



E-Distribuție Muntenia Buget 2020 Proposal

March, 2020

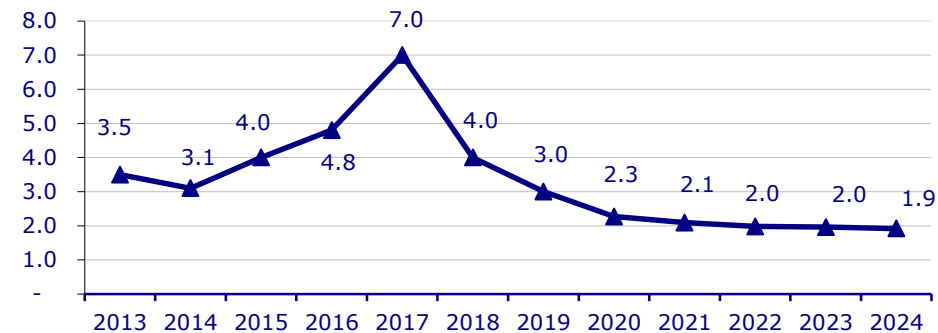
 e-distribuție

Romania – Macroeconomics

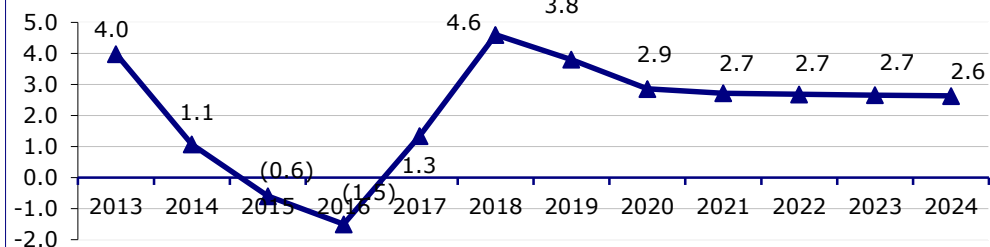
General

PIB per capita (PPS) (****)	63
Populatie (Mil) (*)	19.3
Rating (Moody's)(**)	Baa3
Impozit pe profit	16%
Membra UE din	2007

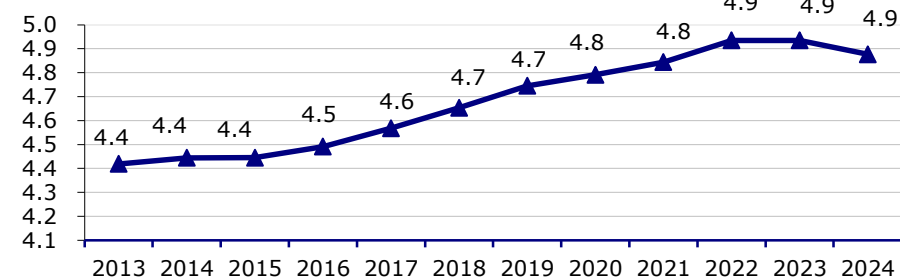
Evolutie PIB (%) (***)



Evolutie Inflatie (%) (***)



Curs mediu de schimb RON vs € (***)



* Sursa: Eurostat last estimation

** Sursa: Moody's rating 23 July 2019 Raport Anual

*** Sursa: Enel Group estimations (2020-2024), Eurostat last estimation 2019

**** Sursa: Eurostat, amounts of 2019 in purchasing power standards

Regulatory Scenario E-Distribuție Muntenia



WACC	2nd RC					8.52%	3rd RC					4th RC	
	2008	2009	2010	2011	2012		8.5%	2014	2015	2016	2017	2018	Q1 - 5.66%; Q2-Q4 - 6.9%
Distribution tariffs evolution	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average increase annual	-1.67%	-0.36%	-0.76%	-6.42%	-17.79%	-12.97%	-0.65%	0.52%	-15.90%	-8.30%	0.81%	4.48%	4.67%
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%	3.00%

EDM - BP 2020 – Regulatory assumptions

Distribution

- Annual update of distribution tariffs in line with the current methodology:
 - 2014 - An increase with 10.7% for HV and with 10.6% for MV and a decrease with 6.4% for LV vs the approved tariffs as of 1st January 2013;
 - 2015 - Decrease of distribution tariff by 0.2% for HV and increase by 0.3% for MV and by 0.7% for LV vs the approved tariffs as of 1st January 2014;
 - 2016 - Decrease of distribution tariff by 16.4% for HV, by 16.0% for MV and by 15.8% for LV vs the approved tariffs as of 1st January 2015;
 - 2017 - Decrease of distribution tariff by 8.5% for HV, by 7.8% for MV and by 8.5% for LV vs the approved tariffs as of 1st January 2016;
 - 2018 - Increase of distribution tariff by 0,8% for HV, by 1.2% for MV and by 0.7% for LV vs the approved tariffs as of 1st January 2017.
 - 2019 – Increase of distribution tariff by 2.3% for HV, by 3.1% for MV and 4.8% for LV vs the approved tariffs as of 1st January 2018.
 - 2020 – Increase of distribution tariff by 4.2% for HV and increase by 7.5% for MV and 4.1% for LV vs the approved tariffs as of 1st January 2019.
- ANRE order 114/2014 modified by Order 169/2018 establishes the parameters for 4th regulatory cycle (2019-2023):
 - ✓ Network losses target 2019-2023: 11.16% >>8.97%
 - ✓ 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 (DSO actual price , 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, penalties)
 - ✓ 95% profit of other activities to be shared
- ANRE Order 60/2019 for setting Regulated Rate of Return:
 - ✓ RRR = 6.9% real pre-tax for existing RAB at 31.12.2018 and for new investments 2019-2023

EDM - Distribution strategy - main pillars:

	Under Implementation
QUALITY PLAN	<ul style="list-style-type: none">▪ Continuation of refurbishment program for HV/MV primary stations which are important for Bucharest area and in addition, the start of works for the construction of a new HV/MV primary station (Mircea Eliade)
	<ul style="list-style-type: none">▪ Remote control program continuation and refurbishment of the MV/LV secondary substation;▪ Focus of the MV network for quality improvement.
	<ul style="list-style-type: none">▪ Focus on the LV network for quality improvement;
HV Network Improvement	<ul style="list-style-type: none">▪ HV overhead lines refurbishment;▪ Replacement of HV underground cables with expired useful life, aiming to increase the transportation capacity.
SMART METER PROGRAM - Losses Reduction	<ul style="list-style-type: none">▪ Further implementation of Smart Meter Project, including also own personnel;▪ 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▪ Installation of balance measurement systems in MV/LV substations;▪ Replacement of AMR with expired useful life
Commercial Service Quality	<ul style="list-style-type: none">▪ Improving of commercial and technical systems;▪ Creating a new website for Distribution (private area)

EDM - Focus on Distribution strategy (1/2)

Under Implementation

QUALITY PLAN - Remote-control

- Already introduced, with the support of E-Distribution know-how and with visible results;
- 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 MV network refurbishment in order to improve quality of service and reduction of corrective maintenance cost following incidents;
- Modernizing MV lines for increase reliability of the network.

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.

EDM - 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 (BEAT systems)
- Continuous upgrade of SAP technical modules (PM, MM) with new functions which will bring efficiency in our distribution activity
- Upgrade of SMART applications including the start of functional analysis for introducing of mobile apps (NETNAV).
- Convergence with the ICT Global Systems

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.

E-Distributie Muntenia - Highlights Budget 2020



Performance Indicators	2019 Actual	2020 Budget
Distributed Energy(TWh)	7.5	7.7
Net profit (Mil RON)	97	107
CAPEX (Mil RON)	423	399
No. of employees	993	1.013

Profit and loss

e-Distributie Muntenia		ACTUAL 2019	BUGET 2020
Profit and Loss			
REVENUES - TOTAL	Mil RON	993.7	989.3
Operating revenues	Mil RON	870.3	914.8
of which Electrical business revenues	Mil RON	770.7	812.6
Other revenues	Mil RON	99.5	102.2
Other income	Mil RON	123.4	74.5
OPERATING COSTS	Mil RON	727.3	683.6
Cost of purchased power	Mil RON	302.2	349.7
Cost of materials and services	Mil RON	172.1	173.7
Materials	Mil RON	25.0	18.2
Services	Mil RON	147.1	155.5
Other operating costs	Mil RON	140.7	30.6
Personnel expenses	Mil RON	112.3	129.6
MARGIN FROM OPERATIONS GROSS (EBITDA)	Mil RON	266.4	305.7
DEPRECIATION AND AMORTIZATION	Mil RON	203.9	214.9
OPERATING MARGIN (EBIT)	Mil RON	62.5	90.8
Financial income and expenses	Mil RON	40.4	25.9
EBT (Earning before taxes)	Mil RON	103.0	116.6
Income taxes	Mil RON	6.3	9.7
NET INCOME	Mil RON	96.7	106.9

OPEX

External Opex and materials

e-distribuție

e-Distribuție Muntenia		ACTUAL 2019	BUGET 2020
Materials and Services Costs			
Raw materials and consumables stores used	Mil RON	25.0	18.2
Services	Mil RON	147.1	155.5
Intercompany Services	Mil RON	45.7	48.5
Maintenance and repairs	Mil RON	37.5	47.1
Property costs	Mil RON	10.1	11.7
Other services	Mil RON	9.8	12.6
Other costs related to personnel (e.g. travel)	Mil RON	14.1	11.8
Telephone, post office and data transmission ex	Mil RON	5.4	4.5
IT services	Mil RON	7.4	7.6
Advertising, promotional services, canvassing ar	Mil RON	1.3	2.1
Insurance premiums	Mil RON	1.3	1.5
Distribution and storage	Mil RON	0.8	1.3
Technical services	Mil RON	8.5	5.8
R&D and engineering charges	Mil RON	0.2	-
Services - Others	Mil RON	5.0	1.2

e-Distributie Muntenia		ACTUAL 2019	BUGET 2020
Number and cost of labour			
Average number - total	nr.	947	999
Number at the end of the period	nr.	993	1,013
Manager/ Executive	nr.	3	5
Middle management	nr.	77	75
Salaried	nr.	430	440
Hourly+temporary	nr.	483	493
Total Employment cost	Mil RON	112.3	129.6

CAPEX

e-distribuție

e-Distributie Muntenia		ACTUAL 2019	BUDGET 2020
CAPEX Own Funds			
High voltage	Mil Ron	63.2	76.8
Medium voltage	Mil Ron	69.7	41.8
Low voltage	Mil Ron	101.7	107.1
Total Network	Mil Ron	234.6	225.7
Others	Mil Ron	14.7	24.1
TOTAL	Mil Ron	249.3	249.8
CAPEX connections		174.1	149.8
CAPEX total		423	399

Bilant

e-Distribuție Muntenia		ACTUAL 2018	BUGET 2019
ASSETS	Mil RON	3,478.4	3,777.7
Net tangible assets	Mil RON	3,448.2	3,750.0
Net intangible assets	Mil RON	30.1	27.7
Other non current assets	Mil RON	0.0	0.0
Net working capital	Mil RON	-302.6	-361.8
Inventories	Mil RON	2.8	6.4
Trade receivables	Mil RON	230.1	230.8
S/t financial receivables	Mil RON	0.0	0.0
Other current assets	Mil RON	107.3	24.6
Net tax receivables/(tax payables)	Mil RON	0.0	0.0
Trade payables	Mil RON	293.9	364.0
S/t financial payables	Mil RON	0.0	0.0
Other current liabilities	Mil RON	348.9	259.6
Invested Capital	Mil RON	3,175.8	3,415.9
Provisions and deferred revenue	Mil RON	1,275.6	1,311.4
TFR (staff leaving indemnity) provisions and other	Mil RON	46.5	40.2
Deferred tax liabilities net advanced tax assets	Mil RON	4.7	5.7
L/t future risks and charges	Mil RON	28.0	23.5
Deferred revenue	Mil RON	1,196.4	1,242.1
Net invested capital	Mil RON	1,900.2	2,104.4
Cash and cash equivalents	Mil RON	2,432.5	891.9
Cash and cash equivalents	Mil RON	2,432.5	891.9
Equity	Mil RON	4,332.7	2,996.3
Group equity	Mil RON	4,332.7	2,996.3