

[00:01 - 00:10] Thank you everyone. Hello everyone again. My name is Valentina Dinu i am with the iro department

[00:11 - 00:18] in Nuclearelectrica and today's conference call will address the financial results for the first

[00:18 - 00:29] quarter of 2024. We are going to start this conference call with the presentation. The presentation is going to be delivered by my colleague Vasile Dascalu, CFO of the company.

[00:29 - 00:37] Right after the presentation you can ask him whatever is of interest to you

[00:37 - 00:45] regarding the financial uh statements and results and investment projects or technical and

[00:45 - 00:53] operational status quo of the company for the first quarter of 2024. So this being said,

[00:53 - 01:06] Vasile the floor is yours. Thank you, Valentina. Hello everybody I'm Vasile. The presentation will include the financial position, income statement, net results,

[01:06 - 01:18] evolution income statement, actual versus budget sales of electricity structures analysis, information regarding opex and capex and technical performance indicators.

[01:20 - 01:29] Regarding the company's financial position at the end of q1 we may notice non-current

[01:29 - 01:41] asset position which remains stable compared with the previous year, the current assets are reflected by decreasing in trade receivables,

[01:43 - 01:55] mainly as a result of electricity sales reduction and increasing in cash and cash equivalent. In terms of non-current liabilities position remains stable compared with the previous year.

[01:57 - 02:05] Regarding current liabilities, these decrease by 38 percent because of reduction to zero of the windfall tax

[02:06 - 02:12] due at the end of q1. Regarding income statement,

[02:14 - 02:23] the net profit for the first three months of 2024 recorded a 26% decrease compared with the

[02:23 - 02:30] first three months of 2023 and this is mainly due to decreasing revenues from energy sales,

[02:32 - 02:39] 927 million lei compensated by decreasing in windfall tax expense by 840 million.

[02:39 - 02:46] Increase in other operating expense, 37 million mainly due to increase of

[02:46 - 02:52] technological water price during this period, increase in traded electricity cost

[02:53 - 03:00] presented from higher cost on balancing market and increase in personal cost by 29 million ron

[03:00 - 03:10] as a result of salaries increase, also financial results decreased by 35 percent representing 38

[03:10 - 03:17] million lei due to lower interest revenue recorded during this period.

[03:18 - 03:29] Therefore net profit at the end of q1 is 563 million. Next slide is a graphic representation

[03:29 - 03:37] of the main contributing elements to the net result and as it was mentioned earlier the main impact is coming from

[03:37 - 03:43] decreasing of the electricity price compensated by decreasing of the windfall tax.

[03:44 - 03:53] As you probably know the windfall tax for q1 2023 was 100% on the revenue exceeding 450 lei,

[03:56 - 04:08] sales structure has seen changes in the in the last year. This slide is presenting the information related to the information related to the quantity sold by market and average price

[04:08 - 04:14] used into the relevant markets. We can notice that electricity sold through centralized mechanism

[04:14 - 04:25] increased from 44 to 68 percent in total sales and the decrease on the market competitive market

[04:25 - 04:33] from 55 to 32 percent, the sales in competitive market decrease from 55 to 32 percent.

[04:34 - 04:49] In terms of sales price evolution, the next slide, it's showing that the average selling price decreased by 44% from 752 lei to 417 lei per megawatt.

[04:49 - 05:07] On the centralized electricity selling mechanism, which is representing 68% of the total electricity sold in Q1, selling price remains stable. It's an average of 446 lei per megawatt.

[05:08 - 05:22] And on the competitive market, which is representing 32% of the electricity sold in Q1, the selling price dropped from 999 to 351 lei per megawatt.

[05:22 - 05:32] The price on the spot market decreased during this period from 613 to 347 lei per megawatt.

[05:34 - 05:47] In terms of operational expense, besides the information already presented into the previous slides, we may notice that the operational costs are lower by 14% than the budgeted ones.

[05:48 - 05:58] And this is coming mainly from the reduction of cost of traded electricity foreseen by us. It's a reduction of 47%. Personal expenses by 13%.

[05:59 - 06:09] And cost of uranium fuel by 35%. The comparison between the actual and the budget is continuing on the next slide.

[06:10 - 06:22] Here we may see that revenues are in line with our expectation with the budget. And the operational costs are 19% lower than budgeted.

[06:23 - 06:31] Therefore, EBITDA and net profit are higher by 16%. Respectively, 18% than budgeted level.

[06:33 - 06:42] With the next slides, we'll start the CAPEX presentation. Investment value of this year is 1.6 billion lei.

[06:43 - 06:50] And the degree of completion is 4.2%. In line with the schedule for Q1.

[06:52 - 07:01] Main investments and long-term strategic projects are presented within the next slides where we can see unit 1 refurbishment elements.

[07:03 - 07:11] Here we can notice that we are in the second phase of implementation. Which includes the provision of financial resources

[07:12 - 07:16] And obtaining all necessary approvals and endorsement for project implementation.

[07:18 - 07:29] As you probably noticed, on February 2024, SNN signed a memorandum of understanding with SACE and ASALDO NUCLEARE

[07:30 - 07:38] for the same purpose, for unit 1 refurbishment. Also, the company concluded a framework agreement

[07:39 - 07:45] related to preparation and implementation of the Cernavoda Unit 1

[07:45 - 07:57] refurbishment project with a maximum value of 243.616 euro. This was concluded with Canadian Nuclear Partners.

[07:59 - 08:09] The main activities under way in Q1 It's obtaining the environmental agreement. And building permit,

[08:10 - 08:22] development of the population health assessment study, with a completion date in Q2 this year. Regarding units 3 and 4,

[08:23 - 08:35] I am stressing the support agreement between Romanian State and SNN. This support agreement allows securing the project financing. By granting the state guarantees to the project financing parties, to the lenders.

[08:38 - 08:50] Implementing the contracts for the difference. It's a type scheme that it's allowing us to sell on the market, in-kind contribution to financing of the project by increasing the share capital of ENERGO NUCLEAR,

[08:50 - 09:01] which is the company project, increasing of the share capital by the government of Romania with heavy water, uranium octoxide

[09:01 - 09:13] for the first use. General shareholder meeting on 17th of April approved an Addendum to the support agreement

[09:15 - 09:24] where the main provision aimed at updating the budget related to stage two LNTP, the preliminary works

[09:24 - 09:37] and updating the data relating to investment decision. Accordingly with the current implementation schedule of the project related to small modular reactors

[09:41 - 09:49] you may notice that during this time, on 9th of April, the company together with the project

[09:49 - 10:01] company announced the successful implementation of the IAEA SEED and the follow-up mission which focused on the selection of the site

[10:01 - 10:06] planned for the state development of the first small nuclear power plant in Romania.

[10:09 - 10:17] Also the national regulator authority issued the official approval letter in august 2023

[10:19 - 10:27] confirming the licensing basis document which is a conformity with the national regulatory requirement.

[10:30 - 10:40] Regarding the tritium removal facility project, this installation is capturing the tritium from the heavy water

[10:40 - 10:47] used in the nuclear electric power plant, this will lead to an improvement in operational performance,

[10:48 - 10:55] economic financial efficiency and increasing protection of the population, staff and

[10:55 - 11:03] environment to support completion of Europe's first tritium removal facility. SNN and

[11:03 - 11:10] the European Investment Bank have signed a loan agreement in value of 145 million euro.

[11:13 - 11:25] Also Nuclearelectrica and the Korean Hydro Nuclear Power signed on June 2023 the EPC contract, engineering, procurement, and contraction contract, for the completion of

[11:26 - 11:37] Europe's first nuclear waste disposal facility at Cernavoda nuclear power plant. Main activity underway in q1

[11:38 - 11:50] for this project it's a valuation of the documentation for long cycle equipment from a KPI point of view.

[11:52 - 11:57] We are in line with the limits, we keep the limits, the radioactive emission is good,

[11:59 - 12:06] with good results. The same result was obtained for the fuel burnout factor and also for the

[12:06 - 12:17] the capacity factor which hit 97.9% at the end of Q1 this year. The presentation, it's ended here.

[12:18 - 12:21] If you have questions, we are at your disposal, please.

[12:30 - 12:41] Hi. Thank you very much for your presentation. Congrats for the results. I had two question. If you could detail a little bit what

[12:41 - 12:53] happened to the balancing market in the first quarter leading to that increase in costs, because I'm not very clear what was the cause for that.

[12:53 - 13:03] And there was some distortions, not only in your case, but in other market participants. And this is the first question.

[13:04 - 13:16] The second question is regarding what do you see now in terms of sales mix? If you can comment, we are already in the middle of the year.

[13:16 - 13:28] We are in the second quarter since MACCE has become optional. So what do you see and what is your strategy in regards

[13:28 - 13:33] to the sales mix after 1st of April? If you can comment on that. Thank you so much.

[13:38 - 13:48] We are not able to invest the market in this moment. What we can notice is that the market is stabilizing.

[13:51 - 13:56] And we see the results for the next quarter. We will comment on this.

[14:03 - 14:13] What happens in the balancing market in the first quarter you can comment on that. Well, yes.

[14:13 - 14:21] During the first quarter, we had to cover, you know,

[14:22 - 14:27] let's say the variable prices that appear on the

[14:27 - 14:41] market and the cost that we have it was lower than the one budgeted anyway,

[14:42 - 15:03] meaning that we have foreseen this variation. Thank you! Yes, Laura please.

[15:03 - 15:16] Hello, Laura Simion, thank you for the presentation. I have a follow-up question regarding sales mix. So, in the first quarter you have

[15:16 - 15:27] a higher than usual number of sales on the spot market and if you could comment

[15:27 - 15:34] on the reasons behind it because we know your strategy is to sell as much as possible

[15:34 - 15:41] on the long-term market and if I remember in the budget you mentioned

[15:41 - 15:54] that about 43 percent of this year production was already contracted and I assume it wasn't much.

[15:57 - 16:09] What and I saw for example in April according to OPCOM reports, some quantities are already moving

[16:09 - 16:11] on the forward markets

[16:11 - 16:23] so how do you see for the rest of the year this mix between MACCE and forward markets?

[16:24 - 16:34] Thank you, yes, as I had mentioned earlier we are not able to comment on what will happen

[16:34 - 16:45] into the next period and we took all necessary measures during the q1 to adapt to the

[16:45 - 16:54] what's happening into the market. And what about the spot market in the first quarter?

[16:54 - 17:03] The quantity was higher than usual. Usually you had up to 20 percent and now you had over 30.

[17:05 - 17:11] Yeah, we adapted to the what happened in the market in q1 and you can see here the results

[17:19 - 17:27] So you had additional quantities, some contracts that were cancelled because the production it's the same,

[17:27 - 17:33] you are forced? This is the question because the price was also lower on the spot market you're

[17:33 - 17:44] forced to sell there? No, we are not forced to sell there, we catch the market where the

[17:44 - 17:56] market helped us to sell on the best price. Yes, but why not selling on the forward market

[17:56 - 18:08] at a higher price? The price on the spot market was lower. This was the decision at the time

[18:08 - 18:34] we saw this price and we took a good decision at that moment. And the quantities that

[18:34 - 18:47] you already contracted last year for this year, can we assume that the price is 450? It's

[18:47 - 18:56] the mechanism that it's imposing as the price and as you can see the sales in the

[18:57 - 19:11] regulated market it's 67 percent of total sales. I was reporting the quantities you mentioned

[19:11 - 19:22] in the budget that were already contracted for this year production and I assume if you

[19:22 - 19:36] signed these contracts last year the price should be around 450, if that's correct. No, we don't have a

[19:37 - 19:48] let's say, contractual terms, but what you are referring to, we have

[19:49 - 19:59] always.. we are looking to have long contracts, but I don't get your question exactly.

[20:04 - 20:11] So in the budget you published you mentioned that you have

[20:13 - 20:23] a free energy for this year, about 57 percent, that the rest was already contracted

[20:23 - 20:32] last year and I was asking because the price on MACCE last year was 450,

[20:34 - 20:43] if we can assume that for these quantities for which you signed the contracts last year the price

[20:44 - 20:53] is around this value. Yeah, what I can tell you is that we don't have a long-term contract, we had

[20:53 - 21:02] contracts for the quantities, and it's not for a long-term contract what you are looking for.

[21:06 - 21:15] By long-term contracts I include there all the quantities that are not sold on the spot market so

[21:15 - 21:25] they could be, I don't know six months contracts one year and so on. Yeah, what we can do

[21:25 - 21:32] and what we are doing is that we are looking to sign contracts in advance, but we are not

[21:32 - 21:43] signing contracts for long-term period and this is a strategy that we adopt in time

[21:43 - 21:46] seeing what is happening on the market.

[22:10 - 22:10] okay

[22:11 - 22:26] I don't have any other questions. So I believe it's my turn and also hi, hello, it's

[22:26 - 22:33] Andrzej from PKO securities. Thank you for the presentation and my question, so I have two

[22:33 - 22:40] questions. The first one relates to the current serious reform of the Romanian power market

[22:41 - 22:52] and I'm wondering what are our comments on this reform, is this working

[22:52 - 22:59] properly or still there's some gaps in the system, do you see some further discussion

[23:00 - 23:11] on more amendments to this mechanism or it appears that it is complete right

[23:11 - 23:22] now? If you are talking about regulatory market where we are selling, this is, we notice a change

[23:23 - 23:32] during this year and we expect as it is mentioned into the legislation to end somewhere next year in March, at the end of March.

[23:36 - 23:41] okay and my second question is related to

[23:42 - 23:55] Units three and four and construction, so what is the next key step in this project and I don't know, when can we

[23:55 - 23:57] expect something meaningful?

[23:59 - 24:08] Yeah, that's all thank you! The company project it's working on

[24:08 - 24:21] the following steps and you should be informed and keep informed during the project, during the

[24:21 - 24:26] evolution of the project and we should announce the media on the next steps,

[24:27 - 25:08] and all on all important next steps. Any further questions, please?

[25:16 - 25:28] Well, if not thank you very much for joining us! We are going to publish both the presentation and the audio file and my best guess is that tomorrow you are going to find as well the transcript

[25:29 - 25:42] of this conference call. Thank you all! If you have any further questions please email us, call us and we will be here to answer them. Thank you again! Have a good afternoon! Goodbye, thank you!