that you released last year, I think it was? I remember you had some...

[18:27 - 18:36] It was 1.85 billion euros. We are constantly analyzing the implications of any supply chain

[18:36 - 18:43] or energy impact and we'll probably know in the next six months if we need to readjust our budget

[18:43 - 18:59] or not. Okay. And regarding the SMRs, we saw the news that the US project was cancelled. So,

[19:00 - 19:13] NuScale US project was cancelled and I was wondering what would be the implications for you? You'd be basically the only one developing such technology locally, not locally, worldwide.

[19:13 - 19:20] I mean, it proves to be quite expensive because at the beginning of the year, they hiked the

[19:21 - 19:33] LCOE, the costs basically for the projects. It seemed to be quite an expensive project where maybe in Romania it will be cheaper, I don't know. But what are your thoughts on this?

[19:34 - 19:48] The LCOE for the carbon-free project reflects the US costs embedded in the project and the financial structure of the project. In addition, our understanding the decision of the municipalities

[19:48 - 20:00] to not invest in the project anymore reflects the specificity of the US energy mix.

[20:01 - 20:15] And you probably know that the US is producing a lot of gas at very low prices. So, they need to run their numbers in order to determine which mix of energy in their portfolio is better suited to

[20:15 - 20:26] their strategic interest. So, at the moment, at least you're not influenced by the decision as

[20:26 - 20:35] far as I can see. I mean, it seems that you're moving ahead with this, with NuScale. You're not changing supplier basically. That's actually the question. Are you considering a change in

[20:35 - 20:43] technology following this? We are trusting the SMR technology because it's suitable to replace

[20:46 - 21:00] all producing assets. NuScale is the first technology which was approved through the NRC and the US regulators. So, we don't see a reason why to change our strategy.

[21:01 - 21:14] But I guess there are several SMR technologies approved worldwide already, right? No. So far, with the exception of the SMR technology developed in China,

[21:14 - 21:28] there is no other SMR technology which passed the regulatory hurdles. So, NuScale is the first one so far and that was one of the main reasons why we have decided

[21:28 - 21:37] to team up with NuScale for this project. Okay, good to know. And regarding reactors 3 and 4,

[21:38 - 21:51] if I remember correctly, in the support agreement, you were supposed to call a GMS to approve it somehow. So, after the law that was passed with the support agreement, I understand

[21:53 - 22:04] subsequently you needed to call a shareholders meeting to approve it. I haven't really seen that happening. It looks to be a delay on that side. Can you provide some color here?

[22:05 - 22:18] We are working towards convening such a shareholder decision. We are focusing ourselves now to conclude the engineering contracts to support

[22:18 - 22:28] such decisions and we'll come back with news when available. So, just for me to understand,

[22:28 - 22:41] you're going to call a GMS when you have the result of the engineering contract? Because I don't think I've seen that in the support agreement. So, that's actually what I'm asking.

[22:41 - 22:56] Why is the delay? The support agreement allows us to come by the end of this year with a GMS. So, we'll either comply or delay. We'll see what is the best strategy.

[22:57 - 23:06] But why haven't you concluded one yet? Why haven't you called one yet? Convene one. This is confidential information. I cannot answer to this.

[23:10 - 23:17] Okay. So, I guess you'll provide more color before the end of the year, just to conclude here.

[23:17 - 23:27] Okay. Everything that is of public knowledge will be, for sure, communicated to all the investors.

[23:29 - 23:35] Okay. That's all on my side. Thank you. Thank you.

[23:53 - 24:08] Any other questions, please? Okay, thank you very much for joining us. We are going to

[24:08 - 24:20] publish on our website, investor relations page, both the presentation, the audio file, and as well as the transcript. I think the transcript is going to become available starting

[24:20 - 24:33] tomorrow. As well, I would like to inform you that this conference call has been recorded for the very purpose of publishing the audio file for the interest of all our shareholders and investors.

[24:34 - 24:43] Thank you very much. Have a good evening, everyone. Thank you. Have a nice evening. Thank you. Bye. Bye. Thank you.