



**Transcript
2014-2018 business plan
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Presentation

Francesco Starace *Enel Green Power SpA - CEO*

Good afternoon, everyone, ladies and gentlemen. Thank you for traveling all the way to be here with us today and for participating also via Internet, those that are. We thank you for setting aside a time for our business plan presentation.

And I would like to take the opportunity to make a brief remark on the video we've just watched. You know, we believe in the integration between sustainability and business.

So last year, we launched a contest inviting young Italian graduates of the Italian film school to share with us the ideas they have on how to best frame the passion we have for green energy and its industrial aspects.

So the winner produced our new institutional video. This is his first professional filmmaker. So we'd like to thank Andrea Mura who is the author of the video for the fresh perspective that he brought to the topic, with this work which I would say is quite, an interesting job for the first time a young man has tried.

I must say it's not easy. You know, we're always talking about the same thing. So also with you, and sorry, we will have to talk again about the same thing that is renewable energy. So let's go and give you a quick snapshot on the main subject we will cover today.

I will ask my colleagues to update region by region. So that will be Roberto Deambrogio, Head of Italy&Europe; Francesco Venturini, Head of North America; and Maurizio Bezzeccheri, Head of Latin America.

We have recently revised the Group's organization in order to better align this with the strategic positioning of Enel Green Power. This has involved the redefinition of the scope of the Italy & Europe area and the Iberia and Latin America area, an organizational subdivision that is no longer consistent with the current development of the Enel Green Power Group. More specifically, we have moved Iberia in the Italy & Europe area in order to enhance geographical continuity and ensure more uniform business objectives.



During the following strategy session, I would like to walk you through the main drivers underpinning the world energy scenario and evolution in how we have been tailoring our expansion to take the best advantage of the opportunities we see in the industry.

Then Rafael Gonzalez, the Head of our Operation and Maintenance function, will update you on the progress we have made so far in implementing the actions which we have outlined in 2012 and will show you how we are leveraging on some innovative system and best-in-class practices to maximize the value of our assets. And Giulio Carone, our CFO, will then translate all of this into solid business plan numbers.

So let's go through this. We will go through the main 2013 results. We end the 2013 year meeting our commitment once again. Let's recap briefly. We have brought our installed capacity to 8,900MW, installing over 900MW of new capacity.

We have achieved an EBITDA of €1.8bn driven by the increase in capacity, generating slightly over €500m in group net profit. Net debt stood at €5.4bn. This growth has been possible due to the re-investment of cash flows outside legacy markets.

The profile of our EBITDA in the latest four years shows clearly that we have been successfully a growth story and we have diversified into additional markets and that has resulted in reducing our exposure to the volatility in the resource of any individual country and reducing overall risks due to the visibility of our earnings.

We have been able to produce a strong performance despite the worsening economic environment since the growth outside legacy market has allowed to offset changing regulatory scenarios and pricing pressures in the legacy markets. This will become, as you will go through this, increasingly evident as we progress in the growth cycle in emerging market as we'll be showing later on.

To confirm this, the investment carried out so far have allowed us to maintain a stable return on average capital employed despite the regulatory in macroeconomic discontinuities recorded so far.

Indeed, the growth delivered in the years since the beginning of our story based on projects with an average IRR across the cluster of approximately 11% has fully counterbalanced the negative effect of the legacy markets.

Turning to operations, we leverage on a number of skills. One of the long-standing capabilities that we have is geothermal energy. As you know, geothermal energy is a very strong know-how and I think it's time that Roberto Deambrogio, the Head of Italy & Europe, we can hear and explain about this whole situation. So Roberto, please come up and let us know something about geothermal energy?

Roberto Deambrogio *Enel Green Power SpA - Head of Italy & Europe*

Thank you, Francesco, and good afternoon, ladies and gentlemen. Geothermal energy is a highly reliable source of power. It is a base load energy and has a capacity factor of over 80%. Even more than other technologies, though, it requires remarkable skills to guarantee excellence in the construction of wells and plants, in maintaining them effectively and in exploiting the natural resource.

The video I'm now going to show you will help you to visualize why. Please read the video.

(Video Presentation)

By way of introduction, a few key numbers about Enel Green Power's geothermal fleet in Italy. We managed an installed capacity of more than 700MW and would hit the highest production ever in 2013 with 5.3TWh. We employed some 700 people and we also resort to approximately 100 suppliers.

As I said before, being a geothermal operator means leveraging on a number of advanced skills coupled with the highest safety standards to drill, maintain and manage the plants. We excel at all of these.

First drilling: we employed approximately 150 people in this field. The wells may be more than 4,000 meters deep and they are excavated by leveraging on innovative techniques like horizontal drilling, that maximizes the exploitation of the wells. We also use cutting-edge machines that ensure efficiency and cost reduction.



Second, resource optimization: we take the utmost care in exploiting the resource since wrong utilization has often caused in the past and, for all other players, depletion of the reservoir. We excel at this since we leverage on expertise and know-how of our geothermal center of excellence which has become a global benchmark in the sector. We have indeed developed a forefront 'total re-injection' technique that ensures the best balance between re-injected water and temperature of the reservoir, guaranteeing a constant resource.

Third, the maintenance: our workshops at the Larderello plant also supports strategic maintenance services for other technologies as well that are not available on the market thus dramatically reducing downtimes, as it has happened in the past in the case of the support given to hydropower plants located in Guatemala and Panama and the Movasa wind plant in Costa Rica as well as to the entire wind farm portfolio in Italy.

Last, plant management: we have successfully applied an innovative technology to most of the plants in the geothermal field: the AMIS emissions reduction systems which abates mercury and hydrogen sulfide and which has allowed us to dramatically improve their quality and integration of the plants with the surrounding territory. By 2015, we expect to complete the application of this technology to all our geothermal plants.

Geothermal energy in Italy continues to be very relevant. Within this framework, we have invested close to €130m in 2013 and we have earmarked over €400m of development CapEx in the new plan. Worth mentioning are two key projects: the refurbishment of Piancastagnaio and development of the Bagnore field.

At Piancastagnaio, we have carried out several activities aiming at enhancing resource exploitation at existing sites including drilling of new wells and revamping of three geothermal groups. Such activity will also bring improvements in the interaction with the environment, quality of the air, visual and noise impact, besides generating economic and labor benefits. The overall investments required has been over €100m.

At Bagnore, we are building two geothermal groups for a total installed capacity of 40MW, fitting with the top range technology also in terms of environmental impact reduction namely two AMIS emissions reduction systems and one cutting-edge ammonia abating system. The plant will also be equipped with an elaborated system for remote control and fault detection.

The highest technological standards are not enough for us and that's why we have gone beyond working on hybrid projects. We have recently implemented a combination between geothermal and biomass energy by refurbishing an existing geothermal unit with a biomass heater that overheats the geothermal steam thus producing an increase in power of 5MW and bringing to an improvement in the overall plant performance and efficiency. It is our opinion that in the future, we may be able to extend the scope of these innovations also to some other geothermal plants we operate in Tuscany.

The way we behave in managing our geothermal plants in Italy represent an approach we are willing to adopt in every context. A positive integration between our presence and the potential for the local territory to create tangible synergies and opportunities to the industrial and entrepreneurial environment.

Thank you for your attention and I'll leave the floor to Francesco Venturini, Head of Enel Green Power North America.

Francesco Venturini *Enel Green Power SpA - Head of North America*

Thank you, Roberto, and good afternoon, ladies and gentlemen. When Enel Green Power went public in 2010, in North America the portfolio was approximately 800MW across wind, hydro, geothermal and biomass. Concurrently, our wind fleet has recorded a threefold increase, we have enlarged our geothermal footprint and we have added solar plants. Therefore in consistent with the overall group strategy, the overall asset base has grown close to 1.7GW and is fully diversified.

Last year, in spite of the uncertain scenario regarding both the future of the fiscal incentives in the state of the global economy, was a record year in terms of new installations. We added 450MW or close to 50% of the new capacity added by the group during the year. These additions include Chisholm View in Oklahoma at 235MW, the biggest wind project we have built so far, and Cove Fort geothermal project which by using innovative binary cycle technology and functioning as a medium-enthalpy geothermal plant added 25MW of power. Located in Utah, Cove Fort produces almost 160GWh of power and is supported by a 20-year PPA. Moreover, the project is expected to qualify for the Section 1603, the Renewable Energy Treasury Grant Program. Cove Fort has been a successful achievement, considering also that is one of the few geothermal projects built in the USA in 2013. It represents 33% of the total geothermal capacity installed in the U.S. during the year.



During 2013, we also commenced operation at Sheldon Springs Solar, a 2MW solar project located in Vermont. This was an opportunity to take advantage of an existing hydro facility by using already owned land and interconnection to create a combined hydro and solar project. 2013 also saw the way to further development in the year. We have entered a new partnership with General Electric for the construction of an additional wind project, Buffalo Dunes. The plant has a capacity of 250MW, is located in Kansas and it enjoys a 20 years PPA with Alabama Power Company. Similar to Caney River and Chisholm View wind projects, Buffalo Dunes is a result of the 'export to the South' strategy initiated through reserving transmission capacity for intra-state wheeling that has successfully brought in 750MW of newly contracted wind generation in the past years.

Finally, we laid the foundations for capacity additions in the next few years. We have 1GW of contracted assets. Out of which so far we have cherry-picked the Origin wind project in Oklahoma. The Origin wind farm will be completed and brought into operation by the end of 2014 and is associated with a 20-year PPA. The project has the characteristics necessary to obtain the production tax credits qualification. In 2015, we're planning to build at least another 200MW project located also in Oklahoma already backed up by PPA. We keep our commitment to the expansion of geothermal by exploring areas in which we are confident in the strength of the resource. The extension of Cover Fort may double its existing capacity. It's important to remember that we are among the only companies awarded the right to bid for power purchase agreements using geothermal, wind and solar technology aimed at supplying the U.S. Army. Solar expansion will be supported by pursuing growth thru greenfield development both standalone and thru development partnerships.

We are a cutting edge of innovation: In 2012, the world's first hybrid geothermal solar project, Stillwater, began operations in Nevada. The combination of a base-load geo plant and a peak load solar plant optimized to total generation profile. This increase of production better met the energy needs of the off-taker, Nevada Energy. This year, we expect to expand the aforementioned facility with a 2MW concentrated solar power plant. This expansion will create the first hybrid power plant in the world to combine CSP technology with solar and geo technologies. The CSP facility will collect solar energy and deliver it into the geothermal binary-cycle, thus creating further improvement to the thermodynamic efficiency of the system.

Both Cove Fort and Stillwater CSP are the result of a successful growth strategy focusing on technological and geographical diversification with a closed eye on innovation. We continue to look towards operational improvement as we reorganize O&M activities in a concentrated goal to identify all possible interactions in the operation of existing and future plants, in line with the roadmap that would be outlined by Rafael Gonzalez, the head of O&M, later in his presentation.

Substantially, we have done very good in the past three years and we hope to do as much in the next three.

Maurizio, it's your turn. Thank you.

Maurizio Bezzeccheri *Enel Green Power SpA - Head of Latin America*

Thank you, Francesco, and good afternoon, ladies and gentlemen.

Latin America almost doubled its sites in the last three years to close to 1.2GW recording a newly installed capacity for close to 500MW. The bulk of these installations was recorded in Brazil, Chile, Mexico where we started with slightly over 200MW of hydro plants at the end of 2010 increasing our sites by almost three times to close to 650MW diversifying into wind. All of these countries fit perfectly into our strategic picture since they are marked by strong expected growth of their fundamentals coupled with outstanding load factors with wind between 30% and 50%, PV from 15% to 25%, as well as strong load factor for hydro. Chile and Mexico also boast good geothermal resource.

Our objective is to develop all the generation technologies we have available and that is why in 2013 we have also started developing three solar PV plants. These plants totaling close to 140MW, will benefit from an expected average load factor of 28%. We will exploit synergies with wind plants currently under development, like Tal Tal, the 99MW wind plant, that will share the interconnection facility with Lalackama, located in the Antofagasta region. Let me remind you that in the Atacama desert we have also proven geothermal resources.

On top of solar development we have currently a sizeable number of plants under construction namely in: Mexico, with two wind farms for over 200MW. The first, Sureste, is located in the state of Oaxaca with a total installed capacity of 102MW and the second, Dominica, located in the state of San Luis Potosí, for 100MW. Both plants are secured through a long-term PPA with multinational company. Then Chile, with a third wind plant, Tal Tal, the 99MW supported by a 20-year power purchase agreement and whose energy will be delivered to the Chilean central region



transmission network. Finally, Brazil, with 102MW hydro project we have been recently awarded. Such plants will be located in the state of Mato Grosso and will enjoy a 30-year energy supply contract.

We are accomplishing our growth listening carefully to our stakeholder. To this purpose, we have started including in our technical and political analysis also social indicators to identify and understand local needs and to define the action to be taken for the tangible development of the areas in where we operate.

For example, in Chile, to enhance local culture and help community to grow and become self-sufficient, agricultural programmes have been promoted with the Mapuche communities, using indigenous techniques.

In Mexico, the 'Un Techo Para Mi País project has led to the construction of 150 houses for deprived people who live in the areas surrounding the Enel Green Power plants.

Another aspect we are working on is the impact created by our construction activities which represent the most stressful phase of our presence in a territory. In this field, we have already reached results by keeping some sites, as Apiacas and Crystal with small PV powered plants that will partially supply construction activities and later will be left to local communities as clean power facilities.

Finally, the partnership with Barefoot College, which uses an innovative training approach to teach illiterate 'grandmothers' to install and maintain small solar photovoltaic systems, represents a cross-country example of local development.

Through a joint activity with United Nations, 33 illiterate women ('solar grandmothers') coming from eight Central and South American countries, in particular from small rural, isolated and poor villages that lack access to electricity, have moved for six months to the North of India to be trained to install and maintain a small solar photovoltaic system. Up to now, through this project, more than 1,000 solar kits have been installed in about 28 communities of Central America.

Let me show a short video on the inauguration of the first photovoltaic installations made by the 'solar grandmothers' in Guatemala, in the small village of San Juan Cotzal in the Quiché region. Please.

(Video Presentation)

Thank you for your attention. Please join me in welcoming Francesco Starace for his section on strategy.

Francesco Starace *Enel Green Power SpA - CEO*

Thank you, Maurizio. There we go.

So we have now some charts on the larger world of renewables, and in general, on the electricity demand in the world that has grown at an average compound growth rate of 3.1% per year worldwide.

The International Energy Association, in the outlook that they have released in November 2013, assumed that in a period up to 2035, electricity demand will grow by more than two-thirds.

Supply will grow in line with expected demand though with a different energy mix. Output from renewables will, indeed, record the strongest growth on the back of their rising cost competitiveness vis-à-vis other technologies.

And another key factor of renewable sources cost competitiveness is also the selection of sites blessed with abundance of resource. Selection of top sites is important to maintain competitive advantage.

We have tailored our business development structure and approach to scout and seize the most attractive opportunities ahead of our competitors.

We also seek to maximize the quality-cost ratio of the sites we develop augmented by procurements benefits rising from our global footprint and the operating excellence post construction.

Our growth, as you know, is well self-funded by the cash-flow generated by our diversified and widespread asset portfolio. This portfolio is therefore quite well-hedged from different conditions and this is also improving the visibility of our earnings.



We have always planned our development mostly relying on our capability to generate cash flows. And this also results from insulating us from the risk of resorting to external sources of funding at any costs to grow.

The world energy scenario is undergoing quite an impressive change.

Power generation is the largest growing component of primary energy consumption. It will grow as a consequence of rising world population, economic growth mainly in emerging markets and expansion of electricity so growth of electrical demand on areas that have currently lacking access, a phenomenon which affects over 1bn people today.

The extent of the demand growth leaves room to the development of all sources of production. Renewables are set to increase rapidly their weight on the overall world mix given their declining Levelized Cost Of Energy as the grid parity in solar PV and wholesale parity in wind in some areas of the world clearly substantiates.

Bloomberg New Energy Finance estimates renewables (including hydro) will represent 48% of total generation capacity installed in 2030, up from 28% in 2012 which means that they would take about a 70% share of the expected new capacity that the world will add. Broadly speaking, they are bound to outpace all other sources driven mostly by wind and solar PV.

In particular, in emerging markets traditional renewables and new technologies will play an even increasing role in covering incremental energy demand.

In North America and Europe, the trend will be set mostly by existing fleets that are ageing and in many cases approaching the end of their useful economic lives and/or by frameworks aimed at achieving a targeted quota of 'green' production and therefore these new energy sources will kick out production from other sources that will no more be allowed.

Penetration of renewables in the world energy mix is mostly driven by cost reduction. And as an example, I would like you to look at these charts. This is what happened in Brazil in the latest five years.

The tender process device ensures a level playing field in Brazil. This one of the few places in the world where you have a level playing field, enabling the most competitive technologies and the best projects to be implemented first regardless of the technology they come from.

So if we look at this chart, you will see that wind has blown away competing technologies winning 75% of the total MW awarded by three auctions being successful just once, where 4% was then allocated to hydro, 14% to biomass and 7% to gas.

A combination of declining unit costs of installation, the abundance of resource, very good wind sites, has played a major role in concurring to setting ceiling prices below the ones achieved by the other technologies, including gas, without jeopardizing the profitability of the projects. Just as a reference, ceiling prices, that means that threshold under which bidders have to compete, referring to the last auction held in December 2013, the ceiling price was R\$122/MWh for wind as opposed to R\$144/MWh for hydro, biomass and gas.

So in order to take advantage of what's going on of this kind of evolution, it is very important that we anticipate as much as possible the identification of the best quality sites in the world.

That is why we have adopted a structured process to select the markets and opportunities based on favorable macro-economic conditions and growing electricity demand so a market in order to attract us, has to have this abundance of resource. I told you many times this remains a main theme, more than one resource is needed for a market is important to us at least two: a reliable legal and regulatory framework.

So these three categories are important, and then we have to go on and carry out good and on-time selection of profitable projects. They can be reached through an accurate management of the so-called pipeline.

In April last year, we have presented you an overall gross pipeline that was equal to 22.5GW. There was quite a good level of diversification which reflected at that time the increasing focus on emerging markets.

Today, we stand on a gross pipeline equal to 20.4GW. In the latest 12 month we have modified its composition eliminating 3.3GW of potential sites in Europe. We increased the share on emerging markets in line with our broader business objectives to grow outside our legacy footprint.



Therefore, more than half of the current gross pipeline is in emerging markets. This gives us a sustained and well diversified basket of growth options for the future, an advantage versus the our peer group.

However, maybe you would be interested to know what is the next outlook on the pipeline, so let's take a look at what is coming into the pipeline. This is what we called 'phase zero' projects. These are the options at the earliest stage of development. It's the first time we'll show you this.

This is what will be coming into the pipeline in the next month. There are projects that we are assessing for inclusion in the gross pipeline. And as you see in Latin America and new markets, we currently have 11.2GW of 'phase zero' projects, of which over 40% are from projects in solar, hydro and geothermal energy sources.

In the latest 12 months, we have fed out of this pipeline 3.8GW of 'phase zero' projects located in emerging markets to our gross pipeline in order to widen the range of opportunities and to replenish those entered into the execution phase.

So we are therefore creating a remarkable number of potential opportunities to cherry pick in order to best drive our future growth. This combination is today what I think is probably the largest and most diversified renewable energy pipeline in the world at this moment. And you always have to add this world because this is a very turbulent world we live in so you'll never know.

However, that said on the pipeline, let's look at the additional capacity. So in this plan, 2014-2018, we have decided to target an amount of additional capacity equal to 4.6GW, slightly higher run rate than in the previous plan.

Where do we stand? You will see this plan confronted with the previous plan, we have 200MW more.

With that now, at this period, having already secured closed to 60% of this development, that doesn't mean there are plans in operation but they have been identified funded and work is going on. So the last time we presented this to you, that ratio was 50%. So we're getting more and more sure about what we are going to do in the next five years.

And Giulio Carone will be very specific to you later in this presentation. This capacity will enter mostly in operation within 2015 and a small amount in 2016.

The residual target, so the 2.1GW that is under the category residual target over here, and this overlaps mostly with this capacity that will come in operation in the last two years of the plan.

We have great confidence we can cover this additional capacity. Today, well, we think yes, we think we have a good confidence, I would say at this point, provided that, you know, we also have some time to look at it.

But today, our net pipeline, so the gross pipeline weighted down by the probability of success, that is a probability of a project to finally become a viable investment opportunity, is today netted to 6.5GW which means we have over three projects for each new investment earmarked in a specific region. On top of the new countries that we have already announced, I recall them, they are Colombia, Peru, Turkey, South Africa and Morocco. I would say Turkey is no more such a new country. We already almost completed the first plant there, but okay.

We are now approaching six new countries namely Uruguay, Ecuador, Saudi Arabia, Kenya, Egypt and Russia. And we are planning a contribution from these countries too into the 2014-2018 plan, the very end of the period for approximately 400MW mostly coming from wind and solar.

There is a little bit of an overview of these markets namely Uruguay and Ecuador. I would probably be able to discuss that with those that are interested in this matter if they want in the future.

I would go to the next chart which is a very important chart because this is the future of the developments of renewable energy in the world. So we are now at chart 15.

As you see, this chart shows you a schedule. So we see from April to December technologies, wind, solar, hydro, biomass and geothermal energy and megawatts in the country. This is today the outlook of what publicly is known about competitive tenders issued by the governments or the regulatory boards of these countries in renewable energy in the next more than 12 months from April to December.

So it's the first time we are in front of this huge explosion of competitiveness in the arena of renewable energy. Let me tell you, two years ago, we were not able to flow a chart like this in front of your eyes simply because it would have been an empty chart.

And last year, there were maybe three or four places where there was going to be such an abundant competitive scenario. This is going to be the future for renewable energy going forward.

Now, for this purpose, we are preparing a complete different organization. In order to cope with this competitive scenario, we need to change the way we are organized and in particular, the way we express our competitiveness both in the business development standpoint so then identifying early enough very good projects.

And from the engineering procurement and construction standpoint being able to present the best well-optimized engineered and very cost competitive package and from the O&M phase being able to extract the maximum value out of these assets.

This combined with the fact that we have to keep a very strong financial structure and in a very low cost of capital will provide competitiveness as we have proven recently in South Africa in a way that these markets deserve.

Having spoken about EPC cost optimization, I think we have to look at the cost roadmap, so chart number 17, please. Chart 17 is about what we are observing today in the overall world of cost roadmap.

The industry is becoming more competitive in terms of costs and it is becoming more competitiveness in terms of performances. So we are looking at wind total CapEx reductions across the plan moving from a €1.2/W to a €0.8, €1.1, depending on where we stand in which part of the world, per watt in 2018. It's a big change but it doesn't tell the whole story because the same watt will work better in 2018 due to improvement in the technology.

And the same story can be told about PV performances. Declining costs of the industry are going to stay and continue. Our global approach to EPC allows us to leverage on the innovation process that is going on in the industry, both in the material and the contractors. And it leverages the competition among suppliers moving away from the old way on their own framework agreement arena.

And we are actively engaged at ensuring coordination and sharing best practices and competences across countries and technologies because we strongly believe this is improving the performance of the existing plants and allows us to continue to grow more efficiency.

The following section of the presentation will address the progress we have done in implementing the actions outlined in 2012. You remember in 2012, we started talking to you about improving our O&M capabilities.

So I think it's time for Rafael Gonzalez that heads this whole O&M activity to come and unveil the progress made in the last two years. Please, Rafael, come up. There you go.

Rafael Gonzalez *Enel Green Power SpA - Head of O&M*

Thank you, Francesco. As we anticipated in 2012, over the last two years, we have worked consistently towards extracting the maximum value from our O&M activities to maintain our leadership.

Our goals are unchanged. Safety first, we have a target of zero accidents. In terms of production and costs, we aim at maximizing the efficiency of our plans. And we are investing in equipment and techniques that allow for a greater integration of renewable plants into the grid such as automation, control rooms and innovative energy storage solutions.

Before the IPO, we run a portfolio of around 5GW producing 19TWh. In the latest four years, we have added more than 4GW of capacity, equivalent to approximately 150 new plants, bring total yearly production up to around 30TWh.

Put another way, such growth means we have added one plant every 10 days, for an average of some 40 plants per year.

All of this in 16 countries, while further diversifying our technological portfolio adding solar in Greece, Italy, Romania, U.S. and Mexico and wind in Brazil, Chile and Mexico as well.



We now operate more than 5,000 generating units.

This has brought higher complexity in O&M, that we are managing with 1,800 expert colleagues.

As we noted in 2012, we had the lowest production risk in the sector. Such a diversification has driven further improvement reducing the yearly standard deviation from the historic average down to +/- 2.9%.

Now, let me also remind you the goals we set in 2012. We stated that we wanted to reduce our historic lost production factor by 50% equivalent to a cumulated higher production of 2.2TWh in the 2012-2016 period. In just two years we have already achieved half of this target.

Let's look at the results, split by technology. In Hydro, we recorded a lost product factor of 3.1% for a cumulated higher production in the latest two years equal to 450GWh. This means we are well ahead of the target thanks to: optimized scheduled maintenance in periods of lower rainfall, specialized teams to repair critical failures and the refurbishment of critical generating units.

In Wind, we have achieved a lost production factor under 3% equivalent to 450GWh over the last two years. This means we are perfectly on track, thanks to the full implementation of the operational efficiency process, expert technical support teams and a global spare parts strategy.

Finally in Geo, we have beaten the 2016 target, in just two years, bringing our lost production factor to 2.3% for a cumulated higher production in the latest two years equal to 200GWh, thanks to the: implementation of predictive maintenance, maintenance improvement, leveraging on Larderello specialized with workshop and logistic units and optimization of steam resources.

Now, let's move on the cost. In 2012, we announced a cost efficiency target, measured as deflated OPEX/MW, by 2016 of 10% in hydro, 20% in wind and 5% in geo, giving a total yearly cost reduction regime equal to €65m vs. 2011. Once again, in just two years we have achieved more than half of this target.

Let's analyze the results by technology. In Hydro, we are fully on track on the stated target, thanks to our strategy of revamping Italian plants and to the optimization of O&M contracts.

In Wind, we are well ahead thanks to a more rapid implementation of our O&M strategy. We have already migrated 60% of our portfolio from global service to scheduled maintenance scheme.

In Geo, we have optimized maintenance and efficiency in operations, focusing internal resources in higher value added activities and optimizing services contracts.

To ensure progress on the stated targets, and support the considerable asset growth recorded in the period, we are implementing a structured improvement plan. That means the setting up of long-term O&M targets, optimizing the organization, standardizing professional profiles, focusing on key O&M competencies and fostering mobility for expert staff, to speed-up the performance of new installations and distribute know-how.

We have also implemented best-of-breed O&M systems and carried out activities on four key strategic levers: First, optimization of service and maintenance contracts which means fostering competition between suppliers through a combination of open contracts and framework agreements. In particular, for wind and solar technologies, this has resulted in cost reductions up to 30%.

Second, logistics, which translates into optimization of spare parts availability and halving time-to-repair.

And finally, operational efficiency and predictive maintenance for which I would like to show you a short video.

Please, the video.

(Video Playing)

Given the progress on the past set of targets we have raised the bar for the time horizon to 2018.

The diversification implied by the roll out of the 2014-2018 plan, will bring Group production volatility down to +/-2%, and better availability will boost yearly expected total production by 2.7%.



Let's now look at our 2018 targets in detail.

In terms of unavailability we confirmed the lost production factor targets announced in 2012 for hydro and wind. In geo we have set a new target of 2%, and we have introduced a target for solar where we aim for more than 50% reduction.

Considering the 2014-2018 planned capacity, we expect improvements of 1.1TWh cumulated production in the period vs. 2013.

In terms of operating costs, we confirm the targets for hydro and geo. We have set a new target for wind, thanks to the completion of our contracts migration strategy, and for solar where we aim for a 10% reduction on 2013 cost base.

We expect cost reductions of €15m/year at regime in 2018 vs. 2013.

To conclude, all the above mentioned actions will allow us to extract the maximum value from our asset portfolio and build the conditions to grow further more efficiently.

Thank you for your attention. And now, I leave the floor to Giulio Carone for his session on the plan's key numbers.

Giulio Carone *Enel Green Power SpA - CFO*

Okay. Thank you, Rafa, and good afternoon ladies and gentlemen.

As Francesco has anticipated, the new capacity we will add in the plan period is equal to 4.6GW.

Out of these, over 500MW are represented by the plants we are building under the ENEOP consortium, jointly with two other renewable operators, for a total capacity of 1.3GW after the 2013 up-rate. Before the up-rate, the total capacity was equal to 1.2GW. The assets will be consolidated pro quota once construction will be achieved but since close to 90% of the total capacity is already operating, we have decided to take them out of the 'in-execution' category and we'll show this figure net of ENEOP from now on.

Let's have a closer look at the additional capacity planned focusing mostly on the projects that are currently being built.

First of all, as far as LatAm is concerned, we plan to add 1.7GW in the period. These do not include, as in the previous plan, consolidation of LaGeo, a 200MW geothermal company in El Salvador where we currently hold a minority stake. Let me remind you that we have won an arbitration which entitled us to a majority stake but since we lack visibility on if and when the outcome would be implemented we have decided not to consolidate it in our plan numbers.

At the core of the capacity evolution in LatAm there still is a great focus on three of the markets which were already included in the previous plan: Brazil, Mexico, and Chile. Indeed, planned development in these countries has always been constantly around 1.5GW in the latest three plans. Growth already delivered across all of them exceed 400MW and we currently have 800MW of projects in execution across wind, hydro and solar with close to 70% under construction.

Emerging markets also include the tender won in South Africa in late 2013 for over 500MW of wind and solar.

With respect on North America we have identified a few wind projects all backed up by potential PPAs for up to 1GW. The development included in the current plan is equal to over 700MW of which over 50% is already addressed. The plan also includes a likely doubling of the capacity at the Cove Fort geothermal plant and solar development in the outer part of the plan.

By year-end, we expected to have more than 2GW in operation.



The development of the installed capacity in Italy and Europe is mostly due to ENEOP assets in Portugal, which I have already commented, and planned niche and opportunistic investment specifically in geothermal and biomass mainly in Italy.

All of this will bring our capacity to 13.4GW at the end of 2018 keeping a top notch load factor at close to 40%. Indeed, the dilutive impact deriving from the technological mix of new additions skewed towards wind will be counterbalanced by a positive contribution deriving from: maximization of production, and mostly, our strategic choice to develop each technology in the areas offering the best resources across our market portfolio.

This will enable us to reach a total production around 45TWh at the end of 2018 equivalent to a 50% increase in our volumes.

The growth CapEx, we have earmarked for the period is equal to €5.4bn confirming the previous plan trend and in line with the shift in emphasis to emerging markets. Indeed, these represent over 70% of the whole spending. On a more granular basis, Brazil, Chile and Mexico account for most of the spending in Latin America across technologies with wind prevailing over hydro, solar and geo.

South Africa takes the lion's share in new markets with close to 50%.

I have already commented on North America previously.

We have included in this slide a reconstruction of the CapEx associated to the additional capacity envisaged in the current plan. Including €0.7bn spent before 2014, 50% of the CapEx relates to projects already in execution. The remaining half still has to be allocated, confirming we have enough flexibility for the outer years of the plan.

On average, we report a unit cost of installation across countries and technologies of €1.6m/MW.

All of this growth outside legacy markets is linked to sustainable cash-flows as the profile of our revenues shows.

We currently boast a very low component of revenues associated with incentives. The development of new capacity in the Americas and the new countries is totally associated to long-term power purchase agreements with reliable counterparts, thus erasing merchant risk. These are either distributors, utilities or industrial customers.

The continued growth in these markets will further dilute the weight of incentives.

This strategy also contributes to sustain our long-term structural hedging close to 70% mitigating our long-term risk in terms of price volatility.

And now, turning our attention to a shorter time span, let's now have a look at our forward sales for 2014 and 2015.

In Italy, we have hedged 90% of 2014 at an overall price of €89/MWh and 41% in 2015 at an overall price of €117/MWh. The corresponding conventional energy component is €63/MWh in 2014 and €59/MWh in 2015.

I would like to underline that in order to properly model revenues in Italy, it is necessary to utilize that the overall unit price since the value of the Green Certificates associated to some 3.5TWh of production relates inversely to the evolution of the pool price thus counterbalancing its volatility. Indeed, if we were to simulate an 80% coverage of 2015 production at a price equal to the current 2015 forward of €54/MWh, total unit remuneration would be equal to €86/MWh, only €3/MWh lower than 2014.

Going to Latin America, we have covered 96% in 2014 and 93% in 2015 at an average price of \$99/MWh in 2014 and \$94/MWh in 2015.

Finally, in North America, we have covered 91% both in 2014 and 2015 at an average price of \$47/MWh in 2014 and \$45/MWh in 2015. If we include PTCs unit revenues, this translate in \$72/MWh in 2014 and \$70/MWh for 2015.



Before turning to costs, just a quick word on Spain. There is currently a lack of clarity created by: the delay in the definition of the application rules of the Royal Decree 9/2013. The ongoing payment of revenues under the Royal Decree 661. The cancellation of the most recent CESUR auction which has increased power prices volatility in the first quarter of 2014.

This makes impossible for us to adopt an effective hedging strategy both because the key final parameters are not known and because we cannot be certain on the content and that the way the reform will be applied, particularly for the transitory period.

In terms of costs, Rafa Gonzalez has already illustrated a number of key actions that will contribute to leverage on a lean and efficient structure. This will allow us to manage the rising volume of our portfolio to fully exploit the economies of scale deriving from our projected growth.

In terms of manageable costs, we will continue to carry on the actions outlined before and amongst all: standardization of O&M best practices across the organization, implementation of preventive maintenance actions, continued migration from global service contracts to scheduled maintenance based on internal planning.

This will yield expected savings equal to €11,000/MW.

We confirm the trend outlined last year in terms of O&M costs per MW which we target to reduce by 10% over the plan horizon.

We will continue to deliver a strong generation of cash-flows as it is customary in our plans and in line with our willingness to preserve the solidity of our balance sheet despite the sustained pace of investment.

The cash-flow from operations in the period, including the change in net working capital and taxes, will be close to €10bn.

Worth underlying is that generation of funds exceeds the cumulated needs of CapEx, interests and dividends. This excess cash will neutralize the spike in debt following the full consolidation of investments where we now hold an equity stake, like the ENEOP consortium.

Therefore, we will end the plan with the same net debt level as 2013 with a sharp improvement of the net debt/EBITDA ratio, confirming the stable foundations of our strategy and our capability of coupling sizeable investment plans with solid and sustainable growth.

Just a quick word on what we are devising to manage our exposure to foreign exchange fluctuations given the increasing share of investment in countries which are not denominated in euros.

Achievement of the current plan will lead to an asset base denominated in currencies other than euro for the most part. From a theoretical point of view, mitigation of the foreign exchange risk would derive from a match of the assets with the liabilities to the largest extent possible to protect projects profitability.

That is why we have laid out a roadmap to 2018 with a view of: increasingly associate local currency debt to our foreign subsidiaries in order to match their enlarging asset base, exploiting also all low-cost opportunities, diversifying the debt instruments we resort to.

This is an activity we have already initiated in 2012 when we started diversifying into countries outside Europe. Indeed, so far, we have raised funds for over \$1.5bn mostly through: tax partnership agreements for over \$700m, and long term agreements totaling close to \$700m to finance our development in Chile and Mexico.

We are also at an advanced stage of negotiating with IFC for close to \$300m denominated in reais to support our Brazilian development and we are also working on new tax partnerships that will be associated to the projects to be developed.



In addition to that, the granted loans, with EKF, the Danish export credit agency, and with the European Investment Bank, for €500m and €800m respectively, fall within the overall scope to diversify our sources of funding. In this sense, we have recently closed a deal with Banco Santander for over €150m covered by the Spanish Export Credit Agency, CESCE, to finance our development in Mexico.

Thank you for your attention and now, I leave the floor to Francesco, for a few closing remarks.

Francesco Starace *Enel Green Power SpA - CEO*

So, we are the end of the day and I want to thank the President of Enel Green Power, Luigi Ferraris, that was with us for the day and also the CEO of Enel, Fulvio Conti, that has counseled the presentation. Thank you, both of you, for finding the time. I know it's a very busy day.

But let's then summarize. Summarize the business plan, we have set out the key elements of our revised business plan.

We aim to add a total of 4.6GW in the five year period with, once again, close to 1GW that will be added in the current calendar year.

The net growth CapEx associated is €5.4bn and fully funded, as Giulio as shown, from operating cash-flow.

This investment will bring EBITDA to close to €1.9bn this year, to close to €2.3bn in 2016 and to close to €2.6bn in 2018.

We continue to envisage a dividend payout ratio of 30%.

Before summarizing the key highlights of our discussion today, let me draw your attention to how we expect to deliver such growth.

In the initial years of the plan the contribution from new assets will be to a degree offset by the regulatory/pricing discontinuities recorded in the legacy markets also as a consequence of a sluggish economic scenario. This might be conservative but this is the way we see today.

However, starting from 2016 this is will stabilize and we expect to see a stronger growth trajectory thereafter.

Since our inception we have pursued diversification as a tool to maintain growth options and mitigate concentration risk. We continue to see this strategy as a position EGP well to create future value.

To conclude, very simply, we have consistently executed so far in our plans. Indeed we can say today, it is the first year in which we can do that we have delivered our IPO targets one year earlier than the plan that we have set out back in 2010. It is chronologically now possible to asses.

Successive business plans have sought to refocus our pipeline towards carefully selected emerging markets, where we see potential for value creative growth in the future.

We can confirm, when viewed at a global level, the outlook for renewables remains strong, notwithstanding the current economic outlook. This is underpinned by the increasingly competitive cost of renewables versus traditional fossil fuelled generation sources, which will also decrease reliance on subsidies on the subsidies in the future.

We continue to remain confident that with substantial deep and broad pipeline of future potential projects, and pursuing our model of centrally controlling investment location, we can continue to deploy capital only to those projects which will earn our hurdle rate of 11% at the project level.



Our business model has proven to be resilient, notwithstanding economic headwinds. Steadily declining portfolio concentration since inception, as we further diversify our assets both geographically and by technology type, increases the stability and visibility to our earnings.

CapEx is self-funded from cash-flow from our existing portfolio, allowing us to pursue our growth objectives without reliance on asset rotation, whilst maintaining a strong and flexible balance sheet.

So thank you very much for your attention. I would like now to ask Donatella Izzo, our Head of Investor Relations, to come over and coordinate the Q&A session.

Question and Answer

Donatella Izzo *Enel Green Power SpA - Head of IR*

Thank you so much and good afternoon again, ladies and gentlemen. Now we have a few analysts in the room, as usual, but we also have people following us through the internet. Therefore, we will alternate questions from both channels.

We will start in the room. If you wish to ask a question, of course, raise your hand. Somebody will provide your microphone, you stand up and say your name and company name. Thank you.

Pinaki Das *Bank of America Merrill Lynch - Analyst*

Good afternoon. This is Pinaki from Bank of America Merrill Lynch.

My question is regarding the usual topic of Italian power prices. To start off with, if I understood it correctly, I think you mentioned €89/MWh overall price achieved for 2014, and if you were to market at €86/MWh, I'm not sure whether you give that figure for 2015. You have a number of 117, if I understood correctly. Can you give us some idea about where that number could be if you use the current power price of €53 or €54/MWh? And secondly, a related question to that is what are your assumptions for 2016 guidance that you've given in terms of the achieved power price, both in terms of overall and energy component?

My second question is relating to your O&M cost per MW that you've highlighted that it should go down overtime. Is that already embedded in your guidance in terms of the EBITDA that's growing, i.e. I'm just trying to figure out if you can have even more EBITDA apart from the growth CapEx that they are doing just because of efficiency.

And lastly, I've got a question which is probably not relating to your business plan as such but I guess, I just wanted, Francesco, your thoughts on energy storage. It is becoming quite is gaining more traction, let's say. What are your thoughts on energy storage? Clearly, it's quite important for renewable. Is EGP ever going to be involved in that or do you think it's more of a metaphor of the grid companies or the consumer?

Francesco Starace *Enel Green Power SpA - CEO*

Thank you. I think Giulio will take the first two questions of which the first was you have great question on Italian prices which is this time already done. So and then I would take the third question.

Giulio Carone *Enel Green Power SpA - CFO*

Okay. First of all, I like to remind what I said during the presentation. We have hedged 90% of the 2014 production at an overall price of €89/MWh with an embedded conventional energy component of 63. This is the first number.



Then we hedged 2015 with 41% of the total production and overall price of €117/MWh but with an equivalent energy component of €59/MWh. The calculation that we have done is going, I think, in your direction simply to understand which will be the final price. It will go on hedging simply at the current forward price. And the result is €86/MWh with the hypothesis of having 80% of our power coverage by the end of 2015 with a forward price and average of forward price of €54 - €53/MWh which is this is more or less the current forward price.

So if we continue hedging at the current level, we will end with a portfolio of €86/MWh at an overall level and an energy component that obviously is lower than 59 but this is, let me say, in the middle between 59 and 54. But what is important is that exploiting the counterbalancing effect of the Green Certificates, we can, in the end, use this as a parachute to limit the impact on our revenues.

Going to 2017, what we are projecting for 2017 is a price below €70/MWh. A little, obviously, a little bit higher than what we have in our plan for 2015 that I remember is 63. So we are talking about €66 or €67 for 2016 as the overall energy component of the pure power price that we have in our plan.

Going to cost, obviously, in our plan, we have reflected the action that we have today illustrated to you. Obviously, if we will do more, we'll get more in terms of effect on EBITDA. But simply, we are currently including in the number of the business plan the action that in particular, Rafa Gonzalez has illustrated to you.

Francesco Starace *Enel Green Power SpA - CEO*

So on the issue of storage, energy storage, there are basically two areas of attention. One in which most of the activity has been so far which is what kind of storage cost do we have to reach in order to be able to store the energy and then release it when it's more needed. So peak/off peak or keep it now that needs to be curtailed and then release it for later?

That is not what we are today interested in Enel Green Power. We know this is going to happen. It's just a question of time and industry of batteries, and battery manufacturers are working hard at that. There's very little we can add as equal to that part of the equation and I think it's not an area we can add value, we just have to wait for them to get there.

Then there is another, much more important for us at the moment, area which is one kind of storage capacitors and how do we need to add to our solar and wind farms in order for these plans to behave as the other plans. In order for these plans to be able to give primary, secondary, tertiary services to the grid to do voltage and frequently regulation to do balancing services.

And that's something that basically we found out were the only ones to look at the moment. So we have selected four very large manufacturers to work with us. We have selected four real sites, solar and wind farms, and we are putting in these plans things and software that would enable these plans to behave as thermal generating plans when it comes balancing services into the grid and we have to establish with them what it is all about, what kind of batteries we need to put in, what kind of capacitors or super capacitors we need to fit in and how these all with work because we strongly believe that apart from words, you know, we have to integrate, we have to make these things work together technically, we have to work to make it happen by fitting these things into these plants.

Until these plants are not asked to behave as normal plants, this will not happen. That's where we're working on energy storage at the moment.

Donatella Izzo *Enel Green Power SpA - Head of IR*

There's Monica Girardi from Barclays wanting to ask a question. Please, Monica.

Monica Girardi *Barclays Capital - Analyst*

Are you there? Hello, good afternoon everybody. I have actually three quick questions.

One is down to LaGeo. So I understood that you decided to take it out from the installed capacity. I was wondering if your EBITDA target are actually consistently taking the contribution of LaGeo out.



The second one is on CapEx. I understand CapEx is a little bit frontloaded but I was wondering if you can give us the proportion of CapEx which is not mirrored into your 2018 EBITDA target so what's basically the growth which we are not really seeing into the EBITDA of the company.

The last one is a really quick one and straight really question. Robin Hood Tax, what you decided to do at the end given that this year, it should go down.

Thanks.

Giulio Carone *Enel Green Power SpA - CFO*

Okay. It's an easy one, this one.

First of all, LaGeo. Obviously, we have been coherent. We have eliminated also the EBITDA from our numbers. So we will need the capacity in EBITDA.

In term of CapEx, in the current plan, the CapEx that will be spent in 2018 will not bring the capacity during 2018 at around €400m. So for this reason, we are frontloading, into 2019, €400m.

Going to Robin Hood Tax, I think we have used this approach in the past. We will continue to use in the same approach in the future. We projected a flat level of taxes and so we have the same tax. We are, from this point of view, very conservative.

Francesco Starace *Enel Green Power SpA - CEO*

So in the numbers you still have the Robin Hood Tax forever. We really hope it doesn't happen but this is in the numbers we have.

Donatella Izzo *Enel Green Power SpA - Head of IR*

Roberto Letizia also wanted ask questions from Equita. The gentlemen there.

Roberto Letizia *Equita SIM- Analyst*

Yes. Roberto Letizia from Equita.

First, a clarification on the targets. Very interesting, the information you gave on the savings, so I would like to go into better detail of that. You mentioned a potential improvement of 2% to 3% in production from lower losses, let's say. Prices you gave, that should adapt to around €50m improvement. And then you highlight a reduction in the OpEx per MW which on your 9GW of capacity at up to €130m.

So basically, this is €200m that does not come from any capacity additionally. If I make the difference, the €500m that you expect as a growth for the period was on 4,000MW which is quite a low number. So either you have too aggressive on the savings or too conservative on the numbers. So can you compose this picture, highlighting what are the savings included in the plan?

Again, on numbers, you provided a guidance on the dividend which is 1bn flow in the period which is a 30% payout. If I make the reversion, the net income flow over the period is 3bn or an average of €600m per year. So if you start from €500m which is the net income of last year, maybe you end up at €800m with a remarkable growth on net income. So where am I wrong in this accountancy because this is a very interesting number.

Some other question, which are the last one, is technical. The numbers include any negative impact from IFRIC 11 adoption or not and these are the technical one.



Then I have some more general question. Interested about Russia that you have included in the strategy plans, so what are the guidance here I saw in the tenders that you have included for the first time, a tenders in Russia. So what is the government attitude towards development of renewable in Russia?

Then do you see any chance for allowing Europe running PPA contracts in the next year or there is no chance for having you changing idea on this quite interesting option for selling electricity from renewable?

And that's all. Thank you very much.

Francesco Starace *Enel Green Power SpA - CEO*

So let me take these last two questions and then Giulio will answer the one on the dividends then the very technical impact. And then on the savings, I don't know if you want, Rafa, to answer or Giulio, he's going to hand that into production.

So on Russia, yes. We have this announcement that it would be a tender for some wind farms and some solar farms on a competitive basis. Frankly, we don't know much about the details of the way that the government in Russia will finally set up with mine to base this tender upon watt, upon capacity pricing up on tariffs and what kind of rules do we going to face for a local content which is very typically quite a strong point in the part of the world.

So we know they are preparing it and we expect it to be out in the next month. We know it's not anything large. We're talking about some hundred MW so it's basically a test. We are getting ready for that and we will probably participate if we will find the minimum conditions. By minimum conditions that mean rules that we can understand, basically, and not unrealistic requirements or expectation on local content.

These are the typical two mistakes that normal countries make at the very beginning of the phase. So we hope this is not the case in Russia. But so we're going to wait and see what they come up with. They expect to be out in June so that's it.

But again, let's not change our life. It is in the context of Russia a small test. It's the beginning, but it's a small test.

As far as PPAs in Europe, yes, I think it will eventually. We will be free at the end in Europe to have PPAs. I don't see any reason why we should not. Provided this becomes more and more something that people realize which is starting to be the case, provided that more and more, we all realize in Europe that we have increasingly large chance of energy at fixed zero marginal cost value that is not being used properly. In that case, I think, Europe is losing and sooner or later, someone will understand that.

Every time I explain this at any level, people are staring at me, looking and saying, you know, what is this? And then they say, yes, you're right. Why did we get into this?

So I'm totally confident that this will happen. I think it will take maybe a year before everyone will finally set up his mind and maybe it will take the courage of a country to allow it a little earlier than Commission will finally sanction but I'm totally confident this will happen sooner rather than later. Now on the dividends and the technical impact, Giulio.

Giulio Carone *Enel Green Power SpA - CFO*

Okay. Going to dividends, obviously, Roberto, you've done the right calculation from this point of view. We are planning over €3bn of group net profit. And let me say, it's very simple to say that the growth of EBITDA will be followed by correspondent growth of net profit consequent of dividend. Let me say, your number are not far from what we have planned.

Rafael Gonzalez *Enel Green Power SpA – Head of O&M*

Okay. The question about the increase on production savings, let me clarify that. The increase of production, that we have put as a target was 3% in 2012 and we have achieved, let's say, 2% of this target, 0.2% of points.



So the increase in production that we have put in the new plan is this 1% marginal. That means 1.1 KWh in the coming years from 2013 to 2015. Taken to account that each improvement that we do in terms of 1% of point of increase affects to all the fleet so the volume effect is very important. So this is reason why the numbers are secure.

In terms of savings in costs, we are now a cost saving of €65m in five years and we have achieved €35m in two years. So the rest, we have put a more challenging savings in wind and in solar as I has said that could provide an additional saving of €15m of regime annual per year. So these are more or less the numbers.

Giulio Carone *Enel Green Power SpA - CFO*

Okay. Just to complete my answer on the IFRIC 11, obviously this plan is consistent with the application of this principle, new principle, but you can consider that in particular in the beginning of the plan, the impact is very low. It's around €10m. So let me say negligible in terms of evolution.

Donatella Izzo *Enel Green Power SpA - Head of IR*

There's also Roberto Ranieri from Banca IMI.

Roberto Ranieri *Banca IMI - Analyst*

Yes. Good afternoon. Roberto Ranieri from Banca IMI.

Just two questions and a clarification. A clarification on CapEx. I'm just wondering what the CapEx you assumed on the CapEx per MWh you assumed for your plan because you're talking about 1 point in Slide 15 and about €1.3m/MWh and 1.6 in another one. The other one, I suppose includes also the O&M cost? So if you can give us the split of the CapEx for growth and the CapEx per MW for growth only.

Second question is on the EPC and the supply chain. My question is you are increasing your exposure to the emerging countries very fast and in a larger extent. So I'm just wondering if you are hedging also on an operating point of view the supply chain. I mean, equipment supplies, subcontractors for a construction and so my final question is if the CapEx per MW will be set for all the plan or subject to some variable components especially I'm worried about the construction in Brazil or in Latin America as well.

My last question is about the mature markets. You were talking about the substitution to plans. It is not clear to me if this new capacity is substituting the renewable power existing because they are technical, you know, obsolescent or if they are substituting thermal power generation or traditional power generation.

Thank you very much.

Francesco Starace *Enel Green Power SpA - CEO*

Okay. Let me just take this question. Maybe, yes. Frankly, there are two mature markets we are in. One is the USA, one is Europe. So we have to differentiate.

In the USA, we have a very clear phenomenon in front of us and a very strong phenomenon too. One phenomena that is a unidirectional one, basically. The coal plants across the USA have entered an agony phase. They are going to be shutdown progressively because of enforcing of EPC regulatory requirements across the federal territory.

And the utilities that own these plants know it well and they are all doing more or less the same thing which is basically planning to substitute coal, aging coal, the most aging coal first and then coming back with shale gas-driven combined cycles and renewable. The mix is necessary because the volatility of shale gas is unknown. It's for sure a big risk that utilities do not want an cannot, in some cases hedge because of regulatory constraints, they cannot pass the cost of the hedge on a tariff for the customers.



So they can physically hedge it by blending the substitution of coal with a mix of un-hedged shale gas and a mix of fixed cost renewables. That is a big driver of growth in the USA and everywhere. So that is a phenomena that is happening since already now two years, a year and a half and it's going very, very strong.

So we see this going on for a long time and, you know, there's a lot of coal to be worked up on in the USA. That doesn't mean that there will be no coal in the USA. Please don't misunderstand this but a lot of MWs are going to be replaced in the next five years in the USA based on this mix.

In Europe, it's a lot less critical because basically we have an overcapacity situation which is requiring less and less MWs. So I think in Europe, we have seen this in the past. But probably, we will not see any big change in Europe for some time.

So I don't see any major change in the European scenario and in particular, I don't see yet. Maybe it will come in five years, not certain on that any renewable versus renewable substitution because you will have to wait for the first oldest subsidies to expire and then people will have to think what to do with the assets that are still there, that are fully amortized, they keep working at zero marginal cost, is it worth to substitute them without having any additional incentivitation or should they just be left and running for whatever lifetime they have.

So I think the market is there but not now and it's probably going to take some time until we really see this renewable versus renewable substitution effect in Europe.

Giulio Carone *Enel Green Power SpA - CFO*

Going to CapEx, let me clarify which is the content of the Chapter 31. €5.4bn is the level of CapEx evolved into two growth and €1.6m/MWh is the average of the whole business plan for all the capacity that we'll put in operation during this period of time. This is, obviously, differentiated by technology and I can tell you that for example, for wind, we have in the plan 1.4; for hydro, we have 2.4; for geo, we have at €4m/MWh.

On the other end, the remaining portion to reach the €6.1bn of total CapEx is the maintenance CapEx that is more or less €150m per year, split more or less constantly in all the plan.

Donatella Izzo *Enel Green Power SpA - Head of IR*

Okay. Before going on in the room, there's a couple of questions from the internet.

Francesco Starace *Enel Green Power SpA - CEO*

Sorry, there is a question that we have to answer on the EPC. I think you wanted to know about the EPC.

Okay. On the EPC, it's very wide, as you can imagine, situation. We have strong countries with strong EPC tradition, one of them is Italy, another one is the USA basically. Spain, you know, we have strong legacy, good players proven and trusted partnerships, no problems.

Then we have new countries. Take one, Brazil, another one South Africa. There, the typical learning curve starts with take a known established player, tell him come with me and do this job in Brazil. Come with me and do this job in South Africa. We brought in the solar 300MW plants and that we have one in South Africa, Italian turnkey operators. They have their job to do in South Africa.

If they're clever, they will establish partnerships with African players and then they will expand doing their own business. We don't pretend to be the only one, okay, from South Africa into whatever country that we wish.

So overall, this is the beginning and then after a while, local players become potentially good enough to be competitive and this typically lowers the price of the whole operation. So the first steps was a little bit more expensive than the second and the third and the fourth but they entail bringing with you partners, players, contractors that you are comfortable with.



We never really test the contractor in a new country the first time on a standalone basis because why should we take this risk? At the end of the day, it's not worth it. So our pattern is always new country, proven tests, proven and tested partner. And then when the country is no more that new, we test a new partner. So we do always one step at a time.

This entails typically a little bit higher cost at the beginning but less risk. I don't know if that answer the question. Okay.

Donatella Izzo *Enel Green Power SpA - Head of IR*

Okay. So we have a couple of questions from Javier Garrido of JPMorgan who would like to have a bit more color on the evolution on the curve of the net debt and while, besides that, what are the other factors that affect the increasing debt and that neutralize the cash generation.

Associated to that, there's also a question on the cost of debt, the expected cost of debt throughout the plan and also the tax rate which came from Jorge Alonso of Societe Generale. Tax rate.

Giulio Carone *Enel Green Power SpA - CFO*

Okay. First of all, net debt. I think that we can start from 2014 and then go to 2015-'16. Obviously, 2014, we plan a net debt, let me say, in a range between €6bn - €6.3bn depending on the evolution of the CapEx during the year.

In 2015, we will reach more or less a cash flow parity before the consolidation of ENEOP. In the ENEOP, we'll have an impact on our net debt of €500m. So this is, let me say, a step that our debt would made in 2015 and for this reason, we will reach €6.7bn - €6.5bn in that year.

After that, we will start decreasing and we'll go down to 6.3, 6.4 in the year 2016. Let me say, we will have an increase of the debt in 2015 due to the consolidation of ENEOP and then from 2016 on, we will start the leveraging of the group.

Donatella Izzo *Enel Green Power SpA - Head of IR*

The cost of debt in the plan period?

Giulio Carone *Enel Green Power SpA - CFO*

The cost of debt, it is an easy question because if you look in one of the chart in the annexes, you can find that we have hedged our debt on a long term period at a fixed cost. So let me say, we have only taken account the cost of the incremental debt to, let me say, to simulate which will be the cost. In general, we can easily affirm that the cost of debt that will stay below 5% on all debt plan.

Donatella Izzo *Enel Green Power SpA - Head of IR*

In tax rate?

Giulio Carone *Enel Green Power SpA - CFO*

In tax rate, we have assumed cost on return rate, let me say, very like from this point of view. At 37 tax rate, fixed on all year of the plan.



Donatella Izzo *Enel Green Power SpA - Head of IR*

Okay. Is there any question in the room. Giuseppe Rebuzzini.

Giuseppe Rebuzzini *Fidentiis Equities- Analyst*

Good afternoon, everyone. Giuseppe Rebuzzini from Fidentiis Equities.

I have three questions. The first, we understand your assumptions about the power price in Italy after 2015. Can you remind us what your assumption was last year, or alternatively, can you give us the impact on EBITDA in this plan compared to last year on the decrease in power price in Italy?

Second question is about Spain. Again, in comparison with last year plan, can you give us an idea of the impact on EBITDA on Spain of the regulatory changes occurred in that country?

Third question is about cash flow from operations that we see. We have a €9.8bn cash flow over the plan which compares to 8.4 last year, of course, there is the switch from 2013 EBITDA with 2018. But there are €500m to €600m missing. Is that consolidation in ENEOP and for what part or working capital effect?

Finally, a more general question about your long-term CapEx, unit CapEx, I would say, in particular to the solar. There is an indication of 0.7 to €1/MWh. If I combined at least the lower side of that range with your assumption about long-term price in Italy, that means that at least in Southern Italy, installing solar panels without incentives will not be far from your 11% return. Is that something you may start to consider soon?

Thank you very much.

Francesco Starace *Enel Green Power SpA - CEO*

Let me take this last question because you got a point. It's, by the way, somehow the same thing would happen also for some sites in wind, you know, today. So not only Italy but in Europe. Spain, for example, wind, we have sites with 3,000 hours. They would probably become an interesting proposition in a few years.

So the issue is why not, clearly. Maybe coupled with the question that we got before, it will become, of course, yes, provided we would have a PPA. It might remain a why not if we still have this big question mark on what is the margin exposure that we want to have going forward.

Our model is we like to invest when we have a PPA or a visibility on pricing going forward because we think that is, more or less, less of a problem for the investors to understand and less of an issue, you know. Imagine if we had five countries like Italy, we would have five questions on the forward electricity prices on country A, B, C, D and E. So and on part of that, who would like to worry about what is driving these prices which is out of our control, anyway.

So it's not only the fact that the prices are at par or beats today's energy prices in the pool somewhere in a country but what is the visibility of that going forward? So the answer is yes, provided we would have a liquid and debt deep enough forward market that means we would have the possibility to have contractual in PPAs. Okay? That's basically the answer to that question.

Giulio Carone *Enel Green Power SpA - CFO*

Okay. Going, first of all, our prices. In 2016, last year, we had forecasted a price of €73/MWh. If you compare this price to the current one, the current we are planning now, 66, so you have €7 less of power. If you multiple this €7 times the production as merchant we have in Italy, we took about €70m impacted before taxes and this include also that the tax shield that we can use in the profit impact is about €40m.

The arithmetic is very simple. One euro, €1KWh, €10m gross tax, net tax €6m. That's more or less the calculation that you can do when you build your model.



Going to Spain, in Spain, we have already communicated in the full year call that the impact during 2013 of debt, let me say, I will call the new regulation but when we will have the new regulation, we will call it the new regulation. Per regulation, the past regulation that we have now of €50m in 2013 versus, let me say, normalized year and we have also calculated that if we apply only on a full year basis, we need to take in account that the impact is €40m. I remember that we have already taken account for six months in 2013 the impact of this decree.

So on an overall basis, you have to had to this €50m impact at that €20m to €30m to have the full impact on a situation without any kind of new regulation. If we compare the current business plan with the previous one in Spain, we have an impact of around €50m less of EBITDA. That's comparing.

But in any case, if you want to compare this new regulation versus a ward in which no one has become made, I think, you can take in account €80m as a reference for the full impact of the three different layer of a new regulation that the Spanish government has issued.

I I didn't catch the third question. If you could repeat it?

Francesco Starace *Enel Green Power SpA - CEO*

About the cash flow?

Giuseppe Rebuzzini *Fidentiis Equities- Analyst*

It was about the cash flow from operations in the period, from 8.4 last year to 9.8 this year. We understand, of course, around €800m comes from higher EBITDA and the remaining part, what is that?

Francesco Starace *Enel Green Power SpA - CEO*

Simply, higher EBITDA adjustment in networking capital and, let me say, taxes and we have not included it in this portion any consolidation of project.

Donatella Izzo *Enel Green Power SpA - Head of IR*

Okay. Now we have time, if any, for one final question in the room. But before that, there was Enrico Bartoli from the web who wants to understand a little bit the evolution of the prices for our PPAs in the USA because he remarked that in 2012 we had an average price without the PTCs which was around 50 and it's gone down to 45. So he wants to know if this is a floor.

And also another question from Javier Garrido on the potential of a cut in Italy, again, to relieve small enterprises of incentives to renewables in the bill.

Francesco Starace *Enel Green Power SpA - CEO*

So let me take Mr. Garrido's question and let me tell you something. If the government of Italy would have been free to do a retroactive measure and stand the test of court, they would have done it already many times. So this is not something that can happen here.

What can happen here is that the government of Italy, as the government of Portugal, have done and as the government of Romania have done, might propose to the industry a solution or an alternative solution that the industry might find attractive to parts or total effect. Many solutions have been found to the same problem. The problem is let's mitigate the impact of this big tariff cost on the short term and let's dilute it over a longer period of time.

Many ways have been devised to find solution to this common problem. And I am sure that there will be an attempt sooner or later with some creative ideas, to also in Italy, trying to establish an agreed solution. And that would make sense and create value or neutralize the risk, then we would certainly discuss and analyze it.

If not, no one in the industry will follow. I believe these is the context in which Italy is moving and I think it's the right context. I don't see any other risk at all.

As far as the USA prices are concerned, frankly speaking, the USA pricing floor is, I think, an explored entity. I think we finally will say that the floor is reached and then another floor will be reached. Sooner or later, we will find prices in the range of \$30. I'm joking, but it might be happening.

I believe today we are well below what a combined cycle even with shale gas prices of today can withstand. In terms of competitiveness, the wind industry in the USA is well below a threshold of competitiveness. And I think the price floors that you've service are the result of an extreme competitive industry. We are close to an asymptotic level. I think, it's going to be reached in the next year or two. We are not far.

So our experience is it's a competitive project. You probably will reach this floor as soon as the best sites will be wiped out because they will be exploited and as soon as the technology improvement and cost improvement of the industry will kind of stabilize. I think it will take, still, a few years.

Donatella Izzo *Enel Green Power SpA - Head of IR*

Okay. If there is any follow-up question in the room then? For our final one? Thank you then.

Gentlemen?

Francesco Starace *Enel Green Power SpA - CEO*

Thank you very much. So thanks again for your attention, your patience, your interest. And I hope to see you in one of our fantastic road shows. Thank you very much.