

E-Distribuție Dobrogea Proposal Budget 2019*

March, 2019

**Budget scenario as at December 2018*

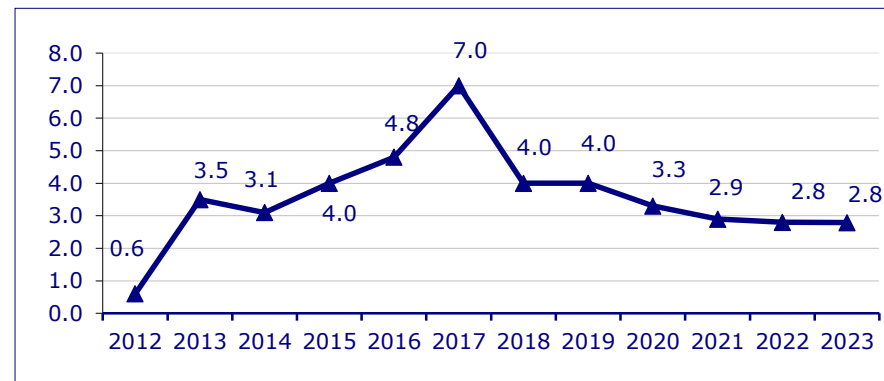
e-distribuție

Romania – Macroeconomics

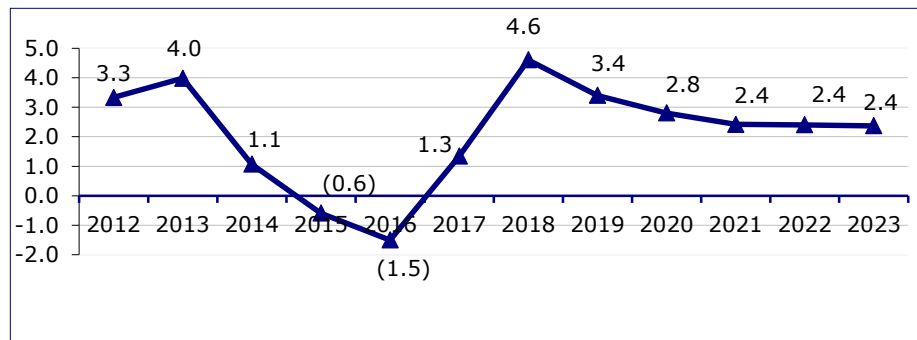
General

GDP per capita (PPS) (****)	63
Population (Mn) (*)	19.5
Rating (Moody's)(**)	Baa3
Income tax	16%
UE member	2007

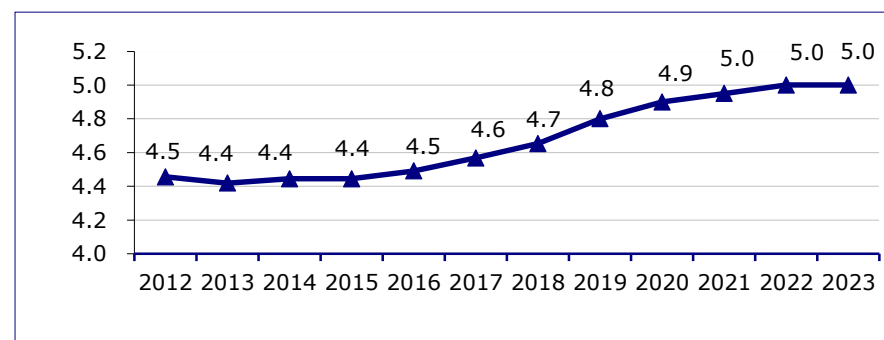
GDP evolution(%) (***)



Inflation evolution (%) (***)



Avg. exchange rate RON vs € (***)



* Source: Eurostat latest estimation

** Source: Moody's rating 3/5/2018 Annual Report

*** Source: Enel Group estimations (2019-2023), Eurostat latest estimation 2018

**** Source: Eurostat, amounts of 2017 in purchasing power standards

BP 2019 – Regulatory assumptions Distribution

- Annual update of distribution tariffs in line with the current methodology:
 - 2014 – The same tariffs for HV and MV and a decrease with 0.4% for LV vs the approved tariffs as of 1st January 2013;
 - 2015 – Decrease of distribution tariffs by 0.1% for HV and LV and by 0.4% for MV vs the approved tariffs as of 1st January 2014;
 - 2016 – Decrease of distribution tariffs by 12.4% for HV, by 12.5% for MV and by 12.7% for LV vs the approved tariffs as of 1st January 2015;
 - 2017 – Decrease of distribution tariffs by 6.2% for HV, by 6.5% for MV and by 6.3% for LV vs the approved tariffs as of 1st January 2016;
 - 2018 – Increase of distribution tariffs by 3.5% for HV, by 2.2% for MV and by 1.9% for LV vs the approved tariffs as of January 2017.
 - 2019 – Decrease of distribution tariffs by 2.5% for HV, by 0.9% for MV and by 0.2% for LV vs the approved tariffs as of January 2018.
- ANRE order 114/2014 modified by Order 169/2018 establishes the parameters for 4th regulatory cycle (2019-2023):
 - ✓ Network losses target 2019-2023: 8.72% >>7.90%
 - ✓ Network losses ex-ante reference price: actual average price between all DSOs and TSO considering 12 months analysis (July 2017-June 2018) ; ex-post reference price: min of DSO actual price and average actual price of all DSOs and TSO; BM +/- 5% of total losses volumes
 - ✓ RAB reduced for assets disposed/not used
 - ✓ Yearly investments rule: RAB IN=RAB OUT
 - ✓ OPEX: Personnel, Safety and Maintenance costs pass-through up to the approved value
 - ✓ Other OPEX: max 5% efficiency allowed, sharing mechanism 60-40%
 - ✓ ICO Costs under ANRE Checking for RC3, introduced more constrains for RC4
 - ✓ OPEX not recognized (eg monopoly tax, legal costs)
 - ✓ 95% profit of other activities to be shared
- ANRE Order 168/2018 for setting Regulated Rate of Return:
 - ✓ RRR = 5.66% real pre-tax for existing RAB at 31.12.2018
 - ✓ RRR = 6.66% real pre-tax for new investments 2019-2023

Regulatory Scenario E-Distribuție Dobrogea



	2nd RC					8.52%	3rd RC				5.66%	
WACC	10%					8.52%	7.7%				5.66%	
Distribution tariffs evolution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Average increase annual	-1.71%	10.42%	2.24%	4.89%	6.36%	8.04%	-0.25%	-0.18%	-12.63%	-6.35%	2.05%	-0.43%
CPI	4.40%	3.00%	5.30%	3.74%	5.06%	1.40%	3.00%	2.20%	-0.37%	-0.83%	0.26%	3.82%

Distribution strategy - main pillars

	Under Implementation
QUALITY PLAN	<ul style="list-style-type: none">Remote control program continuation and refurbishment of the HV/MV primary substation.
	<ul style="list-style-type: none">Remote control program continuation and refurbishment of the MV/LV secondary substation;Installation of MV reclosers and remote-control overhead disconnectors;Focus of the MV network for quality improvement.
	<ul style="list-style-type: none">Focus of the LV network for quality improvement;LV remote-control pilot project for the circuit breaker in the MV/LV secondary substation.
HV Network Improvement	<ul style="list-style-type: none">HV overhead lines refurbishment;
SMART METER PROGRAM - Losses Reduction	<ul style="list-style-type: none">Meter verification strategy: increasing of the number of employees, new hiring of temporary workers;Further implementation of Smart Meter Project;Focus on meter centralization outside the household premises targeting to detect and prevent frauds and to read the customers not read for a long time.Measuring systems to be done in Primary Stations to allow management of energy balance on MV.
Commercial Service Quality	<ul style="list-style-type: none">Improving of commercial and technical systems;Implement of a new system for better asset management

Focus on Distribution strategy (1/2)

QUALITY PLAN - Remote-control

Under Implementation

- Already introduced, with the support of Enel know-how and with visible results (average interruption period per customer/per year, reached the lowest value ever);
- One of the primary benefits of the remote-control system is that it allows Enel to restore power supply rapidly from distance, in case of failures affecting large areas;
- Will help us improve our operational activities through remote maneuvers for all HV/MV primary substations, MV/LV secondary substations, MV overhead disconnector IMS, diminishing the need for the field interventions and increasing simultaneously the safety of our personnel;
- Lower operative cost for utility companies, which mean savings for their customers;
- Focus MV, LV network refurbishment in order to improve quality of service and reduction of corrective maintenance cost following incidents;
- Reduction of MV and LV failure rate and improvement of the behavior of the network.

NETWORK IMPROVEMENT

- Focus on HV network refurbishment in order to reduce corrective maintenance cost following incidents;

SMART METER PROGRAM

Using the technologies of Global Infrastructure & Network - Enel Group, this program:

- Offers a better control of energy consumption to clients;
- Having a better overview of their consumption needs, clients will make informed decisions on how they can optimize their consumption and reduce bills;
- Helps environment by reducing the need to build electrical installations and decreasing the use of lower efficiency old ones since clients reduce their electricity demand;
- Smart meters one step to smart grid in Romania. This will help the network to detect what is happening with the transit of energy, to balance it, to increase safety and make it more resistant to network disruptions and other problems;
- Lower operative cost for utility companies, which means savings for their customers.

Focus on Distribution strategy (2/2)

Under Implementation

Instruments

- Commercial – Front Office and Back Office Development.

- ERP – New and Evolutive Improvement

- GRID – Evolutive Improvement

- METERING & FILED – New and Evolutive Improvement

Description

- Continuous upgrade of newly implemented commercial applications which will bring efficiency in our distribution activity
- New system to be developed based on gap analysis for the changes in the asset management in order to fulfill the requirements of the authorities;
- Continuous upgrade of SAP technical modules (PM, MM) with new functions which will bring efficiency in our distribution activity
- Upgrade of SMART applications including AUI-Sired-Sired Web, Atlante, Sigraf – SIGRAF Web, AIRE, Geinte, ARIA and start functional analysis for introducing of mobile apps.
- Implementation of EXABEAT for energy management balance and meters measurements, including load curves
- Convergence with the ICT Global Systems by starting the functional analysis for HeartBeat in 2018;

Benefits, leveraging on Enel Italia know-how

- Operational efficiency;
- Alignment to the local regulation requirements and to the global reporting inside the group;
- Improvement of the commercial quality of service for the customers.

Highlights Budget 2019

Performance indicators

	2018 Actual	2019 Budget
Energy distributed (TWh)	3.7	3.7
Net profit (Mil RON)	(143)	(33)
CAPEX (Mil RON)	137	108
No. of employees	597	627

Profit and Loss*

e-Distribuție Dobrogea		ACTUAL 2018	BUGET 2019
Profit and Loss			
REVENUES - TOTAL	Mil RON	483.4	459.0
Operating revenues	Mil RON	434.2	415.3
of which Electrical business revenues	Mil RON	410.2	398.1
Other revenues	Mil RON	24.0	17.2
Other income	Mil RON	49.2	43.7
OPERATING COSTS	Mil RON	293.0	333.5
Cost of purchased power	Mil RON	134.0	183.0
Cost of materials and services	Mil RON	92.8	79.1
Materials	Mil RON	20.9	12.2
Services	Mil RON	71.9	66.9
Other operating costs	Mil RON	3.0	2.8
		-	
Personnel expenses	Mil RON	63.2	68.6
		-	
MARGIN FROM OPERATIONS GROSS (EBITDA)	Mil RON	190.3	125.5
		-	
DEPRECIATION AND AMORTIZATION	Mil RON	333.5	172.8
OPERATING MARGIN (EBIT)	Mil RON	(143.2)	(47.4)
Financial income and expenses	Mil RON	10.9	14.7
EBT (Earning before taxes)	Mil RON	(132.3)	(32.7)
Income taxes	Mil RON	11.0	(0.0)
NET INCOME	Mil RON	(143.3)	(32.6)

* Budget scenario as at December 2018 (Impact of OUG 114/2018, 10 M Ron)

OPEX

Materials and service costs

e-Distribuție Dobrogea		ACTUAL 2018	BUGET 2019
Materials and Services Costs			
Raw materials and consumables stores used	Mil RON	20.9	12.2
Services	Mil RON	71.9	66.9
Intercompany Services	Mil RON	27.3	19.9
Maintenance and repairs	Mil RON	14.0	24.2
Property costs	Mil RON	9.7	8.7
Telephone, post office and data transmission exp	Mil RON	5.4	4.2
Other services	Mil RON	3.8	1.8
Other costs related to personnel (e.g. travel)	Mil RON	5.8	4.3
IT services	Mil RON	2.1	1.2
Advertising, promotional services, canvassing and	Mil RON	1.1	0.7
Insurance premiums	Mil RON	1.0	0.8
Distribution and storage	Mil RON	0.3	0.1
Technical services	Mil RON	0.4	0.1
Services - Others	Mil RON	0.8	0.7
R&D and engineering charges	Mil RON	0.1	0.2

PERSONNEL

e-Distribuție Dobrogea		ACTUAL 2018	BUGET 2019
Number and cost of labour			
Average number - total	nr.	605	596
Number at the end of the period	nr.	597	580
Manager/ Executive	nr.	1	2
Middle management	nr.	39	38
Salaried	nr.	222	221
Hourly+temporary	nr.	335	319
Total Employment cost	Mio RON	63.2	68.6

CAPEX

e-distribuție

e-Distributie Dobrogea		ACTUAL 2018	BUDGET 2019
High voltage	Mil Ron	41.8	29.3
Medium voltage	Mil Ron	26.3	17.1
Low voltage	Mil Ron	58.7	53.2
Total Network	Mil Ron	126.8	99.5
Others	Mil Ron	9.8	8.9
TOTAL	Mil Ron	136.7	108.4

* CAPEX values contain only Own Funds

Balance Sheet

e-Distribuție Dobrogea		ACTUAL 2018	BUGET 2019
ASSETS	Mil RON	1,533.5	1,608.7
Net tangible assets	Mil RON	1,496.4	1,575.1
Net intangible assets	Mil RON	20.5	17.1
Other non current assets	Mil RON	16.5	16.5
Net working capital	Mil RON	-93.6	-118.3
Inventories	Mil RON	1.7	1.3
Trade receivables	Mil RON	115.8	58.8
S/t financial receivables	Mil RON	0.0	0.0
Other current assets	Mil RON	11.9	4.9
Net tax receivables/(tax payables)	Mil RON	-4.5	-5.3
Trade payables	Mil RON	160.8	121.6
S/t financial payables	Mil RON	0.0	0.0
Other current liabilities	Mil RON	57.7	56.3
Invested Capital	Mil RON	1,439.8	1,490.4
Provisions and deferred revenue	Mil RON	452.3	453.7
TFR (staff leaving indemnity) provisions and other	Mil RON	21.8	24.9
Deferred tax liabilities net advanced tax assets	Mil RON	0.0	-7.6
L/t future risks and charges	Mil RON	5.0	9.3
Deferred revenue	Mil RON	425.4	427.0
Net invested capital	Mil RON	987.6	1,036.7
Cash and cash equivalents	Mil RON	619.8	571.3
Cash and cash equivalents	Mil RON	619.8	571.3
Equity	Mil RON	1,607.3	1,608.0
Group equity	Mil RON	1,607.3	1,608.0