



FY 2023 Results Presentation – 28 March 2024

Summary of Q&A

	Question	Answer
1	<p>I have a query regarding your OPCOM price, which stood at 487 last year. I recall during the IPO, there was an outlook provided indicating a projected decrease to the mid-single digits over the subsequent two years, including 2024, followed by an expected 20% growth thereafter. Given the significant decline in power prices since the IPO, I am interested in understanding how this impacts the previously projected 20% hike post-'25.</p> <p>My second inquiry pertains to any EBITDA guidance for the current year. During the IPO, a midterm outlook slide was presented, and I am seeking updates on some of the key points highlighted therein.</p>	<p>Regarding the power price dynamics, significant shifts have occurred across Europe since the IPO. Today, the government has introduced a new Ordinance, dated 28 March 2024, which entails additional considerations that will impact our operations. Presently, I am unable to provide guidance for 2024 as this presentation focuses on the results of 2023. However, we will offer guidance in May during the Q1 presentation, encompassing the entire year of 2024. Similar challenges also apply to EBITDA projections. As previously mentioned, numerous practical changes have taken place, particularly in energy prices. While we are not reverting to square one, we must adapt our strategies accordingly.</p>
2	<p>May I inquire about reports in the Romanian press stating that you anticipate a net income of RON 4.8 billion for this year? Could you please confirm the accuracy of this information?</p>	<p>When computing our projections, we must consider the legislative framework outlined in Ordinance 27, which is effective until March 2025. However, the current circumstances do not align with this legislation, necessitating a reevaluation of our computations.</p> <p>Furthermore, effective from April 1st, the MACEE has been adjusted to 400 RON, down from 450 RON previously.</p>
3	<p>I understand that at the end of January, you formulated budgets for 2024, 2025, and 2026, projecting net incomes ranging from approximately RON 4,650 million to RON 4,840 million over the three years. Firstly, could you clarify whether these budgets should be regarded as financial targets, or if they serve a different purpose?</p> <p>Secondly, I am interested in understanding the changes that have occurred since the formulation of these budgets. Apart from the lower power prices and regulatory adjustments mentioned, are there any other factors or variables that have influenced these projections?</p>	<p>Yes, as I mentioned earlier, we find ourselves needing to reassess our strategies in light of market competition and the evolving landscape. Consequently, we will be revisiting our budgeting process for 2024 to accommodate these changes. Our initial projections were based on legislative considerations and existing contractual agreements for the year 2024. However, given the dynamic nature of our industry, adjustments are warranted. We will keep you informed as we refine our budget to reflect the current realities.</p>
4	<p>I'm interested in understanding the anticipated impacts of the new Ordinance and its implications. With the shift towards an optional centralized market, what strategic adjustments do you foresee?</p> <p>Additionally, what are the next steps in response to this regulatory change? Essentially, I seek clarity on the</p>	<p>Given that the Ordinance was issued today, we acknowledge that there hasn't been sufficient time to fully evaluate its comprehensive impact. However, we perceive this development as an opportunity, as the optional centralized market affords us greater flexibility. No longer constrained to sell solely on MACEE, we can</p>



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strategic direction and operational implications stemming from this development.	<p>now explore forward product sales and gradually transition towards the free market, aligning with our goal of maximizing company profits.</p> <p>Moreover, while the floor has been lowered from 450 to 400, it's noteworthy that the day-ahead market typically operates below this floor. Hence, whether with or without the emergency ordinance, prices in the free market have remained below the floor. This translates to fewer restrictions for us, enabling forward sales while ensuring the retention of key clients in our supply business. We are steadfast in our commitment to be fully prepared for the eventual return to the free market next year.</p> <p>In the dynamic energy market, we confront numerous challenges daily. However, we are well-equipped to navigate these challenges, having recalculated our strategies in light of the new legislation and devised a new budget and plans accordingly. While the energy market in Europe, including Romania, presents formidable challenges, we remain exceedingly optimistic. As a leading producer in Romania, we are poised to capitalize on opportunities and drive growth with confidence.</p>
5 I understand that, for example, the transport company, the distribution they've already contracted 50% for this year and I think you have already contracted basically 50% of total quantity for this year. What happens with that volume? Is the price adjusted? Does that pay for 50?	As previously mentioned, I reviewed the new Ordinance just before this meeting. Based on our interpretation, it appears that the prices outlined in the annual contract signed in December 2023 remain at 450. It would be imprudent to assume that this price would be reduced to 400. Such a notion is not within our considerations.
6 Essentially, you've already secured contracts for 50% of this year's volumes on MACEE at the price of 450. Could you provide further insight into this volume and its implications for our operations?	I believe it amounts to 2.5 TW. Consequently, this volume would be sold at 450, adhering to our contractual terms. Additionally, for 2024, we've secured certain quantities through forward contracts at prices exceeding 450.
7 Currently, there's no means for you to ascertain forward prices, correct? Given the inability to engage in forward trading at the moment, the precise trajectory of forward prices remains uncertain.	At present, only the electricity available can be sold through short-term products following the monthly tenders. Consequently, the pricing for forward contracts remains uncertain. However, with numerous new opportunities emerging, including the ability to sell various products such as half-year and quarterly options, we must now determine pricing. This involves establishing the average electricity price for this year, the latter half of this year, and the subsequent year.
8 I'm seeking clarification on how the market's current status aligns with potential scenarios where MACEE	It's essential to recognize that we operate within a regulated market framework. Under these regulations,

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	<p>ceases operation in the future. Specifically, I'm interested in understanding the normalized basis of the power price from 2023 to the present market conditions. Given the continued operation of the market on a quarterly and half-year basis, I'd like to ascertain the potential decline in RON per Megawatt hour pricing, or any adjustments needed in volume projections. My focus is on structural changes rather than annual volatility.</p> <p>Additionally, I'm curious if there are any implications for the 16 TWh target outlined during the IPO.</p>	<p>significant producers, including ourselves, are restricted from engaging in forward contract sales. Historically, the distribution between forward contracts and the Day Ahead Market has been approximately 80% to 20%. Due to our inability to participate in forward contracts, we cannot directly compare electricity prices in our current market with those of a typical free market. Presently, what we observe in the Romanian market, particularly in the Day Ahead segment, primarily reflects prices influenced by wind and solar energy, particularly as long-term contracts are no longer accessible. However, commencing April 1st, we will begin selling forward contracts, enabling us to establish a benchmark price for comparison between the two periods.</p>
9	<p>Just for clarification, in your annual report for 2023, you presented the wholesale price at 493, inclusive of the balancing market factors. Consequently, the weighted average realized price in RON/MWh stood at approximately 530. If we consider German prices as a proxy for Romania, with a projected price of RON/MWh 350 for the following year, reflecting a sustainable pricing level in Europe, would it be reasonable to expect a decrease of approximately RON/MWh 150, accounting for the premiums associated with balancing? This would result in a significant decrease in realized pricing, contrasting with the 20% increase guidance provided at the time of the IPO. Essentially, a realized pricing of 25 signifies a substantial 20% decline compared to the 20% increase projected a year ago.</p>	<p>It is premature to reach definitive conclusions at this stage. Once we commence selling forward contracts, we will gain insight into actual market prices; otherwise, we are limited to relying solely on the Day Ahead market. Moreover, it's important to consider that last year was subject to complete regulation, thus lacking a true benchmark. Additionally, factors such as the exceptionally mild winter, ample water resources, and abundant gas supplies across Europe have contributed to the decline in electricity prices. However, it remains uncertain what the future holds, particularly if we encounter a more typical winter or experience variations in hydrological conditions compared to the current year. It's worth noting that just two years ago, extreme drought conditions led to markedly different price dynamics.</p>
10	<p>Could you please provide specific details regarding the proposed dividend for the last financial year, scheduled for payment this year? It would be helpful to understand the proposed dividend amount and the process for its approval and distribution.</p> <p>Additionally, for the year 2024, could you offer more detailed insights into the volumes already sold and at what prices? My understanding is that the recent ordinance may not impact the volumes already contracted. You mentioned 2.5 terawatt hours sold at 450 on MACEE. Could you also provide information on any other contracted volumes? This would help us gauge the percentage of locked-in volume and the average price achieved.</p>	<p>Regarding dividends, we have scheduled a General Meeting of Shareholders (GMS) for April 29th to approve the financial statements and dividend distribution. Our proposal is to allocate 100% of the distributable net profit, totaling approximately RON 6.29 billion, exceeding our 90% policy. We proposed a dividend per share of RON 13.99.</p> <p>As for volumes already sold prior to 2024, we can currently disclose only the MACEE volume, which stands at 2.5 TW. While we have additional quantities sold, we prefer not to disclose them at this time.</p>

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11	<p>Regarding the dividend, could you outline the payment process? It would be helpful to understand the payment structures involved.</p>	<p>The proposed Payment date is June 28th.</p>
12	<p>I have carefully reviewed your budget for this year. One observation I made, aside from the power prices, which may not be entirely actual now, is the reduction in supply volumes to 6 TW. During your IPO, you indicated a plan to increase the supply business to 8 TW, as reflected in the budget.</p> <p>Additionally, I noticed some notable increases in repair and maintenance costs. While it's expected that volumes may increase, the magnitude of these cost increases appears significant.</p>	<p>Regarding maintenance costs, we're implementing a new strategy for our assets, focusing on level three and level four maintenance. This involves different Capex allocations, particularly for critical power plants requiring such operations before undergoing full rehabilitation. Consequently, there's an increase in Capex for maintenance this year, with ongoing plans for rehabilitation and modernization. Additional Capex will be directed towards enhancing the efficiency and availability of our key assets.</p> <p>As for the supply business in 2024, our budgeting approach is typically prudent. We don't include contracts with clients who've developed their own solar panels and no longer require energy from us. Our strategy remains steadfast, aiming to reach 8 TW within two years. However, this has led to a decrease in supply quantities for 2024.</p> <p>It's crucial to note the significant volatility in the supply market currently. We've observed a trend where many suppliers, both large and small, are offering prices below the OPCOM price on MACEE, primarily relying on electricity purchased from the day-ahead market. While this behavior is unconventional, it's prevalent at present.</p> <p>Our focus is now on invoicing clients and recovering past receivables. We plan to adopt a more assertive approach in the latter part of the year as we prepare for the free market.</p>
13	<p>In light of this, it's worth considering adjusting the weightage of households and non-households, particularly as non-households may now opt for the day-ahead market and procure electricity at 350. Consequently, this would further lower your weighted average price on the supply market.</p>	<p>Currently, we haven't observed any shifts in the distribution between households and non-households within our portfolio. The percentage of non-household business remains consistent, hovering around 65 to 75%. As for volatility, it's generally not a major concern. Typically, our clients prefer contracts spanning more than one year, reducing the impact of day-to-day consumption spikes on operations.</p>
14	<p>Moving forward, I should anticipate the continuity of the current structure in your supply business, maintaining the percentage split between household and non-household clients.</p> <p>Regarding your offers for this year, I've noted the rates of RON/MWh 280 for households and RON/MWh 580 RON for non-households for active energy. Should I</p>	<p>The price you see reflects our current offer. It's important to note that the rate of 580 applies specifically to small business clients and is not indicative of the pricing across all our contracts. This rate pertains to new contracts being offered at present.</p>

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	incorporate these assumptions into my modeling for the year ahead?	
15	<p>Now, shifting our focus to the volumes already contracted, my understanding is that 2.5 TW have been contracted for MACEE.</p> <p>Have additional volumes been contracted in the forward market since not all capacity has been sold on MACEE?</p>	<p>No, as I mentioned earlier, we have allocated some quantities for sale outside of the MACEE system, as well as quantities earmarked for supply purposes. Specifically, the 2.5 TW mentioned earlier pertains to the MACEE supply. However, I'm refraining from disclosing further details at this time due to the sensitivity of this commercial information, especially given the current shift in selling strategies among market participants.</p>
16	<p>There have been reports in the media today suggesting that you might explore green bonds for M&A funding. Could you please provide some insights on this matter?</p> <p>Additionally, earlier in the prospectus, you outlined targets for medium to long-term capacity expansion in solar and wind projects until 2030. Could you offer any updates on additional capacity plans for the medium to long term?</p>	<p>We prefer not to provide comments on the news regarding green bonds, as it is not information coming from our side.</p> <p>Regarding our focus on green energy acquisitions, as you are aware, it is one of our top priorities to strengthen our position in mergers and acquisitions (M&A). We are actively analyzing numerous projects in both the Romanian and European markets. Many of these projects are currently under development or in the analysis phase. We plan to publicly announce our selection for acquisitions in the near future.</p> <p>As disclosed in our prospectus, our primary focus for M&A activity is in the renewable energy sector. The landscape has evolved slightly since last year, with an increased number of projects available. Romania boasts significant potential in this regard, with numerous promising capacities for projects. We will ensure to keep you informed of any developments in this area.</p>
17	<p>My inquiry pertains to the Capex for the year 2024. It appears that in 2023, if I interpreted correctly, only approximately 50% of the approved Capex was deployed.</p> <p>Can you provide insight into your expectations for this year and the subsequent years regarding the fulfillment of previously discussed plans?</p>	<p>Regarding the Capex for the previous year, our planning involved securing financing for certain projects through the RePowerEU initiative. We budgeted the Capex with the expectation of initiating these projects. However, they were not approved by the European Commission, leading us to place some projects on hold. Our intention was to finalize these projects, including securing financing from the RePowerEU grant, which did not materialize for this year.</p> <p>In our budgeting process, we consider the acquisition procedures and bureaucratic requirements necessary to sign new contracts, particularly for rehabilitation and modernization contracts where Capex expenses are substantial. We aim to avoid over-budgeting Capex in an unrealistic manner. Instead, we continuously adjust our Capex to align with the realities in the field, accounting</p>



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	<p>for the time needed to obtain permits, execute work, make down payments, and so forth.</p> <p>This year, we anticipate signing significant contracts for rehabilitation and continuing work on major power plants. Specifically, we are focusing on projects such as Rastolita, Cornetu-Avrig and Nehoiasu, which are at various stages of execution.</p> <p>Additionally, we plan to proceed with the launch of tenders for equipment in Pascani, Surduc-Siriu, while also finalizing work on Racovita. These initiatives represent our commitment to advancing new projects and maintaining momentum in ongoing endeavors.</p>