

[00:12] Okay, it's four o'clock. Hi, everyone. Again, my name is Valentina Dinu. I am IRO with Nuclearelectrica. And today's investors call is actually for the financial results for the third quarter

[00:25] of 2024. We're going to proceed with the presentation of these financial results. And for this, Mr. Daniel Adam, CFO of the company is here to provide you with a presentation. And then you can ask whatever questions you find necessary.

[00:43] So, Daniel, the floor is yours. Thank you. Thank you very much. Hello, everybody. I'm Daniel Adam, the CFO of the company, the new CFO of the company. And we will start with the financial highlights

[00:59] for the first nine months of 2024. As you can see, on non-current assets, we have a variation mainly due to the new loans for Ropower nuclear 188 million

[01:30] RON, this loan was granted for the financing of the front-end engineering and design phase 2 and also downward variation due to the depreciation.

[01:57] On the current assets, we have a decrease of trade receivables of 319 million RON. This is on the heels of the revenue and energy price reduction in 2024 versus last year.

[02:13] And we have also a decrease of 270 million RON in deposits and cash and cash equivalents. On the other side, we have an increase of financial assets,

[02:31] both at amortized cost, represented by state bonds and treasury certificates. On current liabilities, we have a reduction of almost 300 million RON, mainly due to the reduction in state payables

[02:48] and other payables represented by windfall tax. And we have an increase in current liability, in tax liability of 65 million RON. On the performance of the company, we have a net profit reduction of nine months of 35%

[03:14] or 692 million RON. The negative impact is coming, of course, due to the decrease in revenues from energy sales, 40.9% or 2 billion 270 million RON.

[03:34] This is coming not from quantity, but on the price side of the revenue. We have also an increase in electricity costs that we bought, resulting from the higher cost in the balancing market,

[03:52] where we access it due to unplanned outages, and we have an effect of 218 million RON. We also have an increase in personnel cost, 40 million RON, mainly from the increase of salaries and employee incentives.

[04:14] And we have a decrease in net financial results due to lower interest revenues recorded for our deposits, amounting of 75 million RON. We also have a positive impact, the decrease in welfare tax of 1,948,000,000, which brings us a net loss of revenue of just 300 plus million ron.

[04:49] And we have also a decrease in income tax by 117 as an effect of the reduced profitability versus last year. As you can see in the presented waterfall,

[05:07] the main effects are coming basically from the regulatory market. Windfall tax on one side and the reduction in pricing on the other side.

[05:46] All the other effects are quite insignificant compared to the first two. On the financial highlights compared to the budget, we have a very slight increase windfall tax of 7.1% for 112 million RON and resulting increased EBITDA

[06:19] with 6.7% of 114 million RON and then increase of net profit of 11% for almost 128 million

[06:41] RON. In terms of OPEX, the biggest impact is windfall tax, which decreased from

[07:01] 2 billion RON to 110 mil, compared to 2023. We have also an increase in cost of electricity in the prior slides. And I think what is to be mentioned here,

[07:18] we have also increased in cost of uranium, which went up by almost 17%. And the repairs and maintenance, a 33% increase, correlated with the repairs and maintenance program

[07:38] and with the needs in 2024, like unplanned outages and other unplanned events. The electricity transmission, ANDR contribution and ANRE are quite insignificant, so we will

[07:57] not take time on them. The structure in Q3 versus Q3 2023, we had revenue from sales of electricity in nine months or in 2024 lower with 40.7% compared with 2023.

[08:27] Basically, this is coming from a price decrease for a similar quantity of electricity that we sold. And now, breaking down the markets, on MACCE, we have an increase of 18% or 276 million lei,

[08:50] both mainly from a quantity increase of 18.8%. In PCCB, we have a decrease of 83.3%,

[09:06] partly coming from a quantity decrease with 2,000 gigawatts or 62%, and partly coming from average selling price lower with 55%.

[09:23] On the spot market, we have an increase of 312 million lei or 57.1%. Coming from quantity, we sold 1,160 gigawatts per hour or 106.3% more than last year, but we have a reduction in selling price of 124 RON per MWh, or 23.8% in price

[10:00] reduction. On the balancing market, we have an increase of 55 million lei, or 690%, and also a big increase in average price, 342.8%.

[10:32] In terms of sales structure, we discussed about the variation on the budget, it's negligible.

[10:52] And we discussed already about the split in the previous slide. On CapEx, in nine months, we had the CapEx expenditure of

[11:13] 41.7% completion in September 2024 versus budget 2024. We have spent 547 million out of a total investment program of 1.3.

[11:35] And we'll move now to more details based on CAPEX projects. The most important one is Unit 1 refurbishment, which is already in the second phase of implementation.

[11:53] And on June 2024, we announced the signing of a long-term framework agreement for the PMO services and the preparation and implementation of the refurbishment project.

[12:10] This framework agreement has an approximate value of 240 million euros and of course represents an important step in the completion of the refurbishment project. On Unit 3 and 4, as you know, we signed a memorandum of understanding with SACE and

[12:35] Ansaldo Nucleare to advance the development and financing of 3 and 4 units. We already presented the support agreement between the Romanian state and SNN regarding

[12:54] units 3 and 4. And we already updated the budget related to the LNTP works. And we already have a GMS approval for the loan from Nuclearelectrica

[13:26] for the EnergoNuclear Power of 841 million RON in order to finance the work, the engineering and the preliminary study for the LNTP phase.

[13:45] And as you already know, we have a positive EU commission on the project. Now on the small modular reactors, as you already know, in April 2024, we announced the successful completion of the IAEA follow-up mission

[14:15] and the Doicesti site was selected. We already approved in July 2024 the conclusion of the FEED contract phase 2 offshore and the approval of the contract.

[14:34] They have an approval for the updated loan amount of 243 million USD made available by Nuclearelectrica to RoPower Nuclear in order to finance the FEED 2 project.

[15:00] On Tritium Removal Facility in Cernavoda,

[15:22] which will improve both in operational performance, economical efficiency, and increase protection for the population, staff, and environment in full accordance with our ESG

[15:36] objectives. Nuclearelectrica and KHNP, signed in June an engineering procurement and construction contract for the conclusion of the first facility for treatment removal at Cernavoda.

[15:56] KHNP was selected as an engineering procurement and construction contractor following the public procurement process. And yes, in June 2024, both companies announced the start of the works,

[16:17] the first removal plant in Europe. And as you probably have seen in the press, in 15 October 2024, Nuclearelectrica and Framatome made public positive conclusions of the feasibility study.

[16:39] They carried out to assess the likelihood of production of the medical isotope Lutetium-177 in Cernavoda. Lutetium-177 is used for a series of wide-range critical cancer treatments.

[16:58] These two companies will start the project implementation and we have a window for commercial application somewhere in 2028.

[17:16] In terms of technical performances, we have lower than agreed emissions in all the period up to September 2024.

[17:40] Also, we have good results in terms of nuclear fuel burn up factor. In September, we are at 179 for Unit 2 and 167 for Unit 1, and we have 156 estimated

[18:09] average full burn. On capacity factor, we have accumulated capacity for September of 86.18% in September 2024, on par with the last months and slightly lower

[18:34] than the beginning of the year. This is the presentation. We are waiting for questions. Thank you very much for the presentation. Congratulations for the results. This is Caius from BCR. My question is regarding what is your opinion on the impact that could have on the company,

[19:11] the recent constitutional court decision that windfall taxation is unconstitutional. This is one thing. And the second thing, if you could please elaborate a little bit upon the changes in sales mix in the sense that what determined you

[19:32] or to adopt these changes in sales mix with relationship to the regulation changes about the mechanism of centralized acquisition of electricity. Thank you. On the recent or the very recent Supreme Court decision,

[19:58] our position so far is that it's too early to speculate. We will wait to see exactly what is the regulatory impact on this topic.

[20:19] But if it will be an impact, for sure it will be a beneficial one. But it's too early to go into details. We want to see how the enforcing of the ruling will go on and so on.

[20:39] So it's too early to speculate on that. Regarding the mix of sales, I imagine you are referring... Sorry to interrupt. Maybe we could go back to the slide and it would be easier to explain.

[21:05] I imagine that the first question is referring to the high portion on the day-ahead and intraday market versus last year. In general, about the MACCE

[21:21] and the competitive in general, what's changed the sales. Thank you! We need to make a bit of history on how much impacted us. In December 2023 it was decided that for 2024 we should have 80

[21:47] percent of the production intended for this channel of sales and this 80% was kind of split in half of it, 40% in annual MACCE sales and 40% in monthly deals.

[22:09] What happened in March this year, basically MACCE became somehow voluntary. And the requests for this monthly part of MACCE that we foreseen in last year, December, didn't really materialize.

[22:34] In a way, this came at a very, how to say, the market was low. As you know, quarter two is kind of the historical low season of the energy market due to the abundance of water, less usage for heating, absence of the cooling consumption, and so on.

[23:10] So basically, in quarter two, for quarter two, starting in March, we had to go on a short-term basis for this intraday PZU market and PZU market because basically the foreseen volumes on MACCE didn't really happen. The hardest effect, we are looking now on a cumulative table, but the hardest effect was in quarter two, lowering of sales towards this very short-term market.

[23:58] And this trend of moving back to longer-term contracts, we will see even more in quarter four. So we were kind of obliged to go in this short-term market

[24:17] due to the fact that MACCE kind of disappeared on a very short notice. Thank you very much for the explanation. I'm answering now to a text question. It is true in these days we are seeing a bit of higher prices in the market.

[24:55] As you know, the market is also competitive and also quite open. We are also importing and exporting outside Romania. It is true that we are seeing some price increases,

[25:15] but we want to refrain in making any prediction that this situation will last or it will go on for months and so on.

[25:39] Good afternoon, Laura Simion from BRD. I have a question regarding the supply of nuclear fuel. Do you still use the Canadian company as a supplier?

[25:54] And when do you think you will be able to produce your own bundles in Feldioara? And if the production there at Feldioara will be enough or you will still have to supply from external markets? Thank you. Thank you for the question.

[26:19] In terms of bundles, we are producing within our group 100% of the bundles. We are not importing bundles. And I think this was true for all the year. So starting this year you are producing

[26:42] the bundles internally 100 percent? Hi Laura, this is Valentina. We have always been producing bundles internally at FCN Pitesti. What we acquire is actually raw material which is uranium

[26:57] octoxide from the international market and have it processed into uranium dioxide in Feldioara, then have the uranium dioxide transported to FCN Pitesti for the manufacturing

[27:09] of the bundles. Yes, I was referring to the process that should take place in Feldioara. So you are not supplying from the Canadian company anymore?

[27:22] No, we are only supplying raw uranium. All the processing is done within our group here in Romania. So you are not linked anymore to just this one company as was the case in the past?

[27:42] No, no. You can have various suppliers now for the raw uranium? Yes. Yeah, because that's a commodity and you have choice in the market. So from price safety and availability, it's very okay like this.

[28:05] Okay, thank you. Any more questions, please? Well, if not, thank you very much for joining us in. As usually, after this call, we're going to post on our website, Investor Relations page, the audio file and the presentation,

[28:47] and a bit later, also the conference transcript. For further questions you know where to reach us. Thank you very much. Have a good evening.